

Utility Charges Cripple Customers

Author: [News Briefing Central Asia](#)

Service charges for basic utilities look set to skyrocket as consumers bear the brunt of maintenance and renovation costs. NBCentralAsia experts suggest the state will have to intervene with subsidies to reduce the burden.

Prime Minister Karim Masimov said on March 31 that the government was not in control of housing and utility charges, and instructed his subordinates to help reconcile the interests of consumers and the monopoly companies providing these services.

Masimov has also called for a review of privatisation in the electricity and heating sectors to determine whether the companies involved are fulfilling their obligations to invest funds.

NBCentralAsia economic expert Petr Svoik, head of the Almaty public anti-monopoly commission – a non-government body – said these public services were still running on the old infrastructure left over from Soviet times.

The utilities companies' current income from customers is just about enough to keep them ticking over. But massive investment is needed to repair and expand communal services, and this will translate into unpopular price increases.

“Housing and communal services have run out of resources, and this is creating the kind of imbalance [between the interests of suppliers and consumers] that the prime minister was talking about,” said Svoik. “To increase their capacity and make the necessary repairs, service charges should double, triple or even go up tenfold. And that isn't at all feasible, since consumers just don't have the money,” Svoik said.

Analysts think a completely new system of charges should be designed, to stop consumers having to pay the cost of upgrading housing and communal services. The burden should be taken on by the state, either through direct financing or loans.

“This issue can and should be solved without increasing consumer charges... and outside the framework of the current tariff policy.” Said Svoik.

However, Talgat Akuov, president of the Independent Association of Entrepreneurs, argues that it is impossible to achieve anything “it's not possible to solve this issue without increasing charges because housing and communal services operate on commercial principles.

“The money that [housing and communal service providers] now earn go on day-to-day maintenance and running costs. Without increasing their charges, they won't be able to take out loans to reconstruct the networks,” Akuov explains. “This is the market relations system, business can't operate any differently.”

At the same time, Akuov says a policy should be devised to increase state subsidies for the most vulnerable social groups.

(News Briefing Central Asia draws comment and analysis from a broad range of political observers across the region.)

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