



PRESS RELEASE

Tokyo, October 13th, 2009.

**GOBIERNO
FEDERAL**

**EMBASSY OF
MEXICO IN JAPAN**

LIQUIDATION OF THE DECENTRALIZED ORGANISM LUZ Y FUERZA DEL CENTRO (POWER-DISTRIBUTION COMPANY)

- On October 11th, 2009, the Federal Power published in the Official Gazette a decree that, pursuant to Article 16 of the Federal Law of Parastatal Entities, extinguished the decentralized organism Luz y Fuerza del Centro, due to the fact that its operation is no longer appropriate for the national economy and for public interest.

Decree on the liquidation of the power-distribution company (Luz y Fuerza del Centro)

- The decree states that the Management Service and Property Disposal Department (SAE), a decentralized body of the Federal Public Administration, will act as the liquidator of Luz y Fuerza del Centro and will intervene immediately to take control and dispose of all assets of the organism. Also it will apply appropriate measures to ensure that assets that are necessary for public service, for the delivery of electricity are destined to that matter, as proposed by the Electricity Public Service Act.
- The decree requires the respect of labor rights of employees of Luz y Fuerza del Centro and the allowance amounts shall be as provided by the Collective Bargaining Agreement and the Federal Labor Law. Also, the Federal Government will guarantee the payment of retirement benefits granted to workers.
- This measure does not imply under any circumstance the privatization of the electric power service. On the contrary the State will continue to provide this service as how the Constitution demands.
- The Ministry of the Interior, in exercise of the powers conferred by law, shall at all times guard the constitutional order and government institutions.

SITUATION OF THE COMPAÑÍA DE LUZ Y FUERZA DEL CENTRO

- Luz y Fuerza del Centro faced an unsustainable financial situation. During the last 9 years, due to its disability to generate its own earnings and reduce its financial costs, the annual subsidies that it received quadruplicated, reaching this year 42 thousand million pesos.
- The operation of this Organism is inefficient and of low productivity. The electric service provided to homes and industries in the country's center region was deficient, which limited the development of productive investments that generate employment in this region.
- If things continued this way, its considered that during the current administration (during 2007 and 2012) the resources transferred to Luz y Fuerza del Centro would achieve 300 thousand million pesos, which is equivalent to more than six times the annual budget of the social Opportunities Program, the most important program that combats poverty, or to build one million 200 thousand houses of social interest.
- The hard times by which México is passing demand the rational use of public resources and attend the more urgent needs of Mexicans that have less. In front of this economical juncture, we must be able to do more with less.
- We know that we cannot ask somebody for additional efforts if the Federal Government doesn't set the example first. The hard economical situation that México lives demands the operation of a public organism that's viable and furnishes to the benefit of all society.

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- In these moments of economic difficulty, derivatives from international crisis, the government and its citizens have to realize an extraordinary effort. It's neither possible nor fair to maintain multimillionaire departures that finally are oriented to holding up privileges and inefficiencies, which affect the benefits of this public service. To maintain transferences at *Luz y Fuerza del Centro* would implicate elevating rates in a disproportionate way and ask contributors for more taxes.
- That's why; the Federal Government resolved to extinguish this semi-official Company *Luz y Fuerza del Centro*. This decision was taken accordingly to what's disposed in article 16 of the Federal Law of Semi-official Entities, because the operation of this organism no longer results convenient from a national economy and public interest perspective.
- Before this decision was taken, the Federal Government made numerous efforts to elevate productivity and improve the service given, through agreements and settlements with the Union, without having obtained advances. This explains in good measure why *Luz y Fuerza del Centro's* deficit grew year after year.
- The established conditions in the labour contract impeded the effective operation of the organism. Reasons which decreased severely the productivity and efficiency of *Luz y Fuerza del Centro*:
 - The electricity sales by worker of *Luz y Fuerza del Centro* were less than one third part of one by a CFE worker.
 - *Luz y Fuerza del Centro* registered loss for more than 30% of the electricity due to robberies and inefficiencies; the CFE losses were around 10%.
 - In CFE there are 627 users by distribution worker. Instead, in *Luz y Fuerza del Centro*, there were 291 users by each distribution worker.
 - The investors' applications which have not been attended by the Institution are equivalent to 10 percent of the current distribution capacity in the country's capital (Distrito Federal).
- The Colective Labour Contrat (Contrato Colectivo de Trabajo) allowed a large number of workers to retire before the age of 50 years old and Union retired personnel received in average 3.3 times more than active workers, and each increase of one percent to the active workers resounded in almost the double in pension payment, generating an increasing and unsustainable labour passive.
- The termination of *Luz y Fuerza del Centro* will allow:
 - To reduce the high cost for contributors in holding up a company with low standards of quality and efficiency;
 - To canalize the public resources, that until now were used to subsidize the organism, to the social priorities;
 - To assure that electricity be charged to users strictly according to consumption;
 - To improve the electric infrastructure and quality service to facilitate the installation of companies, factories and business in the country central zone and to improve its competitiveness, generating thus more and better employments;
- The electric energy service will continue operating with all normality in places where *Luz y Fuerza del Centro* previously offered its services.
- The extinction of *Luz y Fuerza del Centro* does not imply in any way the privatization of the electric service. The offering of such service will continue to be in charge of the State, such as the Constitution and Electric Energy Public Service Law (Ley del Servicio Público de Energía Eléctrica) order.
- The Federal Government at every moment will respect the labour rights of active workers and will guarantee the payment of pensions to retired workers of *Luz y Fuerza del Centro*.

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- The severance payments will be carried out with what's established in the Federal Labour Law (Ley Federal del Trabajo) as well as in the Collective Labour Contract (Contrato Colectivo de Trabajo) celebrated with the Institution, and remaining applicable disposals.
- Besides, all Union workers that agree voluntarily to receive their severances before November 14th. 2009, will receive an additional compensation, proportional to the severance amount.
- Also, the Federal Government will promote actions for the prompt re-incorporation of *Luz y Fuerza del Centro* workers to the labour market, through schemes such as:
 - Direction and specialized support for the adequate use of their severance payments, as well as training courses.
 - Hiring of workers that are necessary to supply the electric service in the central regions of the country, under conditions established by the Organization in charge of that function.
 - Instrumentation of programs of self-employment and company creation so that with their final payments, workers who served in *Luz y Fuerza del Centro* can start their own business related to technical areas on which they previously performed.
 - To start up training and linking special measures: employment agency, employment portal and employment fairs, directed specifically to electrician workers, from the Work Ministry (Secretaría del Trabajo y Prevención Social).
- Its clear that the liquidation of *Luz y Fuerza del Centro* will bring important benefits not only because it will allow public resources used until now to subsidize it to be channeled to social priorities, but also because an electric service with more capacity and better quality will contribute to impel growth, competitiveness and employment in the central region of the country.
- With this measure, the Federal Government reiterates its commitment to impelling the basic changes that the country requires.