

September 14, 2010

**Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
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*Privilege Speech*

**“Opposition on the Privatization of NAPOCOR’s Agus-Pulangi  
Hydro-power Complexes in Mindanao”**

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**Mr. Speaker and Fellow Representatives, Good Evening.**

***We in TUCP/ believe that promises are made to be kept, and not to be broken. So it is with a sense of outrage and disappointment, Mr. Speaker, when our own government makes an important promise to the people but in the end, fails to keep it, leaving the citizens empty-handed and more frustrated than ever.***

The people of this country were made to expect that with the passage of RA 9136 or the Electric Power Industry Reform Act (EPIRA) in 2001, that there will be a healthy competition among energy players; that the operational efficiencies of power companies will improve; that there will be a reliable and constant supply of electricity; that blackouts and power outages will be just a thing of the past; and most of all, that the high power rates in the country will be reduced for the benefit of end-users and consumers. EPIRA promised/ lower electricity rates supposedly because there will be a competition among the new power players that will run the entire energy business with the government left with only regulatory functions.

And so it happened that, EPIRA was enacted after five years of grueling debates in Congress and amidst the assurances of so-called experts and the Asian Development Bank that electricity prices would go down and that competition would flourish. Immediately, under the auspices of the new law, the Power Sector Assets and Liabilities Management Corporation (PSALM) was created to auction and sell the generation and transmission assets of the National Power Corporation (NAPOCOR)/ to private investors. One by one, NAPOCOR power generators and later on, its transmission lines, were sold to private corporations which were only too eager to make money from the privatization program of what we could call the nation's crown jewel- the NAPOCOR.

***Nine years have passed, and all the promises of EPIRA and power privatization remain empty promises.*** What we have now is the emergence of private and powerful monopolies and cartels and increasing electricity tariffs which further bleed our workers and consumers. Electricity rates in Luzon and in the Visayas have gone up after NAPOCOR properties were auctioned to private interests. A crippling power shortage occurred in the summer of 2010 at the height of El Niño which battered the whole country seriously affecting businesses and livelihoods. Mindanao, was the most badly hit by the power outages, placing at risk commerce and industry and threatening the quality of life of ordinary families. After a long years of power privatization, we are still reeling with brownouts and even skyrocketing electricity costs as the power players have failed to set up additional plant capacity and behaved like a cartel waiting as El Niño and plant shutdowns create an energy gap that will justify an energy policy that allows higher tariffs to attract new investments.

***Promises not met.***

And now PSALM, following EPIRA, is bent on selling/ the last remaining crown jewel of NAPOCOR, the Agus-Pulangi hydro-power complexes in Mindanao, debt-free to private corporations. PSALM so far sold 12 hydro power plants to private investors and a total of 91.73% of its generating plants, and the Agus-Pulangi hydro-power complex is next to be sold in 2011 ten years after the signing of EPIRA.

What is the Agus-Pulangi hydro-power complex? And why it is so critical to the wellbeing of the people of Mindanao? The Agus-Pulangi hydro-power complexes which were constructed during the Marcos administration/ are composed of seven power plants-six(6) hydro-power generators are located along the Agus River in the Lanao provinces and one (1) on Pulangi River in Bukidnon and North Cotabato. The power complex supplies 55.38% of the power needs of Mindanao.

In terms of finances, the power complex is an earning government enterprise. From January to July 2009, it generated a total of P5.3 billion in gross revenues at a higher average Rate-of-Return-on-Rate-Base (RORB) of 34%. The complex is also ISO certified, awarded for its excellent performance and managed by technically competent and dedicated officers and staff.

The Agus-Pulangi power plants are the sources of cheaper electricity in Mindanao. Power rates in Mindanao are relatively lower compared to Luzon and Visayas because of the Agus-Pulangi hydro-power plants which use the natural water resources of Lake Lanao. The average generation charge for Luzon is P4.36/kwh and P3.72/kwh for the Visayas while that of Mindanao is lower at P2.81/kwh. The retail rate for Meralco's residential customers is around

P13.46/kwh while in Cebu Veco's or the Visayan Electric Co's. consumers have to shell-out at least P7.92 per kwh of electric consumption. That is after nine years of EPIRA and the privatization of NAPOCOR assets in Luzon and in the Visayas.

How about in Mindanao? Luckily, the generation charge in the island is only P2.81/kwh. In Iligan City for instance, the retail rate of electricity is only around P7.60/kwh and in Davao City/P7.23/kwh. Consumers and business owners in Mindanao are still enjoying lower electric tariffs because the Agus-Pulangui power generators are using cheaper hydro-power and more strategically, because the Agus-Pulangui hydro-power complexes are still in the hands of the government which is firstly obligated to service the people and not to make excessive profits.

***Mr. Speaker, this representation who represents the interests of ordinary workers and consumers wants to express my strongest opposition to the impending sale of the Agus-Pulangui hydro-power plants for the foregoing reasons which I hope, will enlighten my Fellow Legislators and urge them to become part of our crusade to protect the interests and wellbeing of our beloved Mindanaoans and to save them from the impending economic and social disaster that will result with the sale of NAPOCOR's Agus-Pulangui to a few billionaires.***

Also, once again workers will become the first victims of privatization. The privatization of Agus-Pulangui hydro-power complexes will threaten the livelihood of thousands of workers who are not secured by the law's Implementing Rules and Regulations (IRR). Rule 23, Section 5 states that "PSALM does not obligate buyers to retain the existing workforce". This could mean the mass

termination of NAPOCOR employees the majority of whom are members of the NPC Employees Consolidated Union (NECU) and NPC Employees and Workers Union (NEWU). As the voice of labor in this august chamber, this representation shall do everything to counter this possibility. The welfare of workers and their families must be protected.

I would also like to remind the management of NAPOCOR and PSALM/ about the 2008 order of the Supreme Court on the DAMA Case to pay the 5,648 NAPOCOR workers who were illegally dismissed in 2003 due to electric restructuring. Those NAPOCOR employees are still entitled to receive a total of P34.7 billion as separation pay/ backwages and salary adjustments. Mr. Speaker until now those NAPOCOR workers are still fighting for labor justice and this representation commits to support their struggle. The PSALM has already sold off billions worth of NAPOCOR assets and yet not a single centavo has gone to paying for the backwages that the Supreme Court has ruled is due to NAPOCOR workers.

Now, Mr. Speaker, we are confronted by the specter whereby the privatization of Agus-Pulangui hydro- power complex will certainly increase the power rates in Mindanao and will burden the workers, manufacturers, exporters, entrepreneurs and all power consumers in Mindanao. This representation vows that with the support of our esteemed colleagues in the House, that the threatened sale of the Agus-Pulangui will never happen.

Transferring control of 55.38% of Mindanao's power supply to private family corporations and a few other conglomerates would pave the way for price manipulation to the detriment of consumers. We have seen that already in Luzon and in the Visayas. Cross-ownership is now the norm in the said

regions where the owners of power generators have also stakes in electric distribution sector. Private energy corporations operating in Luzon and in the Visayas are now wielding enormous power which they use to rake in more profits for the dividends of their stockholders and for the large salaries of their managers and executives even in the face of continuing brownouts.

Mr. Speaker, that would also happen in Mindanao after the Agus-Pulangui power plants are transferred to private owners. The cartelization of power in Mindanao is sure to happen, and when that happens, the Energy Regulatory Commission/ ERC which had already shown its inutility in the past in the face of corporate pressures, will just follow the path of least resistance currying to the whims of private investors to the detriment of ordinary people and the competitiveness of Mindanao-based businesses which are all users of electricity. Let me ask this critical question. What will stop the private energy monopolists soon to emerge in Mindanao from abusing its market power?

***The people of Mindanao will become like the consumers of Luzon and the Visayas- angry, helpless and clenching their teeth in the face of brownout/ and power prices hitting the roof.***

Mr. Speaker, the Agus-Pulangui hydro-power complex is invested with public interest. Lake Lanao is a national patrimony. The people of Mindanao the Filipino people must remain the owners of its own resources and should use them for the common good and not allow the complexes to feed only corporate greed. The Agus-Pulangui hydro-power complexes are national treasures that must be secured for the interest of all Mindanaoans and of all Filipinos.

I repeat, privatizing the Agus-Pulangui power assets will not work for the advantage of Mindanao's consumers and its economy. Thus, I am therefore calling for the government, and particularly the PSALM not to proceed with the

sale of Agus-Pulangui power plants. And I am urging my distinguished colleagues to immediately undertake an investigation in aid of legislation on how EPIRA could be amended, particularly Section 47 (f) of the law in order to prevent the privatization of Agus-Pulangui. I firmly believe that government-owned power resources which form part of our collective patrimony must be secured for the interests of all Filipinos.

Electricity, like water is not a commodity, but a right of every citizen. It must not be subjected to the profit motive of private businesses. The state has a responsibility to deliver basic and affordable services to its people. The increasing power tariffs in Mindanao which would be the logical end result of the privatization of the Agus-Pulangui power complex could exacerbate the poverty situation in the island; further widening the income disparities among our people and fueling existing social conflicts.

This, Mr. Speaker, is the very scenario that we all want to avoid.

***Mr. Speaker and Honorable Lawmakers, this representation insists that the Agus-Pulangui hydro-power complex must remain in the hands of the government and must continue to benefit the people of Mindanao.***

Mr. Speaker, Daghang salamat.

