

Plan will reveal true ANC

ESKOM UNBUNDLING: SPARKS DEBATE BETWEEN BUSINESS COMMUNITY, LABOUR UNIONS

→ How government uses the sale of the SOE's assets will tell us a lot.

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The mismanagement and corruption at Eskom has reached crisis levels, leading to sustained blackouts and a debt crisis that has the potential to cripple the entire economy.

In response, President Cyril Ramaphosa announced Eskom's imminent unbundling.

The debate around whether or not this is a good strategy has largely been between the business community – whose position is echoed by the mainstream media platforms in support of unbundling – and the labour unions driven by trade union federation Cosatu and its affiliates, in opposition.

Business emphasises the possibility of cheaper energy through efficiency, transparency and competition, especially in the generation component. Labour unions fear the inevitable privatisation and job cuts.

Whether it will lead to wholesale privatisation remains to be seen, but abundantly clear is that resorting to unbundling as the state-owned enterprise's (SOE) last resort is an indictment of the ANC government.

It symbolises the loss of an important state institution. The way the ANC manages the processes before, during and after unbundling, will reveal what kind of state it governs.

Implications of unbundling

It would be absurd to suggest against evidence, as the Institute for Race Relations has, that the apartheid-era Eskom was not corrupt, rent-seeking and extractive. However, during apartheid, Eskom served its *raison d'être*: to provide a constant and secure supply of energy to industries and ordinary, mainly white, South Africans at an affordable price.

Eskom implemented electricity provision in a secretive, restrictive environment. It operated with minimal information sharing, limited oversight and boards that were partial to certain ways of thinking.

Much like parts of the apartheid state that functioned on patronage and clientelism, such as farming and agriculture and finance investment, Eskom was not built to be the transparent and competitively open organisation that the South African democratic era seeks.

Eskom was profitable, defi-

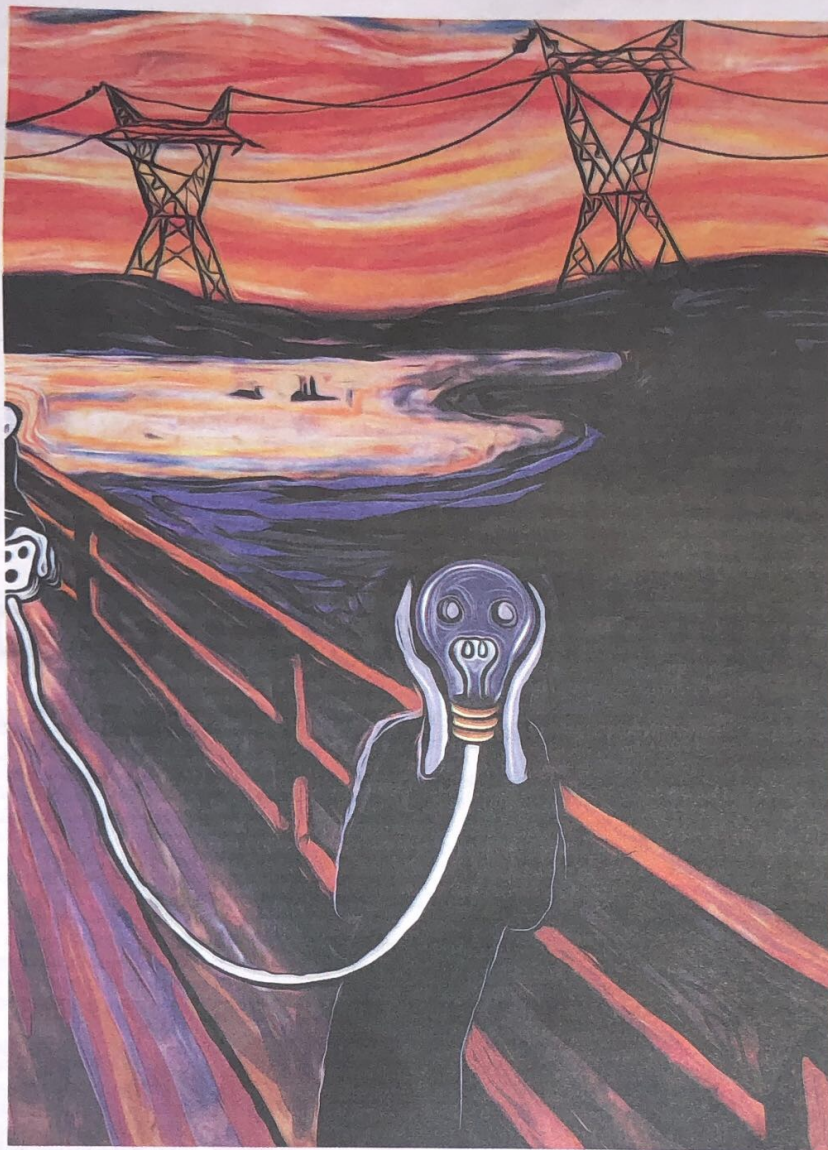


Illustration: Carlos Amato @CarlosCartoons

nately, but that profitability relied on an institutional culture of doing as it pleased. The 1983 De Villiers Commission criticised the SOE back then for its "governance, management, electricity-forecasting methods, investment decisions and accounting".

As far back as 1988, Eskom itself restrained the progressive moves that could have resulted in cheaper, more efficient power generation. Wanting to maintain full monopoly control over the country's generation capacity, it actively worked to keep alternatives out of the market, at the cost of citizens.

The parastatal's current corrupt and inefficient practices are layered in an institutional culture that is stubbornly set against change. Sadly,

Unbundling, privatisation of Telkom meant the SOE no longer bleeds funds.

Eskom no longer serves any of its foundational purposes.

SOEs are not just businesses, they are state-society interfaces and structural symbols of state building.

Privatisation perpetuates a notion that the ANC government is unable to maintain a successful institution that was built by a colonial/apartheid government.

The private sector, despite some transformation through BEE, is still viewed as material-

ly and symbolically white, while the state is viewed as black.

Resistance to relinquishing state assets to the private sector may, on the surface, be sentimental, but its social and symbolic implications cannot be ignored and will have strong, maybe monumental impacts on the political context.

Learning from the past

Unbundling and privatisation, or quasi-privatisation, are neoliberal tools of public administration and management, to downsize and streamline government to ensure that it is fit to provide public goods and services efficiently and effectively.

It was partly on this basis that the government employed new public management tools and techniques as the way to deliver public goods and services following the transition into de-

mocracy, and after 1994.

The unbundling and privatisation of Telkom meant the SOE no longer bleeds funds and its proceeds turned Vodacom into a significant business and job creator. However, Telkom's privatisation may have curtailed losses and pressure on the fiscus, but the proceeds of sale of those assets increased the wealth of conglomerates like the Elephant Consortium, expanded Vodacom through controversial and dubious deals and sold R22.5 billion in Vodacom shares to British-based Vodafone.

Sadly, a more efficient Telkom does not serve the public interest and SA's data and network costs are some of the highest in the world.

Transnet's unbundling under Maria Ramos in the mid 2000s was meant to increase efficiency and competition. Efficiency notwithstanding, this has not resulted in real resistance against corruption.

Transnet has used infrastructure and capital expenditure projects to provide an enabling environment for new private entrants into the market. The infamous R50 billion locomotives purchase that was supposed to achieve this was, instead, a mechanism for rampant value extraction.

Despite unbundling not being able to stave off endemic corruption within institutions and despite arguments that decentralisation is a function of neoliberal economic orthodoxy and new public management reforms, it seems the only viable pursuable option left.

Predatory or developmental?

Development scholar Peter Evans presents two types of states: developmental or predatory.

The former leverages the state for economic development for the public benefit while the latter leverages the state to extract benefit for a narrow group of beneficiaries.

Recent history has shown that sections of the ANC gutted SOEs with rent-extraction, accumulation and consolidating class positions, leaving privatisation as the only option to regain functionality.

If proceeds of the sale of parts of assets at Eskom will benefit the working and under classes, it will demonstrate, at the very least, the ANC's commitment to a developmental and state-building project.

In other words, how it uses the sale of assets at Eskom will tell us whether it is a predatory state or a developmental one.

► The authors are researchers at the Public Affairs Research Institute. They write here in their personal capacities. This is a collective work and as such, this article does not fully reflect the views of any of them.