

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

**REPORT OF THE FINANCE COMMITTEE
ON THE PROPOSAL FOR THE GRANTING OF EXEMPTIONS
FROM LEVIES, DUTIES AND TAXES EXCEPT
AD-VALOREM TAX UNDER THE CUSTOMS AND EXCISE
(PETROLEUM TAXES AND PETROLEUM RELATED LEVIES
ACT, 1998,) ACT 544**

1.0 INTRODUCTION

The above-mentioned proposal was laid in the House on Friday 26th November, 1999 in accordance with Article 174 of the Constitution and referred to the Finance Committee for consideration and report pursuant to Order No. 169 of the Standing Orders.

The Committee considered the proposal with the Minister of Finance Hon. Kwame Peprah and his technical staff and reports as follows:

2.0 BACKGROUND

Hon. Members would recall that during the first half of 1998, the country experienced massive power outages due to the failure of VRA's hydropower capacity. To mitigate the effect of mandatory load shedding on the economy, the Government was compelled to put in place an "Emergency Power Supply Expansion Plan" under which arrangements were made to procure, as rapidly as possible, additional thermal power from all available sources, including mobile power generation facilities such as those of Aggreko Plc. and Cummins Power Generation Plc. The cost of power supply from the emergency power generation facilities which use gas oil is however higher compared with the more conventional crude oil fired gas turbine units. This is due to levies and duties imposed on diesel fuel under Act 544. Currently, no taxes or duties are imposed on crude oil that is used in the Aboadze Thermal Power facility.

3.0 PURPOSE

The purpose of the proposal under consideration is to provide for a **temporary waiver from the payment of duties, taxes and levies on gas oil, except AD-Valorem tax**, which is used exclusively in the two emergency power generation facilities at Tema (Aggreko Plc.

and Cummins Power Generation Plc.) for a period of two (2) years.

This is meant to reduce the high electricity tariffs on industrial and mining customers of the two facilities.

4.0 IMPACT OF TARIFF INCREASES ON INDUSTRIAL AND MINING CUSTOMERS

Following the commencement of the new PURC tariffs on 1st September 1998, industrial and mining customers complained that the new electricity tariffs were hurting the commercial viability of their respective operations. As a result of a complaint by the steel companies, a Cabinet Sub-committee was convened to address the issues involved and to formulate remedial measures. Subsequently the Cabinet decided that as a short-term measure negotiations should be entered into between the affected industries and ECG with a view to arriving at a possible reduction on tariffs to enable them remain in production. In addition some concessions could be granted to the affected industries, such as a reduction of some taxes with the consent of Parliament. This will include a reduction in the price for oil for those of them who wish to generate electricity from their own thermal plants. The proposal being made is aimed at giving relieve to the steel companies among others.

5.0 OBSERVATION

The Committee was informed that this tax exemption request if granted, the fuel costs of supply from the Cummins Power Generation Plc. facility to ECG would drop from about 153 Cedis per kWh to approximately 94 Cedis per kWh. Thus, the proposal if granted will lead to a considerable reduction in the cost of generation from the two plants and this will provide ECG with some relief and place them in a better position to offer special concessions to the steel industries.

The Committee was also informed that from the "Government Revenue Loss Analysis", the projected loss in revenues from the waivers would be approximately 52.173 billion Cedis. By contrast, if the duties, taxes and levies were to remain in place, the Government would have to pay about 54.715 billion Cedis in cost of emergency power supply, since this cannot be recovered by the utilities under the existing PURC tariffs.

The Committee noted that request being made falls within the terms and conditions of the Power Purchase Agreement between the Government of Ghana and the two Emergency Power generation companies (Aggreko Plc and Cummins Power Generation Plc).

6.0 RECOMMENDATION

The Committee after thorough consideration of the proposal recommends to the House for approval by resolution, the proposal for temporary exemption of the projected amount of **₦52.173 Billion over the two year period (1998 - 2000)** for Aggreko Plc and Cummins Power Generation Plc from the payment of duties, taxes and levies except AD-Valorem Tax on gas oil under the Customs and Excise (Petroleum Taxes and Petroleum Related Levies Act, 1998, Act 544 in accordance with Article 174 (2) of the Constitution.

Respectfully submitted.

**HON. CDRE S.G. OBIMPEH (RTD)
CHAIRMAN**

**ASANTE AMOAKO-ATTA
CLERK TO THE COMMITTEE**

**15th
DECEMBER, 1999**

4.0 OBSERVATION AND RECOMMENDATIONS

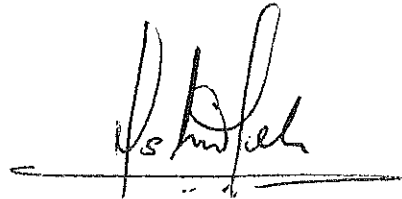
- The Committee noted that to improve its corporate image and human resource base, the Office of the Administrator, District Assemblies Common Fund is to recruit 5 additional staff to augment its present staff strength of twenty-five.
- The Committee noted further that originally the Office of the Administrator, District Assemblies Common Fund intended to organise two workshops on the Common Fund for District Finance Officers. However, in view of the impact a newsletter could make in the education of the general public on the Common Fund, the Office decided to hold only one workshop during the year, (Item 03.1) at a cost of ₦12,000,000 instead of ₦24,750,000 for the two workshops and add the cost of the other workshop to the amount allocated to Newsletter (item 03.4) raising the allocation from ₦1,000,000 to ₦13,750,000.
- The Committee reflected on previous releases made by the Office of DACF and noted that the last quarter release of the District Assemblies Common Fund normally spills over into the following year. As such, some District Assemblies re-insert last year's initiated programmes into the following year's budget.

The Committee finds this practice unacceptable therefore recommends that all programmes and projects that were budgeted for with the last quarter's figure in mind should be used for that purpose.

5.0 RECOMMENDATION

The Committee is satisfied with the planned activities of the Office of the District Assemblies Common Fund. As a result, the Committee recommends for approval, the amount of **¢308,342,000** from the Consolidated Fund for the Office of the DACF for the year ending 31st December, 1999.

Respectfully submitted.



**HON. (CDRE) S.G. OBIMPEH (RTD)
CHAIRMAN**



**ASANTE AMOAKO-ATTA
CLERK, FINANCE COMMITTEE**

24TH MARCH, 1999

The Committee was informed that provision has been made in the 1999 budget as part of Government's contribution to the project.

It was also confirmed by the Ministry of Finance that the mix of the terms and conditions of the credits for the project has a concessionality of 40% which is more than the minimum of 35% required by the Government.

6.0 CONCLUSION AND RECOMMENDATION

It is the expectation of the Committee that the completion of the project will help accelerate the socio-economic regeneration of the Northern, Ashanti and Eastern Brong Ahafo Regions.

The Committee therefore recommends to the House the approval of the Loan Agreement of £9,690,000 (Nine Million, Six hundred and Ninety Thousand Pounds Sterling) between the Government of the Republic of Ghana and Midland Bank PLC for the co-financing of Phase 4 of the Rehabilitation of the Kumasi-Yeji (Gyato Zongo-Yeji) road in accordance with Article 181 of the Constitution and Section 7 of the Loans Act, 1970, Act 335.

7.0 Respectfully submitted.

HON. CDRE S.G. OBIMPEH (RTD)
CHAIRMAN

CEPHAS AMEVOR
CLERK TO THE COMMITTEE

16TH DECEMBER, 1998