



# **NUMSA Submission on the 2018/19 Eskoms Application for Electricity Tariffs to NERSA 20<sup>TH</sup> November 2017**

***Landlords, like all other men, love to reap where they never sowed.” (KARL MARX).***

***NUMSA REJECTS ESKOMs ATTACK ON JOBS!***

# Introduction

Affiliated to the South African Federation of Trade Unions (SAFTU)

360 000 members, A worker controlled Union.

Numsa is a Union representing workers in the manufacturing Sector

A Marxist Leninist union: Numsa refuses to remain silent on the controversial Government policies, especially its promotion of privatisation and its failure to end mass poverty in the country.

Numsa traditional Sectors: Automotive, Tyre, Motor, Steel & Engineering, Mining & Constructions, SOEs (Eskom, SAA, Transnet e.t.c), Chemicals, Batteries.

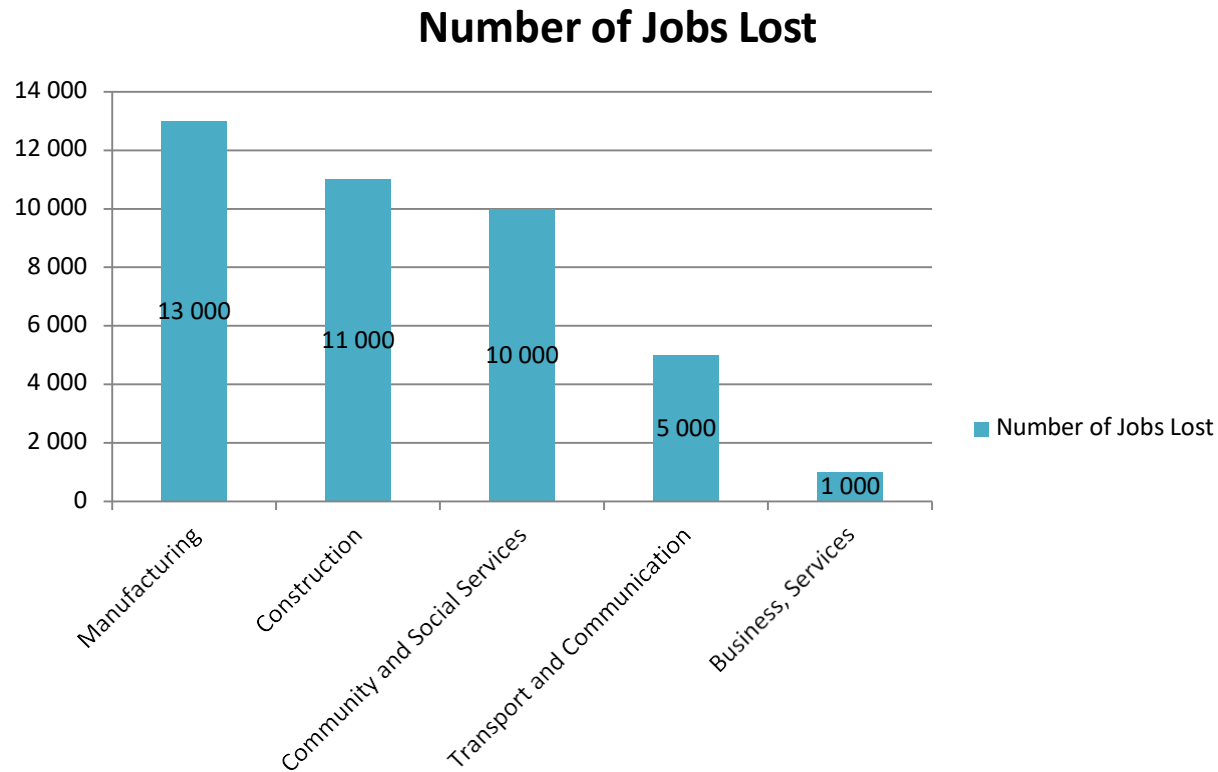
# Socio Economic Conditions of workers

- The average wage of the African worker in this country is a poverty wage incapable of sustaining life.
- Massive unemployment (27.7%), extreme inequalities and countrywide poverty in a climate of rising food prices.
- Approximately 30.4 million South Africans currently live in poverty; this means that over half of the South African population is living on an income of less than R992 per month.

# Socio Economic Conditions of workers

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- Massive unemployment, extreme inequalities and countrywide poverty in a climate of rising food prices.
- According to the Stats SA Quarterly Employment Statistics (QES, 2017), South Africa shed 75 000 jobs in the first half of 2017 across all sectors. The survey showed that the country lost 34 000 jobs between March and June and 41 000 jobs between January and March. Below is a breakdown of job losses by industry during the both quarters:

# Socio-Economic Conditions of workers



# Effect of Electricity tariffs to the Jobs of Workers.

- NUMSA has witnessed the deep global crisis of capitalism in the manufacturing sector. The Union has witnessed hemorrhaging of jobs, plant closures retrenchments the downward variation of conditions and benefits of workers and the casualization of labour. At the centre of this crisis, especially in small, medium-sized companies has been the uncompetitive Eskom electricity tariffs.
- The electricity price hike will hit manufacturing and commercial sectors of the economy very hard!
- At this rate, smelters we have in the country that are not operating at full capacity, their furnaces will simply close and it is obvious

# Effect of Electricity tariffs to the Jobs of Workers.

In 2016, the Ferro Alloys producers reported that they shed 110 000 jobs as a result of the high electricity tariff amongst other economic issues.

A number of Smelters Closed down Recently:

- TATA
- ASA IFM
- Machadodorp Hernicin BR
- Various MN Furnaces

Why are Smelters so Important to Eskom and the SA Economy?

- Low cost to provide smelters with electricity
- Eskom makes their biggest profits with Smelters
- Higher voltages, less distribution and Maintenance costs
- Smelter tariffs are cross-subsidizing the poor
- 24/7 consumers of electricity



# Effect of Electricity tariffs to the Jobs of Workers

- The continuing failure by government, the Eskom board and NERSA can only worsen the serious levels of de-industrialisation, unemployment and inequalities.

# Eskom's Inconsistency

- Eskom has forgotten about its core mandate which was to supply cheap electricity to the economy in order to grow the economy, to electrify communities and to create jobs. Eskom has taken the decision to prioritize their balance sheet, which is nothing more than to chase profits.
- Unfortunately the country's legal and methodological basis of electricity pricing not only enables a power producer "to recover the full cost of its licensed activities, including a reasonable margin or return", but gives the right to the regulator to pass onto consumers some of the costs that Eskom incurs.

# Eskoms Inconsistencies

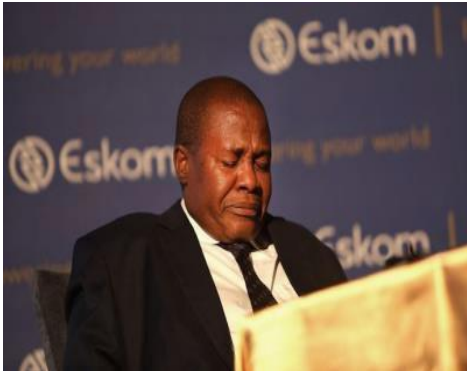
- We have consistently made a call that government must nationalize the strategic coal mines that must supply the national grid with cheap quality coal, so that we can escape the continuous exorbitant prices of primary coal, and deliver a competitive electricity tariff. If one were to look at the exorbitant primary coal tariff increases from 2007 to 2016, they are indeed shocking and appear to be a money-making scheme which is not in line with the original mandate of Eskom.
- Eskom Coal Cost Increases :
  - 2007: R 10 billion
  - 2016: R 48 billion

Means that coal costs should have been max R 21 billion –not R 48 billion.

# Who will benefit from tariffs Increases?

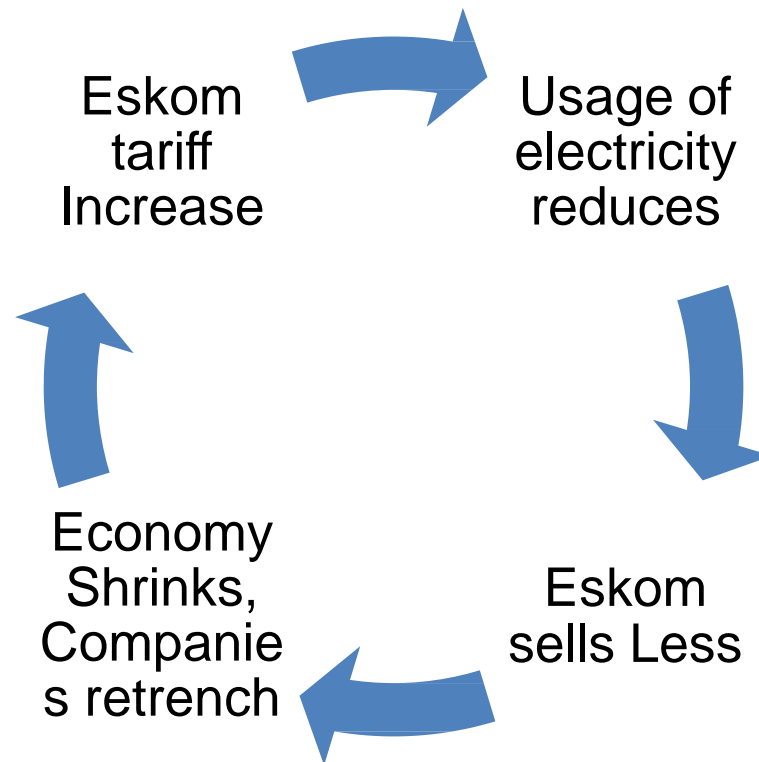
- The demand by Eskom board and its management to increase the electricity tariff by 19% is nothing less than the abuse of power and holding hostage the entire economy and its people.
- Eskom has been moving from one scandal to another, and has absolutely no leadership. it is extremely provocative that in a period of two years Eskom has changed 3 CEO's and their CFO, as we speak, is suspended under a cloud of corruption and allegations of mismanagement.
- Eskom is leading on allegations of state capture where KPMG, McKinsey, Trillian (R1,6 billion), have had their hands found in the cookie jar with questionable settlement packages running in millions of Rands and to position others to create an enabling environment for the continuing of looting and cronyism.

# Who will benefit from tariffs Increases?



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This tariff increase can only deliver a vicious cycle for Eskom and spells bad news for the economy and consequently for jobs. Increase will then be implemented at the back of Poverty, Inequality and Unemployment.



# NUMSAs Demand:

- Numsa demands that there must be reconstitution of the Eskom boards so that all social partners are represented, this should also apply to NERSA as well.
- We demand transparency and information on the following:
- Coal cost detail, IPP contract detail & R77 billion capital expenditure in 2018/19.
- We demand free electricity for the working class and the poor, and affordably priced electricity for industry.
- We reject ESKOM's attack on jobs, There are 96 trained artisans who ESKOM is refusing to employ. State enterprises are supposed to contribute to economic development including job creation. It is wrong for ESKOM to train artisans and then throw them out into the street. We demand that they must all be employed by ESKOM. No to retrenchments, outsourcing and exploitation!
- Government must nationalize the strategic coal mines that must supply the national grid with cheap quality coal.

# WHAT MUST BE DONE:

- We are not Opposed to the Energy Mix, the movement from fossil fuels must be driven by a just transition.
- We reject the nuclear deal. This deal must not see the light of day!
- It is the submission of NUMSA that in light of this national crisis of a job loss bloodbath, there can be no justification whatsoever to increase electricity tariffs. What government should be doing, is to stop the rampant looting of billions of Rands that are leaving the national purse and get squandered in cronyism and corruption associated with tenders in SOEs, local municipalities and provincial governments. This money should be redirected to fund the Eskom budget and deliver free and compulsory education.
- Place all SOE boards under worker control.



# CONCLUSION

NERSA must take into Account:

- Irregular expenditure at Eskom, and how this money can be redirected to provide Free Basic Electricity for the poor.
  - Irregular expenditure: R3 billion
  - Fruitless and wasteful expenditure: R510 million
- The cost overruns incurred in the completion of both Medupi and Kusile, against the above background of complete absence of accountability.
- Allegations of state capture and corruption at Eskom.



# THANK YOU

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