

# **Alternative Needed to Nationalisation and Privatisation**

**State Industries like South Africa's Eskom show Working Class deserves  
better**

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# Contents

Introduction . . . . .	3
Aims of Article . . . . .	4
Why do some want Nationalisation? . . . . .	4
So, where does the Problem lie? . . . . .	5
The State is Part of the Problem . . . . .	6
“Under Workers’ Control”? . . . . .	6
The Soviet Mirage . . . . .	6
No such thing as the “Public Sector” . . . . .	7
The ANC, NP and Nationalisation . . . . .	7
SA Communist Party and the Charter . . . . .	8
A “Mixed Economy”? . . . . .	8
State Industry in Southern Africa . . . . .	9
The Black State Elite . . . . .	9
Eskom and the “Big Four” . . . . .	10
Why did NP and ANC drop Nationalisation? . . . . .	10
ANC Privatisation . . . . .	11
The Black Private Elite . . . . .	11
Eskom: Real World Test Case . . . . .	11
Eskom and Nationalisation . . . . .	12
Eskom vs. the Workers and Poor . . . . .	12
The Price of Power . . . . .	13
Unequal Coverage & “Free Basic Electricity” . . . . .	13
Profits from Power . . . . .	14
Failed Privatisation . . . . .	14
“Load-Shedding” and Job Losses . . . . .	14
Power to the Elite . . . . .	15
Neither Nationalisation nor Privatisation . . . . .	15
Collectivise: Resist-Occupy-Produce . . . . .	16

“To assure the labourers that they will be able to establish socialism ... [through] government machinery, changing only the persons who manage it... is... a colossal historical blunder which borders upon crime...”

**Pyotr Kropotkin,**  
“Modern Science and Anarchism”

## Introduction

Privatisation – the transfer of functions and industry to the private sector – is widely and correctly rejected on the left and in the working class. Privatisation leads only to higher prices, less and worse jobs, and worse services. Given this, some view nationalisation – the transfer of economic resources (e.g. mines, banks, and factories) to state ownership and control – as a rallying cry for a socialist alternative. As the supposedly pro-working class alternative, this cry has resounded in sections of the SA Communist Party (SACP), in the Congress of SA Trade Unions (Cosatu), in the African National Congress Youth League (ANCYL) membership, and on the independent Trotskyite and social democratic left.

This article argues that nationalisation has never removed capitalism, nor led to socialism, and it certainly does not have a demonstrable record of consistently improving wages, jobs, rights and safety. Nationalisation, rather than promote “workers’ control” or companies’ accountability to the public, has routinely meant top-down management, union-bashing, bad services and bad conditions.

This article appeals to progressive working class forces to look instead to another way: collectivisation from below, where industry is placed under direct workers’ self-management, subject to worker-community participatory democratic planning and control to meet human needs and end oppression, in a universal human community. It is necessary to tactically oppose the privatisation of existing state companies because this is demonstrably used to launch further attacks on the working class – but this is quite different to a strategy of promoting state industry as a solution to the problems of the working class. This is because state industry is itself a weapon used by the ruling class against the working class. Neither privatisation nor nationalisation is a solution.

State companies play a central role in oppressing the working class in every single country. In the South African case, they actively perpetuate the economic exploitation, social domination and national oppression of the majority. The notion that nationalisation is somehow inherently left-wing is untrue: it has been used by governments as reactionary as the apartheid regime, Portuguese colonialism, and Nazi Germany. Its existence in the old Soviet Union and other so-called “communist” regimes does not change this: these Marxist regimes were state-capitalist dictatorships based on terror and repression, regardless of their rhetoric about socialism, workers’ power etc. (see below).

Privatisation and nationalisation have failed the working class: the collectivisation alternative has a demonstrable and inspiring history of direct “workers’ control” and accountability, of dramatically improved working conditions, and of enormous contributions to jobs and communities.<sup>1</sup>

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<sup>1</sup> See M. Amsden, 1978, “Industrial Collectivisation Under Workers’ Control: Catalonia, 1937 – 1939”, *Antipode: A Radical Journal of Geography*, Vol 10. No 3.

It is also being revived internationally, at a time that privatisation and nationalisation are discredited. The Argentinean occupation movement of the 2000s and other recent examples are the latest in a tradition that has achieved incredible successes. A highpoint is the anarchist/syndicalist Spanish Revolution of the 1930s, perhaps the most impressive worker/ peasant revolution of all time.

So, it is urgent and important that anarchists/ syndicalists explain why nationalisation does not and never has provided a real solution, and to articulate collectivisation as a desirable and feasible alternative. The struggle against ruling class domination and exploitation, which operates through both private companies and state companies, must be linked to a conscious struggle to replace both types with a new bottom-up model: the workers' collective, based on the slogan Resist-Occupy-Produce, and located within a democratic worker-community-run anarchist communist economy.

## **Aims of Article**

This article develops these arguments, making concrete reference to the long and unpleasant South African experience of state industry and nationalisation. The extensive South African experience of nationalisation and state industry, including Eskom (power), Spoornet (rail) and Sasol (oil), provides a concrete case showing nationalisation has nothing to do with the “liberation of the working class” – as some, like Julius Malema of the ANCYL, have claimed.<sup>2</sup>

Recent reports – by state-owned Eskom, the biggest power utility in Africa, of 60 percent profits, despite its record of racism before 1994, of massive retrenchments, discriminatory tariffs, millions of cut-offs of poor households, and economically devastating rolling blackouts – are just the tip of a dirty iceberg.

The failings of nationalisation are true regardless of the party holding office. And true regardless of whether the state in question calls itself a “workers’ state”, a “people’s republic”, or “soviet”, or “anti-imperialist”.

## **Why do some want Nationalisation?**

Here, we must distinguish between the Malema/ ANCYL leadership, who use the “nationalisation” slogan with a hidden elitist agenda, and the progressive forces who genuinely see nationalisation as a way forward for the working class.

In 2010 and 2011, the ANCYL grabbed headlines worldwide by calling for the “nationalisation of the mines” and “other monopoly industries”, as a means of democratising wealth and funding welfare, more and better jobs and “economic freedom”.<sup>3</sup>

This was a case of simple political dishonesty. Then-ANCYL head Julius Malema, who posed as a radical champion of the poor, was an exploiter of the worst type. A controversial and corrupt

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<sup>2</sup> ANCYL, 2010, Towards the Transfer of Mineral Wealth to the Ownership of the People as a Whole: a perspective on nationalisation of the mines. Available at [us-cdn.creamermedia.co.za](http://us-cdn.creamermedia.co.za)

<sup>3</sup> ANCYL, 2010, Towards the Transfer of Mineral Wealth to the Ownership of the People as a Whole: a perspective on nationalisation of the mines. Available at [us-cdn.creamermedia.co.za](http://us-cdn.creamermedia.co.za)

multi-millionaire, he made a fortune stealing money from hospitals, schools and public housing projects through crooked privatisation deals.<sup>4</sup> (See article on Malema, this issue).

But Malema had touched a proletarian nerve. Whatever the antics of the ANCYL leadership, the organisation certainly attracts some sincere black working class youth, who are desperately looking for solutions. South Africa remains a society with massive inequalities, and so a range of other leftwing forces also sought to ride the wave of enthusiasm that the nationalisation slogan evoked.

Cosatu (correctly) condemned Malema's ANC faction and allies as "predators" for their role in looting the Limpopo province through the state.<sup>5</sup> Yet it also highlighted nationalisation as a plank in its (essentially social democratic) programme of slowly reforming capitalism into socialism.<sup>6</sup>

Since Cosatu's strategy centres on winning the ANC over from neo-liberalism, it used Malema's outbursts to raise nationalisation with the ANC,<sup>7</sup> meanwhile "engaging" the ANCYL.<sup>8</sup> The SACP – like Cosatu, allied to the ruling ANC – also endorsed some nationalisation at its July 2012 congress. (For more on Cosatu's programme see article on the "New Growth Path", this issue.)

Outside the ANC/SACP/ Cosatu milieu, the newly formed Democratic Left Front's (DLF's) Brian Ashley (editor of *Amandla* magazine) asked: "Nationalisation: can we afford not to?" He insisted "the left should welcome" the nationalisation call, since nationalisation was supposedly a "radical reform" linked to the "struggle for socialism".<sup>9</sup> The Democratic Socialist Movement (DSM), a well-established Trotskyist formation that played a heroic role in the 2010/11 Mine-Line occupation in Gauteng,<sup>10</sup> and has recently played an important role in supporting strike committees during the strike wave on the Rustenburg mines, also called for nationalisation, although "under workers' control".

## So, where does the Problem lie?

The exploitation of the working class – as well as other forms of oppression, such as national oppression – are to a large extent the result of a society run from the top down, as a small ruling class monopolises production, administration and coercion. Such a society is undemocratic, exploitative and inegalitarian. This situation helps grow the bitter fruits of wars, poverty and racism.

To really change society, economic and political power needs to be removed from the ruling class, and be placed in the hands of the majority of people; to exercise control through self-management, assemblies, worker and community councils, and participatory planning. This is

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<sup>4</sup> B. Naidu & S. Pliso, 21 Feb 2010, "How Malema made his Millions", *Sunday Times*

<sup>5</sup> SAPA, 12 Feb 2012, "Malema Cronies Looted Limpopo: report", *TimesLive*, at [www.timeslive.co.za](http://www.timeslive.co.za)

<sup>6</sup> E.g. Cosatu/ SACP, 1999, *Building Socialism Now: Preparing for the New Millennium* (Johannesburg: Cosatu), pp. 65, 70; SA Communist Party, 1999. For a fuller discussion and assessment of the Cosatu programme: L. van der Walt, 2010, "COSATU's Response to the Crisis: an anarcho-syndicalist assessment and alternative", *Zabalaza: a journal of southern African revolutionary anarchism*, no. 11

<sup>7</sup> N. Bauer, 5 August 2011, "A foregone conclusion, says Cosatu", *Mail and Guardian*

<sup>8</sup> For example, "Vavi joins ANCYL in Calls for Nationalisation", 6 Aug 2011, *Mail and GuardianOnline*, at [mg.co.za](http://mg.co.za)

<sup>9</sup> B. Ashley, 2010, "The Left and the Nationalisation Debate: shape it, don't sidestep it", *Amandla*, no. 13

<sup>10</sup> See S. Hattingh, 2011, "Take Back What's Yours: the Mine-Line Occupation", *Zabalaza: a journal of southern African revolutionary anarchism*, no. 11, pp. 4–5

precisely the vision of anarchism/ syndicalism (as well as other libertarian socialist currents, like Council Communism).

## **The State is Part of the Problem**

So, if socialism means anything, it must mean democratic working class power. But how can this exist in a nationalised industry? The SACP, Cosatu and Ashley are fairly vague, placing their hopes in a “progressive” government taking its lead from the electorate (with some input from unions).

The problem is that the state cannot be placed under the control of the working class, as it is a hierarchical structure run by a ruling class minority, in which most people have no say at all. For example, current South African state policy under the ANC is neo-liberal, stressing privatisation and the like. While the majority of the population openly opposes these measures, it has never really been asked its opinion: the ANC imposes these measures nonetheless. The state is always and everywhere unaccountable to the working class.

Nationalised and state industries have exactly the same features as the state more generally. Like private companies, they are run from above, by and for the ruling elite, and rest upon accumulation through exploitation.

## **“Under Workers’ Control”?**

As a result, “nationalisation under workers’ control” is a contradiction in terms; it is impossible to implement. If the means of production are nationalised, they cannot be under any real “workers’ control”, but only under elite control. Nationalisation and privatisation are just two different ways that the ruling class runs society; they are not means through which the working class can run society. Both are undemocratic, run top-down by and for the rich and powerful.

Now, it may be argued (in the classical Marxist tradition), that what applies to nationalisation under a capitalist state will not apply under a so-called “workers’ state”.<sup>11</sup> The so-called “dictatorship of the proletariat” would operate, it is claimed, under the democratic control of the working class. This, supposedly, is what happened in the early years of the Soviet Union.

In fact, that there is not a single historical example of “nationalisation under workers’ control” – and the history of the early Soviet Union bears this claim out; it does not contradict it.

## **The Soviet Mirage**

All of the so-called “workers’ states”, of which the Soviet Union was the first, were, from day one, one-party dictatorships based on the classical Marxist idea of a “political party” grabbing “state power”, using “centralisation”, “dictatorship” and “force”,<sup>12</sup> with the economy in “the hands of the state”, worked by state-directed “industrial armies”.<sup>13</sup>

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<sup>11</sup> E.g. New Nation, 7–13 Dec 1990, “Nationalisation”

<sup>12</sup> Marx’s words: H. Gerth (ed.), 1958, *The First International: Minutes of the Hague Conference of 1872*, University of Wisconsin Press, 1958, pp. 216–17, 285–86

<sup>13</sup> K. Marx & F. Engels, [1848] 1954, *The Communist Manifesto*, Henry Regnery, pp. 40, 55–56

The Soviet Union under V.I. Lenin set the pattern. Lenin imposed nationalisation on worker-run industries, with the workers' committees set up at the start of the revolution replaced by state-appointed managers with "unlimited" power.<sup>14</sup> Unions were illegal, wages fell, industrial accidents were commonplace; protestors were murdered or jailed. Like Joseph Stalin, Leon Trotsky too insisted upon state-run industry, and upon the dictatorship of a single Party, "even if that dictatorship temporarily clashed with the passing moods of the workers' democracy".<sup>15</sup>

(Of course, there are alternative Marxist traditions, like Council Communism, which take entirely different positions: however, the statist, dictatorial "classical" strand has been overwhelmingly dominant in the Marxist tradition and its history).

## **No such thing as the "Public Sector"**

It is also flatly wrong to describe the state sector as the "public sector", as we have been taught to do: the state is neither run for, nor by, the working class majority of the "public". And state industries basically operate to ensure economic growth, profits and war preparation for the benefit of the ruling class. Anarchists have long argued that the state is part of ruling class power. No matter which party is in power, "States are ... not neutral entities or potential allies of the oppressed; they are rather part of the oppression of the majority of people".<sup>16</sup> There is nothing democratic about the state: the state managers are part of the ruling class, along with the private capitalists.

The working class is exploited in state industries, just as in private industries, through wage labour, and lacks any real control over these means of production. The work process is authoritarian, run top-down by the state elite, and, just as in the private sector, unpaid surplus value is accumulated and reinvested.

Sometimes the state subsidises nationalised industries, but it does so by purchasing inputs (excluding labour) at a loss, and/ or by selling the products at a loss. It does not subsidise the workforce: rather, the workforce subsidises the nationalised industry through direct exploitation as well as through taxes and levies. Anarchist theorist Pyotr Kropotkin stressed that "the amount of work given every year by the producer to the state must be enormous".<sup>17</sup>

## **The ANC, NP and Nationalisation**

Although privatisation is today embraced by most states, nationalisation was routinely adopted by capitalist states and parties worldwide until the late 1970s; it was not a controversial policy, but one shared by everyone from Lenin, to Hendrik Verwoerd. Big "Western" powers used nationalisation regularly: Britain had nationalised coal mines, BP, Rolls Royce; the US nationalised some railways and banks; Park Chung Hee's rightwing South Korean dictatorship nationalised banks, railways and other sectors; Brazilian dictator Getúlio Dornelles Vargas used nationalisation, and industries were routinely nationalised in the Soviet Union.

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<sup>14</sup> E.g. M. Brinton, 1970, *The Bolsheviks and Workers Control, 1917–1921*, Solidarity

<sup>15</sup> Quoted in Alec Nove, 1990, *Studies in Economics and Russia*, Macmillan, p. 181

<sup>16</sup> Hattingh, 2011, pp. 4–5

<sup>17</sup> Quoted in C. Berneri, [1925] 1995, "Kropotkin: his federalist ideas", *The Raven*, no. 31, p. 274

The ANC, now South Africa's ruling party, favoured nationalisation in its 1955 "Freedom Charter", and again in the famed 1969 "Morogoro" statement. But this was not a radical position: its opponent, the ruling apartheid National Party (NP), was elected in 1948 on a pro-nationalisation platform. Its project included massively expanding the state industry over the 30 years that followed, and offering large-scale assistance, in an effort to expand and boost the historically weak Afrikaner elite.

In this, the NP merely built upon the policies of earlier South African governments, notably the 1924–1948 Pact / Fusion era: Eskom / Escom (a contraction of "electricity supply commission") was formed in 1923, the South African Broadcasting Corporation (SABC) in 1927, Iscor (iron and steel) in 1928, and South African Airways (SAA) in 1934.

The ANC was never anti-capitalist: it was a nationalist party controlled by the African elite that was being throttled by racist laws. Of course, it played a progressive role in the fight against apartheid, but that is a separate matter. Nationalisation was envisaged as a means of helping that elite expand through a supportive ANC government.

Specifically rejecting claims that the Freedom Charter was "communist", Nelson Mandela insisted that nationalisation was aimed at "the development of a prosperous non-European bourgeois class".<sup>18</sup> (This is comparable to the NP strategy discussed above)

## **SA Communist Party and the Charter**

The Freedom Charter was largely written by SACP cadre; but this does not change the above analysis – because the SACP (and the earlier Communist Party of South Africa/ CPSA) was from 1928 committed to the Marxist-Leninist two-stage strategy for the "colonial and semi-colonial world": first anti-imperialism (in SA, anti-"internal colonialism"/apartheid); socialism later.

In the 1940s, the CPSA/ SACP decided that the ANC (not the CPSA) was the vehicle for stage one. So, the CPSA, the dominant force in black politics at the time,<sup>19</sup> transferred its base and cadre to the small crisis-ridden ANC, which subsequently became a mass movement. (Mandela's and Tambo's small ANCYL later got the credit).

But the party did not aim to make the ANC anti-capitalist; instead it was to be transformed, into a multi-class, anti-monopoly, anti-imperialist Popular Front for a "national democracy". Such a Front cannot be anti-capitalist, as it aims to include capitalists – and this is why the Charter was explicitly designed to accommodate all classes, including the supposedly anti-imperialist "non-European bourgeois class".

## **A "Mixed Economy"?**

The 1969 "Morogoro" statement used the fiery language of "revolution", but "revolution" here simply meant the recently-banned ANC's turn to guerrilla war in the face of relentless NP persecution. For the ANC, "revolution" meant only the forcible defeat of the NP (now that lobbying

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<sup>18</sup> N. Mandela, June 1956, "In Our Lifetime", *Liberation*,

<sup>19</sup> See P. Alexander, 2000, *Workers, War and the Origins of Apartheid: labour and politics in South Africa*, James Currey et al; L. Callinicos, 1990, "The Communist Party during the War Years", *South African Labour Bulletin*, vol. 15, no. 3.



was impossible), thereby enabling implementation of the ANC's moderate, pro-capitalist reform programme.

Using guns is not, in fact, automatically "revolutionary": a liberal with guns is just an "armed liberal".<sup>20</sup> "Morogoro's" framework remained the Freedom Charter, and all that that entailed.<sup>21</sup> Twenty years on, the ANC's leader, O.R. Tambo, again clarified:<sup>22</sup>

The Freedom Charter does not even purport to want to destroy the capitalist system. All that the Freedom Charter does is to envisage a mixed economy in which part of the economy, some of the industries, would be controlled, owned by the state (as happens in many countries), and the rest by private ownership – a mixed economy.

In short, a "mixed economy" was merely a mixture of top-down state and top-down private ownership: the main forms were the Keynesian Welfare State (KWS) and Import-Substitution (ISI) models.

## **State Industry in Southern Africa**

Such a "mixed economy" was commonplace under the southern African colonial and apartheid regimes that parties like the ANC opposed. Portugal nationalised extensive foreign assets in colonial Mozambique and Angola from 1910. Rhodesia (now Zimbabwe) got seriously started on its ISI policy in the 1930s, and its state sector kept growing under Ian Smith's 1960s and 1970s white republic.

The NP in South Africa regularly used nationalisation as a policy, as part of an ISI project, both in its first term in office as part the 1924 Pact government, and then again from 1948. It eventually ran a larger state sector than Marxist Czechoslovakia. Nationalisation was the openly stated policy of men like J.B.M. Hertzog, D.F. Malan, and Verwoerd.

Some of these assets were privatised from 1979, when the NP shifted policy (see below), notably the flagship Sasol and Iscor enterprises; most were not. When the ANC entered government from late 1993 (as part of the Transitional Executive) there were an estimated 300 state companies, which the ANC inherited when the NP left the ANC-led "Government of National Unity" in 1996.

## **The Black State Elite**

The ANC has continued the privatisation policy, started by the NP in its last years, but even so, the state sector remains vast. Those who complain that the black elite lack economic power need look no further.

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<sup>20</sup> S. Christie and A. Meltzer, 2010, *The Floodgates of Anarchy*, PM Press, second edn., p. 92

<sup>21</sup> Online at [www.anc.org.za](http://www.anc.org.za)

<sup>22</sup> Online at [www.anc.org.za](http://www.anc.org.za)

The state is still the biggest single employer, the state's 2009/2010 budget is around 23 percent of the value of total GDP,<sup>23</sup> and the state is responsible for 44 percent of fixed capital stock, also owning at least 25% of land (more if we include state companies' land).<sup>24</sup>

In state industry, the old Afrikaner elite has been rapidly replaced by a new African elite, but the state companies' old tradition of bad services, low wages, casual labour, and high prices continues. None of these companies were ever "beacons of safer working environments and working conditions"<sup>25</sup> – as the logic of the nationalisation argument suggests they should have been.

## **Eskom and the "Big Four"**

The four largest state companies (the "Big Four") include Transnet (transport), which was created by the NP in 1990 from South African Airways (SAA, formed in 1934), and the SA Railways and Harbours division (formed 1910). Telkom (telecommunications) emerged in 1991 from the Post and Telecommunications Department. Denel was formed in 1992 from Armscor (weapons, formed in 1948).<sup>26</sup>

(Contrary, then, to ridiculous ANCYL calls for the nationalisation of "rail and energy", these have been in state hands for roughly 100 years).<sup>27</sup>

Other notable state operations today include the SA Post Office (also from the old Post and Telecommunications Department), the SABC, the main universities (e.g. Wits, UCT), the Rand Water Board, the state forestry company Safcol, state mines like Alexkor and Nkomati Anthracite Coal, and state banks like the Land Bank, the Development Bank of Southern Africa (DBSA), and the Industrial Development Corporation (IDC).

## **Why did NP and ANC drop Nationalisation?**

As the world changed rapidly from the 1970s, state-capitalism (and the KWS and ISI "mixed economy") were rapidly replaced by the neo-liberal "free market", central to which was privatisation.<sup>28</sup> Contrary to some views, the state is never absent in neo-liberalism: it is a central actor because it creates and maintains the so-called "free market" by aiding capitalists, and suppressing and expropriating labour.<sup>29</sup> Neo-liberalism entails massive restructuring to dismantle state-capitalism, the KWS and ISI, and it is the state that drives the process.

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<sup>23</sup> See inter alia, World Factbook: South Africa (2010) at [www.cia.gov](http://www.cia.gov); and Government of South Africa, The Public Service (2010) at [www.info.gov.za](http://www.info.gov.za). South Africa is ranked 32<sup>nd</sup> in conventional, non-nuclear, indexes of world military strength, and is the third most powerful military state in Africa, following Egypt and Libya: [www.globalfirepower.com](http://www.globalfirepower.com)

<sup>24</sup> R. Rumney, 2005, "Who Owns South Africa: an analysis of state and private ownership patterns", in J. Daniel, R. Southall and J. Lutchman (eds.), *State of the Nation: South Africa 2004–2005*, HSRC: Pretoria, pp. 405–406,

<sup>25</sup> ANCYL, 2010, *Towards the Transfer of Mineral Wealth*, p. 13

<sup>26</sup> "Armscor" today refers to the state weapons procurement division; the old Armscor manufacturing division is now Denel.

<sup>27</sup> On this bizarre call, see *Mail & Guardian*, 6 Nov 2009, "Nationalising Eskom"

<sup>28</sup> For a partial explanation, see WSF, 1997, "Stealing From The Poor: 'Free Market' Policies", *Workers Solidarity: voice of anarcho-syndicalism*, vol. 3, no. 1

<sup>29</sup> P. Kropotkin, [1912] 1970, "Modern Science and Anarchism", in *Kropotkin's Revolutionary Pamphlets*, New York: Dover, pp. 182–183

Thus the NP government, like its counterparts abroad – including in Zambia and Britain, where the ANC’s exile leadership was based – started to shift to neo-liberalism. The NP sold off most of Sasol (1979–1982), followed by Iscor (1987–1989), and experimented with municipal privatisation.

## **ANC Privatisation**

As early as the late 1980s, the ANC was reconsidering nationalisation: by 1991, years before taking office, it had largely shifted to neo-liberalism. Nationalisation has not been ANC policy for the last two decades,<sup>30</sup> despite press hysteria that nationalisation is on the cards.

Under the ANC government, municipal privatisation has been drastically accelerated. While over 60% of Telkom has been sold off plus (briefly) part of SAA, the ANC’s preferred forms of privatisation are not divestiture (sales), but outsourcing, concessions and leases. For example, every single South African university adopted outsourcing in the 1990s and 2000s, under pressure from the national government. (See the Zabalaza pamphlet *Fighting Privatisation in South Africa and South Africa: from apartheid to neo-liberalism*).

## **The Black Private Elite**

In South Africa, these measures are closely tied to the ANC’s historic agenda of fostering “a prosperous non-European bourgeois class”. With nationalisation off the agenda and the ANC committed to budget cuts<sup>31</sup> and privatisation<sup>32</sup> as the basis for capitalist restructuring, it has substituted privatisation as the main means for its elitist Black Economic Empowerment (BEE) measures.

Key policies include “affirmative” tendering directed to BEE companies, discounted BEE shares when state companies are sold, and the use of divestiture revenues to capitalise the National Empowerment Fund. Malema is a product of this policy mix.<sup>33</sup>

So, while neo-liberalism has major benefits for big white capital, it is also key to the ANC’s BEE project of building black capitalists.

## **Eskom: Real World Test Case**

But it is not necessary to go back before 1979 in South Africa, when privatisation started, or to the Soviet Union before its collapse in 1991, or to travel to North Korea today, to learn what state industry entails. The working class in South Africa currently encounters these realities daily – and most frequently in the form of Eskom.

Eskom – under both the NP and the ANC – illustrates the point that state companies, and nationalisation, have absolutely nothing to do with working class empowerment (let alone socialism), regardless of the political system or ruling party.

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<sup>30</sup> M. Merten, 11 Feb 2012, “Mine Nationalisation not ANC policy”, IOLNews, at [www.iol.co.za](http://www.iol.co.za)

<sup>31</sup> R. Vollgraaff, 30 October 2011, “Gordhan Leaves Little Room for Manouvering”, Sunday Times

<sup>32</sup> This could be through outright or partial sales, or through public-private partnerships like outsourcing, leases and concessions.

<sup>33</sup> B. Naidu & S. Pliso, 21 Feb 2010, “How Malema made his Millions”, Sunday Times

Eskom is a state-run monopoly in electricity generation, distribution and transmission. It originally operated to regulate (and supplement) the then-dominant private electricity industry, ensuring cheap power for mines and the state.<sup>34</sup> Cheap electricity (resting on South Africa's large coal stocks) was (and is) just as essential to state power and capital accumulation as cheap black labour (resting on coercion and conquest).

## **Eskom and Nationalisation**

By the end of the 1940s, Eskom had grown dramatically, largely through the nationalisation of municipal power stations, and of the giant Victoria Falls and Transvaal Power Company (VFTPC).

As apartheid's capitalist economy boomed from the 1950s, Eskom grew dramatically, backed by World Bank loans. By the close of the 1970s, Eskom had nationalised (or driven out of business), almost all rivals. By the 1990s, it was the 5<sup>th</sup> largest energy producer in the world.<sup>35</sup> It currently accounts for 95.6% of South Africa's electricity generation, and around 65% of Africa's electricity generation, and also dominates transmission (i.e. the power grid) and distribution (i.e. sales).

Eskom today operates in 31 African countries, as a state-run, profit-driven, multi-national corporation.<sup>36</sup> Its after-tax profits were reportedly twice the international average for electricity utilities in 2005.<sup>37</sup> It is heavily involved in neo-liberalism on the continent, since much of its African business entails privatisation contracts and sales. It must also be seen as a key part of current South African imperialism,<sup>38</sup> as it is a core means of projecting the economic and political power of the South African ruling class across the continent.

## **Eskom vs. the Workers and Poor**

This state-run multinational giant has historically played an enormous role in polluting South Africa, through the use of dirty coal burners. These have often been located near poor black neighbourhoods, while consistently failing to provide decent electricity to the black majority of the working class.<sup>39</sup>

And, Eskom has always been – and remains – associated with oppressive working conditions and low wages, as well as with union-busting. Until 1995, when labour law reforms finally extended farm, domestic and state workers legal bargaining rights, state companies like Eskom barely tolerated trade unions – not even those of skilled white workers.

Although union rights are now legally guaranteed, they are continually undermined. For example, Eskom's workforce has been gutted, falling from 65 000 in 1985 to 30 000 in 2003.<sup>40</sup> Benefits

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<sup>34</sup> See Govt. of South Africa, 2010, The Public Service, [www.info.gov.za](http://www.info.gov.za)

<sup>35</sup> See S. Greenberg, 2009, "Market Liberalisation and Continental Expansion", in D.A. McDonald (ed.), *Electric Capitalism: recolonising Africa on the power grid*, HSRC/Earthscan

<sup>36</sup> M. Wagnagel, 12–18 April 1996, "'Power' to the Masses Comes First", *Mail & Guardian*

<sup>37</sup> S. Greenberg, 2006, *The State, Privatisation and the Public Sector in South Africa*, Cape Town: AIDC/ SAPSN, p. 39

<sup>38</sup> International Rivers, 2003, "Eskom's Expanding Empire: the social and ecological footprint of Africa's largest power utility", available at [www.internationalrivers.org](http://www.internationalrivers.org)

<sup>39</sup> M. Gandar, 1991, "The Imbalance of Power", in J. Cock and E. Koch (eds.), *Going Green: people, politics and the environment in South Africa*, Oxford University Press, Cape Town

<sup>40</sup> Greenberg, 2006, figure 4 p. 38

and allowances have fallen steeply since 1996, with the new (ANC-linked) management taking a hard-line position.<sup>41</sup> Wage negotiations have broken down regularly over the last five years, as Eskom has tried to unilaterally impose terms, insisting that (as electricity is an essential service), strikes are illegal. (This led to a major strike in 2011).

## The Price of Power

Meanwhile, prices for electricity have jumped sharply since the 1980s: the highest increases have been for residential (i.e. home) users, the majority of whom are working class, getting eight times more costly from 1980 to 2005.<sup>42</sup> From the available data, charges are far higher per unit for the residential user than for industrial and agricultural capitalists.

Furthermore, charges are also far higher for poor rural black areas than for urban black townships, and far higher for urban black townships than for historically white suburbs, which are now of course enjoyed by middle and ruling class people of all races. Research in 2000 showed that rural black areas were paying twice what suburbs paid, and Soweto users 30% more than Sandton users.<sup>43</sup>

## Unequal Coverage & “Free Basic Electricity”

It is true – and commendable – that Eskom has massively increased coverage of black townships in the 1990s, with over 3.1 million new connections from 1991 to 2004. This is to be welcomed as a victory for mass struggle, not a gift from above. It must be remembered that this is the result of massive community risings in the 1980s and early 1990s.

However, many of the new links are low-voltage single-phase connections that cannot run major appliances (like fridges). Installation is usually tied to enforcing cost-recovery (“user-pays”) policies, with strict cut-offs through mass disconnections or prepaid meters. In early 2002, a quarter of a million people were cut-off monthly by Eskom and municipalities,<sup>44</sup> part of perhaps 10 million cut-offs from 1994.<sup>45</sup> Connections, in short, do not mean access, because at least as many people get cut-off as get connected every year.

Eskom’s cut-offs and escalating prices provoked widespread resistance, some channeled through bodies like the Anti-Privatisation Forum (APF, formed 2000), in which anarchists and others were active. Here, disconnections were met with illegal reconnections, prepaid meters were burnt, and debts were not paid.

The state was finally forced to write off many debts, plus provide a Free Basic Electricity (FBE) policy for “poor households”: announced in 2003, FBE took some years to cover most of the country.

Again, this was a victory, providing some relief. But it is only a partial one, always limited by the overall Eskom model. The free 50kWh allocation is usually accessed through the low-voltage

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<sup>41</sup> Greenberg, 2009, p. 85

<sup>42</sup> Greenberg, 2006, figure 3 p. 37

<sup>43</sup> D.A. McDonald, 2002, “The Theory and Practice of Cost Recovery in South Africa”, in D.A. McDonald and J. Pape, eds., *Cost Recovery and the Crisis of Service Delivery in South Africa*, HSRC/ Zed Books, p. 27

<sup>44</sup> Greenberg, 2006, table 4 p. 37

<sup>45</sup> McDonald, 2002, p. 22

single-phase connections, and usually requires households to accept prepaid meters. It is also a very small amount for households that average 6–8 people. For example, using four 60W light bulbs for four hours a day, and boiling a kettle for 30 minutes a day, over a month, will use up 42kWh.<sup>46</sup>

## **Profits from Power**

The ANC has also continued the NP's drive to commercialise (i.e. operate state companies on a for-profit basis), and privatise, electricity. The 1998 White Paper on Energy Policy, the 2001 Eskom Amendment Act, and the 2001 Eskom Conversion Act, made Eskom a tax-and-dividend-paying entity, owned entirely by the state.

Commercialisation has perpetuated Eskom's anti-working class policies: it requires holding down wages, increasing prices, and top-down control, plus ongoing lay-offs, cuts in maintenance, some outsourcing, and cutting coal stocks. Rather than Eskom draining state revenues raised by tax (as was the case before the 1980s), Eskom now pays hefty taxes (and dividends) to the state: it is a highly profitable state investment.

## **Failed Privatisation**

Regarding privatisation, the initial plan was to sell off parts of Eskom: some stations like Kelvin were, in fact, sold. However, this approach was later shelved in favour of opening up space for the entry of Independent Power Producers (IPPs) (new private power stations), and for competing Regional Electricity Distributors (REDs) (which would compete to sell power).

Eskom therefore halted expansion of its own production facilities: not only would such expansion discourage IPPs, but the whole point of attracting IPPs was to shift expansion costs onto the private sector. Prices were also raised, partly to increase Eskom profits but partly to attract potential IPPs with the prospect of high profits.

However, the plan failed dramatically: the IPPs never materialised, and Eskom never stepped in to prevent the massive electricity shortfall that resulted. Rather, it recorded the money generated through rising prices and falling spending as profit, for which Eskom executives received enormous salaries plus performance bonuses. Eskom executives earned R73 million in the 2004/5 year — the second highest executive salary bill in South Africa. Actually, top Eskom managers routinely earned far more than most private sector directors.<sup>47</sup>

## **“Load-Shedding” and Job Losses**

The failure to build new stations, or to maintain existing facilities, and the failure to attract IPPs, plus some mismanagement by self-enriching ANC-appointed managers and cronies,<sup>48</sup> led straight to a series of disastrous power crashes from 2005–2009. This “load-shedding” scared private investors, contributing to a decline in private investment and to fewer jobs.

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<sup>46</sup> F. Adam, 2010, Free Basic Electricity: a better life for all, research report, Earthlife Africa: Johannesburg, p. 6

<sup>47</sup> K. Davie, 24–30 Mar 2006, “Power Pay Day”, Mail & Guardian

<sup>48</sup> A. Habib, 15 Nov 2009, “Power Crisis is Rooted in a History of Poor Governance”, Sunday Times

Throughout the disaster, Eskom execs continued to pay themselves performance bonuses: and when public anger finally forced Eskom CEO Jacob Maroga to resign, he sued for R85 million in “lost earnings”. Malema and the ANCYL leadership naturally supported his outrageous claims: as an admirer of getting rich by any means necessary, including looting the state, Malema recognised a true master of the art.

## **Power to the Elite**

Now finally having been forced to start investing in power stations, Eskom and the state have used the situation to further attack the working class. As recorded profits were wiped out by the costs of repairing the existing facilities, and of building new stations, Eskom pushed for and got massive annual increases in electricity charges of 30% per year for 2010–2012.<sup>49</sup> This was in the face of massive opposition by unions and community groups.

This money was earmarked to repay massive loans, used mainly to contract-in private construction consortiums. The key contracts for the new Medupi and Kusile stations have gone to a coalition of local and foreign capitalists, centred on Hitachi Africa.<sup>50</sup> And Chancellor House, the ANC’s investment arm, owns a 25% stake in Hitachi Africa.

With at least R500 billion rand involved in the expansions, fortunes will (as usual) be made, for the lucky few; the ANC-linked state elite and the big private companies.

Who pays? A large part of the expenditure to fix the elite’s Eskom mess is being borne by the historically nationally oppressed black, Coloured and Indian working class through exploitation, taxes and rising tariffs. Charged the highest rates despite the lowest incomes, given the poorest electricity access and affected most by cut-offs, the working class as a whole has to pay for Eskom’s mess.

With three years of sharp increases already in place, Eskom has again become highly profitable, posting nearly a 60 percent profit for the 2012 year. It is now requesting a further five years of 14.6 percent annual tariff increases, effectively doubling the average price of electricity.<sup>51</sup>

## **Neither Nationalisation nor Privatisation**

Truly, the system is unjust. But nationalisation, like privatisation, is not a solution to the problems the working class faces. Eskom’s past performance (as a state company built through nationalisation), is evidence enough that nationalisation takes us nowhere. And Malema’s support for Maroga shows clearly the elite’s common interest in maintaining this vicious system.

State bureaucrats and managers are part of the ruling class, part of the problem. Nationalisation is an extension of the power of the state, and should be opposed by the working class and poor because this is in direct opposition to their own interests.

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<sup>49</sup> S. Njobeni, 11 Jan 2010, “Eskom’s Growing Appetite for Cash”, Business Day

<sup>50</sup> Rumney, 2005, pp. 405–406

<sup>51</sup> Reuters, 14 June 2012, “Big Profits for Eskom”, Sowetan Live, at [www.sowetanlive.co.za](http://www.sowetanlive.co.za); Jan de Lange, 16 July 2012, “Industry seeks Talks over Eskom Tariff Proposals”; Miningmx, at [www.miningmx.com](http://www.miningmx.com)

## **Collectivise: Resist-Occupy-Produce**

There is an alternative to both privatisation and nationalisation. It is an alternative that is pro-working class, and that can also complete the national liberation of the country's working and poor Africans, Coloureds and Indians – by radically changing the distribution of wealth and power rather than just enriching the economic and political elite.

Revolutionary anarchism/syndicalism wants workers' control, collective self-ownership, real peoples' power. It is only through building up a formidable counter-power in opposition to both private capitalists and state managers i.e. the ruling class, that this project can be driven forward.

The horrors of the Soviet Union have shown that the road to socialism lies outside and against the state, in occupation and collectivisation, from the bottom-up, not nationalisation from the top-down. It is in Spain 1936, not Russia in 1918, that the example of a new world, free and equal and just, is to be glimpsed.



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