

Address to the Nation from President of Mexico, Felipe Calderón Hinojosa Sunday, October 11, 2009 | Speech

Mexicans:

In order to progress and transform Mexico into the prosperous, fair country we want, we must overhaul the system, correcting the serious problems we have, however costly and difficult the decisions that will enable us to solve them will be, so that our children will have a better Mexico tomorrow.

That is why I issued a decree today, closing Luz y Fuerza del Centro, the public company responsible until yesterday for providing electricity in the Federal District, and in various municipalities in Mexico State, Hidalgo, Puebla and Morelos.

I have made this decision on the basis of Article 16 of the Federal Law on Parastate Organizations, which permits the closure of decentralized firms and organisms when their operation is no longer required from the point of view of the national economy or public interest.

This was the case of Luz y Fuerza del Centro, for several reasons:

The organization faced an untenable financial situation, and its running costs were almost twice as high as its income. This year, for example, we have had to give Luz y Fuerza \$42 billion pesos in taxes, in addition to the money the firm charges users through electricity rates.

In other words, it received a similar amount to what we assigned to alleviating poverty through the *Oportunidades* Program, which benefits nearly 25 million Mexicans living in extreme poverty and twice the amount allocated to the National University of Mexico.

Worst of all, its financial losses had increased annually, making them unpayable. In order to continue maintaining the firm, it would have been necessary to increase electricity rates disproportionately or constantly raise taxes. This would be unfair, particularly since Mexico is currently undergoing difficult economic circumstances and you, like millions of Mexico, are making a great effort to pull through.

Unfortunately, most of the resources this organization received from Mexicans could not be used to improve the quality of the service. Instead it was mainly used to pay for privileges and expensive work benefits, a situation that was annually exacerbated.

Soon, Luz y Fuerza would have been unable to pay for its employees' retirement. In addition to the Collective Work Contract, virtually all the decisions had to be taken by requesting permission from the trade union representatives. This meant that these decisions, rather than responding to your needs or citizens' needs and problems, often reflected the trade union's concerns and interests.

For example, the number of workers continued to expand disproportionately, not because the electricity service required this but because it was stipulated in the Collective Work Contract. And these conditions not only made the organization financially unfeasible, but also seriously

affected the quality and coverage of the electricity service the country was supposed to provide.

Luz y Fuerza del Centro, for example, lost a third of the electricity it produced due to theft, technical flaws, corruption and inefficiency.

This poor performance was not only extremely costly for everyone, it also affected the national economy. Many firms, factories and shops stopped setting up business in the country's Central Zone because it was no longer possible to provide them with the electricity they needed while many firms already established in Mexico experienced a loss of productivity in relation to their competitors due to changes in voltage and power cuts, which were also suffered by many Mexican families living in this area.

Several firms decided to set up business in other states or regions in the country or even in other countries, where the electricity service was more reliable. This prevented the creation of thousands of jobs in the center of Mexico. There was an urgent need for Federal Government to correct these problems.

I should say that before this difficult decision was reached, we had made several attempts to improve the firm. We signed agreements with the union to boost productivity and improve service yet for several reasons, these efforts failed to yield results.

We cannot go on like this.

With the elimination of Luz y Fuerza del Centro, we wish to begin a new era in the provision of public service.

I wish to be quite clear about this: Electricity is not being privatized, either in the Center of the country or anywhere else.

Electricity will continue to be the state's responsibility, as stipulated in the Constitution and the law. The Federal Electricity Commission, which provides good service in most of the country, will oversee this liquidation process and provide electricity in the area, which will guarantee normal service.

We will try to improve the electricity service until it becomes modern and efficient. Improving service will also translate into the establishment of more firms, factories, workshops and businesses in the Central Zone of Mexico, which will help create more and better jobs, which Mexicans so need.

I know that Luz y Fuerza del Centro workers are worried about this situation. I would like to say the following to these people.

I assure you that all your rights and benefits will be fully respected. You will all be compensated in keeping with the Federal Law on Labor and the Collective Work Contract and Federal Government will give you an extra bonus, in addition to the benefits established by law and in the contract.

That is why the compensations you receive will be far above those stipulated by law.

To give you an idea, although compensation varies, depending on workers' seniority or salary, we will give those that accept compensation an average of 33 months' salary, in other words, two and a half years' income as compensation.

As for retired workers, I would like to make it quite clear that Federal Government will guarantee the full, timely payment of their retirement.

In addition to the compensation I mentioned, Federal Government has arranged several measures to help you overcome this difficult time.

That is why I have issued the following instructions:

I have ordered the Administrator to re-hire the largest possible number of workers in order for them to collaborate directly or indirectly in the provision of electricity under new working conditions and a new institutional arrangement.

I have ordered the Economy Secretariat to implement advisory, support and finance schemes to enable workers to set up small firms to supply the electric industry or in other economic activities of their choice.

I have ordered the Labor Secretariat to provide orientation and training in order for workers to be able to find new employment options and to be given preference, both in the Employment Exchange, and the Labor Reinsertion Programs of the Secretariat itself.

Mexicans:

In view of the international crisis, it is time to join forces in a common goal: the country's economic recovery.

Given everyone's efforts, it is Federal Government's responsibility to make more efficient use of Mexicans' resources and to eliminate government inefficiency and excessive spending, which is what we are doing today in Luz y Fuerza del Centro.

We want to assign more resources to: alleviating poverty and malnutrition, taking care of our children's health and education, building more infrastructure for development and public safety to build more universities.

I have said it before and I'll say it again. Today we must change what is wrong with the country, because we have no choice and because time and resources are running out.

Nowadays, overhauling the system is not only the best but the only alternative, which is why Federal Government will continue to promote the profound changes the country needs, not only to overcome the crisis but to turn Mexico into the strong, prosperous fair country we wish to leave to tomorrow's generations.

I know that if Mexicans unite, we will be able to achieve this.

Thank you for your attention.