

ARGENTINA: WORKER'S CO-OPERATIVE TAKES OVER POST-ENRON

By Guillermo Amorebieta

The 1990s witnessed the greatest asset sale in the history of the Argentinean state. Together with the handing over of public services in concession to national and trans-national businesses, it became a sad example of the “success” of neo-liberal policies for developing countries.

Since 1990, the most conservative sector of Argentinean politics took over the government and started the systematic sale of public companies, from the metallurgic industry to oil, including air, sea and land transport, telecommunications, insurances, pensions, airports, etc. They even gave away concessions for electricity, water and sanitation, gas and all services that a nation provides for its citizens.

Due to the resistance of some trade unions and a few young NGOs, the province of Buenos Aires (10 million inhabitants distributed over 74 cities with 48 municipalities) kept most of the state public services, but was constantly pressured by the national government, which tried to strangle it financially to make it give up public companies providing public services. At the same time, the IMF and the World Bank persistently required the sale of assets related to urban services as a condition for diverse loans.

The Water and Sanitation Works Trade Union of the province of Buenos Aires proposed a law called OSBASA and managed to get it approved by the provincial Senate – not by Congress – which established public provision of basic water and sanitation services in the province, with the participation

of workers in the administration and management of the company. This project forced all the administrations of the province, the most important in the country, to protect water resources, to universalise basic services, to guarantee the treatment of wastewater and force municipalities and operational co-operatives to offer similar things.

Unfortunately, the strong political pressure exerted by the national and foreign corporate sector, multilateral loan bodies and consultants with a strong corporate link, caused provincial parliamentarians to halt the project, which lay the ground for the future privatisation of water and sanitation services.

In 1999, as a result of the political pressure posed by US economic interests that, up to then, were excluded from getting a piece of the Argentinean pie, the remaining public companies in the hands of provinces were handed over, although with tougher conditions due to a slow but continuous increase in awareness by civil society.

In the province of Buenos Aires, (the highest contributor to the national GDP and containing almost a third of the country's population) public services companies were the target of several Houston corporations. An important reason why ENRON, Houston Corporation and AES obtained water and energy services was the involvement of Marvin Bush, brother of US President George W. Bush, and a well-known power broker for Texas business.

EXPENSIVE WATER

Buenos Aires had the second largest national company in charge of water services, OSBA. This company's social mission was to give access to the poorest areas and the marginal sectors of the urban area, control industrial discharges, and be legally competent on issues of water sanitation.

As was the case with other water concessions in the country, ENRON – through its water services subsidiary Azurix Corp. and its Argentinean representation, Azurix Buenos Aires S.A., - took over the service supply with very benign contractual conditions, but at a time of social complexity: huge impoverishment of the population, almost 20% unemployment, a monetary system close to collapsing due to the maintenance of the currency convertibility, political erosion of the government and the first social reactions to the general situation and, in particular, poor services.

The payment by Azurix of a “valor llave” (deposit) of almost US\$500 million (almost three times the offer of the runner-up company) reflected technical improvisation and the rush to acquire new companies to boost Enron's Wall Street stock prices. Azurix hoped that local governments would allow the company to escape contractual obligations and ensure a short-term profitable business, as French corporations Suez and Vivendi had done for 10 years in the city of Buenos Aires and in some provinces in the interior of the country.

The concession covered over 70 cities with water and sanitation, 47 treatment plants of wastewaters, 470 deep wells for drinking water, close to 10,000 km of water networks and 7,200 km of sanitation drain pipes. Of the 2,000 original workers only 1,100 were transferred to the ENRON concession.

They called the new company Azurix Buenos Aires S.A., capitalised by Azurix Corporation headquartered in Houston and by another company established for the purpose, Azurix Argentina. The capital asset declared was \$85,000 (\$1 = 1 Peso), barely the value of any modest real estate anywhere in the country.

To act as a responsible operator, as the contract required, they used Wessex Water, a small British company that ENRON had bought for this purpose, and established Wessex Technical

in charge of the technical consultancy. It never had an active part in the management of the concession, although it is assumed it was part of the system of front companies established by ENRON to divert money to tax havens by means considered illegal in the US.

During the first year of management of Azurix it was clear it was limited to a superficial “make up” of the company infrastructure, and that it only looked for the quickest way of recovering the investment made to get the concession without making the needed investment.

The lack of care and interest of ENRON caused serious problems in the service, both in the production and distribution of water and in the collection and treatment of wastewater. Water networks were polluted, water treatment plants suffered considerable damage, waste water collection and treatment plants were paralysed, there was disinvestment in equipment and technology, important areas of the service were outsourced, etc. All this brought dissatisfaction among users and consumers that, in turn, pressured the mayors of important cities affected. This forced the provincial government to repeatedly sanction Azurix, to ask for a change in its investment policy and the establishment of an adequate programme to retrieve the quality and continuity of the service.

After months of negotiations, we, the workers, had to pressure the government to start Working Collective Bargaining and the commissions to enforce it. What made it even worse was that due to the seriously reduced workforce, the company started outsourcing as a permanent method of carrying out regular works, with negative consequences for company workers and poor quality of services for users.

CORPORATE ARROGANCE

When the managers of Azurix realised that the government could not defuse dissatisfaction with poor service in some cities in the interior, they began substituting Argentinean professionals with those “imported” from the UK, Australia and the US as a low-cost solution to problems that grew bigger by the day.

Without speaking the language, without knowing the existing technology, with a low budget for basic works and with pressure from users who demanded urgent solutions, the crisis exploded between the state authorities and the company. The regulatory body heavily fined the company. Not two years had passed since the beginning of the contract and then, on top of it all, came the bankruptcy of the head company in the US, ENRON. That made the remaining US managers quit, causing the withdrawal of the company without complying with important commitments.

GOVERNMENT DOES NOT KNOW WHAT TO DO

In February 2002, the provincial government either did not have the technical staff or the managers needed to take charge of the service. This (under the deadline pressure) led the Water and Sanitation Trade Union of the Province of Buenos Aires (Sindicato de Obras Sanitarias de la Provincia de Buenos Aires) into urgent negotiations to guarantee the quality, quantity and continuity of the supply to the almost three million people covered by the concession.

A project was proposed that involved social actors beyond the political conditions that circumstances currently imposed on the government. The basic idea was a public utility with

shareholder participation by its workers, with the approval of the regulator body itself (then called ORAB and now OCABA). It meant workers of the water sector organised their own company in partnership with the trade union, became operators of the service getting rid of conditions imposed by the World Bank that referred to the need for international experience.

Users were involved through the representative organisations both in the regulator body (ex ORAB) and in the management of the company Aguas Bonaerenses S.A. (ABSA), and an agreement was reached to transform the salaries for operating the service into new shares for workers once the company had got balanced accounts and got over the water and sanitation emergency created by the mismanagement of Azurix Buenos Aires – ENRON.

The workers themselves used their knowledge and experience to capture, treat and distribute water and to treat wastewater. Cross control was done by the Regulatory Body on the technical and operational aspects and by the Ministry of Infrastructure – Public Works and Services on the commercial management and the quality of the service provided. Organisations of users (some 12 in the area covered by ABSA) have the power to not only participate in the management and control, but also to go to the ombudsman and local bodies representing users and consumers. This allows for a constant presence in every aspect of the service.

To establish a service operation system in such a large company, the trade union established a legal company (Sociedad Anónima) formed by the trade union and the workers of ABSA. This company owns 10% of the shares of Aguas Bonaerenses S.A., the national service provider, and shareholder participation is scheduled to increase as part of the payment for operating the service.

From the start, the trade union did not want to take over the accounting and administrative management of ABSA, but focused exclusively on the technical operation, the designing of policies aimed to overcome the main problems of water and sanitation, better and fairer use of human resources, promotion and skills learning of the technical and professional workers, participation of citizens through workshops aimed at sharing knowledge about technical and operational activities, policies of works and expansion of the service, improving the technology of the control and administrative systems, etc.

ABSA's own resources and the financial contribution of the provincial state were used to finance the main works and to deal with the bigger problems inherited from the previous concessionaire. To do that, the workers-controlled operator (called "5 de setiembre S.A.") developed a broad policy of consultations with the authorities, users and consumer unions, and reviewed the historical archives of the old company OSBA. This was done to get the knowledge needed to develop a working plan to overcome the most urgent emergencies of water supply and to drastically reduce pollution levels due to the lack of treatment of wastewater.

For drinking water, more than 100,000 metres of the oldest functioning water networks, some of them with over 70 years of use, are being replaced, using modern techniques of piping and contracting small and medium domestic companies.

Another priority was the building of new water networks in the main cities to expand the service to highly populated areas with sanitation problems, and to strengthen water pressure and water levels in critical areas on the periphery of some cities.

The work interrupted by the paralysis of Azurix Buenos Aires has started again, particularly the reactivation of the Sewage Treatment Plants and equipping purifying systems that

were out of service due to lack of investment. This guarantees a reduction in pollution levels.

In 1999 – when privatisation took place - the province of Buenos Aires had a rate of water supply of 74% and 47% of the urban population had access to sanitation. In 2002, after Azurix withdrew and ABSA was established, the supply of water had decreased to 68%, due to demographic growth and lack of investments. Sanitation did not reach 43% of the population. Today 71% have potable water and 45% have household sewerage. Importantly, up to now all investments were with money from the company and of the provincial government budget. Very recently, the governor arranged a loan with the World Bank which will be important for the expansion of the services. We have had to urgently renovate the water networks as Azurix did nothing at all and leakages amounted to 40% of the drinking water produced. Millions of litres have been lost due to the age of the tubes (over 60 years). More than 110,000 metres of tubes have been changed and we have recovered the contractual water pressure in 30% of the area covered. Similarly, Azurix had practically abandoned half of the black waters treatment plants, which resulted in a substantial increase in the pollution of rivers. Now 30% more of the paralysed plants have an optimal functioning. Investigations are being done about the works that Azurix claim to have done. Fraud is suspected in what they had declared as done but does not exist in reality, or was only a simple fitting out of some aqueducts that were supposed to be renewed but were not. This investigation is linked to a compensation claim which Azurix/Enron has filed at the international dispute settlement court ICSID against the national state and the Province of Buenos Aires.

The next steps that we must take are focused on getting total autonomy by incorporating users as shareholders repre-

sented by their respective organisations and the inclusion of other productive sectors of the region where ABSA provides services. This is needed to guarantee the highest possible level of democracy in decision making, the rational use of the economic and financial resources, the start of a priority system in the expansion of the service with a social approach and the commitment of the state to financing the biggest works that such an important region needs to match the demographic growth and the productive development.

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