

Eskom Revenue Hearing Presentations

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Midrand

Gavin Young



Brits Industrial Association (BIA)

- ❑ Represents more than 15 businesses in the Brits area
- ❑ The largest Manufacturing business association in the North West Province
- ❑ Some BIA members supply components nationally to BMW, Toyota, Mercedes Benz, Telkom and other manufacturers
- ❑ Employs over 4500 employees
- ❑ BIA interacts with Madibeng Municipality on a monthly basis on various issues regarding service delivery eg. Local Infrastructure, roads, electricity & water.
- ❑ The 2 largest issues facing our industry are the inefficiency of our Local Municipality and high electricity rates.
- ❑ High input costs are damaging the viability of businesses and BIA is actively attempting to engage with all State Institutions and State Owned Enterprises in securing reasonable and competitive electricity tariffs

The effects of the application

Eskom's generation inclusive of IPP's declined by 7% from 2008 as electricity costs became increasingly prohibitive

- Electricity price increases will force industry to further reduce electricity usage
 - Eskom will consequently sell less and deteriorate further
 - Industrial investment will continue to shrink
 - Economic decline, SA GDP will not grow

Poverty, Unemployment and Inequality will increase

The Application

Eskom tariffs have increased ~250% since 2008 in real terms

The latest application means a further increase of **27.5%** to the tariff charged to the municipality

- Current electricity users owe Madibeng in excess of R1 billion
 - Madibeng currently owes Eskom over R143 Million
- Eskom is threatening to cut off power supply to Madibeng

BIA strongly rejects this application

**Eskom's price increases must be contained
below inflation to stimulate usage**

Why do we reject this application?

- Insufficient information and disclosure from Eskom
- The Supply/Demand situation has fundamentally changed since 2015. Tariff structures must be revised
 - Eskom has failed to demonstrate the desire or ability to arrest its financial crisis – No plan to address inefficiencies
- NERSA has no plan for increased oversight over Eskom and other licensees

The burden to bail out Eskom should not be the Consumer's to bear

Qualified Audit Report

- Effective steps not taken to prevent fruitless and wasteful expenditure in contravention of the PFMA.
- Goods, works or service not always procured as required by section 51(a)(iii) of the PFMA.
- Contracts were not awarded in accordance with the PFMA.

Irregular expenditure: R3 billion

Fruitless and wasteful expenditure: R510 million

Did NERSA investigate? If so, what were the conclusions? If not, why not?

Eskom's costs and expenditure are out of control

- Capital Spending
- Primary energy
- IPP's
- Employment Cost
- Operational Costs

Revenue flat, costs jump, profits fall

Capital Investment

77 Billion for 2018/19

66 Billion for 2017/18

59 Billion for 2016/17

This includes capital for infrastructure nobody needs or nobody will use

Employment Cost

32 600 Employees in 2007

47 600 Employees in 2017

= Headcount Increase by ± 50%

Eskom generated **10% less power** in 2017 vs 2007

The reality is that

Eskom is doing less with more!

While business has to do more with less!

AND people are losing their jobs!

Eskom sales forecast

- Eskom's application includes revenue growth in spite of price increases of 19.5%/27.5%.
- Sales will drop: confirmed by recent history and Treasury's comments. Doing the same thing and expecting a different result
 - Massive overcapacity > 10,000MW

The application offers no solution for overcapacity!

The only solution is to stimulate demand by containing price increases below inflation for all consumers

BIA's recommendations

1. Outright rejection of the application

- Approving the application would be unlawful due to no disclosure of crucial information by Eskom.
- Tariff structures to be revised to reflect economic reality
- Contain tariff increases to below inflation.

2. Increased Oversight from NERSA over Eskom

- ✓ Implement Eskom turnaround and restructure before requesting a financial bailout funded by the public.
- ✓ Eliminate wasteful and unauthorised expenditure
- ✓ Close power stations which are no longer required.
- ✓ Halt unnecessary capital spend
- ✓ Review coal contracts
- ✓ Right-sizing of personnel and structures
- ✓ Reduce operational spend
- ✓ Halt to IDM (Integrated Demand Management)

THANK YOU