

Pulling the Plug on Luz y Fuerza del Centro: *Between Economic Efficiency and Political Expediency*

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When President Felipe Calderón ordered public security forces to seize the offices and operations of *Luz y Fuerza del Centro* (LyFC) at 11pm on the 10th of October 2009, and subsequently announced the closing of the company and liquidation of its liabilities to employees, an intense national debate began over the economic and political motivations that led the executive to make this surprise move.

The national and international press has put forward a wide variety of justifications for the decreed demise of LyFC. Most have focused on two main reasons: the overwhelming inefficiencies and financial losses of the company and the desire of the Calderón administration to take on the electrical workers union, the *Sindicato Mexicano de Electricistas* (SME). As *Time* magazine pointedly asked, “Is Calderón busting unions or bringing change?” Both of these postulated reasons have powerful arguments supporting them. The company was indeed losing enormous sums of money, with the government having to pump in \$1.9 billion a year. Service was unreliable and customers were far from satisfied. Frequent blackouts, power surges and an inability to control electricity theft marked the company’s experience. Stories abound of huge, unjustified electricity bills being sent to customers, who would then complain to no avail, see their service cut off for no good reason and then have to bribe an official to reconnect the service. Anyone who has visited a LyFC office to question a bill will remember the surreal Victorian-era experience of having an official look up the account, not in a computer system, but in a large, dusty leather-bound book.

The other leading reason for the closure of LyFC, namely that it was an orchestrated attack on the SME, and thus on political opponents on the left, also holds water. Given the fact that the SME was one of the most fervent supporters of Andres Manuel Lopez Obrador (AMLO), and that the government had refused to accept the results of the recent leadership election in the union (which resulted in the election of Martin Esparza as leader), the government had ample cause for choosing LyFC as a target for change.

But other, more strategic reasons must be mentioned here. First, the closure and take-over of LyFC must be seen in the context of the government’s failure to enact meaningful energy reform in the fall of 2008. Despite the millions of dollars spent on a thwarted campaign to bring more flexible investment rules to the oil and gas sector, the reforms of 2008 failed to address the real problems facing *Petroleos Mexicanos* (PEMEX), the state-run oil company. Although Calderón has called for a new round of energy reform, the current distribution of power in the Mexican Congress, with his party in the minority, makes it unlikely that anything of importance will pass. Thus, by overseeing the final demise of LyFC, and its takeover by the *Comision Federal de Electricidad* (CFE), a state-run monopoly that is generally recognized as being well-run (although it too receives hefty government handouts), Calderón can at least claim to have left his mark on the energy landscape.

Another reason that has been mentioned but not adequately explored is the desperate attempt by the government to try to turn around its disastrous fiscal situation. By attacking a public company that was hemorrhaging funds, and thus saving the state money, the Calderón government will feel it has enhanced credibility when it comes to reforming the tax laws of Mexico and asks the middle classes (who already feel unfairly overburdened) to contribute more. There is some truth to this, although the immediate impact will be lessened by the generous payout to former LyFC workers.

The final reason, and the one that has been least discussed, was noted by Jorge Buendia , as prominent pollster. Quoted in the *Los Angeles Times*, Buendia argued that Calderón “needed to re-launch the second half of his administration so he wouldn't be a lame duck for three years”. This line of reasoning was interpreted by the *Los Angeles Times* journalist as signaling that further attacks on the unions were likely to be forthcoming in the near future. This, however, seems unlikely, and the Calderón government maintains a schizophrenic attitude to unions, as it depends on key unions like the *Sindicato Nacional de Trabajadores de la Educacion* (SNTE) and its controversial leader, Elba Esther Gordillo, for crucial support. Some have cited the PEMEX union, the *Sindicato de Trabajadores Petroleros de la República Mexicana* (STPRM), as another possible target. This would likely be political suicide for the government given the PRI's domination of the Congress at the present time and the strong links between the PRI and the STPRM. It therefore seems highly improbable that this is the beginning of the all-out attack on the unions in Mexico.

Rather, we should understand Buendia's diagnosis in the context of Calderón's supposed status as a lame-duck president. With a Congress controlled by the PRI, few victories in the war on drugs and a hardly stellar record of reform legislation in the first half of his mandate, President Calderón risks spending the remaining three years of his term engaged in essentially meaningless debate with the political elite. This bold move so early in the second half of his mandate offers the opportunity to impress both the PRI and those within his own party who doubt Calderón's political skill and savvy, and his willingness to make tough choices when necessity calls. Calderón may well be calling to mind the disastrous consequences of his predecessor Vicente Fox's failure to face down the protests from the local people of Atenco against his plans to build a new airport on their land. Fox's image was left so dreadfully damaged by the events at Atenco, that his political negotiation powers never recovered, and his entire mandate was weakened. Calderón may now be hoping to capitalize on the traditional Mexican admiration for strong leadership. It is a risky move, but it may well be what is necessary to save the last three years of his presidency from political limbo.