

Spanish government speeds up liberalisation of utilities

Vicky Short
22 July 2000

Following the Popular Party victory at the general elections in March, Prime Minister José María Aznar is pushing ahead with the speedy liberalisation of the country's utilities.

Aznar has brought forward plans to open up the electricity supply industry from 2002 to this October. The measures will restrict the larger power groups, such as Endesa and Iberdrola, from increasing their output capacity for between three to five years, whilst enabling 8,000 companies, representing 44 percent of total domestic energy consumption, to choose their electricity provider and negotiate prices. All electricity consumers are to be able to choose their supplier from 2003, four years earlier than planned.

The fast-track timetable hinges on a plan to compensate most of the estimated \$8.4 billion "stranded costs" incurred by the power groups under the previous highly regulated system. Three-quarters of these costs will be sold in the form of securities, enabling the generators to be paid immediately. The debt issue would be paid by a 4.5 percent levy on all electricity bills for the next 15 years.

Aznar is also to accelerate the liberalisation of the gas industry to competition. The deadline will be brought forward from 2007 to 2003, with 80 percent of the market opened up a year earlier. Other sectors for reform are the oil, television, railways and mining industries. Hypermarkets are to be able to sell petrol, whilst the major oil companies will be made to freeze the expansion of their own retail networks.

The speed at which Aznar is implementing the new initiatives has drawn complaints from the European Commission in Brussels, which is to review the plans for the electricity industry and telecommunications, following allegations that the government has taken unwarranted shortcuts in its rush to liberalise. It is also

concerned that the Spanish government has overestimated the amounts owed to the power groups and that the proposed scheme will set a precedent for other European Union countries who are opening up their electricity markets.

Big business is still not wholly satisfied with the measures. Telefónica, the former state-owned telecommunications system, was privatised in 1997. Soon after the recent elections, however, the government opposed a planned merger with KPN of the Netherlands because the Dutch operator is 43.5 percent state-owned. The government blocked the merger by wielding its "golden share" in the company. Rodrigo Rato, Economic Minister, stated that he was not prepared to allow a foreign government to be a principal shareholder in the company.

One week later, Germany's Energie Baden Wuerttemberg (EnBW) withdrew its competing bid for Hidrocarbónico after learning that the government objected to the fact that Electricité de France (EdF), a state-controlled monopoly utility, owned 25 percent of its equity. Just three weeks after this, the Aznar government vetoed a proposed take-over by the power group Union Fenosa of its smaller rival Hidrocarbónico because it would have reduced the number of main electricity generation companies from four to three.

The aborted EnBW bid prompted an outcry among bankers close to the deal. London's *Financial Times* quoted one of them as saying: "We are starting to look like fortress Spain. Government fundamentalism over state holdings threatens to limit the growth of Spanish companies, destroy shareholder value, and undermine the open market values that it claims to defend."

Nonetheless, Telefónica's former telecoms monopoly will be ended by next January, when people will be

able to choose their operator for all calls. Competition in local calls will be opened up in November.

Aznar is particularly keen to introduce greater flexibility into Spain's labour market. With the full collaboration of the trade unions, the government has succeeded in making it easier to lay off workers and is reducing compensation payments. Business is urging the government to press ahead with additional measures, including a further reduction in the cost of dismissals, cutting the size of employers' Social Security contributions and the privatisation of state pension schemes.

The prime minister has also made it clear that he intends to cut unemployment entitlements. Spain has an unemployment rate of 15 percent, one of the highest in the European Union (EU). His model for these changes are the measures introduced by Prime Minister Tony Blair in Britain, under which unemployment benefit is conditional on recipients proving they are constantly making an "active effort" to gain employment.

The Spanish measures continue a close collaboration with the British government aimed at pressuring other EU countries to speed up economic reforms, and eschew "heavy handed regulation" and "divisive constitutional debate".

Blair and Aznar issued a joint statement earlier this month, published in the *Financial Times* and *El Mundo*, outlining their common stance on the deregulation and liberalisation of industry. "As prime ministers, we may come from different political traditions, but we are united in our determination to pursue this [economic reform] agenda. In the past, we made the mistake too often of trying to apply social policies that generated obstacles for business growth and job creation," they wrote. Both leaders played a major part in orchestrating the EU's pledge at the Lisbon summit in March to copy US-style labour market flexibility.

Blair is keen to encourage Aznar's liberalising zeal to answer complaints of heavy-handed regulation within the EU by the Eurosceptics inside his own party and within the British political establishment generally.

For his part, Aznar has used the relationship with Blair to strengthen his image at home and to increase Spain's political weight within the EU. Aznar has demanded that Spain be given parity with the "Big Four"—Germany, France, Britain and Italy—in an enlarged European Union. At present, the four control

ten votes each in the Council of Ministers, compared with Spain's eight. The government is concerned that Spain will lose funding and be marginalised when poorer countries from central and Eastern Europe are admitted to the EU. Aznar argued: "If we are creating more than half the employment in Europe, if we have liberalised markets faster than anywhere else, if we have balanced our budget and lowered taxes—then I think that Spain has the right to a greater say."

Most of all, the assertion of the Anglo-Iberian alliance is designed as a counterweight to the Franco-German axis. The German and French governments recently voiced their intentions to create a "core" group within the EU, which, under their leadership, would help speed European integration. In their joint statement, Blair and Aznar warned, "some of us may wish to go a bit further a bit faster on political reform, but all must respect rules and procedures of the Union. There can be no second class citizens in Europe."



To contact the WSWs and the
Socialist Equality Party visit:

wsws.org/contact