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**Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila**

**Thirteenth Congress
First Regular Session**

HOUSE BILL NO. 2530



Introduced by Anakpawis Reps. Crispin B. Beltran, Rafael V. Mariano

Without a doubt, the privatization of the Philippine power sector is an imposition of the Asian Development Bank (ADB) and the World Bank on the Philippine government. Power privatization was used as a crucial conditionality in the said foreign multilateral agencies' trade and financial agreements with the government.

The national government under Pres. Gloria Macapagal-Arroyo and her allies in the Senate and House of Representatives rushed the privatization of the power sector through the passage of the Electric Power Industry Reform Act (EPIRA) in 2001 because the enactment of the EPRA was a conditionality for the release of the second tranche of the \$900 million ADB Power Sector Restructuring loan approved in 1998. The IMF, in the meantime, made the EPIRA's approval as a conditionality for the release of a \$300 million rehabilitation loan in 1999.

Despite pro-privatization individuals and agencies' assertions that privatizing the power industry will be beneficial for the people and the national economy, current developments reveal that it is not only a dismal failure at serving the public interest, it even attacks the very interest of consumers and the rest of the Filipino people.

The privatization of the Philippine energy sector only means higher electricity rates for consumers, a higher probability of private market power in the sector, less environmental protection, less consumer protection, and the legitimization of the anti-consumer, anti-poor policies that strengthen profiteering and corruption in the bureaucracy.

In the past, the government dominated the Philippine power sector, taking charge of generation and transmission. It played a big role in planning, operation, and regulation. In early 1990s, however, the country experienced power outages severe enough to be regarded as a national crisis. The government then used this as a very convenient excuse to turn to the private sector and pave the way for privatization. The excuse, reality, however was that the electric power crisis was a result of corruption in the highest levels of the branches of government including the executive, connivance with foreign corporations and local monopolies in the energy sector.

In 1987, through an Executive Order that allowed the private sector to generate electricity, and the Build-Operate-Transfer (BOT) law in infrastructure projects, the government opened the floodgates for contracts with private generation companies, now known as independent power producers or IPPs. Full privatization culminated in the signing into law of Republic Act 9136, or the Electric Power Industry Reform Act (EPIRA) on June 2001. EPIRA mandated the full privatization of the electric Power Industry in the Philippines following the ADB and World Bank unbundling model.

Despite assertions of its proponents in Congress and the Senate, the privatization of the Philippine power sector was not an autonomous act of government. The ADB and the WB were closely behind every step of the process of legislation of the said bill.

Both banks were quite transparent with their agenda which was to create the biggest space possible for private sector participation in the industry. The template for a full-scale power reform program stresses: profitability, competition, privatization, minimal regulation, and a diminished government role.

The World Bank and the ADB's steps to push electric power sector reform in the Philippines was in faithful adherence to the foregoing "country assistance strategy". The WB began the process by highlighting the financial problems of the National Power Corporation (NPC) in its 1988 Philippine Energy Sector Study, and made a pitch for BOTs. The World Bank then saw the severe brownouts in early 1990s as an opportunity to push BOTs further, and to propose the unbundling of the system in a new sector study in 1994. In 1998, the ADB intensified the pressure by extending the \$300 M loan for the power sector restructuring program.

Three years after the passage of EPIRA, consumers remain at the mercy of the local electricity monopolies, their independent power producers, and foreign IPPs. Consumers are burdened with various anomalous charges automatically passed on to end-users by IPPs through the National Power Corporation (Napocor) and distributors like Meralco.

In line with the EPIRA, the government is also pushing for the privatization of the National Transmission Corp, or Transco. EPIRA required Napocor to establish the latter, and its function is to take over the transmission and sub-transmission functions, assets and liabilities of Napocor. Transco, like Napocor's generation assets, will also be sold out to private businesses. This is also a mandate of the EPIRA. The sale is currently being facilitated by the Department of Energy (DOE) and the Department of Finance (DOF). All this would provide more opportunities for private business to monopolize, exploit and abuse the local power sector. Again, the main victims will be consumers, and the rest of the general public.

Aside from the very obvious detrimental effects on consumers and the national economy, the creation of the EPIRA itself has been revealed to be steeped in corruption. On March 11, 2003, former National Electrification Administration (NEA) chief Manuel Luis Sanchez told the media that he personally distributed to certain members of the House of Representatives checks worth P2.5 million each or a total of P470 million to ensure the passage of the EPIRA. Sanchez claimed that President Gloria Macapagal-Arroyo herself directed him to personally attend to the distribution of checks to at least a hundred solons through telephone conversations that happened twice in 2001. He alleged that these congressmen took money from him in exchange for the swift passage of the power reform bill.

It is evident that the problem of exorbitant electricity rates will never be truly resolved by the neoliberal power reform being peddled by the government and multilateral creditors. EPIRA only institutionalizes private monopoly control and perpetrates foreign domination and exploitation of the national economy and resources at the expense of consumers.

According to the independent think-tank Ibon Foundation, the national government already committed a big mistake when it established a state-owned power corporation that does not control distribution. The Macapagal-Arroyo administration is exacerbating such a calamitous blunder by turning over lock, stock and barrel power generation and transmission to private foreign corporations and their local partners.

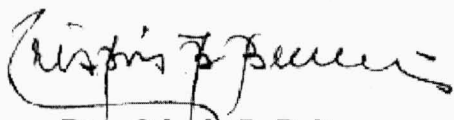
IBON also points out that power, like oil and water, are highly strategic sectors in which effective government control is required by genuine industrialization. These are not simple commodities that can be abandoned at the mercy of so-called market forces. These are vital economic services that the people must have immediate easy access to, and at just, affordable rates. Without debate, it is the duty of the government to ensure that the Filipino people are not denied or deprived of these services.

The government has already run out of excuses, or at the least its alibis have been exposed as empty and false. Those in power cannot use the excuse that it doesn't have the funds to implement the nationalization of the power industry. As has been exposed, the government's failure to generate much-needed revenues that should finance the development of strategic sectors such as power is a direct result of the government's own twisted orientation of generosity to foreign investors. This has been in the case of the numerous incentives it gives to foreign investors and the sweetheart deals it entered with them. Corruption also remains a serious problem and it continues unchecked.

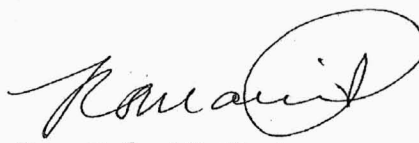
Also, as progressive people's organizations are wont to point out, if the government has no qualms about shelling out hundreds of billions of taxpayers' money and massive chunks of the yearly budget for debt servicing and militarization, then there is no reason why it cannot finance the development and nationalization of a sector as vital as power. Electricity is a basic social service and an indispensable factor in industrialization. This should be given priority.

For all these reasons, it becomes imperative that the EPIRA should be repealed and junked outright.

Immediate passage of this bill is earnestly sought.



Rep. Crispin B. Beltran
Anakpawis



Rep. Rafael V. Marlano
Anakpawis

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**AN ACT
REPEALING REPUBLIC ACT NUMBERED 9136, OTHERWISE KNOWN AS THE ELECTRIC
INDUSTRY REFORM ACT OF 2001**

SECTION 1. Any provision of law to the contrary notwithstanding, Republic Act Numbered 9136 entitled "An Act Ordaining Reforms in the Electric Power Industry, Amending for the Purpose Certain Laws and for Other Purposes is hereby repealed.

SECTION 2. This Act shall take effect in fifteen (15) days after the completion of its publication.

Approved.