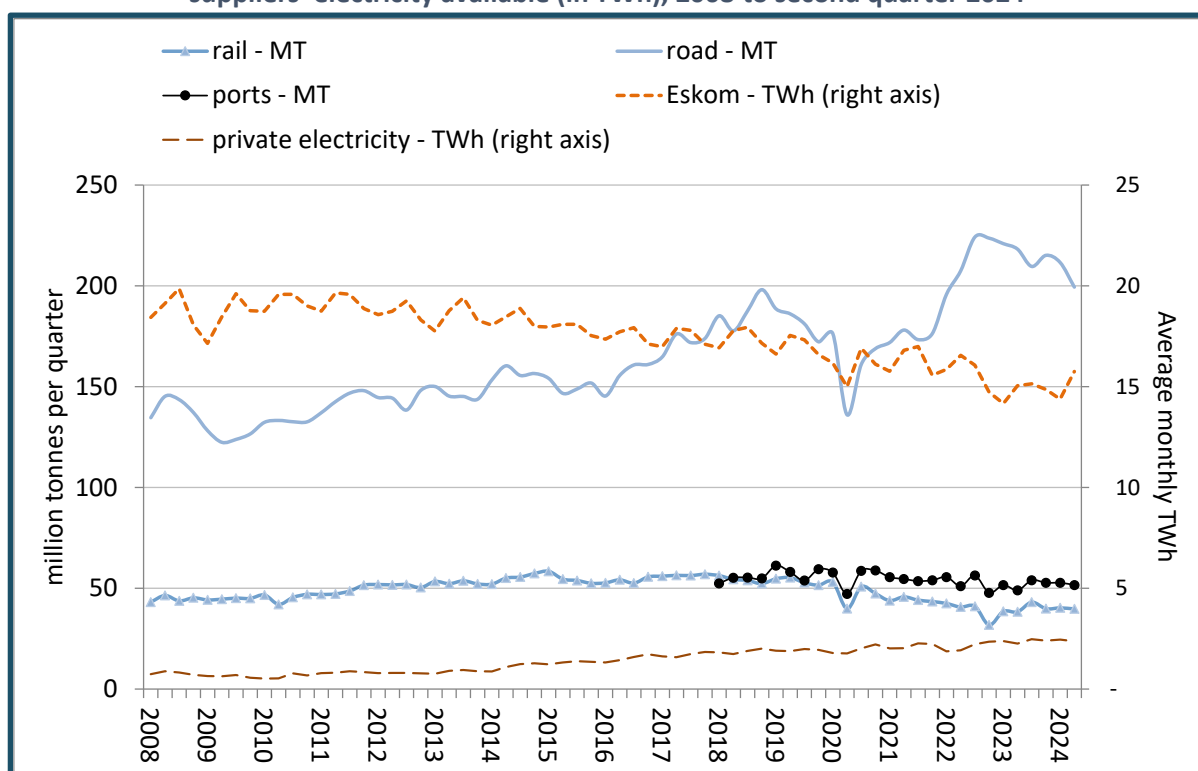


Infrastructure

From the mid-2010s, both Eskom and Transnet saw lower sales but higher tariffs. In the second quarter of 2024, electricity generation showed significant signs of recovery at both Eskom and private suppliers. Transnet rail and ports, however, declined further. In real terms, both electricity and rail tariffs increased faster than headline inflation.

Loadshedding virtually disappeared in the first half of 2024 after reaching historic heights in 2023. In the second quarter of 2024, the electricity available through the national grid was 4.7% higher than a year earlier. Nonetheless, national supply, excluding generation for own use by households and companies, remained at levels last seen in 2002. Eskom's supply to the grid jumped nearly 10% in the second quarter 2024, following a decline in the previous two quarters. Like the overall grid supply Eskom's output was 4.7% higher than a year earlier. (Graph 11) Eskom's supply to the grid remained below 2000 levels, however, having plummeted almost 20% from 2008.

Graph 11. Road, rail and ports tonnage carried (in million tonnes) and Eskom and other grid suppliers' electricity available (in TWh), 2008 to second quarter 2024



Source: Calculated from Statistics South Africa. Electricity generated and available for distribution. Excel spreadsheet from 2000; and Land Transport Survey. Excel spreadsheet. Downloaded from www.statssa.gov.za in September 2024. For ports, Transnet National Ports Authority. Port Statistics. Webpage. Accessed at <https://www.transnetnationalportsauthority.net/Commercial%20and%20Marketing/Pages/Port-Statistics.aspx> in September 2024.

Private supply to the grid has been essentially flat for the past six quarters. Still, as of the second quarter 2024, it was nearly twice as high as in 2008. The private share in grid electricity climbed from 4% in 2010 to 14% in the first half of 2024. In addition, off-grid electricity capacity climbed sharply as loadshedding spiked in 2023. SALGA estimates off-grid solar alone now has almost 5GW capacity, equal to nearly a tenth of the grid's installed capacity. Nearly half of the estimated solar capacity,

however, is not registered.¹ The end of loadshedding will likely see some slowdown in solar installations at households, small businesses and commercial buildings. It is unlikely to affect the huge planned investments in renewable energy in the mining value chain and other export-oriented manufacturing. These industries are concerned that they will face barriers to foreign sales unless they move away from coal-fuelled electricity.

The price of grid electricity has exceeded CPI consistently since 2008. The price index for household electricity and other fuels, excluding petrol, rose some 350% above headline CPI from 2008 to mid-2024. In the second quarter of 2024, it was 15% higher than a year earlier, while headline inflation had risen only 5%. The rising price of grid electricity has encouraged growth in off-grid generation.

The decline at Transnet since the mid-2010s has been less marked than at Eskom, but has accelerated in the past five years. (Graph 11) The tonnage carried by Transnet rail fell 17% from the second quarter of 2019 to the second quarter of 2024, with most of the decline coming after 2023. Freight through the ports dropped 6% in this period, virtually entirely from 2022. The decline in tonnage results in part from inadequate facilities to maintain locomotives and cable theft.

For the 2023/24 year, Transnet's auditors expressed concerns about its viability as a going concern because its losses rose to R7 billion, up from R5 billion a year earlier. Transnet's revenues peaked in 2018 at R97 billion in constant (2024) terms. In the year to March 2024, its revenues were 17% below the peak, although they had recovered 5% from 2022/3.

Volumes transported on road freight were far more volatile, but stagnated from 2019. The share of rail in total freight transport, by weight, dropped from over 25% in the mid-2010s to 15% in 2023, but recovered to 17% in the second quarter of 2024.

In contrast to Eskom, Transnet tariffs were mostly flat in the 2010s. They dropped sharply in 2021, but then recovered, rising 8% in constant rand in the three years to the second quarter of 2024. In contrast, the average cost per tonne for road freight declined almost continuously from 2008, dropping by over a third. From 2017, road freight was, on average, less costly than Transnet. Transnet's bulk ore and coal routes remained competitive, however, since they charged far less per tonne than container lines.

¹ SALGA. 2023. Status of Embedded Generation in South African Municipalities. South African Local Government Association. December 2023. Accessed at <https://www.sseg.org.za/wp-content/uploads/2024/02/Status-of-EG-in-South-African-Municipalities-2023-FINAL-2.pdf> in September 2024. Page 16.