OVERVIEW OF THE MEXICAN RAIL SECTOR

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Overview of The Mexican Rail Sector

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The Mexican Rail Sector: The Network

### TRACK TYPE DISTRIBUTION 2019

<table>
<thead>
<tr>
<th>Type of Track</th>
<th>Length (mi.)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concessioned Main and Secondary Track</td>
<td>10,850</td>
<td>74.2%</td>
</tr>
<tr>
<td>Auxiliary Track (Yards &amp; Sidings)</td>
<td>2,796</td>
<td>19.1%</td>
</tr>
<tr>
<td>Private Track</td>
<td>972</td>
<td>6.7%</td>
</tr>
<tr>
<td><strong>TOTAL (Operational Track)</strong></td>
<td><strong>14,618</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of Track</th>
<th>Length (mi.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Out-of-operation Main and Secondary Track</td>
<td>2,203</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>16,821</strong></td>
</tr>
</tbody>
</table>
# The Mexican Rail Sector: Facts & Figures

## Basic Facts & Statistics 2019

### Freight Transport Concessions

<table>
<thead>
<tr>
<th>Concessionaire</th>
<th>Concessioned Track</th>
<th>Miles Of Track</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ferrocarril Mexicano, S.A. de C.V. (FERROMEX)</strong></td>
<td>Pacífico-Norte</td>
<td>4,286</td>
</tr>
<tr>
<td></td>
<td>Ojinaga-Topolobampo</td>
<td>589</td>
</tr>
<tr>
<td></td>
<td>Vía Corta Nacazari</td>
<td>200</td>
</tr>
<tr>
<td><strong>Kansas City Southern de México, S.A. de C.V. (KCSM)</strong></td>
<td>Noreste</td>
<td>2,656</td>
</tr>
<tr>
<td><strong>Ferrosur, S.A. de C.V. (FERROSUR)</strong></td>
<td>Sureste</td>
<td>978</td>
</tr>
<tr>
<td></td>
<td>Vía Corta Sur</td>
<td>26</td>
</tr>
<tr>
<td><strong>Ferrocarril del Istmo de Tehuantepec, S.A. de C.V. (FIT)</strong></td>
<td>Vía Troncal del Istmo de Tehuantepec</td>
<td>1,142</td>
</tr>
<tr>
<td></td>
<td>Vía Corta Oaxaca</td>
<td>136</td>
</tr>
<tr>
<td><strong>Línea Coahuila-Durango, S.A. de C.V. (LCD)</strong></td>
<td>Vía Corta Coahuila-Durango</td>
<td>623</td>
</tr>
<tr>
<td><strong>Ferrocarril y Terminal del Valle de México, S.A. de C.V. (FTVM)</strong></td>
<td>Valle de México</td>
<td>179</td>
</tr>
<tr>
<td><strong>Gobierno del Estado de Baja California. Administradora de la Vía Corta Tijuana-Tecate (ADMICARGA)</strong></td>
<td>Vía Corta Tijuana-Tecate</td>
<td>44</td>
</tr>
</tbody>
</table>

### Top 5 Exports:
- Motor Vehicles
- Beer
- Containers
- Fuel
- Cement

### Top 5 Imports:
- Corn
- Steel plates
- Beans
- Soybeans
- Wheat

### Land transportation share:
- Truck: 74%
- Rail: 26%

### Volumes transported:
- Imports: 66.0 M tonnes
- Exports: 22.3 M tonnes
- Domestic: 36.9 M tonnes

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

### 8 Border crossings:

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125 million tonnes of goods transported
57.80 million passengers
The Mexican Rail Sector: Scheme & Regulation

- State-owned company from 1908 to 1995 – Ferrocarriles Nacionales de México.
- Main objectives met and significant progress so far, but challenges still ahead.
- Investment over 8.5 billion USD in 23 years.
- 2015 law 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

- 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.
- International trade is the main vocation of the Mexican Rail System. Competitive rates in comparison with Canada & US.

Graph credit OECD-ITF. 2012 USD cents/tonne-km
The Mexican Rail Sector: Current

- Modal share: Rail won significant share of Surface transportation in the first 10-12 years of concession. Stalled since then.
- Main product segments: Industrial products (autos & parts, consumer goods), agricultural, minerals. GRAIN!
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*)
- Post-COVID-19: strong position.
- **USMCA: Railways are a key factor in North-American supply chains.**
- Freight conversion from truck to rail.
ARTF: Who we are?

- The Rail Transportation Regulatory Agency of Mexico is a deconcentrated administrative body of the Secretariat of Communications and Transportation established Aug. 2016.
- 70 staff plus trainees and interns.
- $6.2 million average yearly budget.
- Duties: Technical and economic regulation, safety, statistics, registrar, inspections, promotion, emerging projects, controversies and sanctions.
- Recent developments:
  - First regulated rates case
  - New KPI’s, Yearbook, Altas of the MRN
  - Great Vision Study of the Mexican Railway Sector
  - Waze alerts, Grade crossing projects
  - Online inspection platform
  - Issuing of four new technical official norms