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

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MA by Coursework and Research Report

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Abstract

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

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

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

Executive Summary

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

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

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

The establishment of REDs should not negatively impact on the financial position of local government, as it is critical that this sphere of government continues to fulfill its constitutional development mandate. However, unions at local government level and SALGA do not share the same sentiment. Finances are vital for the existence of local

government operations. If electricity departments are to be transferred to the REDs clear bridging measures need to be in place which would arrest the unintended challenges.

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

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

Declaration

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

On the…….day of ……...2009.

Name: Noel G. Coetzee

Signature……..

Dedication

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

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

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

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

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

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

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

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

Lastly, I want to thank our heavenly Father GOD Almighty for making this a happening.

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Acronyms and Abbreviations

1. AMEU	Amalgamated Municipal and Electricity Union
2. ANC	African National Congress
3. CEC	Central Executive Committee
4. CEO	Chief Executive Officer
5. CoS	Conditions of Service
6. COSATU	Congress of South African Trade Unions
7. DME	Department of Mineral and Energy
8. DoE	Department of Energy
9. DPE	Department of Public Enterprises
10. DPLG	Department Provincial of Local Government
11. EDI	Electricity Distribution Industry
12. EDI-H Co	Electricity Distribution Industry Holdings Company
13. ESI	Electricity supply industry
14. EUs	Electric utilities
15. FBE	Free basic electricity
16. FEDUSA	Federation of trade unions of South Africa
17. GDP	Gross Domestic Product
18. GEAR	Growth Employment and Redistribution
19. HR	Human Resource
20. IADB	International American Development Bank
21. ILO	International Labour Organisation
22. IMATU	Independent Municipal and Allied Trade Union
23. IMF	International Monetary Fund
24. IPPs	Independent power producers
25. IR	Industrial Relations
26. LRA	Labour Relations Act 66 of 1995

27. LSIs	Large Scale Interventions
28. MEs	Municipal Entities
29. MSA	Municipal Systems Act
30. NALEDI	National Labour and Economic Development Institute
31. NEDLAC	National Economic Development and Labour Council
32. NEPAD	New Partnership for Africa Development
33. NERSA	National Electricity Regulator of South Africa
34. NUM	National Union of Mineworkers
35. NUMSA	National Union of Metalworkers of South Africa
36. OECD	Organisation for Economic Co-operation and Development
37. PEs	Public Entities
38. PMFA	Public Finance Management Act
39. PPPs	Public Private Partnerships
40. PWC	PriceWaterhouseCoopers
41. REDs	Regional Electricity Distributors
42. RDP	Reconstruction and Development Programme
43. RPL	Recognition of Prior Learning
44. RTLRS	Regional Transitional Labour Relations structures
45. SACP	South-African Communist Party
46. SALGA	South African Local Government Authorities
47. SAMWU	South African Municipal Workers Union
48. SOEs	State Owned Enterprises
49. TBVC states	Transkei, Bophuthatswana, Venda and Ciskei
50. TLRS	Transitional Labour Relations Structure
51. TNCs	Trans-national corporations
52. UCT	University of Cape Town
53. WTO	World Trade Organisation
54. WWII	World War

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