

## In responding to NEASA the following background facts must be taken into account:

- The Council was financed by Administration Levies (Admin Levies), Dispute Levies and fees earned on Collective Bargaining Levies (CBL) until 31 December 2012 when the industry agreement on CBL expired. This agreement was never renewed.
- Unlike other large Councils the MEIBC does not earn collection fees earned on collecting funds or collect levies as a % of wages (this means an automatic increase when wages increase).
- CBL fees earned for 3 years to 28 July 2013 contributed to the entire reserves the Council had at that time. The costs associated with administering CBL were negligible, meaning that discontinuing of this agreement did not reduce substantial amount of costs while it took away around R8 million contribution to surplus.
- Admin levies and dispute levies were last increased in 2011. The budget of 2013 and 2014 were prepared with an increase of 9.5% in mind. This increase was not granted by the parties.
- Costs of the Council have nevertheless increased by between inflation and 10%, depending on the type of contract i.e. Rental agreements of other fixed term contracts. This put pressure on the financial performance of the Council.
- In 2014 (July – August 2014 for financial year 2014/2015) the Council facilitated industry negotiations that were not concluded within the estimated period. The negotiations were intervened by a strike. The Council spent a substantial amount of money to facilitate the negotiations and lost revenue (admin and dispute levies) due to the strike.
- The Council also recorded excessive number of dispute resolution cases following the strike. This put further pressure on the financial performance of the Council. The MEIBC did not suspend its dispute resolution function, it is only the dispute resolution service provider Tokiso that withdrew its services to the council and the council in consultation with the CCMA accordingly continued this function on its own accord. These developments were communicated with the industry and parties to the council alike and Neasa has never raised any concerns thereto.
- The industry agreements relating to levies expired on 31 March 2015 and despite the Council submitting the related documents in February 2015, the agreement was only gazetted in August 2015. The Council lost a substantial amount of money in that period. The effect of this delay is still being felt to date.
- The Council continues to defend its agreements against challenges from NEASA. This has resulted in a substantial amount of money being spent on legal fees.
- The Council has not made any changes to its structure i.e. offices, services, employees, technology etc. This means that the structure that used to cost less 5 years ago cost even more in 2016, and with reduced revenue this is unsustainable.

Cape Region	Border Region	KwaZulu-Natal Region	Midland Region	Free State & Northern Cape Region	Gauteng Region	Tshwane Office	George Office	Mpumalanga Office	Richards Bay Office	Centre for Dispute Resolution
Cape Town	East London	Durban	Port Elizabeth	Welkom	Johannesburg	Pretoria	George	Witbank	Richards Bay	Johannesburg
Tel: 021 421 6140	043 743 7790	031 305 4761	041 586 1542	057 352 4142	011 639 8000	012 320 2566	044 873 3200	013 656 6336	035 789 2084	011 834 4660
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- In 2016 management of the MEIBC proposed a budget with several consultations with parties including NEASA. This budget has the following key proposals:
  - Increase both dispute and admin levies by 18% in 2016/2017.
  - Increase both levies by inflation in years subsequent.
  - Close several offices (terminate lease agreements that expired) and transfer staff to where they are needed most.
  - Give no increase to staff for salaries.
  - Council meetings costs will only be covered up to 3 meetings and additional meetings costs will be borne by parties.
- This proposed budget was accepted by all unions with modification of the 3<sup>rd</sup> bullet. Employer parties, some of whom were present during consultations, rejected the proposed budget.

The following is presented in response to certain issues raised by NEASA:

1. The Council is insolvent which is a fact made known to delegates of FACOM in August 2015.
2. The loss recorded in year ending 29 February 2016 will be in excess of R17.5 million.
3. The liabilities relating to industry monies are as follows:
  - a. Capital amounts of monies refundable to the employers and employees of the industry R36 million. There are sufficient funds set aside to cover each and every cent of this money.
  - b. Trust funds monies for unclaimed wages liability of R3.9 million had enough cover of cash in the bank accounts to cover each and every cent of this money.
  - c. Leave enhancement pay liability of R1.1 million did not have adequate cover with only R490k being available in cash. This has since being rectified and as at end of July 2016 only R128k remained due for period up to 30 June 2016.
  - d. Interest provision of R3.4 million represent a potential claim by industry for CBL monies that were paid to the Council in error. The interest earned on cash balances is used to fund the Council and carry out the interests of the industry.
  - e. CBL money due to the parties (all the parties) has been used to fund the operations of the Council and carry out the interests of the industry. The parties were informed that these monies will only be paid once all other liabilities are settled.
  - f. Admin and Dispute levies paid by non – parties during the period 1 April to 31 July 2015 were also used to fund the operations of the Council and carry out the interests of the industry.
4. The MEIBC is not reluctant to pay CBL claims. The MEIBC has paid claims since 2013 within a reasonable period, after verifying the validity of the claim. NEASA has our responses to their earlier press release which indicates that the Council received over R90million of CBL claims and has since repaid over R60million. Their earlier allegation was that the council is using this money for day to day running of the organization, when they were called in order by their financial expects who couldn't find any evidence of this allegation, they charged their story and now they are demanding their payments from 2013 April which was paid to them, CBL agreement was not extended because NEASA opposed its extension.
5. The budget of 2016/2017:
  - a. An analysis presented by NEASA is incomplete due to the following reasons:
    - i. It does not take into account that the Dispute Resolutions services spent more than R3.6 million in 2016/2017 a deficit that will be covered by the proposed increase.
    - ii. The proposed budget will assume the efficiency levels of 3 cases per commissioner per day. Should this not materialize the costs will increase.

- iii. Should dispute resolution cases increase above budgeted levels, the associated costs will also increase. The strikes at Eskom projects, Medupi and Kusile, an industry strike are such events that may lead to increased costs.
  - iv. Full cooperation of parties in the Council and parties to a dispute to fast track dispute resolution cases.
- b. Admin levies also cover other activities carried out by the Council which are not allocated by the analysis some of the parties shared with the Council. These include:
- i. Cost of management and allocation of head office overheads.
  - ii. Cost of compliance enforcement carried out by agents of the Council and the operations support staff. Since its inception the dispute levy has always been incorporated in the council's general account. No party to the council including Neasa as well as the office of the Registrar of Labour Relations has ever raised a query in this regard. Neasa is on record to have placed this matter as part of its demands for negotiations of this agreement here in 2016. These demands have to be subjected to due processes within the council and therefore it is rather premature for Neasa to raise this as a problem, to say the least.
6. Payment of bonuses in 2015 – The Council has not paid bonuses in 2015. The reported amount consist of a under - provision of bonuses that were approved by MANCO for years 2013/2014.
7. We can comment on a letter from apparent staff as we have not seen it, beside to bring to you attention that our staff is fully aware of NEASA's agenda. They have since 2011 campaign for non extension of Centralized Collective Bargaining Agreements and de-registration of MEIBC, so NEASA will be last organization in our staff minds.

For the industry to continue enjoying the services the Council provides, the industry must pay for those services. If the industry cannot afford such payments the parties must approve a structural change to ensure a long term sustainability of the Council.

This structural change also includes change of how the Council is funded. Other large Councils are funded by management fees earned on collection of pension and provident fund. Without this income stream these Councils will need to implement a substantial increase in levies.

ISSUED BY MEIBC