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**IN THE FIRST SITTING OF THE THIRD MEETING OF THE
FIRST SESSION OF THE SIXTH PARLIAMENT OF THE
FOURTH REPUBLIC OF GHANA**

**THE REPORT OF THE JOINT COMMITTEE
ON COMMUNICATIONS AND DEFENCE
AND INTERIOR ON THE SUPPLY
CONTRACT FOR DEDICATED SECURITY
INFORMATION SYSTEM BETWEEN THE
GOVERNMENT OF GHANA (REPRESENTED
BY MINISTRY OF COMMUNICATIONS) AND
ZTE CORPORATION, CHINA**

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**REPORT OF THE JOINT COMMITTEE ON COMMUNICATIONS AND DEFENCE & INTERIOR
OCTOBER 2013**

ACC NO = 3223 C₁
CLASS NO : CR / GOG / ZTEC / 13

1.0 INTRODUCTION

The Supply Contract for Dedicated Security Information System between the Government of Ghana (represented by Ministry of Communications) and ZTE Corporation, China was laid in the House on Thursday, 19th September 2013 and referred to the Joint Committee on Communications and Defence and Interior for consideration and report. The Committee met with the Minister for Communications, Hon. Edward K. Omane Boamah and a combined technical team from the Ministry and the National Security Outfit to consider the terms of the Contract. The Committee reports as follows:

2.0 REFERENCE DOCUMENTS

The Committee referred to the following documents during its deliberations:

1. The 1992 Constitution
2. The Standing Orders of the House
3. The Contract (including nineteen (19) attachments and appendices)

3.0 BACKGROUND TO THE CONTRACT

This contract is to source the necessary funds for the Global Open Trunking Architecture (GOTA) project which was commenced in 2007 for the nation's public services.

The GOTA system is a trunking system based on Code Division Multiple Access (CDMA) 2000 technology. The system provides high speed wireless data service, in compliance with the International Telecommunications Union (ITU) standard (ITU M.2014). The GOTA solution can accommodate many applications, a feature that cannot be achieved by other systems, including visible dispatching, Chip Scan, Finger Scan, GPS, mobile office or Two-dimensional Code Scan. These applications can be used by the Police Service, the Army and related institutions to coordinate security issues during big events like festivals and sports. As a leading trunking technology, GOTA supports smooth evolution to Long Term Evolution (LTE).

The 1st phase (Phase One), deployed in 2007 is said to be running well and serving the southern sector of Ghana (Greater Accra, Central, Western, Eastern, Volta and Ashanti Regions). The 2nd phase (Phase Two), which is an expansion of the project, will cover the northern part of Ghana (Upper East, Upper West, Brong Ahafo and Northern Regions). In addition, Phase One will be expanded.

Phase one provided a capacity of fifty thousand (50,000) lines with seventy two (72) Base Transceiver Stations (BTS) while phase two is to increase capacity to two hundred thousand (200,000) with a system that can serve up to three million (3,000,000) users.

This project is expected to be completed within twelve (12) months of commencement. Once completed and fully functional, the system will have a country-wide coverage including the following attributes:

- i. Serving the individual and separate communication needs of the administration and service delivery requirements of Government, including MDAs and MMDAs;

- ii. Providing a common communication platform for all MDAs down to the District Level;
- iii. The system will dramatically enhance a country-wide reaction time to emergencies; and
- iv. The cost of Government communication will be considerably reduced.

4.0 THE CONTRACT

The scope of the Contract shall include the supply, delivery, installation and commissioning of the Equipment and services to be undertaken by the Contractor (ZTE) and accepted by the Purchaser (Government of Ghana) of the Dedicated Security Information network (GOTA System) in accordance with terms and conditions of the contract. ZTE and the Government of Ghana signed a contract date 5th November 2006 to supply equipment and install a Dedicated National Security Information System for Ghana. The total cost for this project was US\$60,047,075.00.

5.0 THE PROJECT

The project was split into two (2) phases, Phase 1 and Phase 2. Phase 1 of the project which cost US\$30,014,325.00 has been deployed and operational since 2007 while Phase 2, which is estimated at US\$30,032,750.00, is outstanding. The Government of Ghana in 2011 tasked ZTE to provide a solution to cater for the outstanding part of the project and the cost provided by ZTE for this new solution was US\$129,904,498.00.

REGIONAL COVERAGE AND EQUIPMENT NUMBERS (PHASE I AND II)

Region	Deployed in Phase I		Expansion for Phase II	
	BTS	Microwave Repeater	BTS	Microwave Repeater
Greater Accra	16	1	8	1
Central	9	3	19	5
Western	19	3	43	8
Eastern	12	4	34	7
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Upper East	0	-	10	2
Upper West	0	-	25	4
Ashanti	12	2	17	3
Brong Ahafo	0	-	31	4
Northern	0	-	56	13
Total	72	14	270	52

The reasons attributed to the difference in cost are as follows:-

5.1 NETWORK EQUIPMENT

The cost of main equipment excluding terminals changed from US\$15,219,922.00 to US\$62,833,723.00, more than double the original price. The reasons include:-

- i. The old design included 70 base stations equipment to cover the northern parts of the country. In implementation, this number is woefully inadequate if the system is to attain total national coverage as projected. 270 BTS equipment (around four times of the old design) are thus provided for, in the new design to enable us get close to achieving the national coverage objective.
- ii. The base station equipment proposed in the new solution are different from that stated in the old design being that these are state of the art, more advanced, efficient, future oriented and therefore come at a higher cost.
- iii. To guarantee the security, reliability and performance of the network, total network redundancy has been employed in the core Network meaning that the same equipments have been deployed in both Accra, Kumasi and tamale switch centers and inter-linked so that should one switch center fail, the other takes over full control of the whole network. This was non-existent in the old design as no core network equipment was included in the Phase 2 cost. These additional equipments which amount to more doubling of the core network have also contributed to the price difference.
- iv. The old design catered for only voice and low rate (1X) data at 15.3 kbps per carrier. However, the design introduces the EVDO Rev B platform which boosts data transmission up to 4.9Mbps per carrier over 30 times that of the old design. This facility is provided for all the new equipment including the already existing sites.
- v. The new design introduces larger capacity, more robust and redundant configuration of transmission equipment to enable the system support the high data rates to be transmitted using the EVDO and other surveillance systems. Relatively lower capacity transmissions equipment was used in the old design.

5.2 OTHER EQUIPMENT

New advanced equipments and services which in addition to the network that have been provided for the new solution are as follows:-

- i. LTE (Long Term Evaluation) system at the cost of US\$6,491,563.00, comprising a core part and radio sites has been introduced in the new solution to provide high speed date service. LTE solution is the 4 generation technology with latest technical parameters. In new solution, dual mode radio base station is introduced with high data performance. This will lead the network of Ghana Government to first level in the world.
- ii. Remote motoring of external alarm System at the cost of US\$3,383,058.00 has also been introduced to provide real time alarm management in order to secure the stability and performance of whole network. With this system, the technicians could monitor the whole network, including core equipment rooms, remote radio sites, transmission platform in Accra center. It will reduce the huge cost of the maintenance to whole network.
- iii. An international gateway at the cost of US\$2,603,323.00 has also been introduced to enable direct communication between government and the various consulates and foreign

branch offices outside Ghana without going through the commercial networks. This would guarantee the security of these communications and also reduce government cost.

- iv. A Net Operation Center system at the cost US\$7,563,381.00 has also been introduced to enable whole management in one platform. Comparing old design, with technology development, one platform will manage all different kinds of equipments, instead of different equipment with sole management before. With NOC system, Government of Ghana will reduce the quantity of personnel to look after this network.
- v. The cost US\$3,300,518 will be used to rent the fiber in order to increase the stability of transmission system. It will be useful to strengthen the performance of whole network.
- vi. Other solutions with requirements from Ghana Government, such as LBS, Encryption system, multimedia message system, network tools at the cost of US\$5,875,012 has also been introduced to perform more functions and increase the safety for Ghana and society.
- vii. Terminals will cost USD\$12,500.00 because the number of users will increase rapidly.

5.3 SERVICE COST

The cost services including planning, supervision, installations and commissioning have also increased from the original US\$11,310,000.00 to US\$20,533,920.00 evidently due to the increased scope of work.

5.4 FREIGHT AND INSURANCE

The cost of freight and insurance has also increased from US\$1,493,128.00 to US\$3,570,000.00, largely attributed to the larger quantity of equipment involved in this project and the general worldwide increase in freight and insurance cost since 2006.

5.5 TAXES

ZTE shall undertake to pay the taxes, customs duties, harbor charges, and other expenses related to this Contract inside the mainland of China except as otherwise agreed elsewhere in this Contract. Ghana shall undertake to pay all taxes, customs duties, and other expenses related to this Contract except as otherwise agreed elsewhere in this Contract outside the mainland of China.

5.6 TECHNICAL DUE DILIGENCE

Both parties agree that the Purchaser shall conduct a technical due diligence to appraise the Contractor's proposal which must be agreed to before implementation of same.

5.7 VALUE FOR MONEY AUDIT

The Contractor has agreed to cooperate closely with the Purchaser on a 'value for money' audit and that if any savings accrue from the 'value for money' audit; the Purchaser reserves the right to determine how the savings will be applied.

5.8 INDEPENDENT ENGINEER(S)

Both the Government of Ghana and ZTE agree to the engagement of independent engineers (a third party firm) to validate what has been agreed by the parties during implementation of the project.

The terms of reference for the independent engineer(s) will be agreed by both parties and cost borne under this Project.

When equipment, services or components are delivered, the independent engineer will from the commencement of the project certify the said equipment, services or components in accordance with this Contract.

5.9 TRAINING COST

Training on all the platforms being supplied has been included at the cost of US\$1,250,000.00. No training was provided for in the quotations for the old estimates of Phase 2. The terms for training include the following, among others:

- i. The Contractor shall provide training to such persons as may be nominated by the Purchaser, in order to facilitate a smooth implementation and takeover of the manufactured equipment.
- ii. The Contractor shall design courses for training and submit the courses to the Purchaser for approval and shall provide one set of training documentation for each course one month before the commencement of training. A set of training documentation shall be given to each trainee.

5.10 INDEMNIFICATION

i. Indemnification of Purchaser

Except to the extent that the Purchaser indemnifies the Contractor pursuant to Clause 34.2 of the Contract and except for claims that arise from the Purchaser's negligence or willful misconduct, the Contractor agrees to indemnify and hold harmless the Purchaser, its successors and assigns, officers, directors, employees and customers (collective "Indemnitees"), from and against any and all claims and causes of action arising out of any claims of any third parties with respect to Contractor's breach of any of its representations, warranties, infringement of third party intellectual property rights or contractual obligations contained in this Contract if the Contractor receives prompt written notice of and has sole control over the defence and settlement of the claims and actions. The Contractor shall pay all costs, expenses and reasonable attorney's fees incurred by the Purchaser in connection with any such defence unless the Purchaser chooses to defend itself, in which case it would be at the Purchaser's own cost. The Contractor further agrees to indemnify and keep harmless, indemnities from all claims or causes of action arising from defective design, manufacture, or a failure of the Products to perform according to their specifications.

ii. Indemnification by Purchaser

Except to the extent that the Contractor indemnifies Purchaser pursuant to clause 34.1 of the Contract, and except for claims which arise from Contractor's negligence or willful misconduct, the Purchaser agrees to indemnify and hold harmless the Contractor from any losses from claims of personal injury arising from Purchaser's sale and distribution of the Product, or from its breach of representations, warranties or covenants contained in this Contract; if the Purchaser receives prompt written notice of and has sole control over the defence and settlement of the claims and actions. The Purchaser shall pay all the costs, expenses and reasonable attorneys' fees incurred by the Contractor in connection with any such defence, unless the Contractor chooses to defend himself. This indemnity does not expire upon termination of this Contract, but shall remain in force and effect thereafter.

6.0 FINANCIAL PROVISIONS

The purchase and installation of the system will be financed by a Preferential Buyer's Credit from the Government of the People's Republic of China through the EXIM Bank of China. This is a concessional loan with the following terms:

iii.	Loan Amount	–	USD 123,409,273.10
iv.	Down Payment	–	USD 6,495,224.90
v.	Interest Rate	–	2% per annum
vi.	Repayment Period	–	20 years
vii.	Grace Period	–	5 years from the effective date of the Loan
viii.	Management Fee	–	1%
ix.	Commitment Fee	–	0.75% per annum

7.0 OBSERVATIONS AND RECOMMENDATIONS

The Committee, during its deliberations made the following observations and recommend as follows:

7.1 TRAINING

The Contractor is (according to the dictates of the Contract) to design the necessary training programs associated with the project. The Committee however recommends that the designing itself must be a collaborated effort between both Purchaser and Contractor. This, the Committee believes, will ensure that the Nation gets the full benefits of the training, as it deems fit, to sustain the smooth running of the project. Indeed, the Committee recommends strongly that Ghanaian experts must be the full beneficiaries of this training.

7.2 INDEMNIFICATION

The Committee observed that the indemnification by Purchaser as per Article 37(2) of the Contract do not, in any way, favor the Purchaser (Government of Ghana) but is fully skewed to favor only the Contractor. Here the Purchaser shall pay all the costs, expenses and reasonable attorneys' fees incurred by the Contractor in connection with any defense, unless the Contractor chooses to defend itself. The recommendation therefore is that it must either be modified accordingly or deleted altogether.

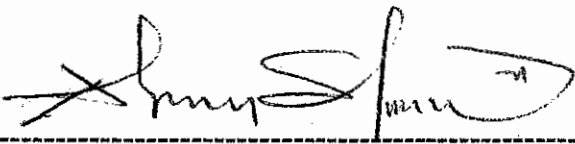
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The Committee also observed that there is no particular Article or Clause that clearly states the obligations of the Contractor towards the Purchaser. This therefore gives room for the former to deny any particular obligation as and when the issue may arise.

8.0 CONCLUSION

In conclusion, the Committee affirms the need for this contract which will regulate the loan agreement for the GOTA project. The Committee therefore requests that this August House approves the Supply Contract for Dedicated Security Information System between the Government of Ghana (represented by Ministry of Communications) and ZTE Corporation, taking into consideration the Committee's reservations.

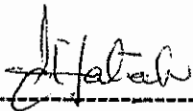
RESPECTFULLY SUBMITTED



HON. IBRAHIM AHMED
VICE CHAIRMAN, COMMUNICATIONS COMMITTEE



SHEBA NANA AFERIYIE OSEI (MS)
CLERK, COMMUNICATIONS COMMITTEE



HON. ERNEST KOFI YAKAH
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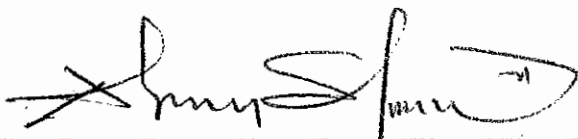
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