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A nonprofit news agency promoting social justice. Seeking answers to the question: How do we make democracy work for the poor?

Electricity Tariffs: The Great Deception

A dispute over electricity tariffs in Msunduzi reveals underlying rot in our democracy.

By Cameron Brisbane · 3 Feb 2014



Picture credit: 24by7news.com

There has been an on-going protest for months in Msunduzi, home of the capital of the Province of KwaZulu- Natal, over swingeing electricity tariff increases that have caused indigent debt and hard disconnections to spiral and many businesses to downscale, relocate, or close shop. It has been wholly unreported in the national media -- nobody has been shot in the process, save one resident of an informal settlement when municipal security backed up by SAPS arrived to remove illegal cables. But there are lessons to be shared that reflect deeply on the state of our democracy and the accountability of government to its citizens.

What initially provoked the protests was the imposition by Msunduzi Municipality of a 10% tariff increase, before the National Electricity Regulator (NERSA) had considered an application from the municipality to

increase its tariff above the recommended 7 per cent. NERSA ruled against the application. The Municipality then decided to make up the resulting revenue shortfall by imposing massive hikes in the "basic charge". This is one of two fixed costs levied before you even switch on a light bulb, the other being an "MCB" charge, which is stepped according to the number of amperes your supply can carry.

Fixed costs discriminate against those consumers who can least afford it, because they form the largest portion of their account. Indigent households who rely on pre-paid electricity have for years paid higher tariffs for usage than customers on credit. But the cost to small businesses was astronomical – in the worst instance, their basic charge increased overnight from R49 to R661 per month. Forced to pass on their overhead costs to customers, the resulting loss of, or reduction in business, will cause not only job losses but also a loss of rates revenue – a case of the municipality shooting itself in the foot.

Vigorous lobbying by the Chamber of Commerce, unorganised local businesses, and civic groups kept the dispute firmly in the public domain until NERSA finally ruled earlier this month that the municipality had acted irregularly. It commented that, "tariffs were approved and communicated to you in the past and you implemented them correctly. However, in the current year the municipality implemented the basic charges and net ampere charges (MCB) separately resulting in double counting..."

In spite of full Council reversing the offending tariffs, the administration continues to be hell-bent on engaging with NERSA – for what purpose, when we are already halfway through the finance year? Purely to find a way of rebalancing the books – regardless of the fact that trust between the city and its citizens has broken down in the process, for the second time in five years. Mayor Chris Ndlela was quoted in the media as saying that he did not know people were upset over the tariff increases because he does not read newspapers and no one approached him directly. Formal submissions and verbal representations during the annual budget imbizo clearly fell on deaf ears.

To add insult to injury, the municipality received a qualified audit after being unable to obtain sufficient evidence for revenue from service charges. The Auditor-General reported to a full Council meeting on 22 January that 30% of meter readings on which revenue income from utilities was based were estimated over a period exceeding a year, and some meters had not been read for more than 8 years. Residents and businesses in the city have cause to be alarmed, apart from the impact it has on their bills and ability to have mistakes rectified.

Msunduzi was placed under administration in February 2010 after it was found to be bankrupt. That heralded a year of threats to jail corrupt officials, accusations that businesses were stealing electricity, and revenue enhancement and enforcement campaigns that went under the names "Operation Pitbull" and "Operation Chihuahua." In the process relations between the city, in the form of the Administrator, and citizens completely broke down.

The Built Environment Support Group (BESG), an NGO based in the city, had challenged the city administration at a major public dialogue in the previous year to set up mechanisms to improve public accountability and transparency. Political and administrative leadership resisted. Within a year the city went belly-up. In November 2010 BESG brokered discussions with Administrator Johan Mettler with a view to re-establishing a dialogue with citizens and giving a progress report on what he had achieved during his tenure. That materialised in the Msunduzi Stakeholder Forum, held in late January 2011.

Representatives from residents' and civic associations, the business community, NGOs and Community Based Organisations (CBOs), and Faith Based Organisations (FBOs), made repeated calls for more open

and on-going dialogue. Acting Mayor Mike Tarr appealed at the close of the summit, "We need your help." We rose to the challenge.

BESG had in the meantime moved its Deepening Democracy Project from an empowerment programme for CBOs to a pilot project in institutional transformation, from which lessons in participatory governance could be drawn for provincial; and national government. Its philosophy and methodology were drawn from the Constitution, Municipal Systems Act, and the 2009 National Turn-around Strategy for Local Government, adopted in direct response to the service delivery protests that were escalating across the country. All emphasise the need to engage citizens actively, but we seem to have become bogged down in a mentality that limits public participation to the right to vote once every five years. Sadly, the municipality emerged from two years of provincial administration to develop an institutional culture of high-handedness and unilateral decision-making, as evidenced in the current tariffs dispute.

Municipalities submit annual reports to the Department of Co-operative Governance and Traditional Affairs (CoGTA) claiming vast sums are spent on public participation. It is only evident in stipends paid to largely invisible ward committee members, media advertising, and the token "imbizo" held once a year to sing the praises of the municipality and tick a box on its compliance schedule. In the meantime service delivery protests escalated from two per month in 2007 to one every two days in 2012. Disaffection runs deep – a report by market research company Ipsos, quoted in the media on 20 January, states that there were more eligible voters who opted not to register or vote in the 2009 national and provincial elections than there were people who voted for the ANC – 43.4% as against 37.3%. Voting with one's feet reflects a sense of resignation that one's voice is not being heard and nothing will change even if one does speak out.

I was recently asked by a funder of our Deepening Democracy Project what I thought would be necessary to change the way in which local government works. My response was that it was impossible to contemplate without the party list system being replaced. As long as politicians are listening up to their masters and not down to the grassroots, and jobs are awarded through cadre deployment (even if cadres are "professionalised"), transparency and accountability will continue to elude us.

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