**SPEAKING NOTES FOR THE MINISTER OF TRANSPORT, FIKILE MBALULA, ON THE OCCASION OF THE BRIEFING TO THE STANDING COMMITTEE ON PUBLIC ACCOUNTS ON PRASA IN PARLIAMENT ON 20 NOVEMBER 2019 AT 18h30**

Chairperson

Members of SCOPA

* In giving context to the challenges facing PRASA and its performance, it is important to briefly reflect on the performance of the Department in the financial year under review. This performance reflects an organisation that had no permanent leadership at management level. For the last 2 years, the Department did not have a Director-General and had to rely on acting incumbents. Similarly, out of the 8 Deputy Directors-General, 5 of them were acting.
* When we came into office, we committed that we will move with speed in addressing the challenge of a high vacancy rate in the Department. Indeed, we appointed a full-time Director-General, Mr Alec Moemi, within the first two months in office. He has similarly moved swiftly to advertise the vacant positions of Deputy Directors-General and the process is nearing completion.
* High vacancy rates in the current economic climate, characterized by high levels of unemployment are not only unacceptable, but hinder the ability of the Department to deliver on its mandate.
* This is equally true in respect of PRASA and all other entities of the Department. This is a challenge we have committed to tackle decisively and with the urgency it deserves.
* The importance of this in the context of PRASA, is that the Department must provide leadership and operational oversight. Adequate capacity at this level also means a Department able to provide a steady hand that guides and supports PRASA in the execution of its mandate.
* This state of affairs of acting incumbents has replicated itself in PRASA, albeit for a different set of reasons. All CEO positions are occupied by acting incumbents in all PRASA divisions, subsidiaries and indeed at Group level.
* I wish to assure the Committee that processes are underway to finalise the appointment of a full-time Group CEO by the end of the current financial year. Progress has been made with the appointment of executives with the appointment of a Chief Financial Officer, a Chief Procurement Officer and a Group Executive for Human Capital Management on 1 September 2019. All these newly appointed executives are all women, an affirmation of our commitment to women empowerment and recognition of women excellence.
* Similarly, we are at the tail end of the process to appoint a permanent Board whose first order of business is to take extraordinary measures to stabilize operations and ensure that PRASA is able to deliver on its mandate.
* PRASA’s performance remains dismal, having achieved only 26% of its annual predetermined objectives in 2018/19. This is a slight improvement from 21% in the previous year. This is an unacceptable state of affairs which requires drastic action. We will strengthen our oversight instruments to include early warning systems that will enable us to intervene timeously and ensure PRASA is able to deliver on its predetermined objectives.
* PRASA’s financial performance over the years remains a challenge. Over the last 5 years, PRASA’s revenue has declined by 48%, resulting in an untenable situation where its operating deficit reached unacceptable levels of R1.8 billion.
* PRASA remains constrained in its ability to spend its capital budget, resulting in the reduction of its capital budget baseline. While this reduction has significantly affected PRASA’s capital projects, it has not, however, affected the rolling stock fleet renewal programme, signalling and the general overhaul of Metrorail and Mainline Passenger Service coaches.
* In the year under review, the General Overhaul (GO) programme brought back 351 Metrorail coaches, one coach short of target. A total of 47 Shosholoza Meyl coaches were overhauled during this period, which was the actual target of GO commitment.
* Despite this, post year-end PRASA has been unable to finalise the award of the new general overhaul contract, which is central to sustaining the current system and accelerate the return to service of coaches that undergo maintenance or refurbishment. In similar vein, the deployment of the new trains is held back by slow progress in delivering requisite infrastructure in identified corridors.
* These challenges PRASA is facing must be understood against the context of rampant criminality and lawlessness in the environment PRASA operates in. In the year under review, 762 coaches or 17% of the entire fleet were affected by acts of vandalism, theft and arson. Incidents of torching of trains were particularly prevalent in the Western Cape in 2018/19.
* PRASA currently employs 16 350 employees at a cost of R5,6 billion which constitutes 49% of its overall budget.
* We are deeply concerned that the audit outcomes for the year under review are a disclaimer, the worst audit opinion an entity can get from the AG. The work to implement an audit intervention plan that will ensure that we do not return next years with the same audit outcomes is underway. This includes the Department playing an active role in monitoring the implementation of such a plan.
* We are deeply concerned that the AG has flagged an irregular expenditure of R27,2 billion. This is unacceptable as this suggests that either there are no systems in place to prevent and detect irregular expenditure, or the systems in place are simply ineffective or ignored.
* Measures will be put in place to arrest this situation and strengthen prevention interventions. Such measures will include closely monitoring irregular expenditure through the quarterly reports and providing support to enable PRASA to investigate and take appropriate action in order to condone the irregular expenditure and arrest the escalation.
* The AG further noted fruitless and wasteful expenditure of R383 million, the bulk of which relates to transactions where value for money could not be justified. We are equally concerned that the AG believes that the quantum of the fruitless and wasteful expenditure may be more than what is disclosed in the financial statements.
* The Director-General will closely monitor action taken against officials implicated in the incurring of fruitless and wasteful expenditure across all our entities, including PRASA. These actions must include disciplinary action and/or recovery of the money incurred by the state in vain. A zero tolerance approach on fruitless and wasteful expenditure will be the order of the day.
* This will be reinforced by a strong focus on consequences management. You have my commitment that the days when public servants wasted public resources with impunity are numbered. Consequences management will be incorporated as a deliverable when we revise the Shareholder Compacts with all our entities and will be one of the areas we will focus on when we evaluate the performance of the Board.
* As part of the interventions to recover the system and improve operational performance, I initiated a War Room with very specific targets to improve performance. The Director-General guides this effort and provides direct leadership and support to PRASA management towards the achievement off the targets.
* This intervention was premised on the realization that the high levels of customer dissatisfaction and a decline in passenger patronage, mostly attributable to, safety and high levels of crime and vandalism, as well as unpredictable service, were having a devastating effect on the service.
* Since the inception of the War Room, Metrorail’s on-time performance has improved from 49% to 63%, bringing us closer to achieving our goal of 85%.
* The new trains operating between Pienaarspoort and Pretoria stations register on-time performance of 96% and passenger numbers are increasing. We want to see the improvement replicated across the country in all PRASA operations.
* Our commitment to addressing the chronic challenges which limit PRASA’s ability to deliver an efficient, safe and reliable passenger rail service has never been greater. We will also pay close attention to the implementation of measures that ensure PRASA achieves good financial health and employs public resources prudently.

I thank you.