



Press Release



For immediate release

Inspire Engage Create
2 December 2009

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Eight out of ten people will battle to cope with the mooted electricity price rises - only a quarter feel they are justified

After initially asking for three annual electricity price increases of 45%, on 1 December Eskom reduced this request to 35% a year for three years. This comes in the wake of pressure from all political parties as well as Cosatu, with significant concerns being raised about the inflationary effects of such large price rises, as well as the impact on an economy still struggling to cope with the current recession. However, this price hike reduction also brings with it an increased risk of load shedding in 2011 and beyond, as well as a delay in implementing certain infrastructure developments. Many still feel that a 35% price rise is well beyond the means of ordinary people. Cosatu's Patrick Craven summed up the feelings of many by saying, "We are not impressed - 35% over three years is still a huge amount to expect consumers to have to pay."

But how do ordinary citizens *actually* feel about such high price increases? Do they understand the reasons behind these increases?

Over eight out of ten people feel that these price increases will be very difficult to cope with and only a quarter feel that the prices are justified by the need for greater power capacity. These are the results of a study released today by TNS Research Surveys, South Africa's leading marketing and social insights company. The study, conducted in November 2009 amongst 2 000 adults living in metro areas, showed that, across the board, such high price increases are of concern to people, with only those without electricity relatively unconcerned.

The increase in the price of electricity will be very hard to cope with

People were asked to agree or disagree with the statement "The increase in the price of electricity will be very hard to cope with". Whilst, overall, 84% agreed with this statement (10% disagreed and only 7% gave a "don't know" response), older people (88%) and the most affluent (90%) are amongst the most worried. Not surprisingly, those in shacks and informal areas are the least concerned (68%), mainly because many do not have electricity yet. However, there are considerable variations between cities with Pretoria and Cape Town having the highest levels of concern.

The price rise is not justified

People were asked to agree or disagree with the statement "The rise in the price of electricity is fair because Eskom needs to build more power stations". Just under a quarter (24%) agreed with this statement, whilst 67% disagreed and 9% gave a "don't know" response. Interestingly, middle income groups and those aged under 34 years are more accepting of the price rise (27%) than poorer groups (20%), the more affluent (19%) and those aged 50 years and over (16%). Blacks, at 30%, are the most accepting; all other race groups average 14%. There are again some differences by city with Pretoria, Cape Town, Durban and Port Elizabeth being the least likely to feel the increases are justified.

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		%s	
		Hard to cope with	Price rise is justified
Gauteng		82	29
	Johannesburg and environs	79	31
	Johannesburg excl Soweto	82	23
	East Rand	74	29
	West Rand	87	42
	Soweto	82	39
	Vaal Triangle/South Rand	78	35
	Pretoria	91	20
Cape Town		90	14
Durban		83	19
Eastern Cape		81	22
	Port Elizabeth	83	18
	East London	75	29
Bloemfontein		85	45

Our take-out

It is easy to see that this is a very emotive issue with most people feeling that it will affect them most significantly, whilst, at the same time, not feeling that the increases are justified. Whilst this is, no doubt, partly a result of years of very low cost electricity, it may be that the current situation has not been well handled. There are several implications for Eskom, NERSA and possibly even the Government in taking this issue forward;

- People do not buy into the reasons for the increases. This must be seen as a signal failure of communication by all parties to the problem.
 - It may seem that the need for more capacity has been aired at length in the media but it is clear that people do not yet truly understand the full consequences of a failure to build this capacity.
 - In addition, it is likely that people do not feel the increases are fair coming so high and in such a short space of time. No doubt, if increases had been implemented earlier and more gradually, this might not be an issue: it is the sudden need for price rises that is part of the problem.
 - People may well feel that the necessary money should come from elsewhere, such as Government or via the raising of loans.
 - People may well feel that the cost of the new capacity required is over-estimated.
- That this will lead to hardship for many is an almost unanimous view. It will also add inflationary pressures, creating a second round of hardship, as well as slowing economic growth, a third ripple effect.
 - This can only be minimised by a very active campaign to show people how to save electricity.
 - The use of practical alternative energy sources needs to be much more proactively championed. In particular, Eskom’s solar geyser programme needs to be made as simple, accessible and cost effective as possible. The Sasol/UJ solar panel initiative assumes a new importance.
 - All this has the positive knock-on effect of reducing South Africa’s greenhouse gas emission problem - due to our low-grade coal, much of South Africa’s emission problems come from Eskom’s electricity generation.

These findings show that electricity has become a political hot potato. It is also one that affects service delivery - it may be that the provision of power to those still without will slow significantly - another headache for Government with less than two years before local government elections.

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**Technical note**

The study was conducted amongst 2 000 adults (1260 blacks, 385 whites, 240 coloureds and 115 Indians/Asians) in the seven major metropolitan areas: it has a margin of error of under 2.5% for the results found for the total sample. The study was conducted by TNS Research Surveys (Pty) Ltd as part of their ongoing research into current social and political issues and was funded by TNS Research Surveys. For more details, please contact Neil Higgs on 011-778-7500 or 082-376-6312. www.tnsresearchsurveys.co.za

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