

**IN THE THIRD SESSION OF THE THIRD PARLIAMENT OF THE
FOURTH REPUBLIC OF GHANA**

**REPORT OF THE JOINT COMMITTEE ON FINANCE AND
ROADS AND TRANSPORT ON THE CONCESSIONARY
LOAN AGREEMENT OF FOURTEEN MILLION SIX
HUNDRED AND NINETY THREE THOUSAND EUROS
(€14,693,000) BETWEEN THE GOVERNMENT OF GHANA
AND THE DUTCH GOVERNMENT FOR THE PURCHASE OF
ONE HUNDRED (100) DAF/NEOPLAN BUSES FOR THE
METRO MASS TRANSIT LTD.**

INTRODUCTION

The above Loan Agreement was laid in the House on Tuesday, 28th October 2003 and referred to the Joint Committee on Finance and Roads and Transport for consideration and report in accordance with Article 181 of the Constitution and the Standing Orders of the House.

The Committee held two sittings to consider the loan agreement. The committee is grateful to the Minister of Roads & Transport, Hon. Dr. Richard Anane and the technical teams from the Ministry of Roads & Transport and Ministry of Finance and Economic Planning for attending upon the committee. The committee reports as follows:

1.0 BACKGROUND

Hon. Members would recall that in 2001, Parliament gave its approval for the importation of 100 DAF/Neoplan buses under a

similar Dutch Government Concessionary Financing for inter-city passenger services.

Consequently these buses were completed and delivered to the Ministry of Roads & Transport during the last quarter of 2002.

Following the successful implementation of the Government's policy on re-introduction of mass transportation in October 2002, it became necessary, as an interim measure, to allocate some of these inter-city buses to Metro Mass Transportation (MMT) to augment their fleet. To this end, seventy-five (75) of the buses are now operated by the Metro Mass Transit Limited for intra-city mass transportation. The remaining twenty-five (25) was allocated to the Intercity STC coaches Limited to support inter-city mass transport operations.

In order to achieve the desired impact of the operations of the Metro Mass Transit, the Ministry appealed to the Dutch Government for concessionary funding for the supply of Two Hundred and fifty (250) intra-city buses from DAF Bus International. The Dutch Government has informed the Ministry that the request would be considered in phases, hence the approval of this first phase consisting of one hundred (100) Intra-city buses.

2.0 TERMS AND CONDITIONS

Loan Amount : Fourteen Million Six Hundred and Ninety Three Thousand Euros (€14,693,000)

Principal : €14,693,000 made up of €14,213,000 for the 100 buses and €480,000 for spare parts

Interest Rate : EURIBOR + 1.4% p.a.

Repayment Period: 7 years at 14 semi-annual installments

Moratorium Period: 10 months after effective date of the contract

3.1 FINANCING

The main sources of financing this project are as follows:

- ❖ An ORET Grant should finance 35% of the cost of the purchase of the 100 buses - **€5,142,650.**
- ❖ A loan agreement from ING Bank N.V. to finance 65% of the cost of 100 buses - **€9,550,450.**

The purchases and supply contracts are broken down as follows:

- (i) Total Number of Buses - 100 (Intra-city buses)
- (ii) Principal Amount - **€14,693,000** made up of **€14,213,000** for the 100 buses and **€480,000** for spare parts support.
- (iii) Management Support - Mechanical Lloyd and DAF International will provide Management support to the Company in the form of an experienced expatriate General Manager who will be available to the Company for a period of 1½ years.
(Addendum to Sale and Purchase Contract)
- (iv) After Sales Service - Mechanical Lloyd and DAF Bus International will give support to the repair and

maintenance of the buses through the provision of technical assistance to the company by means of an experienced Expatriate Service Engineer for a period of two years.

4.0 OBSERVATIONS AND RECOMMENDATION

The Committee observed that this facility is an on-lend export credit facility to the Bus Company.

The Committee further observed that these buses will help in the transportation of the public thereby reducing long queues at the stations in the urban centres. The Minister of Roads & Transport informed the Committee that this project is part of government's ongoing policy of reducing congestion in the urban centres, especially Accra and Kumasi.

The Committee observed that these buses will help transport workers to their various offices early thereby reducing lateness at work places and increase productivity at various workplaces.

The technical team informed the Committee that the buses will be deployed to augment the current fleet of the Metro Mass Transit in order to consolidate the operations of the Company in the four (4) cities of Accra, Kumasi, Sekondi/Takoradi and Tamale.

On the sustainability of the Metro Mass Transport project, the Minister informed the Committee that in view of the previous experience that has bedeviled a similar scheme in the past, the Ministry has put in place the following measures:

- ❖ An experienced expatriate service engineer from the manufacturers of the buses would be brought into the

country for a period of two years to support the technical management of the project.

- ❖ The City of Amsterdam is supporting the Metro Mass Transport (MMT) project with an expatriate who would be a General Manager of the project for One and half years. Ghana would bear the cost of accommodation and transport expenses of this expatriate.

- ❖ The Metro Mass Transport (MMT) would be permitted to increase tariffs by 55%.

The Minister explained that this increase of the fares by 55% would not cause any absurd increment in the fares but would still be competitively lower than the regular fares of the private Union's and therefore affordable.

On the issue of the expatriates, the Minister explained that this is a condition tied to the ORET grant and would also act as an opportunity to tap the vast experience the Netherlands have in the mass transport business, which they have been operating for a very long time.

The technical team informed the Committee that the 100 buses are the first batch out of 250 buses, which is to be imported from DAF/Bus International for the Metro Mass Transit Ltd.

On the maintenance of the buses, the Minister informed the Committee that special arrangement has been made with Mechanical Lloyd International to be in-charge periodically while the staff of the MMT would be trained to manage the day-to-day maintenance of the vehicles. The Committee expressed concern about the maintenance being awarded to Mechanical Lloyd International in view of the fact that it is a private commercial entity hence higher

cost. The Minister explained that Mechanical Lloyd would be used at the initial stages because of their expertise.

The Minister informed the Committee that the chassis of the buses would be delivered during the first quarter of 2004 for Messrs Neoplan (Gh) to construct the bodies at their factory in Kumasi.

The Committee further observed that Article 8 of the Agreement states that an amount of €500,000 had been allocated for the procurement of spare parts.

The technical team informed the Committee that the shareholders of the MMT are as follows:

- Ministry of Roads and Transport representing Government of Ghana
- The National Investment Bank (NIB)
- The Social Security and National Insurance Trust (SSNIT)
- The State Insurance Company (SIC) and
- The Prudential Bank.

The Minister informed the Committee that all conditions precedent to the disbursement of the loan had been met.

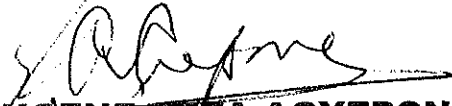
The Committee observed that 35% of the cost of the purchase of the 100 buses is to be financed by ORET Grant of €5,142,650 from DAF Bus International B.V. of The Netherlands.

The Committee is of the view that the ORET Grant should be enjoyed by all Ghanaians.

5.0 CONCLUSION

After careful consideration of the report the Committee recommends to the House to adopt its report and approve by resolution the concessionary loan agreement of **Fourteen Million Six Hundred and Ninety Three Thousand Euros (€14,693,000)** between the Government of Ghana and the Dutch Government for the purchase of one hundred (100) DAF/NEOPLAN Buses for the Metro Mass Transit Ltd. in accordance with Article 181 of the Constitution and Section 7 of the Loans Act 1970, Act 335.

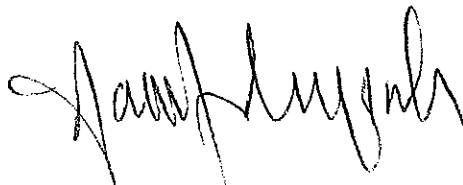
Respectfully submitted.



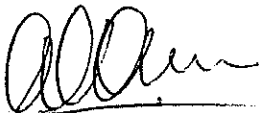
**HON. EUGENE ATTA AGYEPONG
CHAIRMAN
FINANCE COMMITTEE**



**ALHAJI IBRAHIM GOMBILLA
CLERK
FINANCE COMMITTEE**



**HON. SAMUEL JOHNFIAH
VICE CHAIRMAN
COMMITTEE ON ROADS AND
TRANSPORT**



**ABIGAIL ABA ANSO
CLERK
COMMITTEE ON ROADS
AND TRANSPORT**

10TH NOVEMBER 2003