

According to the World Economic Forum, Mexico is ranked 64th out of 125 countries, based in terms of the Infrastructure Competitiveness Index. Internationally, Mexico is ranked 65th in railways, 64th in ports, 55th in airports, 73rd in telecommunications and 49th in highways. In Latin America, Mexico's infrastructure is ranked 7th, behind Barbados (28th), Chile (35th), Panama, (46th), Jamaica (53rd), El Salvador (54th) and Uruguay (58th). At the industry level, in Latin America, Mexico ranked 3rd in railways, 11th in ports, 8th in airports, 14th in electricity, 8th in telecommunications and 6th in highways.

Considering the challenge of the above rankings, the current Federal Administration has recently articulated the non-precedent National Infrastructure Program (hereinafter "NIP"). Its goal for 2030 is to place Mexico at the top 20% in the World Economic Forum's Infrastructure Competitiveness Index. In order to achieve this goal, Mexico must become a leader in coverage and quality of infrastructure in Latin America by 2012.

The NIP was built under the assumptions established in what the Federal Government refers to as the base scenario; that is, taking into account the positive impact on investment resulting from the Public Finance Reform passed in October, 2007. According to this scenario, the infrastructure investment estimated for the period 2007 – 2012 will be 3.0 – 4.5% of the Mexican GDP. Further, should some other structural reforms be made – including labor, energy and telecommunications – the level of investment could even be raised to 4.5 – 6.0% of the GDP.

In this context, the NIP covers over 300 specific investment projects on eleven sectors: Highways, Railways and Multimodal Infrastructure, Ports, Airports, Telecommunications, Water Supply & Sanitation, Irrigation & Flood Control Infrastructure, Electricity, Oil & Gas Production; and Refinery, Gas & Petrochemicals.

Based on those sectors – in addition to Mining Infrastructure – we have selected some of the most relevant business opportunities that may attract your attention when deciding your company's investment portfolio. Each section describes the economic background of the specific area, highlights the investment opportunities according to official sources; and outlines the respective regulatory framework.

As we did when publishing Energy – Investment Prospects and Legal Framework, we warmly welcome you to keep track of regulatory trends and further business prospects by visiting our website and accepting our newsletters on the subject.

With 75 years of sound experience assisting entrepreneurs from numerous countries, Goodrich, Riquelme y Asociados is creatively prepared to assist you towards a success story in Mexico.

Editors,

*David Enríquez. Partner
Carlos Morán. Associate*

ELECTRICITY

The Mexican power sector offers interesting opportunities for technology suppliers, constructors and power generators. Being one of the most private oriented sectors within the Mexican energy industry, the investment prospects in electricity are worth a close look

BACKGROUND

M The Mexican electricity sector is dominated by the state owned companies Comisión Federal de Electricidad (CFE) and Luz y Fuerza del Centro (LyFC) as the public power supply is an exclusive activity of the State. LyFC provides electricity to 20 million people in the central area of the Mexican territory. Being responsible for supplying power to 80 million people in the rest of the Mexican territory, CFE is the most important one.

Private participation in the electricity sector is permitted in cases that are not deemed to be "public power supply". Currently, the mostly used cases for private participation are:

(1) Independent energy producers (Productores Independientes de Energía - PIEs). They generate electricity for the exclusive purpose of selling it to CFE.

(2) Self- and co-generation. Self-generation is the production of electricity power by an individual, a company or a group of companies to satisfy their own needs. A subclass of self-generation is co-generation which also serves the satisfaction of own needs, when the electricity is generated with steam or any other type of secondary thermal power, or both; direct or indirect production of electric energy from unused thermal power in a given process; or the direct or indirect production of electricity through the use of fuels produced in a given process.

Currently, more than 26.58% of the electricity of the State-owned companies is generated by PIEs. Self-generation and co-generation were equivalent to 10.37% of the generation of CFE, LyFC and PIEs.

In addition, in 2006, the installed capacity came to 56.4 thousand megawatts (CFE 47.8; LyFC 0.9 and self- and co-generation 7.6 thousand megawatts). The installed capacity used 36% natural gas, 29% fuel oil, 9% coal, 17% hydroelectric, 4% small

hydroelectric 4%, 3% nuclear and 2% renewable (without hydroelectric). 175,371 GWh of electricity were sold. The power supply network consisted of 734.4 thousand kilometers. The average price (all sectors) was \$MXN 1.13 per kWh (between MXN \$0.44 for agricultural use and MXN\$ 2.31 for commercial use).

The Mexican power sector has to deal with problems concerning the quality and the efficiency of power supply. Energy prices are above international standards and so are interruptions (in 2006 CFE and LyFC suffered 100 and 112 minutes per customer per year, respectively) and losses (16.5% of the generated electricity in 2004). Additionally, the Mexican power sector has to respond to an increasing energy demand of estimated 4.8% p.a. between 2007 and 2016, equivalent to 121 million MWh from 2006 to 2016.

INVESTMENT OPPORTUNITIES

The NIP contains the following goals for 2012 for the power sector:

- Maintain the reliability of the electrical energy supply, planning a reserve margin of 23% to 25%.
- Increase effective generation capacity to 9 thousand megawatts.
- Strive for renewable sources to represent 25% of the effective generation capacity.
- Put into operation over 14 thousand kilometers of circuit lines through the varying tension levels.
- Increase electricity service coverage to 95.5% of the population.
- Place Mexico at the top 40% of countries with the best evaluations according to the Quality of Electricity Supply Index of the World Economic Forum.

This goal shall be achieved by estimated public and private investments during 2007-2012 in the region of USD 34 billions dollars:

ESTIMATED INVESTMENT (billion US dollars)	
Concept	Total
Generation	14
Transmission	8
Distribution	7
Maintenance	4
Other	1
Total	34

Source: NIP

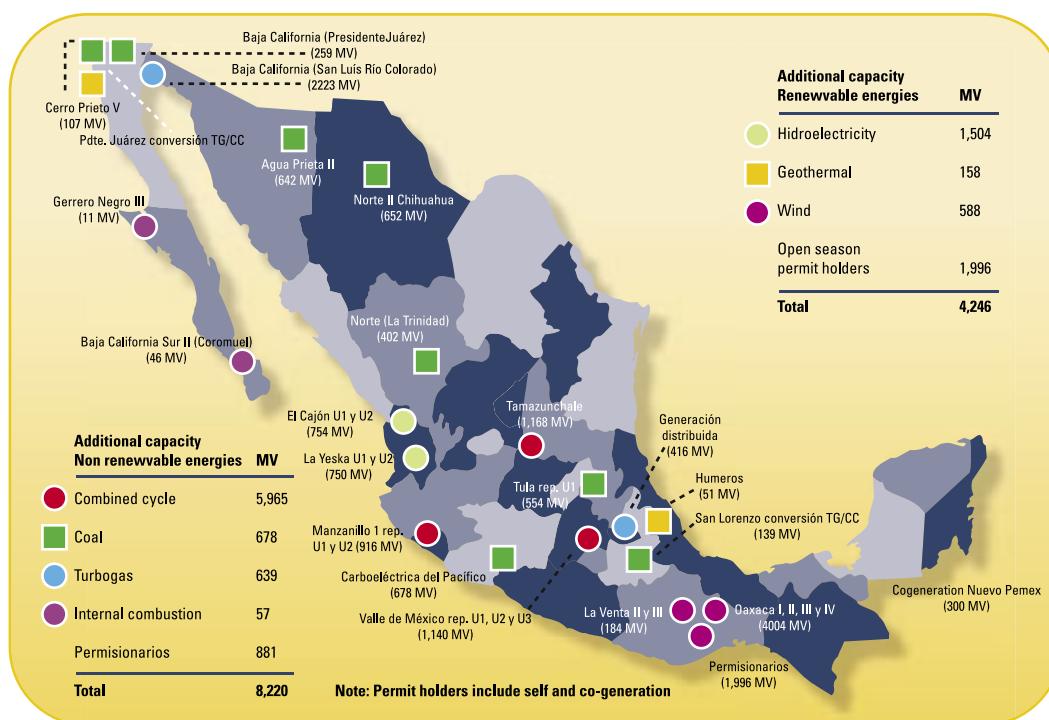
In 2012, 41% of the installed capacity should derive from natural gas, 20% from fuel oil, 17% from hydroelectricity, 3% from small hydroelectric, 10% from coal, 5% from renewable sources (excluding hydroelectricity), 3% from nuclear power. The NIP includes generation, transmission and transformation and distribution projects.



- Generation projects

Technology	Number of power plants	Capacity (MW)	Amount of investment (thousand million pesos)
Coal	4	2,778	34.5
Hydroelectric	5	3,093	42.4
Combined cycles	20	9,675	70.7
Wind	19	2,584	9.4 plus an undefined amount
Geothermal	2	158	2.4
Nuclear	1	196	7.8
Co-generation (PEMEX)	1	300	3.8
Turbo gas	5	371	3.7
Internal Combustion	2	57	0.8
Not defined	14	448	0.5

Main Projects in Generation 2007-2012



- Transmission and transformation projects
14 projects of a total amount of investment of MXN 49.9 billion.
- Distribution projects
7 projects of a total amount of investment of MXN 46.5 billion.

LEGAL FRAMEWORK

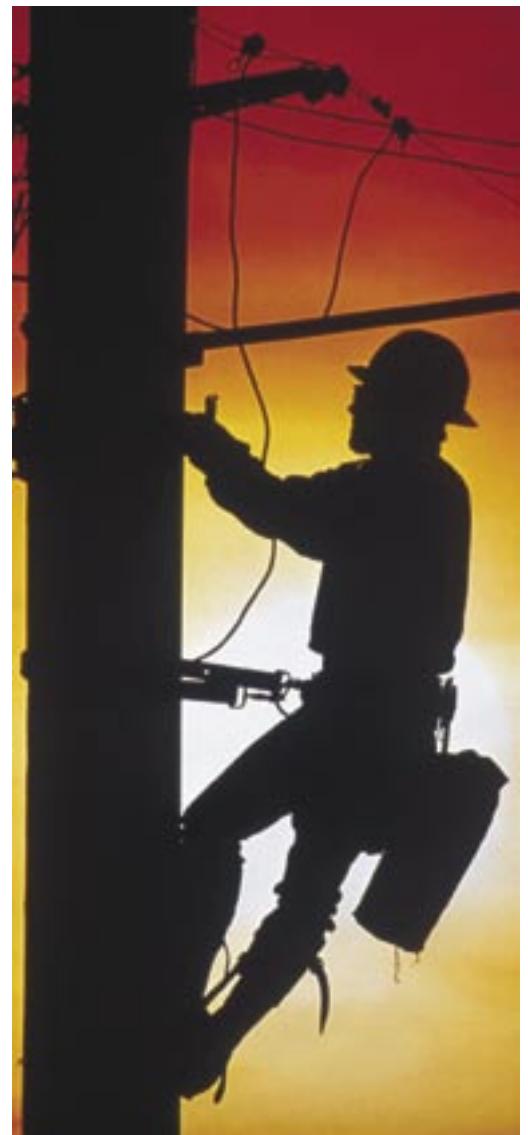
The legal framework in the power sector depends on the nature of the projects. Mexican law distinguishes between (i) projects performed by CFE; (ii) power plants operated by Independent Electricity Producers; and (iii) self- and co-generation projects.

Projects executed by CFE.

(i) Projects carried out by CFE as power plants

operated by CFE as well as transmission and transformation and distribution projects can be performed under the PIDIREGAS program. These projects always derive from a public procurement procedure. The relevant funding is previously approved by the Congress. The debt is repaid with the cash flow generated by the project itself. Under PIDIREGAS, contractors make the required investments on behalf of CFE and obtain funds to finance the costs of the construction phase of the projects. When the works are completed, CFE pay the total costs of the construction.

(ii) Independent Electricity Producers (PIEs).
PIEs construct and operate the power plant. CFE initiates a public procurement procedure and signs the contract with the company which offers



the best price for the generated electricity. PIEs require a permit from the Comisión Reguladora de Energía (CRE -- Energy Regulatory Commission). Self- and co-generation projects.

(iii) Self- and cogeneration projects require a permit from the Comisión Reguladora de Energía (CRE - Energy Regulatory Commission).

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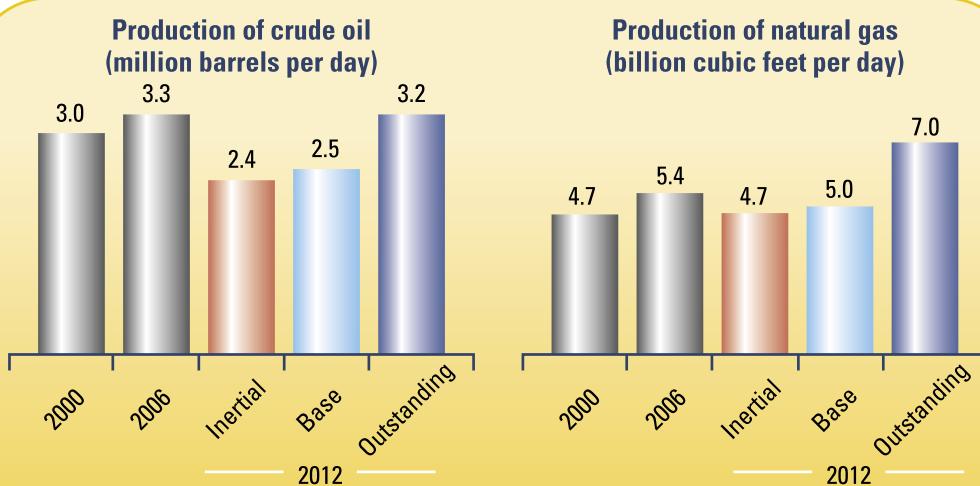
"Our firm's experience includes public procurement procedures by the CFE, the construction and operation of independent energy production plants, the negotiations of interconnection and service agreements, as well as obtaining the required governmental permits for independent energy production, self- and co-generation".



Upstream operations –especially those related to deep waters– are among the most dynamic areas of the Mexican economy. With thousands of wells to be developed in the following years, and state-of-the-art technology to be applied, the investment prospects in this sector are truly exceptional.

BACKGROUND

Stopping and reverting the decline on hydrocarbons production is one of the most serious challenges for President Calderón. *Ceteris paribus*, the reserves of crude oil would be finished in –approximately– 9.3 years, and those of natural gas in 9.7 years. The Cantarell field, which nowadays provides more than the 50% of the national production is rapidly declining. Although the Burgos Basin will provide a relevant increment in the availability of natural gas, the massive importations in the forthcoming years are not expected to change.



Source: NIP

INVESTMENT OPPORTUNITIES

By concluding long-term public procurement agreements with corporations worldwide, the goals of the federal government towards 2012 are the following: (i) achieving an oil production of at least 2.5 million barrels per day; (ii) maintaining production of natural gas at around 5 billion cubic feet per day; and (iii) raising the rate of restitution

of oil reserves to at least, 50 percent.

As a program to achieve said goals, Mr. Calderón's administration has established the following strategic tasks in the NIP:

- Strengthening the Government's faculties on reserves in order to achieve best management of resources, bring into balance the extraction of hydrocarbons and the incorporation of reserves,

- Guaranteeing a sustainable development of the exploration and exploitation of hydrocarbons in order for next generations be able to enjoy the Mexican subsoil riches,
- Promoting mechanisms for the implementation of high-technology concerning infrastructure energy projects, and research projects.
- Evaluating the applicable legal framework. Considering this as the most effective tool for the development of hydrocarbon production.
- Promoting effective conditions for PEMEX international competitiveness, and to involve the required private investment in order to achieve the objectives.

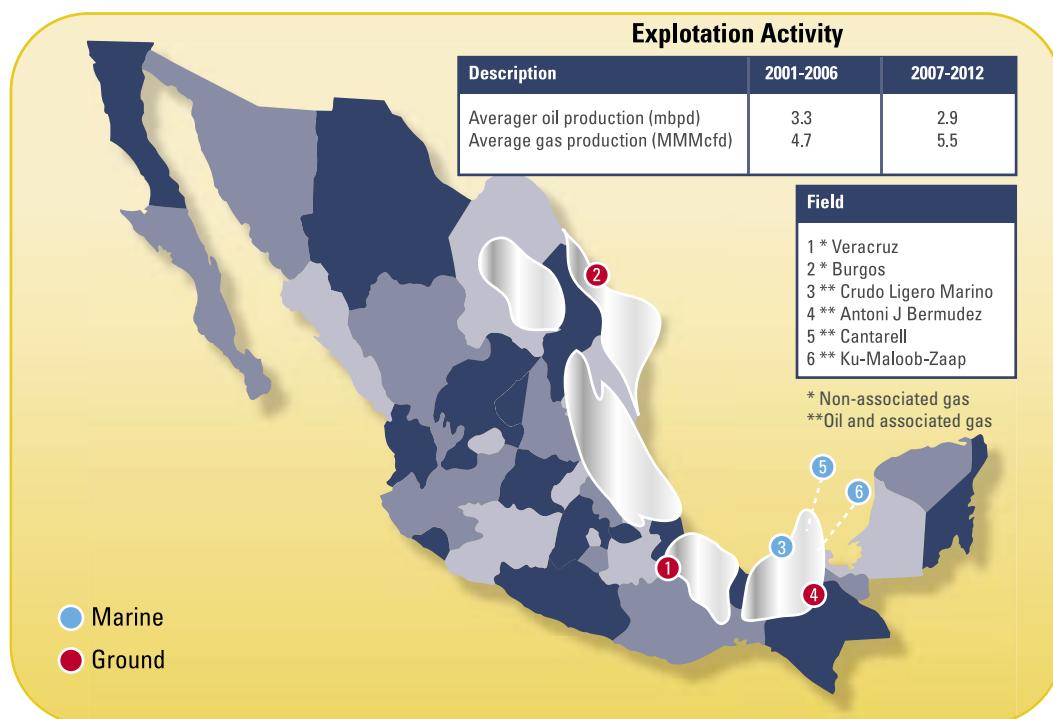
The financial importance related to hydrocarbons production is such that 47% of the total federal budget is applied to this sector. USD \$73 billion will be directed towards exploration and production in the 2007–2012 period.

MAIN EXPLORATION & PRODUCTION PROJECTS (2007 – 2012)

PROJECT / DESCRIPTION	STATE	AMOUNT OF INVESTMENT 2007–2012 BILLION - MEXICAN PESOS	STARTING	ENDING
Cantarell	Campeche	141.0	1997	2026
Chicontepec	Veracruz and Puebla	140.4	2002	2021
Burgos	Coahuila	101.1	1997	2027
Integral Ku-Maloob-Zaap	Campeche	84.2	2002	2025
Integral Crudo Ligero Marino	Tabasco	73.4	2001	2023
Complement to the Gas Strategic Program	Tamaulipas, Veracruz and Tabasco	68.3	2001	2023
Integral Bermúdez	Tabasco	34.2	2002	2022
Integral Veracruz	Veracruz	23.2	2001	2023
Arenque	Tamaulipas	22.1	2002	2021
Integral El Golpe Puerto Ceiba	Veracruz	10.2	2002	2018
Integral Jujo-Tecominoacán	Tabasco	9.3	2002	2021
Lankahuasa	Veracruz	2.8	2001	2023

Source: NIP

PRODUCTION PROJECTS 2007- 2012



Source: NIP

REGULATORY FRAMEWORK

April 8, 2008 was a key date for the future of PEMEX, and indeed, for Mexico's viability to continue being an oil producer. In said date, President Calderón submitted his energy bill to Congress. The bill addresses organizational issues, as well as upstream and downstream operations. It includes a draft of two new statutes, one for PEMEX and one for the brand new designed Oil Commission. If further provides amendments to the oil legislation and to the regime of the Energy Regulatory Commission. Further, the package would shortly be complemented with a change –the third one in five years– of the heavy fiscal scheme applicable to PEMEX.

The proposal aims to improve the top management, as well as to enhance PEMEX's operational capabilities by allowing some flexibility to the rather rigid contractual regime. As far as upstream activities is concerned, under the new type of service agreements, PEMEX's contractors would receive fees for producing oil from Mexican fields, but they would not receive any stake in the oil reserves that might find. The debate and potential approval of the reform to the oil sector is likely to take place this very year. Accordingly, you are kindly welcome to visit our website for further news and a comprehensive analysis of such an exciting time for business opportunities in such a fundamental industry.

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"With respect to the oil sector, the firm's maritime and offshore energy practice is focused on the comprehensive assistance to PEMEX's marine contractors, concerning public bids, corporate structuring, ship finance, permits and transnational commercial arrangements, among other services related to vessels, naval artifacts and oil rigs, that are used in upstream operations".

REFINERIES, GAS AND PETROCHEMICALS

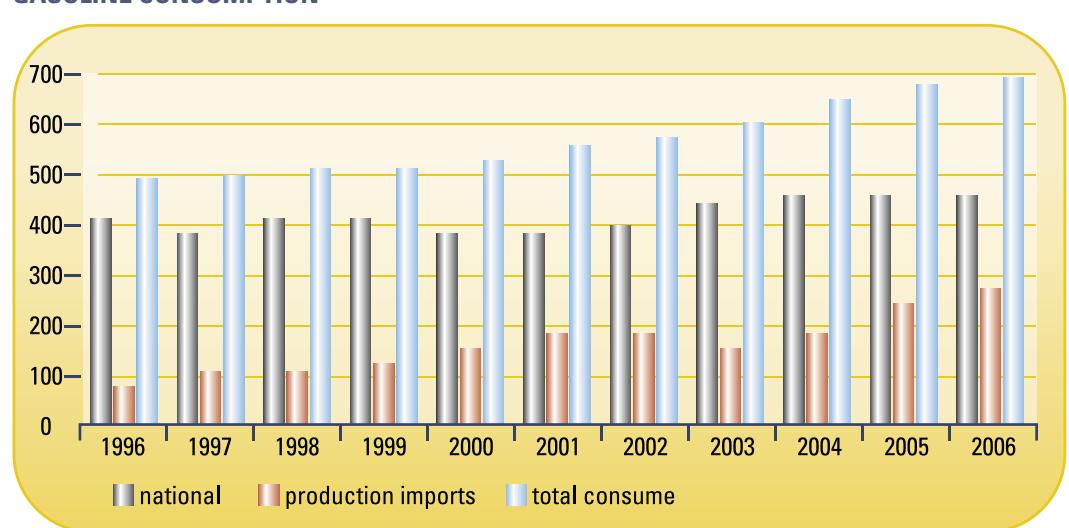
Downstream operations have already gained a certain level of liberalization in the Mexican energy sector. However, because of the high levels of investment required, a prompt and deeper liberalization is expected in order to attract foreign entrepreneurs.

BACKGROUND

The petrochemical industry comprises natural gas and other oil byproducts, which are to be distinguished from the basic petrochemical industry products. Specifically, the petrochemical industry involves the elementary components of the production chain: ammoniac, benzene, ethylene, methanol, oxide of ethylene, propylene, among others. The production, supply and storage of those and other related petrochemicals has been traditionally the role of one of PEMEX's subsidiary entities: PEMEX Gas and Basic Petrochemicals (PGBP). Currently, PEMEX runs eight petrochemical plants in the country. PGBP is one of the most important companies in this business worldwide. In addition, to its role as the 10th producer worldwide, it has an extensive system of gas pipelines.

Despite the above, gasoline importations have had a dramatic increase since 2006. Almost four out of ten liters consumed nationwide are provided from foreign markets. Unless massive investment –both public and private– is devoted to gasoline refining, Mexico will not only continue being a net importer, but will even become one of the principal ones. In such a collapsing context, the strategies set forth by the current Federal Administration include, as per the NIP, among other actions: (i) expanding and upgrading the refining capacity; (ii) expanding the capacity for storage, supply and transportation of oil products; (iii) strengthening maintenance and environmental measures; (iv) increasing the capacity for processing and transporting natural gas; and (v) promoting complementary investment in petrochemicals, based on the legal framework. As said, in the oil and gas industry, the Federal Administration in conjunction with the Mexican Congress are currently taking the necessary legislative steps to foster the necessary public and private investments to meet the consumption needs of the country.

GASOLINE CONSUMPTION*



*Thousand barrels per day

Source: NIP

INVESTMENT OPPORTUNITIES

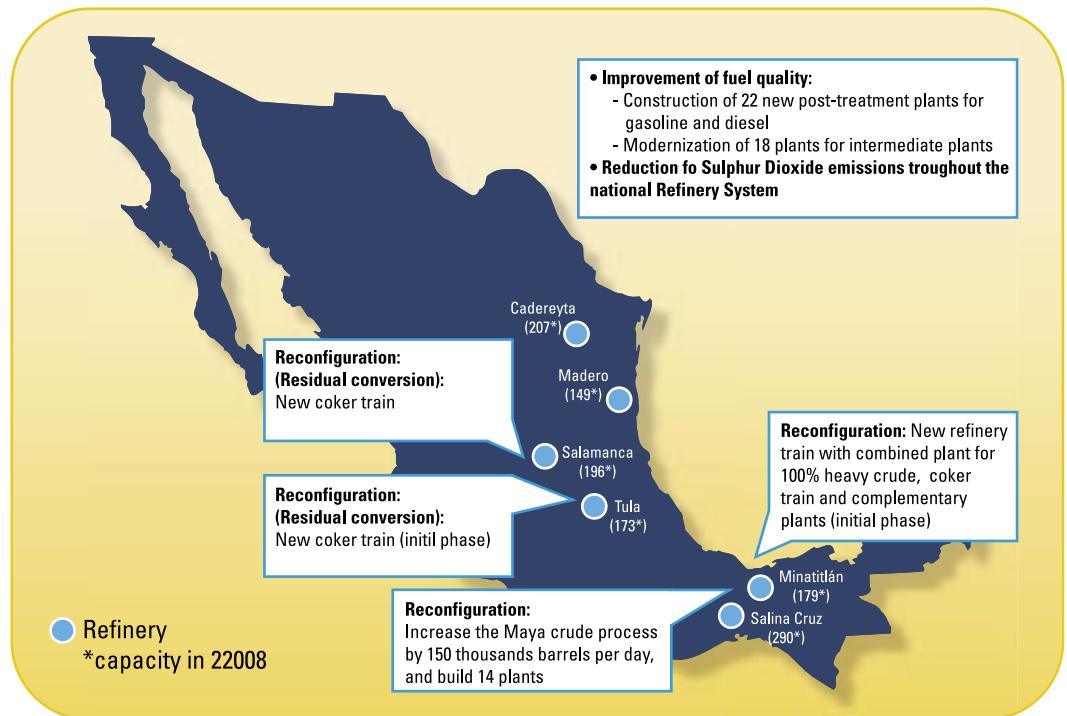
The goals for the year 2012 in the sector have been set forth by the Calderón's administration, according to the NIP, are as follows:

- Carry out necessary actions to increase the crude oil processing capacity to at least 1.4 million barrels per day in 2012.
- Maintain gasoline imports below 40% of the total sales.
- Reduce the content of sulphur in fuel to comply with environmental standards.
- Build at least 800 kilometers of natural gas pipelines, using private sources.

Crude processing (million barrels per day)



Main refinery projects regionally 2007- 2012 (thousand barrels per day)



ESTIMATED INVESTMENT 2007 – 2012 USD BILLION	
Concept	Total
Refining	27
Gas and basic petrochemicals	4
Non- basic petrochemicals	3
Total	34

Source: NIP

LEGAL FRAMEWORK

Despite the State's production and control of gas and basic petrochemicals, private entities may be awarded by PEMEX with contracts for the storage, transportation and supply of petrochemicals. These contracts need to be authorized by the Energy Regulatory Commission or the Ministry of Energy. The following basic regulatory considerations should be borne in mind:

Distribution. This encompasses receiving, conducting, delivering, and –in specific cases– dealing gas through pipelines within a specific geographic area. This also includes receiving gas in a given point of the transport system and delivering a similar quantity in a different area of such system. The storage plants for distribution, with the exception of those located within the refinery fields can be operated by PEMEX or directly by private investors.

Storage. This includes receiving, keeping and delivering gas, only when the gas is stored in fixed facilities. As in the case of distribution, this also embraces the reception of gas in a given point of the transportation system and the delivery of a similar quantity in a different area of such system.

According to the April 8, 2008 energy bill submitted to Congress by President Calderón and already introduced above, downstream activities would be considerably liberalized in Mexico. Pursuant to the amendments to the oil legislation, not only transport, distribution and storage of gas, byproducts and petrochemicals are liberalized, but also refineries and their related pipelines and facilities are to be built, owned and operated by private entities. As in the case of upstream, in no case should a private entity be owner of the resulting byproducts or basic petrochemicals.

As in the upstream case, the potential approval of the reform is likely to take place this very year. Accordingly, you are kindly welcome to visit our website for further news and a comprehensive analysis of such an exciting time for business opportunities.

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The firm assists clients in their applications for governmental permits to operate in Mexico. Our services include representation in public procurement procedures related to the construction of gas pipelines, LNG terminals and other downstream facilities.



HIGHWAYS

Mexico enjoys one of the most extensive highway networks in Latin America. A solid highway infrastructure in Mexico is a key for an efficient carriage of passengers and cargo within the context of the North American Free Trade Agreement. Considering that roads are by far the preferred means for moving cargo, Mexico's highway infrastructure sector is definitely positioned as a promising investment within your portfolio.

BACKGROUND

During the 1990s, Mexico as an emerging economy engaged in an accelerated expansion of its highway system by offering concessions to the private sector for the construction, modernization and operation of highways. It was expected that once the private investor recovered its investment and made profits from the operation of the road, the highway assets would be transferred back to the Mexican government. However, higher than expected construction costs, wrong traffic projections and the 1995 Mexican economic crisis turned the Mexican highway concession program into a failure as concessionaries were not able to recover their construction costs.

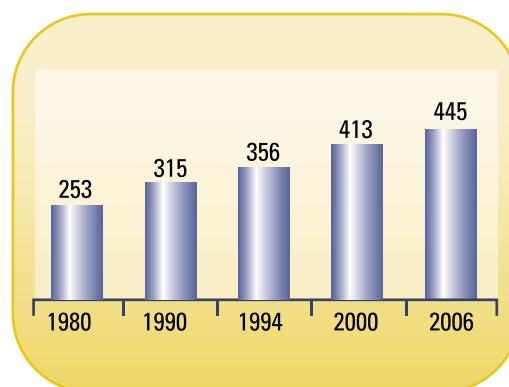
The above situation lead the government to implement a road recovery program whereby an important number of road assets previously operated by private concerns under a concession, were transferred to a trust of the Mexican government (Mexican Support Trust for Highways Subject to Concessions "the Trust").

According to official sources, almost MXN 287 billion will be needed within the 2007-2012 period in order to modernize and expand the Mexican highway system. As of 2006, Mexico had a highway network of more than 122,800 kilometers of paved highways with 445 million tons of cargo transported per year. However, only 14,500 kilometers correspond to highways with more than 4 lanes, placing Mexico in the 49th place in the world in quality of highway infrastructure.

Although as above-mentioned, Mexico's highway system is one of the largest in Latin America, it comes short as to Mexico's future needs. Therefore, Mexico has as a main goal for 2012 to build and enhance more than 17,958 kilometers of highways and rural roads, including 12,260 kilometers related to the conclusion of 100 major highway projects.

The Mexican federal highway system must be increased by 90% by 2012 including Mexico's main highway corridors and particularly those connecting to US's highways. As acknowledged by the US Foreign Commercial Service, Mexico's roads are by far the country's primary transportation network moving 98% of Mexico's people and 70% of its cargo.

Highway cargo transportation (million tonnes)



INVESTMENT OPPORTUNITIES

Due to the important investment needs in Mexico's road system, the government decided to re-privatize some of the concessions that were recovered under the Trust and implement measures such as the extension of the concession term to 30 years, so that investors are able to recover construction costs and operate under more realistic traffic projections. In 2006 the Mexican government announced that concessions for 23 of the highways recovered by the Trust would be awarded through public bidding.

Recently and following the success of the first phase of re-privatization of Mexican highways

under the Trust, the Mexican Ministry of Transportation and Communications announced the offering of a second package of highways to be awarded by public bids and consisting of 43 roads held in the Trust. Future bids will include the re-concession of the routes of San Jose del Cabo-Los Cabos International Airport, Culiacan-Mazatlan and Guadalajara-Tepic, and many others that will certainly attract your interest, under a 30 year concession.





ESTIMATED INVESTMENT 2007-2012 (billion US dollars)

Concept	Public resources	Private resources	Total
National Corridors	2	8	9
Outside National Corridors	5	2	7
Complementary works	1	0	1
Rural and feeder roads	2	0	2
Conservation	4	NA	4
Studies, projects and rights of way	1	2	3
Total	14	11	26

Source: NIP

LEGAL FRAMEWORK

Highway related construction and operation contracts are awarded following a public bidding procedure and as provided in the Mexican Public Works Law. The bid is published in the Official Federal Gazette. The bid contains the specifics of the project and technical related requirements. A model of the contract is also included. Any party that meets the bid requirements may submit a proposal. As above mentioned, foreign investors usually submit highway construction and operation related bids in partnership with a Mexican company.

The bid must include both a technical proposal, and an economic proposal, including guarantees depending on the nature of the project. Bids are first evaluated to ensure that all requirements are met, and any bid not satisfying the legal, technical and economic requirements, including effective guarantees, outlined in the invitation to bid, is disqualified.

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"The firm deals not only with the public procurement procedures related to the highway system, but also with the permits related to passenger and cargo trucking, including the negotiation of strategic alliances and joint ventures among Mexican and foreign investors in the sector. GRA has also been active in obtaining cross-border transportation services permits under the NAFTA".

AIRPORTS

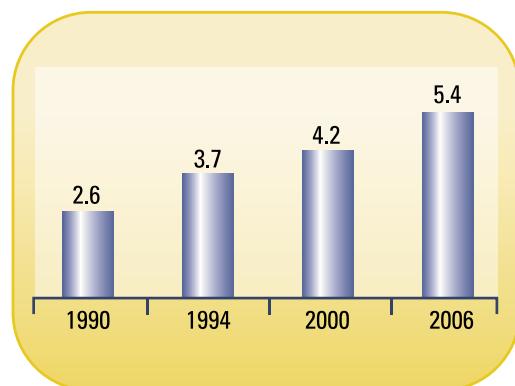
Since the introduction of low cost airlines in Mexico, more passengers are being carried, new airlines are operating and hence, there is an urgent need of upgrading and expanding Mexico's airport system.

BACKGROUND

Since the privatization of the Mexican airport system, foreign investment has played a key role in the expansion of the Mexican airport system. In 1998, the Mexican government decided to privatize 34 important commercial airports and by creating four main groups: nine airports corresponding to Mexico south-east (Grupo Aeroportuario del Sur – ASUR); thirteen airports located in Mexico's central-northern region (Grupo Aeroportuario del Centro-Norte – GACN); twelve airports in the Pacific corridor (Grupo Aeroportuario del Pacífico – GAP); and, the Mexico City International Airport.

A good example of successful foreign investment in Mexican airport infrastructure has been Copenhagen Airports, which since 1998 has been the co-owner of a Mexican company holding a direct investment in ASUR. (ASUR was granted with a 50 year concession to operate the 9 airports ASUR in the south east of Mexico ASUR with an option for another 50 year term).

Passengers Transported per Square Meter of Runway per Year



Source: NIP

INVESTMENT OPPORTUNITIES

It is to be noted that Mexico already enjoys one of the largest commercial airport infrastructure in the world, with a network of 31 commercial airports. The modernization and expansion of the existing airport network, the development of regional airports and the construction of airports in tourism corridors are within the Mexican government's strategic plans. Foreign investment is keen to participate in the Mexican airport system due to the substantial air traffic growth forecasts, which are in line with the successful introduction of new low cost airlines and the fact that Mexico remains as one of the world's favorite tourist destinations.

The Mexican government expectations towards 2012 are: (i) building 3 more airports and expand the remaining 31 commercial airports in the country; (ii) finding a final solution for the increasing passenger traffic in the Mexico City metropolitan area; (iii) increasing the air cargo infrastructure capacity in at least 30%. Another a main objective is to have 50% of Mexican airports certified in accordance with applicable international standards.

In line with the above, the Mexican government expects an investment of MXN 78 billion in the Mexican airport system during the 2007-2012 period.

The 3 new commercial airports to be built soon will be located in important tourist corridors such as Mayan Riviera, Mar de Cortes and Ensenada. Among the airports that will be expanded in the short-term we may find major hubs such as Toluca, Puebla, Cancun, San Jose del Cabo, Loreto, Monterrey, Guadalajara and Puerto Vallarta. Undoubtedly, these projects represent great business opportunities for foreign investors. Approximately 45% of these projects is expected to be funded from private participation. The reminder will come from public funds.





ESTIMATED INVESTMENT 2007-2012 (billion US dollars)

Concept	Public resources	Private resources	Total
New airports	1	2	3
Enlargement	1	< 1	1
Conservation	< 1	0	< 1
Other (equipment)	1	< 1	1
Total	3	2	5

Source: NIP

LEGAL FRAMEWORK

Airport related construction and operation contracts are awarded after a public bidding procedure in accordance with the Mexican Public Works Law. The call for bids is published in the Official Federal Daily Gazette. The relevant solicitation documents may be purchased online. They contain the specifications of the project and technical related requirements. A model of the contract is also included. Any party that meets the bid requirements may submit a proposal. Foreign investors usually submit airport construction related bids in partnership with a Mexican company.

The bid must include both a technical proposal, and an economic proposal, including guarantees depending on the nature of the project. Bids are first evaluated to ensure that all requirements are met, and any bid not satisfying the legal, technical and economic requirements outlined in the invitation to bid, including effective guarantees, is disqualified.

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"The firm's recent experience in the area includes assisting clients in the acquisition of stakes in airport operators system when they were privatized, as well as advising clients during public procurement procedures and the negotiation of works contracts when the Mexico City airport was enlarged and upgraded



The rapidly increasing cargo traffic between Asia and North America, as well as the impossibility for the US to build further ports in its Pacific coast due to environmental concerns, are excellent reasons to invest in the expansion of the Mexican port infrastructure. However, there are further good reasons to do so...

BACKGROUND

Investment in Mexican port infrastructure has increased drastically in the last decade regarding all types of terminals, including LNG and container major facilities. Mexican ports, such as Lazaro Cardenas and Manzanillo, have already positioned themselves as a clear alternative to saturated US ports, such as Long Beach. Moreover, Bahia de Colonet in Baja California, once it is built, is expected to be among the 50 largest ports worldwide, serving both, Mexico and the US.

Currently 287 million tons of cargo and 2.6 million TEUs of containerized cargo are handled by Mexican ports. The current Mexican port infrastructure includes 198 kilometers of berths and 5.6 million square meters of storage areas. Nevertheless, improving the container handling rate is a key for Mexico to become a world-class logistics platform, as it is expected that container traffic between Asia and North America raises 100% in the following 10 years.

According to the NIP, the development of port infrastructure is one of the highest priorities of the current federal administration. In line with this, the NIP sets forth four strategies: (i) increasing port infrastructure, especially, the capacity to handle containers; (ii) developing ports as part of an integrated multimodal transport system that reduces the costs of logistics companies; (iii) fostering the competitiveness of the port system to offer a better service in accordance with international standards; and, (iv) fostering the development of tourist ports.

In particular, the NIP contains the following goals: (i) building 5 new ports and expanding or modernizing 22 other ports; (ii) increasing the container handling capacity from 4 to 7 million TEUs; (iii) Increase the container handling rates in specialized container terminals from 68 to 75 boxes per vessel/hour; and, (iv) building 13 cruise ship terminals.

The 5 new ports would be: Bahia de Colonet, Baja California; Veracruz II, Veracruz; Manzanillo II (Cuyutlán), Colima; Puerto Morelos, Quintana Roo, and Seybaplaya, Campeche.

The 22 ports that would be expanded are: Ensenada, Baja California; Guaymas, Sonora; Topolobampo, Sinaloa; Mazatlán, Sinaloa; Lázaro Cárdenas, Michoacán; Salina Cruz, Oaxaca; Puerto Madero, Chiapas; Altamira, Tamaulipas; Tampico, Tamaulipas; Tuxpan, Veracruz; Veracruz, Veracruz; Coatzacoalcos, Veracruz; Dos Bocas, Tabasco; Progreso, Yucatán; Ciudad del Carmen, Campeche; Zihuatanejo, Guerrero; Puerto Vallarta, Jalisco; Pichilingue, Baja California Sur; Cabo San Lucas, Baja California Sur; Puerto Cortés, Baja California Sur; Loreto, Baja California Sur, and Cozumel, Quintana Roo.

Cozumel is already one of the busiest cruise ship ports in the world. Following this example of success, the Mexican government endavours to see 13 new cruise ship terminals built by 2012. The new terminals would be located in: Guaymas, Sonora; Loreto, Baja California Sur; Puerto Cortés, Baja California Sur; Cabo San Lucas, Baja California Sur; Mazatlán, Sinaloa (2); Puerto Vallarta, Jalisco (2); Manzanillo, Colima; Zihuatanejo, Guerrero; Playa del Carmen, Quintana Roo; Cozumel, Quintana Roo, and Punta Brava, Quintana Roo.

INVESTMENT OPPORTUNITIES

Bahia de Colonet

One of the most important projects to be fostered by the NIP is Bahia de Colonet. This project contemplates the construction of port and railroad infrastructure to move containers efficiently from East Asia to North America. 10 berthing positions would be built on a first stage and 10 more on a second one. The port would be 18 meters deep in order to be able to receive Post-Panamax vessels. 4 cranes would be installed in each of the berthing positions. It is envisioned that 5 million boxes

would be moved every year. New industrial parks, commercial developments, residential areas and hotels are also conceived for this area located 150 kilometers south of the city of Ensenada and 160 kilometers south of San Isidro, California. 200,000 people would live in the new city.

It is anticipated that the relevant public procurement procedure starts in any moment through the publication by the Ministry of Communications and Transport (SCT) of the request for proposals. The winner would be awarded a 40 or 45 years concession. The total investment requirements of this project are in the region of MXN 11.2 billion. The project would be completely funded by the private sector. The construction works are expected to begin in 2009 and be concluded in 2012.

Pacific ports

The expansion of the ports of Manzanillo and Lazaro Cardenas are also of utmost importance. The enlargement of the first would take into consideration the needs of the power generation and tourist industries located in that area. The investment needs of the first project are in the region of MXN 7.3 billion. The second project would be focused on improving the container handling capacity by building a second container terminal. The latter project would need a MXN 3 billion investment. Both projects contemplate the construction of highways and railways to enhance the connectivity of the ports with the rest of the country.

Gulf ports

According to the NIP, the ports of Veracruz and Tuxpan will be expanded too. The works in Veracruz require MXN 3.7 billion and are expected to be performed from 2010 to 2012. The expansion in Tuxpan includes the construction of a MXN 4.5 billion private industrial terminal to be finished in 2012 in addition to a MXN 2 billion investment to increase the infrastructure of the port for the transportation and storage of oil and gas.

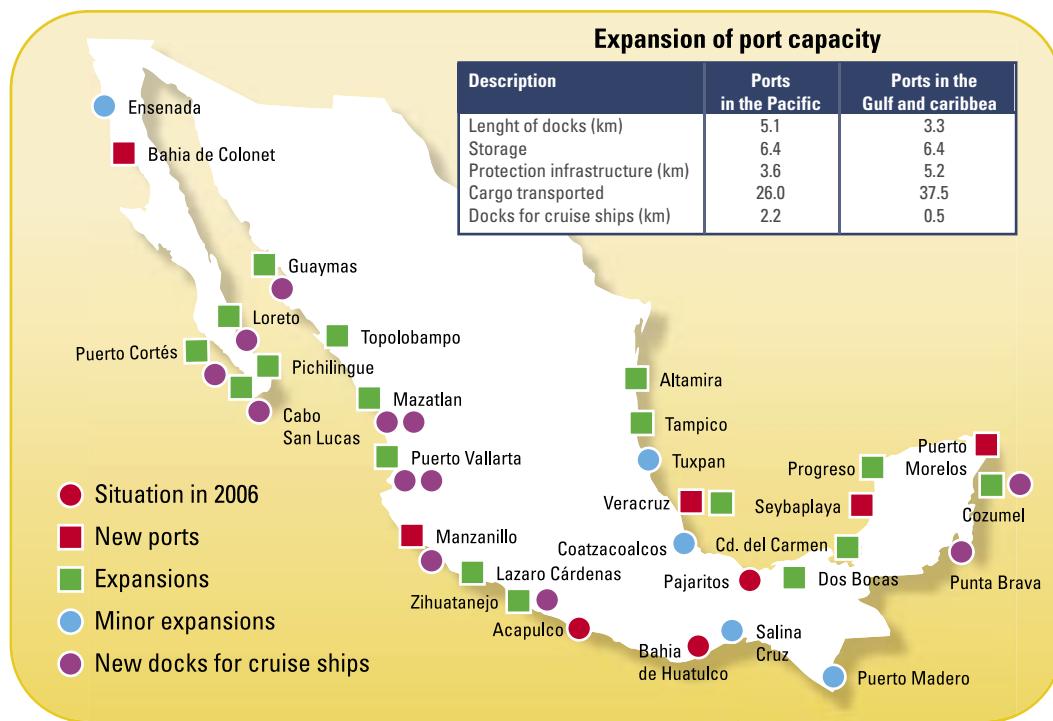
Cruise ship terminals

The construction of the 13 afore mentioned cruise ship terminals will be encouraged by the federal government.

ESTIMATED INVESTMENT 2007-2012 (billion US dollars)			
Concept	Public resources	Private resources	Total
New ports	< 1	2	2
Enlargement	1	3	4
Conservation	< 1	0	< 1
Total	1	5	6

Source: NIP

Infrastructure as at 2012



Source: NIP

REGULATORY FRAMEWORK

The Law of Ports regulates ports, terminals, port facilities and marinas, as well as their construction, operation and management. Under the law, the Ministry of Communications and Transport ("SCT") is empowered to grant the relevant concessions and permits.

Concessions are required to act as an integrated port administration and for the construction, operation and exploitation of terminals, marinas and port facilities.

Permits are required for the rendering of port services and for the building of piers, wharves, launching docks and other similar facilities on waterways outside ports, terminals and marinas. Under the Law of Ports, concessions to act as

an integrated port administration are granted when the planning, programming, development and other activities related to the property and services in a port are entrusted as a whole to a company. The equity in such company will initially be underwritten by the government and thereafter sold to third parties following an international public bidding procedure.

According to the Law of Ports concessions and permits shall only be granted to Mexican companies. However, as provided by the Foreign Investment Law up to 49 percent foreign investment is permitted in the equity of a company with a concession to act as an integrated port administration or in accompany with a permit to engage in pilotage services.

Upon favorable resolution of the Foreign Investment Commission, foreign participation may exceed 49% in companies providing port services such as towage, launching, and line handling.

The SCT may grant authorizations for the assignment in full of all the obligations and rights resulting from the concessions, provided the concession has been in effect for at least 5 years, the assignor has complied with all of its obligations and the assignee meets the same requirements existing at the time the concession was granted.

Buildings and port facilities built on public property by concession or permit holders are deemed as owned by the latter during the effective term of the concession. Upon the termination of the concession or permit, or of any extension thereof, only those works and facilities permanently affixed to the land within the concession or permit will become property of the Mexican State. The process will occur at no cost and ownership over the property will be reverted to the government free and clear of any encumbrance or lien. Concession holders shall have the right to create liens and encumbrances over the rights conferred under a concession and property related thereto, including buildings thereon and appurtenant facilities; yet the foreclosure of those liens and encumbrances are of the exclusive jurisdiction of Mexican courts.

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"Our firm helps its clients obtain permits from port and environmental authorities for the construction of terminals and marinas, or authorizations for the assignment of rights under a port concession. We also assist our marine clients in their applications for permits to render port services. Being a full legal services provider GRA may take care of all corporate, tax, labor and regulatory aspects during the acquisition of port or terminal operators."



RAILWAYS AND MULTIMODAL

Twelve years ago the Mexican government reclassified railroad services from a strategic activity reserved to the State to a priority area, paving the way for increased private participation. Nowadays, the construction of multimodal corridors and suburban commute systems has become the detonator of economic growth in this sector. The 700 km railway that will connect Punta Colonet with the US stands as the most important investment opportunity.

BACKGROUND

The amount of cargo carried by train has grown from 52 million tons in 1994 to 94.7 million tons in 2006. The amount of international trade cargo carried by train increased 140% and domestic trade cargo increased 41%. Since the privatization of the railway system, railway companies operating in Mexico have invested over USD 2.8 billion; that is, 50% more than they had committed to do under their concession titles. However, no new railroads have been built since then. The federal government aims at building 1,418 kilometers of railroads during the current administration, out of which 877 kilometers will be new.

In this respect, the strategic plans of the Mexican federal government, as per the NIP, are the following:

I. Increase the railway system by promoting the substitution of radial structure by a network structure that improves connectivity.

II. Develop multimodal corridors to improve the efficiency in the carriage of goods. Special attention will be given to corridors that connect Pacific ports to Gulf ports and the borders.

III. Promote the development of suburban trains for a significative reduction of commuting times.

IV. Take care of the interconnection problems between ports, borders and metropolitan areas.

V. Reduce the problems associated with the presence of trains in urban zones.

Moreover, the government has set the following goals to be met by 2012:

- Build 1,418 kilometers of railroads.
- Increase the average speed of the railway system from 24 to 40 kilometers per hour.

Start up the first stage of the systems No. 1, 2 and 3 of the suburban train of Mexico City's metropolitan area.

- Build 64 by-passes and 256 crossings.
- Develop 10 new multimodal corridors, including the construction of 12 intermodal cargo terminals and the beginning of the Punta Colonet project.

INVESTMENT OPPORTUNITIES

Multimodal corridors

700 kilometers of new railways will be built in the Punta Colonet project to connect it to the border city of Mexicali. MXN 20.9 billion is the required investment, which will be funded by the private sector. Its construction is expected to take 3 years as from 2009. The following multimodal corridors will also be developed:

- Manzanillo-Altamira
- Lazaro Cardenas-Veracruz
- Salina Cruz-Coatzacoalcos, with branches to Merida and Mexico City

Suburban trains

The systems No. 2 and 3 of the suburban system of Mexico City's metropolitan area will need a total investment of MXN 7.3 billion between 2009 and 2010. These projects will be financed by the public and private sectors.

A 48 kilometer and MXN 1.2 billion suburban system will be built in the city of Aguascalientes. These works are expected to start in 2009 and last for 3 years.

New railways to get round of metropolitan areas

Three new railways will be built in order to avoid entering into the metropolitan areas of Monterrey, Veracruz and Manzanillo.

The Monterrey project requires an investment in the amount of MXN 4.6 billion, which would be funded by the public (municipal, state and federal funds) and private sectors. Its construction started in 2007 and is expected to be finished in 2012.

The Manzanillo project is a 11.5 kilometers project (including a tunnel) that requires a MXN 1.5 billion investment. The construction works started in 2007 and will be completed in 2009.

Border crossings

Four railway border crossings will be built from 2009 to 2012, namely: Nuevo Laredo, Tamaulipas; Camarón-Colombia, Nuevo León; Ciudad Juárez, Chihuahua, and Matamoros, Tamaulipas. They will require a total investment of MXN 3.5 billion.

ESTIMATED INVESTMENT 2007-2012 (billion US dollars)			
Concept	Public resources	Private resources	Total
Construction	2	1	3
Modernization	0	< 1	< 1
Conservation	0	< 1	< 1
Railways- urban areas harmonization program	< 1	< 1	< 1
Railways safety program	< 1	0	< 1
International cargo terminal	0	< 1	< 1
Total	2	2	4

Source: NIP



Source: NIP

REGULATORY FRAMEWORK

In accordance with the Foreign Investment Law up to 49 percent foreign investment is permitted in the capital stock of Mexican companies engaged in service areas related to the railroad sector, such as construction and operation of railroads, and transportation railroad public services. Foreign participation may reach 100% if approved by the Foreign Investment Commission.

The SCT may grant concessions for the following activities:

(i) Construction, management and operation

of railways that are considered common thoroughfares (those which connect states); and, (ii) The provision of public rail service, which encompasses both passenger and freight traffic. Concessions are granted for a maximum of 50 years, and may be renewed several times. However, the total duration of the concession shall not exceed 100 years. Companies receiving concessions have the right to subcontract third parties for the construction, maintenance and conservation of the railways covered under such concession. However, in the eyes of the Mexican government, the company receiving the concession will be held solely liable for any breach

of the obligations contained in the concession. In addition, concession holders have the right, upon approval of the SCT, to encumber most of the rights derived from the concession. However, concession holders may not encumber railways, rights of way, communication centers or switching equipment under any circumstances. Concession holders have also the right to assign part or all of the rights granted under the concession provided that the assignee agrees to carry out the pending obligations and agree to the conditions imposed by the SCT.

Moreover, upon termination of the concession, the related common thoroughfare and all property transferred thereunder, will once again become part of the federal public domain. During the term of the concession, holders will be allowed to replace assets if they should be replaced by virtue of the use or nature of the asset.

The SCT may grant permits to provide auxiliary services. The law defines auxiliary services as passenger or freight terminals, the transshipment or transfer of liquids, repair shops for railroad equipment, and the supply centers for the operation of the equipment. The law also provides that permits must be granted to build access ways, crossing or signal gates in the right of way of the respective railway, as well as to place any type of promotional billboard or advertisement along the right of way. In addition, concessionaires must also obtain a permit to construct and operate bridges. Foreign investment is allowed to participate in up to 100 percent of the capital stock of a Mexican company rendering services subject to the aforementioned permits.

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"Our firm recently provided comprehensive legal assistance to a foreign company during a bidding procedure for the engineering, procurement and construction of an automatic people mover system for Mexico City's international airport. Our firm's involvement started when our client entered into negotiations with a Mexican company for a joint participation in the bidding procedure and continued during all of its stages, including the negotiation, execution and performance of the awarded contract".

TELECOMMUNICATIONS

During the fourth quarter of 2007, the telecommunications sector grew 33.9%, which represents the highest increase since the year 2000. This growth rate also exceeds those of other important sectors of the Mexican economy. Without a doubt, telecommunications offer a wide opportunity for investors in our country.

BACKGROUND

Statistic information provided by the Federal Telecommunications Commission (COFETEL) indicates that in the year 2007 the growth in the telecommunications sector was particularly evident in the following services: mobile telephony communications, trunking and expansion in satellite services.

Mobile telephony communications services continue to be the most dynamic sector of this industry because of the increase in users and the number of minutes of the communications.

COFETEL states that the minutes effectively spent by mobile telephony users increased by 58.2%, in comparison with the report for the last quarter of 2006. Furthermore, during the last quarter of 2007, Mexico reported 68.24 million new users of mobile phone communications, which mean 64.2 lines per 100 inhabitants.

Trunking was another sector of the industry that reflected a positive increase as regards the number of users. During the last quarter of 2007, the increase of trunking users was of 37.4% in comparison with the same period in the year 2006. COFETEL states that this increase is one of the largest of this sector in the past five years.

It is important to point out that by the end of 2007, Mexico had a total of 2.2 million trunking services users.

Satellite services providers occupied the third position in the ranking of telecommunications services providers in the year 2007. Satellite services recorded an increase of 28% in comparison with the year 2006.

The sector of paid television maintained its positive course. The number of subscribers increased by 13.1% with respect to cable television. Satellite television by 7.9% and microwave by 4.4%.

Increase in the telecommunications sector has been possible since the industry is open to free competition.

TELME is no longer the sole service provider and, as consequence, all tariffs have remained low. More telecommunications services have been provided to a larger sector of the population altogether with the introduction of new technologies.

INVESTMENT OPPORTUNITIES

Medium and large telecommunications companies identify the Mexican telecommunications' sector as an opportunity to invest and grow in an appropriate market. Mexican federal government is highly concerned in providing an adequate support to this industry and has established the following strategies:

- I. Increase investment in telecommunications infrastructure to achieve greater coverage of fixed and mobile lines.
- II. Increase broadband coverage throughout the country, especially in areas of scarce resources.
- III. Increase the number of Internet users and other communications services.

As a result of said strategies, Mexican government

contemplates the possibility of promoting private investment in the telecommunications sector amounting to USD 25 billion in the 2007-2012 period. Fixed and mobile line coverage is predicted to increase in 24 and 78 lines per every 100 inhabitants, respectively, between 2007 and 2012. Regarding broad band coverage, it is expected a coverage of 22 users per 100 inhabitants.

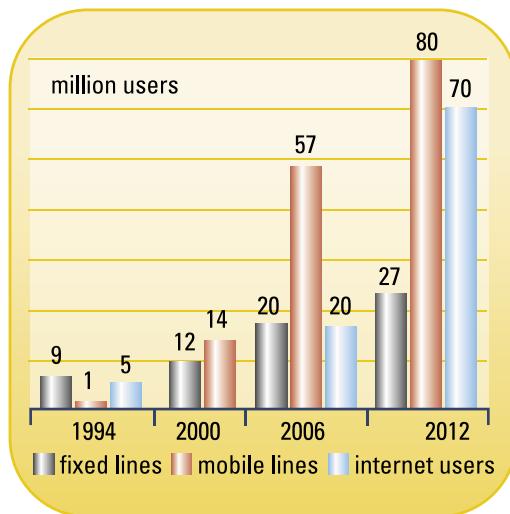
Internet services are planned to be one of the strategic tools of the federal governmental infrastructure programme and, therefore, a potential service provider's area. It is expected that by the year 2012 there will be 70 million internet users in Mexico.

Trunking and paging services are expected to have an increase of 5 million users by the year 2012. Paid television services would reach 10 million users by the same year.

A governmental budget of MXN 2 billion is forecast for satellite services providers and public telephony providers.

ESTIMATED INVESTMENT 2007-2012 (billion US dollars)			
Concept	Public resources	Private resources	Total
Broadband and fixed telephony	0	10	10
Mobile telephony	0	9	9
Paid television	0	2	2
Paging and trunking	0	2	2
Other (public telephony and satellite services)	2	0	2
Total	2	23	25

Source: NIP



Source: NIP

REGULATORY FRAMEWORK

No authorization is required for foreign investors to set up a Mexican corporation to be engaged in mobile/cellular services and provided such participation does not exceed 49% or more of the new company, otherwise, an authorization from the Mexican Foreign Investment Commission is mandatory.

Companies which purpose would engage the use of a frequency band in Mexico, installment or operation of public telecommunications networks, or the use of satellital orbits designated to Mexico and its frequency bands, have a limitation in the percentage of foreign investment of 49%.

Foreign investment may participate in up to 49% of the capital stock of a Mexican company engaged in the operation of a public telecommunications network, including the use of frequencies.

An important regulatory improvement has been achieved, due to the fact that Federal Telecommunications Law established a new scheme for the obtainment of a concession of spectrum frequencies through a bidding procedure. Therefore, allowing a more transparent and fair distribution of the frequencies over the Mexican territory.

With respect to companies that offer the commercialization of electronic devices that may be interconnected to public telecommunications networks, the Federal Telecommunications Commission provides an easier way to homologate such devices, according to national and international applicable regulations.

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TOURISM DEVELOPMENT

Mexico offers a great diversity of touristic features. It includes pre-Columbian archaeological sites, fair weather, beautiful beaches, a fusion of many different cultures, colonial sites, world-class gastronomy, as well as a great bio-diversity. Altogether they offer a wonderful array of opportunity for the development of tourism.

BACKGROUND

In Mexico, the tourism sector represents about 8% of the gross domestic product and more than 9% of the annual creation of direct and indirect jobs. Between 2004 and 2007, Mexico has received an average of 9 million international visitors per year. These visitors have spent an average of USD 12 billion per year. Consequently, tourism has become the third largest income-producing activity in Mexico, only after oil and goods manufacturing.

Foreign investment in the Mexican tourism sector focused mainly on the lease, purchase, sale and management of real property; trusts located in the restricted zone; luxury hotel services; and, restaurant services.

In particular, real estate developments on beaches have been very important for foreign investors. The main tourist destinations have been Acapulco, Ixtapa, Puerto Vallarta, Cancún, Huatulco and Los Cabos. New beach developments are Puerto Peñasco, Bahía Quino, Loreto, Nayarit and the Mayan Riviera.

Colonial tourism is present in Mexico in various sites. Guanajuato, Veracruz, Zacatecas and Merida lead in this ranking. While archaeological tourism is present in locations such as Teotihuacan, Chichen-Itzá, Palenque, Tajin, Uxmal, Campeche and Tulum, just to cite a few of them.

Mexico has a privileged geographic location. The main destinations for pleasure and business in the country may easily be reached from the US.

INVESTMENT OPPORTUNITIES

The NIP seeks to provide support for the development of tourism infrastructure at levels not seen before. The plan contemplates the construction of various border crossing points, 5 new airports (and the expansion and modernization of 22 more), 13 cruise ships terminals, as well as the maximization of tourism corridors development.

The National Tourism Development Fund ("Fonatur") has created 5 Integrally Planned Tourist Centers ("CIPs"), namely Cancun, Ixtapa, Los Cabos, Loreto and Huatulco.

The CIPs concentrate more than 245 hotels and more than 36,800 rooms. Hotel room occupation percentage reached 61.7% in 2002; that is, 7 percentage points above other beach tourism centers in the country. CIPs attract 54% of the currencies entering Mexico and receive approximately 40% of the foreign tourists.

It is forecast that the CIPs experience a massive increase in the number of hotel rooms in the coming years. An increase of 17,400 hotel rooms is expected in Cancun, 2,500 in Huatulco, 13,500 in Los Cabos and of 3,500 in Loreto.

Other expected developments are foreseen in the corridors of Acapulco-Ixtapa, Palenque, Los Lagartos, Barrancas del Cobre (Copper Canyon) and La Pesca (in Matamoros).

Main Touristic Centers (rooms additional - thousands)



Source: Banco de Mexico / Ministry of Tourism

According to the official statistics, the 2007-2008 tourism balance shows a favorable result of 7.9%. It is expected that in 2012, there will be 28.9 million international tourists spending USD 17 billion in the country. That figure should be added to the MXN 918 billion expenditure expected from domestic tourists.

REGULATORY FRAMEWORK

Foreign investment in the tourism sector is a commercial priority for Mexico. The Mexican regulatory framework encourages foreign property in most of the economic activities. As far as real-estate property is concerned, foreign investment is allowed to participate in 100% of the equity of a Mexican corporation that will acquire real property outside the restricted zone. The restricted zone is the 100 km-wide strip of Mexican territory along the borders and 50 km-wide along the beaches established by the Mexican Constitution. If the real property is located within such zone, it is possible to acquire it with non residential purposes. If the real property is located within the restricted zone, its acquisition may be carried out throughout a trust as provided by the Foreign Investment Law.

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"Most of the development in the industry is occurring in restricted zones. Therefore we assist foreign developer in the creation agreements of trusts and advise them in their negotiation with the authorities. We also take care of the related tax, environmental, real estate and foreign investment issues."

IRRIGATION AND FLOOD CONTROL

An efficiently hydro-agricultural infrastructure will contribute to the sustainable use of water in Mexico. Therefore, federal government encourages private investment to participate in hydraulic infrastructure by granting concessions or awarding contracts for public works.

BACKGROUND

The agricultural sector plays an important role in the economic development of Mexico, and it also represents 78% of the total water withdrawal within the territory. Mexico has been found to be one of the top four countries in irrigated surface worldwide. In 2006, the country had 62 hectares of irrigated surface per every thousand inhabitants, just below United States with 76.9 hectares and above China with 42.2 hectares. The country has been subject to natural catastrophes caused, mainly by climate change. Population centers and productive areas have been affected by flooding, as happened in the state of Tabasco last year.

Accordingly, the National Water Commission (Comisión Nacional del Agua – “CNA”), the entity responsible of water resources, including hydraulic infrastructure- created the hydro-agricultural infrastructure program, aiming to promote efficient use of water in agriculture activities, increase production areas and irrigation surface, expand the irrigated agricultural surface in areas of technified temporal land, and protect production areas against flooding.

The NIP set forth national strategies and goals for irrigation and flood control infrastructure. The strategies are related to: i) modernize irrigation infrastructure and technify agricultural land in coordination with users and local authorities; ii) expand the irrigated agricultural surface and the technified temporal surface in areas with water availability, prior land ordinance; and iii) maintain, conserve and expand hydraulic infrastructure to protect population centers and productive areas. With the implementation of said strategies, the government is expecting to accomplish the following goals by 2012: i) modernize and/or technify 1.2 million hectares of irrigable agricultural land; ii) incorporate 160,000 new hectares of irrigable land and technified temporal land; and iii) increase works

to protect against floods to cover a population of 6 million inhabitants and 150 thousand hectares of agricultural production land.

In light of the foregoing, the NIP estimates an investment of 4 billion US dollars, including public and private resources. This may represent a great opportunity for private investors to contribute with the sustainable use of water for agricultural purposes.

INVESTMENT OPPORTUNITIES

According to the NIP, it is estimated that the expansion of irrigated surface will increase from 70,000 hectares (2001-2006) up to 163 by the year 2012. This would represent an estimated investment of USD 1 billion. Likewise, rehabilitation and modernization will increase 1.2 million hectares, which represents an estimated investment of USD 1 billion.

It is expected that the protection of productive areas and population centers, will increase up to 62% and

27%, respectively, in comparison to the year 2006. The estimated investment for flood control will be up to USD 1 billion, from public resources.

It should be noted that due to climate change, flood investments are highly important and necessary to prevent and protect productive areas and population centers within the territory. Thus, the federal government in coordination with states and municipal governments, as well as with private parties, will build or operate infrastructure for flood controls.

As shown in the map below, the main projects for the period 2007-2012, will be distributed throughout the Mexican territory. Those projects are related to: i) construction of dams; ii) projects to expand irrigation surface; iii) modernization and/or technification of irrigation districts; iv) river basins; v) flood control; and vi) supplementary irrigation.



As shown in the table below, some of the projects would be financed by the private sector in coordination with federal or local governments.

Name/description	State	Investment total amount (thousand million pesos)	Finance resource	Date Start/finish
Irrigation district 014 Colorado River Modernization and tecnification of 203.4 thousand hectares	Baja California and Sonora	7.7	Public/ Private	2007/2026
Supplementary irrigation. Construction of infrastructure wells and irrigation surface for 144 thousand hectares	various	6.0	Public/ Private	2007/2012
Dams. Construction of a storage dams of 400 mm ³ for the irrigation of 22.5 thousand hectares	Sinaloa	2.4	Public/ Private	2007/2010
Irrigation district 066 Santo Domingo. Technification of irrigation of 13.2 thousand hectares, in order to stabilized the Santo Domingo aquifer	Baja California Sur	0.3	Public/ Private	2007/2012
Irrigation district 001 Pabellón.	Aguascalientes	0.2	Public/ Private	

Source: NIP.



Source: NIP

REGULATORY FRAMEWORK

The Mexican Constitution provides that the Nation has inalienable rights of ownership over all national waters. The federal government, through the CNA, may grant concessions to private parties for the exploitation of hydraulic resources.

Private parties may participate in the construction, finance, operation and maintenance of hydraulic infrastructure. In order to do so

the CNA will consider to: i) enter into contracts of public works with private parties, for the construction, equipping and operation of the hydraulic infrastructure; ii) grant a total or partial concession for the operation, conservation, maintenance, rehabilitation and extend the hydraulic infrastructure built by the federal government; or iii) grant a total or partial concession for construction, equipping and

operation of federal hydraulic infrastructure. According to the National Water Law, concessions for hydraulic purposes may be granted to private parties. Concession holders are able to renew them for an equal period. It should be noted that concession holders must adopt the proper methods to comply with conditions established by the CNA, as well as with Mexican Official Standards related to hydraulic works.

On the other hand, the law deems as public works at the federal level the works relating to the control and services for the defense and protection of national waters, as well as those that are necessary to prevent floods, droughts or any situation that might affect national water bodies.

State and municipal governments work in coordination with private parties and the federal government in the adoption of measures aiming to prevent floods.

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"Our firm assists clients in the compliance with public work obligations for hydro-agricultural infrastructure, either for irrigation or flood control purposes. It also deals with the permits and water concessions required for the hydraulic infrastructure."

WATER SUPPLY AND SANITATION

Satisfying basic human needs through sustainable means is a challenge for Mexico's development. To this effect, the water sector in Mexico plays an important role. Water provision and sanitation is considered by the Mexican government as a fundamental area that requires large investments for its development. Hence, private companies with experience in the sector will have a great opportunity: USD 10 billion will be invested by the government and the private sector is expected to invest around USD 4 billion.

BACKGROUND

Water is life. Without water it is impossible to achieve any development. Mexico has achieved to bring 72% of rural areas and 95% of urban zones under drinking water coverage. Paradoxically, Mexico loses a considerable quantity of drinking water through its distribution system. This reflects in the fact that Mexico is below Latin American competitiveness levels when it comes to water infrastructure. The challenge for the government is clear: increase drinking water coverage and the overall efficiency level of operators. Nonetheless, the government cannot do it by itself. It is imperative that the private sector participates. On the other hand, it is important to highlight that an effective sanitation system for wastewaters would contribute both to the protection of public health and a sound environment (clear of water and soil pollution). The challenge has three axels, namely: 1) an efficient sewage system; 2) wastewater treatment; and 3) treated wastewater reutilization.

Sewerage coverage has reached 86% (94% urban zones and 59% rural zones). The wastewater treatment capacity has been increasing in the last years, considering that the water treatment percentage went from 23% in the year 2000 to 36% in 2006. This only proves that there is still long path to be walked.

In summary, Mexico requires extending the coverage of its sewerage system (particularly in rural communities) and urgently needs to increase its wastewater treatment percentage.

Investment Opportunities

1. Water supply

Mexico's government estimates that USD 8 billion will be invested in the drinking water supply system between the years 2007-2012, out of which USD 6 billion will be invested by the public sector and

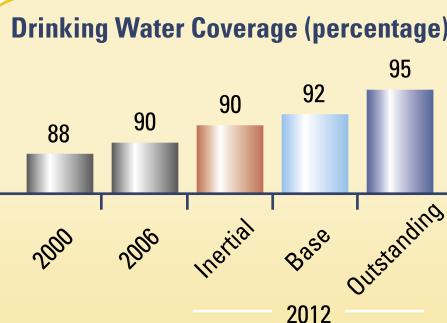
USD 2 billion by the private sector. The aim of the government is to increase the drinking water distribution coverage up to 92% (97% in urban zones and 76% in rural zones) and an increase of 8 percentage points in the overall efficiency level of 80 operators in locations of over 20,000 inhabitants. Considering that hydraulic works will be carried out to transport water from its sources to small towns and villages and to improve drinking water distribution systems, private companies with experience in said fields will be highly required.

2. Sanitation

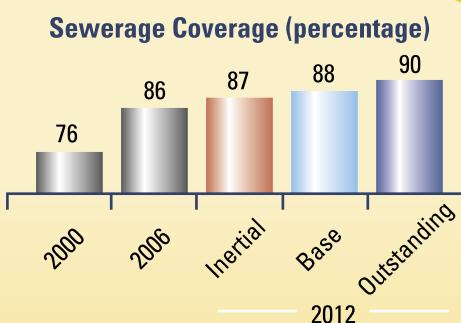
One of the goals of Mexican government for 2012 is to increase sewerage coverage to 88% (96% in

urban zones and 63% in rural zones) and wastewater treatment to 60% of collected water. This represents an investment of USD 3 billion in the sewerage system (expecting USD 1 from the private sector) and USD 3 billion in the sanitation sector (where the private sector is invited to invest USD 1 billion).

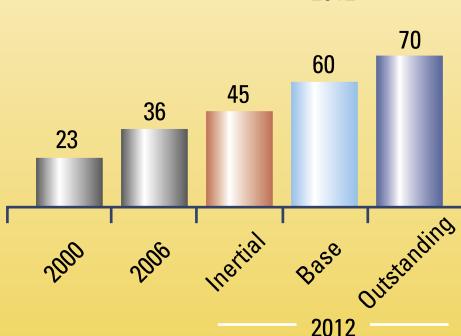
The PROMAGUA program (Modernization of the Water Operators – Modernización de Organismos Operadoras de Agua) should also be taken into account. This program fosters the participation of private capital in sanitation programs that involve the reutilization of treated wastewater.



Source: NIP.



Wastewater Coverage (percentage)





REGULATORY FRAMEWORK

According to the Federal Constitution, drinking water supply and sewage system are under the competence of municipalities. These entities are in charge of providing drinking water, sewage, and wastewater treatment services within their jurisdiction.

In this respect, each Municipality is entitled to legislate on the granting of concessions for the rendering of said services and establish where and how the private sector can participate in the construction of the required infrastructure.

Nevertheless, if supplying water, making it drinkable or going through a desalination process affects two states, or if said works have a strategic importance within a hydrological region because of their dimensions or costs, the works will then be considered as federal hydraulic

works and they will be under the competence of the federal government through the CNA.

For the participation of the private sector in the building, equipping and operation of federal hydraulic works, CNA may enter into public works and services agreements (contratos de obra pública y servicios) under the the modality of returnable investment. The National Waters Law (Ley de Aguas Nacionales) sets forth the bidding procedure. Contracts are awarded to the lowest bidder out of those which meet the criteria of seriousness, trustworthiness and quality established in the request for proposals.

The CNA can also grant concessions to the private sector for building, equipping, maintaining, restoring, extending and operating the federal hydraulic infrastructure.

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"Our experience allows us to assist our clients in the preparation of documentation for public works bids in the water sector as well as advising them in the performance of construction projects and the provision of assigned water services (i.e. drinking water processes and wastewater treatment processes). Parallelly, we develop efficient legal water strategies according to our clients' activities and needs".

MINING

The mining industry in Mexico has a history of 500 years. During the colonial period, the mining industry was the main economic activity of Mexico. Nowadays, Mexico is the 4th largest receiver of mining investment in the world, just behind Canada, Australia and the US. Mexico is also among the top two in silver production. Other important minerals produced by Mexico are gold, copper, iron, molybdenum, titanium, lead and zinc.

BACKGROUND

More silver is extracted from Mexican mines annually than from those of any other country in the world. Gold has also been plentiful through the centuries since the Spanish conquest. In recent years, mining has made a resurgence in the traditionally mineral-rich central and northern states.

Foreign investors are now allowed 100 percent participation in Mexican mining companies devoted to the exploration, extraction and treatment of mineral deposits. The exceptions to the 1992 Mining Law include primary petroleum products (oil and natural gas), hydrocarbons (coal), radioactive minerals (uranium), mineral deposits contained in subterranean waters and open air quarries and salt mines.

In 2007 the value of the Mexican mining production exceeded USD 7 billion. 63.2% of that value is the result of the production of metallic minerals. During the same year, USD 189 million were invested in exploration (a 7.4% increase in respect of the previous year) in Mexico and the investment in exploration and operation by foreign companies reached USD 428 million. Currently, there are 24,442 mining concessions in effect. Canadian companies are involved in 375 exploration projects, 83.58% of the total. Gold and silver prospecting represent 81% of the projects.

INVESTMENT OPPORTUNITIES

The states of Zacatecas, Durango and Chihuahua are the largest producers of silver in our country. Last year, Zacatecas produced 1,477 tonnes, while Durango and Chihuahua 468 and 423, respectively. The states of Chihuahua, Durango and Sonora are ranked 1st to 3rd in gold production in Mexico. They produced 11,573, 10,599 and 9,916 kilograms of gold, respectively, during the last year.

Copper production rose again. The main copper deposits in Mexico are located in the Meallocenic Province of the Sierra Madre Occidental. The state of Sonora came first in the production of this metal with a production of 273,919 tonnes during last year. Mexico's deposits of iron are distributed along two main belts, namely: the North East iron belt and the South West iron belt. The North East belt includes the famous deposits of La Perla, in Chihuahua; Cerro del Mercado, in Durango; and Hercules, in Coahuila. The South West runs parallel to the Pacific margin, which includes the deposits of Aquila, Las Truchas, El Encino, Cerro Nahuatl and Pena Colorada. In addition, several great potential areas have been identified in the states of Guerrero and Oaxaca. The demand of molybdenum has increased in industrialized countries, in particular in China, as it is used in the production of automobiles and electrodomestic appliances, as well as in the construction and infrastructure sectors. Sonora ranks 1st in the production of molybdenum in our country. The deposit of La Ventanilla, in the state of Oaxaca, has reserves calculated in the order of 1.7 million tonnes with 6.8% of titanium and potential resources of 33 million tonnes with a high grade of titanium. Mexico remains one of the world's largest producers of lead and zinc. Chihuahua and Zacatecas are the best producers of lead with 59,135 and 46,359 tonnes, respectively. When it comes to zinc, the ranks are inverted. Chihuahua leads with a production of 200,000 tonnes and Zacatecas follows with 140,200 tonnes.

REGULATORY FRAMEWORK

The Mexican Mining Law regulates article 27 of the Mexican Constitution in the mining sector, and establishes the requirements that must be complied with in order to obtain a concession for exploration and/or exploitation of minerals and substances listed in that law.

The Mining Law provides that concessions to perform the aforementioned activities may be granted by the Ministry of Economy to Mexican individuals and companies, and agrarian communities. Although the exploitation of natural resources has traditionally been a cornerstone of statist and nationalistic policy, foreign investment may participate in up to 100 percent of the capital stock of mining companies. Concessions for exploration and/or exploitation are given on "free land" to the first applicant if the conditions and requirements of the Mining Law are fulfilled. Applicants offering the technical or economic conditions for the public interest shall have preference over other applicants.

The Mining Law defines "free land" as all Mexican territory, except for: (i) islands, keys, reefs and seabeds; (ii) national mining reserves; (iii) lands covered by a prior concession; (iv) lands covered by a concession in process; (v) concessions granted through a public bid that are later canceled; (vi) concessions substituting for other concessions previously granted in a public bid that are later canceled; and (vii) land in which no concession for exploration was granted because bidders did not comply with the public bid requirements.

Mining concessions grant the holder of the concession rights to explore and exploit all minerals and substances covered by the concession, and grant the right to sell the minerals.

In 2006, a reform to the Mining Law was introduced to allow the holders of mining concessions for the exploitation of natural carbon to make use of the methane gas emanating in the course of the exploration. After obtaining the authorization of the Ministry of Energy, the holder of the concession may exploit the gas for its own purposes or furnish it to PEMEX.



Exploration concessions are granted for a period of six years and are non-renewable. They can, however, be replaced by a new concession. Exploitation concessions are granted for a period of 50 years, which shall be renewable.

The term of each concession commences upon registration of the concession in the Public Registry of Mines. Among the most important obligations that the holder of this type of concession must comply with are the following:

- a) To execute the works of exploration and/or exploitation;
- b) To pay the fees imposed by the Mining Law;
- c) To advise if radioactive minerals are discovered;
- d) To provide the statistical, technical, and financial information of the company to the Ministry of Energy; and
- e) To permit inspection visits by the Ministry of Energy to the mining site.

Mining activities performed on lands assigned to PEMEX require prior authorization of the Ministry of Economy and a favorable resolution by the Ministry of Energy, which shall establish the technical conditions to be followed.

Mining concessions can be totally or partially pledged or transferred to third parties. The pledges and transfers have to be registered at the Public Mining Registry to have legal effects against third parties.

As suggested above, the Mining Law has recently been amended in order to allow mining companies, under certain conditions, to profit from the natural gas (fire-damp) associated to the exploitation of mineral coal mines either by self-consumption or by carrying it and delivering it to PEMEX.

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"Our specialized attorneys at GRA are experienced in investigating the status of concessions, their validity and extent, and any conditions or encumbrances that might be applicable. We submit applications for original concessions and we handle renewals. We also help structure new mining ventures in addition to acquisitions or alliances in accordance with the objectives of our clients. Further, we advise and verify that our clients' activities will be in compliance with Mexico's environmental laws and regulations."