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Union to Manage Central Power Company

by LADB Staff

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On Feb. 8, President Carlos Salinas de Gortari's administration reached an agreement with the Mexican Electrical Workers Union (Sindicato Mexicano de Electricistas, SME) that will legally transfer management of an electricity generating plant to the union. Under the agreement, the Energy, Mines and State-owned Enterprises Secretariat (Secretaria de Energia, Minas e Industrias Paraestatales, SEMIP) restructured the former Compania de Luz y Fuerza del Centro and its three subsidiaries, in effect creating a new company called Luz y Fuerza del Centro. The subsidiaries are Compania de Luz y Fuerza de Pachuca, Compania de Luz y Fuerza Electrica de Toluca, and Compania Mexicana Meridional de Fuerza.

The new company technically remains a government-owned property, but all decisions will be made by SME-appointed executives. As part of the deal, the Salinas administration agreed to assume the US\$6 billion debt incurred by the former company, which has operated at a deficit over the past 20 years. The two sides also agreed to 7% wage increase for workers, and a moratorium on hiring and layoffs through 1999. Nevertheless, despite the government's decision to absorb the company's debt, energy analysts point out the SME will not be able to make a profit from the operation, since the plant generates only about 4% of the electricity it sells. The other 96% must be acquired from the Federal Electricity Commission (Comision Federal de Electricidad, CFE) at higher prices than it charges consumers.

In addition, analysts point out that the new company will be forced to make large investments in infrastructure and equipment to compensate for a general lack of maintenance over the past years, which often resulted in service disruptions. In fact, only 20% of the plant's estimated revenues for 1993 are expected to go toward new projects and investments. The plant, which supplies electricity mainly to Mexico City and some communities in the states of Hidalgo, Mexico, Morelos, and Puebla, serves about 4.17 million consumers. An estimated 1.4 million other users obtain electricity through illegal connections.

On a separate matter, the CFE announced that the new Aguamilpa hydroelectric plant in Nayarit state is scheduled to begin operations sometime in March. Aguamilpa, which will be the country's fourth largest hydroelectric facility, will have an installed capacity of 960 megawatts. The plant will supply more than one-fourth of the energy needs of the western states of Nayarit, Jalisco, Sinaloa, and Sonora.

The plant, which was built in three stages at a cost of US\$967.4 million, was financed with a combination of funds from the World Bank, the private sector, and the Mexican government. According to El Financiero International weekly business newspaper, Mexico's energy sector will require investments of US\$16 billion through the year 2000. About 60% of those expenditures are expected to come from the private sector. The government has targeted construction of nine

new plants for 1994-2000, including facilities in the states of Michoacan, Veracruz, Sonora, and Tamaulipas.

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