



CITY OF JOHANNESBURG

Metropolitan Centre, 158 Loveday Street. Braamfontein

P O Box 1049, Johannesburg, 2000

Tel: +27 11 407 7558 Fax: +27 11 339 5704

Speech to the NERSA Public Consultation Hearing 1 February 2019

Panel Chairperson, Ms Nomfundo Maseti,
Panel Members from NERSA,
Members of the Business Community,
Civil and grassroots Organisations,
Members of the Media
And most importantly, present residents of the City
Johannesburg,

Thank you for affording me this opportunity to address you all.

As many of you know, I am the Executive Mayor of the City of Johannesburg, representing over 5 million residents of this City.

I have no doubt that many of you thought my request to address you here today was most unusual for a leader of government. Typically, in these types of engagements, government is represented by bureaucrats armed with PowerPoint Presentations containing words that few of us understand.

I am sure my colleagues are armed with such, but the special circumstances of the matter we are here for necessitated that I, too, address the panel.

Ladies and gentlemen, I intend to speak to you plainly and lay out the concerns held by our residents in respect of this proposed tariff increase.

Around 45.2% of our residents exist, barely surviving, below the poverty line. At least 900 000 of our residents are unemployed and our economic growth outlook stands at only 1.7%.

Recent estimates expect inflation to average at 4.8% in 2019, 5.3% in 2020 and 4.8% in 2021.

Given this context, I am here, on their behalf, to say that what is being proposed - 15% increases in electricity tariffs every year over the next 3 consecutive years is **UNACCEPTABLE**.

Once, a long time ago, Eskom was an internationally respected company and brand which served South Africans. I quote from Eskom themselves:

"In 2001, Eskom adopted the strategic intent to be the pre-eminent African energy and related services business, of global stature. In December Eskom was presented with the "Power Company of the Year" Award at the Global Energy Awards ceremony in New York.

In March 2004, some 7.8 million households had been connected, a massive jump from the three million households connected in 1990. Partly in recognition of this achievement, in

2004 Eskom won the Markinor Sunday Times Grand Prix Award for having done the most to uplift the lives of South Africans.

It was also identified in in the same year, by Markinor Sunday Times, as South African's most admired brand."

End Quote

It is clear for all here that Eskom of old is dead and gone. Gutted by those who have since associated its name with maladministration and corruption.

Members of the panel, ESKOM has already been granted a tariff increase for 2018/19 of 4.1%. We are here today discussing the proposal of adding a further 15% increase for the current year, taking the total increase under discussion to a shocking 19.1%.

In 2011, Eskom indicated that it would return to inflation-based increases by 2016. We now know that his has not happened, with compounded tariff increases currently standing 368% over the past 10 years.

If NERSA grants ESKOM's request of 15%, per year, over the next 3 years, the compound tariff increase by 2020/21 will stand at 608% over the last decade.

HOW have you allowed this to happen?

ESKOM is effectively asking that the residents of our country foot the bill for decades of maladministration and mismanagement.

Chairperson,

With the greatest of respect, this has to stop and I plead with you to hear the voices of residents, business owners, entrepreneurs and the unemployed of our City.

Household income is under siege.

Salaries and wages, for those lucky enough to have them at all, have grown incrementally at inflation based levels, while the cost of living continues to sky-rocket.

VAT, fuel, e-Tolls, food, Income Tax, education, school uniforms, and books all continue to rise at a speed that salaries and wages have not kept up with.

The reality, when the cost of living is factored in, is that household income has declined in real terms over the past decade.

Arising from this, residents have had to choose between which bills to prioritise. We see this every day in the City with a debtor's book that is growing and a collection level that is in decline.

After all, when facing the choice, who would pay their electricity bill before their children's school fees?

I have met with business owners in the City of Johannesburg, big and small, as recently as yesterday.

Without exception, they agree that the cost of doing business is too high.

Concerns are that the barriers to growing their businesses and creating employment are too high.

They are all saying that it is safer to place their money overseas.

Chairperson,

We have a crisis of unemployment in Johannesburg. As I have already mentioned, 900 000 people do not have the dignity of work in our City.

As a City we are doing everything in our power to change this, but we exist in an environment of national policy uncertainty.

We exist in an environment where government is beholden to organised labour and not operating at arm's length.

We exist in an environment where, in many communities, a young person stands a better chance of becoming a drug addict than a doctor, lawyer, engineer or accountant.

But, we have the ability to harness the job creating power of business in our Country to address this crisis. We have the ability to support small businesses to drive up employment levels.

Sadly, however, ESKOM is playing a leading role in hampering this potential by charging absurd increases for an unreliable supply of electricity.

Members of the panel, studies have shown that there is a negative long-run relationship between electricity prices and economic growth, i.e. increased electricity prices have negative impact on economic growth.

South Africa functions in an environment where we need to grow small and medium enterprises that function to generate jobs.

Under the current economic conditions, it is these same businesses which are often forced to function at slightly above breakeven point, if they are indeed that fortunate.

These SMMEs, put plainly, won't be able to survive sudden price shocks as their operating costs increase due to higher electricity bills.

Increased operating costs also force businesses to increase the price of their products and services, and that cost is ultimately carried over to consumers, and consumption is reduced.

Consumers are thus not only directly influenced by increases in electricity prices, but also indirectly through general price increases.

Increased electricity prices contribute to insecurity for businesses and consumers, and has a potential impact on investment spending.

Even with respect to the City, the same would be said for services provided by City Power.

Given the present state of affairs, a tariff increase of the magnitude discussed here today would also affect the City, through our power utility, City Power.

Given the strained nature of our residents' pockets, rather than transfer the full cost of the increase in the prices of electricity to residents, the City would find itself in a situation where it may be forced to try subsidise the cost of operations at the entity in a bid to lower prices transferred to residents.

The money from this would need to come from somewhere and that would mean diverting money from other service delivery needs.

Even in a situation where the City does not seek to intervene, revenue losses would still occur, leaving little money for driving service delivery.

I wish to emphasize this point,

Members of the panel, a report prepared as a submission for the 2015/16 Division of Revenue estimation, determined that surplus electricity supply to municipalities has been steadily decreasing over the past few years.

A decline in the surplus affects the extent to which cross-subsidisation can be used to fund delivery of other services or the extent to which electricity can be distributed to lower-income households.

In accordance with the City's Expanded Social Package, qualifying residents receive up to 150kwh free electricity per month.

If the price of electricity is increased by 15%, taking into consideration the City's limited budget, the City will have to choose between reducing the amount of free electricity and reducing budget allocation to other service delivery areas.

Whichever tough position the City chooses, it's our residents, particularly our poorest residents, who will lose.

Finally,

Policy uncertainty surrounding independent power producers and renewable energies is severely impacting investment into electricity generation in South Africa.

All signs indicate that technological progress is decreasing the price of renewable energy generation, and it makes no sense that Eskom is allowed to increase the price of electricity when alternatives are available.

Eskom's monopoly over power generation must be broken up and independent power producers must be allowed to generate electricity to add to the national grid.

Members of the panel, I would like to end where I began.

Ultimately, what the public is being asked to do here is step aside and allow corruption to win the order of the day.

The proposed tariff increases would punish ordinary law abiding residents, while corrupt politicians and individuals responsible for the state owned enterprise's downfall are allowed to walk free.

Before we allow this to happen, Eskom must demonstrate that they are prepared to seriously reform the organisation, including, apply consequence management for those who have been responsible for the mass mismanagement looting at the organisation.

Those who up to their knees in corruption must face the full might of the law, including getting the money stolen from the entity returned to South Africans.

Chairperson of the panel,

The 900 000 unemployed people of our City, our struggling businesses and residents, are looking to you today, praying that you do not weaken their already bleak prospects under the current economic conditions.

I pray you will hear them.

Thank you.