

Eskom Revenue Application 2018/2019

Public Hearing, 3 November 2017, ICC, Durban



Introduction

- ▶ Fourth largest chamber in South Africa
- ▶ Representing 800+ members of all sizes and across all sectors
- ▶ Representative and unified organisation - amalgamation of 3 organisations in 2002 - Pietermaritzburg Chamber of Commerce & Industry; Midlands Black Business Chamber and the Pietermaritzburg Sakekamer
- ▶ Significant manufacturing in and around the city



1./ Proposed Increase not Economically Viable -

Unaffordable

Anticipated growth rate of < 1%;

- ▶ PCB at the coalface watching large companies, as well as small, closing down;
- ▶ Large proportion of our factories process metal, so electricity is a high input cost - often second to labour;
- ▶ Costs cannot be passed on in pricing to customers - renders firms uncompetitive;
- ▶ Foreign investors are hesitant to invest further in view of the political, policy & economic uncertainty - global companies are very unlikely to prop up ailing divisions, more likely to relocate to other more conducive environments;
- ▶ Simply not affordable - we can't afford to make ourselves more unattractive from an investment perspective and an increase of this level will put a

2./ Proposed Increase not Fiscally Responsible - Unsustainable for Eskom

- ▶ By Eskom's own admission, their sales are decreasing annually;
- ▶ A lot of this was self- inflicted by load-shedding;
- ▶ Businesses invested in alternative energy like solar plants to ensure supply, decreased demand;
- ▶ Cost can't be passed on to customers of businesses in this economic environment, so businesses that have electricity as a high input cost will go out of business. The more people that are put out of business by unrealistic tariff increases, the fewer customers Eskom will have in the future;
- ▶ Eskom is eroding it's own customer base;

3./ Business is not Prepared to Fund Inefficiency and Alleged Corruption

Salient Metrics: Ten Years	2007	2017	Change %
Total Sales (GWh)	218120	214121	-2%
Nominal Capacity (MW)	42618	44134	4%
Revenue (R'bn)	40	177	343%
Net Debt (R'bn)	30	334	1013%
Total Assets (R'bn)	143.70	710	394%
Net Finance Cost (R'bn)	1.70	14.33	743%
Profit for the Year (R'bn)	4.60	0.88	-81%
Employees	32674	47658	46%

3./ Business is not Prepared to Fund Inefficiency and Alleged Corruption

- ▶ ROI unacceptable;
- ▶ Growth in staff cannot be justified;
- ▶ New build programmes must be looked at and halted where feasible to do so or old plants decommissioned - we clearly don't need nuclear, we can't afford it and we are not willing to pay for it;
- ▶ We will not fund inefficiency or alleged corruption;
- ▶ Eskom must get their house in order before they look to the private sector - we run very efficiently because unlike Eskom, we are forced to compete.