CHALLENGES IN MEXICO AND POTENTIAL PATHWAYS TO FOSTER THE SECTOR

Decarbonising Railways in Times of Crisis

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Challenges in Mexico and Potential Pathways to Foster the Sector

INDEX

1. Mexican Rail Network
2. Facts & Figures
3. Scheme & Regulation
4. Current situation
5. Challenges
6. Path Forward

The Mexican Rail Sector: The Network

TRACK TYPE DISTRIBUTION 2018		
Type of Track	**Length (Km.)**	**%**
Concessioned Main and Secondary Track	17,360	74.2%
Auxiliary Track (Yards & Sidings)	4,474	19.1%
Private Track	1,555	6.7%
TOTAL (Operational Track)	**23,389**	**100%**
Out-of-operation Main and Secondary Track	3,525	
TOTAL	**26,914**	

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The Mexican Rail Sector: Facts & Figures

FREIGHT TRANSPORT CONCESSIONS			
Concessionaire		**Concessioned Track**	**Km. Of Track**
GrupoMéxico TRANSPORTES	Ferrocarril Mexicano, S.A. de C.V. (FERROMEX)	Pacífico-Norte	6,858
		Ojinaga-Topolobampo	943
		Vía Corta Nacozari	320
Kansas City Southern de México	Kansas City Southern de México, S.A. de C.V. (KCSM)	Noreste	4,250
GrupoMéxico TRANSPORTES	Ferrosur, S.A. de C.V. (FERROSUR)	Sureste	1,565
		Vía Corta Sur	42
FERROCARRIL DEL ISTMO DE TEHUANTEPEC, S.A. DE C.V.	Ferrocarril del Istmo de Tehuantepec, S.A. de C.V. (FIT)	Vía Troncal del Istmo de Tehuantepec	1,827
		Vía Corta Oaxaca	217**
COAHUILA DURANGO	Línea Coahuila-Durango, S.A. de C.V. (LCD)	Vía Corta Coahuila-Durango	996
FVM FERROVALLE	Ferrocarril y Terminal del Valle de México, S.A. de C.V. (FTVM)	Valle de México	287
ADMICARGA ADMINISTRADORA DE LA VIA CORTA TIJUANA-TECATE	Gobierno del Estado de Baja California. Administradora de la Vía Corta Tijuana-Tecate (ADMICARGA)	Vía Corta Tijuana-Tecate	71

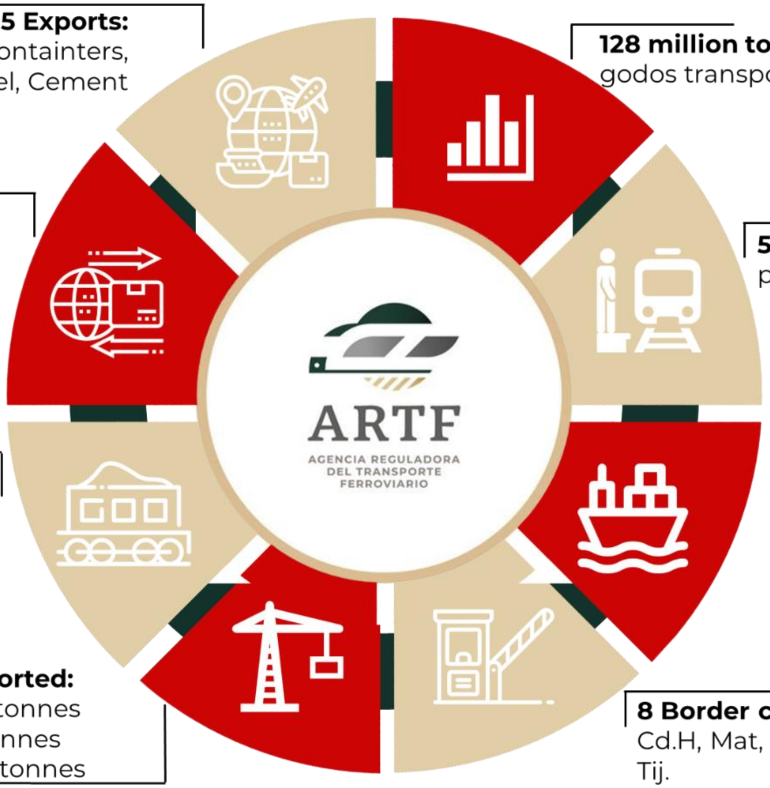
Basic Facts & Statistics (2019)

Top 5 Exports:
Motor Vehicles, Beer, Containters, Fuel, Cement

128 million tonnes of godos transported

Top 5 Imports:
Corn, Steel plates, beans, soybeans, wheat

57.80 millones de pasajeros transportados:



Land transportation share:
- Truck: 75%
- Rail: 25%

Rail Access to 12 main ports:
Alt, Tam, Ver, Coa, Sey, Chis, SC, LC, Man, Maz, Top, Gua.

Volumes transported:
- Imports: 67.20 tonnes
- Exports: 24.3 tonnes
- Domestic: 36.5 tonnes

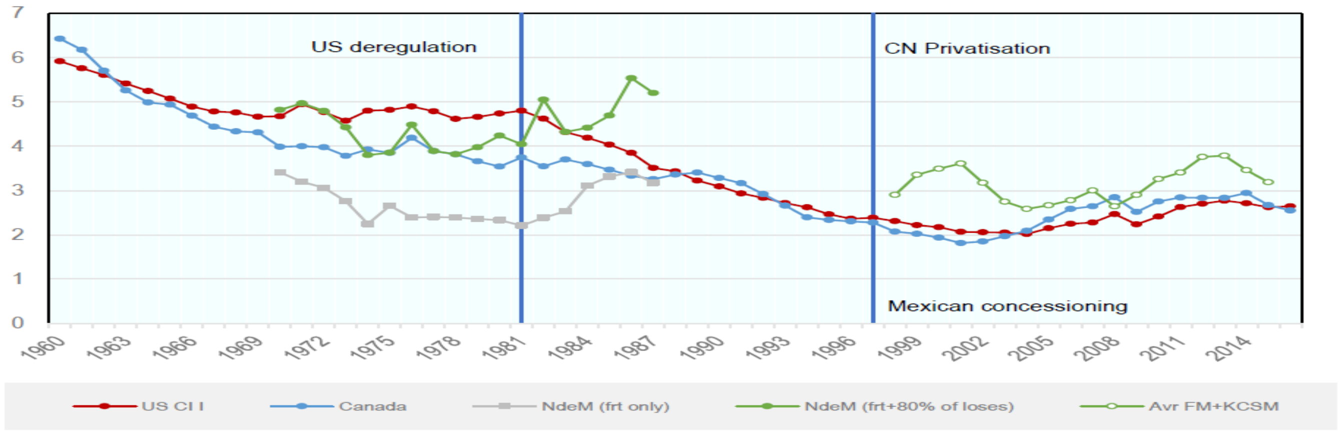
8 Border crossings:
Cd.H, Mat, NL, PN, Cd. J., Nog, Mex, Tij.

The Mexican Rail Sector: Scheme & Regulation

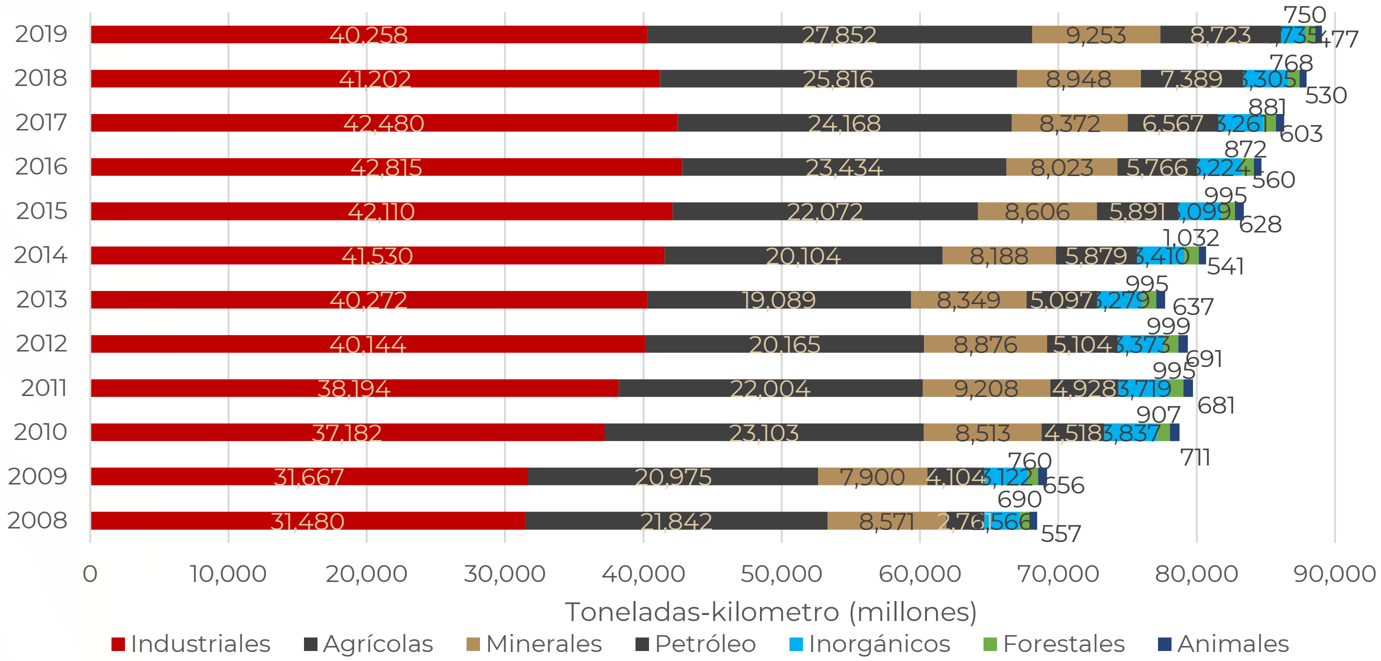
- National company from 1908 to 1995.
- 1995, complete restructuring: Concession model. Vertically integrated. Regional market power.
- Main objectives met and significant progress so far, but challenges still ahead.
- Investment over 8,500 M USD in 23 years. Traffic more than double.
- **2015 reform, creation of ARTF. Duties: technical & economic regulation, safety, registrar, rail law enforcement.**
- Economic regulation in exceptional cases. Intervention must be preceded by investigation and ruling by the Federal Competition Commission.

The Mexican Rail Sector: Current status

- Enormous unbalance between freight and Passenger services, that were cancelled due to strong policy against subsidies
- Volumes have been growing at a higher rate than GDP.
- Modal share: Rail won significant share of Surface transportation in the first 10-12 years of concession. Stalled since then.
- **International trade is the main vocation of the Mexican Rail System. Competitive rates in comparison with Canada & US.**
- **Product segments: Industrial products (autos & parts, consumer goods), agricultural, minerals.**



Graph credit OECD-ITF. 2012 USD cents/tonne-km



Graph credit ARTF. Rail Statistics Yearbook 2019

The Mexican Rail Sector: Challenges

- Passenger service limited to one commuter line (Mexico City) and two touristic services.
- Competition against road transportation: uneven ground.
- Density of traffic: continuous improvement in the past 20+ years, but capacity is still available. Bottleneck is now terminals.
- **Better information = better regulation: New system of Rail KPI's.**
- ARTF consolidation, created 4 years ago, many regulatory tools still in development: network model, economic regulation tools. Budget constraints.
- Short trackage rights could improve access and competitiveness.

The Mexican Rail Sector: Path Forward

- Long-term (50 year) prospective study in progress. (first time!)
- Increase freight railway modal share to 40%.
- Bring back Passenger service considering a scalable interoperable network. (medium-size projects*)
- Safety & security: grade crossings, external factors. Safety regulation.
- Post-COVID-19: strong position.
- **USMCA: Railways are a key factor in North-American supply chains.**
- Freight conversion from truck to rail.
- Decarbonization: the current administration is promoting railways very strongly. Initiatives within railroads.

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