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| **COSATU Submission:**  **Eskom Social Compact Proposal**  **03 March 2020** |
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1. **Executive Summary**

The Congress of South African Trade Unions (COSATU)’s Eskom Social Compact Proposal seeks to help stabilise and save Eskom and its workers’ jobs. It seeks to ensure the economy has access to affordable and reliable electricity.

Equally important are urgent interventions needed in Eskom to stabilise it and ensure economic growth that can begin to reduce our dangerously high and rising levels of unemployment.

COSATU’s approach is based upon a social compact, where all parties from government to labour, business and society make a contribution and where necessary, a sacrifice for the sake of the national interest.

COSATU is guided at all times by the need to save each workers’ job and to ensure that we create an economy where all workers have access to jobs.

It is also critical that the state itself is saved so that it can play the progressive developmental role that workers and voters expect from it.

COSATU’s Eskom Social Compact Proposals were presented as part of a broader proposed economic intervention package by COSATU to the November and December 2019 Alliance Political Council as well as the January 2020 ANC NEC Lekgotla where they received broad support.

They were presented to Organised Labour at its Annual Nedlac Labour School where they were engaged upon with our sister federations FEDUSA and NACTU. COSATU deeply appreciates the inputs and support received from FEDUSA and NACTU. It is hoped that this can be deepened and workers united on such a key matter facing all South African workers.

Further engagement with social partners at Nedlac at a senior level are taking place to seek to find agreements on saving Eskom and growing the economy.

It is hoped that broad in principle agreements on an Eskom Social Compact will be concluded shortly.

1. **Introduction**

The economy is facing its worse crises since 2008. Unemployment is 40% and rising. GDP growth barely reaches 1%. There are 600 000 new job seekers annually.

The state is fast running out of options. Eskom with a debt of R454 billion and rising is the ticking time bomb threatening to implode the state and economy.

Other SOEs in varying stages of collapse include PRASA, RAF, SAA, SA Express, SABC, DENEL and Transnet.

Whilst some progress has been made to tackle corruption, very few have actually been arrested. 10% of the budget is still lost on average to corruption and wasteful expenditure. Tax revenues are declining.

The MTBPS presented no plans to deal with these crises. Moodys will downgrade South Africa if no plans to deal with Eskom and grow the economy are presented. A downgrading will be a devastating blow to workers, the economy and state and make our recovery much harder and longer.

In short we have little time to develop and agree on a plan.

Workers are and will bear the brunt of the consequences of a collapse of Eskom, the SOEs, the state and economy.

Workers need decisive intervention by government, business and unions to save their jobs and public services. Workers cannot depend upon individual departments, SOEs or business to act in their interest.

Not only must government and unions defend the right of both the private and public sector workers to a living wage and labour protections but equally it is critical to defend the role of the state to deliver critical public services and goods, to participate in and to ensure competition in the economy.

If not we face the real risk of the state being forced to retreat on all these fronts given the extent of the state and economic crises. This would leave workers exposed and unprotected.

Given the potential collapse of Eskom, SOEs and the state as well as the weakness of the economy, COSATU is willing to support key interventions to ensure the survival of their SOEs and the state. COSATU in particular is willing to help reduce Eskom’s dangerously high debt to a sustainable level.

These interventions and support from COSATU are conditional upon government and the SOEs not retrench workers or privatise, that a stimulus plan be implemented, funds be shifted towards industrialisation and that those who stole be arrested and mismanaged be fired etc.

COSATU’s key tool are workers’ funds, namely the PIC and UIF. If used strategically, they can play a decisive role in workers’ favour.

COSATU Labour seeks two objectives:

First an agreement on areas needing interventions. Second a process to find agreements on those interventions. These will form the basis of the Social Compact involving government, business and labour.

The process is being developed under Nedlac’s Presidential Working Committee.

1. **Eskom**

The most pressing problem that needs to be addressed as a matter of the highest national urgency is Eskom.

It threatens not only to implode the state but also the economy. Not only are the jobs of 44 000 workers at Eskom at risk but in fact all 16 million South African workers in the event of Eskom collapsing.

Failure to have a credible plan to save Eskom will result in South Africa being downgraded.

Failure to implement COSATU’s key demands for an Eskom turnaround risks exposing Eskom workers to retrenchment and Eskom’s possible hollowing out in future in favour of the private sector.

A social compact between government, labour and industry is needed to stabilise and save Eskom. It must be premised upon the following fundamental principles:

* A commitment by government that it will not be privatised.
* That no worker will be retrenched.

**A pro-worker Eskom turnaround plan must include the following key interventions:**

1. A debt package to reduce Eskom’s debt from R450 billion to R200 billion through a special purpose finance vehicle involving a social compact between government, the Public Investment Corporation, the Development Bank of Southern Africa and Industrial Development Corporation, SETAs, other public funding and critically financial support from the private sector. Public and private financial support for Eskom is needed. All parties must contribute. The risk must be shared.

PIC investments in Eskom can be done through government guaranteed bonds that ensure there is a return on investments to the PIC and for the PIC to become an equity partner in Eskom. This will provide the PIC seats on Eskom’s Board and provide it with the means to force Eskom to implement the agreed turnaround plan.

Financial support to Eskom may come in trenches that are released as Eskom implements agreed intervention steps.

It is critical to understand that this is not a blank cheque or a donation. It is tied to the following fundamental conditions:

1. A comprehensive public audit of all Eskom contracts and expenditure, this must include coal supply contracts.
2. Those who have looted must be arrested and their assets seized.
3. Those who mismanaged be dismissed and held personally financially liable.
4. Coal suppliers and IPP generation contractors must be forced to reduce their prices, or their contracts cancelled and assets expropriated.
5. Eskom’s generation mandate must be expanded by the Minister to allow it to expand its own renewable energy generation capacity.
6. The relevant investment in battery storage for renewable energy must begin.
7. A comprehensive debt recovery plan be implemented to recover the billions owed by departments, SOEs, municipalities, communities (including Soweto) and consumers at large.

There must be no exceptions. Treasury must simply deduct monies owed to Eskom by Departments, SOEs and Municipalities from their budget allocations and directly transfer it to Eskom.

1. A single payment account be established for all consumers to pay Eskom directly.

This will require reviewing the funding model for municipalities who use Eskom collections as a revenue generating opportunity, irrespective of whether the municipality added value to the electricity distribution or even paid Eskom itself.

1. A comprehensive maintenance plan that ends load shedding and is supportive to economic growth.
2. Electricity tariffs must be affordable for consumers, industry and for exports to neighbouring states.

Eskom must be reined in. The 400% increase in tariffs in the past decade is not only strangling any economic growth but in fact threatening to collapse entire sections of the mining industry and a risk to hundreds of thousands of mining, manufacturing, service and agricultural jobs.

Government and Nersa must play a far more active role in ensuring that Eskom’s tariff increases are affordable and supportive of economic growth. They cannot serve as means to bail out mismanagement and corruption.

1. The free electricity allocation to indigent households should be increased as per the ANC Elections Manifesto as part of cushioning the poor in a difficult economic climate.
2. PIC/ GEPF housing scheme for missing middle public servants not qualifying for bank home loans or RDP housing.
3. Electricity payments for all consumers must move to a pre-paid basis, in particular for large consumers e.g. government, SOCs, municipalities, industry etc.
4. A discussion begin between government, the PIC, labour, retirement industry on a sustainable and progressive balance and phasing in plan to be agreed to on prescribed assets investment in support of key public goods and infrastructure that will protect the interests of pensioners and spur inclusive economic growth.
5. A proper staff audit must be conducted to determine if and where Eskom is bloated. This must include what services are still being outsourced and if they should be outsourced.

Reskilling and redeployment programmes must then be engaged upon with labour at Eskom and the PSCBC where excess staff can be redeployed from units of surplus to units of shortage within Eskom as well as to Municipal Electricity departments and the broader public service and sector. But no worker must be retrenched.

1. Bloated management and management perks must be slashed.
2. There must be worker representation on the Eskom Board.

Workers need to know that if they invest their hard earned monies in Eskom that it is safe. They need to have a voice in how Eskom and their money is being spent. Worker representation will help to build trust and enable workers to highlight problems at the highest level for intervention.

1. As part of building trust and confidence amongst workers and the public at large, the Political Office Bearers’ Pension Fund must be placed under the PIC. Workers hold politicians accountable for the crises facing Eskom and the state. Workers need to know that if they are willing to invest their hard earned monies in saving Eskom, that politicians too are willing to play their role and shoulder the sacrifices and risk necessary to save Eskom, the state and nation.
2. Worker and community owned generation capacity must be increased, in particular targeting coal mining and energy workers and their host communities.
3. A Just and Inclusive Transition plan be developed and implemented for workers at power stations and coal mines reaching the end of their life spans and their host communities, in particular Mpumalanga, Limpopo and the Eastern Cape.
4. The extension of the life span of existing coal power stations reaching their end should be extended by converting them to gas or other forms of generation where possible and if not then alternative economic opportunities.
5. Targeted public and private investments must be made to produce renewable energy technology locally and in particular in those 3 provinces and targeting workers whose jobs are at risk.
6. Investments in clean coal technology to be implemented.
7. As part of reducing pressure on Eskom, carbon footprints, consumer and industry electricity bills and boosting locally produced solar panels; all buildings must be required to install locally produced solar panels over a 5 year period. Indigent households and poor SMMEs should qualify for subsidies or rebates for the installation of solar panels.
8. Development and implementation of electric vehicle production to protect the auto-manufacturing sector, create new jobs, exceed climate change targets but also to provide a mass sustainable demand base for Eskom.
9. A weekly public report must be made available by government and Eskom on the above interventions as part of rebuilding trust with the nation, ensuring full transparency and most critically holding government, Eskom, industry and in fact all parties accountable for the implementation and success of the turn around plan.
10. **Conclusion**

Eskom is at the heart of our economy. There is no sector of the economy that can run with out Eskom.

All 16 million South African workers depend upon it for their jobs.

All South Africans need a functioning Eskom.

The economic growth and welfare of the nation needs an Eskom that is sustainable, electricity that is affordable and reliable.

We are now at a crossroads. We have three choices:

One is not to intervene and Eskom will collapse and with it the economy.

Two is to ask the International Monetary Fund or other foreign lenders to step in. They can do so but at a horrendous and unaffordable price that will see thousands retrenched, pensions slashed, government gutted etc. A recipe that will plunge the economy into depression and impoverish millions. It will mean the end of our sovereignty as a nation.

The third and only viable option is for us as a nation to intervene. It requires a social compact between government, labour, business and community. We must all contribute and all make sacrifices.

The above framework and proposals provide a path that can allow Eskom to breathe and begin the process of healing and rebuilding.

We do not have the luxury of time. Lamenting may be therapeutic but it will not keep the lights on nor will it save a single job.

COSATU’s mandate is to protect every single worker’s job and pension, to ensure their families have food and a roof, that the economy can grow, that the state can deliver public services. We are now intervening to do precisely that.

This plan can do that. Now it must be implemented. It must be implemented in full without exception.

Thank you.

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