

Appendix 8 of Annexure W of the UDM Constitution UDM Public Enterprises Policy Proposals

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1. Introduction

The UDM will rapidly turn around the ANC government's poor performance of infrastructure creation, especially via the development of a restructuring of public enterprises programme, which is beneficial to all South Africans. Such a programme will accelerate the creation of infrastructure whilst attracting investments, providing jobs, and enhancing local ownership.

The indecisive, confusing and time-delayed approach of the government on restructuring of public enterprises should be condemned. It creates the impression of a lot of talk with little action and severe uncertainty, which depress investor confidence and employee morale. In this process the government is losing its credibility in many respects, and may not be taken seriously in future about their intentions.

The proceeds or savings from a restructuring programme should be used to expand public infrastructure development programmes and to improve the delivery of services to the people.

2. Current problems with public enterprises

- 2.1. Public Enterprises are not fulfilling their service delivery responsibilities properly and efficiently.
- 2.2. Many public enterprises require fiscal transfers, demanding funds intended for social spending.
- 2.3. Some public enterprises stifle competition, thus preventing economic growth and job creation.
- 2.4. Public Enterprises are abused by the current government as an employment agency for the elite and the friends and family of the elite.

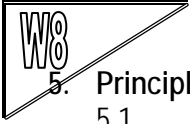
3. Why restructure?

- 3.1. Improve the performance of enterprises to ensure that vital service delivery occurs.
- 3.2. Free up state resources for vital social spending.
- 3.3. Mobilising domestic and foreign capital for development of infrastructure.
- 3.4. Stimulate growth in other industries by getting more efficient services.
- 3.5. Expand economic and social infrastructure.

4. Management of public enterprises

The UDM proposes the establishment of a Presidential Council on Planned Sustainable Development, representing business, labour, civil society and affected communities. The council will specifically monitor and evaluate restructuring of public enterprises and may commission reports and research, for debate and implementation. This mechanism will not replace the over-site role of Parliament.

The UDM proposes that the department of Public Enterprises will be closed down, and its functions moved to the Department of Trade and Industry.



5. Principles for restructuring

- 5.1. Restructuring must be implemented within the following principles:
- 5.2. Government should not waste money and capacity on non-essential services to ensure that it can focus on its primary service delivery responsibilities.
- 5.3. Restructuring must ensure better services, and in the long term lower prices. This means that state owned enterprises, which cannot be run more effectively for the consumer by private owners, should not be sold.
- 5.4. Any form of restructuring of public enterprises, the sale of equity stakes or public offerings, should be timed to ensure that prevailing market conditions lead to government receiving the maximum benefit or return.
- 5.5. Restructuring must be aimed at maximising local ownership and management, and as far as possible empowering employees by for example share-schemes.
- 5.6. Restructuring of public enterprises rendering core services should seek formulas such as strategic equity partners, and not wholesale privatisation.
- 5.7. Restructuring can have short-term negative results in terms of job losses and higher consumer prices. In such case, government must step in to ensure that those who lose jobs are accommodated in infrastructure development programmes or receive skills training with a view to new employment. A Basic Service Subsidy to assist poor to afford basic services, especially when basic service fees rise in the short term.
- 5.8. Restructuring must place, upon new entrants and owners, the obligation to actively assist in the roll out of infrastructure to previously disadvantaged communities. As Small Business Development and infrastructure creation through Planned Sustainable Development programmes take hold and many more communities become economically viable, that investment by companies will earn good dividends.
- 5.9. The proceeds or savings from a restructuring programme should be used to finance public infrastructure development programmes and to improve the delivery of services to the people.
- 5.10. Restructuring must be coupled with intensified skills training for employees for example, by awarding them three to five year contracts as small business sub-contractors.
- 5.11. There should be no nepotism and favouritism.

6. Dealing with the costs of restructuring

The UDM recognises that restructuring can have adverse short-term effects for employees of these public enterprises, as well as for the poor who are dependent on services from these companies. With the effects of globalisation and technology, it may result in sections of the labour force falling victim due to their replacement with technology, or due to lack of skills. The UDM proposes the following three strategies to deal with adverse short-term effects of restructuring public enterprises:

- 6.1. Poverty alleviation through a Basic Service Subsidy to assist poor people to afford basic rates.
- 6.2. The initiation of job creation through Planned Sustainable Development programmes, for infrastructure delivery and the encouragement of Small Business Development.
- 6.3. A Skills Creation programme, envisaged in our Economic Policy, funded by an earmarked ½ percent income tax. An accord with the voters will be reached to put on hold a projected decrease in personal income tax as an interim measure to visibly address Skills Creation. The success of this programme will be reported on separately in the budget. A similar proposal will be applied by the UDM to fight crime.

7. Regulatory institutions

Strong, competent and independent regulators must be established to ensure that these enterprises operate in the best interest of the consumer, with service delivery as first priority. This will reduce political interference.