



**His Excellency
Mr Akinwumi Ambode**
The Executive Governor
Lagos State
Alausa-Lagos
Nigeria

18 January, 2016

Dear Governor,

**CALL ON LAGOS STATE GOVERNMENT
TO HALT THE PROPOSED PRIVATIZATION OF WATER IN LAGOS**

Public Services International is a Global Federation of trade unions, representing 20 million working men and women in 150 countries. We wish to add our voice to that of Amalgamated Union of Public Corporations, Civil Service Technical and Recreational Services Employees (AUPCTRE) and Civil Society Organizations protesting the upcoming privatization of water services in Lagos.

PSI is in receipt of a letter addressed to AUPCTRE endorsed MOE/HC/2015/1/13 dated 4th January, 2016 in respect to Water Privatization, which stated that ".....the hearsay of the Privatization of Lagos Water Corporation is null and void". However, PSI noted that the same letter did not offer any alternative to the intended privatization which your government has denied. We urge you to exercise the utmost caution in your decisions, as the interests of the proponents of privatization are not the same as the interests of the citizens of Lagos and its government.

In addition to the issues raised by AUPCTRE and other Civil Society Organizations, PSI wish to further inform you that the current model of privatization is being imposed/proposed by the World Bank and other multilateral financial agencies, as well as by bilateral donors (see especially the British, French, American). This privatization goes by the name of public-private partnership, a more politically palatable term.

These public-private partnerships (PPPs) invite the private sector to build and operate public services. The private corporation is typically paid through the tariffs collected. The PPP contract may require the private operator to invest funds, and to build, operate and then transfer back (BOT) specific infrastructure - in this case, it may be water treatment plants, water reservoirs, pumping stations, filtration stations, manifolds and piping, etc.

The apparent attractiveness of PPP contracts to a government include:

- The private investment does not appear as a debt upon government accounts,
- The private operator brings a range of technical and managerial skills,
- The private operator, often a foreign corporation, may be free from the local pressures of patronage, nepotism, clientelism and other structural corruption,
- And, the private operator takes over the day-to-day running of the system.

Regrettably, the attractiveness of these promises has not proven to stand the test of time. There are a number of fundamental reasons for this:

- The private operator exists to maximize profits, and this is the yardstick by which all decisions will be measured (as distinct from public service, social or environmental protections, etc.),

- The capital used by the private operator is almost always more expensive than that available to government, and all to be repaid over the term of the contract,
- The private operator responds to the demands of distant shareholders and to the pressures of capital markets,
- The private operator has a wealth of expertise in designing complex PPP contracts in order to reduce its own risk and to ensure guaranteed rates of return from government, often above 20-25% per year,
- Once in place, the private operator enjoys a monopoly status, and the government loses the expertise, including that required to regulate the operator,
- The PPP contract will typically include clauses that force arbitration of contractual conflicts to go to international arbitration tribunals (which bypass domestic legislation),
- The World Bank promise of regulators being able to control PPP operators has proven next to worthless.

The imperative to maximize profits (and to export these profits back to corporate headquarters) means the private operators engage in corrupt practices in order to win and maintain valuable PPP contracts; prefer to conduct all bidding and negotiations in as much secrecy as possible, with no public consultations; will initially bid much more attractive terms that will then be renegotiated once the private operator is in a monopoly position; will systematically demand tariff increases; will seek to exclude unprofitable slums and poor neighbourhoods from their geographical remit; will source products and services from their own subsidiaries without competitive procurement processes, allowing them to benefit from inflated transfer prices; will use proprietary software and technology which may not be appropriate, nor transferable; will manipulate regulators, and will develop strong political lobbying capabilities.

These observations are based on more than 20 years of analysis of PPP contracts in both developed and developing countries. City and local governments that signed these long-term PPP contracts have increasingly been seeking ways to get out from under their onerous provisions. Many cities are seeking to renegotiate the terms during the life of the contract, a process that can be extremely difficult. Others are seeking to break the contract mid-term, and are forced to deal with costly and time-consuming international arbitration.

Over the past 15 years, 235 cities in 37 countries brought water services back under public control. More are currently doing so. Most of them have done this at the expiration of the PPP contract, in order to avoid the onerous and undemocratic arbitration processes. This trend indicates that the PPP process is not serving the needs of city governments. We encourage you to pay close attention to this trend, and not put yourself in a position that you will soon regret.

One of the options that is growing is the concept of public-to-public partnerships (PUPs). Increasingly, public utilities, aware of the danger of PPP contracts, are seeking self-help mechanisms. The United Nations Secretary-General Kofi Annan recognized the massive potential of public utilities helping each other, and he mandated that UN Habitat create the office of Global Water Operator Partnership Alliance. These PUPs are non-commercial, not-for-profit collaborations between strong and weak public utilities. The motives are based around solidarity and self-help rather than profit, mergers and acquisitions.

Public Services International is more than willing to help your office find solutions to problems in the water delivery and wastewater treatment. Lagos is a world-class city and should be able to find partners without too much difficulty. We are willing to meet with you and your representatives in order to find solutions that will be in your best interests over the decades to come.

Yours in service of humanity,



Rosa Pavanelli
General Secretary

CC:

The General Secretary
AUPCTRE
National Secretariat
Abuja

The Executive Director
ERA/FoEN
Lagos Nigeria

Comrade Ayuba Wabba
President
Nigeria Labour Congress
Abuja

The Hon. Speaker
Lagos State House of Assembly
Lagos

The Commissioner,
Ministry for Environment
Lagos State