Sri Lankan government plans to restructure oil and electricity corporations

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The Sri Lankan government is preparing to restructure the state-owned oil and electricity corporations despite the opposition of workers in these sectors. The ruling United Peoples Freedom Alliance (UPFA) was only able to avert all-out industrial action in late March with the assistance of trade union leaders and the Janatha Vimukthi Peramuna (JVP), which is a member of the UPFA coalition.

On March 29, nearly 8,000 workers picketed in front of the Ceylon Electricity Board (CEB) head office in Colombo and the Ceylon Petroleum Corporation (CPC or Ceypetco) in the suburb of Kolonnawa. About 19,000 workers from the two enterprises were involved in the campaign throughout the country. They threatened an indefinite strike unless the government withdrew two cabinet papers containing plans to restructure the CEB and to sell off one third of CPC shares to Indian-based Bharath Petroleum Company.

Concerned at the potential for a strike to trigger broader industrial action, several ministers called for “clarifications” of the cabinet papers. JVP leader Wimal Weerawansa met Finance Minister Sarath Amunugama, Power and Energy Minister Susil Premajayantha and Treasury Secretary P. B. Jayasundara on March 29 to urge a postponement of the planned cabinet meeting. President Chandrika Kumaratunga deferred the meeting, heading off an immediate confrontation.

Trade union leaders were quick to use the announced postponement to call off further industrial action. To appease angry workers, Ananda Nimalaratna, conveyor of the CEB trade union front, told the protest meeting: “This is not a full gain but a partial one. We will continue our struggle if the government implements [economic restructuring] reforms without our consent.” Behind the scenes, however, union leaders will undoubtedly be seeking a way to accommodate the government’s demands.

The dispute erupted last August when workers at a CPC storage facility, concerned about their jobs and conditions, launched a wildcat strike against government plans to sell shares. The government also faced opposition from CEB workers to proposals to restructure the board. The action was embarrassing for the ruling UPFA, the JVP particularly, because it campaigned in last April’s general election promising to end the privatisation and restructuring of the previous United National Front (UNF) government.

Like the UNF, however, the UPFA government has been under pressure to accelerate economic reform. Two large loans for the CEB—$30 million from the Asian Development Bank (ADB) and $70 million from the Japan Bank for International Corporation (JBIC)—are dependent on the restructuring proceeding. Power and Energy Minister Premajayantha told a business web site: “Without restructuring they will never consider future programs in Sri Lanka.”

The state of the two enterprises is symptomatic of government’s overall financial crisis. The CEB owes 27 billion rupees ($US620 million) in short-term debt to the banks and the CPC’s debt amounts to 3.7 billion rupees. In a financial statement issued last month, the Central Bank of Sri Lanka noted that the CEB and CPC incurred monthly losses of 2.5 billion rupees, or 30 billion rupees annually, and called for urgent “corrective measures”. At present, the losses are covered by subsidies that the government wants to slash.

Rising global oil prices have heightened fears in Colombo’s business circles of a financial crisis. The country obtained a temporary breathing space after the IMF and donor countries announced a one-year moratorium on debt repayments following the December 26 tsunami disaster. However, government oil subsidies to cover higher crude oil prices could wipe out the estimated $400 million gain from the moratorium.

Changes to the CPC and CEB have been long planned. In February 2003, the UNF sold one third of all CPC shares to the Indian-based Lanka Indian Oil Company (LIOC) and vested another one third under the Treasury for a future sell-off. Despite an election pledge to halt the UNF plans, the UPFA is now seeking to complete the sale for an estimated $84 million.

The previous UNF government introduced the Electricity Reform Act in 2002 but was unable to implement it. The UPFA cabinet paper proposes to split the CEB into eight government-owned companies. A voluntary retirement scheme (VRS) is to be implemented to slash the workforces in preparation for the full privatisation of the companies.

The proposed "reforms" will not only impact on the immediate workforces but on working people more broadly as the cost of electricity and fuel rises. The government already confronts mounting opposition over deteriorating living standards. On March 30, about 2,000 bank and private sector workers demonstrated in central Colombo against privatisation and the government's tsunami reconstruction regulations. They were joined by farmers from north-central province who opposed selling a phosphate deposit to the private sector.

President Kumaratunga has declared that the government intends to proceed with its restructuring plans. On March 31, she blasted CEB and CPC employees for being "selfish and holding the country to ransom" and then attacked health workers, declaring they had "no right to strike". She finished off her diatribe by condemning the previous day's protest by workers and farmers.

Despite the looming confrontation, union leaders are sowing the illusion that the government can be pressured into making concessions. On April 6, the leader of the JVP-affiliated Ceylon Electricity Employees Union, Ranjan Jayalal, told the WSWS that the unions had received a good response. "The minister agreed not to gazette the restructuring bill until the talks with unions are over," he said.

Union leaders are calling for the building of coal-fired power plants to lower the cost of electricity. At the same time, they are hinting they would support increased charges as a means of cutting debts and avoiding the need for government subsidies. One union official Priyantha Wickramasinghe told the WSWS: "If people buy coconuts after the price increased to 25 rupees why can't they bear a 2 rupees increase per unit of electricity for the sake of the country?"

The CPC union leaders are no different. While declaring their opposition to the sale of shares, union officials demand that the government appoint a general manager to run the corporation more "efficiently". Those who will inevitably bear the brunt of any efficiency drive will be the CPC workers in the form of job losses and a deterioration of their conditions.

Because oil and electricity are central to the economy, workers have been able in the past to extract certain concessions from previous governments. Amid a growing financial crisis and under pressure from business and foreign investors, the government is pressing ahead with its restructuring and privatisation plans. The role of the unions and the JVP in particular is to stifle any concerted campaign by workers to defend jobs and conditions and to find a formula for imposing the so-called reforms.