



24 February 2010

Press comment for immediate release

ESKOM'S TARIFF INCREASE MEANS MUNICIPALITIES CAN'T MEET SERVICE DELIVERY PRIORITIES

Today, Nersa, the energy regulator, granted Eskom a tariff increase of 24.8% for 2010, rising to 25.8% in 2011 and 25.9% in 2012.

This will mean that Treasury's equitable share allocation for municipalities needs to rise by approximately 10% in each of those three years, or by approximately R2.75bn in 2010/11, rising to R3.3bn in 2012/13.

The increased equitable share allocation in the 2010/11 financial year, as detailed by Finance Minister Pravin Gordhan in last week's Budget speech will offset the increased costs of electricity. However, the total allocation for the two subsequent financial years are barely sufficient to cover the increased costs of electricity, let alone the Minister's other objectives of extending basic services to the poor and offsetting the rising costs of electricity and water tariffs.

These figures rest on the assumption that there are no great efficiencies to be gained in local government over the medium-term, and that the entire equitable share is currently being spent on basic service delivery. "The latter assumption is not realistic," says Empowerdex economist Paul Berkowitz. "There is evidence of the equitable share being spent on other goods and services. However it is currently impossible to quantify the degree of 'leakage' in the system."

If municipalities are able to eliminate wastage and inefficiencies in basic service delivery, the current Equitable Share provisions could be sufficient.

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Note to editors

A detailed analysis of the equitable share breakdown as presented by Minister Gordhan in his Budget speech was distributed to the media last week but is attached below for ease of reference.

For more information

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