

DICHOTOMY

&

SECTORIAL PRIVATIZATION OF

EDH

- An empirical proposal to resolve the electric power crisis in HAITI

Author: Rubens Francois Titus

Credentials:

Elementary Schooling: Institution Jean-Marie Guilloux, Port-au-Prince, Haiti

Secondary Schooling : Institution Saint-Louis de Gonzague, Port-au-Prince, Haiti

Superior Studies : Bachelor in Telecom Technology, NYCTEC, Brooklyn, New York

: Master's degree in science in Telecom Mgt., Stevens Institute of
Technology, Hoboken, New Jersey

: Strong interests in Economics & History

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PREAMBLE

To all the critics, I just want to help my homeland the best way I know how; its cause is without mercy. I wish to lead it out of the darkness into the light, literally.

One day I was asked by a foreign individual to describe Haiti and my response was as follow: “Haiti is a black woman sitting on a stool in a pitch-black dark room; she holds a single strike-anywhere-match in her left hand, a candle in the other hand, and a veil covers her face. She is patiently waiting for a man who is able to see in the dark to come into the room, find the match she is holding, light her candle, and remove her veil. Then, and only then, it will be revealed how beautiful she is.”

It saddens me to say that a soundless dialogue between contemporary compatriots has silenced the voices of the Haitian people for several decades now. A people unable to have its opinions be heard is incapable of reaching any historical compromise which is essential if it is to aspire to progress. In that regard, I am inviting my fellow Haitian compatriots of all walks-of-life to follow my lead and jumpstart an unprecedented, organized and formal exchange of opinions on all the issues that we hold close to our hearts.

It is no longer sufficient to say ‘I have an idea’; it is however imperative to develop that idea thoroughly into a vision, a complete plan for the betterment of Haiti’s future. Let us break the silence that has held us captive for too long.

The following pages outline a simple but very effective plan to resolve Haiti’s electric power crisis. I have little expectation that the state of Haiti will adopt this plan; I am hopeful nonetheless.

It is worth noting that it is almost meaningless for anyone to stipulate that “all EDH needs is better management’ – public or private. It is therefore meaningful to ask ourselves one simple question: what is the most beneficial approach to address Haiti’s electric power crisis?

The answer is: an approach that keeps EDH workers employed while at the same time turns EDH into a profitable and well managed organization; an approach that creates jobs in Haiti; however few the number of jobs created may turn out to be, they will come as a drop of rain to Haiti’s desert of widespread unemployment; an approach that provides electric power 24/7 wherever EDH is already present; and finally an approach that embraces the belief that the private sector is You and I.

I sincerely believe that any other model will lead to skepticism, bitterness and confrontation among a people that have already suffered so much for so long.

My patriotic salutations.

Please support our efforts to promote this vision. Words of encouragement, advices, or monetary support can be sent to the address listed below. Your help will be put to good use. Thank you in advance

Rubens Francois Titus
81 2nd Street, Room 2
South Orange, New Jersey, 07079
Wireline: (973)-763-9510
Wireline: (973)-408-8678

The Electric Power Crisis **'Brief Description'**

EDH is Haiti's monopolistic and state-owned electric power company. EDH's electric power grid is in a lamentable state; it is in serious need of repair. The SAP (Structural Adjustment Plan) of 1994 estimated at \$46 millions US the funds necessary to upgrade EDH's power distribution grid. It is generally not believed that the state of Haiti possesses that kind of cash to spend on improving EDH in the immediate or the foreseeable future.

Haiti's biggest hydroelectric power dam, the Peligre dam, is usually less than 55% operational: 30 Megawatts produced out of 54 Megawatts of installed capacity. Although the capital city, Port-au-Prince, has a peak demand of at least 200 Mwatts, the total installed capacity of EDH is only approximately 230 Megawatts.

From a financial perspective, EDH charged the highest rates in the Caribbean in a country where 60% to 80% of the population lives in poverty. The IMF estimates revealed that, in 1994, EDH spent over \$ 1.5 millions US while taking in only \$ 925,000 US. Today, few can speculate that EDH financial situation has improved; in fact it has gotten worst. Water scarcity caused by extended dry seasons and constant deforestation exacerbates an already dire situation. Not to mention EDH's inability to meet its financial obligations toward its creditors – about \$ 22 millions US dollars in debt and growing.

From a technical perspective, the discrepancy between demand and output further contributed to the deterioration of the power grid and associated equipments thru unforeseen system overloads. The lack of expertise both from EDH personnel as well as contractors can be easily documented by unfortunate incidents such as a transformer blowing up while a failed one was being fixed. The EDH personnel are fairly young and have little cumulated experience, an indication of high rate of employee turnover.

Although power companies are one of the most profitable and attractive ventures around the world, EDH generated little serious interests from prospective buyers – being one of the state owned enterprises slated to be privatized by the 1994 SAP. It is believed that two main obstacles deter private investors: popularly supported opposition to privatization from EDH's lower echelon employees and the extremely low purchasing power of the general population.

I say it isn't either one. The obstacle to private investors is article 14 of the Law on the Modernization of Public Enterprises (MEP).

It is troubling to note that a couple of private electric power companies have surfaced in Haiti in the past couple of years. Government officials publicly announced that the State of Haiti has entered into contractual agreements with one or more of those private electric power companies for the supply of an additional 30 megawatts to the EDH's grid. At this time, I am not aware of any laws in Haiti that either regulate the operations of private power companies or even recognize their right to exist on Haitian soil. This makes for an interesting topic of discussions.

Needless to say a solution to this crisis must be revolutionary if it is to succeed not just financially sound. The following pages attempted just that.

OBJECTIVES

A.

**Provide electric power 24/7
where EDH is present**

B.

**Encourage widespread debates
on the electric power crisis in
Haiti**

C.

**Devise a model adaptable to the
necessities of Haiti**

D.

**Avoid costly mistakes of
blindfold privatization**

A. Provide electric power 24/7 wherever EDH is already present

In this era of information superhighway, it is hard to conceive that a nation can achieve real progress without resolving its energy crises. In the most developed nations, electric power is taken for granted; in the least developed nations, it has become a luxury but yet remains an every day necessity.

During the last decade or so, EDH has become more and more irrelevant. Therefore, the general population has taken steps toward its own electrification. Batteries, inverters and electric generators have become precious items in Haiti; items well noticeable in private homes as well as in business premises. In fact, most businesses move heaven and earth to provide themselves with the precious juice if they were to survive. It saddens me deeply to say that this proliferation of batteries and private generators has taken a toll on the environment and the air that people breathe in Haiti.

I cannot stress enough how much Haiti needs to relieve its citizens of the burden of providing their own electricity. Electricity 24/7 now is not only environmentally friendly but also a matter of Haiti's own economic survival. Some hotels in Haiti equipped with diesel generators are burning up to 12 gallons of fuel per hour to electrify their operations; a huge additional costs that drag down their profits. Prospective investors to Haiti get discouraged at the news that they may have to provide their own electricity from the day one.

We must restore the 24/7 supply of electricity to the subscribers.

B. Encourage debates on the electric power crisis

My biggest disappointment as a lover of Haiti is how few exchanges of ideas and school of thoughts there are among the Haitian intellectual elite. It is heart breaking to me how little we communicate, how little we debate; it is even sadder how intransigent a people we have become. For years I have tried to set up discussion groups in the Haitian Diaspora communities where I used to live, only to meet with failure and deception: very few people ever showed up to the meetings and every one seems to have a good excuse for not participating. If we cannot find the spare time to talk about the numerous problems we face as a nation, who will? Well, nobody else will.

Our political leaders are infested by the plague of schism and government officials are caught up in the shroud of unilateralism for as long as I can remember. They constantly make decisions that not only displease everyone but also alienate the very same people they are supposed to be helping, the Haitian people. Why? They rarely put their ideas up for discussions and debates. How can anyone pretend to help a people when we are so reluctant to ask the people for its opinions?

Let us end the soundless dialogue between us. Let us debate. I want to hear your opinions and so do the rest of the Haitian people.

C. Devise a model adaptable to the necessities of Haiti

All nations have necessities. Haiti, the poorest country in the southern hemisphere, happens to have quite a few urgent ones. But necessities have to be analyzed, then prioritized. Let us not confuse a necessity with a priority. Needless to provide a list of Haiti's necessities since this proposal is only concerned with the two most critical priorities: government revenues and job creation.

I believe that the current level of those two aforementioned priorities and their relationship thereof can give a pretty good indication where a nation is heading. In the case of Haiti, government revenues have risen by small increments over the past decade or so while level of employment has steadily declined. Therefore, no one can speculate the extra government revenues come from income taxes deducted from the payroll of new hires. The truth is that the government of Haiti continuously charges higher and higher fees for the current services it renders to the population and also spends a great deal of time creating unnecessary bogus services in order to widen its revenue base.

For instance, I can remember the times when air travelers would pay excise taxes while purchasing their airline tickets from any travel agency. Then, all of a sudden and without any form of public debate, there was a government tax collector stationed at the airport menacing foreigners as well as law biding Haitian citizens of missing their flight if they are unable to pay the tax in whole US dollars.

Yes. The government of Haiti needs to find ways to increase its revenues dramatically but also needs to avoid overburdening an already impoverished people. Contrary to popular opinion, the government of Haiti must increase spending significantly, discretionary or not discretionary. We all know too well that some nations spent their way out of a recession or even a great depression, well almost. I am sincerely hoping that the intellectual elite and the experts in economics in Haiti stop giving bad economics advices to the government of Haiti.

My point is this: the only plan that can be beneficial to Haiti is the one that puts money in the coffers of the government, creates jobs and put investors at ease. Otherwise, the plan is just irrelevant to the necessities of Haiti.

D. Avoid the costly mistakes of blindfold privatization

I will start by saying that I have some serious disagreements with the Law on the MPE (October, 1996). However, it is the law. It must be respected. Our greatest weakness as a people is that we constantly violate our own laws.

I mentioned anteriorly that a couple of private power companies do exist in Haiti. The Haitian governments, both then and now, have signed contractual agreements with private power companies on behalf of EDH. Well, well, well, is that a back door privatization or what? Sure is. There is only one problem. The Law on the MPE does not provision for any kind of back door privatization. Therefore, we can conclude that the government of Haiti is in violation of the law that it itself wrote and promulgated in October 1996.

Two public enterprises have already been privatized: the flourmill and the cement factory. It seems that the process went smoothly. Surprise, nothing goes smoothly in Haiti. Those two public enterprises were not operational so privatization allowed them to reopen, a win-win situation for everyone. So nobody erects any obstacles to that process.

It was not and it will not be the case for remaining seven public enterprises unless the Commission for the Modernization of Public Enterprises gets a dose of reality: blindfold privatization hurts nations. Among the 35 articles of the Law on the MPE, not one of them addresses the probable negative impact of blindfold privatization on the general population. Amazing isn't it? It makes you wonder if the authors of that law are even aware of the fact that other nations have experienced privatization as well and those nations live to tell details.

When a nation is at the bottom, its margin of error is infinitely small because the tiniest mistake can be catastrophic. As a result, on the road to privatization in Haiti, mistake is not an option.

ACCOMPLISHMENTS

A.

Respect for the Haitian people's will

B.

Redefining of the term "private sector's investors"

C.

Returning EDH to profitability thru dichotomy

D.

Preserving EDH as a monopoly

E.

Establishing a trade relationship between the public sector and the newly redefined private sector

A. Respect for the Haitian people's will

The majority of the Haitian people did oppose and still oppose the SAP: intellectual Haitians as well as illiterate Haitians. I firmly believe that what the Haitian people fear most is not privatization itself but rather a hostile and complete takeover of public enterprises by a few foreign and local interest groups who are clueless about the necessities of Haiti and the plight of the Haitian people.

Most Haitians are convinced that the public enterprises are seriously corrupted, mismanaged and inefficient. Most Haitians also agree that a new approach is needed to remedy this dire situation. What the Haitian people do not comprehend is why cannot the new approach be a Haitian model?

The greatest virtue of all is a decent respect for the opinions of the people. I put forward a plan that does just that. R.E.S.P.E.C.T, you know what it means to me.

B. Redefinition of the term "private sector's investors"

The term "private sector's investors", in the mind of many Haitians signifies the elite, both foreign and domestic; it also equates to the term 'multinational corporations', the few that seem to have everything already but yet insatiable. It takes on the character of the Pac man, swallowing everything in its path to globalization.

The private sector is also seen as the long time established Haitian oligarchy that seeks nothing less than monopoly at the expense of the people's interests. In Haiti, it is widely believed that the private sector is a part of the society that never lived up to its true meaning, never took on a challenge, never came up with a coherent national economic plan, never attempted to engage Haiti in the general direction of economic growth, never promoted progress and owes money to the public treasury. The Haitian people's skepticism is well founded.

This proposal puts forward a privatization process by which equal access to the opportunity to acquire a sector of EDH's external network is guaranteed to any interested parties and the chance to do so is evenly distributed. Therefore, the private sector is now you and I.

C. EDH returns to profitability thru dichotomy.

It is not important to know at what point in time in the past that EDH stopped being profitable. It is not even necessary to analyze the causes of EDH's un-profitability since this proposal is concerned itself with shielding EDH away from them – the causes of the un-profitability.

Traditional power companies' networks can be divided essentially into two halves: the internal network and the external network. The internal network comprises the power generation system (dams, nuclear plants, etc...), the high voltage long haul transmission system (step-up transformers, multiphase power lines and associated towers), and the regional substations (step-down transformers and associated equipments). The external network begins where the internal one ends obviously and continues all the way out to the subscribers' power meters. A dichotomy of EDH is therefore feasible.

The external network is very costly to maintain. Natural disasters such as earthquakes, storms and even tsunamis usually cause significant damage to the external network. In addition, man made incidents such as sabotage, vehicle crashes to electric poles also take their toll on the external network. Pole transformers and wires regularly reach their end of life and have to be replaced. It is worth noting that natural disasters fall into the category of known risks. Purchasing insurance can mitigate risks.

Privatizing the external network will allow EDH to achieve significant cost savings and consequently return to profitability. Dichotomy is not only feasible, it is imperative.

D. Preserving EDH as a monopoly

Open competition and no government regulation environment is not always the best approach in any country contrary to what the free-market purists want you to believe. No government regulation can leave the general population vulnerable to unfair practices and constant price hikes from the oligopoly. After all, private entities are legitimately motivated by greed and profits not necessarily social concerns. Therefore, the state needs to be able to participate and keep a watchful eye out.

I believe that Haiti needs a fair amount of government involvement in determining market trends. The argument is that the government of Haiti is weak and provides few adequate services to the Haitian people due to a lack of available resources not necessarily a shortage of qualified government workers, again, contrary to popular opinion. Private companies with monopolistic clout easily bully weak government. It is worth noting that the state of Haiti spends annually close to \$US 400 millions, a dangerous small amount for a population of nearly 8 million souls.

Therefore, steps need to be taken so that the government of Haiti is able to make its presence known for the benefits of the Haitian people. The state of Haiti cannot and must not completely disengage. Preserving EDH as the monopolistic generator of electric power guarantees the state of Haiti a continuous source of badly needed revenues. Those revenues are necessary to increase the size of the government of Haiti. I know; bigger government does equate better public services; however striving to provide better services requires adequate resources to begin with. It is absolutely important that the government of Haiti remains a major player in the game.

E. Establishing a trade relationship between the public and the redefined private sector.

Behind every retail distributor stand a wholesale distributor. One can argue that the relationship between wholesaler and retailer is one of mutual respect that ensures the survival of both kinds. More importantly, it is a non-binding trade relationship. Each party operates fully independently from each other, each one guided only by his own principles and internal policies. In addition, the more effective the retailer gets, the more business it can bring back to the wholesaler. In that regard, this proposal makes EDH a wholesaler and establishes the private sector as a retailer. EDH would sell electricity in bulk to each private entity that in turn would have the legal right to distribute the electricity to all of EDH's former subscribers.

Wholesaler-retailer trade relationships have survived the test of time in a variety of different societies. I firmly believe that it will bring a measure of stability to the resolution of the electric power crisis in Haiti. For EDH it will be much fewer subscribers to service every month and for the private entities, the drama of electric power generation is out of sight and out of mind. To all the skeptics, take for instance Dominican Republic that is still experiencing intermittent blackouts a couple of years after massive privatization of their electric power systems; it is oblivious to all observers that you can sell a public enterprise only once. I am not proposing to sell EDH or even to lease it; I am proposing instead to cash out its potentials using simple economics.

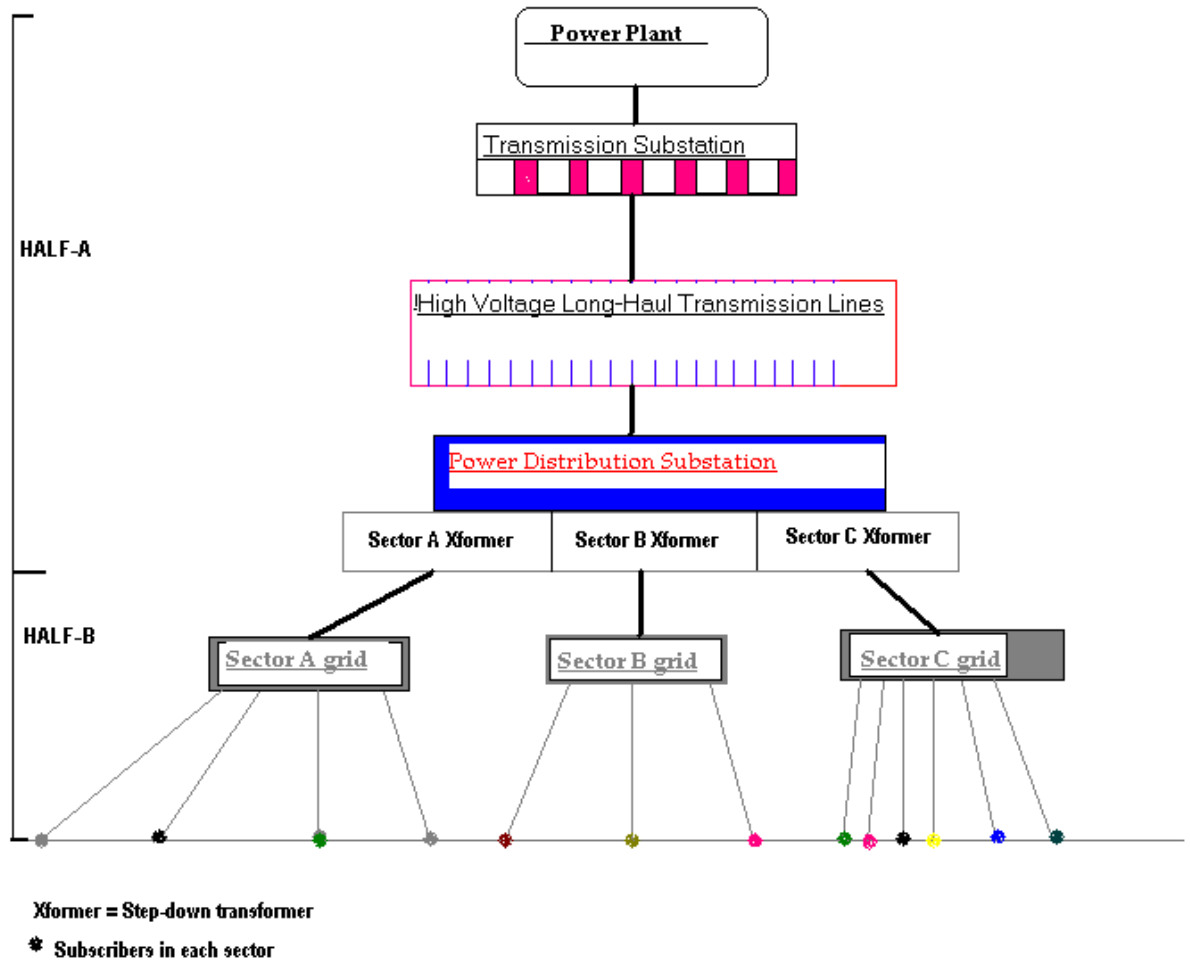


DICHOTOMY

i. Definition of Dichotomy

The official Webster's dictionary definition is: division into two parts, kinds, and subdivision into halves. In this proposal, dichotomy is also a subdivision into halves but only conceptually and legally. Physically, the entire EDH's network will remain as one.

ii. Typical power companies' network diagram



iii. Dichotomy

The network diagram above shows that the electricity flows continuously all the way from the power plant to the subscribers. Although transformers isolate part of the network from one another, it is a characteristic we can overlook. Also the size of the internal network versus the external one is irrelevant since the relative size of the external network dictates that of the internal one.

The heart of the matter is that the electric power grid is made up of nodes: transmission substations, power distribution substations. All nodes in a network are checkpoints at which some type of conversions or regenerations happen. This means that at a node a control mechanism can be implemented. More importantly, a node sets boundary between sub-networks. The power distribution substation is the transfer point or the meet-me point where the internal sub-network and the external sub-network connects. Therefore, the power distribution substation is the ideal node at which the entire network can be conceptually divided into halves. In the new scheme, EDH's responsibility would end at the power distribution substation. In other words, EDH would legally keep ownership of the internal sub-network – Half A: from power plants all the way to the power distribution substations. Half-B would be divested through the privatization process I outline below. That is the dichotomy.

iv. Advantages and Benefits of the dichotomy of EDH

The advantages of a dichotomy are numerous for EDH and the state of Haiti: tremendous operational cost savings, risk sharing, and efficiency gain, faster capital recovery, better revenue collection etcetera...

The greatest benefits by far is operational cost savings because of a lot fewer subscribers to keep track of, fewer schedules to manage, fewer maintenance jobs, fewer purchases of equipments for the external network, fewer repairs, fewer specialized trucks and I can go on and on.

Indeed, it is well known that the external network as described above is very costly to maintain for electric power distribution companies around the world due to the fact that an army of technicians and outside plant engineers have to be available around the clock to respond to customers' needs, make repairs and build out expansions of the external network. (Well, let us assume EDH is fully operational and has the ability to respond to power failure in the middle of the night after a storm or something).

If EDH is no longer legally responsible for maintaining the external network, Half-B, one can speculate that EDH overall expenses will be greatly reduced all the while the revenue level will remain essentially the same and will subsequently increase.

Knowing that $(\text{Profit or Loss}) = \text{Revenues} - \text{Expenses}$, reducing expenses while keeping revenues constant will only cause the left side of the equation to increase. In other words, EDH revenue level is positively affected by the dichotomy. That fact will become clearer later.

Risk sharing comes from the idea that after dichotomy is implemented private entities are fully responsible for the maintenance of the external network. Be reminded that risk is any incident that can negatively impact the network, internal or external. An example to illustrate: if a storm hits and damages the external network, Half-B, EDH will not have to spend any resources directly to repair the damages however EDH will experience a somewhat slight reduction in revenues. On the flip side if the storm damages the internal network, Half A, EDH alone will carry the repair costs although the private distributors will suffer until repairs are done. That is the risk sharing.

Efficiency gain will be achieved due to the fact that EDH now has the obligation to refocus all of its resources on Half-A. Faster capital recovery is a positive consequence of better revenue collection; better revenue collection emanates from the idea that EDH's billing department after dichotomy will have a very short list of subscribers – the newly created private electric power entities.

Wisdom and common sense dictate that EDH and the new private entities will work together to resolve network-wide problems but neither one will have jurisdiction over the other. The private entities will be autonomous organizations.

Physical Sectorization

i. Sector Definition

A sector is defined as the set of subscribers serviced by one or more step-down transformer(s) at a particular power distribution substation located anywhere on Haitian soil including all of the infrastructures (electric wires, poles, pole transformers) that helps deliver the electricity to each subscribers' premises.

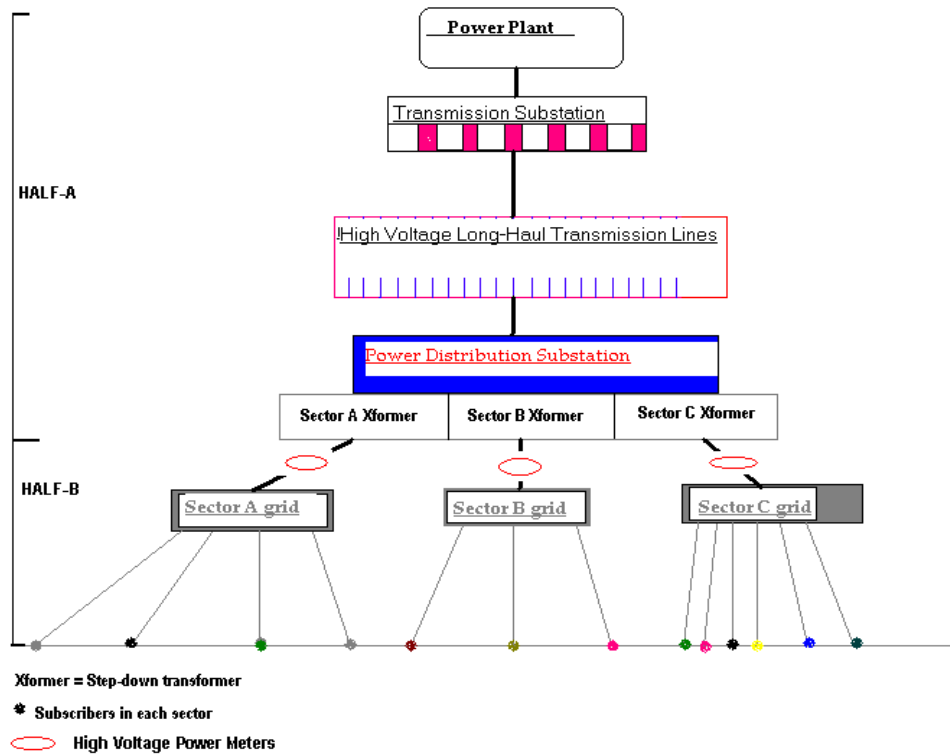
ii. Creation of the sectors

The sectors already exist geographically based on the above definition. Our main task is to legally define their boundaries. A sector is a specific geographic area of the external sub-network that will be slated for privatization individually. A sector is a unit in the privatization process of the external sub-network. A team of expert electrical engineers and economists can accomplish that task of identifying sectors with the help of EDH's current network layout.

iii. Points of transfer

I am hoping by now that a picture is beginning to take shape in the minds of the readers. The necessity to have points of transfer is substantiated by the following argument. Since interested parties will have the opportunity to acquire one or more sector(s) only in the external sub-network there must a way by which the new EDH is able to measure the amount of electricity that flows toward each privatized sector. The point of transfer is a set of two or more, as necessary, high-voltage power meters placed strategically after each step-down transformer for each sector to measure the volume of electricity used by that particular sector. The power meters must be securely housed and be under surveillance around the clock. Few authorized personnel should ever have access to them. Those high-voltage power meters will measure and indicate to the new EDH the volume of electricity used by each sector monthly and ultimately the amount to charge each private entity for its respective sector.

The diagram below illustrates the concept:



iv. Economics of Dichotomy and Sectorization

I expect the creation of sectors to be a meticulous process of economic analysis and forecasting. The economics of this proposal contain essentially two parts:

1. Assessing EDH's new reduced expense budget and calculating the new kilowatt-hour rate the new EDH will have to charge the private entities.
2. Determining the monetary worth of each sector and the kilowatt-hour rate each private entity will be allowed to charge their end-users.

I am very impatient to find out what is EDH new estimated reduced expense budget after dichotomy. That figure is the single most important deliverable by which this entire proposal can be judged on since it is what we have to use in conjunction with sector's worth to figure out the rate that EDH will ultimately charge per kilowatt-hour of electricity sold to the now privatized sectors. That same rate in conjunction with the anticipated revenues per sector will also be used to determine the rate the private entities will be allowed in turn to charge their newly acquired

subscribers for a kilowatt-hour. The CMPE will have to find the right balance that is fair and equitable to all.

Economic analysis and forecasting will dictate that a sector has to be large enough to be viable and will also guide the CMPE in deciding which sector (s) should be put up for privatization first and in what sequence. Therefore, two physical sectors can be combined and be defined legally as one sector and privatized as such.

The unit of electricity is and will remain the kilowatt-hour. Based on the explanation above, one can detect that there ought to be two different rates in effect; one that the new EDH will charge the private entities and the other the one that the private entities will in-turn charge to their subscribers/end-users in order to turn in a profit themselves. Four main factors must be taken into account when calculating the kilowatt-hour rates:

- 1) EDH's expenses after dichotomy – even though the dichotomy will be gradual.
- 2) Inflation
- 3) Reasonable rate of return on investments (ROI) for both the new EDH and the private entities.
- 4) Estimated and anticipated expenses and revenues sector by sector that a private entity would incur.

Beware that it should not be as simple as determining unit price based on first costs, capital recovery, and profit margins. A flexible model is to be built to analyze the different economic scenarios: EDH future expansions, inflation of 12%, 22%, deflation, EDH's financial obligations, subscribers' purchasing power and so forth. The flexible economics analysis will help find the right balance between expenses, acceptable rate of return on investments, the kilowatt-hour rate, profit margin, etcetera...

The monetary worth for a sector is dependent on the estimated and anticipated expenses and revenues that a private entity will incur annually for a fixed length of time, let's say twelve years. The monetary worth can be obtained by the following formula for Present Worth: $P = A (P/A, irr, N)^N$. N is the number of years it will take the private entities to recover their initial capital investments. The internal rate of return interest is "irr" (equivalent rate of return + inflation) and A is the yearly gross profits per sector. P is the minimum amount of money the state of Haiti should set the bid at on auction day for a particular sector. Truthfully, this is a bit oversimplified; in reality some advanced key economic forecasting need to take place in order to determine the appropriate kilowatt-hour rate that will allow the new EDH and the new legally recognized private power companies to be and remain profitable. I can elaborate for any interested readers. The idea is to privatize a sector for a price so that investors can be confident they will recover their investments in X numbers of years plus an acceptable rate of return.

Contract

i. UUUUContract Contents

Writing a contract is no small task and I expect a somewhat different version be written for each sector. I believe a fair contractual agreement must include the following requirements:

- Abide by the law on the MPE (1996)
- Provide job security for current EDH employees (at least 10 years)
- Make the private entities tax exempt for X number of years
- Reserve the state of Haiti's right to repossess any privatized sector

Sectorial privatization procedure

i. Publications

All relevant data regarding each legal sector must be published both in official and private circulations. Also a sample of the anticipated contract contents must also be published. Interested parties need to know what to expect.

ii. Feedback period

The CMPE must allow the general population and all concerned citizens the right to express their opinions on - or question the contents of published documents before proceeding.

iii. Interested parties credentials

Members of the general population, the Haitian Diaspora and private institutions should be strongly encouraged to form private consortia and submit their credentials as prospective buyers to the CMPE. The law on MPE already requires certain credentials. Additional credentials are as follow:

- Sufficient funds available in local banks (Estimates to be published by the CMPE)
- Moderate expertise in technology management (Guidelines to be established by the CMPE)
- Ability to communicate in both official languages

iv. Lottery drawing

A televised lottery drawing between all interested parties must be held for each of the sectors to be privatized. The first six names drawn are to be selected to participate in the ensuing auction set at a later date. There is no article in the law on MPE that I am aware of that prohibits a lottery drawing.

v. Auction

A televised auction must be held in a secure location inside Haiti. At least half the amount agreed upon by the auction winner must be made available within 24 hours to the state of Haiti. The state of Haiti and the auction winner must sign the contract immediately after the auction ends in the presence of a judge that has jurisdiction over that part of the country. The rest of the amount is due at handoff. The auction winner will have up to twelve weeks to set up network operations and establish customer service in a location physically situated in that particular sector.

vi. Handoff

The auction winner is responsible to inform the CMPE when it is ready to takeover the sector (s) it won during the auction. The CMPE must verify such claim. A date will be set for the handoff. EDH will adjust, prorate and issue final bills to its current subscribers in that particular sector. On handoff date, the high voltage power meters for that particular sector will be activated in the presence of a judge and government officials and other civil society eyewitnesses. And on that day, the Haitian people will aspire to a bright future.

CONCLUSION

I will conclude with this anecdote that really helps me put it all together in my mind.

A caring father has a successful business, built from the ground up. The caring father has a son, his only child whom he loves dearly. Father's business consists of one warehouse and a number of retail stores spread all over the city. The warehouse stocks and supplies the stores with all the retail goods that the stores need.

The time for father to retire has come. But father's biggest dream was that one day his son would replace him as the head of the business. Very proud to follow on his father's footsteps, the son takes over the management of the business under the watchful eye of father. Business continues to boom; loyal customers keep coming back and new stores were built.

Sadly, a couple of years later, father becomes ill and less and less of an influence in his son's management decisions. Confident in his abilities, the son arranges for father to join a retirement home away from the business. A while thereafter, the business begins to decline; stores start losing money. At first the son blames the decline on the state of the economy and then on the political environment. But business continues to get worse until it crosses over to the loss column. The son hires several advisers at exorbitant salaries to help him turn the business around. It's in vain.

Finally, the son turns to father for advice, now confined to his deathbed. Father realized the irreparable damage that his son has done to the business. But father still very much full of love for his son gathers his strength and puts out a salvage plan.

My dear beloved son, father said, you need to rise to the occasion and recognize the gravity of the situation. Two wrongs don't make a right. But more importantly, stop fighting a losing battle. You need to cut your losses, retreat and reorganize. Father continues on to say: the stores and the warehouse have a relationship of dependence, yet remain strong as separate entities just like a pregnant woman and the fetus in her womb. Listen to me carefully my son, father says, what you need to do is to relinquish the ownership of the stores and consequently the responsibility thereof; sell them off and make them someone else's concerns but by any legal means necessary assure that the warehouse remains the stores' sole supplier. You will be able to survive.

The moral of the story is that the best way to turn around a failing part of a venture or an enterprise is not to keep throwing money at it but rather to spin it off while keeping a stake in it by any means necessary.

OBSTACLES

I do not expect this proposal to be a walk in the park. There are a couple of hurdles to overcome:

- a) The proposal does not address the issue of idle capacity and peak demand
- b) Double taxation
- c) Lottery drawing method: drawing with replacement or without replacement, maximum number of parties (bidders) in each drawing event.
- d) EDH current debt

POWER CONSUMPTION REDUCTION

This proposal will not be entirely successful unless a power consumption reduction program is also implemented. The electric power subscribers' behavior has changed a whole lot over the past twenty years in Haiti; for instance as soon as electric power is restored after a long black out in Port-au-Prince and vicinities, almost every subscriber immediately turned on their electric home appliances (irons, television sets, stereos, blenders ...), and their inverters (industrial strength inverters in some homes or businesses), and their water pumps. Therefore, shortly after power is restored the demand builds up very quickly. That is the reason why it was never a good idea for EDH to publish a schedule of blackouts like some clueless activists have suggested.

So I propose a few power consumption reduction ideas:

- 1) Use of energy efficient bulbs – compact fluorescent bulbs
- 2) Repair the inside wires in the homes and business premises
- 3) Prohibit industrial strength inverters in areas not appropriate

Any help is truly appreciated and will be put to good use. Patriotism is our best policy.

Thank you

Rubens Francois Titus
81 2nd street Room 2
South Orange, NJ, 07079
Wireline: (973).763.9510

Mail Check, Money Order & all
correspondence to:
Rubens Francois Titus
P.O. BOX 261
Roselle, NJ, 07203