

# **PRESS STATEMENT BY THE PUBLIC UTILITY WORKERS UNION (PUWU) OF TUC ON THE PRIVATE SECTOR PARTICIPATION IN ECG UNDER THE SECOND COMPACT OF THE MILLENNIUM CHALLENGE CORPORATION OF USA AND THE GOVERNMENT OF GHANA**

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## **INTRODUCTION**

Ladies and Gentlemen of the Media, good afternoon,

The Divisional Executive committee of ECG Senior and Junior staff union of the Public Utility Workers Union of Ghana (PUWU) met on the Friday, 19<sup>th</sup> August, 2016 at the ECG Training School to deliberate on certain critical issues concerning the future of the company. The major concern of the Divisional Executives present was in connection with the planned privatisation of ECG as part of conditions for the Government of Ghana to access a grant of US\$498.2 million from the United States of America ostensibly to support the energy sector of Ghana.

## **WORKERS POSITION**

The Union has not changed its position to the effect that we object and are vehemently against the decision to give ECG out to a private investor under a concession arrangement for a period of 25 years. Once again we do hereby reiterate that this policy decision is **NOT THE BEST OPTION** for Ghana and the position of the staff of ECG under the Public Utility Workers Union (PUWU) had been clearly articulated in our Position Paper issued in the early part of 2015. This policy is NOT the best option to bring reforms to make ECG more efficient and profitable. We have already articulated our views and suggestions in our position paper to MiDA and the Ministry of Power. Unfortunately, the Government of Ghana with tacit pressure from MCC of the United States of America is still pushing this agenda despite all the negative implications for our country and its citizens.

## **THE KEY CHALLENGES FACING ECG:**

- Managerial and governance inadequacies impacting negatively on staff morale and discipline
- Political interference in the administration of the Company
- Non-payment of bills by GOG and state institutions; especially the MMDAs
- Lack of cost reflective tariffs (inherent subsidies not paid by GOG)
- Inadequate power generated which affects volume of sales and turnover
- Transmission capacity related challenges,

## GOG DECISION

As part of the terms under the MCC Compact II and as a condition to access the grant from the US Government, ECG must be given to a private sector company to operate and manage its distribution business. MiDA sole sourced IFC of the World Bank as the Transactional Advisor to help GOG make a decision on the nature and the form of the PSP. IFC recommended two options; partial privatization or concession for GOG to select one. The IFC also recommended the period of the concession to be between 20 – 30 years with emphasis on 25 yrs. GOG opted for a single concession for a period of 25 years. The concessionaire will operate, maintain and invest in the distribution assets of ECG, under a Lease and Assignment Agreement (LAA).

## THE DEBATE

- Can ECG be transformed to operate efficiently and profitably so as to meet its obligations to power producers and service providers without PSP?
- Is PSP the only means to achieve the overall goal of the power sector reforms?
- Is the concession the best option to bring efficiency and profitability to ECG?
- Is the single concession of 25 years detrimental to the interest of Ghana?

**We strongly believe that ECG can be transformed to achieve the goals of the Compact 2 without PSP. This can be done through a disciplined managerial and governance transformation devoid of political interference. Appoint a dynamic and competent leader through a competitive process on a fixed term contract (5 or 6 years) renewable. A binding contract based on key performance indicators (which can be independently verified). Create an environment that will enable the Managing Director have a free hand to manage and operate the distribution business on sound business and public service ideals.**

- a) GOG meeting its obligations and ensuring MMDAs and government institutions pay for power consumed on regular short term intervals.
- b) Realistic and cost reflective tariffs in place.
- c) Use the 5 year period of the compact to prepare and list ECG on the Ghana Stock Exchange.

## **The Concession is NOT the BEST option**

- a) High tariffs because of the profit motive of the private investor.
- b) The private investor will not give due attention to rural electrification which is a social intervention

- c) Creating a virtual private monopoly in the energy distribution has the potential of creating danger for the country, in the light of weak regulatory regime
- d) Danger/threat to local content
- e) Repatriation of profit by the foreign private investor and the negative impact on the cedi
- f) After 25 years most of the assets the private investor will hand over back to GOG (if it does happen) will be virtually obsolete
- g) Foreign investors normally will pack bag and baggage at the sight of any possible threat that can affect their returns on investment (Ebola outbreak in Liberia & Sierra Leone)
- h) Lack of real success story of concession in the developing or middle income countries with networks similar to that of ECG
- i) Potential job losses and its attendant social negative impact on the citizenry; (after the first 5years)

## **ALTERNATIVES**

- 1) GoG should address the leadership problem by the appointment of a Managing Director on specific contract terms.
- 2) GOG should provide the same conditions promised the private investor to create the enabling environment necessary to enable any Company to operate efficiently; as explained earlier.
- 3) GOG should allow adequate time (about 3 years) to seriously try the Strategic Business Unit (SBU) concept that has been commenced in the Ashanti Region and proper appraisal done after the end of the pilot.
- 4) Use the five (5) year period of the MCC compact to prepare the ECG and list it on the Ghana Stock Exchange,
- 5) Raise funds from local sources either through the stock Exchange or Pension funds to invest in the energy sector to procure state of the art technology and equipment to eliminate waste in the distribution activities of ECG as well as improve the networks.

## **WRONG ASSUMPTIONS ABOUT THE ECG CONCESSION:**

At this juncture, ladies and gentlemen, we wish to take this opportunity to clarify some wrong assumptions and mis-information that have been put out in the public domain to convince majority of Ghanaians to support this privatisation of ECG:

**ECG is not being sold:** Legally speaking ECG assets are not being transferred in terms of ownership to the private investor. However, any person who understand international business and the nature of the proposed concession of 25 years will know that this is a Finance Lease which under the International Accounting Standards is technically a sale.

**This is not privatisation:** This view has been expressed by looking at privatisation from a narrow perspective. Privatisation has two forms; either the transfer of ownership or control from a state entity to a private entity. Under the proposed concession although legally ownership is not being transferred but CONTROL is being given to the private entity and it is another form of privatisation.

**This is only bringing in the private sector into the retail end of ECG's operations to bring competition:** This is not the case as the SINGLE CONCESSION is to hand over the totality of ECG's distribution and sales business to the private investor.

**ECG assets are obsolete and private capital is being leverage under this process to invest in the networks and sub stations of the Company:** ECG on its own and through suppliers' credit has injected a lot in building new sub stations and improving its networks. Ladies and gentlemen, it is important to state that during the structuring of this transaction, IFC indicated at two separate workshops that the private investor is not bringing any money from outside to invest in the networks but will only raise money from the operations of ECG assets locally to carry out any additional re tooling of ECG's networks. We have credible information that a top IFC official had stated that the ... ***They don't seem to understand that MCC is putting more than 400 million in the system in 5 years. This is huge money!!! So indeed investor will not be putting a penny and this is a big structuring issue!!!***

### **MiDA and the IFC**

Ladies and Gentlemen, to date MiDA and the IFC have failed to make available the financial and value for money model that was used to prepare the business case for the ECG Concession. What is MiDA and the IFC hiding or why are they not being transparent to Ghanaians so that citizens can be well informed of the factors influencing such major decisions.

At this point, we are calling on MiDA to come clear and let Ghanaians know whether there is any conflict of interest situation relating to IFC and the Transactional Advisor and any of the private entities that have expressed interest in the ECG Concession. Ghanaians deserve better and a vital national asset like ECG should not be handled this way.

**ECG is inefficient and making huge losses such that it is not able to pay power producers leading to "dumsor":** ECG may be making losses but it is mischievous, disingenuous and misleading to attribute all of ECG's losses to inefficiency on the part of the Company. Certain aspects of ECG's operations, especially the vast rural electrification activities cannot be cost reflective and will always results in losses. But these are social

interventions that are part of our national development process which should not be measured with just economic indicators.

**No staff of ECG will lose his/her job:** This is another wicked attempt to throw dust into the eyes of staff of ECG and their dependants. The Cabinet decision only provides a guarantee of 5 years that the private investor should not undertake mass redundancies. What happens after 5 years? The MCC Compact will have ended and MiDA may not be there and Ghana Government or Ghanaians will have to pay for the cost of any redundancies that may come out from the so called “right sizing” of labour force associated with privatisation.

Ladies and gentlemen, to buttress our resolve and determination to resist this privatisation process, **the leadership of the Workers have decided that there will be three hour demonstration in the regional and district offices of ECG every morning from tomorrow, Wednesday, 24<sup>th</sup> August from 8.00 am to 11.00 am up to Friday, 26<sup>th</sup> August. The red flags will continue to fly until further notice.** Further activities will be carried out at appropriate time as we continue to monitor the developments.

## **CONCLUSION**

We are not asking GOG to abrogate the MCC compact but we are requesting that GOG and MCC should review the Compact. The PSP as a condition precedent and trigger for entry into force should be modified; to include pragmatic steps or measures that can bring efficiency and profitability to ECG (using the disciplined leadership and governance transformation method).

A transformed ECG will be able to generate adequate funds to pay producers of power and other suppliers to ensure smooth running of the sector primarily to the benefit of Ghana and Ghanaians. We are optimistic that this approach will bring a “win win” situation to both GOG and MCC since the primary goal of the compact will be attained with the implementation of the alternative provided.

**Thank you.**