

# After Irma, Wall Street pushes for austerity and privatization in Puerto Rico

Rafael Azul  
14 September 2017

Hurricane Irma, the most powerful hurricane ever recorded in the Atlantic, passed northwest of Puerto Rico on September 7, killing three people and causing significant damage to roads and the electrical power grid. The storm knocked out power for 1 million out of the island's 3.4 million people, left 350,000 Puerto Ricans without potable water and put half the telecommunications towers in the country out of commission.

Though the US territory was spared the full force of the storm, which swung 54 miles to the north, high winds, rain and storm surges damaged homes and the electrical and water infrastructure, particularly in and around San Juan, Puerto Rico's capital city and home to more than 400,000 people.

Victims report the loss of furniture, clothing, and many other items, as the strong winds tore off the roofs of homes in San Juan crowded working class communities along the northern coast, including the historic shantytown La Perla.

William Villafañe, Governor Pedro Rosselló's chief of staff, announced that the percentage of Puerto Ricans with no electric power has fallen from 74 percent of the population to nineteen percent (over 300,000 people). Villafañe claimed that most of the population would have its power back by next week. He made it clear, however, that major infrastructural work will need to be done, saying, "It is evident that the most damaged in terms of infrastructure, in addition to our roads, is the electrical infrastructure."

In a separate interview, New Progressive Party (NPP, pro-statehood) Senator Miguel Romero said in San Juan alone 42 percent of the population were still without power. The restoration of power is being done in a haphazard manner, bypassing entire neighborhoods and leaving others with intermittent service.

Discussing the present situation, Anthony, a University of Puerto Rico student, told the *World Socialist Web Site*, "Some coastal areas outside of the capital have been hit with lots of flooding and homes and buildings have been destroyed. On the islands of Vieques and Culebra (off the eastern coast of Puerto Rico), people lost practically everything. The damage on these islands, which are close to the British and US Virgin islands, was devastating like Barbuda.

"I live outside of San Juan and we have no power. They say it could be a month before power is restored in some rural areas in the central part of the island. Of course, the priority is restoring the power for the elite class and the politicians in the capital city. Workers are the last ones.

"I think they have deliberately allowed the electrical grid to deteriorate for years, in order to open it up to privatization."

According to the *San Juan Star*, the Electrical Industry and Irrigation Workers Union (UTIER) has accused the government of deliberately delaying the restoration of power in San Juan and other crowded cities to promote the privatization of the public electric utility, the Puerto Rican Electric Power Agency (PERPA or *Agencia de Energía Eléctrica* in Spanish, AEE).

The public utility has been starved of resources and implemented one cost-cutting measure after another to meet debt obligations of \$9 billion. This left the grid particularly vulnerable to damage from high winds. According to UTIER President Ángel Figueroa Jaramillo, "There were 6,800 linemen in the year 2000. Now we have 3,500, and the number of miles of power lines has more than doubled in that time. They cut personnel, reduced material and cut back on maintenance. All this adds up to not meeting your

obligations.”

The sale of the Puerto Rican Electric Power Authority to private investors has been on the agenda for years. This has accelerated under the rule of an unelected control board, known as the Financial Oversight and Management Board of Puerto Rico, which was appointed by the Obama administration to impose dictatorial control over the island’s spending and funnel billions to Wall Street.

Officially Puerto Rico owes some \$72 billion to various vulture funds and another \$50 billion for so-called unfunded pension liabilities to public employees. In May, the island formally declared bankruptcy under the terms of the PROMISE Act legislation passed by Congress last year.

In June several members of the Financial Oversight Board wrote an editorial in the *Wall Street Journal*, titled “Privatize Puerto Rico’s Power,” after the board rejected PREPA’s request to restructure its debt service and lower the price of electricity. The board members argued that only the privatization of the utility would generate enough investment from the banks to modernize the grid and deliver “cost-effective” energy.

What was needed in return, they said, was the “depolitization” of management (the installation of the direct representatives of the banks to run the utility), pension “reform” and the renegotiations of labor agreements (i.e., brutal attacks on the pensions of retired workers and the wages and working conditions of current PREPA workers) in the name of increasing “efficiency.”

Forcing the bondholders to take a financial “haircut” of 15 percent, the board members argued, would be an insuperable obstacle to selling off the company at a fire-sale price.

By rejecting the utility’s debt restructuring plan, the Financial Oversight Board forced the electric utility to declare bankruptcy in July after it defaulted on a \$9 billion debt and was cut off from credit markets. Wall Street will now dictate the terms of whatever “restructuring” takes place.

The declaration of bankruptcy not only put a halt to any effort to modernize and strengthen PREPA’s infrastructure, it also greatly undermined maintenance operations, such as trimming trees near power lines and other essential tasks.

The electrical crisis in the aftermath of Hurricane

Irma is therefore a self-fulfilling prophecy. The storm was a godsend for the financial parasites seeking to loot public assets, including the public electrical utility, and escalate the attacks on the jobs, wages and pensions of all public sector workers.

“I don’t want to point fingers,” declared Governor Roselló, “but the truth is it’s been periods of over a decade with very little or no investment in the maintenance of our infrastructure, and that makes us more susceptible.” Rather than arresting those who deliberately sabotaged the electrical grid, causing immense pain and suffering for the island’s residents, Roselló called for the speedy privatization of PREPA under the terms of the legislation that created the Financial Oversight Board.

“This is a moment of crisis that we need to benefit and transform into an opportunity of change, production and investment,” declared Puerto Rico’s resident commissioner Jennifer González, who ostensibly represents the island in the US Congress.

As in Hurricane Katrina in 2005 and the Detroit bankruptcy in 2013-2014, Wall Street is using the destruction of Hurricane Irma—which was exacerbated by the criminal activities of its political hirelings—to restructure Puerto Rico at the expense of the working class. This will surely be the model for the reconstruction of Houston, the Virgin Islands, Florida and all those areas hit by hurricanes Harvey and Irma.



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