

Privatisation

pushing ahead

Barely a year after organised labour and government agreed on a framework for restructuring state assets, government's dream of an early sale of public utilities is reaching fruition. The commercial media reports on new deals, tenders and bids almost daily as local and international investors scramble to secure their slice of the pie. Upbeat government officials announce plans for phased 'deregulation' and 'liberalisation' of the market, to the delight of potential investors eagerly awaiting the go-ahead to capitalise on new investment opportunities.

Transformation?

This process stands in marked contrast to the ANC's original formulation of transformation of the public sector. In terms of the RDP, the basic needs of the majority of South Africans were to be achieved through an efficient and vibrant public sector under state ownership and control.

COSATU also insisted on state ownership and control of public utilities. State-owned enterprises, it maintained, were pivotal to guiding the economy through the hurdles of reconstruction and development.

At the end of 1995, a business-commissioned report entitled "Restructuring the Public Sector to achieve Black Economic Empowerment" proposed privatisation as a mechanism to restructure public enterprises. It argued that partial or outright privatisation would contribute significantly towards the reduction of South Africa's debt

Government is pushing full steam ahead with privatisation. Malcolm Ray looks at different union responses to this issue.

and promote black economic empowerment.

Around the same time, the ANC, under increasing pressure from international financial capital, released its own document. "The State and Social Transformation" proposed a dramatic reversal of the state's role in the public sector through partial privatisation and a range of deregulatory measures. The document represented an effective ditching of the thinking behind the RDP.

Embracing privatisation – the NFA

COSATU reacted strongly to this about-turn, taking to the streets to protest against the proposals. At the beginning of last year government and labour accepted the National Framework Agreement (NFA), which laid down guidelines for restructuring state assets.

The NFA represented the abandonment of transformation as originally formulated in the RDP. Public ownership of state assets was dropped. Government's role was reduced to the task of managing the gradual privatisation of the public sector. Discussions in line with the procedure set



Plans for the sale of minority shares in Eskom are on hold.

out by the NEA proposed the following options:

- outright disinvestment of unprofitable state-owned companies or parastatals through private sales to the public;
- Strategic Equity Partnerships (SEPs);
- out-sourcing services to reduce expenditure and enhance efficiency;
- redeploying state assets for growth and development;
- the granting of concessions to the private sector.

Strategic partnerships

The option of 'strategic partnerships' has been the one most favoured by Minister of Public Enterprises, Stella Sigcau. It has also found wide appeal amongst heads of various government departments.

The pace of this process has been remarkable. In recent months, strategic stakes in 11 public enterprises have either been put out to tender or sold off to private investors. With the impetus coming from the

Departments of Telecommunications and Transport, it is expected that up to eight enterprises will be privatised by the end of this year.

As early as February last year, Telkom restructured its senior management and out-sourced 'non-core' business functions to private contractors, placing the monopoly enterprises' restructuring and expansion plans on track for inevitable privatisation by the year 2000. Sigcau recently announced that 30% of Telkom is to be acquired by SBC Communications and Telkom Malaysia. A further 10% is to be handed over to the National Empowerment Fund (NEF - see box).

Various non-core divisions of the South African Broadcasting Corporation (SABC) also came under the hammer in April this year. Based on the recommendations of an international consultant, the public broadcaster indicated that it would out-source its radio division, SAfm, sell off functions not directly related to television

broadcasting, and retrench up to 1 000 workers.

The Department of Transport recently indicated that it is preparing to privatise the public transport system. A rash of tenders have already been put out by the passenger transport sector.

It is believed that 49% of the Department's Airports Company will be sold off and stakes of up to 25% will be offered when South African Airways (SAA) comes up for sale soon. Attempts are also underway to get rid of the remaining state-owned bus companies, which have been hard-hit by competing private minibus taxi operators and state subsidy cuts. In particular, Northstar, in the northern province, and KwaZulu-Natal Transport are being reviewed for possible privatisation.

While the sale of minority shares in Eskom power stations is on hold because of union dissatisfaction with the tender procedure, indications are that the procedural hitch will not scuttle government's determination to privatise. The sale of other state enterprises and utilities like municipal water, the forestry parastatal SAFCOL, Aventura leisure group and Mossgas leaves very little in government hands.

Union reaction

Reaction from trade union quarters has generally centred on one question: Will the needs of the public, particularly disadvantaged communities, be better served if government relinquishes ownership of public utilities to the private sector? While there has been heated debate on the issue within the federation, participation in the privatisation process indicates a loss of faith by some affiliates in the ability of the state to run certain services.

As early as February last year, COSATU General Secretary, Sam Shilowa, stated that "COSATU supports privatisation as long as the masses benefit." The federation agrees that certain state assets (such as the Aventura resorts, which were used to provide cheap holidays to loyal apartheid civil servants) should be sold off.

In the case of public utilities which are involved in social service delivery, but where there is a need for an injection of capital or new technology COSATU has given qualified support for the need for SEPs with private capital. Companies like Telkom would fit into this category. The federation insists that the state remain the majority shareholder in such cases, presumably in the belief that this would

The National Empowerment Fund (NEF)

The NEF was mooted early this year by various black business groupings and unions involved in privatisation discussions. It also has the support of government.

The NEF is a mechanism to empower historically disadvantaged communities. Spokesperson for the Department of Public Enterprises, Wandile Zote, says that part of the proceeds of privatisation will be used to give shares to black South Africans. This will ensure a more representative ownership structure of the privatised companies.

The NEF is based on schemes in

existence in Malaysia. Although a structure has not yet been established, it has the support of Cabinet, and will be administered by the Department of Trade and Industry.

The Fund has been compared to the Employee Share Ownership Plans (ESOPs), which were a prominent feature of privatisation in Britain in the 1980s. The British experience teaches two important lessons: firstly, dividends from individual share ownerships were negligible; secondly, the ESOPs had no appreciable effect on service delivery.

guarantee public control over such services.

COSATU has also reiterated its total opposition to the privatisation of essential services, like water, health, housing and education.

On the surface, COSATU's position appears crystal clear. Statements emanating out of executive meetings are, however, far removed from the reality of what is happening on the ground. The NFA has tied unionists into a process which may well undermine these principled positions. The limited advantages of taking part in such a process are negated by the fact that it is regularly bypassed by government. Ill-informed and under-resourced trade unionists are more often than not confronted with privatisation which is already well under way. The situation is further clouded by the involvement of trade union investment companies, a number of which are jostling for a piece of the privatisation pie.

A divided voice

COSATU's official positions are also not accepted by all affiliates. Critical voices within the federation argue that SEPs will not deliver on growth and reconstruction. General Secretary of the South African Municipal Workers' Union (SAMWU), Roger Ronnie, maintains that COSATU's conception of SEPs is based on false assumptions. He says that:

- ❑ **SEPs will not ensure efficient delivery.** The private sector's prime motive is expanding profit margins, usually at the expense of delivery. If private entrepreneurs are to increase delivery and at the same time make profits, they must reduce operating costs. This means cheaper equipment, fewer jobs and lower pay. The inefficiency of old and bloated bureaucracies in public enterprises does not constitute a reason to privatise. Instead, restructuring

managerial functions and the reprioritisation of state expenditure should be the focus of attention.

- ❑ **SEPs wrongly counterpose ownership with control.** State control through a majority share holding does not guarantee efficient delivery. Partially privatised sectors will operate according to the competitive requirements of the market, not social needs. Control cannot be a substitute for genuine social ownership to create jobs and meet basic needs.
- ❑ **Black economic empowerment will benefit a few.** The proceeds of privatisation will benefit a few black entrepreneurs, not the majority of disadvantaged workers or the communities which need services.

Cloak and dagger

For Ronnie and his union, the degree of privatisation is unimportant. He believes the idea of strategic partnerships is a cloak for mass sell-offs of state-owned enterprises. Locating the problem squarely with the NFA, he says the restructuring process has had the 'creeping effect' of binding the unions to a privatisation ethos. The terms 'restructuring' and 'privatisation' are used interchangeably, as if they would have similar outcomes. The question, according to Ronnie, is whether privatisation dominates the NFA's political agenda. "If the ideological vision is a market-driven public sector, where enterprises compete to run resources, SAMWU would rather keep out if it," he says.

What is the alternative? Ronnie admits that SAMWU is in a relatively unique position to "turn around" the drive towards privatisation. Unlike other COSATU unions, SAMWU is not bound by the policy and process laid down by the NFA. Local government, where SAMWU organises, falls under the local government ministry rather

than Public Enterprises. SAMWU has launched a national campaign against the privatisation of water services, which has the support of COSATU.

A different view

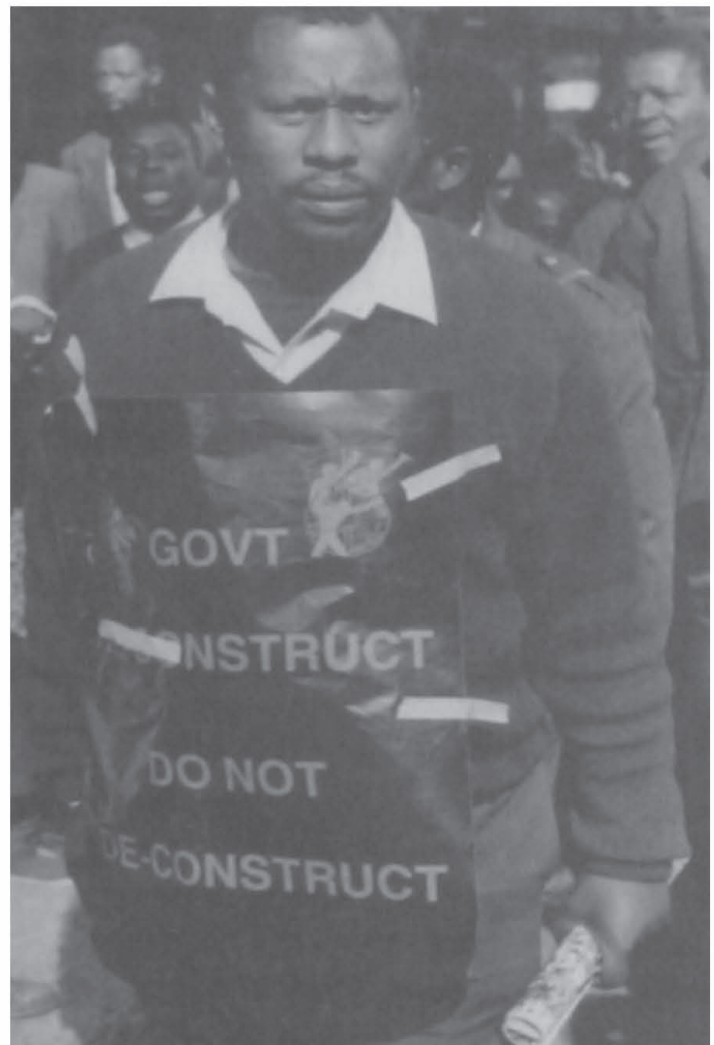
Transport and General Workers' Union (TGWU) Deputy General Secretary, Harald Harvey, holds a different view. He says participating in the NFA does not mean merely accepting a "structured process of privatisation". TGWU's approach is to participate in NFA structures as a means to achieving the union's vision of a restructured public transport service under public ownership. "The reality is that unions can shout principles, but if government pushes ahead with privatisation, unions have no option but to participate," Harvey says.

By way of example, he says that with the exception of some subcontracting in the passenger transport sector, TGWU has successfully kept mass sell-offs in the transport sector off the agenda. Taking a broad view of the NFA, Harvey describes it as a "solution-seeking" structure. "Ideally," he says, "the unions would have opted for a blanket policy of nationalisation under public ownership and control. But because the NFA ties our hands to a restructuring policy guideline, it is essential to argue for a public service in the public interest in as far as that is possible."

Devil in the detail

While TGWU might have had some success, other sectors tell a different story. Privatisation, albeit 'partial', is outgrowing the restructuring process. Differences over the interpretation of the NFA have dogged its successful implementation.

Arguably, the main problem lies in negotiating the detail. Accusing Eskom of privatising some of its operations without union involvement, the National Union of Mineworkers (NUM) and the National Union



TGWU march against privatisation, Johannesburg, July 1996.

of Metalworkers of South Africa (NUMSA) recently withdrew from the state-owned electricity utility's restructuring committee. The NUM's Deputy General Secretary, Gwede Mantashe, says that the committee did not fall in line with NFA recommendations. The unions accused Eskom of finalising plans to sell its power stations without proper negotiations.

Would a different structure have come up with more acceptable solutions? Ronnie insists that tinkering with the detail is not going to resolve differences between the unions and government. Quarrelling over mechanisms ignores the fact that government is committed to privatisation. He calls for COSATU to withdraw from the NFA and to launch a full-scale anti-privatisation drive. ★