Ukrainian regime announces utility price hikes

Andrea Peters
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Last week, the new Western-backed regime in Ukraine announced massive price hikes in utilities. The increases to the cost of natural gas for cooking and home heating will drive millions of families in Ukraine into poverty. The government of Arseniy Yatsenyuk, which came to power in a US-backed coup in February, states that the hikes are necessary to meet the country's budgetary constraints and the demands of the International Monetary Fund (IMF).

Starting May 1, Ukrainian households will be hit with a 40 percent average increase in their gas bills. This will be followed by another 40 percent hike in 2015, and 20 percent in each of the two subsequent years.

Overall, the government promises to raise the average cost of gas by 120 percent over a four-year span, although commentators note that the total rise relative to what customers are currently paying may be much larger. It is unclear whether subsequent increases will be based on the 2014 price or the consecutively elevated prices year-over-year.

The increase that households will have to pay is pegged to their usage levels, such that the largest consumers will see the biggest overall hikes. According to news reports, Minister of Finance Oleksandr Shlapak previously indicated that the cabinet wished to jack up the average cost by 73 percent.

The spiraling charges for utilities will devastate the country's working class. According to the online news site *Glavred*, utility costs for a one-room apartment in the country will now be about 450 hryvnia ($38) a month, and for a two-room apartment about 720 hryvnia ($61) a month. The average monthly wage in the Ukraine is just 3,600 hryvnia ($304), and the average pension just 1,500 hryvnia ($127).

The government acknowledges that the policy will drive another 2.6 to 3 million families—about 9 to 12 million people—into poverty, but insists that this disaster will be mitigated by the fact that these households will now be eligible for subsidies to offset the price hikes to utilities. Announcing the measure, Yatsenyuk boasted that fully 30 percent of the country's population will now fall within the limits to receive state support to cover their utility costs, implying that this should be regarded as a sign of the government's concern for citizens' well-being.

The criteria for receiving the subsidy are extremely onerous. A household will have to demonstrate that its total average monthly income for the preceding six months did not exceed 1,710 hryvnia ($144) per working adult, and slightly less per dependent, officially registered as living in the domicile. For example, a household with two working adults and one child would have to be able to prove that it made well under $500 a month over the previous half-year to be eligible for the subsidy.

Pensioner Lyudmila Zagropulko from Kharkov told *Glavred*, "In the winter I pay about 800 hryvnia ($68) for utilities. My pension is 1,800 hryvnia ($153). I can't count on the subsidy; my daughter is registered as living in the apartment, but she actually lives in Kiev and she can't really help." Her daughter explained, "I would return to Kharkov, but there's no work for me there."

Vladimir Groysman, minister of regional development, construction and utilities, demanded that the population accept the belt-tightening. "The price hike is a necessary step," he declared, "and we as citizens have to relate to this with understanding. It is very clear that the prices for utilities have to be economically based, and it has already long been time to tear up the 'vicious circle' of cross subsidies and deals."

The Yatsenyuk government is attempting to lay blame for the situation at the feet of the Russian government, which recently ended discounts on natural gas it sells to Ukraine as part of its ongoing conflict with the regime in Kiev. As a result, the cost of gas has risen from just under $300 per thousand cubic meters to about $450. However, the IMF has long demanded that the country raise prices on utilities as part of its integration into the European economy and in order to receive bailout loans from international lenders.

The utility hikes come alongside a spate of measures that tear up whatever remained of Ukraine’s social safety net. Retirees whose pensions exceed 10,000 hryvnia ($845) will have to pay a 15 percent tax on these earnings. Benefits for state employees are to be axed. The subsidy that families receive upon the birth of a child is being cut. Judges and lawyers are slated to lose special pension bonuses. In addition to increasing taxes on profits to 18 percent, regressive taxes on items such as beer and tobacco products are being raised dramatically. They will now stand at 42.5 percent and 25 percent respectively.

In an indication of how the Ukrainian government intends to overcome its fiscal crisis, the Ministry of Finance warned earlier this month that just 10 percent of the country’s planned expenditures on social services are actually funded. In contrast to 80 billion hryvnia ($6.7 billion) in obligations, the current budget allocates just 8.5 billion hryvnia ($718 million) to spending.