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## COMBINED CHAMBERS OF LYDENBURG, SABIE AND GRASKOP

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7<sup>th</sup> February 2018

Our Reference: IGR/SCCT - Eskom

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Dear Sirs

### ESKOM SUPPLY TO THABA CHWEU LOCAL MUNICIPALITY

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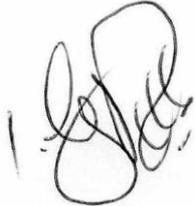
1. A meeting between the Chambers of Commerce / Business of Lydenburg, Sabie and Graskop (“the Chambers”) and the Municipal Manager of Thaba Chweu Local Municipality (TCLM) was held in the Mayor’s Boardroom at the TCLM offices on 13<sup>th</sup> October 2017. The purpose of the meeting was to examine the Eskom debt and to explore remedial options.
2. The Chambers suggested that a company called “Rural Maintenance” be engaged to take over the electricity distribution within the TCLM area in order to bring it back within sound management and to avoid the need for further punitive measures by Eskom. At the time, this suggestion was rejected by the Municipal Manager, stating that he is against any scheme with a profit motive (albeit that TCLM itself makes a significant profit on the distribution of its bulk electricity supply from Eskom).

3. It is believed that TCLM uses the profit from its electricity sales to fund salaries and other “operational expenditure”. It is further understood that although the TCLM budget for salaries is 26 % of its operating budget, the actual salary expenditure is running at 45 % (i.e. 73 % over-budget). This obviously raises the question of the number of staff and the salaries being paid versus TCLM’s ability to settle the Eskom debt. An explanation of this is required from TCLM.
4. On 13<sup>th</sup> October last year, punitive Eskom power outages were already in place and continued until 27<sup>th</sup> December 2017, by which time, many residents and businesses within TCLM had suffered significant damage. During that period, the Chambers launched a high court action against TCLM, Eskom and others (8 respondents in all) to have continuous electricity supply restored, even while acknowledging that Eskom should be paid for electricity supplied.
5. Also by that time other businesses and residents within Mpumalanga municipal areas had suffered the threat of the same fate. The Premier of Mpumalanga was then named as the ninth respondent and he acted to stave off further power cuts until 31<sup>st</sup> January 2018. In a recent high court hearing, it was ordered that a further extension would be granted until the end of March 2018 to give the Premier and TCLM time to devise a plan acceptable to Eskom, to avoid further power cuts.
6. To that end, the Chambers’ legal team suggested to the Premier’s office that the Rural option be re-visited and we understand that a presentation was given by Rural to the Premier’s office.
7. It also followed that a similar presentation was given to TCLM and the Chambers at the TCLM offices on 23<sup>rd</sup> January. It is further understood that the Municipal Manager was not in agreement with the terms proposed by Rural and, instead, wanted a profit split. This is not in the proposed business model because it cannot work, although Rural did propose paying TCLM a “royalty” (*by definition; a payment to the owner of a resource for the right to use their property*).
8. We are of the strong opinion that the Municipal Manager / TCLM is not really in a position to “negotiate a deal” and for the sake of the residents of TCLM, they should be exercising sound judgement (i.e. accepting the Rural proposal, or similar (although we are not aware of any other company offering the same service)).
9. Rural has a superb track record and is well known to Eskom and government. We believe that it would be irrational not to appoint Rural to save TCLM from further unnecessary debt and embarrassment and the consequential potential loss to TCLM’s constituents caused by Eskom power cuts.
10. Indeed, we see such an option as they *only* means, going forward, of ensuring that Eskom power cuts do not occur in the future.
11. TCLM, through its Local Economic Development Forum (LEDf) and similar entities wants to see significant economic growth in the TCLM area. It stands to reason that in order to attract investment, TCLM has to offer a stable economic environment. Given the massive indebtedness to Eskom and the fact that currently TCLM has no hope (on its own) of settling that debt in the foreseeable future, to guarantee a continuous power supply, (also given that TCLM is already on record for not covering other debts as well) we see no other option if TCLM wants to create a satisfactory economic investment environment.

12. Furthermore, we therefore request that the Chambers be provided with a monthly breakdown of payments from TCLM to Eskom until such time as a stable long term situation has been achieved.

In conclusion; **time is of the essence**, given that the solution has to be found by 15<sup>th</sup> March 2018. We therefore request that the Chambers be kept fully abreast of developments going forward (weekly feedback), as well as the opportunity to provide suggestions / assistance if we can. We look forward to receiving your positive response. Furthermore, we trust that the Officials listed in copy will ensure that TCLM “does the right thing” by its constituents and we look forward to receiving your assurance of same.

Kind regards

A handwritten signature in black ink, appearing to read 'G. Rees', written in a cursive style.

**Captain GWILYM REES**

*Chairman – Sabie Chamber of Commerce and Tourism, on behalf of the combined Chambers of Sabie, Lydenburg and Graskop*