



Grahamstown Residents' Association

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Mr Zuhdi Hamza
Eskom Holdings SOC Ltd
Private Bag XI
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Dear Mr Hamza

I am writing to you on behalf of Grahamstown Residents' Association (GRA) concerning matters raised in your Notice entitled "Interruption of Bulk Service Supply to Makana Municipality" dated 7 December 2016 published in the *Daily Despatch*. GRA is a civic organisation in Grahamstown with over 730 members and growing strongly.

A major reason for the growth of civic activism in Grahamstown is because of the dysfunctional management of Makana Municipality (LM) and its inability to provide services as well as its poor financial management. From September 2014 until July 2016 Makana was under Administration due to its intractable problems and it still has a long way to go in implementing its Financial Recovery Plan.

Rhodes University, which accounts for a large section of the Grahamstown economy, is under extreme financial pressure arising from fees protests. The university is not in a position to weather extensive power outages and the extra costs that would entail. Grahamstown is also home of the National Arts Festival; should this have to move because of unreliable electricity supply, that would severely damage the local economy.

I am sure, through your negotiations with Makana Municipality, you are aware that their financial problems mean that on the one hand they have been inefficient at collecting revenue to such an extent and over such a protracted period that a substantial proportion is irrecoverable, and on the other they have run up debts with many service providers such that it will take years to pay what they owe.

Eskom is self-evidently in a powerful position to threaten the municipality and can force its way to the head of the queue of creditors to be paid, to the detriment, possibly terminal, of small businesses that cannot afford to nurse such debts. It is a matter of public interest that the current Eskom approach should not work in complete opposition to the government's aim to preserve and create employment.

The following specific objections that GRA wishes to bring to your attention are based on the best information we are able to source at time of writing. We would be pleased to be corrected on any points where we are misinformed.

- 1) It is unfair to punish electricity consumers who have been reliably paying their electricity bills, especially when they are doing their best to encourage Makana LM to manage its accounts properly.

- 2) Arbitrarily cutting power at peak times of day will cause unnecessary hardship to residents and businesses. It is also bad for Eskom's business as more people find ways to generate their own electricity supplies, including renewable energy. Apart from the practical reasons for people to safeguard consistent supply when Eskom can't or refuses to supply electricity, this threat is also very damaging to the Eskom brand.
- 3) Lack of due process: why has Eskom not taken Makana LM to court and or used other means to resolve this debt rather than the threat of punishing innocent residents and businesses?
- 4) The Makana LM debt has been heavily inflated by Eskom in August 2016 adding a R17-million interest charge. It is hard to see how Eskom could levy such a high interest charge on a debt that has averaged about R60 Million. It implies that Eskom are acting in a cavalier way adding extortionate rates of interest far above prime.
- 5) In August 2016 Eskom also added an 'adjustment charge' of R14-million which we are informed is connected to the Innowind Wind Farm Project. Under the circumstances, knowing that Makana LM lacks skills and organisation, surely Eskom could assist Makana to extract the correct fees from Innowind and then take what is due to Eskom from that money? That way Eskom gets paid without causing further financial distress for Makana LM, which adversely affects everyone living here.

There are more points that could be raised concerning the manner in which Eskom has sought to reduce the debt owed by Makana LM, but for the sake of clarity and brevity we are just bringing the above points to your attention.

It is good that Makana LM are being forced to face up to its indebtedness, which affects every aspect of its business and has a strong negative affect on service delivery in Grahamstown. We do, however implore you to:

- Consider other more effective tactics rather than the economic destruction that would be caused by cutting supplies in a very poor part of our country
- Review the extraordinarily high interest charge that has been applied by Eskom to the Makana LM account
- Adopt a supportive and helpful approach to resolving the R14-million adjustment, which should be treated as a separate item from the other long-standing debt
- Work with government to solve this problem systemically countrywide, as it is not a matter of one or two delinquent municipalities.

We trust that you will review these points in the spirit in which they are offered and we look forward to your response so GRA can pass correct information to our members. We want Makana LM to pay off all its debts efficiently, and Eskom is an important part of that agenda.

Yours Sincerely



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