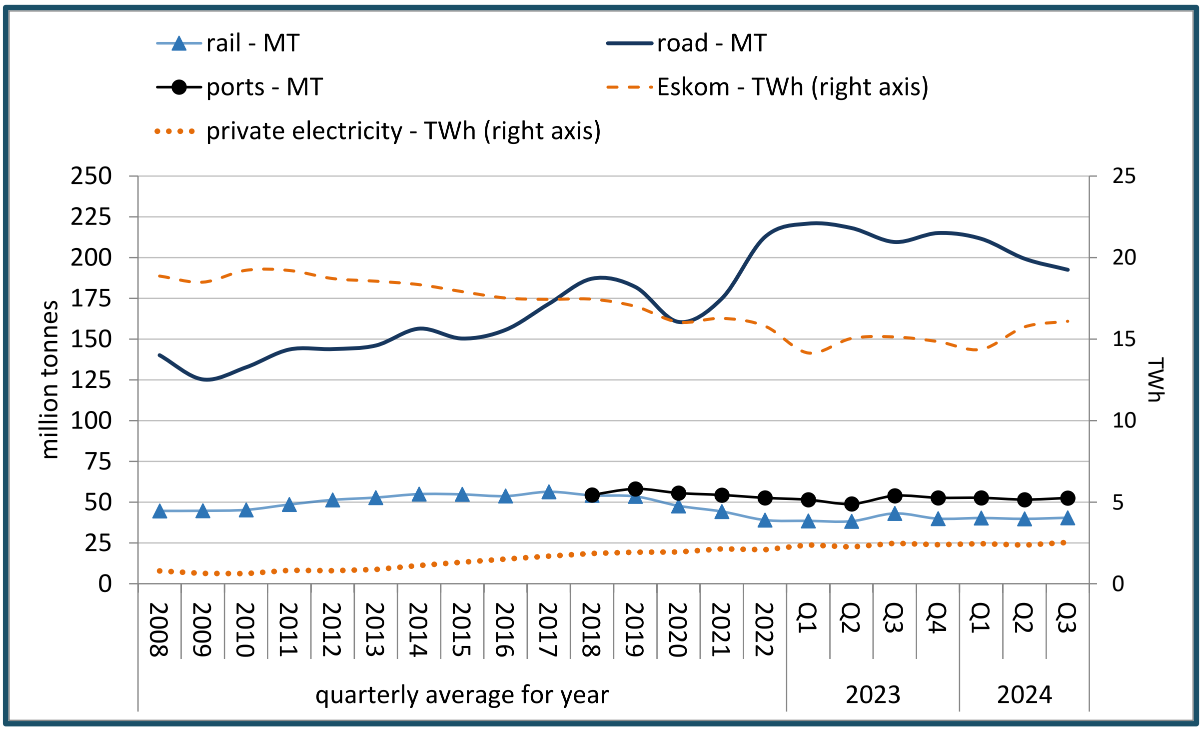
Infrastructure

In volume terms, services provided by the national electricity grid, rail and ports all expanded modestly in the past quarter. Eskom is now back to levels of supply last seen in 2020, and has not loadshed in more than six months. Financing further improvements remains a point of contention. In this context, Eskom has applied for a 36% increase in tariffs in 2025, which would push its revenues up to 6% of the GDP.

In the past quarter, volumes carried by Transnet and shipped through the ports, in tonnes, climbed by almost 2%. Road freight, however, continued to decline, presumably due to slow overall economic growth as well as port delays. Electricity supplied through the grid increased by 2.8%, returning it to levels last seen in 2019. The recovery the national electricity supply largely reflected increased private sales to the grid, which rose from 10% of the total in 2019 to 14% in the third quarter of 2024. (Graph 12)

Graph 12. Road, rail and ports tonnage carried (in million tonnes) and Eskom and other grid suppliers' electricity available (in TWh), 2008 to third 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 November 2024. For ports, Transnet National Ports Authority. Port Statistics. Webpage. Accessed at https://www.transnetnationalportsauthority.net/Commercial%20and%20Marketing/Pages/Port-Statistics.aspx in November 2024.

Rapid growth in independent generation by businesses and households alleviated pressure on the national grid. In the year to the third quarter, registration of new off-grid capacity with Nersa climbed by four GW, with half in the latest quarter alone. That reflects a stabilisation of growth compared to the previous year, and a 40-fold increase over 2021. The year to the third quarter of 2024 also saw a substantial increase in the share of projects with capacity of over 100 MW, most of which support large-scale industrial projects rather than households or commercial sites. Continued large-scale investment in off-grid capacity reflects both declining costs and continued concerns about reliability from both Eskom and municipalities, especially in Gauteng. The high up-front costs, however, mean that the main direct beneficiaries are large formal businesses and high-income households. In 2023, over one in 10 of the richest decile of households had solar panels, compared to one in a hundred for the rest of the population.

While the basic supply of electricity and freight transport has stabilised, disputes about how to finance future improvements persist. The options include higher tariffs for users; measures to attract private investors; subsidies from the fiscus; and increased borrowing, which should in theory be paid by future users of the services. Each of these solutions distributes the cost differently between stakeholders and over time. Given slow economic growth and deep inequalities, all are heavily contested.

In October, the Treasury’s Medium Term Budget Policy Statement (MTBPS) argued strongly that the only way to mobilise sufficient infrastructure investment would be through new public-private partnerships. This stance reflects in large part its adoption of a tight fiscal framework, with non-interest spending held around 0.2% below inflation. In this context, the MTBPS committed to new measures to encourage private investment in public infrastructure. It did not, however, discuss how to make the provision of public infrastructure or bulk services to low-income communities profitable enough to attract private investors. If the only way to cover costs proves to be substantial increases in tariffs, the results may be social resistance as well as falling demand, as shown by the experience of the Gauteng toll roads and Eskom electricity.

In October, the Parliamentary standing committee on public accounts effectively took a very different approach. It argued that government should provide more than R200 billion to Transnet and PRASA to enable them to return to pre-pandemic service levels. Presumably the funding would have to come out of national revenues, adding to the pressure on other government services.

Finally, Eskom has called for price increases that would add over a third to its revenues in the coming year. If the regulator grants these increases, Eskom’s sales would jump from around 4% of the GDP in 2024 to 6% in 2025. In the mid-2010s, they absorbed under 2% of the GDP. Eskom also wants to increase the cost of going off grid, presumably to prevent a further customer exodus. That proposal goes against both the Treasury’s strategy of crowding in private investment and the push to reduce dependence on coal-based generation.