

## Editorial

## A violation

There are two sides to every story and then there is the truth. All a journalist can ever be expected to do is to tell all sides of a story and be fair in the telling. But this can be difficult when one party withholds comment.

It is also unfair to withhold comment and then slam the media for not telling the full story. This was the case following coverage of allegations that a boy, 16, from Edgemoor High School was sexually assaulted by team mates while on a rugby tour.

The school withheld comment leaving journalists with only one side of the story. Silence can distort information. It's a pity the school chose not to confront questions around the case openly and directly.

As for the media, we too have a responsibility to avoid creating false perceptions. In this case, the boy's father has challenged the use of the word "rape". But whether this boy was sexually assaulted, "raped" or just at the receiving end of a prank aimed at humiliating him, there is no getting away from the fact that a broomstick placed between the cheeks of his bottom and without his consent, is a sexual act that violated him and has warranted all the media attention and debate that has followed.



Colin Brown took this picture of a jetskier taming the waves at Blouberg on Sunday afternoon.

# You pay as City coins it

An alliance of civic bodies has accused the municipality of hiding from overburdened ratepayers how much profit it makes from electricity.



CLEMENT DEANE

The Greater Cape Town Civic Alliance has accused the City of being economical with the truth in its annual budget.

The alliance's treasurer, Henri Wolfaardt, said it objected to the R9.3 billion budget, claiming it fudged the cost for electricity as well as the profit the City made from it.

The alliance said the City claimed to make R1.5 billion on electricity sales, but was actually making about R2.4 billion through clever accounting. Mr Wolfaardt went so far as to liken the City's budget to a toffee apple – sweet on the outside, but sticky and difficult to chew.

"To outsiders the published data is as clear as mud. You have to dig, put bits and pieces together, and in some instances search through information published by government departments, like the National Treasury and National Energy Regulator, to get certain info," said Mr Wolfaardt.

He said the City, which is allowed to add a 10% surcharge on its sale of electricity, has actually coined, on average about 38% in profit over the past five years.

He said, however, that the worst was yet to come. The alliance expected the City to increase rates over the next five years to such an extent that the residents would be asked to pay a mark-up of at least 77% on electricity sales.

Mr Wolfaardt believed the City had hidden the truth from residents.

"The City appears to plan its expenses to what it thinks it can get away with, always claiming to keep affordability in mind. I cannot recall one survey where the paying public have been asked for their opinion on affordability. The 10% surcharge on electricity has been

charged for many years, as acknowledged by the City. What they carefully avoid answering is how, when and where residents had been informed of this concealed surcharge," said Mr Wolfaardt.

What the numbers mean is that, according to the alliance, the City has concealed the surcharge as a cost instead of as a charge to consumers. This inflates the actual cost the City pays to Eskom for electricity and this gets passed onto residents. It would be the equivalent of going into a shop, being allowed to see the cost of each product, but not being told that part of the mark up was worked into the cost price. So if you bought a pizza for R30 and could see it cost R20 to make, the pizzeria would make a neat R10 profit. However, with the hidden 10% surcharge, which you are not told about initially, it would mean they were actually making R13 on the pizza. By hiding the R3 surcharge – which means additional charges – in the cost of the pizza, it gives the impression that the pizzeria's costs are higher than they are. This is the same argument the alliance has made about the City's budget.

Mr Wolfaardt said by hiding this surcharge in the cost of electricity, it meant it was subject to VAT, which increased the cost to residents. The 10% surcharge of R937 million would, therefore, actually be R1.068 billion.

"According to the information provided by the National Treasury, the surcharge should be disclosed on monthly bills, and should not be subject to VAT. The City must state where surcharges are clearly disclosed. The City has not informed the Greater Cape Town Civic Alliance, or the public at large, of any alterations or changes to its budget," said Mr Wolfaardt.

The City hit back and said its surcharge was, in fact, above board. Ian Neilson, executive deputy mayor and mayco member for finance, said the Constitution allowed for surcharges to be levied on municipal services. He said the City had included a 10% surcharge



PICTURE: JOCELYN ADAMSON

The City is accused of hiding the full profits it makes from electricity.

on electricity sales for many years and there was no change to this practice on the current budget. The income generated from electricity sales made a contribution towards health services, libraries, community hall and street lighting, among others.

"In fact, if the contribution to rates was removed from the electricity tariffs, all that would effectively happen is that rates would have to increase to recover the lost income," said Mr Neilson.

He said that, since the electricity customer base was larger than the rates' customer base, this would mean that ratepayers would be worse off in the long run. People with properties valued less than R200 000 did not pay rates, but still required electricity, so ratepayers would have to foot the bill if the City decided to drop the surcharge, said Mr Neilson. However, he did not comment on the alliance's calculation that the City was making far more (almost 40%) than the surcharge in surplus.

Mr Neilson said the City had never hidden the cost from anyone who asked and the existence of a contribution to the rates account by electricity was mentioned in the Budget Report. Furthermore, the City's Water and Sanitation did not budget for a profit and, instead, recovered the cost from electricity sales.

"The City's population is constantly growing – it has grown by about half a million people over the past five years – meaning that the City has to constantly increase the size of its budget just to keep services at the same level. We are satisfied that the budget has grown by

less than the growth in the city and the growth in inflation, meaning that we have been able to provide improved levels of service to a bigger population at a more effective cost," said Mr Neilson.

However, the Cape Town Chamber of Commerce felt that the City's ever-expanding budget was generally not in relation to population expansion or Eskom's tariff hikes. Chamber of Commerce media consultant, Tony Robinson, said they were concerned about the effects of the high cost of electricity and felt the City should be working hard to reduce the impact of the increases. He said the chamber was particularly concerned about the high tariffs for business, and that the City relied "far too much" on its income from electricity. Mr Robinson said the City should review the way it determines tariffs because the high Eskom increases had changed the economic landscape.

"Budget revenue has increased from R3.3 billion in 2007/2008 to R9.3 billion this year. This means their revenue has increased three-fold in five years. That's a huge increase and it's not all Eskom's fault. The surcharge is R925 million and we have to pay 14% as VAT on that amount. That's about R130 million that the City is giving to the government. It's money we would not have to pay if the City used non-VAT sources like rates to raise money," said Mr Robinson.

He said there were two components to an electricity bill. One was for the energy the City bought from Eskom; the other was the City's own cost of distribution, service and administration. The City's costs,

which are about half a domestic account, should rise in line with inflation, but they had instead been increasing roughly at the same rate as Eskom's tariffs, except for the last two years. Mr Robinson said this year, Eskom tariffs had risen by 16% while the City's had gone up by 11%, which was how it should be done.

The City believed these increases were justified despite calls from the Greater Cape Town Civic Alliance to absorb some of the cost to save consumers during tough economic times. Mr Neilson said there was always a need for improvements which was why they must raise the revenue through increased rates.

"We have to prepare the city for the future – such as improving its water supply, sewerage treatment and public transport for the economy to grow and to improve the incomes of its citizens. The City constantly strives to reduce inefficiencies and ensure the appropriate and most efficient use of ratepayers' money. The City has also made the reduction and removal of red tape within its bureaucracy a priority. Our recent credit rating and eight consecutive unqualified audits attest to our financial probity and sound financial management."

But, the alliance was still not convinced. Mr Wolfaardt said they questioned the City's expenses, which had not increased as dramatically as the tariffs, and the affordability of their expansion. In fact, he said the City's expenses were slightly exaggerated considering it had increasingly relied on outsourced labour and that their employment numbers, which accounted for a third of the budget, were down.

"SA is struggling to get out of a recession, many businesses have had to close or scale down, many people lost jobs or have to work shorter hours, yet the City has seen fit to keep spending more as if there is no shortage of money. The City would like us to think that service levels have increased in line with expenses. Of course those who get free or subsidised services will be impressed, but those who actually have to foot the bill feel they are getting less for more money," said Mr Wolfaardt.



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