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| **COSATU Submission:**  **Transnet Group:**  **Assessment of Key Crises and**  **Intervention Proposals**  **11 March 2020** |
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1. **Introduction**

The Transnet Group after Eskom is South Africa’s most strategic State Owned Enterprise (SOE). Its mandate is to transport passengers in the key metros, goods from their factories and farms to the domestic markets and our ports.

Like Eskom, it is bleeding from years of political vandalism, mismanagement, industrial scale corruption and theft, under investment and structural changes in the economy.

This not only threatens its survival but is having a massive impact upon workers, commuters, industries, agriculture and in fact the state itself.

It is not clear what exactly is government’s plan to turn Transnet and its subsidiary companies around. Neither is it clear if government’s long-term vision for Transnet is sufficient to the needs of a modern, competitive and growing industrial economy.

1. **Key Challenges Facing the Transnet Group**

The challenges and crises facing Transnet mirror in many respects those facing Eskom and other SOEs that have run into the ground by years of corruption, mismanagement, underinvestment, neglect and structural changes in the sector.

Key crises include:

* **Corruption**

Transnet has been a key site of looting and state capture. It has featured prominently in reports on the pillaging by the Gupta syndicates, including as reported to the Zondo Commission.

The centre piece of state investment into Transnet, the 1000 new carriages themselves have been beset with allegations of corruption worth billions of Rands.

This has turned a show piece investment worth hundreds of billions of Rands, a chance to revive the local production of carriages and the opportunity to export them to Africa into another example of industrial scale looting.

Despite overwhelming evidence and public exposure, few if any have been held accountable. No one is sitting in prison today on account for what happened.

* **(Mis)management**

Transnet has seen a significant ballooning in its management structures.

They are paid exorbitant salaries and perks. There have been repeated instances of managers being appointed to senior positions despite not having the requisite qualifications. This has cost Transnet and the nation dearly, e.g. trains that are too tall for platforms.

Government has removed some of the most toxic managers but many more remain in their posts and have escaped scrutiny for their behaviour.

* **Infrastructure Neglect**

Much of Transnet’s infrastructure has been subject to decades of neglect, theft and vandalism. This has had a huge and often negative impact on rural towns, commuters and the economy.

The move away from rail to cars and trucks has seen rural rail sidings and towns abandoned and neglected. A key example is De Aar, once the rail hub of the nation and today all but forgotten.

Other rail networks have been steadily abandoned e.g. in Tzaneen in Limpopo as consumers and goods have been shifted to taxis, busses and trucks. This has resulted in increased road fatalities, averaging 1000 per month, massive damage to roads and a road maintenance backlog of R600 billion.

The lack of investment in rural rail networks and services has made it much more difficult for farms to get their products to their markets and ports and to attract investors to rural areas. This has further compounded the rural urban flight.

Cape Town, Durban and other harbours are beset with endless queues and delays. This has resulted in perishable agricultural products being wasted and caused delays in exporting cars and other manufactured goods. It can take ships up to a week to upload or off load goods.

Rail safety features e.g. fencing, crossing signals and gates etc. have been frequently neglected. Often there are subject to disputes of who is responsible for them between Metro Rail and their host municipalities. Yet this criminal callousness has resulted in the avoidable deaths of dozens of commuters.

* **Criminal Activities**

Massive damage has been done to Metro Rail in Cape Town and other urban centres due to cable theft. Despite the Criminal Matters Amendment Act providing for harsh sanctions for cable theft, few have been prosecuted for it. This has resulted in the deaths of commuters in train accidents due to signal failure and endless delays in trains taking workers to work in time resulting in lost wages and lower productivity levels.

Metro Rail in Cape Town and to a lesser extent Gauteng, has been subject to a never ending litany of arson. Dozens of carriages have been lost this way, thus negating the delivery of new trains. Very few have been arrested. This is despite private security companies having been hired to prevent such criminality.

These acts are done with a high level of sophistication and ability to evade detection. There are significant indications that these are done by persons linked to Transnet, most likely to its security contracts. Yet no progress has been made to identify and apprehend the culprits.

Metro Rail carriages are known as hot beds of crime. Women and other commuters are frequently robbed and harassed. This is again despite dedicated security being contracted to protect commuters.

* **SOE Collapse**

Transnet is in a serious state of decay. Metro Rail is hanging by a thread. Autopax has been so badly mismanaged that it failed to pay its workers for three months. Metro Rail has to literally be shut down by Eskom to get it to pay its electricity bills repeatedly.

1. **Proposed Areas of Intervention**

The crises facing Transnet are similar to those facing other SOEs and to a large extent require similar interventions. These include but are not limited to:

1. A comprehensive public audit of all Transnet contracts and expenditure and the implementation of all forensic audit recommendations.
2. Cancellation of corrupt, illegal and over-priced contracts.
3. Insourcing of contract workers and functions that can be done more effectively internally and at a lower cost.
4. Life-style audits of all managers and supply chain officials.
5. Holding management responsible, including through dismissal and being held personally financially liable as per the Auditing Amendment Act.
6. Worker representation on the Transnet Board.
7. Reducing bloated management structures and slashing their exorbitant packages and perks.
8. Appointing permanent and capable managers.
9. Skills audit and subsequent reskilling of staff as necessary.
10. Head count of staff to ensure that critical vacancies are filled, including through redeployment.
11. A comprehensive debt payment plan to ensure that Eskom and other bills are paid in full and timeously.
12. Insourcing of private security contracts to a dedicated SAPS Railway Unit.
13. A dedicated cable theft SAPS unit be established.
14. Involvement of community policing, neighbourhood watches and security to patrol railway networks in communities.
15. A maintenance and infrastructure revitalisation programme be developed with the support of impact investment funding for public and private financial resources and investment funds.

This should prioritise investments in commuter rail, freight rail and ports.

1. Investments should begin to rebuild local train building capacity, and in particular electric trains.
2. Investigations and investments begin to build high speed rail networks between Gauteng and Durban, Gauteng and Limpopo, Gauteng and Cape Town.
3. Greater SADC regional integration of passenger and freight rail networks.
4. **Conclusion**

Transnet is at the heart of our economy. Its revival is critical to getting workers and learners on time to work and school, to getting commuters and goods off the roads, to getting exports through our ports quickly.

The economic growth and welfare of the nation needs a Transnet that is sustainable, electricity that is affordable and reliable.

We are now at a crossroads. We have two choices:

One is not to intervene and allow Transnet to collapse and with it chances to grow the economy.

The second and only viable option is to intervene. To hold government and Transnet’s management for its turn around and cleaning up.

It requires significant cleansing and massive investment. Much will have to be generated through impact investments by both public and private financial resources and funds.

Thank you.

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