

TRADES UNION CONGRESS (GHANA)

**PROPOSALS FOR TARIFF
REVIEW**

SUBMITTED TO PURC

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1.0 INTRODUCTION

The utility sector is a very important sector for economic growth and development. It is also critical for the creation of decent jobs and for the improvement of quality of life for Ghanaians. That is why workers and their unions take tariff reviews seriously.

In the past, unions have responded to high increases of utility tariffs with agitations, especially when wage increases and income growth have always lagged behind the rate of tariff increases. In addition, high utility tariffs had often resulted in significant job losses. Also, in the past, tariff hikes justified on the grounds of improving service delivery had failed woefully to bring about any appreciable improvement in the services of the utility providers.

We recognize that the utility sector, especially the power sector, is confronted with many challenges including, but not limited to, the change in the generation mix from hydro dominance to thermal dominance as well as the debt crisis. We also recognize that a major reason for the persistence of these challenges is the gross inefficiencies due to political interference in the management of utility companies.

2.0 OBJECTIVES OF TARIFF REVIEWS

Tariff reviews are necessary from time to time for obvious reasons. But every review, whether major or minor, should have the following objectives:

- Access to reliable and affordable electricity and water;
- Improvement in the quality of service of utility companies; and
- Ensuring that utility tariffs reflect prudent cost

3.0 SUGGESTIONS ON SOME KEY ISSUES THAT NEED TO BE ADDRESSED AS PART OF THIS REVIEW

i. Power Purchase Agreements

The government of Ghana signed a number of Power Purchase Agreements (PPAs) under emergency conditions with the objective of resolving the power crisis. The power plants under these agreements are mainly thermal. This has tilted the energy mix to thermal dominance with implications for

utility tariff levels. The following questions are, therefore, relevant as PURC prepares for another tariff review:

- Were the PPAs signed based on the country's projections of future demand for electricity?
- What is the cost implication of the excess generation capacity to the consumer when we have signed on to plants which may lie idle but would attract capacity charges?
- Do the PPAs meet consumers' expectation of access to reliable and affordable electricity?
- How transparent were these agreements?

We call on government to undertake a full-scale review of the existing Power Purchase Agreements to ensure that (1) Ghana gets good value for money and (2) Ghanaians are not overburdened by excessive tariff increases due to errors committed by politicians who might have served their own interests with such agreements.

ii. Prudent Cost

The utility companies are demanding cost reflective tariffs. We expect PURC to ensure that unjustifiable costs are not passed on to consumers. The resistance to tariff is due, partly, to the fact that consumers are paying for inefficiencies of utility companies especially costs arising from political decisions that had only served the interest of some political elites.

iii. Levies and Taxes on Electricity

The power sector must be seen as a strategic sector whose value lies in supporting economic growth from which government can derive revenues through taxes. In our view, it is wrong for government to use the power sector as a direct revenue-generating source. Many Ghanaians are either receiving low incomes or are without any regular income. Therefore, it will be wrong to subject the utility sector to profiteering. The TUC expects government to scrap all the levies and taxes on electricity as a means of improving access and making it affordable to all Ghanaians in all parts of the country.

iv. Policy on Assets of State-Owned Utility Companies

The assets of the state owned utility companies are national assets, which generate economic returns from the pass through costs paid by end users. Government, as the owner of these assets, should work with PURC to

develop a clear policy on how to manage these national assets and the returns they generate.

v. Renewable Energy

With the development of improved technologies, the cost of renewable energy such as solar has reduced considerably. For example, solar energy which used to be 30 to 40 cents/KWh about a decade ago now hovers around between 3 and 10 cents/KWh. Increasing renewable energy in the energy mix should be the direction for the generation of electricity. We urge government to develop comprehensive policy direction to promote renewable energy in Ghana.

vi. Teshie Desalination Plant

Operating the Teshie desalination plant is contributing to the debt burden of Ghana Water Company Limited that affects water tariff, generally. We would like to add our voice to all those who are calling for the abrogation of the contract. The people of Teshie and the surrounding communities should be provided with water from alternative sources.

vii. Strategies to Manage Growing Demand for Electricity

The demand for electricity in Ghana is growing at a rate around 12 percent per annum, which is far above the average demand of about 3 percent for Africa. It is important to intensify education on the benefits of demand side management. It is particularly important to ensure that buildings are designed to reduce the use of air conditioners.

viii. Changes in Existing Tariff Structure

The call for reclassification of existing tariffs should consider the plight of people who can be described as energy poor in order not to worsen the condition of lifeline consumers.

ix. Protecting Small and Medium Scale Enterprises for Employment Creation

One major challenge for the growth of private sector in Ghana has to with high utility tariffs. It is important that the review takes into account the plight of the domestic private sector, particularly the SMEs.

4. CONCLUSION

We support government's position to reduce tariffs. We believe that tariffs can be reduced by 20 percent or by a higher percentage given the negative impact of the existing (high) tariffs on economic activities and on living standards of consumers. We think a significant reduction in tariffs is justified when we take into consideration the generally low incomes in the country.