Electricity privatisation and restructuring in Latin America and the impact on workers, 2005

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1. Introduction

The first electricity privatisations in Latin America took place in Chile in the 1980s, followed by Argentina in 1992, and some privatisations in Brazil. These restructurings also split the sector into separate generation, transmission, and distribution companies, a model which was later adopted in Peru, Bolivia, Colombia and elsewhere. The Spanish electricity companies, especially Endesa, have taken a leading role in these privatisations from the beginning. The process has led to loss of jobs, insecurity of employment, and worse conditions for electricity workers. It has also contributed to a number of social and economic problems, including problems of price levels, reliability, and government guarantees.

This paper reviews the experience in 3 main sections:

- privatisation and multinational companies: an overview of the activity of the three major Spanish companies – Endesa, Iberdrola, and Union Fenosa – and a summary of the activity of other multinationals which have entered and in some cases exited from the electricity sector in Latin America;
- the impact on labour: a review of available evidence on the effects on pay and conditions, outsourcing, employment, and workers' lives
- social, political and economic impacts: a summary of problems with prices, public guarantees, and performance

A concluding section discusses policy issues for trade unions and governments.

2. Privatisation and multinational companies

2.1. The Spanish multinationals

The Spanish electricity companies have been prominent in the privatisations in the region. This is partly because of the historic and linguistic links between Spain and Latin America, and partly because the Spanish electricity companies themselves were privatised in the early 1990s, and saw international expansion as one of the opportunities available to them.

2.1.1. Endesa

Endesa is the largest Spanish electricity company, and operates in 13 countries in total. It is the leading private electricity multinational in Latin America, where it has been active since the early 1990s. In 2004 Latin America provided 20% of Endesa's total income. [1]

It is the leading electricity supplier in Chile, Argentina, Colombia and Peru, the third electric utility in Brazil and distributes power in five of the six main cities in the region (Buenos Aires, Bogotá, Santiago de Chile, Lima and Río de Janeiro). In 2004 ENDESA owned a total installed capacity of 14,053 MW and sold 52,314 GWh to 10.9 million customers. Endesa has subsidiaries in all three subsectors – generation, distribution, and transmission.

Although Endesa plans to invest $2.9bn in Latin America over the next few years, this will be to maintain its existing assets rather than new investment. Endesa is actively seeking more local partners, so that investment will come from local sources rather than Spain .[2] The company is insisting on higher returns than it obtains in Europe, to justify the risks on Latin American investments and to recoup previous losses: "returns on investment will have to compensate for foreign currency volatility risk and capital costs **....** the returns would have to cover the company's losses in the region from the 2001-2002 economic crisis that led to an **electricity** consumption trough".[3]

In Argentina Endesa is involved in negotiations and lawsuits with the government to try and retain its investments, reclaim the dollarisation agreement and increase electricity prices to improve profits. The Argentinean president at one stage accused Endesa's subsidiary Edesur of deliberately creating a blackout to increase pressure for price rises.[4]

Endesa owns 14% of Empresa Propietaria de la Red, which is developing the Siepac project, an electricity interconnection connecting Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama through a 1,880 km 230 kV trunk line scheduled for completion in 2006. The estimated budget for this project is US$ 320 million.

The map and table below show Endesa's subsidiaries in Latin America in 2005.

Table 1. Table: Endesa investment and employees by country in Latin America, 2005

Country	Employess	% of Endesa investment in Latin America
Chile	4,032	40%
Colombia	1,220	24%
Brazil	2,924	19%
Peru	835	10%
Argentina	2,678	7%

Source: Endesa Annual Report 2004

Table 2. Endesa subsidiaries in Latin America 2005

Country/pais	Company/empresa	Sector	% owned by Endesa
Argentina	Costanera	Electricity generation	64.3
Argentina	Dock Sud	Electricity generation	69.8
Argentina	Edesur	Electricity distribution	99.4
Argentina	El Chocon	Electricity generation	65.2
Argentina	Yacylec	Electricity transmission	22.2
Brazil	Cachoeira Dourada	Electricity generation	99.6
Brazil	Ampla	Electricity distribution	91.9
Brazil	Cien	Electricity transmission	100
Brazil	COELCE	Electricity distribution	58.9
Brazil	Fortaleza	Electricity generation	100
Chile	Chilectra	Electricity distribution	98.2
Chile	Endesa Chile	Electricity generation	60
Colombia	Betania	Electricity generation	85.6
Colombia	CODENSA	Electricity distribution	48.5
Colombia	EMGESA	Electricity generation	48.5
DominicanRepublic	CEPM	Electricity generation	40
Peru	Edegel	Electricity generation	63.6
Peru	Edelnor	Electricity distribution	60
Peru	Etevensa	Electricity generation	60
Peru	Piura	Electricity generation	60

Source: PSIRU Database, Endesa Annual Report 2004

Chart A. Map of Endesa's holdings in Latin America, 2005

Source: Endesa Annual Report 2004

2.1.2. Union Fenosa

The Unión Fenosa Group is Spain's third largest electricity company. In Latin America it is present as an operator in electricity generation and distribution in Colombia and Panama; in the generation markets of Mexico, Costa Rica, and the Dominican Republic; and in electricity distribution in Guatemala and Nicaragua. Its distribution operations in Dominican Republic were re-nationalised in 2003 (with compensation).[5] Unión Fenosa's total international business has installed generating capacity of 2,723 MW, and electricity is distributed to 4.9 million customers.[6]

Union Fenosa's profits in Latin America increased in 2004, and power distributed per employee in the international distribution business increased by 15.1%, but the company strategy is to consolidate, not extend its investments.

In Colombia, Nicaragua, Guatemala and Panama, the company has cut over 380 jobs in 2004-2005, including the use of outsourcing.[7]

Table 3. Union Fenosa subsidiaries in Latin America 2005

Country/pais	Company/empresa	Sector	%
Colombia	Electricaribe	Electricity distribution	71.5
Colombia	Electrocosta	Electricity	71
Colombia	EPSA	Electricity	62.6
CostaRica	La Joya	Electricity generation	65
Guatemala	Distribuidora Eléctrica de Oriente	Electricity distribution	92.8
Guatemala	Distribuidora Eléctrica de Occidente	Electricity distribution	90.8
Mexico	Union Fenosa (Mexico)	Electricity generation	100
Nicaragua	Disnorte	Electricity distribution	79.5
Nicaragua	Dissur	Electricity distribution	79.5
Panama	Chiriqui	Electricity distribution	51
Panama	Metro-oeste	Electricity distribution	51
Dominican republic	Generadora Palamara La Vega	Electricity generation	100

Chart B. Union Fenosa in Latin America

2.1.3. Iberdrola

Iberdrola is the second largest Spanish electricity company. It has investments in Brazil, Bolivia, Guatemala and Mexico. [8] Its main presence is in a group of distribution companies in the northeast of Brazil. It has recently invested in a 520MW gas-fired generator in the region, all of the output from which will be bought by Iberdrola's distribution companies. The cost of this investment is all derived from the surplus of the Brazilian energy operations, not from capital from Spain.[9] Two of Iberdrola's Brazilian distribution companies, Coelba and Cosern, have issued bonds worth $143m and $40m respectively: again, this is local money borrowed by the local operators, who all (including the third one, Celpe[10]) have their own independent credit ratings, not funds from Iberdrola.[11] [12]

Table 4. Iberdrola subsidiaries in Latin America, 2005

Country/pais	Company/empresa	Sector	%
Bolivia	Cade	Energy	59.3
Bolivia	Electropaz	Electricity distribution	56.8
Brazil	Celpe	Electricity distribution	40
Brazil	Coelba	Electricity distribution	42.6
Brazil	Cosern	Electricity distribution	9.5
Brazil	Neoenergia (formerly Guaraniana)	Electricity	39
Brazil	Itapebi	Electricity	40.5
Guatemala	Eegsa	Electricity	39.6
Mexico	Altamira III/IV	Electricity generation	100
Mexico	Enertek	Electricity generation	
Mexico	Femsa-Titan	Electricity generation	
Mexico	Monterrey	Electricity generation	100

Source: PSIRU Database; Iberdrola Annual Report 2004

2.2. Other multinational investors

Other multinationals which have invested in electricity in Latin America include companies from other European countries, and companies from the USA. The most important of the European companies is the French state-owned company Electricité de France (EdF), which was one of the first and most active investors from the early 1990s. Since 2003 EdF has been attempting to reduce its investments in Latin America, especially in Argentina. Tractebel, the energy section of the Suez group, which is a French-Belgian multinational, also retains significant investment in electricity in Latin America, but suspended investment in Brazil because government policies put Tractebel "in an unfair position by forcing it to compete with state-controlled generators" [13]Two UK electricity companies invested and then left the region: United Utilities abandoned IEBA, its Argentine subsidiary, in September 2003 by allowing it to default on its debts, and National Grid sold its 42% stake in the transmission company of Argentina in March 2004. The major German electricity companies never made any significant investment in the region.

AES is the largest USA firm which remains in Latin America and is likely to continue for the immediate future, but even AES has been reducing its holdings eg in the Dominican republic. It has bought shares from other multinationals who are leaving; it has systematically renegotiated the debts of all its subsidiaries in Brazil[14] - after defaulting on the loans due from its subsidiary Eletrobras - and in Chile; [15] in Venezuela, AES promised Union Fenosa the right to buy some assets in Colombia in return for its agreement not to enter a bidding war for the Venezuelan utility.[16] One or two smaller USA operators such as Alliant and PPL may also remain. A number of USA electricity companies formerly invested but have now withdrawn or are in the process of doing so. These include: AEP/CSW; Enron (which still owns Brazilian distributor Elektro); Reliant; Entergy; Duke Power; First Energy/GPU; NRG/Xcel; Southern Company/Mirant. CMS, El Paso and PSEG are also unlikely to be significant players in future, due either to their own problems or a commitment already made to exit these investments.

Financial investors have started to take over some of the investments sold by MNCs. This is a trend which is happening not only in Latin America, and not only in electricity, but in utilities worldwide. The most prominent one is the (state-owned) UK company CDC, a financial investor which has been actively investing in privatised energy companies in developing countries since 2002. Others include large private international finance groups, such as Goldman Sachs, which now owns the investments of the Cogentrix group, including a power station in the Dominican Republic. These financial investors now include Latin American groups, including Petrobras Energia, owned by the Brazilian (state-owned) company Petrobras, which holds investments in Argentina, and Dolphin group of Argentina, which also holds investments in Argentina.

Table 5. Major non-Spanish international investors in electricity in Latin America

Group	Home country	Type of company	Example investments
EdF	France	Electricity state-owned	Light, Norte Fluminense (Brazil), Central Saltillo etc (Mexico), Los Nihuiles, Distrocuyo (Arg)
EdP	Portugal	Electricity state-owned	Bandeirante, Enerpeixe (Brazil), Eegsa (Guatemala)
Tractebel-Suez	France/Belgium	Electricity, private	Gerasul (Brazil), Colbun, ElectroAndina (Chile), Enersur (Peru)
AES	USA	Electricity, private	Edelap, Eden, Edes etc (Arg), Eletropaulo, Uruguaiana etc (Brazil), Gener (Chile), CAESS etc (El Salvador), Merida III (Mexico), EDC (Venezuela)
CDC Globaleq	UK	Finance, state-owned	Southern Cone Power, Generandes (Peru), Cobee (Bolivia), San Isidro (Chile),
Goldman Sachs	USA	Finance, private	San Pedro de Macoris (Dominican Rep)
Dolphin	Argentina	Finance, private	Transener (Arg)
Petrobras Energia	Brazil	Energy, state-owned	Transener, Transba, Yacylec Enecor Edesur (Arg)

3. Employment and labour issues

The main effects on labour can be categorized under four broad headings:

- the background, including protection agreements
- the impact on pay and conditions, especially through outsourcing
- the effects on employment and on employees
- other issues, including union rights

Each section is based on a review of existing published evidence. This evidence covers privatised companies in a number of countries, and covers a number of companies which are owned by the Spanish multinationals.

This data will be improved by further data that will be collected from the unions over the life of the project.

3.1. Protection of employment and agreements on pay and conditions

3.1.1. Protection of workers existing conditions

In Argentina, efforts were made to protect workers' employment. All staff were transferred to the new companies at privatisation, so there was no immediate loss of jobs. There was provision for retraining. Compensation payments were made to workers. But these provisions were worthless without effective political and regulatory action, which was not forthcoming. In practice companies were permitted to downsize as much as they wanted. Even when a new government came to power in 1999, it decided to investigate corruption in the privatisation processes, but not to investigate the damage done to the workers. [17]

In Colombia, the existing collective agreement continued to apply to those employed at the time of privatisation, but not for new workers, who are employed under a different contract with less pay and less security. This has created a two-tier workforce. [18]

3.1.2. Collective agreements

In Argentina, collective bargaining agreements covering the whole of the electricity sector were ended and replaced by separate negotiations with each company. Further fragmentation was caused by outsourcing of various operations in each company. Union membership became divided, reduced and vulnerableas a result.

3.1.3. Workers' share ownership and representation.

Worker shareholdings have been an integral part of almost all privatisation projects in Latin America. It is generally regarded as a tactic designed to co-opt employees into the process and reduce trade union resistance. In Argentina employees were assigned between 2% and 12% of the shares as part of the privatisation process; in Chile between 6% and 10%. In Brazil, Rio de Janeiro state offered workers up to 10% of shares, at a 30% discount, plus the right to elect representative onto the board. [19]

3.2. Outsourcing

3.2.1. Argentina

In addition to layoffs and redundancies, the private companies have systematically used outsourcing to reduce the workforce, reduce labour costs and increase labour flexibility.

In Argentina, companies used outsourcing to drive down working conditions, in the areas of system maintenance, personnel, invoicing, collections, etc. Work which had been performed by direct employees was outsourced through the formalisation of two-year outsourced contracts with labour cooperatives, in exchange for a monthly payment estimated for the contracted period. At the end of the two year period, the principle company usually demanded lower pay rates and conditions as a condition for renewal of the outsourcing contract. The workers were forced to accept these less favourable conditions or lose the contract altogether.

In order not to be laid off, workers agreed to accept voluntary severance, then accepted a contract with the company to do the same tasks but as a self-employed person. The workers lost the security of the employer-employee relationship and had to provide for his or her own future pension. The company saved money by reduced social contributions and only having to hire the workers when considered necessary.[20]

3.2.2. Colombia

In Colombia, as in Argentina, the privatisation terms included shares for workers and a scheme of voluntary retirement. However, a year after the unbundling and privatisation, the distribution company Codensa started dismissing workers, contrary to collective agreements, but the unions were unable to win jobs back. Workers so dismissed lost a job, were unlikely to be re-employed, and they and their families lost healthcare benefits.[21]

The company also introduced systematic outsourcing: by 2002 about 7000 workers were on these contracts, with worse working conditions, casualisation and the loss of union organization: "outsourcing is a form of labour without collective bargaining, which reduces salaries and structurally weakens unions as the reduction in direct employment rates decreases the number of workers joining unions."[22] This practice also worsened quality because outsourcing service providers compete by offering low prices in order to get the job, and as a consequence they use poor equipment and non-expert personnel.

3.2.3. Panama

Union Fenosa have deliberately used outsourcing as a way of cutting jobs in their Panamanian subsidiaries: "the outsourcing process, which is expected to be completed in 2005, will cut the required labor force by over 230 employees".[23]

3.3. Changes in conditions: longer hours, reduced pensions

In Argentina, the working hours were increased from seven hours and fifteen minutes to eight hours a day, without extra pay. In addition, the working day continues without interruption until problems are solved or until the total of programmed tasks are finished. [24]

Older workers have been asked to agree to reduced working time and payments until their retirement date, which effectively guarantees their retirement without any redundancy payment and reduces the company's pension liability. [25]

3.4. Jobs and unemployment

3.4.1. Job Losses in Argentina

Privatisation of transmission, distribution and generating companies led to massive job losses.

Employment in SEGBA, the former distribution company for Buenos Aires province, was reduced by 12% before privatisation and then by a further 62% over the next 7 years. By June 1999 there were only 6,618 workers – only one-thrid of the 20,000 employed by SEGBA before privatisation.

Table 6. Job losses in SEGBA

Date	Enterprise	Number of Workers (in thousands)	% reduction from privatisation level
Pre-privatisation	SEGBA	20,000	
At privatisation: June 1992	SEGBA	17,600	-------
June 1993	7 privatised enterprises	11,000	6,600 – (37.5%)
June 1994	7 privatised enterprises	9,858	7,742 – (44%)
June 1996	7 privatised enterprises	8,272	9,328 – (53%)
June 1998	7 privatised enterprises	7,040	10,560 – (60%)
June 1999	7 privatised enterprises	6,618	10,982 – (62.4%)

Source: APJAE (2000)

In the northwest region the transmission network was taken over in January 1994 by Transnoa S.A., formed by the private enterprises IATE and BANCO FEIGIN-TECSA, and by the trade union Luz y Fuerza, taking on the commitment of not downsizing at least for two years. But the company immediately started manouevring to reduce the permanent staff: employers would induce the workers to apply for a "voluntary" resignation, be given significant sums of money to set up service cooperatives, which would then bid for contracts to supply services to Transnoa. The cooperatives, formed without preparation or management training, failed within a few months: and the BID Bank, where the workers had deposited the money from their "voluntary" resignation agreements, went bankrupt, leaving a significant number of workers in a critical situation. By March 2000 the number of employees had fallen to 134 from a total of 341 at the time of privatisation.

The workers employed by the generators in the north-west region were reduced from 1024 to 359 by the year 2000, first by early retirements and voluntary resignations and then by further cuts after privatisation.

Table 7. Job losses in privatised generators in north-west Argentina

SOURCE ENTERPRISE	ENTERPRISE TO BE PRIVATISED	PRIVATISED ENTERPRISE	
AGUA Y ENERGÍA ELÉCTRICA CENTRAL TÉRMICA BARRANQUERAS Number of workers (X1): 272 Voluntary resignations and retirements: 55	SISTEMA DE GENERACIÓN DEL NOROESTE ARGENTINO	CENTRALES TÉRMICAS DEL NOROESTE ARGENTINO S.A.	
Number of workers (X1): 272 Voluntary resignations and retirements: 55	Number of workers (X2): 217	Number of workers on the first day (X3): 217	Number of workers in January 2000: 0
AGUA Y ENERGÍA ELÉCTRICA REGIONAL NOROESTE Number of agents (X1): 377 Voluntary resignations and retirements: 206	TRONCAL DE DISTRIBUCIÓN	TRANSNEA S.A.	
	Number of workers in the Business Unit (X2): 151	Number of workers on the first day (X3): 151	Number of workers in January 2000: 78
	TRANSMISION 500 Kv	TRANSENER S.A.	
	Number of workers in the Business Unit (X2): 20	Number of workers on the first day (X3): 20	Number of workers in January 2000: 9
AGUA Y ENERGÍA ELÉCTRICA INGENIERÍA REGIONAL NORESTE Number of workers (X1): 92 Voluntary resignations and retirements: 70	EVALUACIÓN DE RECURSOS	EVARSA	
	Number of workers in the Business Unit (X2): 14	Number of workers on the first day (X3): 14	Number of workers in January 2000: 5
	SERVICIOS DE INGENIERÍA	TRANELSA	
	Number of workers in the Business Unit (X2): 8	Number of workers on the first day (X3): 8	Number of workers in January 2000: 7
AGUA Y ENERGÍA ELÉCTRICA DIVISIONAL FORMOSA Number of workers (X1): 283 Voluntary resignations and retirements: 30	SISTEMA DE GENERACIÓN DEL NOROESTE ARGENTINO	EDEFOR S.A.	
	Number of workers in the Business Unit (X2): 353	Number of workers on the first day (X3): 353	Number of workers in January 2000: 260

Source: APJAE (2000)

- Employees at Central Hidroeléctrica Diamante were cut from 80 in 1994 to 48 in 1999

- At Central Térmica Sorrento S.A. staff were reduced from 243 at the moment of privatisation in 1993, to 65 in 2000. This downsizing was carried out in several ways: "voluntary resignation" was accepted by 71 workers, 4 outsourcing contracts were drawn up, 40 workers were transferred to Empresa Provincial de la Energía (EPE), another 40 workers formed the EMLyF (Empresa de Mantenimiento Luz y Fuerza) —a micro undertaking—, being paid only a part of their indemnities, 6 workers retired; and the situation of other 15 is pending, without incomes and with a possibility of being transferred to EPE under unknown conditions.
- The working day was extended to 8 hours from Monday to Friday for maintenance and administration; shifts are 6-hour long and there are 10 full-time employees who work ten hours a day. The maintenance workshops (mechanical, electric, machinery workshops, boilers, etc.) have only one supervisor, because all the tasks were outsourced.

- At Hidronor, out of the 558 employees transferred to Transener. at the moment of privatisation, there were only 123 workers by the year 2000. There was also an increase in the divorce rate and two suicides: one after twenty seven months of an unfruitful search for work, and the other after eighteen months unemployed following the privatisation.

- At Central Térmica Alto Valle jobs were cut from 78 in August 1992, when it was privatised, to 31 in September 1999, despite a 100% increase in capacity. The total of layoffs was due to: six retired workers, nine "voluntary" resignations, three resignations, and twenty nine dismissals. In March 2000 out of the 47 workers laid off 7 were still unemployed, 10 were employed elsewhere, 12 were self-employed , 7 retired, and there was no information on 11.

- At Central Hidroeléctrica Cerros Colorados 100 employees in Augst 1993 were reduced to 49 employees by September 1999. The reduction was acheived by 1death (classified as work-related accident), 10 resignations, 11 "voluntary" resignations, and 29 dismissals. By March 2000, of the 51 workers who left, 1 died, 26 were unemployed, 18 employed elsewhere, 8 were self-employed, and no information on 1.

- In Provincia Rio Negro staff were reduced from 880 to 280 in two stages, first by the sale of the company to the province, and then by the sale to Camuzzi.

Table 8. Loss of jobs in five power stations

Enterprise	Workers			
	Transferred at time of privatisation	Layoffs	Employed 1999	% of total jobs lost 1992/3 - 1999
Central Térmica Alto Valle S.A.	78	47	31	**60**
Hidroeléctrica Cerros Colorados S.A	100	53	47	**53**
Hidroeléctrica Chocón S.A.	188	128	60	**68**
Hidroeléctrica Alicurá S.A.	63	28	35	**44**
Transener S.A.	558	435	123	**78**
TOTAL	**987**	**691**	**296**	**70**

Source: APJAE (2000)

3.4.2. Job losses in Brazil, Chile

In Brazil, the privatised distribution companies -
CERJ, ELETROBRAS, ESCELSA and Light – all offered severance incentives, and on average cut jobs by 30% Similar cuts were made by the remaining state-owned companies: FURNAS, the Federal generating and transmission company for the centre and south, stopped recruiting from 1994; offered incentives for retirement and voluntary departure; and developed outsourcing, so that by the end 1995, the company had 1,413 contract workers carrying out technical and operating tasks, an arrangement referred to as "temporary replenishment of the workforce".[26] As the table below shows, heavy job cuts were made in distribution companies in Brazil, both before and after privatisation.

Table 9. Job losses in Brazilian electricity distribution companies

	Jobs before	Jobs after	
CERJ	5700	2160	Cuts made after privatisation, 1996-1997
ESCELSA	2500	1717	Cuts made after privatisation, 1996-1997

COELBA	7231	4736	Cuts made 1992-1997, before privatisation.
CEMIG	19891	14800	Cuts made 1992-1997, before privatisation.
CESP, ELECTROPAULO, CFL	50700	30900	Cuts made or planned 1995-1997, before privatisation.

Source: Saravia 1998

In Chile, the greatest job losses came before privatisation: between 1974 and 1986 the number of employees in state-owned companies fell by 40%.

3.5. Effects on workers

Table 10. Workers laid off at three power stations in Argentina: status in March 2000

Details	Central Térmica Alto Valle S.A.	Hidroeléctrica Cerros Colorados S.A.	Hidroeléctrica Chocón	Total
Unemployed	7	26	11	**44**
Employer-employee relationship	10	18	31	**59**
Self-employed	12	8	4	**24**
Retired	7	0	3	**10**
other / unknown	11	1	79	**91**
TOTAL	**47**	**53**	**128**	

Source: APJAE (2000)

The impact on workers in Argentina can be summarised as follows:

- Those who set up as cooperatives or companies of the self-employed to take on work from their previous employers, largely failed, partly due to lack of training for their new role.
- Compensation payments were made in instalments, and so became rapidly worthless in a period of high inflation.
- The remaining workers were employed in much smaller companies, under pressure to make rapid savings on labour costs, and so encouraging higher paid staff to leave, which had the effect of cutting the "knowledge chain" – a loss noticed in the 10-day blackout suffered by Buenos Aires in 1999.
- Those who departed were under great pressure to do so, and suffered loss of self-esteeem as a result.

In Colombia, workers laid off were also unlikely to be re-employed, and they and their families lost healthcare benefits. [27]

Box: Impact on workers lives

Alberto M., Mendoza, Argentina, September 1999
"After 38 years of working for Agua y Energía Eléctrica, I found myself in the dilemma of whether accepting a "voluntary" resignation (not "voluntary" at all, because I was pressured to accept it), or keeping on fighting in defence of my job. The mobbing destroyed me psychically, to the point of considering myself useless to perform my job. The events of that time are so traumatic that remembering them makes me shudder. I had always worked honestly, expecting to retire with honours when the moment came.
My health —deteriorated by stress— could not bear any more, and I eventually accepted the "voluntary" resignation. Today, at 58 years of age, having enough years of service but not the required age of 65 stipulated by law, I can not retire, nor can I be reinstated because the electricity market is totally polarised. Nobody takes advantage of my training, what I learnt to do during nearly four decades. I support my family on occasional jobs. I've even stopped paying our healthcare insurance. I am a person that worked hard to attain an upper-level post, who achieved it by my own effort, and who lost it due to a market reorganisation that I do not understand and which is destroying me and my colleagues".

A leader of the APJAE union San Rafael branch, western zone, 25th February 2000: "As all members of this union know, my co-worker Carlos Alberto Stocco used to work, during the last phase of Agua y Energía Eléctrica, in the Transmission department, job which he carried out efficiently, reaching Category 15, and working full-time. Parallel to this, he was the President of the San Rafael APJAE Branch. By the time the privatisations took place, the Transmission department was given to a concessionaire and transferred to the enterprise Transporte de Energía Eléctrica por Distribución Troncal de Cuyo S.A., Distrocuyo S.A. At the new enterprise Mr Stocco and another member of this union, Alberto Sardi, were persuaded to disaffiliate from our trade union "because the new management did not want unionists". However, they were notified that the new enterprise did intend to arrange an "internal union". In exchange, they were promised promotions and pay increases, or, otherwise, they were threatened with dismissal. In this situation they resigned from the union. A year later, once the protection time established by the labour law was over, both were dismissed without any explanations. Both workers then set up —together with other former co-workers in the same circumstances— a service company, which did not however succeeed in bringing the necessary profits for them to support their families. They compensated this by doing other activities, from which they obtained good results, but the economic problem was not the only consequence they suffered. The loss of his job caused one of them a psychological problem that translated into a profound depression and which, after a long treatment with no results, led to his suicide".

Source: APJAE (2000)

4. Political, social and economic risks

The processes of privatisation and liberalisation have led to a number of problems which can be observed in Latin America and the rest of the world. They can be summarised under six main headings:

- failure to deliver promised new investment
- absence of competition even after liberalisation
- economic crisis and unsustainable 'dollarisation' clauses
- cost to governments and consumers
- performance failures
- popular and political resistance

4.1. Fails to provide new investment

Private sector investment in energy infrastructure has declined worldwide, and many multinational companies have withdrawn, due to losses and uncertainty. Investment finance still mainly comes from within each country and region, not from international capital: foreign investments are usually supported by state guarantees and so may not be additional but simply a relatively expensive replacement for domestic public borrowing.[28]

The consulting firm Deloitte treats political opposition as one of two key factors for the fall in private energy investment worldwide (the other factor being the losses experienced by companies in both developing countries, including India, Pakistan, Indonesia and Argentina, and in developed countries, eg California). Deloitte noted "*Growing political opposition to privatisation in emerging markets due to widespread perception that it does not serve the interests of the population at large",* which they attributed to a number of features of privatisation: *"Pressures to increase tariffs and cut off non-payers; loss of jobs of vocal union members that will be hard to retrain for the new economy; the perception that only special interests are served - privatisation is seen as serving oligarchic domestic and foreign interests that profit at the expense of the country…"*[29]

4.2. No effective competition

A wide-ranging review by an UNCTAD official concluded that effective competition is rarely achieved, and the state is usually too weak to effectively regulate the private sector. It concludes that *"in a long-run development perspective, full-scale privatisation of gas and power sectors in developing countries entails significant risks, and therefore a flexible policy approach is preferable to a rigid commitment to extensive* *liberalization"*[30] Other critiques of the process have found that reforms focus on short-term financial issues, ignore social and environmental public interests, an undesirable path that cannot be corrected.[31]

There is a decreasing faith in the market's ability to provide infrastructure services, and few politicians now support it. [32] A number of developing countries have suspended plans for liberalisation and privatisation as a result of opposition and review of experience: these include Mexico, and Brazil. In Mexico, this was partly because the constitution specifies that electricity must be within the public sector.[33]

4.3. Economic Crisis

In Argentina, privatised utility contracts were 'dollarised', which guaranteed the companies the right to take revenue in dollars, so protecting them against currency fluctuations. However, in the wake of the economic collapse, the Argentine government cancelled the dollarisation clauses, and imposed a freeze on utility tariffs, thus passing the cost of devaluation on to the utility companies.

The companies have since then been seeking to deal with the issue either by abandoning their operations in Argentina, or by taking claims against the Argentine government to the World Bank's International Center for Settlement of Investment Disputes (60 cases pending), or hoping to negotiate easier terms. So far the government has maintained a hard position. [34]

4.4. The public costs of private electricity

Many private power stations (IPPs) have become expensive debt-like burdens because they are underpinned by government guarantees, which mean that the state has to pay for expensive electricity, even when it does not need it. As a result prices are forced up, or else the state has to carry the burden of supporting these private contracts. Privatised distributors have also created unsustainable price increases.[35] The Dominican Republic and Costa Rica are two examples of this process and its damaging impact.

The Dominican Republic privatised its electricity companies in 1999, selling shares in the power stations, and, separately, selling 50% stakes in the 3 regional distribution companies – 2 of them to the Spanish multinational Union Fenosa, for a total of $211 million. The power companies increased charges by 51 percent, the distribution companies began to withhold payment of electricity bills in protest against 'abusive rates' , the government tried to protect consumers from 42% of the price rises which added $5million per month to the costs of the state-owned transmission company CDE. Without the consumer price rises, the distributors could not pay, the power companies made increasing power cuts, and there were riots. In 2003 the government paid Union Fenosa $434 million to renationalise the distributors, which led to disputes with the IMF, which insists on electricity price rises. The costs of dealing with the problems has exceeded the initial revenues from the privatisations – and the country still suffers from widespread power cuts. [36] who won, who lost?

In **Costa Rica**, the electricity utility the Instituto Costarricense de Electricidad (ICE) paid private generators more than if the company had produced the electricity itself. The country's Comptroller General declared that clauses relating to rates levels in 15 power purchase agreements (PPAs) with independent power producers (IPPs) lack legal status because rates levels and adjustments sought to guarantee profits of the private sector, and not to ensure economic benefits to the country or consumers, as the 1990 law on electric power generation required them to do.[37] The generators' association said that: "These were the rules of the game and under these we took part … The correct thing to do is let the contracts complete their established terms and then we can go to work with new rules to be defined."[38]

These problems have been experienced elsewhere in the world. In Europe, the EU has banned some PPAs because they are in effect subsidies from governments to the private companies (eg in the case of Poland). In Indonesia, Pakistan and India, private power stations have imposed financial burdens on public distribution authorities.

4.5. Performance problems

Privatised companies have not improved performance in the way that was promised. In some cases the reliability of the system has worsened, with major power cuts occurring after privatisation. The two worst cases were in Rio de Janeiro and in Buenos Aires in the late 1990s.

There were repeated power cuts in Rio de Janeiro at the end of 1997 and the beginning of 1998. Light - the electricity company privatised to a consortium of USA and French companies - was the focus of a storm of public complaints. The company was described by a government minister as "an embarrassment to the privatisation programme". [39] A second privatised company, CERJ, was also fined. [40]

Edesur, the privatised Buenos Aires electricity power distributor, faced fines of $60m levied by government regulators, ENRE, following a 10 day power cut in February 1999, affecting large parts of the city, due to a fire at an Edesur sub-station. The 10 day blackout - the longest outage in Argentinean history - affected more than 500,000 people, and caused angry demonstrations as people were without light, air conditioning and water at the height of summer. Edesur serves 2.1 m customers.[41]

Blackouts have also been experienced in developed countries following liberalization, including California in 2001, north-east USA and Canada – including New York and Toronto -, UK, Sweden, Denmark and Italy in 2003. [42]

4.6. Resistance to Privatisation

Apart from the dynamics of the response to crisis in Argentina, and the approach of the PT government in Brazil, there has been significant resistance to electricity privatisation throughout Latin America (and in the rest of the world). Ownership has become more concentrated, jobs are lost or made less secure, prices often rise and people are cut off for non-payment. Privatisation becomes unpopular, is seen as benefiting elite and corrupt interests at home and abroad, and as *"fundamentally unfair, both in conception and execution."* [43] Some examples from Latin America include the following:

- In Costa Rica, plans to privatise the electricity and telecoms sectors were delayed in 2000 after strikes and demonstartions led by trade unions. Protests action involved up to 100,000 people, the largest such mobilization in Costa Rica in nearly 30 years.[44]
- In Ecuador, government attempts to privatise electricity assets have repeatedly encountered organised resistance including unions, provincial and local governments, indigenous organizations and others. In 2002, these campaigns forced the abandonment of proposals to sell electricity distributors, after Ecuador's Congress passed a resolution rejecting the privatisation, and a Constitutional Court ruling that the sales were unconstitutional. A further attempt at privatisation was abandoned in February 2004 when there was not a single tender for any of the companies.[45] The utility Emelec - which was in limbo after the former owner, businessman Fernando Aspiazu, was charged in 2000 for irregularities in the administration of his bank Progreso - is being taken into public control by the city of Guayaquil, rather than being sold.[46]
- In Peru, the privatisation of generating companies, which began in 1995, has faced powerful opposition. In June 2002 there were riots in Arequipa after two electric power plants (Egasa and Egesur) were sold to Tractebel. The government was forced to suspend the sale, and Tractebel backed out of the deal.
- In Colombia, there has also been resistance, notably in defence of the well-established municipal utilities. The campaign to prevent the privatisation of Emcali, the utility in Cali, has been led by the union SINTRAEMCALI and won worldwide support. (These campaigns have persisted despite the continued attacks on Colombian trade unionists - two trade unionists from SINTRAEMCALI, were critically injured in a letter bomb attack in June 2004).
- In Mexico, successive attempts to privatise the electricity system have been defeated by campaigns led by the trade unions, resulting in court rulings and parliamentary decisions which have prevented the president from implementing privatisation plans.

There has also been powerful resistance to energy privatisation globally. There have been a number of cases where policy has been reversed, especially in middle income countries: in 2004 South Korea suspended its previous policy to develop liberalisation, Thailand also postponed its plans for privatisation of the electricity company as a result of a strong union-led campaign, and Indonesia's electricity privatisation law was scrapped following a court ruling that it was unconstitutional.

5. Conclusions and policy issues

The issues faced by electricity trade unions in Latin America include both (1) the employment and conditions of workers, including trade union rights and organisation; and (2) the social, economic and political impact of the privatisations.

The employment issues include policies of outsourcing and casualisation which are being operated in a number of different countries by a number of different multinationals. Other issues include increases in hours of work, separation of workers from the coverage of a sector-wide agreement.

The social, economic and political issues include basic questions. Has the privatisation and restructuring delevered the investment and performance promised? Does privatisation require price rises that are not socially sustainable? Are there political alternatives available? Can the international financial institutions like the World bank be persuaded to finance development of the industry without promoting privatisation?

These issues may be pursued by each union in its own country. There may be the possibility for concerted action by unions in relation to the policies of specific multinational groups, such as Union Fenosa or Endesa or Iberdrola. \this action can be concerted with the unions representing workers in the gome country of the companies, such as CCOO; and/or through international confederations, such as PSI.

6. Notes

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