

■ OPINION / COLUMNISTS

*Neva
Makgetla*

NEVA MAKGETLA: Eskom punishes without understanding why municipalities can't pay

The electricity utility blames a 'culture of nonpayment', but the causes are economic not cultural

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Picture: GETTY IMAGES

Over the past decade Eskom's revenue as a percentage of GDP has doubled from 1.9% to 3.8%, while its electricity sales fell 15%, because electricity tariffs more than doubled in constant rand. Meanwhile, the utility has sought increasingly harsh measures, including shut-offs and impounding resources, to make municipalities pay up if they fall behind on their electricity payments. Its actions have flown in the face of a core promise of democracy: in contrast to apartheid, basic municipal services will be extended to all citizens equally, wherever they live.

Eskom argues that it has to squeeze more from municipalities because its own expenses have soared. To start with, domestic coal prices have escalated in large part because mine operators have managed to reclaim the rents that historically constituted a core advantage for SA industry. In addition, Eskom is paying for its misguided technology choices, faulty engineering and state capture over the past decade.

Instead of tackling these underlying problems, it has sought to externalise its costs onto electricity users and the state. Now, however, higher tariffs have begun to

aggravate Eskom's problems by suppressing demand.

That said, two-thirds of municipalities have no debt arrears and just five secondary cities accounted for more than half of the total as of June 2020, according to the department of public enterprises.



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Maluti-a-Phofung alone, anchored by Phuthaditjhaba and Harrismith in the Free State, accounted for 18%. The other four were Matjhabeng, around Welkom; Emalahleni, which covers Witbank; Emfuleni, with Vereeniging and Vanderbijlpark; and Govan Mbeki, around Secunda. Taken together, these five municipalities have more than 2-million residents, or 4% of SA's population. As of mid-2020 their debt arrears to Eskom approached R16bn, plus R4bn in interest. The total came to four times their annual budget for bulk electricity in 2019/2020 and 1.3 times their operating revenue.

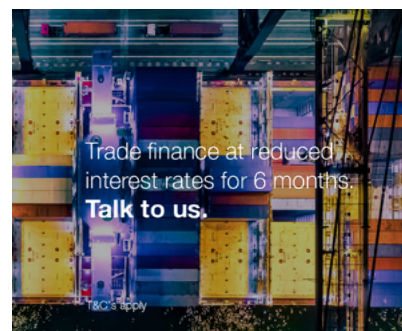
Eskom says municipal debt arises from a "culture of nonpayment" that can be reformed through legal sanctions. But the causes are economic, not cultural. According to Quantec estimates, the economies of the five most indebted cities have shrunk 0.6% over the past five years, while their population has grown 4.5%. In the same period the national economy expanded 4.1%, and SA's population by 7.7%.

Both Maluti-a-Phofung and Matjhabeng are in the Free State, which has been devastated by the long-run decline in gold mining. From 1994 the province's GDP grew at half the national rate, while its population climbed a quarter as fast as the country's. Matjhabeng, in the goldfields, posted a 2% decline in its GDP in the past five years and an 8% fall in its population.

Apart from the broader provincial malaise, Maluti-a-Phofung suffered from the elimination of subsidies to so-called border regions after the transition to democracy. The subsidies aimed to align industrial policy with apartheid residential restrictions. Once citizens were allowed to live where they wanted, efforts to maintain artificial industrial sites in remote rural regions ended, and most of the factories relocated.

The other three major debtor municipalities all suffered from the downturn in the steel value chain initiated by the 2008/2009 crisis and aggravated by unreliable and increasingly costly electricity. Eskom's relentless quest to squeeze more resources out of them by periodically interrupting their electricity risks cutting off diversification into new activities.

In short, the bulk of Eskom's municipal debt is



owed by cities that, if they were businesses, would be in business rescue. Rather than tolerating Eskom's counterproductive collective punishment of already depressed regions, we need a strategy both to increase the efficiency of the generation system and to clarify how to maintain services for communities that thanks to SA's deep inequalities and changing economic landscape cannot afford to pay the full price.

• *Makgetla is a senior researcher with Trade & Industrial Policy Strategies.*

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Robin Mills • 6 days ago

Gimi Gimi Gimi is a song for a new or attached anthem? The result however becomes impossible because the Wasted Years Heroes will have anyway consumed all that works, or once worked. And it cannot be fixed??!

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Thinus Marais • 7 days ago

As the saying goes, if I owe the bank R1000, its my problem, but if I owe the bank R1,000,000,000 then its the bank's problem.

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Leon Myburgh • 7 days ago

Eskom's culpability in this situation is beyond doubt. But these municipalities bear equal blame. For example, Maluti-a-Phofung's financials have been delivered late and had disclaimed audits and Matjhabeng is equally disastrous. These councils need to get there house in order first.

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lee Cat • 7 days ago

O shame, we must now try understand why people use electricity but don't pay for it? But meanwhile municipalities pay between 60 to 75% of the income on salaries....and yes, Bonases.

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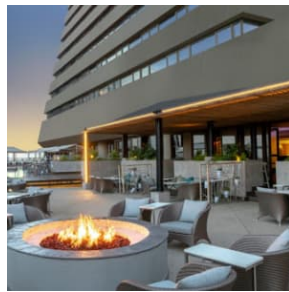
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