

Eskom Revenue Hearing Presentations

13 November 2017

Klerksdorp

Overview

- Who is BIA
- What the application means for BIA
- Why we reject the application
- Conclusion
- Recommendations



Brits Industrial Association (BIA)

- ❑ The largest group of Manufacturing companies in the North West Province
- ❑ Represents a broad spectrum of businesses in Madibeng
- ❑ Supplying components nationally to BMW, Toyota, Mercedes Benz, Telkom and other customers
- ❑ Employing over 4500 employees
- ❑ BIA interacts with the local Municipality on a monthly basis on various issues like service delivery
- ❑ The biggest issues facing industry is the inefficiency of the Local Municipality and expensive electricity.
- ❑ High input costs are affecting the viability of businesses and as such BIA has been very active in protecting business interests in relation to electricity tariffs

The application

Eskom tariffs have increased 2.5 times since 2008 in real terms

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

- Poverty, unemployment and inequality will increase
- Currently electricity users are owing Madibeng in excess of R1 billion
- Madibeng currently owes Eskom over R143 000 000
- This increase will further reduce our electricity usage

BIA strongly rejects the application

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

On what basis do we reject the application?

- Insufficient information and disclosure
- Proposed costs do not reflect costs of an efficient licensee
- The Supply/Demand situation has fundamentally changed since 2015. Tariff structures must be revised

Eskom's cost and expenditure are out of control

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

Revenue increases but 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

The capital spend is the main reason for Eskom's cash crunch

Employment Cost

47600 employees in 2017

32600 employees in 2007

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!

BIA's recommendations

1. Contain tariff increases below inflation
2. For our Industries to survive, we cannot accept this massive increase. The past few years three big companies closed shop, resulting in 2500+ job losses

BIA's Recommendations

Strategic review

Restructuring of Eskom

- close power stations which are no longer required
- stop unnecessarily expenditure
- review coal contracts
- right-sizing of personnel
- reduce operational spending

THANK YOU