

# Nedlac Organised Labour School

## Economic Recovery & Reconstruction Plan: Status Updates

17/08/2021



# Economic Context

- Deepest economic recession in a century;
- Global recession & investment climate;
- Unemployment past 40% & worse for women, youth, rural areas & persons with disabilities;
- Wage losses in the pandemic;
- Collapsing municipalities & SOEs;
- Billions lost to corruption & wasteful expenditure;
- Devastation of KZN & GP violence & damage to investment drive; &
- Need for hope.

# Social Compacts

- Organised Labour support for social compacts;
- International role models in Sweden, Scandinavia, Germany, Japan etc;
- Limitations of individual social partners (government, business, labour & communities);
- All have contributions to make;
- All have common interests; &
- Need for all to compromise, contribute & sacrifice for broader national good.

# Presidential Jobs Summit

- Failures of previous Buy Local Accord;
- 2018 Presidential Jobs Summit, positive & detailed commitments;
- Establishment of Presidential Working Committee;
- Slow pace of implementations & interventions;
- Some implementation e.g. Scrap Metal Export Levy, Water Licensing, single online company registration etc; &
- Integration with ERRP commitments to ensure all held accountable for actions.

# **Key Pillars of the Economic Recovery & Reconstruction Plan**

# Eskom Social Compact: Progress

- Organised Labour's contribution to rebuilding economy;
- Debt relief to focus on maintenance & generation investment;
- On condition no retrenchments & implementation of Eskom Social Compact; &
- Reduce bloated management;
  - Executive management reduced from 800 to 650 through retirements & Voluntary Severance Packages.

# Eskom Social Compact: Progress

- Greatest obstacle to economic recovery;
  - Load shedding beginning to dissipate, with possible resurgence post Medupi explosion;
- Unsustainable debt burden of R484bn greatest threat to fiscus & state sovereignty;
  - Has declined to under R399bn;
  - Debt restructuring being investigated;
  - Municipal debts continue to rise in Free State & certain municipalities despite Eskom court actions & repayment agreements. Plan for Soweto needed;
  - Establishment of dedicated anti-illegal connection units in certain cities. Needs to be expanded; &
  - Need to tackle SOE debts to Eskom.

# Eskom Social Compact: Progress

- Generates 95% of electricity & transmits & distributes 100%;
  - 100MW licensing for embedded generation to ease pressures on mining, manufacturing & load shedding;
  - Impact on Eskom generation monopoly;
  - Need to set conditions for local manufacturing, jobs & ownership for IPPs & that IPPs' tariffs be market related & not subsidised by Eskom;
- Economy needs reliable & affordable electricity;
- Tariff hikes suffocating economy;
  - Need for further engagements between Eskom & NERSA & fragile industries on sustainable tariff regime.

# Eskom Social Compact

- Tackle corruption & wasteful expenditure & prosecute the accused;
  - Several illegal & corrupt contracts cancelled worth Billions;
  - Several billions recovered;
  - Civil claims cases being pursued against former leaders, management & supplies;
  - Need for criminal prosecutions by NPA;
- Review all contracts, including coal;
  - More needs to be done.

# Eskom Social Compact

- Eskom to enter renewable energy space as owner;
  - Plans to tap into green energy financing;
- Workers & communities to be supported to become owners of renewable energy generation;
  - Need to prioritise this long standing unions demand;
- Just transition to target aging power stations & coal mines to extend life spans, convert to alternative generation or economic activities;
  - Eskom Just Transition plans need fleshing out & active engagement with unions & communities; &
  - Komati (2022), Grootvlei (2023) & Hendrina (2024) come of grid.

# Eskom Social Compact

- Invest in battery storage capacity;
  - Need for engagements with government;
- All buildings to install locally produced solar panels & electricity meter boxes;
  - Need for engagements with government;
- Convert auto-manufacturing to electric & hydro vehicles;
  - Initial discussions beginning in industry.

# Public Transport & Transnet

- Pending collapse of Metro Rail, e.g. key lines & stations no longer operating, repeated schedule delays, wide spread cable theft;
- Serious challenges in Transnet Rail e.g. wide spread cable theft, abandonment of rural lines & sidings;
- Serious challenges in Transnet Ports e.g. endless delays, IT hacking, international shifts to Walvis Bay, Maputo & other African ports & subsequent impact on local factories awaiting supplies; &
- Need for engagement with DPE on TNPA restructuring.

# Other State-Owned Enterprises

- SOEs' collapse due to corruption, mismanagement & structural changes;
- Collapsed: SA Express & SA Group;
- Collapsing: Autopax; Post Office, Denel, SABC, PRASA;
- Potential collapse: ACSA, Transnet Freight & Ports;
- 1950s model vs. needs of 21<sup>st</sup> century;
- Bail outs unsustainable;
- Work being done by Presidential SOEs Council with reports to be finalised soon.

# Other State-Owned Enterprises

- Need for union proposals on which SOEs & business models are needed;
- Need for similar social compacts based upon all contributing, compromising & sacrificing;
- Must include Just Transitions e.g. jobs plans not retrenchments;
- SOEs must serve strategic needs of state & fulfil roles the private sector can or should not fulfil; &
- SOEs must be viable & not be a burden to state or hindrance to economy.

# Local Procurement

- Local procurement at heart of ERRP;
- Billions can be saved on imports & invested locally;
- Large public & private procurers, e.g. mining industry, Correctional Services, Eskom, Transnet;
- Key targeted items e.g. cement by construction industry, cooking oil by fast food sector;
- Need to mobilise consumers;
  - Lack of mass campaign by Proudly SA etc;
- Only 1 meeting held to date;
  - Very little updates on progress & challenges;
- Coca Cola Localisation Team & Value Chain Fund

# Local Procurement

- Union local procurement commitments:
  - Union purchases, e.g. clothing, furniture & vehicles;
  - Workers' mobilisation e.g. consumer campaigns;
  - Workplace, Bargaining Councils & Sectors, e.g. products purchased by those workplaces & employers & Bargaining Council agreements; &
  - Workers' investment & pension funds, e.g. on how to ramp up local investments & boost job creation.

# Local Procurement

## Union Reports:

- COSATU:
  - SACTWU provided report on efforts;
  - 3 other Affiliates gave general commitment reports; &
  - Rest 0;
- NACTU:
  - 0 reports;
- FEDUSA:
  - 2 good reports providing details per Affiliate on their local procurement expenditure indicating goods and monetary amounts.

# Local Procurement

- Collapses ability for Labour to drive Local Procurement commitments at Nedlac when we cannot uphold our own commitments or even attempt to report on them;
- Need for intervention by Federation leadership;
- Need for commitments by Affiliate leadership;
- Federations & Affiliates need to identify local procurement champions & contact points;
- Need for Federations & Affiliates to provide monthly local procurement reports; &
- Hold Labour Local Procurement Workshop.

# Master Plans

- 16 Master Plans cover key economic sectors & to play key roles supporting local procurement & jobs;
- Master Plans progressing & with active Affiliate representation: Clothing & Textiles, Agriculture, Poultry, Sugar, Auto-Manufacturing & Steel;
- Master Plans underway to varying degrees but needing active Affiliate involvement: Furniture, Renewable Energy, Oceans, Arms & Aviation; Water & Sanitation; Forestry, Tourism, Cannabis & Digital Economy;
- Master Plans with no movement & needing intervention: Construction, Minerals & Health.

# Infrastructure Programme

- Critical to stimulating economic growth;
- Road backlog, vandalised PRASA lines, abandoned Transnet lines; endless ports backlogs, crumbling water infrastructure;
- Economic investments e.g. agro-processing & energy;
- Positive resource mobilisation, including private;
- Need to meet deadlines;
- Avoid corruption; &
- Need for regular engagements with Presidency & Public Works on progress.

# Resource Mobilisation

- Limitation of state resources;
- End private sector investment strike, e.g. Banks;
  - Have promised funding package for SMMEs;
- Cannot depend upon foreign investment alone;
- Need for impact investments;
  - Workers' funds must benefit workers, pensioners, create jobs, support public goods & spur economic growth; & not be looted by fund managers & political elite;
  - Support amending Regulation 28 for investments in infrastructure; &
- Variety of funding being provided for SMMEs.

# Corruption & Wasteful Expenditure

- Consumes 10% of budget e.g. R150bn annually;
- Collapsing state & workers losing jobs & pensions;
- Need single online transparent public procurement system for entire state;
  - Intervention to fast-track Public Procurement Bill;
- Need to institute life-style audits for political office bearers, management & SCM, especially in SOES & municipalities; &
- Need to ban political office bearers, spouses & children from state tenders.

# Corruption & Wasteful Expenditure

- Need for NPA, SAPS & Courts to be capacitated & do their jobs;
- Resource commercial crimes courts;
- Implement Auditing Amendment Act to seize assets of guilty officials; &
- Capacitate SARS to tackle tax & customs evasion & fraud.

# Need to Ramp Up Vaccinations

- Have managed to dispense 9.5 million vaccines to over 7.5 million persons;
- Weekday vaccine rates plummeted from over 250k to 130k, with about 50k on weekends;
- Cannot sustain economic lockdowns;
- Over 18s to start soon;
- Need mass publicity campaigns on benefits of vaccine;
- Need to look at incentives e.g. R100 vouchers, food parcels etc;
- Need to deploy mobile vaccine units into communities, churches, taxi ranks, villages etc; &
- Need for union campaigns for workers & families.

# Conclusion

- South Africa facing greatest economic, social & governance challenges in decades;
- There is more that must unite than divide us;
- All parties need to contribute to rebuilding SA & the economy;
- At the heart of the ERRP is saving & creating jobs, spurring economic growth, investing in SOEs & infrastructure, ramping up local procurement, tackling corruption & rebuilding the state; &
- We do not have the luxury of time or failure.