



GOVERNMENT TAKING T&T BACK TO THE DARK AGES

Examining the RIC's proposed rate hike



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SHINING A LIGHT ON THE ISSUES

The Regulated Industries Commission (RIC) has proposed increases to residential and commercial electricity rates in Trinidad and Tobago. These rate increases are coming on the heels of a post Covid-19 pandemic economy that is grappling with skyrocketing inflation and high unemployment.

There are several flaws in the RIC's methodology in arriving at their proposals, which are illustrative of the government's flawed approach to governance and economic management.

Firstly, the manner in which the RIC has conducted its "public consultations" leaves much to be desired. The mechanism of these consultations, as well as the tone of the RIC and the government, suggest that the rate increase was a forgone conclusion. Therefore the consultations appear to be little more than bureaucratic box-ticking for political expediency.

Secondly, the use of 10-year-old data by the RIC in crafting its impact assessment on consumers does not reflect the realities of today's economy and the burdens consumers face.

Until the RIC can address these two issues, there is no basis that can justify proceeding with the proposed increases in electricity rates.

Additionally, a corollary function of the RIC is to instil confidence in the population that T&TEC is operating with maximum efficiency and productivity. It is clear that that the RIC has not done this, and it has lost its independence. The RIC is now towing the line of the Government which intends to make citizens pay for its own gross mis-management of the Trinidad and Tobago Electricity Commission, through painful increases to the cost of electricity, which have economy-wide consequences.



RIC MAKING POLICY IN THE DARK

The most obvious question arising from this situation is: how could the RIC propose a rate hike at present time when the economy is in a slump and inflation is taking the bread of citizens' plates?

The RIC admitted they used outdated economic information on household expenditure because the CSO didn't have current data. Is the RIC serious?

Firstly, it is making a decision that impacts the livelihoods of the citizens, the competitiveness of businesses and the cost of living, and it has the audacity to use data that is not current! This takes foolishness to a new level.

Secondly, how sustainable is this rate hike? Does the government and T&TEC propose to return in 3 years' time and propose another rate hike to pay for their inefficiency and lack of foresight? Where is the strategic thinking?

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A VISIONLESS GOVERNMENT

Aside from the immediate concerns, there are also long term issues. First among these is: Can renewable energy be factored into the equation so that the cost of electricity production would be reduced? Doing this would also contribute to reducing our carbon emissions in keeping with our commitment to the Paris Accords.

Are we going to ignore all the evidence present on renewable energy production? The government seems to be either doubting itself or operating in the dark. The Ministry of Energy has a plethora of studies and consultant reports on the feasibility of Solar Energy in Trinidad and Tobago. In fact this is the basis on which the Piarco Solar Park was conceived.

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Recently at the grand opening of the construction of the Piarco Solar Park, estimated to cost TT \$12 Million, Minister Stuart Young said, according to Loop News: “It's important that we feed renewables into our grid. Global climate change is real...we are all discussing how to try to reduce greenhouse gas emissions.”



If that is the case, instead of a rate hike by T&TEC, the government should be encouraging the installation of solar panels on the roofs of both domestic and industrial buildings. It is already being done in the region. The Caribbean Development Bank in Barbados and Republic Bank in Grenada are two of the more prominent institutions that use solar energy to meet at least part of their energy requirements.

Trinidad and Tobago has an abundance of high solar irradiance that can generate significant amounts of energy.

The secondary question therefore arises: Why is T&TEC stuck in an outdated paradigm?

We can start with the Mt. Hope Medical Sciences Complex which Dr. Rowley recently beseeched people to talk about. Can you imagine the amount of electricity that can be generated, and money saved for medical equipment if solar panels were installed?

Solar panels are not that expensive to purchase, in fact they can even be manufactured locally. The gas that can be saved from the production of electricity can be put to a more profitable use.

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GOVERNMENT'S POOR JUDGMENT IS CREATING MORE POVERTY

While the removal of subsidies is a policy objective of the government, they must do it in such a way so as to keep the economy functioning, and improve the lives of the citizenry. It is poor judgment to increase the price of gas, water and electricity rates, and institute a property tax all at a time when inflation, especially as it relates to food, is at an all-time high.

While the population is being forced to pay higher prices for everything, there has been no commensurate increase or improvement in the services rendered by the government. The population is still at the mercy of incompetent Ministers.

Is this what the population voted for? Why must the citizens be forced to pay for the inefficiency at T&TEC and lack of vision by the government? Even as they boast of a balanced budget, it is quite apparent that the only solution known to this Rowley led government is to increase taxes and the cost of living. It is even more pellucid that the government is too far insulated from the challenges faced by the ordinary citizen.

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THE SHOCKS ON THE VULNERABLE

Utility rate hikes will have a significant impact on the financial stability of households in Trinidad and Tobago, especially among the poor and middle classes. Water and electricity are essentials and an increase in rates will cause a ripple effect through the entire economy.

On the level of households, the poor and middle class already have to make tough choices between paying utility bills and other basic necessities such as food, clothing, medicine, their children's education and shelter. This choice is more challenging for the poor who struggle to meet their basic needs and have little or no savings to cushion them from financial shocks.

When households are forced to pay higher utility bills, they have less disposable income to spend on other goods and services. This decrease in spending will lead to a vicious economic spiral, reduce the demand for goods and services, leading to lower sales and profits for businesses and, inevitably, higher unemployment rates.

In addition to the economic impact, utility rate hikes can also have social-psychological consequences. The poor, especially, may feel more marginalized and excluded from society as they struggle to keep up with the increased cost of living.

They already feel that the government and their elites are not doing enough to support them, which could lead to a loss of trust and confidence in the government and other institutions. This loss of trust and confidence could lead to social unrest, protests, and even violence.

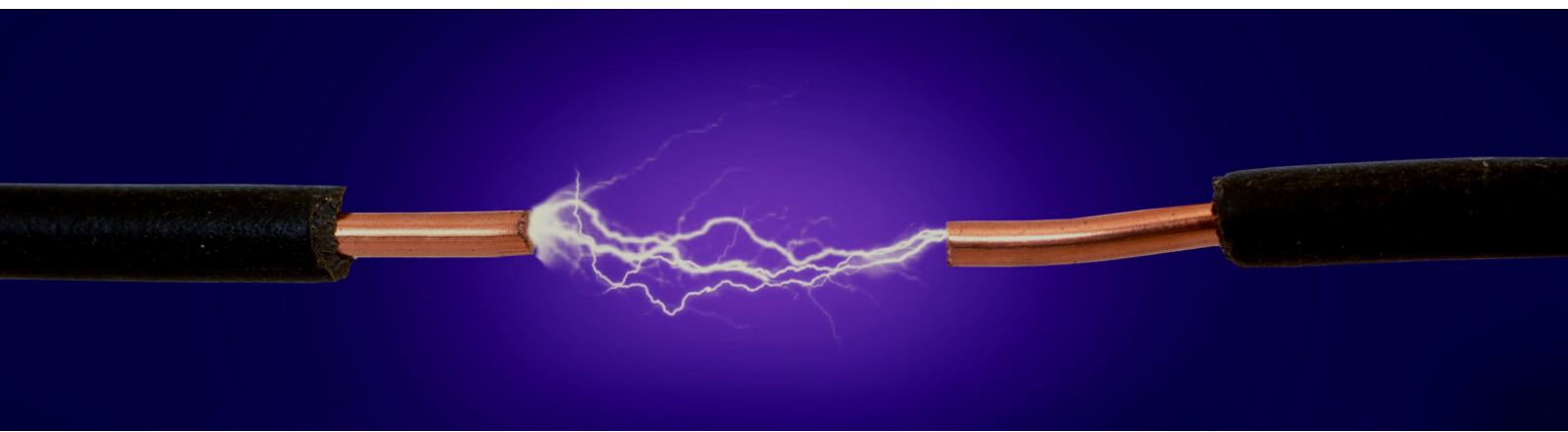
Moreover, utility rate hikes can also affect the health and well-being of the poor. For instance, if households cannot afford to pay their water bills, they may be forced to rely on unsafe water sources, which could lead to waterborne diseases. Similarly, if households cannot afford to pay their electricity bills, they may resort to using unsafe methods to light their homes, which could result in fires and other hazards.

And finally, utility rate hikes can have an adverse impact on education. Poor households may have to cut back on educational expenses such as books, devices, internet connectivity, school fees, and transport, to meet their utility bills. This can have a long-term effect on the children's future as well as the nation as a whole creating a cycle of poverty traps that exacerbate social ills.

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SMES FACING ELECTROCUTION

Small and medium sized enterprises (SMEs) account for 70% of all business in the economy. SMEs are a catalyst for economic growth in any economy.

These proposed rate increases will further add to the burden of costs that SMEs are currently plagued with. These include the lack of VAT refunds, increased property taxes, increased costs due to high crime, nuisance taxes, increased rents, increases in production costs, increased fuel prices, increased transportation costs. Such policies lead to the closure of many SMEs.





SEEING THE WAY AHEAD

It is essential for policymakers to consider the impacts of utility rate hikes on the poor and middle classes, and to make decisions using reliable and current data.

Alternative solutions such as targeted assistance programs for the poor and middle classes must be explored to mitigate the impact of any utility rate hikes considering the prevailing economic climate.

By doing so, policymakers can engender trust with citizens that policies are being crafted responsibly and with transparency and accountability.

Thank You

