



How Popular Resistance Derailed the Privatization of Thailand's Power Sector

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In the wake of the 1997-1998 financial and economic crisis that hit Thailand and several Southeast Asian countries, the Chuan Leekpai government was pressured to fast track the privatization of public enterprises in including those in the utilities sector. The International Monetary Fund (IMF) imposed this move as a conditionality in exchange for a US\$17 billion bail-out financial package to help the beleaguered Thai economy overcome the crisis.

This program affected the telecommunications, energy, water and transport sectors and 29 of the 63 state enterprises. When Thaksin Shinawatra took over as Prime Minister in 2001, he proceeded to privatize petroleum, telecommunications and national airport corporations without meeting major resistance. But when the turn of the electricity sector came, the government was surprised by the intensity and magnitude of the protest that challenged the plan.

Labor leads the protest

In the early months of 2004, massive protests led by workers from the state-owned Electricity Generating Authority of Thailand (EGAT) snowballed into a much broader anti-privatization movement that increasingly challenged Prime Minister Thaksin Shinawatra's policy on privatizing public utilities in energy and water. Rallyists from the

EGAT Labor Union (LU-EGAT)¹ – were joined by unionists from 41 other state enterprises, labor rights activists, consumer advocates, farmers’ organizations, environmentalists, academics and other grassroots activists.

The protests were ushered in by a rally on February 23, 2004 where labor unionists demanded that government halt plans to sell shares of EGAT and other public utilities at the Stock Exchange of Thailand (SET). On this day, more than 10,000 workers from EGAT and other state enterprises showed up in the biggest anti-government protest since Thaksin came into office in January 2001. In a colorful and festive gathering, the workers occupied the EGAT headquarters in Nonthaburi outside of Bangkok and vowed to remain there until Thaksin held a national referendum on his privatization plans. Rallyists further urged that Thaksin scrap the 1999 Corporatization Act, the legal instrument governing the privatization of Thailand’s state utilities. The EGAT union accused the Prime Minister of rushing the sale of EGAT without conducting a full national debate.

EGAT Union president Sirichai Mai-ngam expressed concern that the government was rushing the privatization without public support (PSI 4 March 2004). Although apprehensive about job losses that may result, he was more concerned about the overall impact on Thailand’s energy system claiming that “under privatization, the priorities will no longer be the quality of public services” but rather “the profits that can be taken out of the energy system, profits that will go to the rich elite in Thailand or to rich foreign investors.”

That day marked the start of sustained and massive protests that thwarted efforts to privatize Thailand’s state-owned power utility. EGAT’s Initial Public Offering (IPO) would have been the country’s largest ever.² Thaksin’s first privatizations, of the petroleum, telecommunication and

1 The LU EGAT is Thailand’s biggest labor union with some 30,000 members.

2 The government intended to raise Bt70 billion (US\$1.8 bn) from the sale of 25 percent of company shares.

national airport corporations, profited Thailand's richest — including the Prime Minister's kin and associates — who gobbled up majority shares of the under-priced assets (PSI 23 March 2004).

Bigger and more widely participated protest rallies followed in what quickly became a major political crisis for the Thaksin government. The Thai unions succeeded in sustaining the momentum of the drive against privatization for almost two months, with daily street protests and demonstrations, with one gathering attracting as many as 50,000 participants. Support for the EGAT union came from unions of 41 other state enterprises and an estimated 130 civil society organizations consisting of labor rights activists, NGOs, academics/ students, consumer groups, environmentalists and peasants' organizations (PSI 23 March 2004).

These were the biggest street demonstrations in Bangkok since May 1992 when hundreds of thousands of pro-democracy advocates took to the streets against military strongman General Suchinda Kraprayoon who seized power following a military-led coup in February 1991. More importantly, this was the first time that the labor movement has been in the vanguard of such massive protests.

Earlier, the five utilities unions in the energy and water sectors formed the Public Utilities Protection Network (PUPN) to sensitize Thai citizens on the issues surrounding the government's privatization policies (Boys 2004).³ The network launched public information campaigns on the disastrous consequences of electricity privatization in the UK and elsewhere around the world — rising prices, shift from public service to profit maximization, capital rerouting to foreign profits and shareholders dividends, ineffectual regulation, and bankrupt companies. While preparing for a massive anti-privatization rally on May 1, the PUPN organized a three-day 'patriotic' leave from work from April 28-30.

3 The PUPN also aimed to encourage citizens to get involved in decisions affecting these core public services.

From the original issue of privatization of public utility firms, the campaign expanded to include other concerns such as stopping the privatisation of all other state enterprises, strengthening government's commitment to labor rights, opposition to free trade agreements between Thailand and a host of countries, and calls for cancellation of debts incurred by Thai farmers.

Anti-privatization critics raised a host of concerns including rising electricity prices if profit motives and shareholder interests rather than quality public service become the overarching agenda of public utilities; the lack of transparency of the privatization process; the recent sale of state assets which only benefited foreigners and Thailand's rich and influential elite; negative impacts on farmers and sustainable energy initiatives; and the seeming rush to privatize without benefit of creating an independent regulatory body and appropriate structure of EGAT and the electricity industry as a whole.

The sustained large-scale protests eventually succeeded in forcing the Thaksin government to make the following concessions: (1) postpone its plan to privatize EGAT; (2) initiate a revamp of the EGAT Board; (3) the creation of a government working group tasked with amending the 1999 Corporatization Act; and (4) an April 7 Cabinet resolution amending IPO guidelines for state enterprises to favor small retail investors.⁴ Moreover, the protests led to the rise of the anti-privatization movement that many analysts say have contributed to Thaksin's steadily declining popularity.

Key Developments of the Past Decade

The explosion of protest actions in 2004 was the result of events that began a decade earlier. In February 1991, the Thai government initiated power sector reforms within a broader framework of

⁴ These guidelines would limit a single shareholder's share (Thai or foreign) to not more than 5 percent, eliminate the system of "patronage" shares, place a 25 percent cap on foreign holdings, and maintain a 75 percent minimum government share in power and water utilities.

macroeconomic reforms and overall liberalization of the Thai economy. Private sector participation was encouraged through a BOO (Build-Operate-Own) policy, with EGAT and private investors each holding 49 percent in joint venture schemes (International Trade Finance 1991). At this early stage, the EGAT union and other state enterprise unions were already arguing that allotting a greater proportion of total generating capacity to the private sector would endanger national security (Mogg and Blue 1998).

In 1992, the Thai Parliament modified the EGAT Act of 1968 to allow the state utility to make commercial investments through new business units. In 1994, EGAT set up a subsidiary known as the Electricity Generating Co. (EGCo) which became the first privatized unit of EGAT. Its listing at the Stock Exchange of Thailand (SET) was a major landmark in the privatization of state-owned power utilities and a precedent-setting case in Thailand, since no power shares have ever been traded in the stock market. EGAT would be prepared for partial flotation on the SET by 1996, with the government retaining majority control and the utility still the sole purchaser of independently-generated electricity (FT Energy Newsletter 1994).

EGCo bought from EGAT the Khanom and Rayong gas-fired power plants with a combined generating capacity totaling 2056 MW (Wiriyapong 2001). EGAT workers had objected to any further attempt to sell another EGAT power station, alleging failure in the sale of two previous power plants to EGCo. As a result of the previous privatization, EGAT had to pay a higher cost from its obligation to buy electricity from EGCo's power stations.⁵

On July 2, 1997 the Thai baht collapsed ushering in an East Asia-wide crisis of financial and economic structures. Under a \$US17.2 billion bail-out package from the International Monetary Fund (IMF), the Thai government led by then Premier Chuan Leekpai agreed to privatize the

5 EGAT still holds a 25 percent share in EGCo, while its main shareholder is China Light & Power Company (CLP) of Hong Kong (Hayes 1999).

telecommunications, energy, water and transport sectors by the end of 1999. Twenty-nine (29) of the sixty-three (63) state enterprises were to be sold wholly or in part to the private sector. Privatization and the sale of assets to foreigners was perceived as a way to fund the cost of bailing out the financial sector.

In May 1998, the National Energy Policy Office (NEPO) issued a document entitled "Privatization and Increasing Private Sector Participation in the Energy Sector in Thailand". It enumerated the main objectives of private sector participation in the sector: (1) maximize competition in the energy industry in order to increase efficiency within the industry and to provide adequate energy at reasonable prices for consumers; (2) reduce the investment burden of government as well as public sector debt; (3) promote the more efficient use of energy, such as that demonstrated by SPP (small power producer) co-generation systems; (4) ensure power users are provided with the best possible services, price levels and safety standards; and (5) encourage the general public's participation in development of the energy industry through the development of capital markets (Mogg and Blue 1999).

Thailand's power industry took a decisive step towards a more open market when Parliament enacted a new privatization law aimed at disposing of the country's main state-owned industries. Despite huge opposition from the state enterprise unions and Thai nationalists at the family silver being sold cheap to foreigners, the Corporatization Act was approved in February 1999 (Cheesman 1999). Selling public utilities to profit-motivated companies, the unions repeatedly argued, would result in increasing electricity prices.⁶

In March 1999, the Thai Cabinet approved the sale of the giant 4200 MW Ratchaburi power plant where 67 percent of EGAT's interest would be sold to strategic investors. Some 60 billion baht (US\$1.6 billion) was expected from the sale of Ratchaburi, the largest generating station

6 State enterprise unions also raised a howl over a provision in which half of the funds from the sale of state enterprises would go to a fund created to shore-up Thailand's bankrupt banks (Mogg and Blue 1999).

of its kind in Southeast Asia. The Ratchaburi plant was also regarded as the easiest to privatize since it was still under construction and had not yet employed EGAT staff.⁷

When EGAT issued its US\$300-million international bond in 1998, it assured the World Bank (WB) — the guarantor of the issue — that the Ratchaburi plant would be privatized, and that EGAT would be corporatized and meet a minimum 25 percent self-financing ratio (SFR). If EGAT failed to meet these conditions, WB could refuse to provide a guarantee on a next \$300M bond issue planned for June 1999 (Changorn 1999).

The Ratchaburi case emerged as the test of Premier Chuan's determination and capacity to deliver on its privatization program. It was no secret that the sale of Ratchaburi was the first step in the government's plan to split and privatize EGAT's power plant assets. Expectedly, EGAT workers vigorously protested the move, accusing government officials of lying about the benefits of privatization and failing to properly consult employees on plans to sell off parts of the electricity industry (Alford 1999). The EGAT labor union claimed that the cash flow problem could be resolved without resorting to privatization (Business Day 1999). Revisions were incorporated in the Ratchaburi privatization plans and in June 2000, EGAT approved the sale of the plant to Ratchaburi Power Generating Holding Company (RPGH), a subsidiary it set up earlier to handle the privatization. Expressing dissatisfaction with the sale, some EGAT employees noted that the process opened the prospect of foreign investors coming in to take over shares through nominees (Bunyamanee and Polkwamdee 2000).

Later EGAT executives would figure in a controversial Bt20-billion-share-swap deal between EGCo and coal mining and power generating firm Banpu Plc, a deal earmarked to pave the way for EGAT's stock listing. According to the deal, EGAT will sell its 25 percent stake in EGCo to

7 The sale of the Ratchaburi plant was one of the conditions for Thailand's IMF bailout package.

Banpu; in return, it will buy a 15 percent stake in Ratchaburi Holding Plc from Banpu, to wind up with a 60 percent controlling stake in Ratchaburi Holding. Critics, including EGAT and other state enterprise workers, questioned the deal, citing the non-transparency in setting the share-swap prices and that most benefits would fall to Banpu (Changson 19 Jan. 2004). In March 2004, EGAT Governor Sitthiporn offered to resign because of the issue and government decided to abort the share-swap plan.⁸ EGCo and Ratchaburi Holdings both represent the partial privatization of Thailand's electricity industry.

At the November 2003 leaders' summit of the Association of Southeast Asian Nations (ASEAN), talks focused on the creation of an ASEAN Power Grid project which accorded with the Thai government's vision of transforming Thailand into a regional energy hub (Thai Press 7 Nov. 2003). Privatizing EGAT was a key ingredient in transforming Thailand into a regional centre for energy trade (Thai Press 11 Nov. 2003).⁹ State enterprises that were slated for privatization in 2004 include EGAT, the Mass Communication Authority of Thailand, TOT Corp and CAT Telecom, and the water and power utilities (Theparat and Polkwamdee 2004).

The Tumultuous 2004 Events

To understand better the dynamics of the events that led to the abandonment by the Thai government of the plan to privatize EGAT, a detailed account is presented below of the 50-day period of protest from January to April 2004. The accounts are largely culled from various Bangkok newspaper reports.

January 6. At an EGAT public hearing, the labor union focuses on ensuring that EGAT staff benefited from the IPO as most members at this time supported the privatization. Among the measures demanded were:

⁸ The EGAT governor was later cleared of mismanagement.

⁹ Aside from EGAT other state enterprises in the energy sector are the Metropolitan Electricity Authority (MEA), the Provincial Electricity Authority (PEA) and the Petroleum Authority of Thailand (PTT).

(a) an increase in employees' salaries by 21 percent, not 15 percent as proposed by EGAT management, (b) IPO share allocations for employees should be eight times their salary and given free of charge. This was the 8+2+3 formula, and not 8+0+0 as suggested by Finance Ministry; this means that EGAT staff would receive stock at a par value equivalent to eight times their salary as well as free and convertible stock equivalent to two and three times their salary, respectively.

January 17. A Cabinet resolution is passed that allows state employees to buy IPO shares worth up to eight times their monthly salary at par value.

January 25. EGAT and state-enterprise labor unions walk out of an EGAT public hearing due to unclear EGAT responses to three questions: (a) whether the electricity rates charged to consumers will rise after EGAT's sale, (b) whether small investors will be allocated a fair share of stocks, and (c) whether the benefits of current employees will be affected after the sale.

February 19. Experts, consumer group claim EGAT should repay consumers Bt4.3 billion overcharge on electricity bills over the past decade, raise concerns that overcharge could be transformed from public funds into private assets when EGAT is privatized. Government announces it will maintain at least 75 percent of EGAT shares and then raises increases power rates by nearly 5 percent, the highest increase in four years.

February 20. About 500 union members enter the EGAT headquarters and disrupt a teleconference to brief employees on EGAT's upcoming privatization. EGAT directors approve a plan to spend Bt4 billion baht for a new early-retirement program that would cut the workforce by 2,000 employees from the current total of 27,620. Those who opt for early retirement will receive a payment 36-38 times their monthly salaries as compensation.

February 23. Extra Ordinary General Meeting of the EGAT labor union marks start of massive protests; 10,000 workers rally against privatization; union allies from more than 40 state enterprises participate

in a show of support. Calls are made for the ouster of EGAT executives involved in controversial EGCo-Banpu swap shares; and the specter of EGAT falling under foreign ownership is raised. The EGAT labor union submits letter to Thaksin asking him to postpone EGAT privatization while awaiting Royal opinion on issue.

February 24. Thaksin stands by decision to privatize EGAT and orders EGAT executives to control employee demonstrations.

February 26. About 30,000 protesting EGAT and other state workers drop their demands for greater stock allocations and salary raises, declare their “absolute opposition” to plans to sell off state agencies providing key public utility services, and charge that EGAT privatization is part of a ploy to allow influential people to swallow up big portions of stock sold by state agencies.

February 27. Thaksin rejects workers’ demands to scrap privatization of EGAT, claiming hard-liners and ‘third parties’ were fomenting unrest, says share price of PTT now up by more than 300percent due to the improvements seen in management efficiency after being listed on SET. EGAT Governor Sitthiporn declares an EGAT holiday.

March 1. Approximately 30,000 protestors led by EGAT’s labor union show up outside EGAT’s headquarters on day EGAT was due to corporatize. The State Enterprises Workers’ Relations Confederation (SERC) urges government to conduct a public hearing and national referendum. The unions allege that the ruling Thai Rak Thai party would use proceeds from the privatization to fund its campaign for national elections planned for early 2005. The unionists were joined by labor rights campaigners, grassroots activists, students and the urban poor. Some senators also voice their support for the labor movement, saying that while privatization has its merits, Thailand had no effective safeguards against corruption and monopoly-driven high service fees.

March 1-4. Government fails to register EGAT as a public company in apparent sign of retreat, but it says the delay is merely due to legal technicalities. Thaksin warns he will crack down on anti-privatization

demonstrations if they get out of hand. Asserting that there was no need for a public hearing or a referendum, Thaksin refuses to meet with union leaders. But in a conciliatory move, the Prime Minister asks EGAT to cancel proposed share-swap deal with Banpu Plc and creates a fact-finding committee to investigate alleged irregularities involving EGAT governor Sithiporn. On March 4, Sithiporn offers to resign.

While accusing the media of distorting information about the EGAT controversy, Thaksin orders the Finance Ministry to revise the way shares are distributed when state enterprises undergo privatization and come up with clearer regulations. Expressing confidence in Sithiporn, Energy Minister Prommin proposes that shares from EGAT listing be allocated to electricity users nationwide.

March 5-6. On occasion of Makha Pucha Day, protestors give alms to monks at the rallying site and in a prayer pledged that protestors would not 'betray the people' by abandoning the cause. Public Services International (PSI) urges Thaksin to hold a fair and transparent referendum on the privatization of EGAT. Unions announce plans to hold a massive rally outside Government House on March 9; will seek support by distributing 100,000 yellow flags and 200,000 copies of a statement explaining why they are against EGAT's listing.

March 6-8. Energy Minister Prommin announces that planned EGAT privatization has been postponed indefinitely. Thaksin softens his stance in his regular radio address, says only 2-3 percent of EGAT shares will find its way to overseas investors. The government scraps plans to establish a fund to stabilize power tariffs, saying it would be inappropriate to finance the fund using cash from EGAT's IPO and that proceeds from share sales should instead be used for paying off debts and for new investment.

March 9. A rally is held of more than 100,000 protestors outside Government House chanting "Thaksin out, Thaksin out", and "Selling waterworks, selling electricity means selling the nation." They are joined by representatives of farmers' groups.

Mar 10-11. The Cabinet sets up a committee to consider appropriate benefits and welfare for state-owned firms' employees after privatization; outcome expected in 30 days. Thaksin announces that the sale of 25 percent of EGAT will be completed within two months; threatens workers with checks on allowable leaves.

March 12-13. Union leaders from EGAT, MEA and PEA unveil a course of action in response to Thaksin threats — alternating days off so that they would not get fired for absenteeism. Non-union staff could also take sick or business leave to participate in the rally. Those working at EGAT head office could report for work in the morning and go out to the rally during the day while EGAT workers could use their 30-day vacation leave on top of business and sick leaves. EGAT protesters will gather 50,000 signatures for a referendum and will continue with protest rallies despite an order by management to return to work or face disciplinary action.¹⁰

Movement against privatization of electricity and water gains more momentum as seventeen (17) groups of civic organizations from the urban poor, students, consumer groups, environmentalists, NGO leaders, factory workers and academics joined a protest at Sanam Luang. Protestors issue a statement saying: "While the network of people's organizations believes state enterprises should be reformed, it should be done without selling them on the open market." They reiterate that services such as electricity and water were public utilities and not goods for profit-making purposes. The groups also launches a nationwide campaign to demand a referendum.

March 13. Thaksin announces plan to set up independent organisation to oversee EGAT privatization.

March 14-16. In a compromise move, EGAT senior officials demand that a state-firm capital bill be canceled and replaced with a state-enterprise development bill that requires government to hold at least a 75-percent-share in each state enterprise and guarantee that government

¹⁰ The public sector unions also offered memberships to other workers by paying a Bt200 registration fee.

would sell the rest of the shares to the people and to fund managers, not private firms. They further proposed that the government appoint EGAT worker representatives to sit on a committee to draft the state-enterprise development bill and that government require EGAT to be responsible for generating at least 50 percent of power generation. In return workers should promise to halt their rallies pending the drafting of the new bill.

Meanwhile, 5,000 EGAT workers perform a merit-making ceremony to mark the 23rd day of their opposition. They also observe a minute of silence in remembrance of colleague to raise awareness on the dire consequences of privatization.

March 17-19. On the 24th day of protests, Thaksin finally meets with union protesters who demanded that the government do three things: (a) call off privatization of EGAT and other public utilities, (b) abolish State Enterprises Corporatization Act, and (c) allow consumers to decide through a public referendum if they want state firms privatized.

EGAT executives threaten to take disciplinary actions against protesting personnel, including a suspension of salary increases in 2004. The government sets up special team to provide information on its privatization policy of state. Energy Minister Prommin warns that the country's electricity supply will be put in jeopardy if EGAT remains a state enterprise, saying investment funds could only come through new loans for state enterprises, placing a burden on the country's debt position. As a public company under the corporatization process, EGAT would be able to raise funds from both the equity and debt markets to finance new investment.

March 19. In response to Prommin, the EGAT union says that the company could raise funds to build more power plants by seeking loans from financial institutions with EGAT as its guarantor. The union assert that the Finance Ministry need not be the guarantor.

March 20. The Finance Ministry says it will eliminate system of 'patronage shares' and give priority to retail investors when any state-owned enterprises is privatized. The Labor Ministry orders EGAT

employees to stop their protest on grounds that it contravenes the State Enterprises Relations Act of 2000. The EGAT union dismisses Labor Ministry order, saying they are entitled to the right to gather in peace under Article 44 of the Constitution to protect the interests of the country, and threaten to file a complaint with the National Human Rights Commission.

The EGAT union further questions why Thaksin refuses to hold a public referendum and why he did not keep the promise that he would not privatise water and electricity utilities in a contract signed on May 23, 2003. The EGAT union insists that government comply, in written form, with either of two alternative demands lodged by them — suspending the privatization plan or organizing a referendum.

March 22. Some 135 groups from across Thailand — students, academics, artists, coalitions of development workers, slum dwellers and environmentalists — launch a major drive to force government to scrap its plans to privatize state enterprises. Some of the movement's new-found allies are from rural communities dislocated by EGAT projects and where the environment has been damaged. Authorities attempt to force 5,000 protesters from the PEA compound, warning workers that they were rallying on state property without authorization. In return, workers threaten to sue government for trying to repress their long-running action.

March 22. Stock Exchange of Thailand (SET) chief Kittiratt Na Ranong criticizes anti-privatization protesters of confusing the issues and contributing to the loss of confidence in the market.

March 25. An independent body, the National Economic and Social Advisory Council (NESAC) calls for a freeze on the float of state enterprises until its committee can propose a revised plan that would satisfy privatization opponents.

March 27. About 10,000 people from 135 NGOs and grassroots groups join EGAT union members in a protest rally against the privatization of electricity and water utilities at Sanam Luang close to the Democracy Monument. They say that if Thaksin is averse to a referendum, he can test

the popularity of his privatization drive by making it an election campaign pledge.

March 28. The government agrees to restart EGAT privatization process, making it highly likely that EGAT can only go public after the 2005 general election.

March 30. EGAT labor union organizes forum on privatization and impact of free-trade agreement policies; speakers urge government to rethink privatization plans which they say should go through public hearings or a national referendum. Thaksin directs Finance Ministry to consider charging state enterprises fees for guarantees offered by government to cover their loans; a fee would provide an incentive for state enterprises to improve efficiency and management.

March 31. Some 1,000 anti-privatization protesters from EGAT, MEA, PEA, MWA, and PWA briefly occupy the SET head office, placing a wreath with a "Not For Sale" sign in a show of solidarity against state sell-offs. Former EGAT executives led by EGAT's first governor, 80-year-old Kasem Chatikavanij, urges government to reconsider drastic changes at EGAT. They dispute official views that EGAT is inefficient, lacks transparency and creates a huge debt burden for government. At the same time, they offer to mediate between EGAT management and workers.

April 1. PUPN-led state enterprise employees stage a rally at the Commerce Ministry to block registration process.

April 2. Following a government order to purge EGAT of its leadership after failing to reach an agreement with striking labor union, the entire 11-member EGAT board, including Governor Sitthiporn, tender their resignations. Chai-anan Smudvanija, a political scientist and director of Vajiravudh College, takes over as chair. Sitthiporn is cleared of mismanagement related to the failed share-swap deal with Banpu.

April 5. EGAT unionists urge government to appoint labor specialists, consumer representatives and former EGAT governors to sit on the new board.

April 7. The Thai Cabinet endorses new guidelines to ensure the general public have fair access to buy shares in EGAT during its IPO and to keep shares from being allocated to privileged groups or political patrons by (a) prioritizing small retail investors; (b) ending the practice of state enterprises allocating shares to their patrons and clients of either financial institutions or securities firms;¹¹ (c) establishing a 25-percent cap on foreign holdings in privatized state-enterprises which reflects a lowering of the foreign ownership cap in utilities from 49 percent as previously laid out in the Corporatization Act; (d) allowing state employees to buy shares worth up to eight times their monthly salary at par value and to access soft loans from the Finance Ministry to be used to purchase shares; (e) establishing an independent regulatory body for consumer protection that includes consumers, specialists and academics; and (f) forming a working group created to amend the state enterprise Corporatization Act of 1999. The Finance Minister assures there will be no sacking of staff.

April 8. EGAT unionists, however, ignore April 7 cabinet resolutions and vow to carry on their protests until their demands are met. They set April 9 as a deadline for government to propose new alternatives for its privatization plans or they will reveal to the public the government's 'hidden agenda' in selling EGAT's shares. EGAT's Labor Union members say they are ready to contribute one percent of their salaries to a fund set up to support their protest. Opposition Democrat Party prepares to lodge a no-confidence motion against Thaksin's government in May.

Energy Minister Prommin says EGAT could not proceed with the privatization before the third or fourth quarter of this year as there is need to first set up a regulatory body.

April 12-13. EGAT workers rally at the offices of the Mass Communications Organization of Thailand (MCOT) and the Energy Policy Planning Office (EPPO), alleging that government used EPPO budget to

¹¹ Government is to maintain a minimum 75 percent holding in utilities such as electricity and waterworks, and at least 50 percent in other state enterprises.

for an advertisement on TV Channel 9. They demand that the state-run MCOT withdraw what they say is an incorrect and biased advertisement.

EGAT unionists produce 13 video CDs for public distribution featuring academics critical of the privatization of power utilities. At regional bus terminals and the Bangkok railway station; bus and railway drivers are asked to play the videos to their passengers. The workers further launch a 'no AIS mobile phone' campaign; AIS is Thaksin's family-run business and its main service rival has issued free 'SIM' phone cards to workers to support their cause.

EGAT's union marks Songkran Day and the 50th day of their protest by holding a number of colourful events. Together with SERC, the union announces plans for a major action on Labor Day May 1.

April 16-17. EGAT workers call on Energy Minister Prommin to revamp the new EGAT board, alleging its members are essentially an extension of the government and who lack genuine knowledge of EGAT. Civil groups of activists, academics and others plan to criticize the government's policy on privatizing state firms at an annual 'People's Council' on April 25. One organizer plans to hold a referendum on privatization to show the government what they should have done before embarking on the controversial policy. The group will also reveal how money from the families of Cabinet members had been transferred to foreign funds in preparation for the takeover of state enterprises when they were listed on the stock exchange.

The Basic Issues Involved

The 2004 events in Thailand highlight several basic issues and concerns that accompany government policies and plans for the privatization of publicly-owned assets. These are: public interest and quality public services; transparency and participatory processes; electricity tariffs; regulatory bodies; competition, efficiency and private monopolies; debt burdens and financing new projects; capital market development and IPO guidelines; and sustainable energy development.

This section gathers the views and opinions on the above issues from labor unions and their leaders, social activists and civil society leaders, some legislators, the business community, academics, media practitioners, farmers, consumer groups, and common people from Thailand and other countries.

On the public interest and quality public services

Sirichai Mai-ngam, President, EGAT Labor Union. “We are concerned that the government is rushing this privatization without the necessary public support. Clearly, the union is concerned about job losses under privatization. But our main concern is that privatization is not the best policy for Thailand’s energy system. Under privatization, the priorities will no longer be quality of public services. The priorities will be the profits that can be taken out of the energy system, profits that will go to the rich elite in Thailand or to rich foreign investors. This is not the way to build our national infrastructure” (PSI 4 March 2004).

Metropolitan Waterworks Authority (MWA) Labor Union. “If the government wants privatization, it must ask the people through a public hearing. Privatization will result in the MWA having higher production costs since costs which had never been incurred before, such as the cost of raw water, fees for laying pipelines through state and private lands and corporate tax, will have to be shouldered after privatization. This will raise the price of tap water” (Thai Press Reports 18 March 2004).

Somkiat Onwimorn, senator for Suphan Buri. “Privatization in a hurry, as advocated by the World Bank or the International Monetary Fund, is likely to have an adverse impact on the public. According to Nobel Prize laureate Joseph Stiglitz, most developing countries had failed in their privatization of state enterprises because the plans were implemented carelessly without thinking about the public interest. The main winners from privatization were mostly politicians in power and foreign investors. Only government ownership of public utilities can ensure

that a broad service is provided to the public, without too much focus on profit" (Thongrungsri 31 March 2004).

Thanapong Sawee Vallop, farmer, Chachoengsao province. "The privatization plan will have a huge impact on farmers because the electricity and waterworks will be in the hands of businessmen holding a monopoly of shares and ordinary people will get nothing" (Channel NewsAsia 2004).

Vanida Tantiwithyapitak, adviser, Assembly of the Poor. "We don't want public utilities to fall into the hands of a few people. The Assembly of the Poor has made its position clear that we oppose privatization" (Rojanaphruk 22 March 2004). "Labor unions fighting privatization should join hands with rural groups who are struggling against government-development projects to give their movements more political weight. Rural villagers had been forced to give up their property and livelihoods in the name of sacrificing for the progress of the country. Now state-enterprise employees are facing a similar plight in possibly giving up their job security. Privatization should do more than just benefit a few individuals. It is a matter of principle that state enterprises should be managed by the state with public participation to benefit the majority" (Tangwisutijit 2004).

Rosana Tositrakul, chair, Confederation of Consumer Organizations. "The confederation is against the privatization of EGAT, the water authorities and the Government Pharmaceutical Organization. These state agencies provide basic services for people. Any move to turn them into profit-seeking organizations will have an adverse effect on the general public" (*The Nation* 16 March 2004).

Sairung Thongplon, manager of the Consumer Federation. "The recent experience of the privatization of the Petroleum Authority of Thailand [PTT] shows us that the beneficiaries of the sale of PTT shares were not the public majority, but a few big politicians and business clans. Two of the largest PTT shareholders are Tawichat Chulangkul, a relative of Transport Minister] Suriya Jungrunreangkit, and Prayuth Mahakitsiri of the Thai Rak Thai party" (Tangwisutijit 2004).

Wiwatchai Atthakorn, lecturer, NIDA. “Government should study privatization plans from other countries in detail before proposing to privatize Thai state enterprises. The government has not studied privatization in enough depth. For state enterprises involved in public utilities, such as electricity or water, it is necessary that the government should continue to own them 100 percent” (Thongrung 2004).

The Nation, an English daily. “The Nation supports privatization of EGAT. But it should not be done in a murky way, as the Thaksin government would like to do. First, the government must set up an independent regulatory body to ensure fair competition in the electricity industry. The Cabinet’s appointment of (an) independent regulatory body is not good enough, since it will be vulnerable to political interference. This body must be formed by legislation... Second, EGAT must separate its power transmission business from its power generation business before it goes public. This will ensure fair competition in the electricity industry. Third, even with the electricity industry’s new structure, EGAT will still have a large monopoly. It holds the rights to invest in new power generation with a capacity of 50 percent of all new supply without competition. This structure has to be revised before EGAT is privatized.

“Fourth, EGAT’s ownership in water management derived from hydropower dams, or the management of such land, should not be transferred to the corporatized EGAT. This is a sensitive issue because it involves the supply of irrigation to farmers. EGAT’s right to award contracts for new investment in power plants should also be revoked and handed to the independent regulatory body to ensure fair competition. Fifth, the structure of electricity fares will have to be clear or reflect the efficiency of EGAT’s operations. This means that EGAT’s efficiency should not be based on return on investment capital (ROIC) in order to attract investors to buy EGAT’s stocks. EGAT’s performance should, rather, be measured by its revenue and operational costs.

“Currently, EGAT bases its performance on ROIC, which, according to a recommendation of the Boston Consulting Group, must have an ROIC of 9 percent. This high ROIC rate will certainly cause

power bills to rise and the public will have to shoulder the higher costs. Sixth, the allocation of shares in EGAT's initial public offering (IPO) must be transparent, with priority given to retail investors" (*The Nation* 26 March 2004).

Pravit Rojanaphruk, The Nation. "Privatization of public utilities could be a threat to democracy. Civic-mindedness will likely only suffer as a result of the privatization of public utilities, because the people will be seen as mere consumers rather than as citizens. This change is already taking place as society becomes increasingly corporatized. This is the question that needs to be addressed by those who can still differentiate between public utilities and private profits, between the public domain and self-serving arrangements. The government is duty bound to provide basic utilities to its citizens and therefore must not be allowed to confuse the idea of maximizing efficiency, which is possible without privatization, with maximizing profit" (Rojanaphruk 22 March 2004).

Banyong, CEO of Phatra Securities, financial adviser of EGAT. "Previous privatization might not be perfect but it is much better in terms of creating accountability and transparency. Thai Airways International's way of doing business has become more transparent and more professional since privatization. The Thai Airways of the old days cannot be compared with Thai Airways today, even though the government still holds a majority stake of about 70percent. The benefits of privatization, however imperfect it might be are — First, it will lead to more appropriate resource allocation, in which the government may release those of its resources that can be commercially handled so that it can concentrate on the needy areas such as education and healthcare.

"Second, privatization will reduce the government's debt burden, as in the case of Thai Airways, where the need for the government to guarantee its debt has been substantially reduced since the airline's privatization. Third, more state agencies going public will contribute to capital-market development. Fourth, outside shareholders will play a check-and-balance role in forcing the state agencies to become more transparent in the way they do business" (*The Nation* 12 April 2004).

David Boys, Public Services International (PSI): “Thaksin should hold a fair and transparent referendum on the privatization of EGAT. Countries like Uruguay held referendums on the issue in 2000 and the people voted massively against privatization. Countries that privatized the industry, as the United Kingdom did 15 years ago, are facing huge problems as a result. There is no evidence that privatization of such public utilities has benefited people anywhere in the world. Pressure from stock markets can lead to poor decision-making ... and a short-term perspective. In the UK a bankrupt company is currently in charge of supplying one-third of the country’s electricity and this has resulted in frequent (power outages).

“The UK situation compares poorly with France, where the service is run as a national monopoly. When we make energy utilities into profit-oriented organizations they become more unstable so power costs for small consumers rise. Corporations will not risk investing their own capital without a government guarantee. We are seeing that in Thailand with independent power producers (who) negotiated long-term power-purchase agreements that commit the government to buy all the energy they produce whether it is needed or not. EGAT has even shut down some generating capacity because it was committed to buy private energy under power-purchase agreements” (Rojanaphruk 6 March 2004).

Einar Davidsen, businessman, Norway: “A typical example of the negative effects of privatization can be found in England. The British railway system has experienced a series of serious accidents and problems ever since it was privatized. These things happen for two reasons - a lack of emphasis on safety and a pressure to maximize profits at all costs. ... If efficiency is a concern, and it should be up to a certain point, then bring in time-study people and rationalization experts... If the enterprise is overstaffed, which it may or may not be, the management has to do what any other business or organization would do - trim the fat. ...

“There is a very strong case to be made for keeping essential services - such as electricity, water, the railways and telephones — as state-owned enterprises, belonging to the people. These operate with the sole purpose

of providing services as cheaply as possible to the public. An adequate level of quality and the lowest possible price should be the two main guidelines for the operation of public services. Unbridled capitalism is a very dangerous thing. It must be kept on a leash, like a dangerous Rottweiler. Capitalism is not your friend. When a government sells a state-owned enterprise, it betrays the people of the country" (*The Nation* 12 March 2004).

On transparency and participatory processes

Sulak Sivaraksa, leading social critic. "Thaksin is trying to draw out the issue on the privatization of EGAT without allowing the people the right to decide in a referendum. The recent hike in mailing costs from Bt2 to Bt3 is a result of the ongoing privatization of Thailand Post. It is a deplorable attempt to dress up the organization, which was still owned by the government and had yet to be floated on the stock market. They are just dressing up the post office and trying to earn some profit before selling it. Electricity, water and postal services are basic public utilities" (Rojanaphruk 28 March 2004).

Witoon Permpongsa-charoen, environmentalist/member, National Economic and Social Advisory Council. "Water and power services are basic public utilities that must not be privatized. The government is pushing privatization to enrich a few large stock investors. The present conflict provides an opportunity to make EGAT a truly public organization that allows participation by the people. This would lessen the damage EGAT projects have on rural communities" (Rojanaphruk 22 March 2004). Transferring EGAT's many hydropower plants into a semi-private, profit-driven company could lead to intensified conflicts over scarce water resources, used both for power generation and for rural irrigation. If they run as a business, they won't care about the demands from other sectors" (Kazmin 2004).

Dr Somkiat Tankitvanij, researcher, Thailand Development Research Institute. "The government faces an uphill battle in its

privatization program because it has lost credibility. The government has consistently proved that it cannot pursue privatization in a transparent way or without bringing about conflicts of interest. The government reluctantly agreed to set up an independent body only when there was a public outcry” (*The Nation* 7 April 2004).

Poll results, Bangkok’s Assumption University. “An estimated 73 percent of 1,147 people surveyed in Bangkok said they think the planned sale of EGAT was not transparent. Furthermore, 83 percent said they were happy with the current power services and 55 percent feared the emergence of a private power monopoly” (Macan-Markar 5 March 2004).

Poll results, Bangkok University. “Most people are doubtful of the transparency of government privatization proceedings. Although 55 percent of the respondents were aware that the government had held public hearings on the EGAT privatization, 36 percent said that they had never received any information on these hearings. 71 percent of the respondents said that they wanted more information from the government on public hearings concerning the privatization plans; 57 percent said that they wanted to participate in the decision-making process. Most importantly, 50 percent of respondents expressed concern that the privatization of the former PTT had not be conducted transparently, while 49 percent expressed a similar concern over the privatization of the Airports Authority of Thailand (AOT)” (Thai Press 2 April 2004).

Chuenchom Sangarasri Greacen, Palang Thai consumer-rights group. “Government’s claim that EGAT would operate with transparency and efficiency once it goes public is not true. As we have seen with Enron in the US stock market, where rules and regulations are tighter, fraud can still take place. Without a proper structure, EGAT is unlikely to fetch a reasonable price from its initial public offering. Fears that the government can step in any time to interfere in the electricity industry and boost stock prices would also open the way for policy corruption”(*The Nation* 7 April 2004).

On electricity tariffs

As elsewhere, electricity prices in Thailand have always been politically sensitive. Historically, electricity tariff in Thailand has risen by 5-6 percent every year (Changsoorn 19 Jan. 2004). Over the past four years they have risen by a cumulative 20 percent, from 2.08 baht per unit in 1999 to 2.51 baht this year (Praiwan 14 Feb. 2004). The strength of opposition to EGAT's privatization recently gained more support from the public, thanks to the government's recent decision to increase the power price by nearly 5 percent, the highest increase in four years (*The Nation* 24 Feb. 2004).

A 1999 Pricewaterhouse Coopers study, commissioned by the National Energy Policy Office (NEPO), proposed a 10-30 percent increase in electricity charges for residential and agricultural pumping customers. This would supposedly address IMF's concern with the cross-subsidy implicit in EGAT charging less for its bulk supply to the Provincial Electricity Authority (PEA) than it does to the Metropolitan Electricity Authority (Mogg and Blue 28 Feb. 1999). With government's decision to privatize EGAT, the national electricity pricing will finally be restructured and its basis changed from return on assets to return on invested capital (ROIC). A recent report by EGAT financial advisers JP Morgan and SCB Securities shows clear evidence that the state utility needs a power tariff increase to secure the ROIC of 9-10 percent a year required by its IPO investors.

To secure the targeted return, EGAT would be required to lift power tariffs to a maximum level of 23.5 satang per unit (kilowatt/hour) over the current tariff of 2.042 baht a unit this year (Bunyamane 8 March 2004). However, advisers have recommended that the government relieve pressure on end-users by setting only a moderate tariff increase of 1 percent per year over the targeted period. The increase would result in EGAT earning lower-than-required returns from 2004-07. Two sizes have been proposed for a 'price stabilization' fund, 60 billion and 35-40 billion baht, and sourcing would come initially from EGAT's IPO proceeds and thereafter from tax revenues or dividends. Should EGAT increase tariffs by 1 percent per year, 60 billion baht would be required for the utility to meet the 9

percent return target from 2004-07. After that, EGAT would be able to pay back the fund from its revenues. In a scenario where EGAT would hike tariffs by 2.62 percent per year, a 35-40 billion baht fund would be needed for it to achieve the expected return over the targeted period.

Dr Banlue Hengprasith, adviser, EGAT Labor Union. “Without a clear structure that encourages competition, electricity bills are certain to go up, because EGAT will become a profit-oriented business when it is privatized. As a state enterprise its return on investment is curbed at 2 to 3 percent, but once it goes public it will have to raise profitability to attract foreign investors. Boston Consulting Group, hired by the Energy Ministry to study EGAT’s privatization, has indicated that EGAT should garner a return on investment capital of at least 9 percent to attract investors. At present, EGAT is making a profit of only 3 percent. To get that higher amount of profit, it can only raise the electricity bills. After privatization, EGAT’s tax privileges as a state enterprise will be curbed. Currently, it is exempt from having to pay tax on property, land and imports of some equipment. These new expenses alone would increase EGAT’s operating costs” (Thongrung and Chaitrong 2004).

Saree Aongsomwang, director, Foundation for Consumers. “The 50 percent increase in the price of a stamp was ‘robbing if not raping’ the public as people were given no choice. The same situation would occur if electricity and water utilities were privatized” (Rojanaphruk 28 March 2004).

Prapat Bhodhivorakul, Chair, Federation of Thai Industries (FTI). “FTI supports the government’s policy to privatize EGAT as the plan will offer cheaper rates of electricity to users. The industrial sector which is the largest user of electricity, consuming nearly 60 percent of the country’s total electricity consumption, considers that the privatization of EGAT is a means to strengthen the firm’s competitiveness and will make it ready for trade liberalization” (Thai Press 10 March 2004).

Dr Piyasvasti Amaranand, Chair, TFB Asset Management Co. (former Secretary General, NEPO). “The government is

converting a public monopoly into a private monopoly with no competition and no proper regulatory framework. There will be uncertainty for consumers, no incentives to improve efficiency, and it looks like tariffs could actually go up" (Kazmin 2004).

On a regulatory body

The Nation, English daily. "In the case of EGAT, had the government taken the appropriate approach to privatising the power agency, shares in EGAT would probably already be on the market. As it turned out, EGAT was to have been privatized without the benefit of undergoing any kind of analysis to determine an appropriate new structure for the agency or for the electricity industry as a whole. Nor did the government deem it necessary to establish an independent regulatory body to oversee the eventual transformation of EGAT from a state monopoly into a partially private power concern, though if there had been such a body, the more cynical among us would still be left wondering about the quality and independence of its representatives. In any case it is impossible to ensure fair competition without an independent regulatory body. Legislation is needed to ensure the integrity of any independent regulatory body and give it a clear mandate. If the government is not interested in creating fair competition, why privatize?" (*The Nation* 5 April 2004).

Dr Piyasvasti Amaranand, Chair, TFB Asset Management Co. (former Secretary General, NEPO). "The government's failure to set up an independent regulatory body for the industry would create problems later when it comes to ensuring efficiency and establishing a level playing field. The independent regulatory body could only be successful if it is set up by legislation. This would ensure that the body is independent and has the power to promote competition and prevent power companies or agencies from taking advantage of consumers. The independent regulatory body for the telecom industry is making little progress in regulating the public airwaves, although the government has been in office for more than three years. The regulatory body for the

water industry is not shaping up either. If the government had focused on creating a proper framework for the industry three years ago and creating a regulatory body, it could now successfully privatize EGAT” (*The Nation* 7 April 2004).

On competition, efficiency and private monopoly

Anen Aung-Aphinant, Chair, Environment and Energy Committee of the Federation of Thai Industries (FTI). “Thai industries would like to see real competition in the power-generating industry. Consumers should have a choice in purchasing electricity directly to ensure that the supply of electricity is consistent with quality and costs” (*The Nation* 7 April 2004).

Suvit Limvattanakul, general manager, Bangkok Generation Co Ltd. “The structure of the privatization plan would not create fair competition in the electricity industry. As EGAT is still a monopoly, there will be no incentives for private producers to invest or to compete in power production or compete against EGAT” (*The Nation* 7 April 2004).

Dr. Thawarat Sutabutr, Energy Ministry. “The enhanced single buyer system would ensure fair competition because of the existence of government-controlled power producers and the independent power producers. “In the enhanced single-buyer system, EGAT will be a dominant producer and buyer because this would ensure security in the electricity system” (*The Nation* 7 April 2004).

Dr Piyasvasti Amaranand, Chair, TFB Asset Management Co. (former Secretary General, NEPO). “The government mishandled the privatization plan from the beginning. (I) supported privatization, but not in the loose form laid out by the government. Privatization of EGAT would not benefit the organization or the public because the structure of the electricity industry has not yet been adjusted

to encourage competition or promote efficiency. It would amount only to a transfer of monopoly from the state to a private company.”

Power expert, Electricity Generating Co Plc. “The privatization of EGAT looks like a change of monopoly from the government to the private sector. It is not going to create any benefits to the consumer. There is no guarantee either that after privatization there will be competition in the electricity-generating industry. EGAT will continue to have a monopoly both in generation and distribution because its transmission-network and power-production businesses will not be separated. Investors are unlikely to have much confidence in the Thai electricity industry. EGAT will only invest in the transmission lines that will most benefit itself. Then, the other private companies will have no incentive to compete against it. Without competition, EGAT will then have no pressure to improve its efficiency” (Thongrungsri and Chaitrong 2004).

Somboon Siriprachai, economist, Thammasat University. “EGAT is efficient as it is and it is the most profitable public enterprise in Thailand, so why privatize it? I don't think EGAT is a burden to the state as is made out to be. The record of privatization we have had is not good; there is no model for EGAT to follow. When you privatize, you create a private-sector mafia that will make huge profits from share prices, as we saw with the sale of the Petroleum Authority. Even after that, the climate at the privatized Petroleum Authority has been far from free, since the government intervenes to control the price of fuel. It is not a free market. The price depends on political objectives than economic factors” (Macan-Markar 5 March 2004).

Pornthip Sopha, Project for Ecology Recovery. “That efficiency would come with professional management is not true, as in the case of the Pathum Thani Water Authority, which contracted a private firm to produce tap water for the province. The firm failed to deliver on expectations that it would expand services to cover more communities in the province” (Tangwisutijit 26 April 2004).

On EGAT's debt burden and financing new power projects

Energy Minister Prommin Lertsuridej. "EGAT's 140-billion-baht debt burden costs seven billion baht in interest charges annually. We [the government] never said the debts are non-performing loans as the union (LU-EGAT) complains. We only informed the public about how much of a burden it is having to guarantee EGAT's debts" (*Bangkok Post* 21 April 2004).

Dr Areepong Phucha-um, Deputy Director of the Finance Ministry's State Enterprise Policy Committee. "The timing of EGAT's exchange listing is important because it will create momentum for the agency to improve its efficiency. EGAT will need Bt400 billion over 10 years to invest in new power-generating projects to cope with the growing demand. As a state enterprise, EGAT's borrowing would create a public debt burden because the government has to guarantee its debt. Once EGAT is listed in the stock exchange, international credit-rating agencies would be less concerned about Thailand's public debt status because EGAT's debt would be managed by the private sector."

EGAT Labor Union. "Since EGAT's debt-to-equity ratio remains sound, the state utility could pay off its debts gradually without ever posing a burden to the government. Although the current debt load is huge, it is a normal practice for major public utilities to seek loans for investment. Funds were borrowed for investing on infrastructure expansion ahead of rising demand. EGAT's assets now stand at around Bt460 billion with current power generation capacity of more than 15,000 megawatts, up from only 907 MW when the state enterprise was established. EGAT has a debt-to-equity ratio of 1:1, which is considered acceptable by financial institutions around the world. Most companies listed on the SET has D/E ratios of around 3:1" (*Bangkok Post* 21 April 2004).

Suphakij Nuntavorakarn, Sustainable Energy Network of Thailand. "It is not true that the state's financial burden will be eased after it transforms EGAT into a private entity. According to documents that we have, the ministry of finance has agreed to underwrite loans of

the new company, and the government will step in if there are any financial problems” (Macan-Markar 5 March 2004).

Kitti Limsakul, vice minister of finance. “Thailand has little choice but list a transformed EGAT on the stock market to raise funds for new power projects in the next 10 years. The privatization was integral to the future of EGAT, which was needed to raise money to pay for Bt300 billion (US\$7.7 billion) in capital projects. If EGAT was not privatized, it would have to borrow money, and the government would have to guarantee its loans, which would affect the public debt and all taxpayers” (Macan-Markar 5 March 2004).

Noppakhun Yangiam, EGAT Labor Union leader. “EGAT should have its own capacity to raise money for its investment without having to go public. It can issue bonds to raise capital, using its own assets as collateral, in the same way that Thai Airways International has been doing. This will not create a financial burden for the government, which now has to guarantee EGAT’s borrowings” (Thongrungsak and Chaitrong 2004).

On capital market development and the New IPO guidelines

On April 7, 2004, Thaksin’s cabinet issued new IPO guidelines on the sale of shares of state enterprises which gives priority to small retail investors. The government will maintain at least a 50 percent stake in all state enterprises, and 75 percent for power and water utilities. Foreign investors would be restricted to no more than a 25percent shareholding, while no single shareholder, Thai or foreign, could hold more than a 5 percent stake.

Areepong Bhoocha-oom, director-general of the State Enterprise Policy Office: The government’s new rules (on state enterprise IPO listing) are clearer and fairer for all concerned parties. I don’t see that EGAT’s privatization would cause damage. The government will still be the largest shareholder with 75 percent and it still has a mandate to manage EGAT.

Foreigners will buy EGAT stock for investment purposes only (Chanjindamane 2004). New restrictions for state enterprise IPOs would give retail investors a better chance of purchasing shares, but would raise complications in how new offerings were priced. If we allocate 50 percent of the total shares to retail investors, you can expect around half would be sold within the first two or three days of trading — it will make the share price quite volatile (Polkwamdee 2004).

Dr Piyasavasti Amaranand, Chair, TFB Asset Management Co. (former Secretary General, NEPO). “The privatization of EGAT must proceed. They can’t afford not to move ahead. And this process should not be too slow. The Stock Exchange of Thailand faces doldrums for the rest of government term unless the deal goes through” (Khanthong 2004).

Boonchai Sriprachaiya-anunt, executive vice-president of Phatra Securities & EGAT financial adviser. “If authorities were committed to developing the local capital market, greater focus should be placed on strengthening institutional investors such as local pension and mutual funds. Even by giving retail investors first priority to subscribe to shares, the total would still be limited, given only around 300,000 retail investors maintained trading accounts locally compared with millions investing indirectly through funds such as the Government Pension Fund or provident funds. Shares from a future stock offering would be sold at a 10 to 20 percent discount from their fair value following the Cabinet’s endorsement of a privatization plan giving first priority to retail investors. EGAT’s shares may suffer from a lack of stability and prices would likely drop below the IPO price.

“The nature of retail investors is that they always lock in profits if they gain and this may push down the stock price below the offering price if the stock makes a debut amid an unfavorable stock market. We admit that setting a share price under the new rule challenges us as it would increase people’s debt if the stock falls below the offering price, and foreign investors would have chance to pile up stocks at a cheap price. Book-

building is the best solution. The portion earmarked for foreign investors was important as local investors cannot afford to scoop all of EGAT's shares. Problems can occur when allocating shares to retail investors, as PTT, Airports of Thailand and Thai Olefins can bear witness to. PTT's price fell below the offer price shortly after its debut as retail investors sold the stock during an unfavorable time in the bourse. Today, the three stocks can give handsome returns to long-term shareholders" (Theparat and Polkwamdee 2004).

Chakramon Phasukvanich, Secretary-General, National Economic and Social Development Board. "Foreign investor confidence is being heavily affected by the stalled privatization of EGAT and violence in Muslim-dominated South" (Wiriyapong and Theparat 2004).

Marco A. Sucharitul, president of JP Morgan (Thailand). "A delay in EGAT's privatisation should not have a significant impact on the stock market because investors have already priced in the effects of a delay. When the protests over EGAT's privatization broke out, the SET index was trading at around 630 points and investors moved to adjust the weightings of their portfolio. The key question now is how we are going to make the market attractive to the investors now that EGAT's privatisation is delayed and that other state enterprises might also face delays" (*The Nation* 24 April 2004).

On sustainable energy development

Suphakij Nuntavorakarn, Sustainable Energy Network of Thailand. "Handing over such a huge monopoly to private investors will be detrimental to Thailand. The new company will enjoy such rights as who can generate power and the right to control the amount of dams and reservoirs. The new company will also enjoy the power to set rules about joining the national power grid because it will have a monopoly of the transmission system. This will be detrimental to those interested in renewable energy, since alternative power producers will find it hard to enter the market" (ADB Media Center 5 Feb. 2004).

Conclusions

The Thai government's failed attempt at privatizing the power sector demonstrates the power and effectivity of sustained and focused public actions. Earlier attempts at privatization of other economic sectors went through unimpeded and may have made the government overconfident. But the significant difference in the case of the energy sector was the leadership of the labor unions, particularly the workers of the Electricity Generating Authority of Thailand (EGAT) whose 30,000 union members spearheaded the protest actions and were able to generate support from other unions as well students, intellectuals and the media. Equally noteworthy was the union's abandonment of demands centering on their own personal benefits in favor of the larger concerns of Thai society. It also helped that the issue at hand directly affected all sectors of the Thai population. The Thai elite, which appeared to support the privatization plan, found themselves isolated from the mainstream of Thai society. In the end, the government buckled down and withdrew the privatization plan.

The government's retreat does not however imply its abandonment of the privatization agenda. Alternative means through other channels appear to be in place with assistance from multilateral financial institutions. In February 2004, the Asian Development Bank had committed to support a US\$1.37 billion coal-fired power plant project in Map Ta Phut, Rayong Province, which includes loans amounting to US\$140 million, and a political risk guarantee of up to US\$70 million for offshore cofinancing (ADB Media Center 5 Feb. 2004).¹² The plant is expected to begin commercial operations in February 2007.

12 This 1,434-megawatt coal-fired project will be ADB's first private power generation project in Thailand and the first independent power producer in the country to be financed by both local currency and foreign exchange loans of this magnitude.

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