



NAFTA RAILROADS TODAY

What About Mexico?

STEVE JESSUP/PHOTOS AS NOTED

I HAVE TO ADMIT, UP UNTIL RECENTLY, I haven't paid much attention to the railroads of Mexico. I'll blame that on my railroad upbringing through the pages of several popular train magazines. Did you read much about them? I didn't think so.

Apparently the vast majority of rail enthusiasts aren't blazing a path to points south of the border for some good train watching. That may be why my "original" *Guide to North American Railroad Hot Spots* doesn't list any locations in Mexico. (It does, however,

generously include four spots in Canada out of 100 entries.) Also, notably absent from the news columns is any significant information on TFM and Ferromex operations. Whether it's lack of interest (perhaps) and/or lack of credible sources (likely), it adds up to a missing chunk of the colorful North American rail scene.

If you live anywhere close to the Canadian border (as I did in the Seattle area for 25 years), the influence of Canadian Pacific and Canadian National is very apparent. The history and the scope of both roads plus the lure of

exploring Canada give them prominence on the continental railroad stage. But the visibility of Mexico's railroads around the U.S. is a blip on the radar in comparison. It was really nonexistent until the late 1990s.

It took a few trackside wake-up calls to spawn my interest. On July 25, 2004, I found myself at Snohomish, Wash., waiting on three BNSF eastbounds. The last train had a wild four-unit consist. The third unit was Transportación Ferroviaria Mexicana (TFM) SD40-2 1428 — a first for me.

OPPOSITE: A single Kansas City Southern SD70Ac, No. 4118, rolls 87 loaded grain hoppers down the Rosenberg Subdivision at the Colorado River crossing in Wharton, Texas, on September 5, 2014. **TOM KLINE PHOTO** **TOP:** Mexico's two prominent railroads, Ferromex and Kansas City Southern de Mexico, are making their presence known on rail routes across North America. The brilliant colors of both roads are captured side-by-side at Garland Avenue in Louisville, Ky., on February 5, 2015. Ferromex SD70Ac No. 4068 leads Norfolk Southern Train 223 while KCS SD70Ac No. 4152 takes charge of NS Train 285. **LEE GORDON PHOTO**

RIGHT: The red-and-black paint scheme of the National Railways of Mexico is all some railfans know of railroading south of the border. NdeM Alco C-424 No. 8116 is captured at Orizaba, Veracruz, on January 9, 1974. Back then, if you wanted a glimpse of the road's motive power, you had to take a trip to Mexico. PAUL HUNNELL PHOTO
RIGHT MIDDLE: Two Alcos and a GE power a freight on Ferrocarril del Pacifico rails in Guadalajara, Jalisco, on January 7, 1979. FCP C-628 603 is on the point followed by U30C 402 and a trailing C-628. This road was absorbed into NdeM in 1984 and is now a part of the Ferromex network. JOHN BENSON PHOTO
BOTTOM: The best motive power National Railways of Mexico put on its rails at the tail end of its existence was a fleet of GE C30-Super7Ns. Another 100 older units were rebuilt to Super-7 standards in NdeM's shops. FNM Super-7 14020 is serviced in Nogales, Sonora, on October 6, 1995. JAMES R. DOUGHTY PHOTO



Three years later, I'm sitting at Edmonds, Wash., when a northbound BNSF train approaches with Ferromex SD40-2 3188 sandwiched between a pair of BNSF Dash 9s. That, too, was a first.

Fast forward another two years to summer 2009 with our transition to Kansas City about 20 months in. An eastbound auto train rolls by powered with a pair of SD70MACs, the second TFM No. 1639. On to Lake Quivira, Kan., in October 2010 with a westbound BNSF freight sporting a "one-from-each-country" three-unit consist including BNSF, CP Rail, and Ferromex ES44AC No. 4610.

Only a couple more TFM and Ferromex locomotives would pass in front of my lens in the coming months — far too few for my photo album. But I'm happy to report that I finally caught a couple of "Ferros" on the point. Hopefully we'll see greater visibility and much more publicity of these unremarked roads.

The colorful Ferromex units certainly caught my family's attention. "Wow, cool! Why can't we see these more often?" Good question. Answer: Wrong spot. Maybe we should move to Eagle Pass, Texas. "What exactly is Ferromex?" they asked. It was time for a closer look at the subject of our fascination.

It Started with NAFTA

There are two major players in Mexico's railroading: Kansas City Southern de Mexico and Ferromex. Their presence on the U.S. rail stage can be attributed to two major events — the North American Free Trade Agreement (NAFTA), which went into effect January 1, 1994, and the privatization of Mexico's railway system. Before this, Mexico's rail lines were somewhat unknown and of little interest and value to most North American railway followers. Even though rails connected Mexico with the U.S./Canada

network, the "current" between the two didn't really carry. Any vibrancy that existed in Mexico's rail transportation had to be observed in that country since it wasn't going to show up in U.S. neighborhoods. But that has changed, particularly in the last ten years.

It was NAFTA that prompted the Mexican government to take a good, hard look at its rail system. By "North American" standards, it was rickety and frail. It was a deteriorating network in desperate need of upgrades, and the government was nowhere near flush enough to fund the necessary work. If rails were going to truly survive, change had to happen.

NdeM and FNM

Prior to NAFTA and the forthcoming privatization, the country's major rail system ran under the flag of the Ferrocarriles Nacionales de Mexico — FNM (also known as National Railways of Mexico — NdeM). NdeM was organized in 1908, and it absorbed several early railroads and expanded in the modern era by building new lines and relocating others. NdeM gained a greater identity with the consolidation of four regional railroads in 1987 — the Pacific Railroad, the Chihuahua Pacific Railroad, the Sonora-Baja California Railroad, and the United South Eastern Railways. The first three would become known as the Pacific, the Northern, and

the Baja California operating regions of NdeM respectively.

As the government assessed railway matters after 1994, it had to concede it had the model of success right in front of them. Privatization, profitability, and customer service were the keys — a completely different mindset from the social/political ways of the past. Perhaps this new way would lead to greater prosperity in light of North American trade.

A plan was implemented to divide the network into three large concession blocks: the "Northeast Line" (TFM), the "Pacific, Northern, and Baja California Line" (Ferromex), and the "Southeast Line" (Ferrosur). The divisions reflected



LEFT: Distinguishing its identity from the rest of KCS' Southern Belle fleet, ES44AC No. 4748 shows its "de Mexico" markings, which can also be found in the octagon herald up front. Even though these "de Mexico" units run system-wide (and are not held captive in Mexico), they can be elusive. TOM KLINE PHOTO
BELOW: In December 2005, Mexico's first rail concession became known as Kansas City Southern de Mexico following the KCS purchase of TFM shares owned by Grupo TMM. Shortly after the railroad's startup in 1997, new power came on line in the form of AC4400CWs and SD70MACs lettered for TFM. Two TFM SD70MACs lead an eastbound auto train in Kansas City on August 22, 2009. STEVE JESSUP PHOTO



similar operating territories to that of the aforementioned regional roads before the 1987 consolidation. Each road (or "block") was auctioned off to the highest bidder with the winner receiving a 50-year operating concession. And from June 1997 to December 1998, these new railroads set out to "seek their fortunes" under private ownership.

Kansas City Southern de Mexico (TFM)

The first of the two prominent Mexican railways is Kansas City Southern de Mexico, which started in June 1997 as Transportación Ferroviaria Mexicana (TFM). A \$1.4 billion bid from Kansas City Southern and steamship operator Transportación Marítima Mexicana (Grupo TMM) gave TFM the "Northeast Line" rail concession.

Standing as the smallest Class I U.S. railroad following the mega-mergers in the mid-1990s, and amidst speculation

as to whether it would survive if it didn't merge with someone larger, KCS made its strategic move to carve a north-south shipping lane all the way into Mexico. Even from the start of KCS in 1887, many doubted that a north-south route would prosper — let alone stay alive — on an east-west playing field.

While he's known in railfan circles for reviving two of North America's most recognized railway paint schemes (the Santa Fe red-and-silver "warbonnet" and the KCS "Southern Belle"), Mike Haverty will stand among the country's greatest railroad CEOs for playing this card. The move was completed with KCS purchasing stock in the Texas Mexican Railway Company (opening the Laredo-Corpus Christi route) and the Surface Transportation Board's granting of trackage rights over Union Pacific's (ex-Southern Pacific) lines between Robstown (west of Corpus Christi)

and Beaumont where a connection is made to the KCS. Besides the primary border crossing at Nuevo Laredo/Laredo, one other link to the U.S. is made at Matamoros/Brownsville.

KCSM is fairly solid on grain, automobile, and industrial product traffic, and hope abounds in the growth of intermodal shipments. Lazaro Cardenas is a key port on the doorstep of one of the world's largest cities. Beyond that, TFM/KCS holds the shortest route (via the Meridian Speedway and on to NS) between the Mexican west coast and a major eastern hub such as Atlanta. Trucking giants may embrace hauls between the U.S. and Mexico. Perhaps the biggest challenge will be domestic hauls within Mexico since trucks are a "big deal" there. They operate at low cost in a country with difficult terrain, often pushing the slower rail option off the table.

After eight years of operation, KCS acquired full ownership of TFM, and in December 2005, TFM was officially renamed Kansas City Southern de Mexico. Its prized shipping lane runs north out of Mexico City and enters the U.S. gateway at Laredo. According to KCS, it fulfills the vision of founder Arthur E. Stilwell, who desired to go beyond the Gulf Coast with his steel highway.

LEFT: Mexico's second rail concession, Ferromex, began operations in February 1998 with mining company Grupo Mexico as the majority owner. Union Pacific was in on the deal, splitting the remaining shares with Grupo ICA. Before the end of the year, UP bought out the remaining shares. Illustrating the partnership of Mexico's largest road is Train QEGNL northbound at Little Rock, Ark., on March 30, 2014. **JAMES E. DOUGHTY PHOTO** **BELOW:** Freight cars range from old NdeM cars updated with FXE patched reporting marks, to sleek KCS hoppers in unit grain trains. **STEVE JESSUP PHOTOS**



ABOVE: KCS SD70ACe 4025 leads a northbound grain train over the Colorado River at Wharton, Texas, on September 9, 2014. It wasn't until 1997 that KCS enjoyed seamless service between the U.S. and Mexico. The Texas Mexican Railway and trackage rights over SP and UP lines in south Texas made the link possible. **LEFT:** SD70MAC No. 3953 (former TFM 1653) is pictured at Kandleton, Texas, on September 3, 2014. As evidenced by the grain cars on one side of the motive power and two J.B. Hunt container trucks waiting to get into the intermodal facility, it's not hard to figure out KCSM's traffic strength in and out of Mexico. **TOM KLINE PHOTOS**



Ferromex

The other prominent Mexican railway is Ferrocarril Mexicano (Ferromex), which started in February 1998. It is the largest of the three initial privatized railroads in track mileage, and it added more mileage with the merger of Ferrocarril del Sureste (FerroSur). More on that in a moment.

Only one bid came in for this road — a \$527 million offer from the three-party combo of Grupo Mexico (a mining company and one of the world's largest copper producers), Grupo ICA (a construction company), and Union

Pacific. This transaction gave them the "Pacific, Northern, and Baja California" region rail concession. Before the end of its first year, Grupo ICA bowed out with UP picking up its 13 percent of the shares (now standing at 26 percent and Grupo Mexico at 74 percent).

UP's involvement was another attempt at getting a piece of the pie. Rail experts predicted that UP would be a member of the winning party for the "Northeast Line" concession. It wasn't such a bad prediction — UP had a long-standing record of rail exchange at the borders. What UP got wasn't exactly leftovers, and

Ferromex's competition knows that well.

In 2002, Ferromex and Ferrosur announced plans to join forces, which would have added the "Southeast Line" rail concession to the Ferromex network. The move was naturally opposed by TFM, and the merger was rejected by the Mexican Federal Competition Commission (CFC). Three years later in November 2005, Grupo Mexico resurrected the merger and purchased Ferrosur for \$309 million, according to Web sources, about \$2 million less than the original (and only) bid for this remaining rail concession. (Sources widely vary on the original price — research shows figures anywhere between \$300 to \$330 million.) Again, TFM raised objections and attempted to block the merger with the support of the CFC, leading to the second rejection in June 2006. But a Mexican tribunal



ABOVE: On the old Frisco route, Ferromex ES44AC No. 4642 and a pair of trailing SD70ACes are in charge of eastbound BNSF freight HKCKMEM at Fordland, Mo., on October 22, 2011. DAVID OROSZI PHOTO
RIGHT: In 2005, KCS acquired full ownership of TFM and renamed the railroad Kansas City Southern de Mexico. Former TFM gray units were eventually relettered to show KCS markings with "de Mexico" added in black, as shown with AC4400CW 5347 in this August 3, 2009 image. TOM KLINE PHOTO



ruled in favor of the merger, and the two became one in March 2011.

At the start-up, grain represented close to a third of the traffic on both components. Ferromex has been aggressive in capturing automobile and auto parts traffic as well as domestic intermodal and port business. Grupo Mexico's work in mining also pays dividends with the shipment of minerals.

Whereas KCSM has two U.S. gateways, Ferromex has five: Eagle Pass, Texas; Presidio, Texas; El Paso, Texas; Nogales, Ariz.; and Calexico, Calif. The gateway at Presidio has been blocked since 2008 as the Presidio-Ojinaga International Rail Bridge has not been rebuilt since it was destroyed by fire. One other link to the U.S. is via ferry service across the Gulf of Mexico from Coatzacoalcas to Mobile, Ala.

Both Kansas City Southern de Mexico and Ferromex gained 50-year operating concessions, which are up for renewal (for another 50 years) in 2047 and 2048 respectively. While Mexico may not have been a railroad gold mine, at least two railroads saw potential. And for reasons

previously outlined, it made sense that KCS and UP would be the competitors.

After 19 years, the visibility of Mexico's two primary roads is apparent. No longer are the days where old cars and locomotives are held captive in their own backyard. A more complete picture of North American railroading now exists with shipping lanes extending from the Atlantic to the Pacific and from Canada down through Mexico. Thanks to single-line service plus run-through and trackage/haulage agreements, the flow to Mexico is pretty fluid just as it is between the U.S. and Canada.

For railfans, opportunities to photograph new colors and new reporting marks have increased. The odds are far

better on the gateway routes in Texas, but the "free runners" (using pool power parlance) have strayed all across the country. That leads us to a closer look at the road power.

Mexican Motive Power

At the close of National Railways of Mexico, the railroad's locomotive fleet consisted of a little more than 1,300 units. Most were C30-7s, SD40-2s, and GP38-2s with a generous assortment of old Alco, MLW, and other GE products floating around. NdeM (FNM) placed an order for 100 C30-Super-7Ns in 1990 and rebuilt about 100 older GEs to "Super-7" standards, giving them 200-plus "modern" locomotives. Since it didn't

bite on EMD SD60Ms or GE C40-8Ws, it's apparent that NdeM had no need for anything more "advanced." As it was, the newest units had only seven years of mileage at the start of privatization. The Super-7s would soldier on with their new companies, but Mexico would see the "latest and greatest" motive power on its rails in short order.

For TFM, brand-new GE AC4400CWs and EMD SD70MACs came online — 75 units apiece, all delivered between 1998 and 2001. According to 2002 roster sources (five years into operation), TFM had a fleet of 468 locomotives plus the 480 units listed under KCS. Since then, the KCS/KCS de Mexico roster has grown to somewhere around 1,550 units.

Painted in the old KCS gray colors, the AC4400CWs and SD70MACs were the only units to receive TFM or KCS de Mexico markings. They joined a group of older units — notably SD40-2s — that

received TFM lettering. Some retained their two-tone blue colors from the FNM days. Some of the AC4400s and SD70s are being relettered to KCS while others have taken on the Southern Belle colors. The newer SD70ACes and ES44ACs sport the Southern Belle paint schemes with a block for each model lettered "Kansas City Southern de Mexico."

The equally colorful Ferromex locomotives have stirred rail enthusiasts on various routes. Unlike the KCS single-line route across the border, Ferromex interchanges with both UP and BNSF at Eagle Pass and El Paso (in addition to the UP interchanges at Nogales and Calexico). Thus Ferromex power can be run through or pooled on UP or BNSF, depending on the train.

Again using 2002 information, Ferromex had 494 units, and Ferrosur rostered 185. The latest locomotives online at that time were AC4400CWs

delivered between 1999–2000, with Ferromex having 50 and Ferrosur with just 15. From the 2011 merger to today, the Ferromex roster is somewhere above 670 units. The fleet is anchored by EMD's SD70ACes and GE's ES44ACs.

So while a handful of Ferromex units can be seen floating around the country at any given time, KCS now mimics CP and CN with all motive power available on its two-country seamless routes. Train watchers are also spotting various pieces of rolling stock from Mexico as well as U.S. fallen-flag cars now sporting FXE and TFM reporting marks.

What Does the Future Hold?

As trade increases between the U.S. and Mexico, perhaps we won't have to wait three or more years for the next surprise to roll through our neighborhood. We may have to be willing to move around a bit to feel the influence, but at least the full picture of North American railroading no longer has that gaping hole. ■



LEFT: Closer to home, Ferromex SD70ACe 4080 and ES44AC 4666 pause at Belen Junction, N.M., before backing into their train and heading north to Albuquerque on April 9, 2015. Whereas NdeM used a lot of old, beat-up power to move freight, Ferromex shows its contemporary look with modern power from EMD and GE to satisfy the power desk personnel when units roam on U.S. rails. JOHN R. DOUGHTY PHOTO
BELOW: Sunset reflects off the flanks of ES44AC and SD70ACe units at the west end of Kendleton Yard on February 14, 2013. Once these trains are re-crewed, they will resume their journey south to Mexico through the border crossing at Laredo. TOM KLINE PHOTO

