

FEDERAL MINISTRY OF POWER, WORKS AND HOUSING
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PRESS RELEASE

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POWER SECTOR PRIVATIZATION: POWER MINISTRY REFUTES DAILY TRUST'S LEAD STORY

... As Minister, I inherited a Power Sector where Government interests had been LEGALLY sold...- FASHOLA

The Ministry of Power, Works and Housing, Wednesday debunked the Daily Trust's lead story of same day quoting the Minister, Mr Babatunde Fashola SAN as saying that the nation's Power Sector was illegally sold.

The alleged statement, according to Daily Trust, was made on Tuesday at the Senate public hearing on electricity tariff where the Minister was alleged to have told the Senate Committee that as a Minister he inherited a Power Sector "where government's interests have been illegally sold."

In a statement, his Special Adviser on Media, Mr Hakeem Bello, distanced the Minister from the alleged pronouncement saying in all presentations before the Senate Committee, the Minister never used the word "illegally" to refer to the privatization of the Sector by the Federal Government. Rather, and this can be verified by a playback of the video recording of the session, the Minister in his opening remark at the session noted,

" ...As Minister, I inherited a Power Sector where Government interests had been LEGALLY sold..."

According to the Statement, the Minister in tracing how the country got to this point referred to the Privatization Law made in 2005, "The people of this country through their parliamentarians made a verdict in 2005 when you passed that law that things must change, the law was passed in 2005 and the process was completed in 2013, I wasn't here, some of you were here, if the process is bad where was the oversight".

The Statement also quoted the Minister as telling the Senate, “I will commend to this Committee the Report of the House of Representatives that investigated the matter. I will also commend to you Sirs, some of the Reports that have been made by the Senate Committee on Privatization. The basic reason for the passage of the Power Sector Reforms Bill that was passed in 2005 is that we all know that the government was not doing its business well”.

It stated that in apparent defence of the Law, the Minister also told the Senate, “These decisions were taken before any of us was here. If it was working why change it, who were the people that were employed to make it work, it was our employers in the TUC and other unions, and if they complain that the dam was not working and the power plant was not working, that was why they were hired”.

And describing the Power Sector Reform Law as “a great law”, according to the Statement, the Minister, who had made reference to a question by one of the Senators as to when the results of Privatization would be seen, had reminded the Senate Committee that the privatization exercise would be three years old in November this year, citing the example of the Communication Sector that was privatized over ten years ago which benefits were still evolving.

It quoted the Minister as saying, “Let us reflect back to a sector that we have privatized like this before, were the results this outstanding three years after we passed the GSM reforms? As we speak today some people can still not afford the GSM; some are going to buy tomorrow. When the GSM kicked off, they did not kick off in Abuja, they opened first in Kano, Lagos, Port Harcourt and Aba, that were commercially viable, those were tariffs being set for those who could pay for it.”

The Minister, the Statement also quoted, told the Committee that three years was hardly enough to expect any significant results from the exercise adding, “But I have been here for a year and less and I think that this system can work , India has done what we are doing, China has done what we are doing, Mexico has done what we are doing, Brazil has done what we are doing and South Africa ,they went through all of these hiccups and I think we should inform ourselves before we jump to some

conclusions really. If we cancel this privatization, what do we go back to, what are our choices”.

“If other nations have been through this and have survived, I think we must resolve to do what it takes to make it work”, the Statement also quoted the Minister as saying, asking the question, “Is three years enough? ECN was created in 1953; ... I don’t know that time, but the truth is that in those 63 years how many people did ECN meter so as to expect that same number can be metered in three years, so we must look at this in a context”.

Also debunking the allegation that the Distribution companies were yet to make a significant investment in the sector, the Minister had said, “We have a challenge and I think it can be overcome, people have made statements here that are not correct and they may mislead you saying there are no investments in the sector. Just on Monday the United States through its Power Africa Initiative granted support in the region of \$9 million for technical advisory capacity to the same DisCos trying to build efficiency, it is one thing to condemn all the DisCos but to say shut down the business, where is that taking us”.

Some other remarks which the Minister made at the event, according to the Statement include the following; “People have said the DisCos, it is possible that some of them do not have the technical capacity, it is possible that some of them do not have the financial capacity, there were institutions here when those decisions were being taken, I wasn’t here but I have decided to stop clinging to the past and move on, how can we help those who are weak, how can we support those who have technical deficiency?”

“In terms of regulation, we are moving from a period where there was no NERC and therefore, the Ministry was the be all and end all to the period where we have to create a private regulator. Just like you have the NCC in telecoms, NERC is the NCC of power and it will take time also. Everybody is learning, we have had to reconstitute the traditional departments in the Ministry of Power in order to create departments that respond to what we now have.

“I come from a view that you don’t sanction a people unless you have given them all the tools to work. Governments, ministries, departments and agencies are owing these people, there are also debts; tariffs were set on assumed level of power supply, government has not delivered on that power supply, so the fundamental assumption of performance are also not there.

“Government cannot deliver on that power partly because the fuel for that power is being punctured; it’s like leaking the fuel of your own generators, we cannot insist on performance. We have no moral right to sanction them if we have not kept our side of the bargain. But we are insisting on performance, we have asked them to submit their audited accounts for the last 3 years, some have done so while others have not done so, we have started a ranking system, ranking safety, ranking performance, ranking collection to create competition as a basis for sanctioning performance, so that the rules of the game are clear from the beginning.

Describing the Daily Trust report as unfounded and misleading, the Statement enjoined newsmen to always endeavour to clarify their facts before going public , pointing out that the media department and indeed other officials of the Ministry were always ready to answer questions and clarify any issues concerning the Ministry.

**HAKEEM BELLO
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