Not only privatisation

the SACP on state assets

The South African Communist Party (SACP) believes that the restructuring of state assets does not necessarily have to mean privatisation, says Mazibuko K Jara.

In South Africa, we have learned many important lessons from the restructuring of publicly-owned assets over the last seven years. Internationally, in the last few years, a more nuanced view of restructuring has also been emerging. Most often, this arises from negative experiences. Examples include electricity in California, rail and water in the United Kingdom, rail in Argentina and the sad experience of mafia-style privatisation in Russia.

Time to take stock

We need a review to take stock of what has happened, and where we are headed. It is not that the SACP is against restructuring, or against private sector participation in it. We believe that an illusion exists that the best form of mobilising private capital to invest in our economy (which we must do) is through privatisation.

This review must include all national parastatals, provincial parastatals, local government and the public service as a whole. This review must assess who the beneficiaries of restructuring have been. The review must also determine whether restructuring has advanced our developmental objectives.

Following this review, the ANC-SACP-COSATU alliance must reach consensus on a restructuring programme. This programme should create jobs, deliver affordable basic services and contribute to economic growth and transformation led by the state.

We need a full debate and agreement on the restructuring of state assets and our chosen path of economic growth and development. Unless and until this happens, these issues will continue to cause fundamental problems. This could unravel our transformation agenda.

Further, the debate on restructuring state assets has partly seen the displacement of a popular debate on economic transformation, the needs and interests of workers and communities. For example, the likely increase of water and electricity tariffs could undermine our objective of providing free basic services to our people.

The public sector cannot contribute to the deterioration of our people's living standards through further job losses, price hikes and decreasing levels of service delivery.

BEE and restructuring

Black economic empowerment (BEE) is an important strategic objective of the ANC-led liberation movement. The restructuring of publicly-owned assets needs to be, in part, about BEE. It should be most obviously about BEE in its broadest sense: empowering millions of black South Africans by creating jobs and providing affordable and reliable electricity, housing, transport, telecommunications, etc. Restructuring can also advance BEE in its narrower sense: increasing the promotion of black managers into senior positions in parastatals; and opening up business opportunities to emerging black entrepreneurs.

Pursuing BEE in both the widest and narrower sense is not necessarily contradictory: a senior black Metrorail manager will probably have a greater appreciation of the needs of commuters. However, we cannot assume that this will always be the case. In some cases, promoting opportunities for emerging black businesses might frustrate wider economic empowerment. We do not always discuss this dilemma adequately in our policy debates and assessments.

Growth and development

For most of the 1980s and 1990s, a triumphalist neo-liberalism has tried to pour cold water on the idea of publicly-owned entities. Neo-liberalism has presented parastatals as inherently bloated, tax-guzzling, inefficient and uncompetitive corporations. The fact that we inherited an often bloated and inefficient apartheid public and parastatal sector has sometimes justified the neo-liberal claims.

That we need to restructure our public and parastatal sector is obvious. That this restructuring has to be neo-liberal privatisation is less obvious. But the conflation between restructuring and privatisation is often made, and, of course, deliberately fostered by certain forces. We need to rebuild confidence in a democratic and effective public and parastatal sector.

As the SACP, we have consistently argued that the restructuring of state assets needs to fulfil the objectives of broad growth and the Reconstruction and Development Plan's (RDP) goals, especially job creation. Such restructuring should also help build a national democratic state – an active, developmental state with effective strategic capacity within the economy.

Why public-owned?

The argument for publicly-owned corporations includes the following dimensions:

Developmental priorities: Privately-owned corporations are not going to invest major resources in overcoming the huge structural inequities in our society. They are not going to deliver educational, health, electricity, telecommunications and transport infrastructure and services to the marginalised. There are at least partial agreements between alliance partners on this. The extension of the Telkom fixed line monopoly, for instance, has been argued from this perspective.

Strategic economic priorities, including the defense of a relative national economic sovereignty: Often people agree that we need to 'roll out infrastructure', and on some degree of public ownership to assure this. So, does the need for public ownership end once infrastructure is rolled out? If so, can privatised corporations maintain effective and affordable provision of services to the marginalised?

We will be unable to realise critical economic strategic priorities without public-ownership in a number of key areas. The short-termism and foot-lose

Unions must fight for quality public services.

graduate capitalists, rather than public sector managers with their own mandate and long-term commitments.This is part of the problem.

Attempting to regulate the private sector might be more complicated than actually owning and managing a public-owned entity: Numerous international examples of municipal public-private partnerships and concessions raise questions about the complexity of regulating private entities.This includes our own experience with Dolphin Coast and Umgeni Water.These examples also raise questions on how to ensure these entities deliver efficiently and carry risk – the supposed reason for being 'rewarded' with profits.All too often private entities supposedly carry risk, until they experience losses.They then expect to be bailed out with public subsidies.

We often lack capacity and resources in the public sector and in parastatals, but it might be more reliable building such capacity and resources.The task of regulating major transnational corporations, especially if you are a municipality, might be more intimidating than improving public service capacity.

nature of private capital mean that key strategic economic (and not just social) objectives may be ignored or frustrated by private capital. We must be careful not just to confine the importance of public ownership to social 'basket' cases where there is so-called market failure.

Weak corporate governance where boards and senior management fail to take seriously their public mandate: As many aspects of the South African Airways (SAA) debacle remind us, majority public ownership on its own is not enough to ensure the realisation of strategic economic priorities. It is critical that the senior management of publicly-owned entities has a clear sense of public responsibilities and strategic priorities. Management has to grasp the qualitative difference and advantages of publicly-owned entities. Some senior public sector managers see themselves as under-

Infrastructural investment

The President's state of the nation address at the beginning of this year announced a major emphasis on infrastructural investment. Infrastructural investment is critical for growth and development. It is linked, in turn, to urban renewal and integrated rural development priorities.

However, a key source of capital for this investment drive appears to be from privatisation proceeds – R18-billion is budgeted for in this financial year. What is contradictory in this approach is that the institutions to be used for the infrastructural investment are the ones that are earmarked for some kind of privatisation – Telkom, Eskom and Transnet. *Is it possible to continue with privatisation, and still retain strategic control over infrastructural investment?*

Purpose of a review

It is for all the above reasons that the SACP calls for a comprehensive review of the restructuring of state assets to date. This review must:

- emphasise the direction and control of the restructuring by the national government, including restructuring at local government-level;
- ensure that public sector corporate governance is competent, and plays a *leading role in reaching our growth and* development objectives;
- ensure that publicly-owned assets are used to broaden the public sphere, and roll back the oppression of the market;
- ensure full disclosure of all decisions, contracts and information regarding the public sector;
- ensure the public is allowed access to all meetings where crucial decisions are taken, for example with respect to tenders;
- ensure effective harmonisation between *government departments* and clarify the role of the relevant line departments;
- revitalise and strengthen the National Framework Agreement (NFA) so that managers do not pay lip service to it or not follow it at all.

What to do

In restructuring, the emphasis should be on the extension of services to those who need it the most and on public control of enterprises that are essential to development. At minimum, these are water, electricity, transport, health, education, post and telecommunications.

Trade unions need to mobilise workers behind the delivery of quality public *services. It is no use to complain about* privatisation without ensuring that the public sector delivers efficiently.

It is also essential to develop a much clearer industrial strategy. The government should link this strategy to the restructuring of publicly-owned assets. The continued absence of an elaborated industrial strategy hampers the restructuring of state assets. The Department of Trade and Industry's most recent contribution to the development of an industrial strategy focuses only on one element of an *industrial strategy*, competitiveness. Even in this respect, it is *limited. We need* to follow through with industrial sector strategy summits.

Furthermore, the role of publicly-owned entities must be related to the emerging national growth and development strategy perspectives. State assets must be restructured within the logic of an evolving growth and development vision for each industry – for our country, and our region.

Where private investment is needed, careful evaluation of the best way of leveraging this investment is required. The *SACP-led campaign on the transformation* and diversification of the financial sector is one example of mobilising, directing and disciplining private capital to invest in our economic growth and development. ★

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This article draws largely from an internal SACP discussion document on restructuring state assets