# The price of power - reactions to electricity tariff increase

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85% of our lower LSM South Africans deem the 31% electricity tariff hike as unacceptable, according to a survey released by market research company, Synovate. The lower hike of 15%, which applies to lower income earners, was also not received with any enthusiasm - 70% stating that it is unacceptable.

*The study was conducted with 1 000 adult South Africans who fall into the lower socio-economic groupings. Surveys were administered in metropolitan areas in the Eastern Cape, Free State, Gauteng, KwaZulu-Natal and Western Cape. Almost three-quarters of the participants earn a household income of less than R3 000 per month. Surveys were conducted between the 26 June and 3 July.*

With the electricity tariff increase announced on the 26th June, there has been widespread condemnation of the hike amongst opposition parties, unions and civil societies. “We wanted to speak to those South Africans that we felt would be hardest hit by the hike and gain an understanding of the consequences that the tariff increase will have on their everyday lives,” states Charlotte Jackson, Managing Director of Synovate.

“It comes as no surprise that our lower-income earners are not supporting the hike,” continues Jackson. “With the current economic climate, a 31% increase or even a 15% increase is likely to cause panic about making ends meet in many households across South Africa.”

Daniel Silke, Independent Political Analyst has the opinion that “lower-income South Africans are feeling the effects of a variety of economic constraints and the electricity increases will exacerbate the frustrations and concerns. Already, there is an increase in service delivery protests around the country - some turning violent. The increases will create a further sense of unease and can contribute to more social and political unrest at the fringes of South Africa's society.”

When voicing their reasons for not supporting the 31% hike, most survey participants, raised affordability (93%) as their primary concern. Some were disillusioned by the government (6%), harbouring the belief that free electricity was promised and that the government should pay, or at least intervene.

“Poorer consumers have been severely hit by the knock-on effects of the global recession and the domestic electricity hike is yet another body blow to hard hit consumers in this category,” states Silke. “Already reeling from a paucity of jobs, food price hikes and slower growth rate as a result of external factors (global), these consumers now face electricity increases caused by domestic factors such as poor forward planning and resulting excessive year-on-year price hikes.”

The minority who support the hike commented that it was fair, as long as everybody is treated equally (15%) and that the same tariff increase applies to all. 13% of these participants felt that the hike will be a good thing for the country and Eskom.

## Switch On / Switch Off?

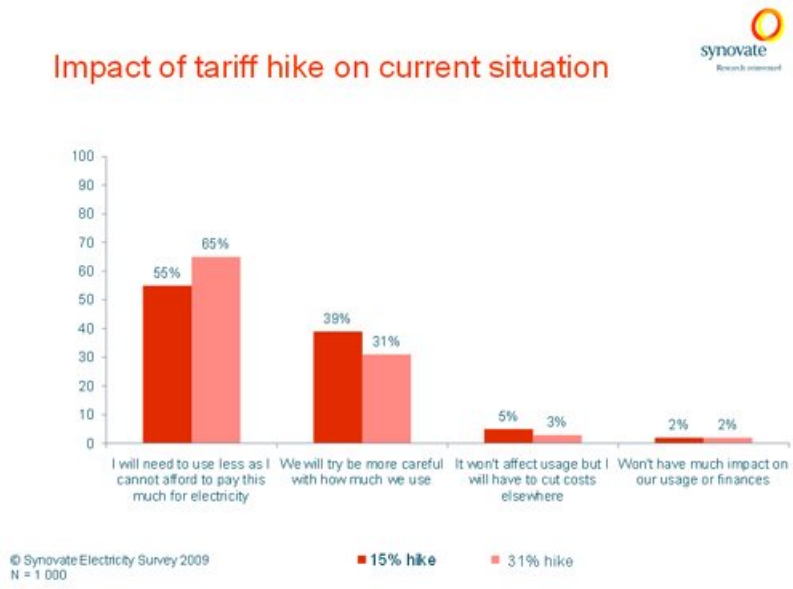
When asked about the impact of the 31% Eskom hike on current usage, the majority (65%) state that cutting down on electricity consumption is a must if they are to foot the electricity bill. Only 3% stated that they would be able to maintain the current amount of power being used - but on condition they cut costs elsewhere.

“While consumers will be forced to adjust their lifestyles to afford the increased payments, a sense of anger can prevail,” continues Silke. “Government really needs to offer added incentives to this beleaguered sector and to show real empathy. Any ruling party - be it the ANC at national levels or opposition parties in local government, will feel the frustrations from the

poor."

At the lower increase rate of 15%, the perceived impact was less severe but still more than half of the lower income earners said that they would have to cut down on electricity usage and 39% said that they would have to be more careful.

"With the increased awareness around electricity usage, due to both global warming, educational campaigns from Eskom and our local infrastructure problems, we hope that South Africans have *already* shown a reduction in the amount of electricity they use," states Jackson. "On the upside, this tariff increase and resulting reduction in usage may contribute to a smaller South African carbon footprint. But on the downside, this may mean that South Africans will sacrifice more of the day-to-day benefits that electricity allows. This could also lead to an increase in illegal activity, such as defaulting on payments or illegal connections."




## Current service illuminated!

Casting some light on the current electricity service delivery to homes, respondents reported low satisfaction levels. Over a third of respondents were dissatisfied or extremely dissatisfied.

Satisfaction with electricity service delivery was higher in KwaZulu-Natal where more than half confirmed that they were extremely satisfied or satisfied with the service they receive. Only 23% of Gautengers were happy with the service received, whilst a hefty 46% stated that they were either dissatisfied or extremely dissatisfied with service delivery. Some of the major reasons for dissatisfaction in Gauteng included the:

- *loadshedding and electricity cuts without notice (33%)*
- *overall poor performance delivered by Eskom (19%)*

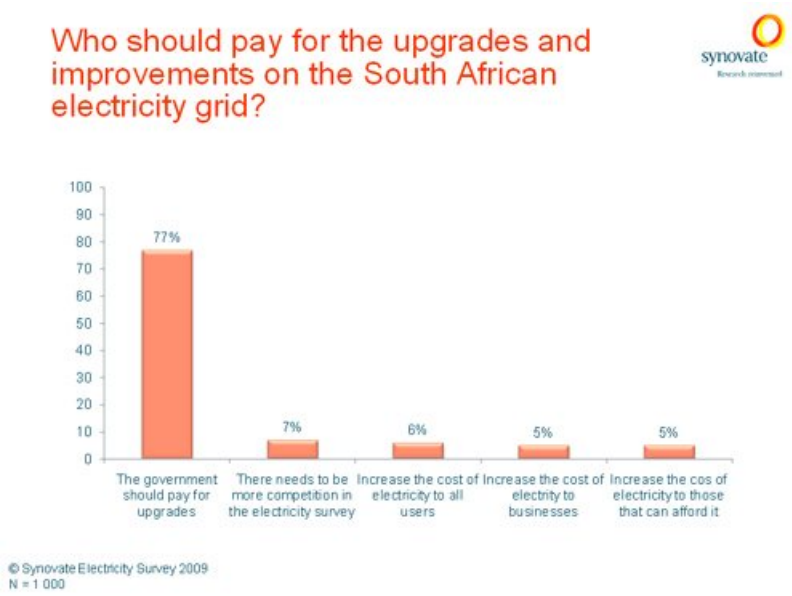
- *time taken to fix problems (7%)*

Average monthly spend on electricity among survey respondents was approximately R180. Even though the cost of electricity is comparatively low in South Africa, it is still not considered cheap for our lower income earners. Opinion about the **current cost** of electricity was divided, but very definitely leaned towards being expensive (48%). This was especially so in KwaZulu-Natal, where 62% of respondents consider the pricing on their electricity bill to be 'high' or 'very high'.

## Turning up the voltage

A key motivation for the electricity tariff hike is the desperate need for upgrades and improvements in our infrastructure and electricity grid. Synovate asked participants where they believe the money for funding these upgrades should come

from. Overall, 77% believe that this money should come from the government and this opinion was most pronounced in the Eastern (86%) and Western Cape (84%). Respondents from KwaZulu-Natal were likely to pin the costs on businesses after government (11%). A large amount residing in Gauteng (10%) felt that the solution would be to increase competition within the energy industry.

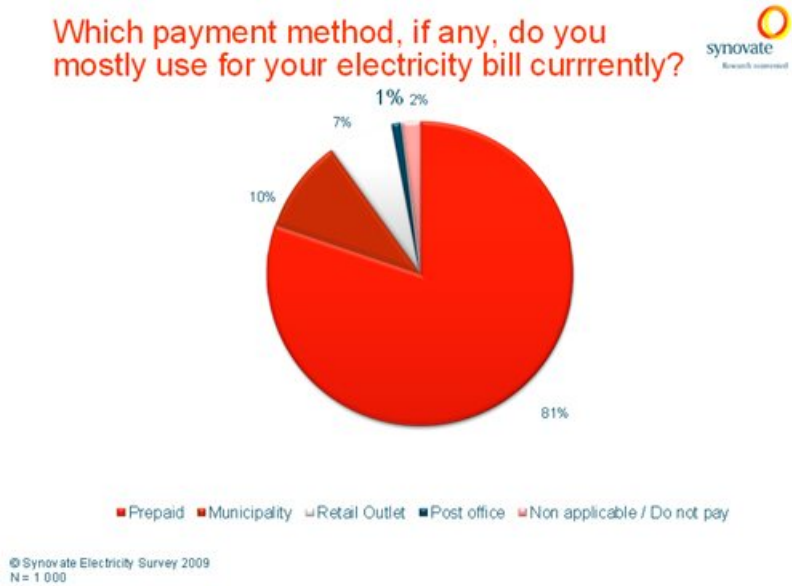



“Based on what we have seen in the press there are lots of South Africans who feel that an investment in wind and solar power would keep down electricity costs,” states Jackson. “It would be positive to see further investigations into these approaches as alternative methods to keep the costs down.”

Says Silke, “The very high annual price increases in the power sector are not understood by most consumers. Although power has effectively been far too cheap in SA for decades, the extent of these sudden shocks to the consumer's pockets will leave many questioning the efficiency of the governing authorities. Politically, this can result in a further alienation by citizens from their elected politicians and public representatives.”

## Paying for power

Synovate asked what the main method of paying for electricity in these lower income groups is. The overwhelming majority use pre-paid electricity. In the Eastern Cape usage of pre-paid is almost at 100% while in KwaZulu-Natal this figure is substantially lower at 60%.



**RDP Housing and Electricity usage**

- **51%** of those interviewed had applied for an RDP house
- Of those, **two thirds** have received one
- Typical waiting period was reported as **4-5 years** from application
- **21%** of those waiting for an RDP house believe that electricity should come **free** with an RDP house

## About Synovate

Synovate, the market research arm of Aegis Group plc, generates consumer insights that drive competitive marketing solutions. The network provides clients with cohesive global support and a comprehensive suite of research solutions. Synovate employs over 6, 000 staff in 121 cities across 64 countries.

More information on Synovate can be found at www.synovate.com and www.synovate.com/southafrica.


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