

Municipal water treatment capacity is grossly inadequate. Most plants use the stabilization lagoon and activated mud techniques. Fewer than 400 plants treat only 19 percent of municipal discharges. Similarly, only about one-quarter of industrial wastewater is treated. The largest sources of industrial wastewater are the sugar, chemical, pulp and paper, and oil sectors. Together these account for about three-quarters of all industrial discharges.

The *Comisión Nacional del Agua (CNA)*, National Water Commission, has designated 104 municipalities as priority areas for upgrading existing facilities or building new plants. In early 1994, the *CNA* was examining proposals for 18 new treatment plants that would be operated under a concession program. The *CNA's* first objective will be primary sewage treatment. Secondary and tertiary treatment will follow in later phases.

The larger state enterprises are also potential customers. Both *Petróleos Mexicanos (PEMEX)*, the state-owned oil company, and the *Comisión Federal de Electricidad (CFE)*, Federal Electricity Commission, are investing in water treatment plants. During 1993, *PEMEX* alone requested proposals for six new treatment plants which will be constructed on a build-operate-transfer (BOT) basis.

It is estimated that only 16 percent of private industry currently treats its wastewater. New environmental legislation has stipulated that all wastewater must be treated and meet strict standards. New and existing industrial plants will be forced to install water treatment systems in order to comply with the new legislation. As a result, there is an emerging demand for shared water treatment facilities in industrial parks, and much of this investment is being underwritten by municipal governments.

PUBLIC TRANSPORTATION

For these reasons, build-operate-transfer (BOT) financing has begun to appear in the public transportation field. For example, a consortium of four Mexican companies and Montreal-based Bombardier was recently selected to build a major new subway (or else an elevated transit line) in Mexico City, called *Tren Elevado Santa Mónica*. This will be a BOT operation, separate from the city's metro system. This 21 kilometre system will have 27 stations extending from the *Alameda Park* north to *Valle Dorado*. The system will use Bombardier's Advanced Rapid Transit (ART) technology.

Mexico is highly dependent on public transportation, particularly in the major urban centres, including Mexico City, Guadalajara and Monterrey. All three cities have modern subway or elevated light rail systems and all have long-term expansion plans. Increasingly, however, they lack the funds for expansion projects. In addition, it is often difficult for government-operated transit systems to offer the premium service needed to attract higher income commuters who presently travel by automobile.

The philosophy behind the use of the build-operate-transfer (BOT) approach is to provide higher quality service to people who normally commute by automobile. Fares will be reportedly in the range of US \$1.15, roughly four times the price of a ride on the metro. The new line services a relatively high-income area, and is considered a prototype. Some observers believe that as much as 100 kilometres of private rail systems could be feasible.