

COSATU Submission:

**Eskom Debt Relief Bill
(2023/24 to/ 2025/26 Budgets)**

21 April 2023



COSATU

Submitted to:

Standing Committee: Appropriations

**National Assembly
Parliament**

Republic of South Africa

1. Introduction

The Congress of South African Trade Unions (COSATU) welcomes the Eskom Debt Relief Bill overall and supports its passage by Parliament.

COSATU has long championed the need for Fiscus to take over Eskom's unsustainable debt levels as part of a package of measures to enable Eskom to be stabilized and rebuilt and play the role it is meant to in the economy.

Whilst COSATU welcomes the Eskom Debt Relief Bill we are concerned about some of its underpinnings.

The Bill correctly highlights the need for measures to tackle the ever-rising levels of debts owed to Eskom by many municipalities. Yet there does not appear to be a correct programme of action to arrest this threat to Eskom's survival.

The Bill speaks to the 18.65% and 12.75% increase in Eskom's tariff hikes in 2023 and 2024 respectively yet is silent on the continuous double digit tariff hikes since load shedding started occurring in 2006 and the effect these have on the economy.

COSATU is deeply concerned about some of the conditions attached to the Eskom Debt Relief Bill, in particular to a prohibition on its investing in new generation capacity.

2. Support for Eskom Debt Relief

Eskom is the nation's most important economic asset. It generates 95% of electricity and transmits and distributes 100%. The entire economy, including all jobs and the ability of workers to earn a salary and take care of their families depends upon a functioning and modern Eskom. In simple words, Eskom is too big to fail.

Eskom for a variety of reasons has incurred debts it cannot afford to pay. Some of this is due to rampant theft and corruption, in particular at Medupi and Kusile.

Some are due to mismanagement, institutional neglect and lack of investment.

Others are due to aging infrastructure.

And others are due to rising levels of debts owed to Eskom by municipalities, businesses, communities and even government entities.

COSATU first proposed in October 2019 that government take over at least half of Eskom's debt burden. We are pleased that government has heeded this call and put in place a plan to take over two thirds of Eskom's debt burden to the value of R254 billion.

COSATU's proposals for a comprehensive plan to stabilize and rebuild Eskom were encapsulated in the Eskom Social Compact signed at Nedlac in December 2020 by government and social partners.

COSATU thus supports the objectives of the Eskom Debt Relief Bill and the relief it will provide to Eskom.

We believe that this relief will help Eskom to shift its resources to ramping its maintenance programme, this is the fastest way to ending loadshedding and thus easing the burdens on workers, their families, businesses, the economy and the fiscus.

As the economy emerges from the devastating levels of loadshedding, companies will be able to sell their products, workers to earn a wage, and the state to collect taxes needed to pay the Eskom debt.

An economy crippled by loadshedding cannot do any of these.

3. Debt Conditionality Concerns

COSATU is deeply concerned by some of the concerns set by Treasury in the Eskom Debt Relief package.

Our first concern is the prohibition of Eskom investing in new generation capacity. This makes no sense. One of the fundamental causes of loadshedding is that Eskom's generation fleet is nearing the end of its life span. Whilst it will take time for new generation to come onto the grid, and the immediate focus of Eskom must be on fixing existing infrastructure, if we are to ensure the long term sustainability of Eskom and to prevent loadshedding becoming a permanent feature of the economy, then we need to not only fix existing generation infrastructure but also to invest in new generation capacity.

This condition will ensure that Eskom will in the long term continue to spend money on aging and expensive infrastructure when it needs to begin moving towards building new, modern, more efficient and less costly generation capacity if it is to survive and the nation to be protected from permanent loadshedding.

COSATU Proposal:

- The prohibition on Eskom investing in new generation capacity to be removed from the Eskom Debt Relief package.

4. Municipal Debt

The Bill correctly highlights the need to tackle growing levels of monies owed to Eskom. These are currently approximately R57 billion and rising. Much of these come from 41 of the nation's financially most distressed municipalities.

The Bill speaks to the need for measures to address this, including moving towards a single prepaid electricity regime, yet it does not provide a comprehensive plan in this regard, neither do the Departments of Mineral Resources and Energy or Public Enterprises, COGTA, SALGA, local government or Eskom.

Eskom loses on average R20 billion per annum. Tackling the R57 billion owed to it by customers is key if it is to remain a viable entity and if it is to be able to invest in the necessary maintenance and new generation capacity to end loadshedding.

Government needs to put in place the necessary measures address this fiscal hole collapsing Eskom.

COSATU Proposals:

- All customers move to prepaid electricity to end the rising levels of debt owed to Eskom and to ensure that it has the necessary cash flow to be operational.
- Government determine which debt is not recoverable and which is recoverable. That which is recoverable, must be pursued, even legally.
- A new municipal funding model be developed as the current model is collapsing and this is having a spill over effect on the ability of municipalities to pay Eskom what it is owed.
- Law enforcement organs be actively deployed to support Eskom to deal with electricity connections.
- COGTA undertake interventions to ensure that all indigent households are registered for and do receive their allocation of free electricity and that the number of free kilowatts be increased appropriately.

5. Eskom Tariffs

The Bill states that Treasury believes that it is necessary for Eskom to receive the approved 18.65% and 12.75% tariff hikes in 2023 and 2024. Whilst this may appease Eskom, it is a further blow to an already battered economy, workers and companies.

Since loadshedding first became a national phenomenon in 2006, Eskom has been receiving double digit tariff hikes. These were all premised as short term pain to ensure that Eskom has cost reflective tariffs and that these would end loadshedding.

However instead we are witnessing unprecedented and rising levels of loadshedding.

Eskom's cost reflective argument is a deflection of its failure to abide by the PFMA and manage Eskom in a climate free of endemic corruption and wasteful expenditure. Medupi and Kusile were meant to cost R100 billion. However, that bill has surpassed R200 billion and they still struggle to provide electricity.

A cost reflective tariff needs to be premised upon an Eskom that is properly run and not the poster boy for corruption and malfeasance.

COSATU Proposals:

- Treasury to work with Eskom to identify all financial leakages, develop a plan to end them and to report to the nation quarterly on progress made in this regard.

6. Additional Support Required for Eskom

If the Eskom Debt Relief Bill is to succeed in meeting its objectives, then Eskom needs to be given all the support it requires. This needs to include the active support of the law enforcement organs. As well as addressing the regulatory blockages to bringing new generation capacity on board.

COSATU Proposals:

- Escalating enforcement of the scrap metals export ban and measures to regulate the informal traders.
- Deployment of specialized support from the SAPS, Hawks, NPA and SSA to uproot corruption and criminality at Eskom.
- Prioritisation of cases affecting Eskom by the NPA and judiciary.
- Active enforcement of the penalties provided for in the Criminal Matters Amendment Act (cable theft) and Auditing Amendment Act (holding offending officials personally financially liable).

7. Conclusion

COSATU welcomes the positive aspects in the Eskom Debt Relief Bill and hopes that it will provide the support Eskom needs to ramp up maintenance and end loadshedding.


COSATU is however concerned on the debt relief conditions attached, in particular the prohibition on Eskom investing in new generation capacity.

COSATU agrees with the Bill's highlighting the need to tackle rising levels of municipal debt. However government needs to develop a comprehensive plan to tackle this fiscal threat to Eskom's sustainability.

Treasury needs to work with Eskom to deal with its fiscal leakages and develop an accurate cost reflective regime that does not budget for corruption and wasteful expenditure and expect the public to subsidise this.

The law enforcement organs need to play their role in supporting Eskom to tackle the criminality and corruption crippling it.

Thank you.



Matthew Parks
Parliamentary Coordinator

Cell: 082 785 0687
Email: matthew@cosatu.org.za

6th Floor, Constitution House,
124 Adderley Street
Cape Town 8000, South Africa