BusinessDay
NEWS WORTH KNOWING

State may go private with more of Eskom

Published: 2010/01/21 06:53:20 AM

HILARY JOFFE

THE government has given the first indication that it might consider selling stakes in some of Eskom’s existing power stations to raise cash to fund Eskom’s build programme, with a senior official confirming yesterday it was “open to all options”.

Government spokesman Themba Maseko told Bloomberg yesterday that a ministerial task team would look at all options, “including selling off some assets”, but said no final decision had been taken yet. The utility could not rely solely on increased tariffs to fund its expansion and alternative measures had to be explored.

Eskom already has the go- ahead from the government to sell a 30% stake in its planned new coal-fired power station, Kusile, to private investors.

But acting chairman and CEO Mpho Makwana told the National Energy Regulator of SA (Nersa) last week that Eskom did not have permission to look for private investors for its other stations.

Department of Public Enterprises spokeswoman Ayanda Shezi said yesterday that an inter- ministerial committee would explore, among other things, funding options for Eskom’s build programme. “A number of options are currently being explored, one of which is bringing private equity into the new build programme.”

However, Maseko’s comments, which came ahead of the Cabinet lekgotla that began yesterday, indicate the committee might go beyond equity stakes in new power stations to contemplate selling existing assets.

This comes amid growing pressure from business for Eskom to look to the private sector to help meet the spiralling costs of its R400bn new build programme, instead of relying mainly on tariffs or taxpayers’ money.

A study by economic consultancy Genesis-Analytics for AngloGold Ashanti and the Chemical and Allied Industries Association estimates a sale of the newest of Eskom’s old coal-fired stations, Majuba, could raise R32bn.

Allowing private power producers to take over the building of Kusile would inject funding of about R109bn over five years.

The study argues that bringing in private investors would allow for tariff increases of 25% or less over the next three years, instead of the 35% Eskom is requesting.

Businesses have warned that steep increases in electricity tariffs could undermine SA's competitiveness and persuade manufacturers to move elsewhere.

Nersa heard yesterday that drug maker GlaxoSmithKline, which employs more than 700 people in SA, might relocate its plant to India if electricity tariffs were raised by 35% every year for the next three years. Glaxo's head of engineering in Africa, Devan Pillay, said such increases would raise production costs at its Cape Town plant by 2%-3% a year. Pillay was quoted by Fin24 as saying some of its production had already been moved to India.

Human Sciences Research Council (HSRC) research identifies pharmaceuticals as one of only a few industries where electricity accounts for more than 4% of costs. In a submission to Nersa, HSRC executive director Miriam Altman warned that a sudden 35% electricity price hike could cause the loss of up to 50000 low- and semiskilled jobs, a 1,2% rise in consumer price inflation and a 0,1% fall in growth. With Bloomberg.

joffeh@bdfm.co.za