Fuel prices, electricity tariff hikes should be gradual, says Haabazoka

By Gift Chanda in Lusaka and Misheck Wangwe in Kitwe

HIKES in fuel prices and electricity tariffs should be done gradually to cushion the negative impact on consumers whose incomes increase only by small percentages, says Copperbelt University business lecturer Dr Lubinda Haabazoka.

And the Zambian chapter of the Consumer Unity Trust Society (CUTS) International says the government should review its decision to increase fuel prices following the scrapping of the fuel subsidy.

Meanwhile, the boycott by public transporters in Chingola entered day two yesterday, leaving many travellers stranded.

Last week, the government removed fuel subsidies, effectively hiking fuel prices by an average of 21 per cent.

State-owned Zesco has also proposed to the Energy Regulation Board (ERB) a 25 per cent hike in electricity tariffs.

Commenting on the developments, Dr Haabazoka said the increase in fuel prices by over KR1.50 would have a negative impact on economic growth.

"The increment will push the cost of doing business due to increased transportation costs and energy costs as most businesses use generators to power their tools of production during the frequent load shedding," he said. "It is true that government wastes a lot of money subsidising fuel and other products like mealie-meal but the scraping of the subsidy was supposed to be done gradually."

Dr Haabazoka said it does not make sense to remove the subsidy when the same government abolished the fuel levy.

"What government was supposed to do was to re-introduce fuel levy and reduce the subsidy gradually so that the heavy price burden on consumers is [not] suddenly felt," he explained. "Zesco on the other hand should defer their 25 per cent proposed increment on electricity tariffs as this will be a major blow to citizens and businesses. Such increments should be done gradually as income of citizens increase only by small percentages."

Dr Haabazoka further said the notion that the increase in fuel prices would only affect the rich and not the poor is baseless because all goods consumed by both the poor and rich must be transported from their production sites to the shops.

"The rural areas also heavily rely on fuel to run their hammermills and generators so the question affects the whole nation," said Dr Haabazoka.

And CUTS International Centre coordinator for Zambia Simon Ng'ona also agreed with Dr Haabazoka's views, saying the removal of subsidies on fuel prices would negatively impact both consumers and producers.

"What is also apparently shocking with this development is that the increase has not been accompanied with a grace period to allow local manufacturers, producers and consumers to adjust to the new prices," he said. "CUTS contend that the removal of subsidies is untimely and will have detrimental effects on the economy and consumer and producer welfare. The government needs to revisit this development."

President Sata last week explained that the scrapping of the fuel subsidy will enable the state save resources for proper implementation of all government programmes and projects.

The head of state said it was necessary that the subsidy on petroleum products, which has been a burden on state coffers for a longtime, is removed and consequently the price of fuel adjusted upwards in order to attract wider social benefits for the general populace.

"But the government is forgetting that it has been spending huge amounts of monies on unnecessary by-elections and these monies could have been directed towards developing economic and social sectors," said Ng'ona.

Meanwhile, public transporters in Chingola have continued with their boycott which started on Sunday following the government's directive that bus fares should not be increased.

The public transporters in the district increased bus fares by K500 (50 ngwee) following the hike in fuel pump prices by an average KR1.69 after the government's decision to scrap fuel subsidy.

Hundreds of commuters, some of whom work outside Chingola, were left stranded yesterday morning as many public transporters with red number plates vowed not to resume work until the government allows them to raise fares.

Chingola district commissioner George Sichula said pirate taxis and private vehicles from Chingola had taken advantage of the situation and were ferrying people to various destinations, including local and inter-mine routes, from one district to the other.

"Very few red numbered vehicles which are by law public transporters are working here but this crisis has somewhat been cushioned by private vehicles that have taken advantage of the situation, which is not right and it's an illegal activity. That's why we are appealing to the public transporters to resume work as government engages everyone involved to find an amicable solution. The government's stance over this issue still stands that the 50 ngwee increment they effected was illegal because it was not sanctioned. Procedure must be followed," said Sichula.

Bus drivers in the district have contended that they would be operating at a loss if they resume work on the old fares, hence their decision to park their vehicles while awaiting the government's decision on the proposed fare increments.