UGANDA PEOPLES CONGRESS

PRESS STATEMENT ON WEDNESDAY 16TH NOVEMBER 2011

Following the demonstration of members of the business community in Kampala and other districts yesterday, the Uganda Peoples Congress, once again, wants to fault government over the privatization of UEB inthe year 2004. UPC opposed the proposal to sell off UEB right from the day it was floated by government. We knew it was risky and a grave mistake to have the country's only power generating, transmitting and distributing body privatized.

We were sure the buyer, Umeme, would bully Ugandans after all it enjoyed monopoly. But government of Uganda, either out of sheer selfishness of those in charge of the energy ministry at that time or for want of pleasing World Bank with its Structural Adjustment Programs, rushed to privatize UEB. Multinational companies like the Commonwealth Development Corporation which is the majority shareholder in Umeme could have influenced and emphasized privatization in order to have this body finally sold to them. It has always been our firm belief that, in a third world country like Uganda, where experience, capital and technology remain deficient, the state must protect its citizens by remaining in charge of the greatest commanding heights of the national economy. This is the docket under which electric power generation, transmission and distribution in the country falls.

Indeed ever since Umeme obtained a license signing a 20-year concession to distribute electricity, tarrifs have been on the rise especially when rated against the cost of a dollar. Both domestic and industrial power consumers have since been exposed to thefts by individuals that obviously had no social contract with the population. The situation turned worse with the involvement of Eskom, Jacobsen and other thermal power generators. Some ministry of energy officials have since connived with these companies to strike deals on fuel consumption, issuing of licenses and in determining tarrifs. What is more paining is that for whatever percentage loss incurred by these private power generating companies Uganda losses 4m dollars. And now that these companies' losses have been exaggerated to have moved from 18% to 38% the common man will be taxed further. How can a company that came to Uganda to do business and make profits be rewarded for making any losses? This is double tragedy for the power consumer. In addition to long hours of load-shedding the consumers are taxed to please those who deny them power! As if that was not unfair enough, the contract signed awarded lots of money to Umeme just in case it voluntarily decided it was tired of doing business in Uganda and wanted to go away.

The contract went more wild by awarding abnormal compensation to Umeme should government cancel its contract no matter the cause of this cancellation. According to the Distribution Support agreement, section 12.1 clause (b), should government terminate Umeme's contract, the compensation shall equal "a percentage equal to 120% from the end of the Initial Period through the 13th anniversary of the transfer date,such a percentage declining 2% per annum thereafter to 106% in the year that is the 20th anniversary of the transfer date." This amount excludes the first two years of operation. The signatories to the contract Irene Muloni, the current minister ofEnergy and Gerald Sendaula, the former minister of Finance and their witnesses Prof Peter Kasenene, then minister of state in charge of Privatisation and Esther Mulyagonja (now a judge of High Court) should be thoroughly investigated for possible conflict on interest. They could only sign if they were drunk or under the influence of inducements.

The current run away inflation is partly blamed on high production costs on the part of manufacturers dictated by hight power tarriffs. Domestic consumers including proprietors of small and medium enterprises, that to-date form the bulk of our national economy, have also been left to suffer. The proposed shift of electricity cost from the already unbearable shs 385.6 to shs 800 per unit [for domestic consumers] of power, that is likely to follow government's withdraw of its subsidies to the energy sector, is equally worrying.

Recommendations

Short-term

1. Contracts signed between government and Umeme should be made public immediately
2. Government should pay monies it owes thermal power generators so they can resume electricity generation
3. Prepaid meters should be installed to help electricity consumers budget their power usage
4. Government should increase its subsidies to the power sector from 60% to 80% to help checkload shedding and reduce the cost on the consumer
5. All signatories and witnesses to the Umeme contract namely; Irene Muloni, the current minister of Energy and Gerald Sendaula, the former minister of Finance and their witnesses Prof Peter Kasenene, then minister of state in charge of Privatisation and Esther Mulyagonja (now a judge of High Court) should be investigated for possible conflict of interest.

Long-term

1. Now that Umeme is not passing the test in the review as dictated in the 2005 contract [review was to be done every after 7 years] government should seize this opportunity to re-nationalize the power generating, transmitting and distributing body and, should overhaul this body to check workers' incompetence, power thefts and revenue losses.
2. UNBS should check all power meters to ensure proper calibration in order to check over billing
3. Government should promote renewable energies like solar power in order to meet rural demands for electricity.

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