Restructuring of the South-African Electricity Distribution Industry (EDI)

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MA by Coursework and Research Report

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Abstract

The electricity distribution industry (EDI) restructuring in South Africa remains a long and tedious process. The neo-liberal ideology based on the neo-classical theory which is characterized by concepts such as buying, selling and owing are widely used in both developed and developing countries since the 1980s. The study argued the influence of the neo-liberal framework by way of exploring the concerns of organized labour with the restructuring of the EDI.

The study was conducted in the Western Cape where the first Regional Electricity Distributor (RED) was launched as a possible forerunner for the rest of the country. The respondents composed of eleven representatives from key stakeholders as part of the restructuring negotiations. The findings showed that the neo-classical framework indicated its own limitations in that it only caters for broad macro-economic performance at the exclusion of social programs especially in developing countries. Based on the findings of the study and the limitations of the austere neo-liberal economic requirements, a number of recommendations which would reinforce and revise the current and out-dated EDI restructuring blueprint had been presented by stakeholders such as organized labour at the EDI restructuring negotiations.

The study revealed that the new proposed blueprint recommendations as identified by organized labour and other role players recognized the current macro-economic challenges and as such should be engaged within a more refined corporatist institutional environment. Such an environment should recognize the role of a broader social constituency to be included. The concerns identified by organized labour should not be read in isolation of the broader macro context but as part of the solutions for a better restructured EDI.
Executive Summary

Unless explicitly opposed by the current ruling party, neo-liberal ideologies are here to stay albeit in the form of GEAR. The challenge for organized labour is to ensure that strategic alliances are formed; reputable research institutions are utilized within corporatist arrangements to engage the battle of a neo-liberal ideology. Electricity distribution restructuring is but one of the key challenges faced by organized labour and in so doing a comprehensive plan needs to be presented to respond to social challenges faced by the labour movement.

The majority stakeholders in the restructuring negotiations want to realize the successful outcome of the REDs. However, success for the electricity distribution industry and other industries would only be realized if competent people such as economic analysts, business, organized labour, problem-solving analysts, service delivery experts and other social-science experts are included to expand the current and limited technical approach in the interest of advancing social objectives.

The buy-in and active participation of all stakeholders are required to ensure that deadlines are met. National stakeholders will need to expedite processes to finalize outstanding policies and legislation on governance and financial matters related to the establishment and functioning of the REDs. Municipal buy-in and support are essential. EDI-H will be required to oversee and manage the process of the establishment of REDs to full maturity. If successfully implemented, the rationalization of the EDI should bring economies of scale, greater transparency, and competition in terms of pricing and service delivery.

The establishment of REDs should not negatively impact on the financial position of local government, as it is critical that this sphere of government continues to fulfill its constitutional development mandate. However, unions at local government level and SALGA do not share the same sentiment. Finances are vital for the existence of local
government operations. If electricity departments are to be transferred to the REDs clear bridging measures need to be in place which would arrest the unintended challenges.

Cronin (2007) substantiates when referring to samples of studies done in Canada and elsewhere that one could conclude that in general ownership form per se has little impact on efficiency for distribution electric utilities or even that public ownership may be more efficient. The distribution sector is a crucial infrastructure industry that is vital to the economy and the well-being of citizens. Governments and regulatory agencies he concluded need to base policies affecting states on fact, not ideological and dogmatic belief.

This should apply to organized labour and the business community if constructive transformational processes are to be advanced. After all, to what extent would the restructuring of the distribution industry with the establishment of REDs assist ordinary working people and the poor in particular when electricity becomes unaffordable?
Declaration

I declare that this research report is my own unaided work. It is submitted for the degree of Master of Arts by Coursework and Research Report in Industrial Sociology-Labour Policies and Globalization at the University of the Witwatersrand, Johannesburg. It has not been submitted before any other degree or examination in any other University.

On the…………day of ……………………………………2009.

Name: Noel G. Coetzee

Signature……………………………………
Dedication

To the women who supported and kept me grounded during the sometimes challenging times.

My wife Caroline D. Coetzee and daughter Noeline for their unwavering support.

My late parents Johanna and Willem, family and friends for their encouragement.
Acknowledgements

I am greatly indebted to individuals and institutions that assisted in various ways that enabled me to complete this research project.

This research would not have been possible without the invaluable supervision and mentorship by Dr. Rajohane Matshedisho. I greatly appreciated his support and encouragement throughout the research process. I further extend my gratitude to all the staff and lecturers at the Global Labour University (GLU) unit for their assistance at the University of the Witwatersrand (WITS).

I greatly thank the National Union of Mineworkers (NUM), Congress of South African Trade Union Federation (COSATU) and Eskom for providing me the opportunity to further and advance my knowledge base. I am also grateful to the International Labour Organization (ILO) and the other GLU partners who funded my study program. This has fulfilled a life long dream to always to educate myself.

I also thank all my colleagues at Eskom for all their support and believing in me. I specially mention the following: Dr. Michael Klink and Mr. Corwin Mhlahlo for their invaluable support. This research would not have been possible without the unwavering assistance with interviews and additional information by respondents from NUM, SOLIDARITY, IMATU, SAMWU, Independent Researcher (UCT), Eskom and EDI-H Company. (Thank you).

My gratitude to my wife Caroline and daughter Noeline for enduring a year without a husband and father.

Lastly, I want to thank our heavenly Father GOD Almighty for making this a happening.
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1. **AMEU**  
   Amalgamated Municipal and Electricity Union
2. **ANC**  
   African National Congress
3. **CEC**  
   Central Executive Committee
4. **CEO**  
   Chief Executive Officer
5. **CoS**  
   Conditions of Service
6. **COSATU**  
   Congress of South African Trade Unions
7. **DME**  
   Department of Mineral and Energy
8. **DoE**  
   Department of Energy
9. **DPE**  
   Department of Public Enterprises
10. **DPLG**  
    Department Provincial of Local Government
11. **EDI**  
    Electricity Distribution Industry
12. **EDI-H Co**  
    Electricity Distribution Industry Holdings Company
13. **ESI**  
    Electricity supply industry
14. **EUs**  
    Electric utilities
15. **FBE**  
    Free basic electricity
16. **FEDUSA**  
    Federation of trade unions of South Africa
17. **GDP**  
    Gross Domestic Product
18. **GEAR**  
    Growth Employment and Redistribution
19. **HR**  
    Human Resource
20. **IADB**  
    International American Development Bank
21. **ILO**  
    International Labour Organisation
22. **IMATU**  
    Independent Municipal and Allied Trade Union
23. **IMF**  
    International Monetary Fund
24. **IPPs**  
    Independent power producers
25. **IR**  
    Industrial Relations
26. **LRA**  
    Labour Relations Act 66 of 1995
<table>
<thead>
<tr>
<th>No.</th>
<th>Acronym</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>27.</td>
<td>LSIs</td>
<td>Large Scale Interventions</td>
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<tr>
<td>28.</td>
<td>MEs</td>
<td>Municipal Entities</td>
</tr>
<tr>
<td>29.</td>
<td>MSA</td>
<td>Municipal Systems Act</td>
</tr>
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<td>30.</td>
<td>NALEDI</td>
<td>National Labour and Economic Development Institute</td>
</tr>
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<td>32.</td>
<td>NEPAD</td>
<td>New Partnership for Africa Development</td>
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<td>33.</td>
<td>NERSA</td>
<td>National Electricity Regulator of South Africa</td>
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<td>34.</td>
<td>NUM</td>
<td>National Union of Mineworkers</td>
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<td>35.</td>
<td>NUMSA</td>
<td>National Union of Metalworkers of South Africa</td>
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<td>36.</td>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<tr>
<td>37.</td>
<td>PEs</td>
<td>Public Entities</td>
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<tr>
<td>38.</td>
<td>PMFA</td>
<td>Public Finance Management Act</td>
</tr>
<tr>
<td>39.</td>
<td>PPPs</td>
<td>Public Private Partnerships</td>
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<td>40.</td>
<td>PWC</td>
<td>PriceWaterhouseCoopers</td>
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<tr>
<td>41.</td>
<td>REDs</td>
<td>Regional Electricity Distributors</td>
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<td>42.</td>
<td>RDP</td>
<td>Reconstruction and Development Programme</td>
</tr>
<tr>
<td>43.</td>
<td>RPL</td>
<td>Recognition of Prior Learning</td>
</tr>
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<td>44.</td>
<td>RTLRS</td>
<td>Regional Transitional Labour Relations structures</td>
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<td>45.</td>
<td>SACP</td>
<td>South-African Communist Party</td>
</tr>
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<td>46.</td>
<td>SALGA</td>
<td>South African Local Government Authorities</td>
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<td>47.</td>
<td>SAMWU</td>
<td>South African Municipal Workers Union</td>
</tr>
<tr>
<td>48.</td>
<td>SOEs</td>
<td>State Owned Enterprises</td>
</tr>
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<td>49.</td>
<td>TBVC states</td>
<td>Transkei, Bophuthatswana, Venda and Ciskei</td>
</tr>
<tr>
<td>50.</td>
<td>TLRS</td>
<td>Transitional Labour Relations Structure</td>
</tr>
<tr>
<td>51.</td>
<td>TNCs</td>
<td>Trans-national corporations</td>
</tr>
<tr>
<td>52.</td>
<td>UCT</td>
<td>University of Cape Town</td>
</tr>
<tr>
<td>53.</td>
<td>WTO</td>
<td>World Trade Organisation</td>
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<td>54.</td>
<td>WWII</td>
<td>World War</td>
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