

9-22-1999

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## Recommended Citation

LADB Staff. "Debate on Electricity Privatization Could be Postponed Until at Least 2000." (1999).  
<https://digitalrepository.unm.edu/sourcemex/4141>

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## Debate on Electricity Privatization Could be Postponed Until at Least 2000

by LADB Staff

Category/Department: Mexico

Published: 1999-09-22

President Ernesto Zedillo's proposal to privatize the electrical-power industry could be doomed unless he can regain the support of the center-right Partido Accion Nacional (PAN). The president proposed reforms to Articles 27 and 28 of the Mexican Constitution to allow private investors to acquire shares in the Comision Federal de Electricidad (CFE) and Compania Luz y Fuerza del Centro (LFC). The PAN was a strong supporter of the proposal when Zedillo submitted it in February of this year (see SourceMex, 1999-02-03). But in early September, PAN leaders said they would not allow Zedillo to rush the proposal through Congress. "The president introduced this plan at an untimely moment," said PAN Sen. Gabriel Jimenez Remus. "These types of constitutional reforms should be presented at the start of the six-year presidential term, not now."

### *Opposition parties to block debate in current session*

Jimenez Remus' comments were a response to the administration's appeal to Congress to introduce legislation on the electricity-privatization plan and other key proposals during the upcoming legislative session. Legislators from the center-left Partido de la Revolucion Democratica (PRD), the Partido Verde Ecologista Mexicano (PVEM), and the Partido del Trabajo (PT) joined the PAN in rejecting the administration's appeal. Zedillo's plan could still come to the floor if legislators from the governing Partido Revolucionario Institucional (PRI) press the issue. But the PRI is unlikely to push the plan this session because of PAN opposition, which ensures the measure's defeat.

PRI Deputy Jose Luis Acosta said the party is also concerned that debating the issue during the coming legislative session could have negative repercussions for the PRI in the 2000 presidential and congressional election. Still, the Zedillo administration has continued promoting the benefits of its electricity-privatization plan. "The state does not have the capital needed for this task unless we abandon some of our fundamental tasks like education, health, social security, and poverty alleviation," said Zedillo at a press conference marking the 62nd anniversary of the CFE on Sept. 13.

Similarly, the Secretaria de Energia (SE) published a report in late August projecting the investment needs for the electrical sector at about 464 billion pesos (\$50 billion) during the 10-year period between 1998 and 2007, including 159.3 billion (US\$17.2 billion) for projects to expand power-generation capacity. Almost half the total, or about 195 billion pesos (US\$21 billion), would have to come from private investors, the SE report said.

Some private industry analysts criticized the Congress for failing to place a stronger emphasis on electricity privatization, because lack of investment could become a major problem in coming years. In an interview with the daily business newspaper El Economista, the analysts acknowledged that the government might have exaggerated its projections that Mexico will need an additional 21,000 megawatts of electricity during the next 10 years. But they said a lack of structural changes to the electrical sector could result in blackouts in many parts of Mexico in coming years.

Zedillo's plan has received some criticism from within the CFE. Gilberto Enriquez Harper, chief engineer for the electricity commission, said the president's plan would be viable in developed countries, but not in Mexico. Enriquez, who is also president of the Instituto de Ingenieros en Electricidad y Electronica, said the administration should instead focus on restructuring the CFE and LFC to make greater use of economies of scale and technology. He urged the government to devote more financial resources to training personnel and modernizing equipment, which would make operations more efficient.

### *Union to develop alternate reform proposal*

On the labor side, the Sindicato Mexicano de Electricistas (SME), which represents LFC employees, continues to publicly oppose Zedillo's proposal. In a report published in mid-September, the SME said the electrical sector in Latin America has served as an "instrument of social justice," ensuring that electrical power is distributed to rural and the poor areas of the countries.

The report warned that privatizing the electrical sector would result in massive worker layoffs, which has happened in recent transfers of other state enterprises to private buyers. The SME's stance is directly opposite the position of the Sindicato Unico de Trabajadores Electricistas de la Republica de Mexico (SUTERM). The SUTERM, which represents CTE workers, has strongly endorsed Zedillo's proposal (see SourceMex, 1999-04-28). Still, the SME has recognized that the LFC will not be able to meet the needs of Mexicans unless changes are made to the structure of the company.

In mid-September, SME director Rosendo Flores said the union is planning to contribute financial resources to a study to determine what structural changes can be made to the LFC. Flores said the study would consider such options as restructuring the company's work force, setting a new system of user rates, and developing new financing schemes. "We hope to begin discussions on this study with LFC director Alfonso Caso in October," Flores told the daily newspaper La Jornada. But Flores warned that the SME was ready to take other actions, including "confrontations," if Caso and LFC management declined to consider the options presented by the labor organization. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Sept. 22, reported at 9.28 pesos per US\$1.00] (Sources: Reuters, 08/27/99, 09/10/99; El Universal, 09/11/99; Notimex, 09/13/99; El Economista, 09/15/99; Excelsior, 08/25/99, 09/11/99, 09/21/99; La Jornada, 09/11/99, 09/20-22/99)

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