**0NATIONAL UNION OF MINEWORKERS**



**STANDING COMMITTEE ON APPROPRIATION**

**SPECIAL APPROPRIATION BILL**

**2019**

**CONTACT DETAILS**

NATIONAL UNION OF MINEWORKERS

PARLIAMENT AND GOVERNMENT RELATIONS OFFICE

10 2nd AVENUE

BOSTON

BELLVILLE

7535

NATIONAL UNION OF MINEWORKERS

PARLIAMENT AND GOVERNMENT RELATIONS OFFICE

P.O. BOX

BELLVILLE

8000

TEL: (021) 948 6363

FAX: (021) 948 6370

E-MAIL: nmasiza@num.org.aza

 mmphahlele@num.org.za

 pmashego@num.org.za

 nradebe@num.org.za

**INTRODUCTION**

The National Union of Mineworkers (NUM) supports the special appropriation bill to support the Public Enterprise to effectively ensure that Eskom operates in a manner that promotes economic growth, transforms the energy sector and enhance Labour intensive growth. Competitiveness and sustainability of Eskom is central in ensuring the electrification Programme responds to the needs of all South Africans. The SOE has succeeded to provide low cost electricity to many South Africans. However, the predominant challenges at Eskom cannot be left unresolved and they are as a results of poor governance, non-accountability, failing business models and lack of transparency. Similar challenges prevailed during the 1980’s and one of the solutions which the minister of the time considers was to change the structure of the institution to enable a more accountable SOE which contribute to an enormous economic growth.

**2.** **LEGISLATIVE IMPERATIVES**

The electricity act (42 of 1922) created the energy supply commission to provide for effective governance, to sustain electricity supply at low cost and to ensure sustainable growth of the state owned institution. Under the Act, the state owned institution was neither making a profit nor a loss and was exempted from corporate income tax. Even though the state owned successful achieved one of its mandate to supply low cost electricity, governance and policy has always been a challenge. The electricity Act (41 of 1987) introduced determination to the continued existence of the electricity control regulator, generation and supply of electricity in addition the Act allowed for a reconfigured Eskom with the existing two –tier governance structure.

The popular German model is amongst the challenges encountered by Eskom specifically where renewable energy and Independent Power producers’ transmission participation is concern. The introduction of Eskom Act (13 of 2001) amended the Act, 1987, so as to transfer full ownership of Eskom to a single shareholding (government) and to remove the exemption of Eskom from paying the income tax. The amendments enabled the introduction of a share compact signed between the Department of Public Enterprise and Eskom. The SOE operating as a business under the principles embedded in the company Act (71 of 2008) must promote good governance, sustainable development and ensure Labour intensive growth.

**3. ESKOM GROWTH AND DEVELOPMENT**

The State owned enterprise mandate is to provide efficient and sustainable electrification through its electrification generation, transmission, distribution and retail systems including economic development and promotion of transformation through broad based black economic empowerment Programme. Eberhard (2004) asserts that the energy sector growth increased concentration to public ownership which was mostly driven by potential economies of scale in power plants and the requirement for large amount of capital which was backed up by government guarantees. Another important contribution to the paradigm shift was the significant contribution of the sector to the industrialization, job creation and development.

3.1 JOB CREATION

The National Union supports the special appropriation bill as a mechanism to accelerate growth, to sustain the State Owned Enterprise economic viability and to improve productivity. Eskom’s future solemnly depends on government’s projection, and a clear plan provided by government restructuring process which must consider the negative impact that it imposes to the workers. Eskom debt reliant liquidity situation can be averted and its detrimental effect cannot be placed at the shoulders of the workers. The funds must be monitored and distributed evenly in all the areas that require funding such as job retention, reskilling programmes to meet the new policy trajectory.

3.2 SUSTAINABLE DEVELOPMENT GROWTH

According to DPE (2004) Development cannot be measured only by financial criteria, and restructuring is not a means of improving government finances and enterprise efficiency at the expense of the poor. To ensure Eskom contributes to the economic development growth with improved financial revenues there is a need for an integrated approach to establishing and strengthening innovative energy road maps that is influenced by robust policies and governance which encompass all the elements of sustainable economic growth**.** Eskom remains the only state of the art government institution which provide electricity beyond the borders, the prevalent challenges will not only affect South Africa but will pose threats to the entire SADC region.

South Africa sells electricity to neighboring countries (Botswana, Lesotho, Mozambique, Namibia, Swaziland and Zimbabwe) representing about 3% of total net energy produced (Eberhard, 2004:11).

3.3 SKILLS TRANSFER

Government Energy must facilitate a continuous learning process and adaptive workforce to enhance productivity. Skills audit and transition remains effective in the restructuring process, thus it is crucial that the unbundling process must be informed by holistic cost plan. The NUM does not agree to ESKOM privatization however, we do not entirely oppose developmental interventions. The allocated amounts are intended to enable Eskom to service its debts and meet redemption requirements while making resources available for urgent operational improvements (National Treasury, 2019). We fully support the intention however, the new model must facilitate job retention and skills transfer. Any process intended to recapitalize Eskom must not trigger section 189 under any circumstances.

**4. SPECIAL APPROPRIATION BILL COMMENTS**

South Africa is a Global play in terms of export and import, there is a need to align SOE’s procurement needs to the industrial and trade policy at outlined in the IPAP to contribute to a broader economic growth strategies as a mechanism to boost productivity, sustainability and import-export led growth (National Treasury, 2019). Supporting Eskom sustainability remains a responsibility of government as a sole shareholder of the SOE. The interest of the workers must take precedence over any other challenges which could have been prevented by government.

4.1 The NUM support the amount of R59 Billion as outlined on the Bill. It is important for the Standing Committee on Appropriation to understand the Department of Public Enterprises submission to the National Treasury in support of the request and the priorities outlined on the submission.

4.2 Section 2 (b) grants the Minister of Finance to impose certain conditions to promote transparency and effective management. Since this is a special appropriation bill therefore it is imperative that the Minister of Finance and Minister, Public Enterprise and Minister of Mineral and Energy Resources to enter into an agreement to clearly stipulate each department conditions of allocation in policy implementation and governance.

4.3 The condition referred to in section 2 (b) (i) (ii) and (iii) much be clearly defined prior the transfers and Eskom commitment to the conditions must be legally binding with punitive measures to diversion or for any mismanagement incurred.

4.4 Should section 2 (d) apply the Department of Enterprise and Eskom must submit a detailed report to the National Treasury.

4.5 This Funding must be audited by the Auditor General and not by the auditors appointed in terms of Eskom Act.

**5. CONCLUSION**

South African State Owned Enterprises have a critical role to play in development and to improve its capacity as a mechanism to contribute to the country’s economic growth. The escalated challenges at Eskom are a bearer to the expansion Programme to operate at a bigger scale and compete at a globally. The NUM does not support privatization of Eskom and unbundlement as a mechanism to revitalize Eskom. However, we support a new model which will improved the current state and provide a clear forecast. It is time for a new business model to be introduces aligned to the industrialization strategy which fully support intensive job creation.