Philippine power grid privatisation threatens jobs and conditions

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The Philippine House of Representatives has approved a bill granting the private National Grid Corporation of the Philippines (NGCP) a franchise to run the country's electricity transmission grid. The counterpart bill in the upper house is still pending but there is little doubt that the proposed franchise will be approved.

NGCP is a consortium formed by the Monte Oro Grid Resources Corporation, the State Grid Corporation of China and the Calaca High Power Corporation. The group won the concession for the power grid last December with a bid of $3.95 billion.

Once the franchise bill is passed, the management, maintenance and refurbishment of the grid, currently carried out by the government-owned National Transmission Corporation (TRANSCO), will be handed over to NGCP. While the grid will remain government property, all profits will go to the private consortium.

The jobs of more than 3,600 TRANSCO employees are now in danger, causing widespread anxiety and anger. Nothing in the franchise bill guarantees continuing employment and NGCP management has refused to offer any assurances.

The lack of any political opposition to the sale is the direct responsibility of the employee association—Mindanao TRANSCO Employee Association (MINTREA)—which from the outset "respected privatisation of the grid", according to *Business World*, because it was the policy of the government of President Gloria Macapagal-Arroyo. MINTREA president Fernando Masapol could only lament to the finance newspaper that "nothing is clear yet on what will happen to us [employees]".

No efforts were made by MINTREA to mobilise TRANSCO workers and other sections of workers against privatisation, which will inevitably lead to higher electricity prices for working people. The association called no meetings to inform its members or allow a debate on its so-called strategy to defend jobs by pandering to NGCP and the Arroyo administration while lobbying the pro-business Congress. No vote was ever taken on MINTREA's support for privatisation.

At every turn, MINTREA sowed illusions that the interests of TRANSCO employees could be reconciled with those of TRANSCO management, NGCP, the Arroyo administration, and the local and international financial elite for greater profits.

Last year, in a bid to quell growing discontent among its members, MINTREA trumpeted a three-year collective negotiation agreement with TRANSCO management as a victory. Yet NGCP is not legally bound to recognise the agreement when it takes over. The deal gained nothing for government employees that was not already mandated by law but did commit them to come with cost-saving schemes to finance additional bonuses.

This year, MINTREA sought to negotiate with NGCP on a limited package that involved the short-term absorption of all existing employees at the same salaries and job positions, an improved separation package and recognition of the association as the sole bargaining agent for employees. In return, the association offered to support NGCP's bid in Congress.

However, Walter J. Brown, NGCP president and chief executive officer, flatly refused to negotiate on any of the issues prior to the handover. In a letter replying to MINTREA's appeal, he declared that NGCP would seek to accommodate all employees but only to the "extent possible". Brown insisted that the consortium would exercise "normal management prerogatives" to "increase efficiency" and maximise employee potential.

MINTREA also linked up with *Aklasan ng Bayan* or the Citizens Action Party (AKBAYAN) to promote the illusion that Congress could be pressured or lobbied to include a clause on job security in the franchise bill. AKBAYAN, formed in the 1990s in a split from the Stalinist Communist Party of the Philippines (CPP), has one representative in the lower house.

MINTREA's appeal to the Congress has now come to nothing. In the lower house, the bill was approved without even nominal public opposition from the one AKBAYAN party-list representative. In the upper house, a personal appeal from MINTREA president Masapol during the Senate Committee hearing on the bill was also rejected by its chair, Senator Juan Ponce Enrile.

According to the *Manila Times*, Enrile declared that "a franchise bill is a legislative enactment, not a company contract, so it cannot include a provision on security of tenure". However, the report continued, Enrile and Senator Edgardo Angara expressed confidence that the "majority of the TRANSCO workers would be rehired because of their skills and experience". If not, the senators noted, employees could make representation to the Department of Budget and Management for better separation benefits.

By contrast, NGCP's profits are to be assured. With the deregulation of the power industry, grid earnings are no longer a fixed rate of return based on the grid assets. Instead, a performance-based methodology sets a maximum allowed revenue or a revenue cap that includes projected capital expenditures, projected capital costs, accelerated depreciation of equipment and even corporate taxes. The average effective rate charged to end-users is then the maximum allowed revenue divided by the projected power delivered.

In other words, while the performance-based method has been sold as providing a regulated incentive to NGCP to expand the grid and increase power delivery to the betterment of all, it actually passes to the consumers—the working class—all the costs and risks of NGCP.

Over the next 15 years, it is estimated conservatively that the consortium will earn an average of over $400 million per year. Last year, the grid earned a net income after taxes of $373 million.

Nevertheless, these earnings may not satisfy investors. A *Newsbreak* report last year pointed out that NGCP, which has a paid-up capital of only $1 million, is to pay 25 percent of its bid, or as much as $987 million, within 30 days of its takeover. The rest of its bid is to be paid over the term of the concession estimated, by *Newsbreak*, at $320 million annually. In addition, NGCP will be required to make fixed investments for the expansion and upgrading of facilities, "estimated at around $145 million" a year up to 2010 alone.

According to TRANSCO officials interviewed by *Newsbreak*, these payments will mean that "profit growth will have to come from cost cutting, efficiency gains or better management of capital expenditures rather than from growth in sales volume or higher tariffs". Among workers in the Philippines and internationally, "cost cutting" and "efficiency gains" are well known as code words for driving up productivity by slashing jobs and working conditions.