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TRADE UNION RESPONSES TO STATE ENTERPRISE RESTRUCTURING AND PRIVATISATION

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A research report submitted to the Faculty of Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Management (in the field of Public and Development Management).

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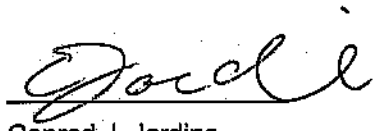
Abstract

With the advent of democracy, COSATU took a leading role in the contestation of public policy. It soon saw itself caught between the tension of cooperating with a democratic government whilst attempting to resist policies not in line with its socialist vision. The purpose of this study was to critically appraise trade union responses to state asset restructuring and privatisation. COSATU in general accepted the privatisation of non-essential enterprises and services, rejected the privatisation of essential services like water and electricity and called for the strategic nationalisation of essential services like housing and health. They have shown an appreciation of government's arguments, but government has not taken the concern of unions into consideration. The findings reveal quite a high level of pessimism and uncertainty amongst unions with respect to the pragmatic position of COSATU and the equivocation on the part of government to allow space for the contestation of privatisation policy.

Declaration

I declare that this report is my own, unaided work. It is submitted in partial fulfillment of the requirement of the degree of Master of Management (in the field of Public and Development Management) in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in any other University.



Conrad J. Jardine

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List of abbreviations

ANC	African National Congress
COSATU	Congress of South African Unions
CWU	Communications Workers Union
FEDUSA	Federation of Unions of South Africa
FAWU	Food and Allied Workers Union
NFA	National Framework Agreement
NACTU	National Council of Trade Unions
NUM	National Union of Mineworkers
NUMSA	National Union of Metal Workers of South Africa
SACCAWU	South African Commercial and Catering Allied Workers Union
SACP	South African Communist Party
SAMWU	South African Municipal Workers Union
SAAPAWU	South African Agricultural and Plantation Workers Union
SARHWU	South African Railways and Harbour Workers Union
TGWU	Transport and General Workers Union

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Chapter 1: Introduction

Privatisation is used as a major policy instrument to shape the public sector. This approach is mainly driven by economic and financial arguments with little or no reference to political rationale. When the new government under the leadership of the African National Congress (ANC) pursued privatisation, labour, most noticeably the Congress of South African Trade Unions[1] (COSATU), decided to contest privatisation as a policy tool to shape the public sector. This led to the signing of the National Framework Agreement (NFA) between government and labour[2] which is in effect the terms of engagement between the parties.

Because of the limited scope of this research, it is confined to the responses of unions affiliated to COSATU. This labour federation was chosen because it is in a political alliance with the governing party while disagreeing with the government programme of privatisation. This research is a critical appraisal of trade union responses to privatisation and state asset restructuring. It is an attempt to grasp the political aspect of privatisation, the underlying assumption that public sector restructuring equates privatisation and the fact that it is being flagged as a major policy instrument to mold the public sector. It seeks to analyse and identify the underlying political assumptions of privatisation that are most often overlooked in favour of economic and financial arguments.

[1] Reference to COSATU refers to the collective of unions that make up the federation unless otherwise stated or specific mention is made to an affiliate. COSATU is made up of 19 affiliates with a combined membership of about 1,8 million (Source: COSATU membership department).

[2] Signatories to the NFA are the three labour federations: Congress of South African Trade Unions (COSATU), the National Council of Trade Unions (NACTU) and the Federation of Unions of South African (FEDUSA) and government.

The point of departure for this research is not only the notion of privatisation as a policy tool, but also the debates and labour's attempt to transcend the public private sector divide. The debates will be analysed with reference to the relevance and impact on public sector transformation and the contestation of public policy and choices in the process of public sector restructuring with reference to the privatisation of state owned enterprises (SOE's).

1.1 Research Problem and Background

After the collapse of what was consider d socialist and communist regimes, and the disintegration of the welfare state, privatisation was posited as the only alternative to public sector bureaucracies. In an attempt to induce efficiency and effectiveness in the public sector, privatisation is considered the most common and often the only policy option.

Internationally, trade unions were excluded from the process of privatisation initiated by governments and were faced with massive retrenchments. This not only led to the reduction in union size but also concomitantly resulted in "rolling back of the state" (Public Sector Privatisation Research Unit, 1996 and Public Service International, 1989). According to an international observer, trade unions in South Africa (SA) are faced with the unique opportunity to influence the process - an opportunity that other trade unions were denied[3].

After the first democratic elections in 1994, the deputy president Thabo Mbeki announced against all expectations that the then government of national unity, led by the ANC, would introduce measures of fiscal austerity.

[3] Personal discussion with Stephen Rix, an Australian that was employed at NALEDI as a researcher during 1995/96. He was involved in the drafting of the NFA in December 1995.

Central to this was the initiation, or more so, a continuation of a programme of privatisation initiated by the previous National Party government. The rationale as articulated in Mbeki's statement, was to release funds for the national debt and to use it to meet the objectives of the Reconstruction and Development Programme (RDP). It became clear that the government was going to pursue policies that were interpreted by COSATU as an attempt to limit and roll back the state. Effectively, the government chose to redefine the role of the public sector by curtailing public expenditure and therefore by implication, not only reforming the economy, but also the relationship between the private and public sectors.

Privatisation was indirectly referred to in the Reconstruction and Development Programme (Refer to Clause 4.2.5 of the base document). Hardly articulated in its election platform in 1994, privatisation was announced as a fundamental policy of the ANC by President Mandela in 1997. This affirmed the fact that privatisation is politically driven and not economically as perceived by government. Collyer (1996), based on his research on privatisation in Australia, argued that it is most likely the case that privatisation is embarked upon for political purposes which have little to do with financial benefits to the public sector or with increasing efficiency of public sector institutions.

1.2 Limitation of Research

A major limitation experienced was that at the time of writing, a number of developments occurred. After its June 1998 Central Committee meeting, COSATU became more assertive in objecting to the privatisation of water and electricity in particular. It also proposed that a task team be established between the alliance partners (the ANC and the SACP) with the hope that it would address the political impasse between the ANC and COSATU. At the

time of writing the task team had not been convened yet. A more recent development illustrates the difficulty of writing on such a fluid subject. On concluding the research, the COSATU central executive committee released a statement (17 October 1998) endorsing private-public partnerships at a local government level under certain instances (see appendix 4). This means a withdrawal from the initial position that it would not accept private sector involvement in water delivery at a local government level.

1.3 Outline

Chapter two deals with some of the literature on the public sector and the use of privatisation to induce public sector restructuring. It also deals with the relationship between the state and civil society and the contestation of public policy. The second section of chapter two deals with the attempts of trade unions to contest privatisation as a policy tool to shape the public sector, in particular SOE's. Chapter three deals with the methodology and design of the research. Qualitative interviews with open-ended semi-structured questions were used. Interviewees were from unions affiliated to the COSATU. Chapter four deals with the analysis and interpretation of the findings, with chapter five concluding the research.

Chapter 2: Literature review

This chapter will deal with some of the major literature seeking solutions to the private and public impasse. The second section of the chapter deals with the responses of trade unions to privatisation.

2.1 The Public Sector

The scope of the public sector varies from country to country. It essentially entails all social, political and economic activities by government (directly or indirectly through legislation) that are pursued, and as well as institutions (profitable and non-profitable), that are created and operated in the interest of the public – be they social or economical. It is for this reason that the public sector occupies a central role in determining the impact and outcome of public policy - irrespective of whatever role the state plays - either intervening directly or leaving it up to the market. By its very nature, the state cannot do without the public sector.

The public sector was historically used as a medium for state intervention in the social, political and economic sphere of society. Nationalisation for all intents and purposes, was the most common policy option pursued after the Second World War. This was done for political and economic reasons with the primary intention being to achieve developmental objectives and therefore by design, asserting political and legal rights into the social and economic spheres of society.

Through Nationalisation in Western Europe in particular, the state functioned both as a crisis solver and as a regulator between capitalist interest and broader social and economic development objectives. As a result, the state

played a prominent role in the development and expansion of markets (McCrew, 1992, p. 68). This was especially the case after the Second World War in Europe and after the great depression in the USA. This was also the case with socialist and nationalist regimes during the postcolonial period in Eastern Europe, Africa, Latin America and Asia, with a greater or lesser degree of emphasis on the market, but certainly with a greater emphasis on the state. Walsh convincingly reminds us about the fundamental reasons for the establishing of the public sector after the Second World War:

> "... [T]he extension of what Marshall called citizenship rights from the legal and political to the social and economic spheres. People were to have a right to those resources and services that were fundamental to living a decent life, notably health, housing, education, social care and protection against unemployment. The ... state was the expression of the fulfillment of citizenship rights, emphasising equity and equality, and the importance of meeting basic needs if people were fully to be members of society. The relationship between the state and its citizens was not to be one of free exchange, as happens in markets, but one of mutual obligation and duties... The state expressed the collective nature and the mutuality of obligation of society" (quoted in Clarke, 1994, p. 417).

The rationale for the existence of the public sector remains as relevant as it was over fifty years ago. The state plays a crucial role to ensure an equitable distribution of society's wealth. Failure to do this would mean that the right to vote would not be translated into an equitable environment for the weaker and poor segments of society. The relationship between the state and its citizens cannot be left to the free exchange of the market. The public sector ensured the mutuality of obligation between the state and its citizens.

However, by virtue of its relation and closeness to the state, the public sector, like all institutions, was not immune to change despite being used as

a direct means of intervention. World political and economic changes, especially after the oil shocks in the 1970's and the emergence of supra-national institutions like the World Bank and International Monetary Fund (IMF), questioned the fundamental role of the state in social and economic development (Martin, 1993). It was exactly because of the immediacy of the public sector to the state that it was subject to scrutiny and change. This was to a large extent as a result of the fiscal crises experienced by the state and the dominating and expanding role of international capital.

This effectively meant that the public sector had to be restructured accordingly to make way for expanding markets as well as creating new markets. Marketisation *(read privatisation)* was the prescription given for an inefficient public sector. Bloated bureaucracies were seen to hinder economic growth and market expansion in developed and developing countries in particular. Privatisation became the antithesis of nationalisation and a panacea for economic stagnation. The policies developed to expand the role of the private sector meant a reduced role for the public sector, and by implication, defining a minimalist role for the state.

2.2 Privatisation

Privatisation is generally narrowly defined as the sale (partially or wholly) of state assets and public enterprises to the private corporate sector[4]. Vickers and Wright (quoted in Public Service International 1989, p. 6) expand the definition to highlight the various forms in which it can take place. They list a gamut of 14 commonly associated activities covered by the term Privatisation:

- Abolishing or curtailing public services on the assumption that private provision will fill the gap;
- Squeezing the resources of publicly funded bodies to induce them to seek private funding;
- Increasing the charges to users of public goods –"user pay";
- Encouraging the private sector to share in public investment projects;
- Promoting joint public/private (most often foreign) production ventures;
- Transferring to the private sector public policy responsibilities;
- Encouraging private finance to build and operate public works;
- Introducing private sector personnel and notions of efficiency of management techniques into the public sector: creating a private sector culture;
- Facilitating private sector competition with the public sector by a policy of liberalisation and deregulation;
- Contracting out public services [and non-core activities] to private agents;
- Selling land and publicly-owned housing stock;
- The sale of subsidiaries belonging to nationalised or public industries/companies;
- Recapitalising public companies through private sector investment; and
- The partial or complete sale of public companies to the private sector.

Martin (1993) and the Public Service International (1994) take the logic further. They argue that privatisation simultaneously involves the transfer of public policy responsibility and implementation to the private sector. By implication, the private sector becomes by default rather than design, a crucial role player in the public policy process of design and implementation.

[4] When using the term private sector, reference is also made to the "private corporate sector" as part of the plethora of civil society organisations (also referred to as the third sector), unless specific reference is made to the private corporate sector.

This is normally done under the guise that the private sector will add value to public sector activities in the delivery of public goods and services. The resultant shift subjects public sector operations and delivery systems to a private mode of governance within the self-governance framework of the market. It is interesting to note that the South African government has adopted all of the activities associated with privatisation e.g. private/public partnerships, attracting private investment for infrastructure development and chief executive officers from the corporate world to the public sector. Little attention, as discussed later, is given to alternatives.

The privatisation of the public sector therefore implies a greater role for the private sector and a lesser role for the public sector. This as critics of privatisation argue, is tantamount to "selling the family silverware (Ibid.). What is most often ignored, and the Organisation for Economic Co-operation and Development (OECD) acknowledged it as far back as 1987, is that:

> [E]ach sale of a public asset only provides the government with a once-off source of revenue. The treatment of the proceeds of such sales as deficit reduction, or even as negative outlays, may lead to the incorrect impression that the government's budget position has improved when all that has happened is that its financing [was] made easier. Moreover, continual disposal of the government's assets leads inevitably to the depletion of its wealth (quoted in Rix & Jardine, 1996, p. 64).

With every sale, government forfeits future benefits in the form of profits or income from public assets that could be used for redistribution purposes and the cross-subsidisation of essential services for the poor. Government is therefore placing itself in a precarious position where it weakens its own capacity and therefore undermining any future attempts on the part of government to affirm social equity. Collyer (1997) argued forcefully that "...privatisation is a discourse that serves to legitimate to power of

government and the inefficient expenditure of public money, while responding to the demands of powerful interest groups. As such, it is not a fiscally responsible strategy nor a progressive movement toward greater access and equity, but a means to maintain inequality and support the creation of private wealth." This brings into the equation the role and relation of the state and civil society and the contestation of public policy.

2.3 The State, Civil Society, Politics and Public Policy

Key to the debate is the role of the state and civil society[5]. The state defines the realm of supreme authority within society. This is articulated and exercised through the apparatus of governing - the public sector (McGrew, 1992, p. 69). Through its institutions the state creates public policy as a framework for governing society. Policy as a statement of intent of what needs and ought to happen is therefore a pervasive societal phenomenon. Government generally attempts to set down procedures and guidelines for social, political and economic interaction across the public and private boundaries (Meenaghan and Kilty, 1994, p.61). Civil society operates within the parameters set by the governing framework of the state. This is sometimes enforced or is a negotiated outcome between the state and civil society that gives expression to governance (Hall and Gieben quoted in McGrew, 1992).

Whereas the state gives expression to the realm of public power and public organisations, civil society gives expression to the realm of private power and private organisation. This division between the public and the private is however not so clearly distinguishable. Because of the powers of the state to regulate social, political and economic activities, the state is deeply

enmeshed in the institutions and processes of civil society. McGrew goes so far as to argue that the state "constitute civil society" (ibid.). The contestation between the state and civil, public and private, society is constantly expressed by defining and redefining the framework for engagement and therefore the outcome of policy processes. Privatisation is therefore an outcome of the contradictions and tension between the public and private in the policy environment.

This particular feature of public policy blurs the distinction between the public and the private structure of society (ibid. p. 63). What was initially indigenous to the public sector, public policy[6] now cuts across different institutional sectors. It is this "grey intersecting area" between the public and private, market and non-market divide, which creates opportunities and space for civil society to contest public policy. This contestation defines and redefines the legal and political boundaries between the public and the private sphere at the concrete level of abstraction. Legislating against rape in marriage as an offence is an illustration of redrawing the private/public boundaries in the social domain as a result of pressure from women's organisations. Privatisation of state owned companies (partial or wholly) is an illustration of redrawing the boundaries in the economic domain. Figure 1 indicates the different types of societal organisations and the division and overlap between private and public, market and non-market institutions and organisation.

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[5] . Civil society organisations (CSO's) refers here to the plethora of non-governmental, civil and community organisations and associations (commonly referred to as the third sector or social sector) and the corporate sector.

[6] Public policy is no longer the prerogative of government. CSO's are constantly contesting policy and the parameters of public policy space as a result of the intersection between the public and the private. Legislation against rape in marriages as a result of lobbying from pressure groups is an example of the use of public policy to determine the parameters and space of private relations.

Figure 1: The private and public divide

	Private (civil society)	Alternative 3rd sector (grey area)?	Public (state)
Market Based	Private companies Banks, financial institutions et al.		State-owned companies Energy, airways, broadcasting et al.
Mixed market	Co-op's NGO's CBO's, & other civil society organisations		
Non-market based	Private organisations Social, cultural and religious organisations, social movements, and political parties		Public administration and services, produced centrally, regionally and locally (health, educational institutions, and other services

(Source: adapted from McGraw (1992) p. 70)

There is clearly a place and a role for different types of organisations other than the traditional public or private corporate type of organisation. For Mintzberg (1996), this "grey area" consisting of cooperatively and non-owned organisations, takes on a dynamic of its own that effectively acts as a balancing mechanism for society. Any shift in favour of a dominant private or public sector according to Mintzberg creates an imbalance in society that is detrimental to the well being of society.

For O'Connell (1996), the "grey area" could act as a means through which government could fulfill some of its public responsibilities. This does however not mean that the third sector must take over where the public sector fails. As far back as 1932, Niebuhr (quoted in O'Connell, p. 224) argued that "the effort to try to make voluntary charity solve the problem of major social crises...result only in monumental hypocrisy...". This argument is just as valid and applicable to the perception that the private corporate sector involvement in public service delivery could solve public crises. The shift in emphasis either towards the private or the public results in changes

in the mode of governance that poses new challenges to the intensity of state governance (Oestmann, 1994). Although Oestmann argued that this does not necessarily reduce the role of the state, it nevertheless changes the role of the state. For example, the state changes from active intervention to passive or active facilitator in the governance process.

According to Stupor (cited in Oestmann, 1994, p. 3), the changing role of the state should be analysed in the context of changes in the relations between the different types of delivery systems that is characterised by different modes and forms of governance. Privatisation is therefore a gradual shift towards market forms of self-governance. The table below demonstrates the difference in the modes of governance.

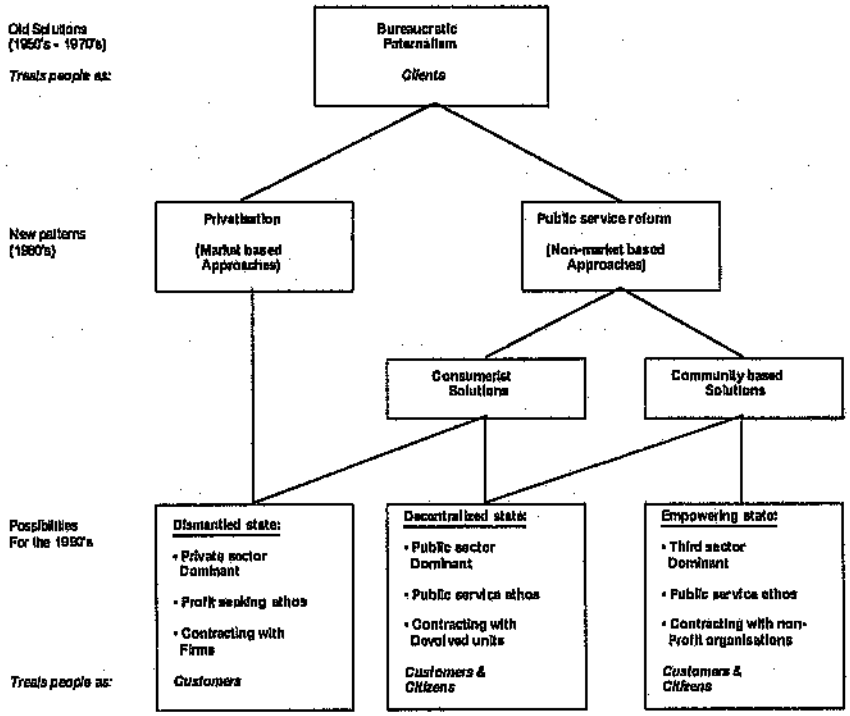
Table 1: Systems and mode of governance

1. Public Delivery system	**Public Mode of governance**
State government	Law, budget, administrative procedures and staffing provision
Self-government	Law, budget, administrative procedures and staffing provision. Self and indirect governance
Para-governmental bodies	Governance through staffing provision, budget legislation, financial provisions
2. Private Delivery system	**Private Mode of governance**
Organised interest groups e.g. co-operatives	Associative governance
Associations & NGO's	Minimised structural and financial governance
Self-help organisations & CBO'S	Assistance through self-governance
Self-help organisations	Assistance through self-governance
Market	Self-governance of market within legal framework; regulating governance in particular economic scope, associative governance Indirect governance (structural development policies, incentive programmes)

(Source: Oestman, 1994)

Hambleton (cited in Clarke 1994, p 427) outlines the trends in the shifts that occurred over the decades (refer to figure 2 below). It gives an indication of the trends in public sector restructuring. The emerging patterns in the 1980's in public sector reform indicates that there are two approaches, which requires fundamental changes from the traditional model. The one is privatisation - a market-based approach and the other, public sector reform - a non-market based approach. Of the latter, two trends are evident: a consumerist solution and a community based solution. It is the latter two that holds the solution for a balance between private (corporate and non-profit) and public state ownership.

Figure 2: Projection of trends for the public sector



(Source: Hambleton in Clarke 1994, p. 427)

What is clear is that not much consideration is given to the "non-market based approach". Where there are such initiatives it is normally in the low value services of the public sector, like social and rental housing etc. associated with the lack of sufficient profits and dependency on donor finance for sustainability.

Of the two trends (privatisation and public service reform), privatisation is the most vigorously pursued. This is largely at the insistence of the World Bank and IMF by linking privatisation to access to aid loans and credit facilities. Privatisation is at the heart of the World Bank and International Monetary Fund's stabilisation measures and Structural Adjustment Programmes. The implication of this is that it reduces the economic and social responsibility of the state (Martin 1993, pp. 75 – 77, 81 & 82).

The non-market-based approaches are not often considered as an option in government policy. The reason why institutions like the World Bank would not support such an alternative approach is that it does not give preference to the private corporate sector but rather seeks to devolve responsibility to public sector units and civil society organisations. What is clear is that it represents a viable alternative to the market based approach and that privatisation is not the only form of restructuring/reform.

2.4 Privatisation: The South African Chapter

Membership to the international economy meant that the SA government has to deal with the fiscal crisis inherited form the previous apartheid regime. For this reason, the government had to commit itself to policies of fiscal and monetary discipline. This, logically, had implications for the public sector. Because of the immediacy of the public sector, and in line with

international trends, the public sector and most noticeably state owned enterprises, was subjected to privatisation.

The public sector was historically used as the main vehicle to bolster segregation and later apartheid policies. Government policies under the apartheid regime were highly interventionist in nature. Major parastatals like the ESKOM (electricity utility) and TRANSNET (holding company for transportation), apart form what they were intended for, were also used to address the social and economic needs of the white constituencies. The fundamental reason was to extend political rights into the social and economic spheres. Rix and Jardine (1996) points out that it was mainly done in three ways:

Employment: Afrikaner dominance was asserted by way of the public sector. These strategies ranged from "affirmative action" employment policies in the civil service since 1948 and the identification of certain strategic positions in the civil service and parastatals. This ensured that supervisory positions were always occupied by Afrikaners as well as using the parastatals as training grounds for Afrikaner artisans and professionals from which blacks were specifically excluded.

Service delivery: Ensuring that Blacks were excluded from many of the services to which whites were entitled, thus ensuring that the services that were delivered to Blacks were in short supply and of lower quality.

Public Policy: Creation of public policies (e.g. transport and housing) which ensured that Blacks received poor quality public services.

During the four decades of governing, the National Party did not consider privatisation as a policy tool, although they were pressurised by Afrikaner

capital to relinquish its hold over the economy (Nakanyane, 1997). The NP government started to experiment actively with privatisation during the late 1980's. Public utilities were commercialised and corporatised and certain non-core functions like cleaning, security, garbage collection etc. became the target of out-sourcing and contracting-out. This was interpreted as an attempt by the National Party to pre-empt a future democratic government from using public utilities as a tool for intervention.

As a result, the private corporate sector started to take on services that was once considered the domain of the public sector. The private corporate sector is involved in a number of sectors that was once perceived as public. The following table briefly sketches the extent to which government and the private corporate sector overlap to various degrees on some of the major sectors of the public sector in South Africa.

Table 2: Scope of the public sector and private sector involvement[7]

Scope of public sector	Public	Private corporate	Private 3rd sector[8]
Electricity	✓		
Telecommunication	✓	✓	
Rail transport	✓		
Airlines	✓	✓	
Ports	✓		
Roads	✓	✓	
Water	✓	✓	
Housing	✓	✓	✓
Health	✓	✓	✓
Social services	✓	✓	✓

[7] This table is not exhaustive. It only captures the main areas of overlaps between the public and the private in service delivery. Of interest would be to calculate the approximate markets share held by either the private or public sectors.

[8] The Third Sector refers to Non-Governmental Organisations that is involved (although on a small scale) in service delivery on the basis that all profits are reinvested. This sector is overlooked as a possibility to obtain and maintain a balance between the private and public. It is interesting to note that the third sector is involved in low revenue (if at all) generation "life essential" services whereas the private sector is involved in the high revenue generation services.

The advent of democracy created new expectations. This w :ticulated in the policy statements of the Mass Democratic Movement (MDM) through the Macro Economic Research Group (MERG), and later the Reconstruction and Development Programme (RDP) (ANC, RDP 1994, 126) of the ANC. The public sector and the restructuring of it were identified as an important element for delivery and empowerment in the reconstruction of the country.

However, against all expectations, Deputy president Thabo Mbeki announced that the government would continue with the privatisation programme initiated by the previous National Party government. He stated that:

> "The government will consider full and partial privatisation of state assets and enterprises where appropriate to release funds for the reduction of debt and for use in the RDP fund. Privatisation could also facilitate empowerment of disadvantaged sectors.... This programme will focus on an overall evaluation to ensure that state assets are used as productively as possible and that their activities are in line with RDP objectives. This evaluation will also focus on development agencies and their role in the inter-governmental structures" (Mbeki, 1994 quoted in Jardine and Rix).

In July 1995 the Minister of Public Enterprises released a policy document *"Discussion Paper on Restructuring of State Assets"* which classified SOE's into the following categories:

- SOE's with an explicit role in providing basic needs. This includes TELKOM, ESKOM and the public transport sections of TRANSNET.
- SOE's with a public policy role that is not as obviously definable as "essential". These are SAA, Denel, Mossgas, Petronet and Soekor.
- SOE's with no public policy role for meeting basic needs. These are the profitable one such as Autonet, Alexkor, Sasol and SunAir, and the

unprofitable ones such as Abakor, Aventura, Parcel Express (PX) (part of the TRANSNET group) and Transkei Air.

The initial thinking was that SOE's in the first category would remain in government hands. Enterprises from the second category would either be wholly or fully privatised, and in the third category, be fully privatised or liquidated.

On closer examination of Mbeki's statement, it can be argued that his statement on the productive use of state assets is not so much about productivity, but were about opportunities presented to obtain the maximum financial yield in the sale of state assets to be used for debt reduction. The parastatals identified for privatisation in subsequent statements where those assets strategic to the economy as well as addressing essential needs like public transport etc.

Two aspects are neglected: One - the wealth generation potential of state enterprises that could be used for the achievement of social goals, redistribution and job creation purposes, and two - the fact that privatisation leads to the eventual depletion of government wealth. The objective of releasing funds for the reduction of debt also meant that other areas of the public sector like local government and departments had to resort to methods like outsourcing and contracting out in order to be cost efficient. By implication then, the reduction of debt is associated with the reduction of social spending.

2.5 Labour's response

The Congress of South African Trade Unions initially objected to any form of unilateral restructuring in the guise of privatisation and accused the government of selling the family silver. COSATU's insistence that government should negotiate with labour led to the adoption of a National Framework Agreement (NFA) in January 1996 between labour[9] and government (attached as appendix 1). Preceding this, COSATU had to contend with a number of key questions as outlined in its September 1996 discussion document (The Shopsteward, September 1996). These are *inter alia:*

- Which assets would we never call for strategic nationalisation?
- What happens to those that are already in state hands, but would nonetheless not be on our list for consideration for strategic nationalisation at this point and time?
- How do we harness private capital for investment in basic services and the productive sector?
- How do we keep certain enterprises going, taking into account the meager resources available in state hands for capital investment and for development? For, even as we need to start new ones (SOE's), we cannot dismiss the pressures that transformation place on public funds.
- Do we keep apartheid-created enterprises, simply because they are in state hands, regardless of their non-contribution to the new state or conditions?

[9] The labour federations party to the agreement are the Congress of SA Trade Unions (COSATU), Federation of Unions of SA (FEDUSA previously known as the Federation of South African Labour FEDSAL) and the National Council of Trade Unions (NACTU).

COSATU argued further that an interpretation of their resolutions under the present political and economic conditions might lead to any or all of the following:

> "COSATU is not opposed to restructuring of state owned assets by the new government. Indeed our call is to ensure that the state harness and redirect all assets to strategic areas of production, infrastructure and other basic needs.
>
> Such restructuring should take account of goals set out in the RDP, role of the state in the productive sector as well as the need to effect our election promise - A better life for all! In certain instances, restructuring may of necessity lead to the retention of an asset in part or as a whole, involvement of private capital in joint ventures or through acquiring equity. It may even lead to the state withdrawing from some activities and involvement in new ones. This should be based on an overall plan to harness all capital - be they state or private sector – to introduce new technology, expertise, rebuild infrastructure, ensure HRD in parastatals as well as moving ownership away from white monopoly hands." (COSATU discussion paper in "The Shop Steward", September 1996).

At its September Central Executive Committee meeting in 1996 COSATU formulated the following position that represented a shift from ideological objection to pragmatic engagement (ibid.):

- There are State Owned Enterprises that would perpetuate the apartheid divide and retaining them would simply continue to entrench past inequalities. These should be identified and disposed of, not at the expense of the workers or the community;
- Others may require the involvement of the private sector (in a limited form) based on the need for capital, new technology, enhanced delivery etc., where there is a compelling case for such an approach, the federation would be willing to consider them. In such a situation, the

state should remain the majority shareholder rather than withdraw from such a sector or activity;

- In pursuit of the need to involve the state in production, new enterprises and sectors need to be established. Examples would be in housing and health where the current system is falling;
- Furthermore, as envisaged by COSATU's 1995 Economic Policy Conference and the RDP where the balance of evidence points to the need for strategic nationalisation, there must be political willingness to follow this route; and
- Sectors that should remain in state hands are post and telecommunication, electricity, public transport, housing, health, water, state forests, municipal services and education.

Despite COSATU's acknowledgement that the state should withdraw from certain areas of the public sector, or that the private sector could be involved in others, the fundamental principle for COSATU is that the state should play an active and interventionist role in social and economic development. It is for this reason that it also calls for the strategic nationalisation of certain industries like housing to enable the state to address the pressing needs of the majority of South Africans.

Chapter 3: Research methodology and design

This research was a qualitative study as oppose to a quantitative study. In contrast to quantitative research that generally deals with numbers, qualitative research deals with concept formation and conceptualisation of the data with reference to the research question (Neuman, 1994). This research is not an attempt to generalise but to critically interrogate the concepts with reference to the units and levels of analysis and the propositions.

Qualitative interviews were conducted with representatives and participants from unions that are engaged in the state asset restructuring process. While examining COSATU's general response, specific attention was given to the different responses from its affiliates. A brief narrative was written up on each case.

Nineteen unionists were identified but only 11 interviews were conducted. This was largely due to the busy schedules of unionists. The unionist chosen represented their respective unions in the restructuring and privatisation process[10]. Interviews were personally conducted and only three were conducted telephonically. All the interviews were conducted during April and May 1998.

[10] Although the findings of the interviews are the views of the individual unionist and not that of the respective unions that they represent, their views are a reflection of the thinking and debates that emanate from within the unions.

Because the public nature of the report, it was considered appropriate to uphold the anonymity of the interviewees in order not to jeopardise some of them. A separate classified schedule containing the actual names of interviewees, the details of the interviewees and the corresponding numbers was submitted to my supervisor professor Mark Swilling[11]. The schedule has not been included in this report.

Those interviewed were from the following COSATU affiliates that represented their affiliates in negotiations with government.

List of interviewees

Union	Identified To be interviewed	Interviewed	Interviewees & date of interviews	Sectors
NUM	2	1	Interviewee 1	Electricity
NUMSA	3	2	Interviewee 2 Interviewee 3	Electricity and Telkom
SAMWU	5	3	Interviewee 4 Interviewee 5 Interviewee 6	Electricity and water
CWU	3	1	Interviewee 7	Telkom
TGWU	1	1	Interviewee 8	Transport (Transnet)
SARHWU	1	0	/	Transport
FAWU	1	1	Interviewee 9	Abakor
SAAPAWU	1	0	/	Forestry
COSATU	2	2	Interviewee 10 Interviewee 11	Federation
Total	19	11		

The initial intention was to interview unionist from three sectors: electricity, water and telecommunication. However, unionists from other sectors were included to ascertain more in- depth information and to add more detail too the complexity of COSATU's (and affiliates) participation in the privatisation process. Added to this is information drawn from informal discussions with a number of people inside and outside the unions as well as from my own

[11] The internal and external examiners can contact my supervisor directly for a copy of the schedule.

observation while working in the State Asset Restructuring Unit of the national labour and economic development institute (NALEDI).

The interviews solicited the views of the interviewees with reference to their union's policy position and debate on privatisation and public sector transformation in general within a policy environment.

3.1 Units and levels of Analysis

The level of analysis refers to the level of social reality either at a micro level e.g. individual processes or small groups) or at a macro level (e.g. society or structural aspects of society) (Neuman, 1994, p. 103).

The unit of analysis refers to the type of unit used in the research process. It is important to attain internal validity and to ensure consistency of information gathering and generation relevant to the topic. It is restricted to the research topic and question (ibid.). The unit of analysis for this research is the responses of unions to privatisation.

3.2 Data collection

Concept formation is an integral part of data collection and analysis in qualitative research (ibid. p. 406). The data collected was organised into categories based on the concepts and theme of the research.

Data was collected from a number of sources:

- The relevant literature (in particular international) pertaining to privatisation and public sector transformation;
- Government documents and policy statements and newspaper article since 1994 pertaining to privatisation and public sector restructuring;

- Interviews with the relevant role players - mainly from unions; and
- Observations as a result of work conducted in the State Asset restructuring unit of NALEDI during 1997 and the first quarter of 1998. This unit was set up to provide research support to unions engaged in the state asset restructuring process.

3.2.1 Data collection techniques

Qualitative in-depth interviews were used as the primary means of data collection from interviewees. This technique is described as "a conversation with purpose" (Marshall and Rossman 1989, pp. 82-83). This technique is used to explore a number of issues to help uncover the participants' understanding and perspectives on the social phenomenon of interest. In this research it was used to gain insight into the responses of trade unions (and therefore COSATU) to privatisation and enterprise restructuring.

Special care was taken to take copious notes during the interviews because I did not use a tape recorder. The analytic memo writing technique was used to record data, thoughts, concepts and ideas emerging and the method of research strategy (Neuman, 1994, p. 409). This is important since "data analysis means a search for patterns in data – recurrent behaviours, objects, a body of knowledge or recurrent themes" (ibid. p. 11).

There are advantages and disadvantages to the semi-structured open-ended questionnaire approach (adapted from Nueman, 1994, p. 233).

ADVANTAGES	DISADVANTAGES
They permit an unlimited number of possible answers. Interviewees can answer in detail and can qualify and clarify responses. Unanticipated findings can be discovered. They permit adequate answers to complex issues. They permit creativity, self-expression, and richness of detail. They reveal a respondent's logic, thinking process, and frame of reference.	Different interviewees give different degrees of detail in answers. Responses may be irrelevant or buried in useless detail. Comparisons and statistical analysis become very difficult. Coding responses is difficult. Articulate and highly literate interviewees have an advantage. Questions may be too general for interviewees who lose direction. Responses are written verbatim, which is difficult for interviewers. A greater amount of interviewee's time, thought, and effort is necessary. Interviewees can be intimidated by questions. Answers take up a lot of space in the questionnaire.

In order to overcome the disadvantages, it was important to solicit the co-operation and participation of the interviewees.

3.3 Limitations of research

The fact that only COSATU affiliates were interviewed excluded the views of the other two labour federations, government and the private corporate sector. Cognisance of this omission is important in order to be aware that other views also exist.

The lack of access or quoting from confidential documents was also a limitation. Confidentiality was adhered to at all times. Another limitation was researcher bias. This refers to the researchers own views creeping in or even being imposed on the research process. Interviewer bias may result from incorrect emphasis, failure to probe or to probe correctly, appearance and committing unintentional errors (Neuman, 1994, p. 250) Every effort was made to overcome these errors: for example by role playing with

colleagues before conducting the actual research and highlighting certain questions on the schedule that need to be probed in order to maintain consistency.

3.4 Discussion and questionnaire outline

A questionnaire outline was developed to serve as a guide. (Refers appendix three) to ascertain the opinion of interviewees from the respective unions.

Semi-structured and open-ended questionnaires were used to facilitating interviews. The interviews were conducted in a discussion format. The questionnaire was used to explore all the dimensions of the subject. The reason for open-ended questions was to probe and pick up the differences of opinions on issues relevant to the unit of analysis. The questionnaire generally attempted to ascertain opinions on the following:

- Views on the fundamental reasons (economic, political and social) for public sector restructuring;
- What consideration has been given in seeking alternative solutions to reach a balance between the private and the public given the shortcomings of privatisation; and
- The different views of the affiliate unions' vis-à-vis the position of COSATU.
- The experiences and views of unions pertaining to their engagement and attempts to influence the privatisation process.

Chapter 4: Analysis and interpretation of results

This chapter presents the fir igs by integrating the analysis and interpretation to capture the dynamism of the debates and views[12]. To a large extent, it allows for the interviewees to talk for themselves.

4.1 The National Framework Agreement and COSATU's position

COSATU adopted a vision of socialism since it was established in 1985. In 1989 it adopted a policy of nationalisation that logically affirmed its vision. When COSATU participated in the drawing up of the RDP in alliance with the ANC prior to the 1994 democratic elections, nationalisation was again affirmed. Clause 4.2.5 of the RDP base document states:

> "In restructuring the public sector to carry out national goals, the balance of evidence will guide the decision for or against various economic policy measures. The democratic government must therefore consider:
>
> Increasing the public sector in strategic areas through, for example, nationalisation, purchasing a share holding in companies, establishing new public corporations or joint ventures with the private sector, and;
>
> *Reducing the public sector in certain areas* in ways that enhance efficiency, advance affirmative action and empower the historically disadvantaged, while ensuring the protection of both consumers and the rights and employment of workers." *(Emphasis added).*

Although nationalisation, amongst others, was mentioned as a means to expand the public sector, the alliance partners (ANC, SACP and COSATU), in particular COSATU, was quite weary to use the term privatisation.

Instead, they used the wording *"reducing the public sector in certain areas"* without specifying what those areas would be.

Unionists were quite aware that the wording referred to privatisation. As interviewee 11 indicated:

> *"Privatisation is mentioned in the RDP - it should therefore come as no surprise to us..."*

The thinking at the time was that a future democratic government would reduce and even withdraw from certain areas of the public sector that was wasteful or served no purpose in addressing the pressing needs of the majority of South Africans. Despite this, leaders from the affiliates (COSATU unions) were not happy about this clause in the RDP:

> *"The interpretation opened the doors to privatisation [while] knowing that it had to be done. This was justified on the basis that restructuring does not need to mean privatisation. There was a general agreement that some enterprises was of no use to government and could therefore be sold." (interviewee 10).*

COSATU generally refrained from using the term privatisation in its policy documents up until the point (with the announcement by the deputy president at the end of 1994) when they were compelled to deal with it. They nonetheless knew that certain enterprises had to be privatised - those either perpetuating white privileges, or those that did not make social and, or economic sense to retain them within the portfolio of the state.

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[12] The analysis and interpretation of findings are integrated because interviews were conducted in an open-ended discussion format.

The statement by deputy president Mbeki at the end of 1994 did therefore, not really come as a shock since COSATU initiated and co-authored the RDP. Threats by COSATU of a national day of action were more based:

> *"... on the "lack of consultation, ideology, history and outcome of privatisation in other countries, fear of job losses, affordability, role of the state in production and the COSATU resolution on privatisation." (COSATU discussion paper on Privatisation, September 1996).*

Interviewee 11 pointed out that the rejection of privatisation was:

> *"... based on the fact that they (COSATU) were still ideologically imprisoned by opposition politics...."*

Sensing that labour would be left out in the cold, COSATU applied pressure and forced the government to agree to a National Framework Agreement (NFA) that was signed at the end of 1995. The agreement spelled out the terms of reference for government and labour's engagement and provided a framework within which restructuring would be taking place. This was a major achievement for COSATU – especially in the light that they managed to keep business out of the negotiations (Rix 1998):

> *"It is considered as a strategic framework to iron out differences between government and labour and to ensure that labour is consulted in the process ."(interviewee 2).*

Despite the strategic nature of the agreement to iron out differences between labour and government, it failed to iron out differences between COSATU affiliates and the differences with the other federations (FEDUSA

and NACTU). As a result, affiliates were confronted with either debating detailed technical issues or opposing privatisation on ideological grounds.

However, the NFA initiative was soon lost for a number of reasons mentioned by interviewees:

> *"...the lack of capacity... [and] failure to marshal its collective strength...[by] not standing firm on principle issues that are crucial to meeting basic needs." (interviewees 11 and 4).*

An international observer (S. Rix) commented that COSATU was in a unique position to influence policy on privatisation, an opportunity that European and Australian unions were denied. The September Commission (COSATU, 1997 p. 102) that was established by COSATU to evaluate the state of union organisation, succinctly sums up the loss of initiative:

> "COSATU's success in preventing unilateral government decisions on privatisation, and in negotiating the National Framework Agreement, was not matched by COSATU's capacity to take advantage of the opportunities its struggles had opened up."

Webster (quoted in Nakanyane 1997) takes the argument to its logical conclusion and argued that the engagement between government and labour, what he terms "bargained liberalisation";

> "... is threatened by an equivocation on the part of government towards consultative decision-making and a lack of capacity and strategic thinking in the labour movement."

Interviewees were quite articulate about the evasiveness of government concerning the process, and were also quite critical about COSATU's engagement. Interviewees stated:

"Government is not taking labour serious... Even pro-privatisation proposals by labour was [sic] not taken seriously [into consideration]." (interviewee 11).

For this reason, most of the Interviewees feel that the NFA lacks substance. They argue that it only refers to process issues that do not really bind government to the agreement:

"The NFA talks about meeting basic needs, but it does not spell out what it means ... For example, whilst there is a broad agreement that transport and water delivery services constitute basic services... It does not acknowledge that the public sector is the necessary vehicle for delivery." (interviewees 4 and 8).

As a result:

"Consultation turned out to be information sharing (about privatisation) - from government to labour and not the other way around." (interviewee 8).

Consequently, the NFA is by implication about privatisation and not about the restructuring of state owned enterprises. It is for this reason that SAMWU for example did not consider the NFA as the appropriate forum to raise objections against privatisation. One view in particular shared by Interviewees is that the NFA lacks substance:

"It is not a substantial agreement... what started with good intentions has deteriorated in to a complaints forum. At a strategic level, unions ended up following government without

questioning, ... That is why TELKOM ended up with a strategic equity partner (SEP)... Water privatisation being pushed through by government despite SAMWU's objections... Government is setting the stage for the privatisation of ESKOM. (interviewees 5, 2, 3 and 4)

Interviewees 4 and 11 indicated that a more substantial political agreement would have been preferred. Such an agreement could have stated up front what to privatise and what not to privatise. Detail process issues would then have been sorted out based on such an agreement. As it is now, the whole process revolve around privatisation and not about the restructuring of the public sector (including state owned enterprises) to induce efficiency and effectiveness. One interesting insight expressed by interviewee 8, was that even where unions were engaged actively like in the case of Transnet, such engagement was reduced to:

"... co-managing the process, looking at the balance sheet and focusing on transactions to meet government objectives of privatisation".

This confirms the views of some of the interviewees (11, 6 and 3) that the main concern for government is the maximisation of financial returns on the sale of assets and to meet its budget deficit targets. This however, does not negate Collyer's (1996) argument that privatisation is embarked upon more for political reasons than for financial and economic reasons. What is happening though, is that government is clouding the political aspect of privatisation in the guise of financial and economic benefits.

4.2 COSATU's Position

COSATU formulated their position about 8 months after the signing of the NFA at the beginning of 1996. Their alliance relationship with the ANC complicated matters because it was assumed that unions supported the position unanimously as per the RDP and the NFA. Unions found it difficult to accept privatisation – even after the NFA was signed. This was an attempt to manage and reconcile differences between affiliates because they were still clinging to the 1989 resolution on nationalisation. The adoption of an open approach reflected an adaptation to the changing economic and political environment, *effectively shifting from a position of opposition to that of engagement to contest public policy on privatisation (emphasis added).*

Whilst agreeing to public sector restructuring and accepting privatisation in some instances of non-essential and non-strategic enterprises, COSATU, quoting the RDP, called for the strategic nationalisation of parts of certain sectors and industries. An example is for the strategic nationalisation of housing in the form of a housing parastatal that would drive the physical delivery of housing at the bottom end where the market is failing. Interestingly though, interviewee 1U observed:

> *"The current position is in line with the RDP* [base document]. *It reflects more a compromise with its alliance partner* [the ANC], *than with those of the affiliates."*

He hastily added:

> *COSATU's position does however take it into consideration the different views of affiliates." (ibid.).*

The views of some of the Interviewees indicated that there also seem to be an equivocation on the part of COSATU to give guidance and to translate its position in practical action:

> *"COSATU's position never went beyond the statement that it is [and] has not acted upon it... There is no leadership... Affiliates were left to pursue their own agenda without any intervention and support from a federation level. [As a result], stronger unions were able to deal with the process while weaker unions were being drowned in the process." (Interviewees 2, 8 and 5).*

Despite these shortfalls, COSATU's position is considered to be a strategic pragmatic approach *"that is informed by the vision of socialism" (interviewee 7).* The position is a combination of politics, economics and ideology informed by the need to cooperate with a democratic government while contesting government policy. All the Interviewees (with the exception of a few)[13] agreed that pragmatism dominated at the end of the day – acknowledging that certain enterprises or businesses that do not address essential needs could be privatised. This particular position as *interviewee 7* argued, was adopted:

> *"... as a result of the pressure to remain relevant instead of risking being marginalised by government".*

[13] Interviewee 6 for example argued that she did not see any problem with government retaining all SOE's if used for the achievement of RDP goals as well as for the purpose of wealth generation for the state to achieve redistribution objectives.

Some of the affiliates never agreed with the current position of COSATU (most noticeably SAMWU) because of the openness of its interpretation and the concern of privatisation within the sectors they organise:

> *"It allows for sliding privatisation in all the sectors... If you compare the position to what is happening now, even those areas identified as essential e.g. water and electricity are under attack and are being threatened with privatisation." (interviewees 6 and 4).*

Unions borrowing from the privatisation language further exacerbated this problem:

> *"Unions used the term "core and non-core unions" to distinguishing between those organising in the sector and those not...This in effect fragmented what could have been a common and cohesive approach." (interviewees 2 and 8).*

All the interviewees indicated that the unions (including COSATU itself as a federation) were more reactive than proactive. Only some unions, most noticeable SAMWU and of late, NUM and NUMSA became proactive, but still in reaction to what government is doing or intend doing. This was compounded by a fundamental weakness pointed out by interviewee 8:

> *"COSATU lacked a coherent strategy and a conceptual approach to privatisation. Generally the federation and, to a degree the affiliates, are not assertive enough."*

Despite these shortcomings, the position nevertheless allowed for affiliates to negotiate their own terrain and space to contest SOE restructuring. Whiles the CWU, NUMSA, SARHWU, TGWU and SACCAWU had to accept

privatisation in their respective sectors, SAMWU, NUM and NUMSA are quite firmly opposed to the privatisation of water and ESKOM (the electricity utility), not only for ideological reasons, but also for pragmatic reasons. This is based on the notion that the inherent profit motive of the corporate sector would increase end-user pay, and thereby limiting access to such services.

For example, SAMWU, the most critical opponents of privatisation, embarked on an anti-privatisation campaign at a local government level. NUM and NUMSA with the support of SAMWU and COSATU recently (July 1998) rejected any envisaged attempt on the part of government to privatise the electricity utility ESKOM. In a press statement released on 11 June 1998 (Press statement on the ESKOM amendment bill to be passed in Parliament, 11 June 1998) COSATU, NUM, and NUMSA expressed their dismay and argued:

> "[T]he incorporation of ESKOM into the Company Act of 1973 ... will lay [the] basis for privatisation [that] will in the long-term weaken the hold of government as the owner".

The unions argued that the privatisation of ESKOM would lead to an increase in the price of electricity, thus putting it beyond the reach of the poor. This argument is based on COSATU's submission (July 1998) on the draft white paper to the Portfolio Committee on Mineral and Energy Affairs:

> "The role and structure of ESKOM should be tailored to advancing the aim of universal access to affordable electricity both for households and industry, within an overall policy of cross-subsidisation from rich to poor. In order to advance this aim legislation should clearly outline that ESKOM is owned and controlled by the state and that in its external and internal programmes ESKOM should be accountable to government's broader RDP objectives."

Notwithstanding protest by NUM and NUMSA, government went ahead to pass the ESKOM Amendment Bill. COSATU called for the establishment of a task team between the alliance partners to discuss this issue, and address it at a political level. However, at the time of writing the task team had not been convened yet. It is also becoming clear now that if COSATU does not actively campaign against the privatisation of essential services, it seems that government is set on privatising more than what COSATU expected it would.

When interviewees were asked why the shift in COSATU's position and the tacit acceptance of privatisation, they pointed out a number of reasons. These are, *inter alia,* an acceptance that government should not have owned certain businesses in the first place. Examples are restaurants owned by SOE's and unused land in foreign countries. COSATU has also shown appreciation of the financial constraints experienced by government as result of the huge budget deficit, and the fact that some enterprises were a drain on the coffers of government (for example, certain business units in Transnet). Another reason is the fact that certain enterprises and business units perpetuated white privileges (for example Aventura).

One of the most critical statements made about the acceptance of privatisation was;

> *"Some unions later accepted privatisation because they saw an opportunity to make money - trying to make up for the lack of addressing the needs of workers." (Interviewee 3).*

Interviewee 7 explained the shift in position as follows:

> *"Unions have to remain relevant or they cease to exist...Sometimes unions take positions and think that it is the only position. When it does not withstand change, they are left with no option but to accept the prevailing status quo."*

Interviewees 8 and 3 added and argued:

> *"A fundamental weakness on the part of labour was to expect that government would be pro-labour in its action... but this was not forthcoming. Now labour has to live with it unless it goes into a position of opposition - which is highly unlikely... ... unless labour does something quick, they will be dragged along without protest (emphasis added)."*

This happened in most cases except for SAMWU at a local government level, and recently NUM and NUMSA with ESKOM. It is for this reason that interviewee 8 stated despondently:

> *"Labour's participation was and remains of no avail... we have not managed to make the necessary impact... What has happened though [in the case of Transnet] is that labour ended up co-managing the process (emphasis added).*

Interviewee 7 tends to disagree with what is implied by interviewee 8, and argued:

"Engagement ensures that no unilateral decisions are taken. ... If unions did not engage, their views would not have been known."

On a more optimistic note, interviewee 8 stated:

"One of the reasons for the union's participation was to ensure that the rights of workers are not infringed by the institutional restructuring."

Interviewee 2 argued further:

"COSATU's position is not ambiguous. It states clearly what must happen. That is why [president] Mandela stated in his opening speech in parliament that government would consider establishing a housing parastatal. This is what COSATU argued for."

Although these interviews were conducted in April and May 1998, it is evident from COSATU's statements after the Central Committee meeting that was held in June 1998, that some of the concerns expressed in the interviews, were taken up by the interviewees at the Central Committee meeting. It is for this reason that COSATU passed the following resolution (The Shopsteward, July 1998):

"An urgent review of the... NFA process is necessary, especially in light of the failure of certain Ministers to adhere to the terms of the NFA and other government breaches of the agreement. Labour should issue an ultimatum for government to adhere to the NFA.

The Central Committee meeting was immediately followed by public statements that COSATU would embark on campaigns against the privatisation of essential services. On 11 June a COSATU, NUM, NUMSA press statement was released expressing their dismay and disappointment about the ESKOM Amendment Bill that would enable the privatisation of electricity supply. On 7 August 1998, in support of SAMWU, the COSATU Mpumalanga region stated that they would embark on strike action against the privatisation of water in Nelspruit. On 8 September 1998 a deadlock was reach at the National Economic, Development and Labour Council (NEDLAC) between COSATU and government (Press Statement, 9 September 1998, Anti Privatisation Campaign).

COSATU called for transparent and meaningful negotiations to take place on the water restructuring, and for a moratorium on privatisation. They argued that:

> *The ANC government was voted into office on the promise that they would bring a better life for all South Africans. We believe they (government) need to honour this promise and take responsibility for delivering basic services to the people of this country (COSATU press statement – 9 September 1998, Anti Privatisation Campaign).*

4.3 Union responses

COSATU's position allowed for an open interpretation that resulted in affiliates adopting and pursuing different responses to the privatisation of SOE's. The following table gives a brief summary of the different responses adopted on some of the key SOE's.

Table 3: Summary of labour's and government responses

Sector/ enterprise and union	Union response and alternatives proposed	Government action/intention[14]
TELKOM tele – communication Union: CWU and NUMSA	Unions objected to privatisation but eventually accepted it on conditions. Proposals for alternatives were not accepted by government e.g. BOT and equity swap proposals from unions.	Government went ahead and partially privatised Telkom. A strategic Equity Partner was introduced
Water and sanitation at a local government level Union: SAMWU	Union zealously objects to any form of privatisation of water. The union developed a proposal for an alternative public sector model to introduce efficiency at a local government level.	Privatisation of water and sanitation services started in 1989 in the form of out sourcing and delegated management. Government (incl. local government) has shown no intention of taking SAMWU's proposal on board and proceeded with privatisation in the Western Cape, Natal and Mphumalanga. Government is resolute to introduce Private-Public-Partnerships as a form of service delivery at a local government level.
Alexkor – a diamond mining company owned by national government in the North West Province Union: NUM	Agree with the Privatisation of the mine but that it should take into consideration the regional importance and the impact on the local and regional economy. NUM's proposal included a stake for workers and the local communities instead of outright privatisation.	Government initially wanted to privatise at all cost, but heeded to NUM's proposal that privatisation should take into consideration the impact it would have on the regional economy.
ESKOM (electricity supply industry) Unions: NUM, NUMSA and SAMWU	All three unions object vehemently to the privatisation of ESKOM. NUM and NUMSA embarked on strike action at the time of writing against the ESKOM Amendment Bill	Government passed the ESKOM Amendment Bill that makes provision for ESKOM to be a tax paying company as well as being privatised in the foreseeable future.
AVENTURA (government resorts Union: SACCAWU	The union objected to privatisation but had no alternative.	Government went ahead with privatising AVENTURA with ironically COSATU's investment company being the preferred bidder.
TRANSNET (Airports Company, SA Airways rail transport and other units Unions: SARHWU and TGWU	Unions were left with no option to agree with privatisation of loss making units despite initial objection to privatisation.	Government went ahead with privatisation and intends to introduce further measures – e.g. concessioning of commuter rail transportation.

[14] For a list of government restructuring priorities, see appendix two.

4.4 The dilemma of COSATU's position:

Despite COSATU's compromising position about privatisation, and its appreciation of government's position, indications are that government is unilaterally and uncompromisingly forging ahead with its own agenda. The major concerns (expressed in the interviews) from some of the unions, is the impact COSATU's position had on the process. Interviewees identified a number of loopholes. For instance, the argument that where there is a valid case for a private partner and finance, privatisation could be allowed. This led to government developing convincing arguments for the privatisation of water because of the financial crises that local governments are faced with. Basically, government is arguing that there is no money, (this may be valid) and therefore it should privatise SOE's to raise money.

Interviewees continuously stressed that the main concern is not so much job losses (since that has already been achieved by corporatisation of SOE's since the mid 1980's) but;

> *"...also about the delivery and affordability of essential service." (interviewee 5).*

The first point of COSATU's position states that *"SOE's perpetuating the apartheid divide should be disposed of."* (COSATU discussion paper on privatisation quoted in The Shopsteward, September 1996) An enterprise that was frequently used as an example is Aventura - pleasure resorts owned by the state. Aventura was initially established to address the leisure needs of whites. It has remained largely accessible to predominantly white and recently middle class blacks. Therefore the logic is that it should be privatised. But, if unions follow the logic that leisure is a basic right and part of productive life, then the state should play a role in ensuring that that right

should be fulfilled. COSATU itself argued at some stage that Aventura could be utilised for educational and leisure purposes to the benefit of the working class. One Interviewee (Interviewee 6) stated quite categorically:

> *"If it means that the state should be involved in a certain activities because the majority would benefit from it, then it should retain it."*

Ironically, the COSATU Investment Company won the bid to purchase Aventura.

The second point (discussion paper on privatisation,) of COSATU's position is *that "...it would consider the involvement of the private sector where there is a compelling case to bring in technology, finance and management and provided government retains the majority share".* The enterprises that fitted into this category are TELKOM, the Airports Company South Africa (ACSA) and SA Airways (SAA). Although water forms part of the essential services category, government nevertheless developed a compelling argument for water privatisation because of the lack of finance and the large infrastructural backlog at a local government level.

With TELKOM, unions argued quite vehemently against privatisation. Not only does TELKOM provide an essential service, but it also provides a strategic service in terms of socio-economic and educational development. Government still went ahead with privatisation despite innovative proposals from CWU as indicated below.

With ACSA and SAA, and some of the business units of Transnet, unions (TGWU and SARHWU) did not lodge an objection against privatisation in the sector. The only reservation was that although both companies do not address essential needs, they do have wealth generation potential for

government. Even the chairperson of Transnet (Louise Tager) indicated in 1996 that she did not see why some business units in Transnet should be privatised when it could be made profitable and reinvested in Transnet.

The third and fourth points (COSATU discussion paper, September 1996) state that *"...there should be a political willingness to strategically nationalise and establish new enterprises in sectors where the market is failing and where essential needs would be met. These are housing and health where the current systems are failing".* Even government echoed that the privatisation process would also entail the creation of new SOE's as mentioned by President Mandela in his opening speech to parliament in 1998.

The last point (ibid.) states which sectors should remain in state hands. These are: *"Post and telecommunication, electricity, public transport, housing, health, water, state forest, municipal services, development finance institutions and education".* However, COSATU does not clearly state whether the state's share should be full or partial in some of these sectors. Telecommunication, water and other local government services have already been partially privatised. Government intends to fully privatise state forestry. What COSATU overlooked is that housing, health, education, and transport already have substantial private sector involvement.

COSATU stated that sectors (of the above mentioned) that are currently in the domain of the private corporate sector, should be brought back into the public arena. They acceded that Private-Public Partnerships (PPP's) "are an interim necessity where the state does not have the capacity to deliver services...PPP's must enable the state to develop capacity" so that it could eventually be returned to the public domain (COSATU discussion document in The Shopsteward, September 1996 and July 1998).

The National Framework Agreement at the political level between COSATU and government has not been translated into practical action. This discontinuity creates a dilemma for COSATU in terms of the interpretation of their position and the subsequent action and inaction that transpired. The pressure on COSATU by its affiliates resulted in the Central Committee (June 1998, refer to The Shopsteward July 1998) resolving to campaign for the state to actively promote reconstruction and development and for a strategic role for the public sector in the economy and social delivery. It states amongst others:

> "COSATU will campaign against privatisation, and attempts to move toward privatisation of strategic state assets, which are responsible for delivering basic services, or are key to the state's ability to intervene in the economy. Where there are breaches in the NFA, Ministers should be called to account for their failure to honour agreements reached. In particular COSATU will campaign against attempts to move towards [the] privatisation of ESKOM, elements of Transport, and delivery of municipal services. We will campaign for the state to increase its capacity to intervene in the economy, through the setting up of its own institutions, including in the financial sector, a housing parastatal, as well as intervening in other strategic areas such as mineral rights. We will campaign against attempts to cut back the public sector, which threatens to cause collapse of the public services in key area [sic]. ... we will campaign for the provision of public services in areas such as transport, infrastructure, and housing."

4.5 Cases and Alternatives

This section will deal with some of the alternatives raised in three cases – water, telecommunication and electricity. It also points out that unions did not just blindly object to privatisation without having an alternative in mind.

Although the lack of capacity was cited commonly by the Interviewees, it was quite clear from the Interviewees that they have thought about alternatives. It is however questionable whether the alternatives are alternatives, or whether the suggestions by unions are just opposing extremes. Government would like to see more private sector involvement, and COSATU would like to see more state involvement. What was evidently lacking from the responses were proposal of alternatives that, in Mintzberg's (1996) words, would create a balance. Non of the Interviewees spoke about alternatives that could elevate the position of the third sector in order to address the imbalance between the private and corporate sectors. The only alternatives mentioned were improving management efficiency while retaining state control. Nakanyana (1997) demonstrated in his research on the views of ordinary workers in Transnet towards privatisation that they were quite articulate on solutions to inefficiency. Workers were able to point out the flaws in management. They were quite vocal that management styles should be changed and that organised labour should also be part of decision making.

It is evident from the responses that trade unions have not transcended the private / public dichotomy. Even where unions agreed to privatisation, they saw it as opportunities to enter the private corporate sphere of society via investment companies. When I asked the Interviewee from FAWU if the union considered forming cooperatives out of some of the abattoirs that will be privatised, he indicated that the union has not thought about it. When I

met him two months later (July 1998) by chance, he informed me that his union has not discussed alternative or cooperative forms of ownership.

Interviewees agreed that alternative proposal (management efficiency) and even in some cases different options of privatisation from unions were not taken serious by government. This was evident by the refusal of government to consider alternatives or even to find a public sector solution. The interviewees argued quite clearly that privatisation is not the only solution and that it would not necessarily introduce effic Government did not buy this argument and was adamant that it wou ceed with privatisation to attract foreign investment and infrastructural financing:

> *"Government knew exactly what they wanted to do – "that is why the appointment of advisors that privatised throughout the world." (interviewee 4).*

Unions like the Post and Telecommunications Workers Union now the Communications Workers Union (CWU) initially opposed all forms of privatisation. This was first in reaction to TELKOM's introduction of subcontracting, and later in response to government's plan to privatise TELKOM. Although the union's position was strongly ideological, it also wanted to contest the notion that:

> *"Government has no business in business and that TELKOM would be more efficient and effectively operated by the private sector." (Interviewee 11).*

The union however conceded that the lack of capacity could hinder access to universal access. The unions nevertheless did not exactly find government's argument convincing that partial privatisation would bring in

finances that would help with layout of phone lines, new technology and management.

With TELKOM for example, the CWU had a number of workshops early in 1996 to develop a union position. The initial position proposed a "Build Operate and Transfer" (BOT) approach where the private sector develop infrastructure, operate it and then transfer at a cost to government. This was an early indication that the union was not fixated by ideological opposition, and was willing to entertain the idea of privatisation as long as it was in the best interest of the company and the public. Another proposal developed was a strategic equity swap instead of a strategic equity partnership. This proposal suggested that government should take up shares in an equity partner to the same value that an equity partner would take in TELKOM. Government, it however seemed, was determined to pursue its own agenda by selling part of TELKOM to a strategic equity partner.

At that stage, CWU could not change government's mind, nor could they stop government from pursuing its agenda. The union ended up accepting government's proposal of selling 20% to a SEP. Even during last-minute negotiations, labour attempted to submit suggestions that government should retain the right to buy back shares should it wish to do so. Government rejected this. All that the CWU managed to achieve was to argue that conditionalities like human resource development, training, and affirmative action should be attached to a contract with a SEP. What was left for the union was *"to ensure that government and the SEP adhere to the conditionalities."* (interviewee 7).

With water, SAMWU developed a detailed proposal for a public sector pilot to introduce efficiency at a local government level. Although the department responsible for local government (Constitutional Affairs) indicated that they

would be willing to fund SAMWU's proposal, local government is continuing with privatisation initiatives without considering alternatives. SAMWU is nevertheless determined to roll back privatisation initiatives of local government services like water and refuse removal. They have already achieved small successes like stopping the outsourcing of services in Khayalitsha for example (Interviewee 4).

A major achievement for SAMWU was when the National Labour Relations Forum agreement in June 1997 stated that local government should be given the opportunity to improve its functioning and that it should be the preferred form of service delivery before privatisation in any form is considered. In May 1998 the Commission for Conciliation, Mediation and Arbitration (CCMA) ruled that refuse removal is a basic service and that local authority should be the preferred agent for basic services. This ruling was made after SAMWU declared a dispute with a private refuse removal company that failed to service Khayalitsha. Although these victories are small, they are significant enough for SAMWU to build up cases for public sector solutions.

In the electricity supply industry, three unions (NUM, NUMSA and SAMWU) are contesting the privatisation of ESKOM. Although the unions differ on how ESKOM should be structured, they are quite resolute that ESKOM should remain a public utility. ESKOM management has also been quite active, despite objections from unions, in restructuring and positioning the electricity utility for privatisation. This was outlined in documents prepared by management titled: *"Criteria that need to be met for privatisation of the electricity supply industry in South Africa"*.

Unions are quite clear about the benefits of retaining ESKOM and other essential services in the public sector. Job losses are not so much the major

concern since thousands of workers has already been retrenched as a result of the corporatisation of SOE's and the increasing use of sub-contracting of non-core activities in the public sector in general. Between 1985 and 1991 for example, 22000 workers have been retrenched in ESKOM alone (Nakanyane, 1997). The main concerns for the unions are:

> *"Service delivery, affordability, addressing needs and contributing to economic development." (interviewee 5)*

It is clear from the above cases that unions have thought about solutions and that they have not been objecting blindly to privatisation solely for ideological reasons. They believe firmly that that public solutions should be sought for public problems and that the private sector is not necessarily the only option. Not only do they recognise that the management of the public sector has to change, but they also attach importance to the wealth generation potential of the public sector to enable the state to meet its redistributive objectives.

In summary, views expressed during the interviews reflected a highly pessimistic tone. It is very difficult to give reasons for this pessimism. Does it mean that COSATU is engaged in a futile exercise attempting to influence government policy? At face value the answer could be yes, but at a deeper level, COSATU is embroiled in a delicate balancing act of confrontation and cooperation with a democratic government - so much so that it risk subsuming its own interest. Whilst on the one hand it has to articulate the interest of its members, on the other hand, it is also faced with an enormous task of cooperating with a democratic government to address the needs of a broader public.

This delicate balancing act could be one of many reasons for the pessimism in the responses from interviewees. Another reason could be the interaction between concrete reality and the socialist vision and objectives of the federation. In a survey of union officials of COSATU unions, Bhulungu (1998) found a disturbing trend. The results of his survey indicated that there was an almost equal amount of union officials who indicated that they were uncertain, or that the union movement (COSATU) did not have a clearly articulated vision or clear objectives.

Failing to engage in the process of privatisation, COSATU may risk being seen as an organisation concerned only with its own parochial interests. Privatisation is one of those areas where COSATU has to cooperate *"...in order to remain relevant" (interviewee7)* - even though it may disagree with the policy direction of government. In an attempt to rescue the situation COSATU resolved at its June 1998 Central Committee meeting to actively campaign against the privatisation of electricity, water and some elements of transport. Whether government would heed to this pressure remains to be seen. At the time of writing, government remained resolute that it would proceed with the process, as it seems fit. Attempts to solve the impasse at a political level have not yielded any results.

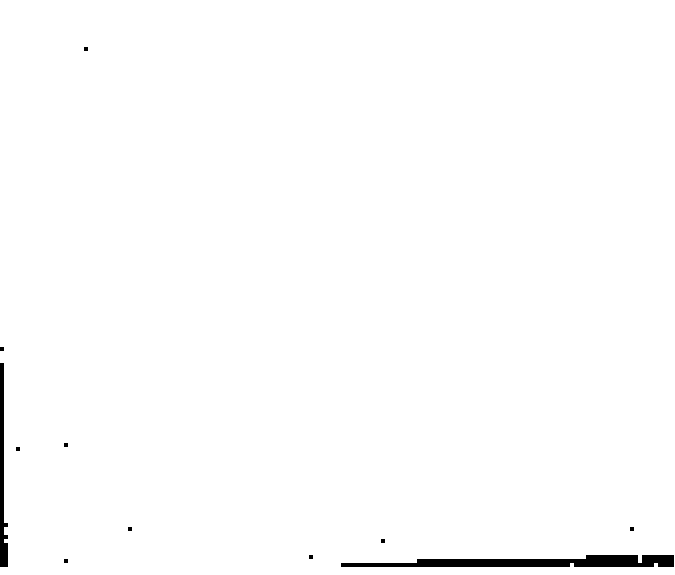
Interviewees were quite aware that the unions did not make the necessary impact, nor succeeded in influencing government's thinking. COSATU and its affiliates expressed a high appreciation of government situation, but the same was not forthcoming from government's side. To some extent, COSATU expected that government would only sell the family linen, but not the family silver.

Chapter 5: Conclusion and recommendations

Government is using privatisation as a means to reform the public sector into the image of the private sector. Trade unions rightfully argue that privatisation is not necessarily the solution for efficiency in the public sector. In contesting government prerogative on privatisation policy, COSATU together with FEDUSA and NACTU, signed a national framework agreement to govern the terms of engagement.

A critique of the NFA is that it lacks substance. Although the agreement referred to restructuring of state assets, it ended up negotiating privatisation instead of looking at restructuring in its totality. Interviewees argued that it only referred to process issues that does not really bind government to the agreement. It only refers to meeting basic needs, but it does not spell out what it meant in terms of essential service delivery. The agreement also does not acknowledge that the public sector should be the preferred vehicle for the delivery of essential services.

COSATU adopted a pragmatic approach instead of opposing privatisation from an ideological view only. They have demonstrated an appreciation of the policy and fiscal constraints that government is faced with, but government has not reciprocated by taking on board the views and concerns of COSATU. COSATU's position makes provision not only for privatisation but also for the strategic nationalisation of those sectors strategic in addressing essential needs like housing. Although government indicated that it would consider strategic nationalisation, to date, it has not demonstrated the political willingness to do so. The unions concur that privatisation should not be narrowly defined as the sale and transfer of state assets. It broadly also entails the concomitant transfer of policy responsibility



resist the privatisation of water, electricity and other essential services. At the time of writing, government remained steadfast in pushing through the privatisation of water in particular.

While the research was concerned with union responses, it soon became clear that there was a deeper meaning to the pessimism expressed by interviewees. COSATU is embroiled in a delicate balance between pursuing the interest of its members while taking the interest of the public into consideration, and cooperating with government - while such cooperation is not always in the interest of its members. Privatisation seems to be one of the issues that required COSATU to cooperate with government. But even where unions agreed with privatisation for example in TELKOM, government still pursued its own agenda instead of taking the suggestions of unions into consideration.

The research also highlights the tension surrounding the contestation of public policy. On the one hand, government wants to take full control of the policy directions it initiates while allowing and dictating the parameters for civil society organisations to contest public policy. For civil society organisations on the other hand, the space for policy contestation also involves challenging the prerogative of government in the policy process. In the case of the privatisation of SOE's, government has allowed COSATU the space to contest, but indications are that government has not allowed sufficient space for COSATU to influence government policy. The lack of space coupled with the lack of capacity and the pressure to cooperate with a democratic government, explains the limited impact COSATU has had on influencing the policy direction of public sector restructuring and privatisation.

The limited scope of this research has left a number of questions unanswered that could not be addressed in this research. This should be addressed in future research. These are *inter alia*:

- To what extent, under what conditions and on which issues has civil society organisations managed to contest policy spaces to influence public policy?
- What are the possible solutions to create and maintain a balance between the private and public sectors?
- What are the policy implications for the state when transferring more responsibility and increasing reliance on civil society organisations for the delivery of public services? (This includes both activities like the private corporate sector taking over state assets and NGO's getting involved in public service delivery like housing, education, health etc.).
- Who takes ultimate responsibility with such transfers?
- What are the roles and responsibilities of the different role players?
- What would the impact be on the capacity of government?
- What are implications when life essential services are transferred to the private corporate sector as well as other CSO's?

A number of recommendations were already made by the September Commission report in Chapter 5. What remains now for COSATU is to set up the appropriate mechanisms to implement decisions taken at the September Congress of 1997 and the Central Committee meeting in June 1998.

The following recommendations basically recapture some of the discussions emanating from the interviews.

- COSATU together with its affiliates should hold a strategic session to map out a strategic direction for COSATU;
- Outline objectives clearly and engage on that basis;
- Improve on coordination between affiliates and COSATU;
- COSATU should conduct and audit to see to what extent it has compromised its own position;
- Link bread and butter issues to broader restructuring issues, in other words, how labour's view of the restructuring of state assets would benefit the union movement and society in general;
- Sharing of experiences and drawing lessons in order not to commit the same mistakes;
- COSATU needs to assert itself in those areas that are of prime importance to address essential needs like water and electricity;
- Unions should not think of their narrow interests and should cooperate and collaborate with other affiliates and civil society organisations;
- Active participation of all unions under a common campaign to protect the public sector as well as restructuring it for greater efficiency;
- Coordination should be done from a federation level with at least one of the office bearers dedicated to the process of restructuring;
- Unions should make use of their collective organisational muscle to assert the primacy of the public sector as the only vehicle to address essential service delivery;
- Audit the degree to which government is reneging on the NFA; and
- Review alternatives that could create a balance between the private and the public sectors.

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Appendices

Appendix 1: The National Framework Agreement on the restructuring of state assets

1. **PARTIES**

1.1 Government of National Unity (GNU) represented by Ministry for Public Enterprises, the coordinated Ministry of the restructuring process.

1.2 Labour comprising the Congress of South African Trade Unions (COSATU), the Federation of South African Labour Unions (FEDSAL) and the National Council of Trade Unions (NACTU).

2. **PURPOSE AND STATUS OF THE NFA**

2.1 To establish an agreed process, based on stated objectives and principles, between the parties in regard to the restructuring of certain State Assets.

2.2 The status of the agreement is defined by the mandate of the National Economic Development and Labour Council (NEDLAC). Accordingly this agreement does not replace the sovereignty of Parliament. The National Framework Agreement (NFA) shall be a bilateral agreement between the GNU and Labour that, in the interests of transparency, shall be tabled for information at the Executive Council of NEDLAC.

2.3 The parties shall bide by their respective obligations as set out in this agreement.

2.4 This agreement and all structures emanating therefrom shall be valid until 27th April 1999. The agreement will nevertheless remain in effect until renewed for terminated.

3. **BACKGROUND**

The GNU came to power confronted with an enormous range of problems, most alarming being a 40% rate of unemployment. State institutions had

been used to entrench minority privilege. They should now be used address the apartheid legacy and promote employment and service delivery to people who were disadvantaged.

In order to resolve these problems, state institutional reform must be a major element of the Reconstruction and Development Programme.

4. OBJECTIVE OF RESTRUCTURING

Labour and Government are committed to the provision of affordable, good quality basic services to all South Africans.

The initiative to restructure State Assets is part of the process of implementing the RDP. Government has concretised some of these objectives in its so called "six pack" programme namely: belt tightening: reprioritisation of state expenditure; restructuring of state assets and enterprises; restructuring of the public service; building new inter-governmental relations; developing an internal monitoring capacity for the above programmes.

Government and Labour recognise the legitimacy of the state playing a role in productive sectors of the economy. Therefore, restructuring is not necessarily geared towards reducing state economic involvement in any economic activity.

The main objectives of restructuring are as follows:

4.1 INCREASE ECONOMIC GROWTH AND EMPLOYMENT

The effectiveness, sustainability and viability of State Owned Enterprises (SOEs) is vital to the objective of maintaining and generating employment opportunities.

4.2 MEETING BASIC NEEDS

Restructuring should be geared to meet the basic needs of all South Africans with the focus on the poor and disadvantaged communities. Critical to this objectives is the improvement of the quality and delivery of affordable services. Restructuring of state assets such as housing, land and

other infrastructure should be rationalised within sectoral policy to meet RDP objectives.

4.3 REDEPLOYMENT OF ASSETS FOR GROWTH

To enhance growth and employment it is necessary to redeploy assets. Accordingly any proceeds from the restructuring process should be reinvested in assets and not used for consumption.

4.4 INFRASTRUCTURAL DEVELOPMENT BY MOBILISING AND REDIRECTING PRIVATE SECTOR CAPITAL

This is essential in financing the development costs of infrastructure - house, water, energy, communications and transport - required to meet already articulated service expansion goals.

The burden on public finances, particularly for infrastructure development, is enormous. On average, half of government investment is accounted for by the infrastructure sector and, as the industrial economy expands, the demand will become greater.

The principal new infrastructure providers include international firms operating in association with local companies. These firms bring to bear not only the management expertise and technology but also the credit standing and ability to finance investment. Sustainable borrowing could be used in part to meet capital needs.

4.5 REDUCE STATE DEBT

Where appropriate, restructuring proceeds may be used along with improved financial management systems to reduce state debt.

It is essential that in the provision of essential services effective regulatory mechanisms are established. This applies in all circumstances no matter what the structure of the industry providing that service. Accordingly, appropriate legislation and constitutional mechanisms to facilitate the restructuring process at national and provincial levels should be provided. Regulatory structure should be staffed by knowledgeable persons and operate autonomously.

4.6 ENHANCE COMPETITIVENESS AND EFFICIENCY OF STATE ENTERPRISES

It is essential that individual state enterprises should be competitive and efficient in the domestic and international markets and should be positioned to access global resources and markets, particularly in Southern Africa, within a proper institutional regulatory framework.

It is also essential that there are improvements in corporate governance within the public sector to allow for effective asset management, investment policies, accountability and transparency. A complete audit of all State Owned Enterprise holding, properties and their assets will be conducted.

4.7 FINANCE GROWTH AND REQUIREMENTS FOR COMPETITIVENESS

In the utility sector there is large demand for development programmes which necessitates an increase in the operations of state enterprises in this sector. By and large most of the state enterprises in this sector are already highly geared i.e. the ratio of borrowing to equity capital is too high. Therefore, new financing through different forms of domestic and foreign partnerships to promote the infusion of capital and especially technology may be required.

4.8 DEVELOP HUMAN RESOURCES

Restructuring should develop the human resources capacities of South Africa through decent employment conditions, efficient use of training and retraining , redressing previous discriminatory practices and enhancing, technical and managerial capacity.

5. GUIDING PRINCIPLES FOR RESTRUCTURING

5.1 RE-ORIENTATE AND ENHANCE PUBLIC SECTOR EFFICIENCY

The purpose of restructuring state assets is to re-orientate and inhance the public sector's ability to meet the challenges and requirements identified by the RDP. In this context, it is the role which the enterprise can play in achieving transformation and transition goals as set out in the RDP which

should inform decision-making. This requires new structures, new mandates and change management.

5.2 LEGAL AND REGULATORY

The legal and regulatory framework engenders positive economic benefits in the development process. It is necessary to ensure that the laws and regulations relating to, for example, property, labour standards, monopolies, foreign investments, export incentivies, environmental issues, capital markets and financial instruments are all consistent with and designed to support the government development initiative.

South Africa has already begun this process by developing White Papers to cover the broad range of regulatory reforms and to ensure that the process of public sector restructuring is transparent and leaves no ambiguity in the implementation.

5.3 LABOUR

Organised labour in general and employees of the relevant public enterprises should participate in policy formulation processes. In addition the labour rights, obligations should not occur at the workers in state enterprises.

The ultimate aim of restructuring is to improve the quality of life of all South Africans. Therefore, the underlying approach is that restructuring should not occur at the expense of the workers in state enterprises. Every effort should be made to retain employment.

Where restructuring potentially has negative consequences for workers, a social plan must be negotiated with the relevant unions at the enterprise level which takes account of the worker's interests.

Workers who may be redeployed within or between state enterprises shall enjoy equivalent benefits and conditions of employment as they enjoyed in their previous employment.

A coherent and common set of principles need to be developed and applied by Government to the structuring of pension and provident funds which are

already undergoing massive restructuring. These principles must take into account the fundamental changes to State Owned Enterprises configuration which will follow restructuring.

5.4 INTEGRATION OF STATE ASSETS

All assets, regardless of where they are situated, must be examined within an overall sectoral policy framework and wherever possible reintegration of apartheid divided assets must occur prior to restructuring. The state assets in the former TBVC states are included.

5.5 HISTORICALLY DISADVANTAGED GROUPS

Restructuring must redistribute wealth, boost the small and medium enterprise sector, have sustainable affirmative action implications and facilitate genuine black economic empowerment.

The capacity of the historically disadvantaged communities to participate and benefit fully in the restructuring programmes should be ascertained and enhanced. Special attention shall be paid to the needs of entrepreneurs, and the role which pension and provident funds could play in broadening ownership.

In addition investment decisions and asset dispensation of SOEs in the context of overall economic policy rather than piecemeal equity transfers are key elements in achieving the restructuring elements above.

5.6 PARTICIPATION TRANSPARENCY

All key stakeholders should be full participants in the policy formulation process, Boards of Directors and other appropriate decision-making structures at an agreed level. The policy formulation process should be transparent in all respects. Agreement shall be reached on the procedures for the conveying and protection of commercially sensitive information and operations.

5.7 MACRO-ECONOMIC STABILITY AND GROWTH

It is not assumed that the transfer of assets between public and private sectors will automatically promote the objectives of growth and employment.

Accordingly, the restructuring of the state and enterprises will take place within stated policy objectives and be evaluated for their overall mac o-economic effect in respect of savings, investment, the balance of payments, ownership and their net effect on employment creation and growth. Macro-economic evaluation in the context of the RDP is essential within this process.

5.8 INDUSTRY SECTOR AND ENTERPRISE FOCUS

The restructuring mechanism and process will be guided by circumstances prevailing in each industry sector as well as those in each of the individual state enterprises.

The process will involve the assessment of socio-economic imperatives; a sectoral approach; and an enterprise by enterprise case study focus.

5.9 NEW ECONOMIC PROJECTS

The restructuring of state enterprises should be designed to encourage domestic and foreign investors to invest in new economic projects.

5.10 FOREIGN INVOLVEMENT

In the event of direct foreign involvement in restructuring, the extent of such involvement should be negotiated within the affected enterprise.

5.11 OWNERSHIP

Ownership is not the determining factor for efficient operations.

5.12 MODELS OF STATE ASSET RESTRUCTURING

Models of state asset restructuring adopted elsewhere are not necessarily appropriate to South Africa's special conditions.

5.13 TRANSITION PERIOD

At present regulatory policy is being formulated in a continually changing environment. Therefore certain urgent changes are required. Accordingly where negotiations are proceeding by mutual agreement of the parties involved they are to continue where there has been mutual agreement on issues these will be implemented, and new and currently contested initiatives will be implemented in terms of the NFA.

These initiatives need to take into account both current policies and regulatory frameworks, whilst they also need to consider the direction and proposed new policy and regulatory frameworks.

6. THE STRUCTURES ENVISAGED IN TERMS OF THE NFA

6.1 THE STRUCTURE

The NFA is a bilateral agreement between Government and Labour established in terms of clause 2 above. It addresses matter that specifically concern Government and Labour in the restructuring process.

There shall be a 3-tiered structure as follows.

Tier One

This structure is internal to the parties. Government and Labour recognise each other's right to establish its own structures. The Government has established Sectoral Task Teams to examine the restructuring options. The Task Teams (TTs) prevail until their reports are produced. Thereafter, the Sectoral Minister's Sub-Committee will take over.

Tier Two

This structure shall be the strategic implementation level set up in terms of this NFA. The composition will comprise a core of 6-a-side from Labour and Government but others will be drawn in as and when required. Appropriate sub-committees and adhoc committees will be formed as and when necessary.

This NFA structure will continue to prevail until the NFA terminates as envisaged.

Tier Three

This structure shall be at an enterprise level. It comprises the Boards of Directors as mandated by the Cabinet and a Labour/Management Committee.

6.2 THE PROCESS

Labour and Government recognise the right of all role players to develop their own mandates, receive advice, and shape their views on the process of restructuring. The Government's internal structures as reflected in the diagram indicate that Cabinet will make all final decisions on both mandate and implementation, subject to parliamentary approval where required.
The work of the Cabinet will be coordinated through a Ministerial Committee while sectoral work done initially through the Sectoral Task Teams will be coordinated through Ministerial sub-Committees per sector. Government could have internal advisers, both at the general level as well as the sectoral level.
The main function of the NFA structure will be to act in terms of the NFA. More specifically it will serve the following functions:
to explain the Government's position, share and discuss strategic and policy documents that have a material impact on the restructuring discussion; also, all materials used by Government sub-teams and Ministerial sub-committees used to formulate Government's mandate as well as information developed by advisers to the enterprises will be made available strictly in terms of the normal confidentiality agreements, e.g. the provisions of the Labour Relations Act. As stated in clause 5.6 agreement shall be reached on the procedures for the conveying and protection of commercially sensitive information and operations.
on policy and strategic issues, there shall be liaison with the Government Ministerial Sectoral Sub-Committees as and when necessary. For issues on which the Government has already initiated processes and has mandated views, these should be discussed within this structure. Issues where no mandate exists, discussions will take place within, this structure prior to recommendations being made to Cabinet.
to agree on the form, appointment and number of advisers to Labour at the NFA structure level. The appointment of such advisers must be transparent, avoid duplication and subject to budgetary constraints.

to facilitate, through the Board of Directors, the form appointment and number of advisers to Labour at an enterprise level in a transparent manner. Such monies to be made available by the enterprises.

to resolve disputes between management and labour at an enterprise level in terms of the procedures contained in the Labour Relations Act. Only policy and/or strategic disputes to be referred to the NFA.

In the event of labour and management being unable to agree on whether or not a particular dispute is of a policy and/or strategic nature, such disputes will be referred to the NFA structure.

In relation to the process at enterprise level Government will act with and through its Board of Directors in terms of Cabinet mandates. Restructuring proposals will be tabled in terms of the NFA and any measures agreed through discussions at the NFA Structure level. Such proposals will be negotiated through the collective bargaining process in terms of the Labour Relations Act or, where no bargaining structures exist through structures established, by agreement between management and employees to agree on the details and procedures for implementation of any restructuring.

7. DEFINITION OF TERMS IN RESPECT OF A MATRIX OF SOEs WITHIN VARIOUS CATEGORIES

The definition of terms is to facilitate the clarification of terminology but does not prescribe any particular course of action in any particular restructuring process.

7.1 STATE OWNED ENTERPRISES(SOE'S)

Also referred to as public enterprises or parastatals, which provide goods or services. The Stated is the controlling or sole shareholder and acts as the steward of these assets on behalf of all South Africans.

7.2 REORGANISATION OF STATE ASSETS

Refers to the overall programme of restructuring state assets to meet the objectives as set out in this agreement and includes all four government task

groups dealing with fixed assets, public corporations, pension funds and the guidelines on the restructuring of public enterprises.

7.3 RESTRUCTURING

Refers to substantial changes as they affect ownership and control, accountability, function and location of state assets.

7.4 PRIVATISATION

Refers to the policy of converting public ownership of an asset to the private sector or permitting the performance of a certain activity, hitherto carried out by a state owned enterprise, by a private sector business.

7.5 JOINT VENTURE

Refers to a situation where two or more enterprises, whether private or public, work together on an economic activity.

7.6 STRATEGIC ALLIANCE

A contractual arrangement based on technology transfer and/or management contracts within long term strategic projects.

7.7 COMMERCIALISATION

Refers to a state corporation which operates on a cost recovery basis in the market place.

7.8 CORPORATISATION

Refers to commercialisation and registration in terms of the Companies Act.

7.9 GOLDEN SHARE

Refers to Government, following privatisation, retaining the right to intervene in management decisions and to ensure compliance with Government policy. It does not necessarily confer the right to dividends to the Government.

BACKGROUND DOCUMENTS

National Economic Development And Labour Council Act No 35 of 1994.

Discussion Document By the Government of National Unity on the Consultative and Implementation Framework for the Restructuring of the State Assets 25 July 1995.

The Reconstruction and Development Programme - A Policy Framework - ANC

White Paper on Restructuring and Development - Government Gazette Number 16085 - 15 November 1994.

Other relevant Cabinet/Nedlac documents

Signed on behalf the parties at Cape Town on 7 February 1996 by:

Government of National Unity

Federation of South African Labour Unions

Congress of South African Trade Unions

National Council of Trade Unions

JOINT MEDIA RELEASE ON THE NATIONAL FRAMEWORK AGREEMENT BY THE GOVERNMENT OF NATIONAL UNITY AND LABOUR

7 FEBRUARY 1996

Government and Labour (Cosatu, Nactu and Fedsal) indicated in an earlier media release on 25 January 1996 that, following intensive negotiations between the six-a-side teams in December in 1995 and January 1996, agreement had been reached in principle subject to the approval of the respective principals of the parties.

Cabinet today approved the National Framework Agreement (NFA). The three labour federations have also approved the draft and accordingly the NFA has now been signed by all parties.

The parties believe this is an important achievement in dealing with complex issues affecting the social partners. A firm ground for moving forward and dealing with problems has been established.

The structures in terms of the NFA will be established and the process commenced with, soon.

Appendix 2: Government Restructuring Priorities

Categories	Enterprise
Top priority	
Companies already in the external restructuring process laid down in the NFA	TELKOM, Sun Air, AVENTURA, SAFCOL, Airports Company, ALEXCOR, AUTONET, SAA
Companies already in the external restructuring process outside the NFA	SABC
Companies under internal restructuring	Post Office, Metro Rail, Spoornet, PX (freight and parcel delivery) SA Rail Commuter Corporation and the SA Reserve Bank.
Main business in electricity sector	Municipal and Provincial Distributors. ESKOM distribution, transmission and generation
Other main businesses in transport sector	PORTNET
Middle priorities	
Other companies in energy sector	Mossgas, Strategic Fuel Fund, SOEKOR, central Energy Fund and Atomic Energy Commission
Other companies in Transport sector	Petronet
Other significant companies/businesses	Denel
Low priorities	
Less significant businesses	ABAKOR and Onderstepoort Biological Products Agricultural parastatals at a provincial level.

(Source: Public Enterprise Ministry (1995, July) Discussion Paper on Restructuring of State Assets)

Appendix 3: Questionnaire

This questionnaire was used as a rough guide to stimulate discussion. It did not attempt to pigeonhole the responses of interviewees. Each question was probed.

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1. What is your FEDERATION's current position on state asset restructuring?
2. What were your FEDERATION's and UNION's initial position with respect to enterprise restructuring?
3. What is your UNION's current position on state asset restructuring?
4. What processes *(debates & consultations)* did your FEDERATION and UNION initiate to get to its current position?
5. What were the different views articulated between the affiliates and how were they reconciled or dealt with?
6. What would you say are the major factors that impacted and resulted in your FEDERATION and UNION changing from or adhering to their initial positions?
7. What are the core objectives of your FEDERATION and UNION?
8. To what extent do you think the objectives of your FEDERATION and UNION were achieved? Why?
9. Do you think that the NFA mediate successfully between government and labour's positions with regard to enterprise restructuring?
10. How would you describe your FEDERATION and UNION engagement? Why?
11. Is labour's engagement [overall] and with reference to [enterprises] characterised as proactive or reactive and why?
12. What do you think are the strengths and shortcomings of labour's engagement (overall and with reference to enterprises)?
13. What would you recommend to overcome any of the shortcomings and to entrench the strengths?

14. What accounts for your union's particular response to the sector/enterprise that you are engaged in?
15. What alternatives to privatisation has your union suggested in the enterprise/sector that you are engaged in?

(If no) Why?

(If yes) What was the response of government?

16. How would your union have responded if it had to organise in the other enterprises/sectors? *(name sectors)*
17. Do you agree or disagree with the statement that labour is not participating on a genuine basis, but are merely being dragged along?
18. What would you have recommended to labour at the inception of the state asset restructuring process?
19. Would you say that your union's engagement is to the advantage to the union movement? What are the advantages and disadvantages?
20. Why do you think government made the decisions that they made concerning state asset restructuring?

Do you have any final comments?

Appendix 4: COSATU central executive committee press statement on the restructuring of municipalities for service delivery

17 October 1998

The Central Executive Committee met in its normal session on the 13 - 15 October 1998. The CEC is meets twice per annum; this was the last CEC for the year. As usual it evaluated the year and concretised plans for the coming year. In the process of doing so a number of decisions were taken some of which are listed below:

.....

2. Restructuring of Municipalities for Service Delivery

The CEC broadly endorsed the draft framework on the restructuring of municipal service provision negotiated between COSATU, SALGA and the Department of Constitutional Development and Local Government. The proposal contains a restructuring framework that includes the objectives, processes that must be followed, principles of service delivery and the establishment of the sectoral Forum in line with the principles of the National Framework Agreement of labour and government on the restructuring of the state parastatals. The framework will also regulate the involvement of the private sector in service delivery only in those instances where the capacity of the state to deliver such services is limited. COSATU will insist that both the Nelspruit and Dolphin Coast contracts on the involvement in water provision be strictly tested against the framework.

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