

# Mexican government closes electric utility, sacks 44,000 workers

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In a show of force, some 1,000 Mexican police agents raided the Mexico City headquarters of Luz y Fuerza del Centro in the early hours of Sunday morning, October 11.

The government of President Felipe Calderón had decreed the liquidation of the publicly owned firm that provides electricity for Mexico City and surrounding states in central Mexico, and the firing of its more than 40,000 workers, members of the Mexican Electricians Union (SME). Unless reversed by the legislature or the courts, the decree removes from SME's rolls two-thirds of its membership, a body blow to the SME bureaucracy, from which it may never recover.

The National Electricity Commission (CFE,) a government agency will oversee the dismantling of the firm and the provision of electricity to this important region, which is responsible for more than one third of Mexico's economic output. Its power plants and transmission lines provide electrical power for Mexico City and four central states, home to more than 25 million people, nearly 24 percent of the population. Luz y Fuerza del Centro purchases some its electricity from the CFE power grid.

The SME bureaucracy has vowed to fight Calderón's decree. On October 12 it appealed to the Senate. It is being supported in this by Andrés Manuel López Obrador and the Party of the Democratic Revolution (PRD).

Calderón defended the legality of his actions (a decree issued in the middle of the night without consultation with the legislature) in a televised speech on Sunday night. He claimed that the utility was too expensive to operate in the context of the economic crisis afflicting the country.

The Mexican president said that he had mandated the CFE to hire from among the pool of laid-off workers.

Calderón also offered a financial bonus for workers who did not dispute the liquidation and advice on how they could go into business for themselves. A *Los Angeles Times* article intimates that at most 10,000 workers would be rehired, but says nothing about what will happen to their wages and benefits.

The presidential decree was sparked in part by a dispute between the PAN government and the SME over union elections that installed Martín Esparza Flores as SME president on July 1. Esparza Flores won by a slim majority, 550 votes. An opposition faction, the Movement for Union Transparency (MTS,) headed by Alejandro Muñoz Reséndiz, had charged the SME bureaucracy with electoral fraud and demanded a new election, appealing to the Calderón administration. The MTS claims to have evidence that the lists of voters included deceased workers, and non-union members. The MTS also suspects that Esparza Flores supporters were allowed to vote more than once.

On October 2, the federal Labor Department declined to validate Esparza's election. Under Mexican labor law, this decision effectively mandates a new union election, something that Esparza had already rejected. The Calderón administration had signaled its intention to close the electric utility, in part to retaliate against the SME bureaucracy's refusal to comply with the labor department's decision.

In his speech, Calderón claimed that the company had run up excessive costs, due to its inefficient operations, an excessive number of SME employees, the so-called high wages of the union's members and the generous pensions for SME retirees.

In reality wages at Luz y Fuerza del Centro are in line with those of other public employees. According to one example, a skilled carpenter at Luz y Fuerza del Centro earns the modest sum of US \$340 per month. Mexican

officials have also accused the SME of interfering with the modernization of the firm.

Luz y Fuerza del Centro is notorious for its low quality service and for the volatility of its rates, which may have little to do with actual usage. The company has been accused of “losing” electricity it buys from the CFE, in part because many poor Mexicans, unable to afford rates of electricity that are high by world standards, resort to the dangerous practice of hanging hooks onto power lines or to bypassing electric meters.

In addition, the company has been charged with cronyism and of selling electricity below cost, or at no cost, to big businesses and to politically connected individuals and companies. On average, big firms paid 0.45 pesos per kilowatt-hour compared to 1.5 pesos that residential customers paid. The government hopes to reduce its fiscal deficit by some 20 billion pesos (US \$1.53 billion) from the liquidation.

Calderón’s decree was welcomed by Wall Street and international investors. Francisco Suárez, head of equity research of Actinver Corporation, an influential Mexican investment managing firm, told Bloomberg.com that the liquidation of the electrical utility will bolster the country’s bond ratings. “The announcement of Luz y Fuerza represents a structural change in Mexico,” declared Suárez. “If you no longer sustain the company, that is money you do not have to ask the customers for.”

In his speech, Calderón emphasized that due to the economic crisis, the government cannot afford to keep giving money to Luz y Fuerza and, by extension, any other public enterprise. The latter was made clear in a press interview with Interior Secretary Fernando Gómez Mont. When asked by reporter Eduardo Castillo told the Associated Press that the liquidation of other state-owned enterprises was one of the tools that the government will use to “improve productivity and efficiency of the productive organizations in the public sector.”

Also in supporting Calderón was the Business Confederation of the Mexican Republic (COPARMEX) and the Federation of Chambers of Industry (CONCAMIN.) A COPARMEX spokesperson denounced the utility as a “bottomless pit.” CONCAMIN expressed its “absolute” support for Calderón’s decree and described Luz y Fuerza del Centro as “inefficient and corrupt.”

From the standpoint of the Mexican bourgeoisie and the world financial aristocracy, this is an example of “making virtue out of necessity” and is in line with remarks by the president earlier this year that the country needed to do “more with less.” While the government denies that it intends to privatize the electrical utility—something that Calderón has always supported—it is making it clear that it intends for it to pay its way by lowering costs, i.e., rationalizing the labor force and assaulting wages and benefits. “Had I not taken this measure,” said Calderón, “we would have had to raise electric rates or constantly increase taxes.”

Luz y Fuerza del Centro’s liquidation coincides, and is in line with, the vote this week on Calderón’s austerity budget. In the second quarter of this year, Mexican economic output fell by 10.3 percent on a yearly basis. In August alone, industrial production fell by 7.3 percent. Government tax revenues, including taxes on oil, have fallen by 13 percent.

Financial observers expect the draconian budget—a massive assault on social welfare combined with regressive increases in taxes on the poor—to pass with only a few changes.

In anticipation, the Mexican peso and the Mexican stock and bond markets have rallied in the expectation of future profits.

Corruption and fraud have a long history in Mexican society. This includes the corruption and fraud within the unions themselves, which, undoubtedly involved SME’s participation in the massive income generated by Luz y Fuerza del Centro. Very little of this trickled down to the workers themselves, however, who are now seeing their jobs suddenly wiped out.



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