

**TO ALL NEDCO STAFF**

February 01, 2023

**UPDATE ON VRA/NEDCo STAFF GROUPS RESOLUTION FOR THE REMOVAL OF MR OSMANI ALUDIBA AYUBA AS THE MANAGING DIRECTOR, NEDCO**

The Staff Groups Leadership of VRA/NEDCo wish to bring to you an update on the Resolution passed by staff in all the five (5) Operational Areas in NEDCo at emergency meetings held from January 06, 2023 to January 10, 2023 calling on Mr. Osmani Aludiba Ayuba, the Managing Director, NEDCo to voluntarily resign or be removed from office by the NEDCo Board of Directors on or before the end of January 2023.

The petition was submitted to the NEDCo Board of Directors on January 11, 2023. The Board held a meeting with Staff Group leadership on January 12, 2023 in Accra to discuss the content of the petition.

The deadline given to Mr. Osmani Aludiba Ayuba to voluntarily resign or be removed by the NEDCo Board of Directors have elapsed and our demands have not been met.

As a first step in pressing home our demand for the removal of Mr. Osmani Ayuba as Managing Director of NEDCo, staff are hoisting red banners across all the Operational Areas in NEDCo including the service centers effective February 01, 2023. Leadership will initiate a number of labour actions to ensure that the resolution passed is enforced to the latter.

Mr. Ayuba was appointed as Managing Director, NEDCo effective July 01, 2019 to help turn around the finances of NEDCo. After more than three and half (3 1/2) years in office, he has failed to help turn around the finances of NEDCo and hence can no longer continue to hold the high office of Managing Director, NEDCo due to the following reasons:

**1. WORSENING FINANCIAL PERFORMANCE OF NEDCO**

The net financial loss of NEDCo instead of improving has deteriorated from GHS315.398 million in 2018 to GHS392.406 million as at September 2022. The estimated net loss for 2022 is over GH400million. This means NEDCo's performance deteriorated by at least 24% over the period

The cashflow situation of NEDCo is worsening every day. As a result, NEDCo is unable to pay most of its suppliers and contractors. As at September 2022, NEDCo was indebted to its major suppliers to the tune of GHS1.8 billion. NEDCo is struggling to raise Letters of Credit to procure critical materials and equipment required for its operation under the watch of Mr. Ayuba.

Management is unable to meet staff demands for some advances and loans due to the worsening cash flow situation.

## **2. LACK OF A CLEAR STRATEGY FOR NEDCo**

The Ayuba led Management has continued to manage NEDCo without any clear strategic plan and direction. A strategic document termed "ARISE STRATEGY" was announced by the MD per his 2021 planning letter dated October 8, 2020 to help improve upon the operational and financial performance of NEDCo from 2021-2025.

A review of the strategic document by the Staff Groups revealed that there were inconsistencies between the strategy document and the 2021 budget, the targets set were unrealistic as well as the lack of a reliable source of funding for the strategy. Management went ahead to launch the strategy document without addressing the concerns raised by the Staff Groups.

The lack of an agreed strategic plan and direction for an ailing company like NEDCo has resulted in poor financial performance and HUGE expenditure on projects that have not yielded the desired results.

## **3. HIGH COST OF PROJECTS THAT HAVE NOT YIELDED DESIRED RESULTS**

The Ayuba led management have spent over US\$40m US from 2019 to date on projects that have not yielded the desired results. These projects which were to help enhance revenue collection/mobilization, reduce commercial losses, provide a common vending platform for the various types of prepayment and postpaid meters in NEDCo, were not backed by any business cases /cost benefit analysis.

The specific projects are:

- i) Supply and installation of 25,000 smart prepaid meters (MBH) at a cost of GHS41.6m. Project completed by October 2020
- ii) Hexing System Upgrade (Combined Billing and Vending System) at a cost of US\$5.7m. Project completed by December 2020
- iii) Supply and installation of 100,000 smart prepaid meters at a cost of US\$16.2m. Project completed by April 2021
- iv) Automatic Meter Reading and Boundary meter reading at a cost of GHS13.97m. Project completed by September 2020

All the projects listed above have not yielded the desired results. After spending GHS41.6m on the MBH meters, Management informed Staff Groups Leadership that there was **estimated** 0.3% reduction in commercial losses. It has been two (2) clear years after implementation.

NEDCo Management is also unable to account for customers' energy consumption and revenue from 16% of the 24,700 MBH meters deployed in Sunyani and Techiman at the end of each month, due to poor integration of the meters with NEDCo's Billing system

#### **4. MANAGEMENT INACTION LEADING TO REVENUE LOSS**

A contract of GHS57.68m awarded to Meinerger Technology to supply and install 40,300 Smart Split Prepaid Meters in Tamale is not yielding the desired results for NEDCo.

Out of the over 24,000 Longi Meters deployed so far, 60% of the meters do not have the new PURC approved tariff effective September 1, 2022 primarily due to integration issues with the Hexing Billing System. For almost 5 months, NEDCo management is unable to ensure that the affected customers pay the right tariff for the power consumed. **It is estimated that NEDCo has lost GHS2.2m in revenue over the 5-month period.**

About 11,000 of the meters were also given free of charge to customers without them paying the required new service fees. This has occasioned an estimated **loss of GHS7.7m in revenue**

NEDCo is also not accounting for the used energy and revenue in the month end commercial reports for the Longi Meters deployed in Tamale.

Furthermore, the MBH meters deployed in Sunyani and Techiman are unable to implement the exclusive life line tariff approved by PURC effective September 1, 2022, this has occasioned **a loss of about GHS416,000 from November to December 2022.**

The Ayuba led Management looks on helplessly as NEDCo continue to lose the much need revenue.

#### **5. EXORBITANT SOLE SOURCE PROCUREMENT OF POINT-OF-SALE DEVICES (POS)**

In December 2021, NEDCo Management signed yet another Sole Sourcing Contract with Hexing Electrical Co. Limited to supply 50,000 smart prepayment meters and associated accessories and installation materials. Included in this contract was the supply of 100 POS devices at a cost of \$1,328.10 per unit.

In an attempt to bring in additional POS to resolve the problem occasioned by the broken-down of the POS devices supplied by Hexing, Management contracted Nanti Systems Limited from Accra to supply NEDCo with 50 POS devices at the cost of \$400.00 per unit in April 2022. When Hexing Electrical Co.

Limited got information that NEDCo was arranging to purchase POS devices from another supplier, they quickly resubmitted a new proforma invoice quoting \$500 per one POS device in May 2022.

NEDCo Management, notwithstanding, went ahead and procured the 100 POS devices from Hexing Electrical Co. Ltd at a unit cost of \$1,328.10 bringing the total cost to \$132,810.00. NEDCo could have bought these 100 POS devices at \$400 per unit at a total cost of \$40,000 and saved \$92,810.

Despite written petitions to the MD to halt these exorbitant transactions, Management still went ahead with the purchase.

## 6. WORSENING DISTRIBUTION LOSSES

There has not been any improvement in NEDCo's distribution loss since Mr. Ayuba took office from 2019 up to date. In fact, the distribution loss has deteriorated from 27.32% in 2019 to 28.74% as at September 2022.

The Tamale metropolis alone continues to record high distribution loss of about 45% with an estimated revenue value of **GHS12m every month**. Mr. Ayuba appears to have no strategy to deal with the pervasive power theft in the Tamale metropolis.

Submitted for your information please



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