



Presentation to NERSA

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Kruger Lowveld Chamber of Business and Tourism NPC

Who is KLCBT?

- We represent approximately 1000 business members consisting of Micro-, Small-, Medium- and Large enterprises in all industries and almost half are tourism related.
- We are the official voice of business and tourism in Ehlanzeni district

About our region

- Mbombela City's population grows with 2,3% per annum while the national economic growth is virtually stagnant at 0,7%
- Already 1/3 of the population is classified as poor and surrounding areas like Nkomazi and Bushbuckridge which rely on Mbombela's infrastructure and economy, have a poverty rate of 50%.
- This trend will only see more devastating statistics in future years and for that reason we need to protect the survival of each and every business
- For this reason we also need to make the cost of living as low as possible for poor people to survive and not be tempted to turn to a live of crime, which includes theft of electricity

Objection to an increase of 15% per annum

We will be presenting 6 reasons why we oppose the increase of 15% p.a.

1. The true purpose of RCA and the MYPD Methodology
2. Eskom as a For Profit company
3. Effects of corruption & mismanagement
4. Government intervention is required
5. Contradiction with Eskom's core strategies
6. The effect

1. The True Purpose of RCA and the MYPD Methodology

The basis of submission as per the MYPD Methodology refers to certain points (among others) which needs to be revisited:

- Allowing the pass-through of PRUDENTLY incurred primary energy costs...
- Allowing for PRUDENTLY incurred under-expenditure on CONTROLLABLE operating costs... Not over-expenditure...
- We cannot revisit what you have approved already, but this was after 3 years of not having reliable financial information available and under the conditions of terrible corruption and fraud.
- The RCA method was developed to protect the consumer and refund them when Eskom has overcharged them, not the other way around

2. Eskom as a For Profit Company

Like most of us here and the ones I am representing, Eskom is a For-Profit Company. This comes with certain responsibilities under the companies act, which applies to all of us.

- None of us can go back after 4 years and tell our clients “oops, I have under-charged you, please refund me”! This is just unimaginable!
- You cannot trade while insolvent. If a company wants to remain a going concern the owner has to provide capital to carry on (in this case – government), alternatively such company must liquidate or go under business rescue (this is not an option as most debts are based abroad). Thus capitalize or sell!
- Our companies cannot get refunds from our clients because Eskom wants a refund from us...
- This behavior is that of a non-profit company like the SPCA who has to go begging because they received more animals to care for, than anticipated...

3. Effects of Corruption & Mismanagement

We recommend your progress in cleaning house and we are encouraged by the signs of obvious management improvements.

BUT we cannot condone any increase over and above PRUDENT controllable operating costs increases:

2019-20	-2,7%
2020-21	5,7%
2021-22	4,8%

or at the highest no more than CPA.

We understand that reasonable capital costs should be subsidized by tariffs, nothing new. Depreciation should be part of operating costs. However the lack of prudence and money squandered instead of paying off loans, are sins from the past should not be subsidized by tariffs. The “owner” is responsible to fund their own mistakes. This is government.

4. Government intervention is required

- Eskom is a critical service provider to all businesses
- If we wish to restore investor confidence and business confidence in South Africa, Eskom should operate efficiently without fear of being shut down
- If SAA could receive a rescue package (which is certainly not as critical to the economy) so can Eskom

We feel that government, as the owner of the company, should rescue Eskom in order to make payments of these loans without increasing of rates to cash strapped consumers and businesses. Unfortunately that comes out of our taxes too...

5. Contradiction with Eskom's core strategies

It is one of Eskom's core strategies (per recent financial statements) to:

“ensure reliable electricity supply...supported moderate electricity price increases through cost efficiencies across the business.”

- Eskom could over a number of years not ensure reliable electricity supply which lead to serious economic factors
- 15% increase is not modest by anybody's definition
- Cost efficient management has only seen an improvement very recently

6. The Effect

- To businesses:
 - Sharp increase in unemployment and business closures
- To Eskom:
 - YOU will lose clients and revenue as businesses close down
 - More people will not pay their bills, directly and to municipalities
 - Clients will convert to alternative energy and you will lose them forever
 - You will make yourself redundant by high cost and unreliable service delivery
- To South Africa:
 - Sharp increase in unemployment rate
 - Sharp increase in business closures
 - Shrinking tax base
 - Less exports as SA companies lose global competitiveness
 - Protests without end!
 - SA will look like a real third world country where government can willy-nilly increase any prices to fund their extravagance...

Our recommendation...

- We accept that the real required increases / reductions should be:

2019-20 -2,7%

2020-21 5,7%

2021-22 4,8%

or at the highest no more than CPA.

- We accept that costs have gone up to a reasonable degree, but we cannot see any reason why the rate should be put up by more than the inflation rate
- We will accept no more than 4,8% as reasonable.
- We insist on government intervention to rescue Eskom from the sins of the past
- We expect Eskom to show by reputation that they are able to manage the entity with prudence, before they turn to the consumers again, with more promises of things to be better in future.

In conclusion...

All the reasons quoted for this application, once again is due to poor management and **NONE OF THEM IS OUR FAULT – WHY SHOULD WE PAY???** Eskom's owner is responsible to fund their mistakes, not their clients.

After all that business had to endure during past years, increased electricity cost, fuel cost, transport cost, VAT increases, load shedding, down grades, recession, minimum wage increases (especially in farming), we are flat broke and left with zero tolerance for any more of this. We have kept this country going while it was being robbed. Small business employs the most people, we mostly subsidise wages we can no longer afford, in the hope it will get better.

We, the businesses of SA – we do not deserve this!

THANK YOU!

