

Prof Raymond Parsons

Cell: 083 225 6642

MEDIA STATEMENT - IMMEDIATE RELEASE

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'THE NERSA DECISION TO GRANT ESKOM A 9.4% RISE IN ELECTRICITY TARIFFS IS BAD NEWS FOR THE ECONOMY AT THIS STAGE', SAYS NWU BUSINESS SCHOOL ECONOMIST PROF RAYMOND PARSONS

'The latest decision by NERSA to grant ESKOM an increase of 9.4% in response to ESKOM's application of 15% is bad news for the economy at this juncture. The immediate decision represents about 60% of what ESKOM requested and is approximately 50% above inflation. As the Chairman of NERSA points out, however, it follows on a previous rise of 4%, thus making for an overall rise in electricity tariffs of about 14% for this year. The net impact at local authority level will be greater in view of the usual 'add on' to electricity tariffs made by municipalities. At most, the NERSA decision on tariffs should have been capped to the inflation rate in present circumstances.

If combined with other current cost increases in the economy as well as the ongoing impact of load-shedding, an excessive increase in electric tariffs will now cumulatively hit both consumer spending and business costs. The ESKOM tariff decision unfortunately also comes at a time when the economic recovery remains slow and patchy. Forecasts of economic growth in 2019 will now possibly have to be reduced to about 1.3%, from earlier higher expectations of approximately 1.5% growth in the recent Budget.

The rise in electricity tariffs reflects much what has gone wrong in ESKOM. NERSA's intention to conduct further forensic investigations into the affairs of the power utility is therefore welcome. The NERSA decision emphasizes again why the restructuring of ESKOM to remedy the management, operational and financial failures remain urgent, if confidence in the role of ESKOM as a key player in the economy is to be restored'.

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