

Eskom hike has big pharma on the run

Pharmaceutical giant Glaxo-SmithKline has moved a major part of its manufacturing out of South Africa due to forecasts of a 35% electricity tariff hike, an executive told the National Energy Regulator on Wednesday, 20 January 2010.

Devan Pillay, head of engineering at GlaxoSmithKline's manufacturing plant in Epping, Cape Town, explained to the Nersa panel that the mere forecast that the electricity tariff could rise by 35% has been enough for the company to move a major slice of its manufacturing away from Cape Town to Nashik in Maharashtra in India.

Pillay was speaking at the energy regulator's public hearings in the Western Cape.

Nersa has held hearings countrywide on Eskom's proposed tariff increase of 35%. The last of the hearings will be held in Gauteng on Thursday and Friday.

Pillay urged the Nersa panel not to raise the price above the level of inflation, and when pressed for alternatives by Nersa board member Rod Crompton, he suggested a tax increase.

Pillay said: "I believe that Eskom's sole purpose should not be for profit.

"It should be giving industry in South Africa the competitive advantage to compete with the guys in India, the guys in China, the guys in Russia."

Also at the hearings yesterday, several organisations claimed in a joint statement that Nersa has already decided to rubber stamp Eskom's request for the tariff hike.

Cosatu, the SA Communist Party, the SA National Civic Organisation, the Young Communist League and the Treatment Action Campaign also said that the public hearings were "just a public exercise meant to mislead us [into believing] that Nersa has taken our views into account".

In the statement, the organisations warned: "We are ready to mobilise our members and the community at large in the event that the majority view is not taken into account by Nersa."

Nersa spokesman Charles Hlebela insisted: "Nersa has not yet made a decision regarding Eskom's proposed tariff hike - the decision will be made on February 24."

Cosatu Western Cape secretary Tony Ehrenreich told the panel that funding for Eskom's building programme must come not from tariff increases, which must not exceed inflation, but from taxes.

"Over the past 11 years we have seen that close to R149-billion has been given in tax cuts.

"This is just to pander to the wealthy to import a better Mercedes and buy a better computer facility.

"That funding can be used in defence of a key contributor to our future economic development," he said. - *Additional reporting by Inet Bridge.*

Source: Sapa

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