

Press Statement

Bantay Tubig to GMA: Maynilad Bailout Not a Gift but a Curse

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BANTAY TUBIG denounces in the strongest terms the bailout of Maynilad Water Services Inc. The bailout is a disastrous eventuality that we had warned about since last year, only to be met with denials from both Benpres and the Arroyo government. Both of them now claim in unison that the deal is not a bailout, that it is in fact the best scenario for government, taxpayers and consumers, and even that it is President Arroyo's gift to the Filipino people so that we can have undisrupted access to clean water (March 28, Philippine Star). All these claims are demonstrably false.

The Maynilad deal is a bailout. It is a bailout simply because the government is allowing Maynilad to pay less than what it owes government. It is sparing the Lopezes from the consequences of its bad management practices and substandard service.

1) Maynilad owes government 8 billion pesos in unpaid concession fees or \$120 million dollars (6.6 billion pesos) for the performance bond. Government has agreed to a cash payment of 2.57 billion pesos and draw only \$ 50 million dollars (roughly 2.8 billion pesos) from the performance bond. Why?

2) The Lopezes keep saying that this is not a bailout because they are writing off their share of the equity in Maynilad. Government is saying that the government is not trading off Maynilad debts at a loss because it is gaining majority control of the concession in this "takeover".

First, government is needlessly acquiring more equity than its exposure in Maynilad. Government needs only to collect 8 billion pesos in unpaid concession fees, but has taken over 61% of Maynilad. This is not an equivalent exchange.

Second, Maynilad's liabilities as of the end of 2003 were estimated at P18 billion, six times the value of its recoverable assets of merely P3 billion. Why should the government, which is facing 3.2 trillion dollars of debt, acquire a losing proposition?

The Maynilad deal is the worst option for government. There are two alternative options for government according to the concession agreement. One, it could have declared a "concessionaire event", which would end the contract with Maynilad at fault. Two, it could have searched for a Qualified Replacement Operator (QRO) upon Maynilad's default. Both these options would have netted government the performance bond and the unpaid concession fees. Still, government opted for an "amicable settlement". Why?

BANTAY TUBIG has in fact acquired information that the MWSS Board itself commissioned three separate studies of Amendment No. 2 (which prescribes this bailout settlement). ALL of these studies - legal, financial and technical - concluded that the bailout is not only disadvantageous, it is actually illegal. Still, the Office of the Government Corporate Counsel (OGCC), under the direction of

former Usec. Manuel Teehankee, urged the Board to approve the deal!

The Maynilad bailout is not a gift but a curse. Since the bailout became public, President Arroyo has not been able to justify why she has allowed the MWSS and the OGCC to enter into this grossly disadvantageous and inequitable settlement. She claims that it will prevent the disruption of water service. Madame President, the west zone has been suffering from service disruption for the last seven years under Maynilad. It has failed miserably to fulfill its performance obligations and expansion targets.

In any case, the MWSS has had a contingency plan for a takeover that has been in place over the last two years. We cannot know how adept the MWSS is at managing the utility after seven years of privatization, but it cannot be worse than Maynilad and will cost us a few billion pesos less.

If President Arroyo truly wanted to give the Filipino people a gift, she should have stopped coddling the Lopezes, instructed her lieutenants to collect on the performance bond and mobilized her technocrats to address the colossal water problems wrought by Maynilad on the west zone. By stubbornly defending this bailout, we can clearly see which side she's on.

BANTAY TUBIG will oppose the Maynilad bailout with all weapons at its disposal. We shall not allow oligarchs and their nominees to bleed this country drier than it already is.

BANTAY TUBIG Network (Philippine Water Vigilance Network): AKBAYAN Party-list, Alliance of Progressive Labor, CIBAC Party-list, FOCUS on the Global South-Philippines, Freedom from Debt Coalition, Institute for Popular Democracy, Tambuyog Development Center.