

“Why are we in this situation” and “Who’s to blame”

For simplicity sake and your own interpretation, let us use the analogy of a non-profit technical business that needs to have specialised motor cars on the road delivering a reliable and cost effective life supporting product to customers nonstop 24/7, an explanation of “why we are in this situation” and “who’s to blame” follows:

Your semi-private non-profit technical business needs to have specialised motor cars on the road delivering a reliable and cost effective life supporting product to customers nonstop 24/7. You, as an experienced engineer and manager, wisely decide to purchase an extra number of specialised motor cars (established a spinning reserve) to be used alternatively so that when one needs to be maintained the other is available for deliveries. Great, everyone is happy, especially your customers for the excellent reliable service. The work (mileage) is shared between the cars and due to low mechanical stress, no overload driving, on well-maintained roads, with good quality fuel, well maintained through regular planned maintenance by excellently trained and experienced in-house mechanics with readily available spares, the cars are in excellent condition and will exceed their normal life expectancy. You have financially planned (saved and invested funds) for the timely (as the lead-time before delivery of a car is in years) replacement and planned expansion of your fleet of specialised motor cars, keeping up with the life supporting product demand and latest changes in technology. Other businesses respect your good technical management with well trained and experienced personnel, as it has led to one of the best non-profit long-term reliable and cost effective life supporting product delivery systems in the world, boosting the economy.

Due to lower than expected economic growth, your business has overestimated the need for specialised motor cars on the road delivering life supporting product to customers. Thus, you have a surplus of specialised motor cars. Your business is now perceived by politicians as technically too conservative. Your business is joined by non-technical managers, who decide to take out of service, “mothball” some of the older motor cars, and not to purchase any more specialised motor cars, “financially we don’t need this surplus”. Further, your new managers reduce the staff by mainly retrenching the well trained and experienced in-house mechanics and decide to sell the strategic spares, “we are wasting funds on being overstaffed and technically too conservative”. They set long term contracts to deliver product to some customers at below market value prices. Your business, now showing good yearly financial profits, has changed from being technically managed by engineers to financially “efficiently” run by “bean counters” with new controls (Red Tape) to manage the bottom-line. Unfortunately remaining “Quiet” engineers just toe the line and do not push hard enough for the correct long term technical decisions to be made.

Political partners also join and now fully control the business. You allow that funds you have been saving for new cars are spent, mainly on previously non-serviced customers, and the cost of delivering product is also reduced. They are hoping that external investors will support this initiative and supply, operate and maintain the specialised motor cars your company may need in future, as reliable and cost effective as you are doing in-house. Unfortunately this cannot be financially viable for external investors, as your product delivery price is of the cheapest in the world. Further losses of technical staff occur, more administrative and inexperienced personnel are selectively appointed with strict and lengthy procurement rules to mostly outsource the maintenance and servicing. Then, the life supporting product delivery business control board decides you are not allowed to increase the product delivery cost in line with inflation and in addition, you are forced to deliver product even if the customer does not pay. Other factors, such as the deteriorating condition of the specialised motor cars, the rising cost of fuel (percentage wise higher than your cost increase to delivering life supporting product to customers) coupled to a decline in quality and availability also affect your ability to maintain your quality of supply. Your distributing partners (bulk customers, non-paying at times), are very pleased with the board’s decisions, as they are now able to support their own businesses for “free” with enhanced profit taking and inflated retail pricing of the life supporting product to their customers. The end customer is under the impression that you are to blame for the now less reliable supply at higher costs. You warn all involved, to no avail, that this is not sustainable and will lead to a catastrophe, as the time to repair and purchase new specialised motor cars will take years and the costs involved to do so is increasing by the day. Your partners decide that the funds spent on the previous non-serviced customers are giving the business a good name, and yes you are still keeping the cars running, still delivering life supporting product and showing some profit – so what’s the problem?

This finally results, as predicted, in a situation that all the remaining specialised motor cars delivering life supporting product to increasing customer numbers, nonstop 24/7, are deteriorating faster than expected, partly due to overloading, fuel issues, low/no maintenance, with the cars severely mechanically stressed. Limited spare motor cars ("spinning" reserve margin) are available, thus fewer can be scheduled for maintenance. Due to "Red Tape" and additional rules, this results in higher costs and longer repair times than what was normally planned. As a responsible company, you again warn all involved that this is leading to a situation where most of the specialised motor cars will be out of order and that you will finally be unable to supply life supporting product to customers ("blackout"). With the writing on the wall, your partners allow the purchasing of new specialised cars. However, this must still be done under the strict and lengthy procurement rules and scrutiny by the board and partners (in some cases for their own benefit). The lead-time for delivery of a new specialised car is years, thus it is already too late to save the existing fleet, and further external political restrictions will result in far higher costs and longer lead times than is the expected norm. You are now finally forced (due to the lack of a "spinning" reserve margin) to regulate usage (controlled load shedding) as well as trying to stabilise the cost of delivery (still restricted by life supporting product delivery business control parties) to customers, so as to be able to repair motor cars that break down and be able to hire/purchase others at high cost, all in the name of keeping the wheels rolling to deliver product. Your company now has serious financial and technical challenges and you are unable to deliver a reliable and cost effective life supporting product to customers nonstop 24/7. This painful situation, will take years to correct, provided the correct decisions and actions are implemented.

Blaming one another is not going to resolve the problem at hand. Forget about Jan van Riebeeck, apartheid, affirmative action, black economic empowerment, Eskom management salaries and bonuses, procurement problems, need for well trained technical personnel, supplying power to adjacent countries and large users below cost, people not paying for electricity, lack of cost-reflective tariffs, government taking over full control of Eskom as SOC in order to obtain profits which included the new build reserve money and delaying the establishment of new power stations, politicians, corruption and greedy trade unions etc. as claimed by some as being the root cause of our power shortage.

Let's rather try and understand the situation we are in - what are we able to do at home to assist and survive, to live comfortably with the controlled load shedding of the electricity supply and prevent or survive a country-wide "blackout", should it occur.

Eskom should be run as stated by Dr Hendrik van der Bijl - *"It is not the Government's function to do everything for its people, but that it is its duty to create conditions that will encourage enterprise, not the type of enterprise that results in the unfair enrichment of some at the expense of others, but enterprise that results in equitable distribution of all the benefits."* Thus, Eskom should be run as NPO supplying safe, reliable and cost effective electricity to all South Africans so as to create a stable economy and improve quality of life.