

# TERRUM

Briefing, analysis, opinion and insight of legal affairs in Mexico  
Digital publication by ABOGADOS SIERRA Y VÁZQUEZ

ABOGADOS  
SIERRA Y  
VAZQUEZ

February 15, 2015 year 03 | No. 03

Challenges and benefits for the  
Mexican Railway Projects.

by Alejandra Llopis  
P. 01-03

JANUARY NEWS on  
Mexican Aviation  
P. 04

Contributors  
P. 05

"DILIGITE JUSTITIAM QUI JUDICATIS TERRAM." "Ye who judge the earth, give diligent love to justice"

# Challenges and benefits for the Mexican Railway Projects.

by Alejandra Llopis.

TERRUM

Monthly Digital Publication  
ABOGADOS SIERRA Y VÁZQUEZ

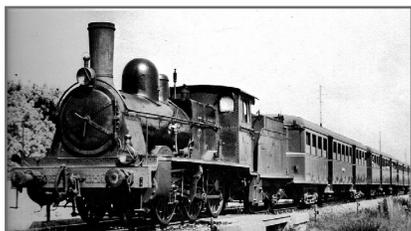
In this article, the author will cover one of the matters that are having an important impact within Mexico. This is the railway project and the progress, as well as the benefits that have been made in recent months.

To understand the railway progress in Mexico, it is important to analyze, in a very brief study, the advances made since the beginning of railway history in Mexico.

Mexico's rail history began in 1837, with the granting of a concession for a railway to be built between Veracruz, on the Gulf of Mexico, and Mexico City. However, no railway was built under that concession. Later in the year of 1857, Mr. Antonio Escandón, a Mexican industrial who participated in the Mexican railway history, secured the right to build a line from the port of Veracruz to Mexico City and on to the Pacific Ocean. Then, until 1864, under the regime of Emperor Maximilian, the Imperial Mexican Railway Company began the construction of the line. The initial segment from Veracruz to Mexico City was inaugurated nine years later on January 1, 1873 by President Sebastián Lerdo de Tejada.

Mexico's first attempt at railway building began in the year of 1840. President Porfirio Diaz encouraged further rail development through generous concessions that included government subsidies for construction, President Diaz, set out to change that in 1880 by offering concessions to United States companies willing to fund and build Mexican railways. Over the next few decades, rail lines gradually radiated from Mexico City to connect interior points with the United States railway network at Nogales, Arizona, and the Texas towns of Laredo and El Paso.

Many Mexican railways were in fact controlled then by American and British companies, which operated them primarily for north-south commerce. In the traditional agrarian economy of Mexico, railways did not have the same transforming effect that the railways of the north did. Only in the twentieth century would Mexico's railway network come into its own as a genuine national system.



In 1937 the Mexican Government nationalized the railways in Mexico, then the Mexican railway system became extensive, and the largest rail line is the state-owned Mexican National Railways (Ferrocarriles Nacionales de México), herein after, FNM, which operates 80 percent of the total rail traffic. The second largest network, also state-owned, is the Pacific railway, which links Nogales and Guadalajara.

Most Mexican cities have rail links with the United States, including Ciudad Juárez, Laredo, Piedras Negras, Reynosa, Matamoros, Nogales, and Agua Prieta. The Mexican railway system also connects with the Central American lines through Guatemala.

In the year of 1992, FNM's rolling stock consisted of 1,575 diesel locomotives and 42,240 freight cars. In addition, some 60,000 privately owned freight cars were in service. In the year of 1992 FNM carried 49 million tons of freight, representing 12 percent of all freight traffic in Mexico.

Railways in Mexico were only lightly used by passengers in the early 1990s, accounting for just 2 percent of total intercity passenger travel. In the year of 1992 FNM carried almost 15 million passengers on its fleet of more than 800 passenger rail vehicles. In the year of 1993 it began gradually privatizing its passenger operations by means of concessions to private carriers. In 1995 the Mexican congress passed legislation allowing private investment in railways under fifty-year concessions. Also in that year, private companies were allowed to operate various portions of the rail network.<sup>1</sup>

1.- <http://www.todopormexico.org/t2048-industria-ferroviaria-de-mexico>

The Mexican railway system provides freight and passenger service throughout the country and with rail connections at the United States border. Passenger rail services were limited to a number of tourist trains between the years of 1997, when FNM suspended service.<sup>2</sup>

Actually the companies that manage the services of the Mexican railways are:

- Ferrocarril Mexicano, S.A. de C.V. (Ferromex)
- Kansas City Southern de México, S.A. de C.V. (TFM, Transportación Ferroviaria Mexicana)
- Ferrocarril Coahuila Durango, S.A. de C.V.
- Ferrocarril del Istmo de Tehuantepec, S.A. de C.V.
- Ferrocarril del Suereste, S.A. de C.V. (Ferrosur)
- Ferrocarriles Chiapas Mayab, S.A. de C.V.
- Ferrocarriles del Valle de México S.A. de C.V. (Ferrovalle)

Now a days, Mexico has significant development within the railway industry, by the creation of new railways that have a very important impact in the government of President Enrique Peña Nieto. To begin with the development, the Secretary of Communications and Transports, is preparing to re-open the project to build a 210 kilometers high-speed railway between Mexico City and Querétaro.<sup>3</sup>

This railway project that will connect the Federal District of Mexico with Querétaro seeks to expand the supply of transport into the city, to lower travel times and with environmental benefits.<sup>4</sup>

The Mexican government has issued the new invitation to tender for the project. The contract includes the construction and maintenance of the route, and supply of the new high-speed rolling stock. Mexico City – Querétaro, is phase one of the route. In the future, it is planned to extend the line to Bajío, Guadalajara and the north of the country.<sup>5</sup>

On January 14, 2015, the Secretary of Communications and Transports, released the bases for the invitation to tender of the high-speed railway México–Querétaro, and established that on July 31 of this year, will announce which of the interested companies is the winner of the tender. The winner company will be responsible to ensure the functionality and security of the train, and will have to undertake a test period for five years.

It is important to mention that there was a previous invitation to tender for the construction of the railway, which was won by China Railway Construction Company, but it was revoked by President Peña Nieto because in the process, only one participant was included. This second tender will have to include more than one participant.

The high-speed railway will be the first kind of this type in Latin America and it will travel a distance of 210 kilometers at a maximum speed of 300 kilometers per hour. It is estimated with an affordable rate, this high-speed train will carry approximately 27,000 passengers per day.

On January 13 of this year, President Peña Nieto inaugurated the new railway station at Durango. This railway is a targeted to convert Durango in one of the most important commercial places in the north of the country.

2.- <http://catarina.udlap.mx>

3.- <http://www.forbes.com/sites/doliaestevez/2015/01/05/>

4.- <http://www.altonivel.com.mx/46518-dan-fallo-del-tren-mexico-queretaro.html>

5.- <http://www.mexicodesconocido.com.mx/red-ferroviaria.htm>

This railway will connect the Pacific and the north of the country and will allow a greater interconnection with the United States of America. The work for this railway, initiated on July 2012, includes a construction of 23 kilometers of railroads. With the construction of this new railway, Durango will have greater competitiveness for imports and exports between Mexico, Asia, USA and Canada.<sup>6</sup>

This year another significant event occurred on January 23 in which the Secretary of Communications and Transports, announced a three new railway project details to fifteen international construction companies while stating that passenger railways are a priority for Mexico. This includes the following routes:

- México-Toluca
- Mérida-Playa del Carmen
- The Electric Line 3 of Guadalajara

Next year, the invitation to tender for this railway projects will be published and all the projects will be concluded before the end of the administration of President Peña Nieto.

The technical information was released for these three new railway projects for bidding manufacturers from Germany, Canada, China, Korea, USA, Spain, France, Italy and Japan, who were informed about the infrastructure, energy and the quality service and environmental protection, among others.

It was stated that for the railway route Mexico-Toluca, it is expected to use vehicles reaching a top speed of 160 mph and have the capacity to transport around 400 thousand people. The route Mérida-Playa del Carmen, will require units reaching 180 kilometers per hour and to transport approximately a thousand passengers. Electric Line 3 of Guadalajara will require a speed of 90 kilometers per hour for 500 passengers.

The Secretary of Communications and Transports informed that with this information, it expected to reduce the time of manufacture and delivery and in addition to achieve the low costs in accordance with applicable federal law.

There is also a railway project in Coahuila. The company Ferromex, estimates that these railway lines, will be the most important throughout the country because of the growth that has been experienced there in the last year and the services and rates that this company offers.<sup>7</sup>

This year 2015 will be very important for the development of Mexico because of the planned projects. There will be at least twelve infrastructure projects that will take place in important places in Mexico City. The government of Mexico, will have to initiate the invitation to tenders and begin the construction process in order to expand public transport networks, for both domestic and international transport.

The government intends to transform Mexico with the expansion of the transportation infrastructure and to improve public transportation system and services; passenger railways are now a priority for Mexico that surely will have many advantages and benefits. Mexico has the basis to carry out new projects that will have as a result, important investments and development

6- <http://colimaexpress.com>

7- <http://www.mexicodesconocido.com.mx/red-ferroviaria.html>

### **¿Has the AML law worked?**

The AML law has the purpose of protect the Mexican financial system and the national economy, establishing procedures and actions in order to prevent and detect any act involved in transactions or operations with a non-legal provenance, by the interagency coordination, so they can have the information and the identity data of the people, information in the payment procedures, among others, that will allow the authority to detect and investigate the destination of the resources used by the criminal organizations, regarding the obtained money as part of their criminal activities. *El Mundo del Abogado. 01/01/2015.*

### **Amidst Crises at Home, Mexico Should Deepen Cooperation with the United States.**

Mexico's President Enrique Peña Nieto arrives in Washington today looking for a boost in the midst of the toughest months of his presidency. To make the visit a successful one, President Peña ought to support undocumented Mexican citizens in the United States that are eligible to apply for deferred action through President Obama's recent executive action on immigration, redouble U.S.-Mexico cooperation to strengthen Mexico's law enforcement institutions, and continue to push for increased U.S.-Mexican cooperation on issues related to trade and manufacturing. Without tangible outcomes on these important issues, the visit could look like more of a distraction from Mexico's troubles than part of a solution to them. *Forbes. 05/01/2015.*

### **Mexico to Reopen Bidding for Multibillion High-speed Train at Center of Scandal.**

The Mexican government announced that it will reopen the bidding process for a \$3.75 billion high-speed train contract that was abruptly canceled in November when it became entangled with a possible conflict-of-interest scandal involving Mexico's First Lady. Mexico's Department of Transportation said in a statement on Sunday that it will publish preliminary terms for the project on January 14. The terms of the tender, which will be open for 180 days, will be similar to the original one, the agency said. The 130-mile line, which will connect Mexico City and the central city of Queretaro, is expected to move 27,000 passengers daily at speeds of up to 186 mph. *Forbes. 05/01/2015.*

### **Mexico stands strong regardless of the oil prices.**

The Secretary of Treasury and Public Credit, has rejected the possibility that a future rise in the interest rates of United States may result in a flight of capital from Mexico. The director of the Public Credit section of the Secretary, Alejandro Díaz de Leon, states that the interest in the debt market on behalf of foreign investors has risen. Thus, Mexico continues to be a strong foreign investment attractor and will not produce a flight of national capitals. The lowering prices of oil, have shaken the peso's value 6.4%, however Mexico has the economic and financial structures to remain firm after the oil prices hit their low. *El Economista. 25/01/2015.*

### **It is urgent to reduce the backlog of the trials in Mexico.**

The new adversarial criminal justice system it's supposed to be working by June of 2016, however, at the moment 20 states of the Republic are below the 60% in the implement of it, they present backlogs in different levels from personal training till the infrastructure so that the oral trials can be developed. *El Universal. 27/01/2015.*

# TERRUM

Briefing, analysis, opinion and insight of legal affairs in Mexico

## CONTRIBUTORS

### **Alejandra Llopis**

Attorney at Law: Admitted to practice law in 2008. Ms. Alejandra Llopis, of Mexican nationality obtained her law degree at Universidad Anahuac del Norte, Edo. Mexico.

PRACTICE AREAS: Customs Law, Aviation Law and Corporate Law.

LANGUAGES: Spanish and English.

e-mail: [allopis@asyv.com](mailto:allopis@asyv.com).

ABOGADOS  
SIERRA  
VÁZQUEZ

Prol. Reforma No. 1190 25th Floor  
Santa Fe México D.F. 05349  
t. (52.55) 52.92.78.14  
f. (52.55) 52.92.78.06  
[www.asyv.com](http://www.asyv.com) | [www.asyv.aero](http://www.asyv.aero)  
[mail@asyv.com](mailto:mail@asyv.com)

The articles appearing on this and on all other issues of Terrum reflect the views and knowledge only of the individuals that have written the same and do not constitute or should be construed to contain legal advice given by such writers, by this firm or by any of its members or employees. The articles and contents of this newsletter are not intended to be relied upon as legal opinions. The editors of this newsletter and the partners and members of Abogados Sierra y Vazquez SC shall not be liable for any comments made, errors incurred, insufficiencies or inaccuracies related to any of the contents of this free newsletter, which should be regarded only as an informational courtesy to all recipients of the same.