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Unions Differ on Proposal to Allow Private Investors in Electrical Sector

by LADB Staff

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President Ernesto Zedillo's proposal to privatize Mexico's aging electric-power industry has created a minor rift in the country's labor movement. Zedillo proposed to Congress in early February modifying the Mexican Constitution to remove restrictions on private investment in the electric-power industry. Zedillo said the government lacks the financial resources, estimated at US\$25 billion, to modernize Mexico's aging power plants to meet the growing demand for electricity over the next six years (see SourceMex, 1999-02-03).

The proposal has reached the Chamber of Deputies, but the initiative is not scheduled for debate before this legislative session ends April 30. It will likely be considered in the fall session. The president's proposal has divided Mexico's two major electrical workers unions, both of which were at one time affiliated with the official labor organization Congreso del Trabajo (CT).

The Sindicato Mexicano de Electricistas (SME), which represents 35,000 workers employed by the government's central-region power company Luz y Fuerza del Centro (LFC), has pledged to halt the privatization plan.

On the other side, the Sindicato Unico de Trabajadores Electricistas de la Republica Mexicana (SUTERM) has been cautious but has generally supported Zedillo's position. SUTERM represents 65,000 employees at facilities operated by the Comision Federal de Electricidad (CFE). SUTERM is led by Leonardo Rodriguez Alcaine, who also heads Mexico's two largest official labor organizations, the CT and the Confederacion de Trabajadores de Mexico (CTM).

In mid-April, Rodriguez Alcaine proposed a national referendum to allow Mexicans to decide whether they would accept private investment in the electrical sector. But Rodriguez Alcaine and SUTERM have already supported Zedillo's plan. At its convention in early April, the union approved a resolution to accept private investment in the electrical sector. "We have to grow, create a climate of confidence for investors, and work with them within a nationalist framework," Rodriguez Alcaine said in an interview with the weekly news magazine Proceso. "I support private investment so we can satisfy our country's electrical needs over the next 10 years."

Rodriguez Alcaine, who presided over negotiations that led to 17% salary increases for all LFC and CFE employees in mid-March, has talked about merging SUTERM and SME into a single union. The union leader said he would seek a single collective-bargaining contract for all electrical workers once the plan to allow private participation in the sector becomes a reality.

Dissident union withdraws from official labor organization

But the SME, which has criticized Rodriguez Alcaine for failing to oppose Zedillo's plan, has distanced itself from the official labor organizations. In mid-April, the SME formally withdrew from

the CT. "We have decided to abandon the CT because its new director has demonstrated a lack of interest in formulating a position on such an urgent matter as electricity privatization," said Ramon Pacheco Llanes, an SME secretary.

The SME and other opponents of Zedillo's plan contend that the electrical sector should remain in the hands of the state to ensure that electrical power is sold at reasonable rates. "In our travels through different states, we have noticed that citizens in our country generally oppose the privatization of the electrical sector," SME secretary general Rosendo Flores told Proceso. Privately, the SME has also raised concerns that the Zedillo plan could pave the way for private investors to change the sector's policies, bringing massive layoffs and a reduction in benefits.

In recent testimony before the Chamber of Deputies, Energy Secretary Luis Tellez said the LFC is overstaffed and receives excessive government subsidies. But he also emphasized that the federal government would remain firmly in control of the electrical sector, including its labor policies. The SME has attempted to bring its case to the public by holding massive demonstrations in many prominent venues in Mexico City, including the Zocalo central square. The SME, with assistance from independent labor organizations Union Nacional de Trabajadores (UNT) and Coordinadora Intersindical Cinco de Mayo, plans to make electrical privatization the focal point of the annual May Day parade.

The traditional route of the May Day parade includes streets near the Zocalo, where the CT and CTM have scheduled a huge rally to commemorate the international labor day. Hoping to avert any confrontations, leaders from the CT, CTM, and UNT agreed in recent weeks to schedule their activities at different times to minimize the threat of confrontation.

The SME, meanwhile, is counting on strong opposition in Congress to halt the privatization. The reforms, which require approval by a two-thirds majority in the Chamber of Deputies and the Senate, are staunchly opposed by the center-left Partido de la Revolucion Democratica (PRD).

Many legislators from the governing Partido Revolucionario Institucional (PRI) and the center-right Partido Accion Nacional (PAN) have also questioned elements of Zedillo's proposal. "This is a proposal that has failed to convince anyone other than business people," said SME secretary general Flores in an interview with Reuters. "We are optimistic that Congress will not approve this initiative." (Sources: Reuters, 03/18/99, 04/13/99; Novedades, 04/16/99; El Universal, 04/09/99, 04/22/99; La Jornada, 04/06/99, 04/07/99, 04/25/99; Proceso, 04/25/99; Excelsior, 03/16/99, 04/19/99, 04/20/99, 04/27/99; El Economista, 03/17/99, 03/22/99, 04/12/99, 04/16/99, 04/27/99)

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