PRESENTATION TO PORTFOLIO COMMITTEE ON PUBLIC ENTERPRISES
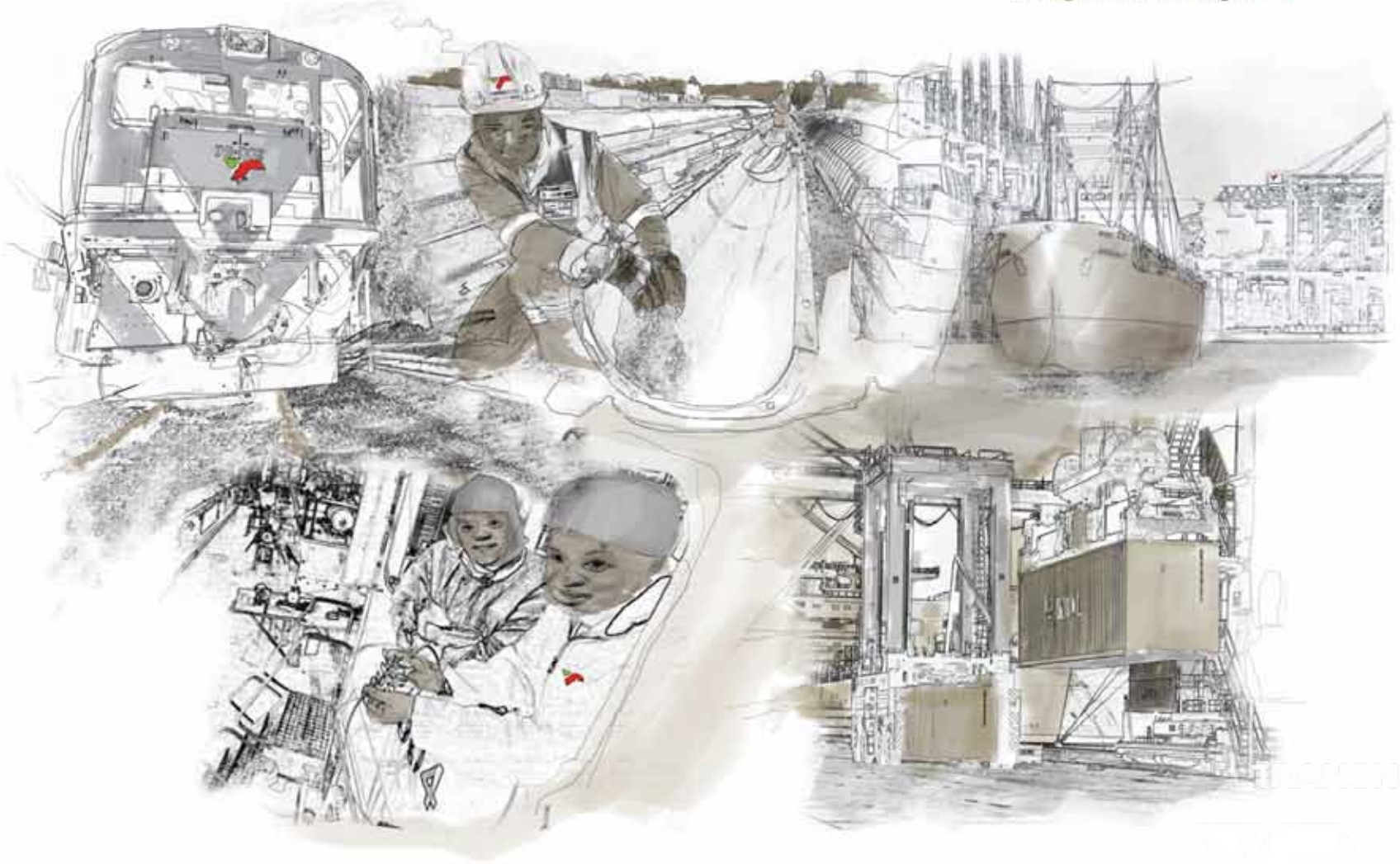# TRANSNET HUMAN RESOURCES

TRANSNET

delivering on our commitment *to you*

14 October 2010

Key Tenets of the HR Strategy

Performance Management	Capacity Building	Talent Management	Leadership Development	HR Enablement	Culture & Change	Employee Relations
• Implement a performance management system in support of the growth strategy • An integrated reward system (financial and non-financial) that supports the growth strategy.	• Align the design and development of the Transnet Academy of Learning with the Shared Services concept. • Improve business performance through continuous development of relevant skills. • Enhance labour flexibility	• Retention strategy that supports the growth initiatives. • Implement a coordinated approach to the management of key talent. • Succession plans for key positions. • Ensure business continuity	• Define & Align leadership competencies & behaviours to drive the growth strategy. • Integrate performance, behaviour & culture to performance & application of rewards. • Measure return on investment.	• Develop standardised HR policies • Streamline & standardize key HR processes. • Implement SAP/HR functionalities that enhance data availability & integrity. • Introduce an HR reporting framework. • Investigate the feasibility of HR Shared Services.	• Identify & institutionalise an organisational culture that promotes achievement of the growth strategy. • Minimise disruption & risk associated with the growth strategy • Maximise support for growth initiatives. • Build change management capacity • Improve diversity management	• Facilitate disposal of non-core assets • Increase labour flexibility • Re-orientate Transnet's relationship with recognised unions • Support core business re-engineering initiatives • Ensure compliance with employment legislation • Enhance line managers' ability to manage employees, with a specific focus on discipline and grievance management

OVERVIEW OF TRANSNET EMPLOYEES

Ø Approximately 55 000 employees (includes fixed-term employees)

  § 4 552 Management category

  § 51 391 Bargaining unit employees

Ø Expended approximately R389 million on skills development for 08/09

Ø Skills spend greater than 3% of labour cost exclusive of levy payments.

Ø All Workplace Skills Plans and Annual Training Reports submitted for 2009/10

Ø Transnet is closely aligned to National Skills Development Initiatives and will be actively engaged into the new HRDSSA (Human Resources Development Strategy for SA)
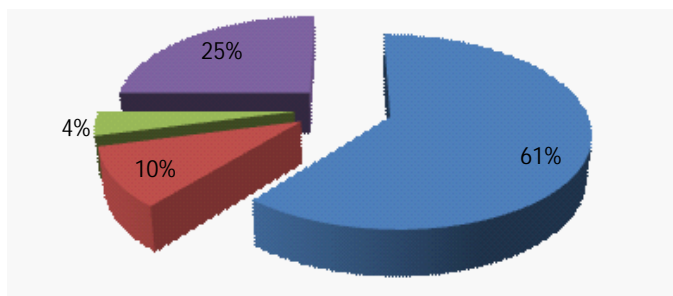
Transnet has maintained (and exceeded) the 70:30 balance, but staff with disabilities and females at semi skilled and unskilled levels remains a challenge ...

	2007	2008	2009	March 2010
Black Employees	71.2%	73.8%	74.0%	74.8%
People with disabilities	1.0%	0.8%	0.8%	0.8%

Transnet Racial Composition

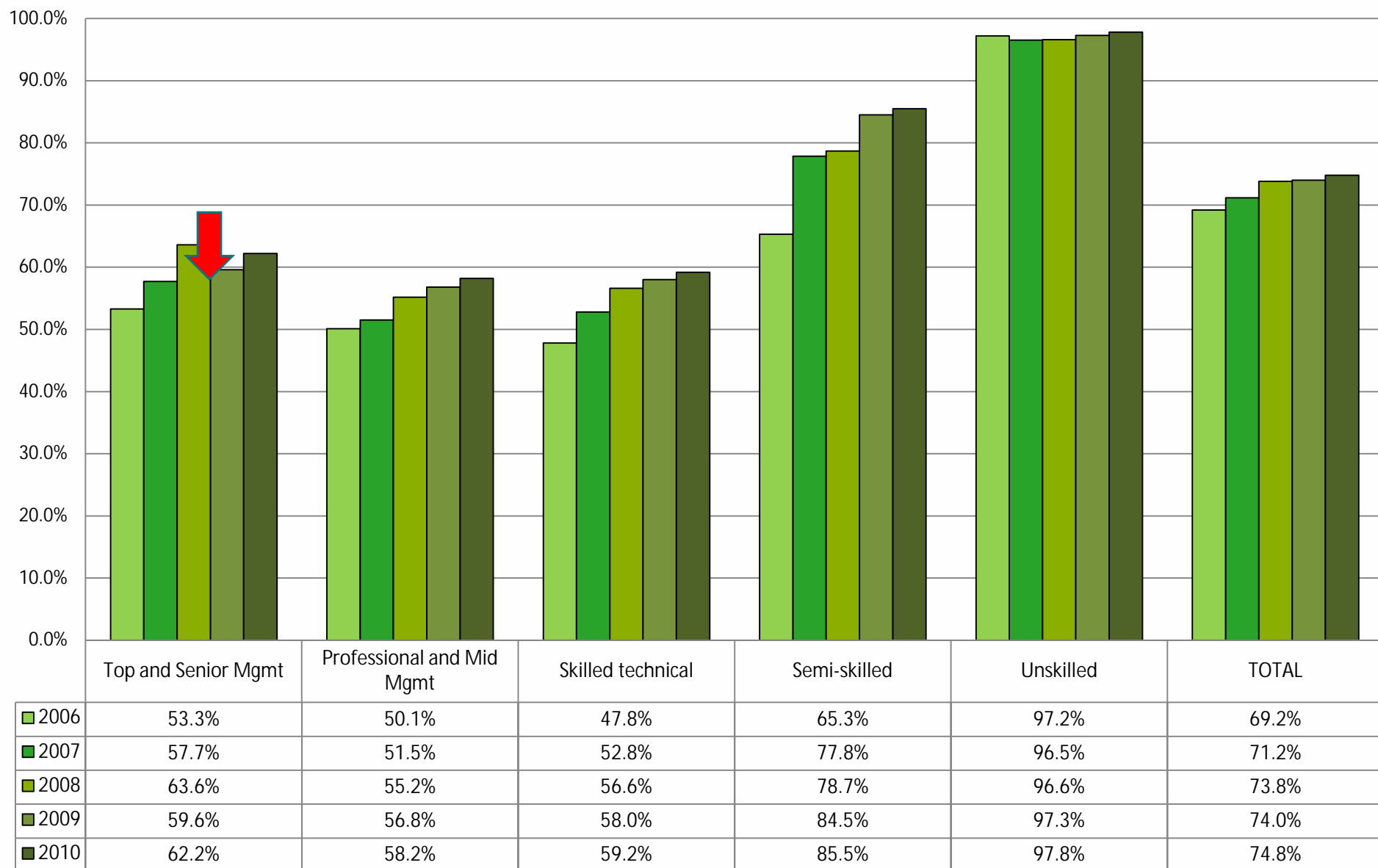Legend: African, Coloured, Indian, White

- 25%
- 4%
- 10%
- 61%

Total Female Employees Per Occupational Level

Legend: Top & Senior Management, Professional & Midmanagement, Skilled Technical, Semiskilled, Unskilled

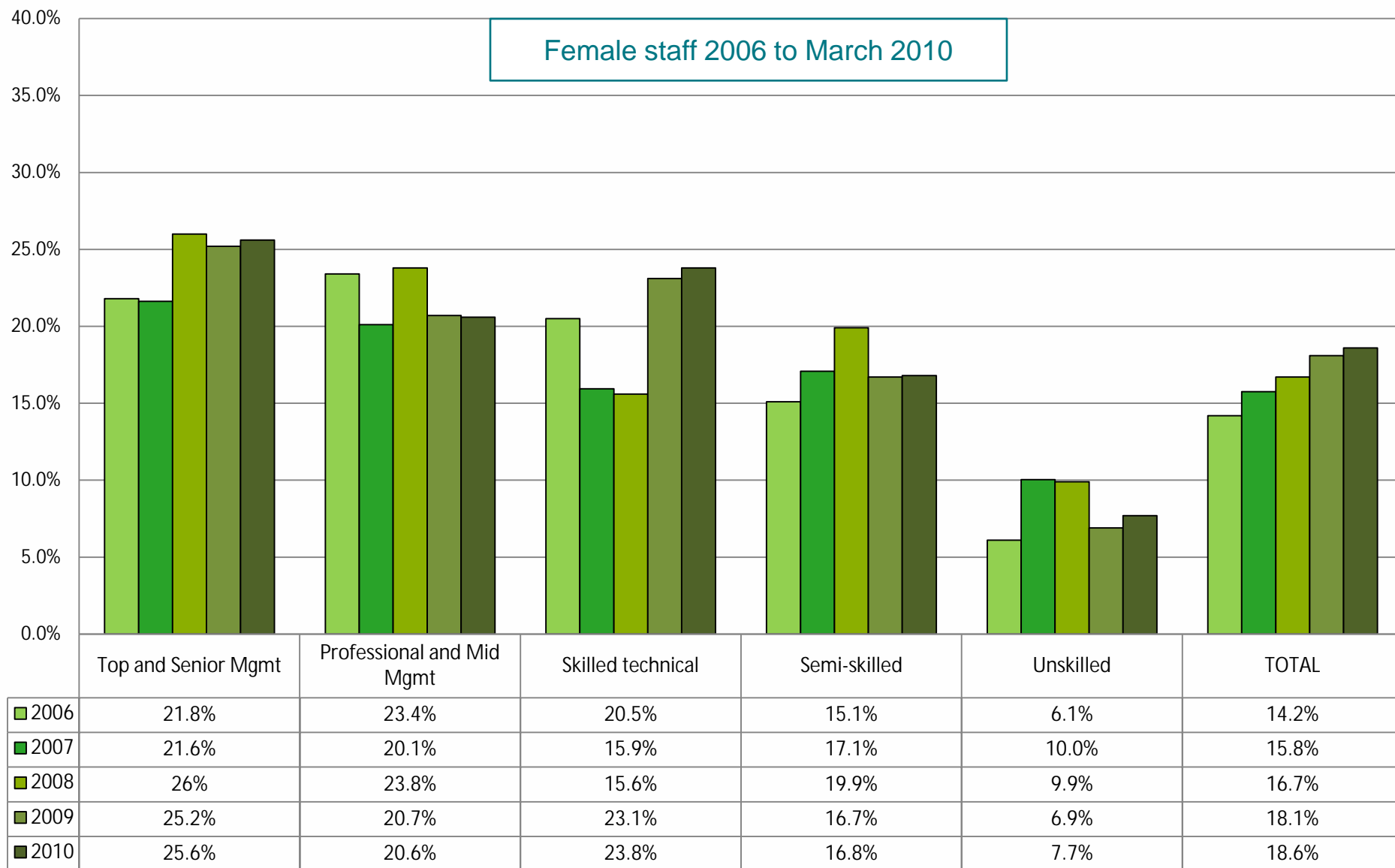- 7.7%
- 16.8%
- 25.6%
- 23.8%
- 20.6%
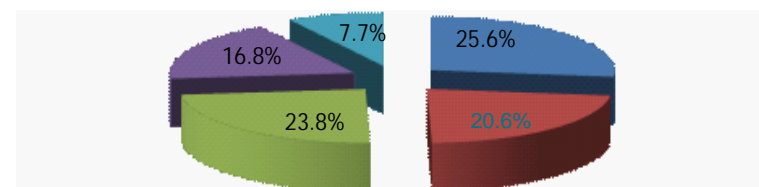
For black staff, progress has been incremental except at top/senior management level, where there was a slight dip in 2009 (moratorium on external recruitment) … Black staff 2006 to March 2010

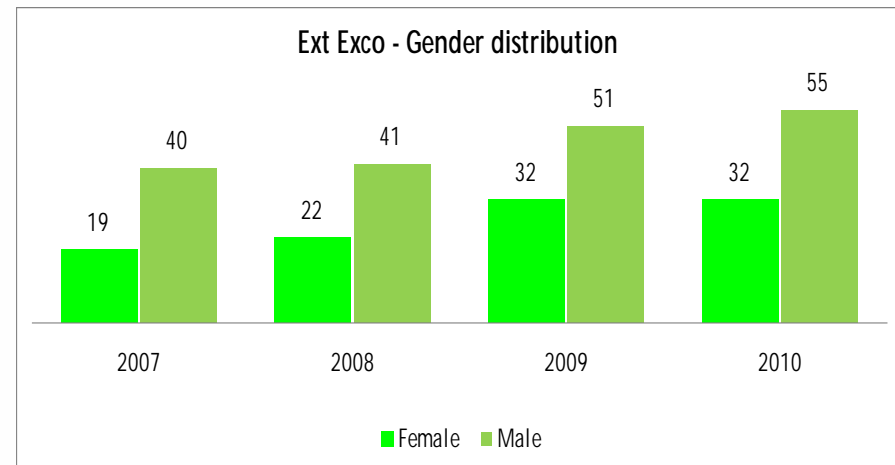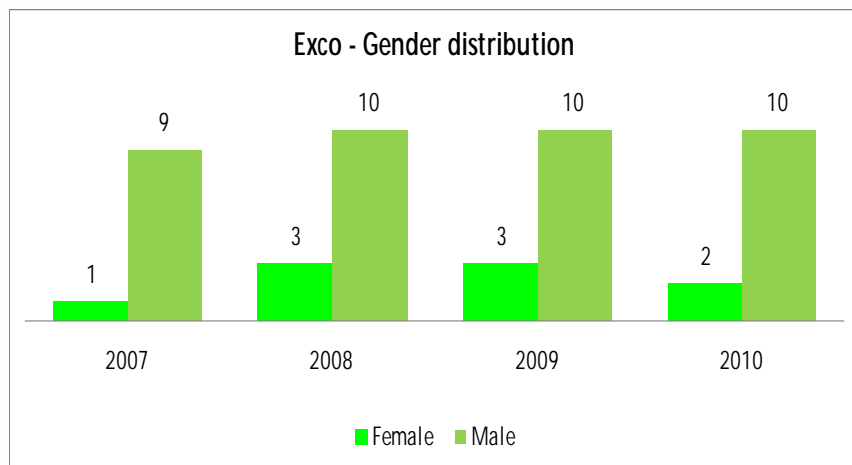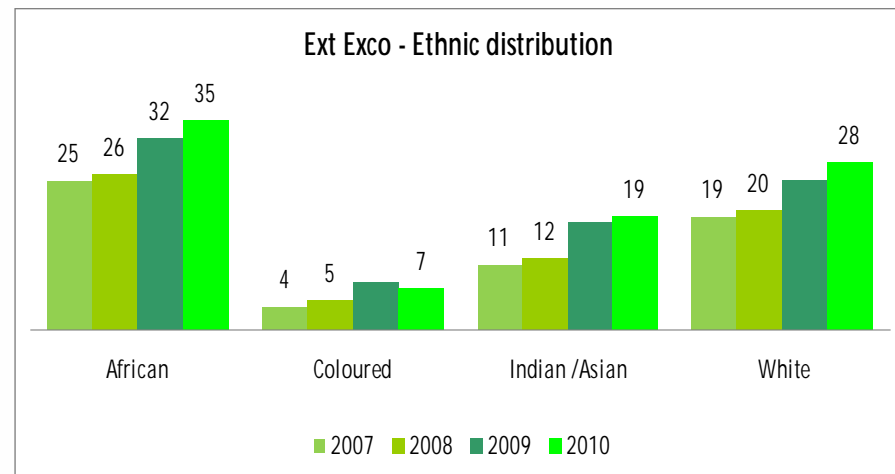|	Top and Senior Mgmt	Professional and Mid Mgmt	Skilled technical	Semi-skilled	Unskilled	TOTAL
2006	53.3%	50.1%	47.8%	65.3%	97.2%	69.2%
2007	57.7%	51.5%	52.8%	77.8%	96.5%	71.2%
2008	63.6%	55.2%	56.6%	78.7%	96.6%	73.8%
2009	59.6%	56.8%	58.0%	84.5%	97.3%	74.0%
2010	62.2%	58.2%	59.2%	85.5%	97.8%	74.8%

For women, while the total percentage of women in Transnet has shown incremental year-on-year increase, progress at individual occupational levels has been haphazard.

Female staff 2006 to March 2010

	Top and Senior Mgmt	Professional and Mid Mgmt	Skilled technical	Semi-skilled	Unskilled	TOTAL
2006	21.8%	23.4%	20.5%	15.1%	6.1%	14.2%
2007	21.6%	20.1%	15.9%	17.1%	10.0%	15.8%
2008	26%	23.8%	15.6%	19.9%	9.9%	16.7%
2009	25.2%	20.7%	23.1%	16.7%	6.9%	18.1%
2010	25.6%	20.6%	23.8%	16.8%	7.7%	18.6%

Transnet Employment Equity Statistics
Top and Senior Management 2007 – 2010

Exco - Ethnic distribution

	African	Coloured	Indian /Asian	White
2007	4		2	4
2008	6		2	5
2009	6		2	5
2010	6		2	4

Ext Exco - Ethnic distribution

	African	Coloured	Indian /Asian	White
2007	25	4	11	19
2008	26	5	12	20
2009	32		19	
2010	35	7	19	28

Exco - Gender distribution

	2007	2008	2009	2010
Female	1	3	3	2
Male	9	10	10	10

Ext Exco - Gender distribution

	2007	2008	2009	2010
Female	19	22	32	32
Male	40	41	51	55

Since 2007 for the population of top and senior management increased while:

- African, Coloured and Indian representation increased with 50% while White representation increased with 39%
- Female representation increased with 70% while male representation increased 33%

Transnet Employment Equity
Senior Appointments by Race and Gender (2006 – current)

The graph below depicts the race and gender of senior appointments made since 2006

Number of Top management appointments
April 2006 - May 2010
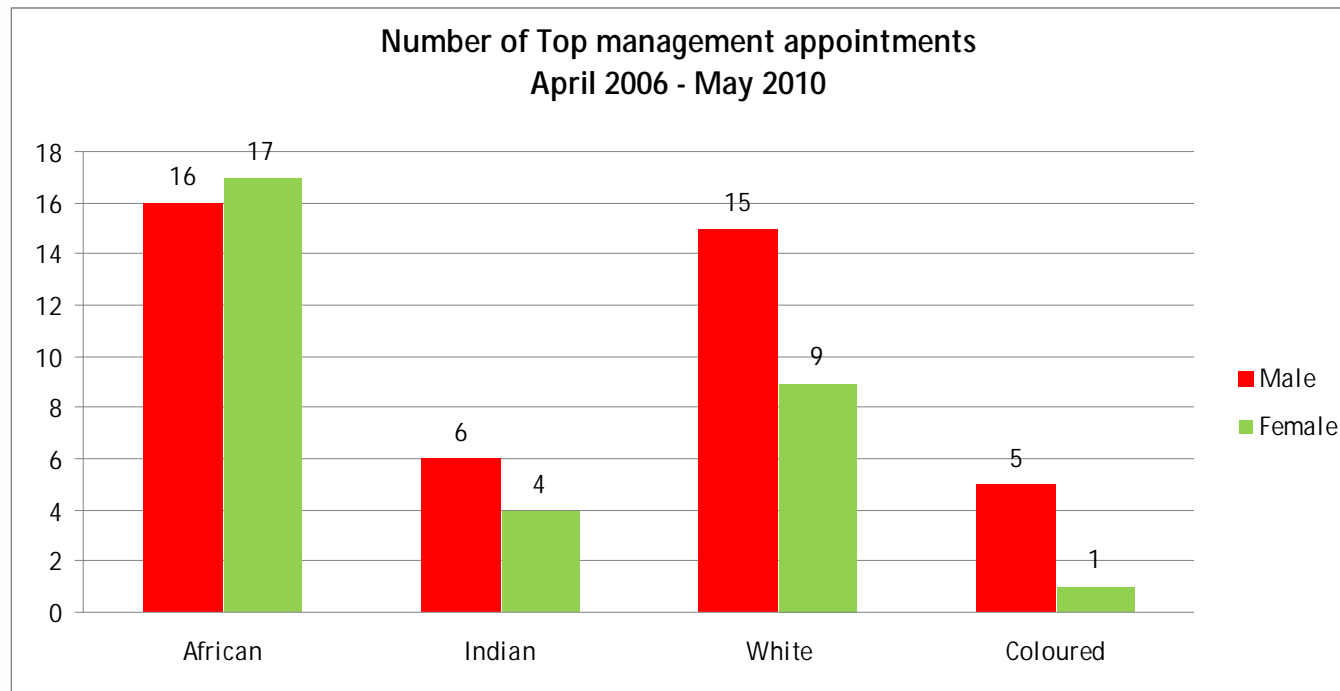
- Females represent 42% of senior appointments
- African, Indian and Coloured represent 67% of senior appointments

Transnet Employment Equity
Targets for April 2010 – March 2013

- To maintain a balance of 75% black and 25% white staff overall.
- To have 1.5% people with disabilities employed.
- To have the following representation at different occupational levels:

Occupational level	Targets 2013	
	Black	Female
Top Management	75%	38%
Snr Management	65%	30%
Professional & Middle Management	65%	30%
Skilled Technical	65%	30%
Semi Skilled	87.3%*	22.5%
Unskilled	87.3%*	15%
Totals	75%	25%

- To develop an integrated plan, based on the EE stakeholder map, to improve the representation of Women and People with Disabilities.

- To implement a Zero Tolerance Campaign against Sexual Harassment.

- To conduct access audits at Group and OD head offices in order to inform the development of a long-term plan for addressing accessibility issues.

- To implement a campaign to encourage declaration of disability.

ORGANISATION TRANSFORMATION

The following challenges are present in the current organisation:

- Transnet workforce composition is 40% skilled vs. 60% semi-skilled workforce

- High level of low literacy at semi skilled levels

- Loss of engineering skills

- Single demarcated jobs resulting in:

  - narrow outputs

  - low skills densities

  - limited career mobility

- First line management span of control is wide, increasing pressure to conduct managerial tasks – e.g. Time, Discipline, Control and Safety.

- Lack of basic managerial competencies on coordination and first line management levels

- Ageing workforce
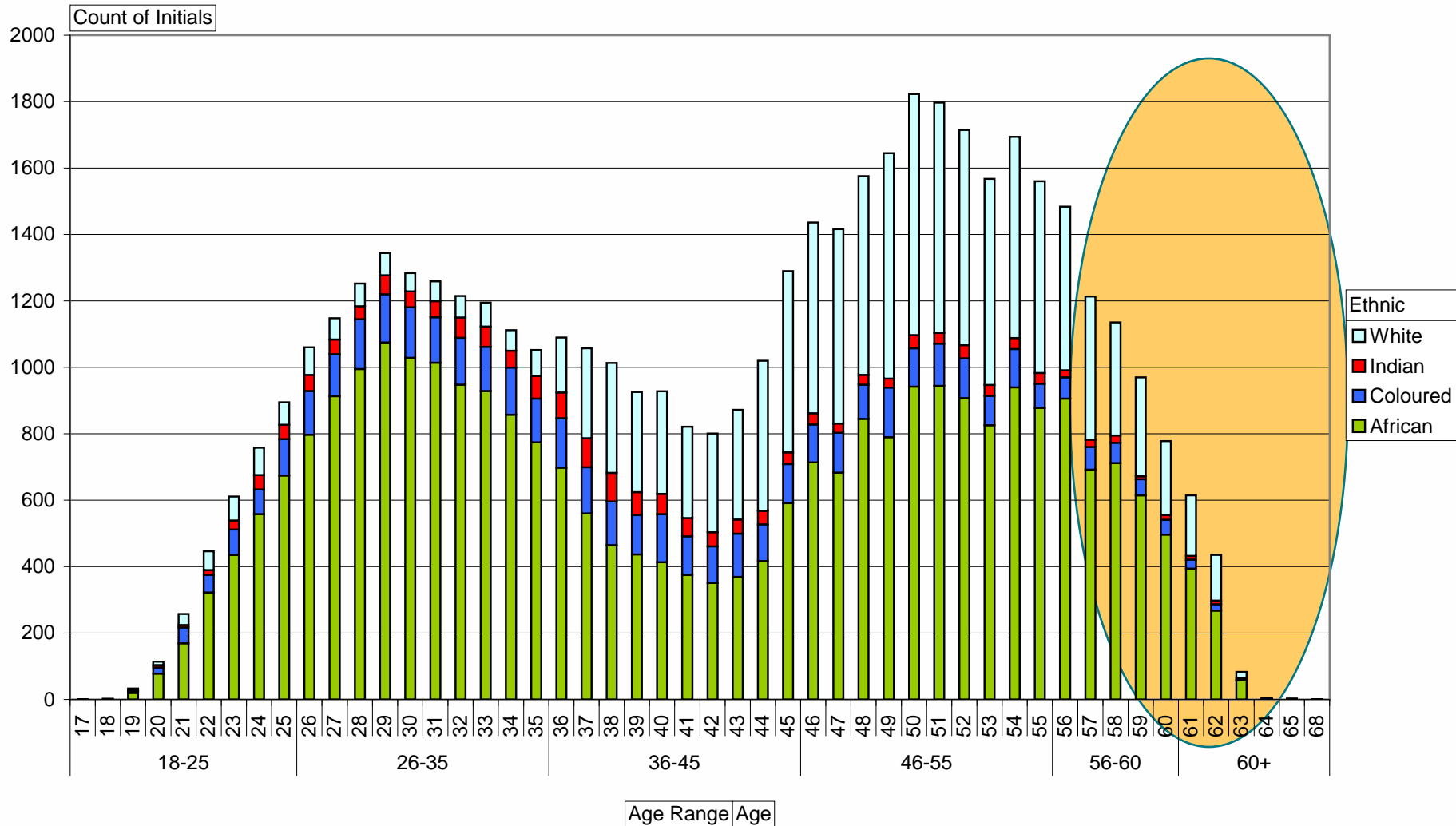
• A total of 6618 are older than 55 years of age of which 4333 fall within the J, K and L category.
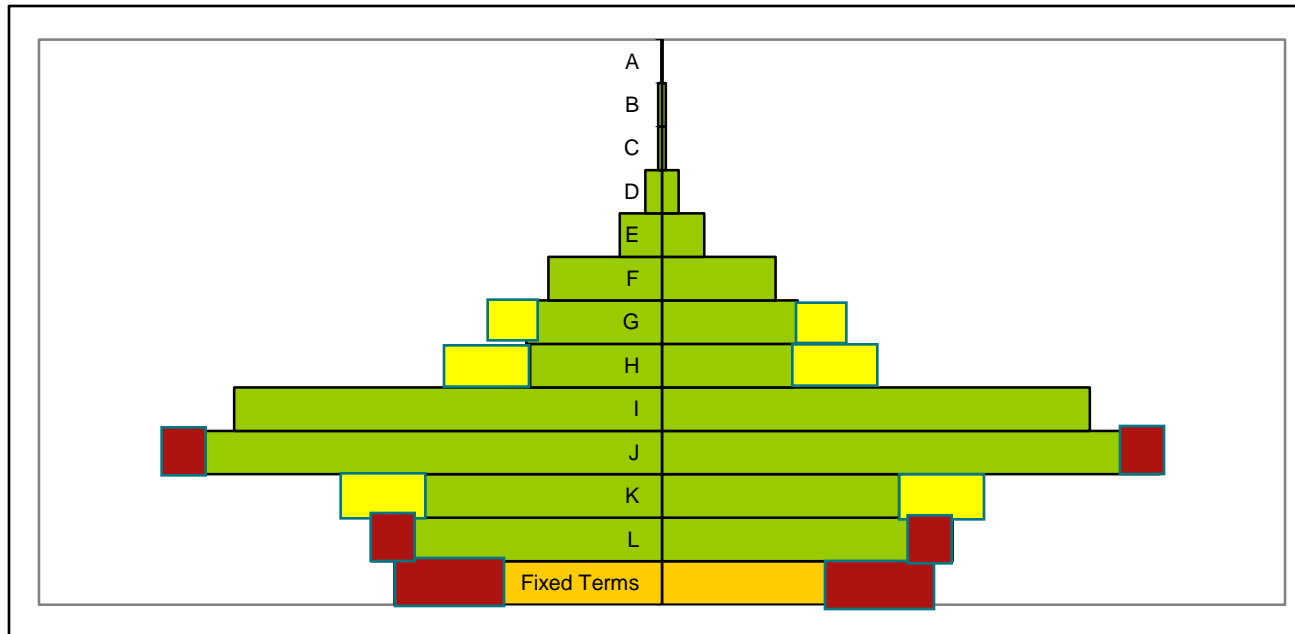
Legend:
- Reduced numbers
- Increased numbers
- Current shape

Levels (top to bottom): A, B, C, D, E, F, G, H, I, J, K, L, Fixed Terms

- Improve educational profile creating a larger pool for further development
- Introduction of and increase in multifunctional utilisation
- Grow coordination capability by increasing level H
- Build managerial capacity on First Line Management level (Level G)
- Grow career pipelines for long term sustainability

Organisational requirements to perform

For the organisation to deliver on the quantum leap, we need to:

- Reorganise the business and its processes

- Increase skills densities

- Limit the growth in workforce number to deliver on the growth strategy

- Reduce the labour cost throughout the business

- Increase revenue per employee

- Optimise workforce flexibility

- Align conditions of employment to business processes

- Multifunctional utilisation

Reshape the workforce

- Utilise vacancies to reorganise work and improve productivity and business processes

- Offer voluntary Mutual Consent Packages to create space to reshape and rejuvenate the Transnet workforce

- Employ skilled people with higher educational background to enhance labour flexibility

- Align reward and incentives to improve productivity

Continuous Improvement

SKILLS DEVELOPMENT

Transnet is committed to the development of its human capital and creating a workplace where its people can excel. This approach is fundamental in advancing Transnet's goal to become an employer of choice.

The Company's people philosophy is to build an organisation of *talented, competent and inspired employees* who not only support its current growth strategy, but also subscribe to its organisational values.

The approach is sustained by adopting the following focus areas as the pillars of human capital development:-

- Ø Capacity building and skills development
- Ø Talent and succession management
- Ø Leadership development

Capacity Building (skills development)

Capacity Building focuses on the development of skills to support the growth strategy by delivering the required skills.

The strategic objectives set for Capacity Building are:-

- Implement and institutionalise governance framework for Capacity Building

- Ensure Capacity Building intelligence through effective and integrated reporting processes and stakeholder alignment

- Plan and deliver on Transnet skills priorities.

- Establish and maintain 'skills pipelines'

- Maintain focus and alignment of "Schools of Excellence" (Five Schools housed in Operating Divisions)

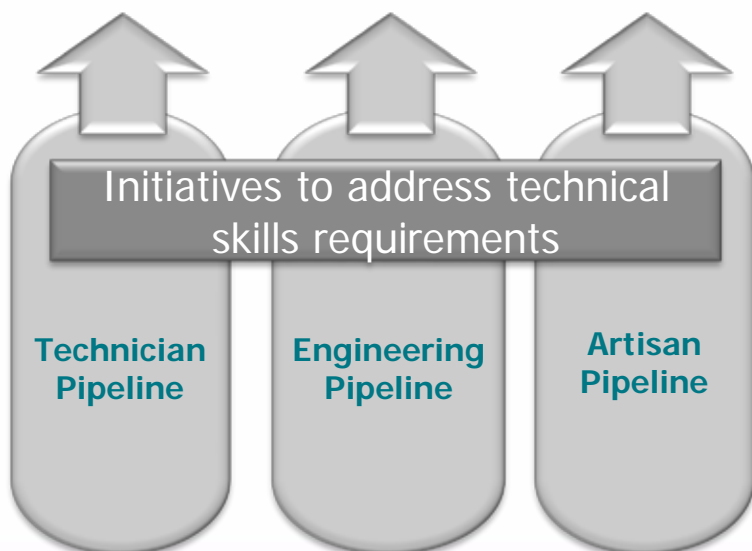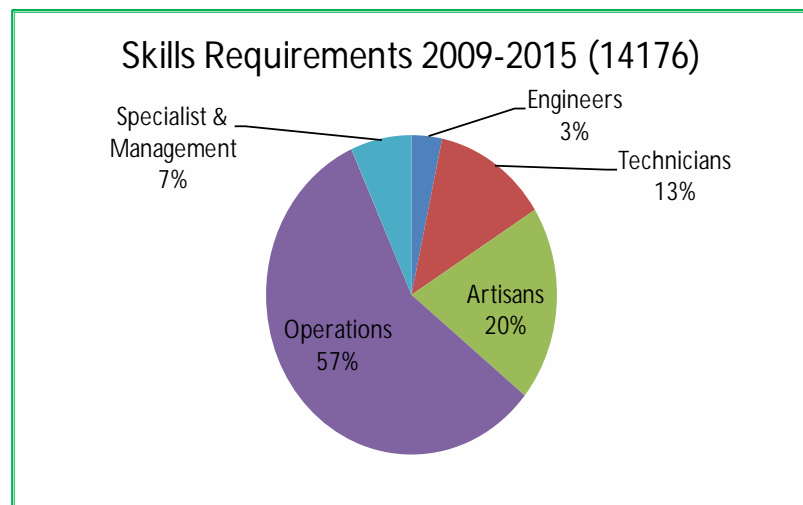# Capacity Building – Schools of Excellence

Capacity Building focuses on the development of skills to support the growth strategy by delivering the required skills.

School of Ports **TNPA**	School of Port Operations **TPT**	School of Rail **TFR**	School of Pipelines **TPL**	School of Engineering **TRE**

• 1 Campus in Durban
• Port authority training e.g:
  • Marine Pilot,
  • Tug-master
  • Vessel Traffic services
  • Marine Global Best Practice
	• 1 Campus in Durban
	• Port operations training e.g:
	  • Operators of Lifting Equipment
	  • Cargo Coordination
	  • Drivers
		• 8 Campuses Nationally spread
		• Rail operations training e.g:
		  • Train Drivers
		  • Train Control
		  • Yard operations
			• 1 Campus in Durban
			• Pipeline operations training e.g:
			  • Technical Pipeline Operations
			  • Pipeline Controllers, Coordinators and Planners
				• 19 Campuses Nationally Spread
				• Custodian for Artisan training for whole of Transnet
				• Technical rail engineering training e.g:
				  • Artisans
				  • Trade Hands
				  • Process Workers

- Ø 'Schools of Excellence' are provisionally accredited with TETA and in-progress to obtain full accreditation.
- Ø Trade Test Centres are fully accredited with TETA

HC Strategy: Skills Requirement

Skills requirements next 5 years = 14176

Skills Requirements 2009-2015 (14176)

- Engineers 3%
- Technicians 13%
- Artisans 20%
- Operations 57%
- Specialist & Management 7%

Initiatives to address technical skills requirements

| Technician Pipeline | Engineering Pipeline | Artisan Pipeline |

Focus on Operational Skills Requirements

- Ø The operations skills required are in the areas of:- Rail operations (Train Drivers, Train control officials, Yard officials, Infrastructure maintenance)
- Ø Port terminal operations (Lifting equipment operators, Articulated vehicle drivers, Cargo coordinators) Maritime (Marine Pilots, Tug Masters, Marine Engineers)
- Ø Rail Engineering (Examiners & Repairers, Trade hands, Process Workers)
- Ø FST & Management is focused on Finance, Supply Management, Project Managers and addressed through Commercial GIT and TOPP program

Addressed through

- Transnet's 'Schools of Excellence'
- Targeting pre-dominantly unemployed youth who have exited the schooling system and recruitment is done in line with our EE strategy.
- A Total Reward Solution model that enables structured career path progression and competency based remuneration.

Transnet Technical Skills Landscape

	ENGINEER	TECHNICIAN*	ARTISAN **	Remarks
TARGET RATIO TARGET NUMBERS	1 450	3 1350	8 3600	
ACTUAL RATIO ACTUAL NUMBERS	0.5 188	3 1350	8.8 4000	
UTILISATION	188 400*	950 135**	3865	Do not comply with minimum requirements

Compared to other Industries current utilisation could result in:

- Limited Technical and Commercial leadership
- Inadequate problem solving and analysis capabilities
- Lack of innovation and creativity
- Undersupply in the development of future leaders
- Blocking of talent pipelines due to limited potential

Building the Technical Skills Pipeline

Engineers	
Feeder Channel	Ø Recruited 100 Engineering bursars since 2007 per year Ø 60 Engineering bursars per year from 2011 Ø Current 'pipeline' has 360 Bursars
Addressing career limitations	Ø Creation of multi-graded positions for easier progression based on assessment
Technicians	
Feeder Channel	Ø 300 Engineering technician bursars per annum since 2007 Ø Currently have 356 in "pipeline".
Addressing career paths and retention	Ø Established 18 month Technician in Training programme Ø Implemented a FST agreement to focus on performance and retention through a new reward model
Artisans	
Build sufficient Artisan skills in Transnet	Ø Training centres have been optimized for delivery (1100 Apprentices in system) Ø Artisan CBRM agreement signed and development of OBML materials is in progress

Building Operational Skills Pipeline & Other Initiative

Operational	
Skills pipeline	• Delivery of operational skills through schools (progressing against plan) • Delivery on internal needs
Leadership Development	
Navigator Programme (Phase 1)	• 4214 Delegates attended Navigator Phase 1 development at Strategic, Operational and Emergent Levels
Navigator Programme (Phase 2)(Functional specific programmes)	Rolled out business specific initiatives:- • Order to Execution – 1092 delegates • Traction – 61 delegates • Performance Management for FSTs – 1766 delegates
Executive Leadership development Program	• Development framework developed and approved • First delegates scheduled to attend oversees ELDP in November 2010 • Local program in the process of being developed

Transnet has focused its skills development and capacity building initiatives at all levels within the organisation and also externally.

- Ø Transnet supports Dinaledi Schools, focusing on improving Science and Math throughput.

- Ø Through a Denel partnership we have continued our support for the School Outreach programme

- Ø Financial Skills development is also a priority area and therefore Transnet has Learners on the Training Outside Public Practice (TOPP) programme and through SAICA have B.Comm. bursars on the Thuthuka Programme.

- Ø Transnet's Graduate in Training (GIT) programme targets commercial and social science graduates and provides them with relevant and valuable workplace experience.

Mitigation of Risk going forward

Identified Risks	Mitigating Factors
Loss and insufficiency "high-end" technical skills	Institutionalise the Technical skills strategy that seeks to address risks in regard to engineering, technician and artisan skills
Loss of operational critical skills	• Comprehensive skills analysis and planning • Monitoring of "critical skills pipelines" development against delivery plan
• Ageing workforce; • Lack of workforce flexibility and; • Lack of career paths • Cross-divisional "skills poaching"	Introduction of a outcomes-based modular learning approach that facilitates establishing a competency-based reward model that promotes:- • Labour flexibility and multi-functional utilisation; • Career pathing; • Single grading structure and enhanced parity across ODs
• Lack of effective change management capability	• Leadership behavior charter • Culture charter

**TRANSNET REMUNERATION FRAMEWORK
AND EXECUTIVE PAY**

The remuneration framework provides for fair compensation for responsibility and accountability exercised as well as results-driven performance. In addition to this, the reward policies and objectives of Transnet:

- Forms an integral part of an overall human resource strategy, geared to support business strategies;

- Are designed to motivate and reinforce superior performance;

- Encourage the development of organisational and individual performance;

- Encourage the development of competencies required to meet future business needs;

- Are based on the premise that employees should share in the success of the company;

- Are designed to attract and retain high-quality individuals with the optimum mix of competencies; and

- Are congruent with Human Resources related legislation.

- Transnet has implemented a differentiated remuneration framework for the different categories of employment.

- The remuneration philosophy for Transnet further takes into account the different hierarchical levels informed by complexity, decision making and judgment.

- The reward model consists of guaranteed and variable pay components for management and junior employees.

The following graph depicts the relationship between guaranteed and variable pay for management and junior employees.
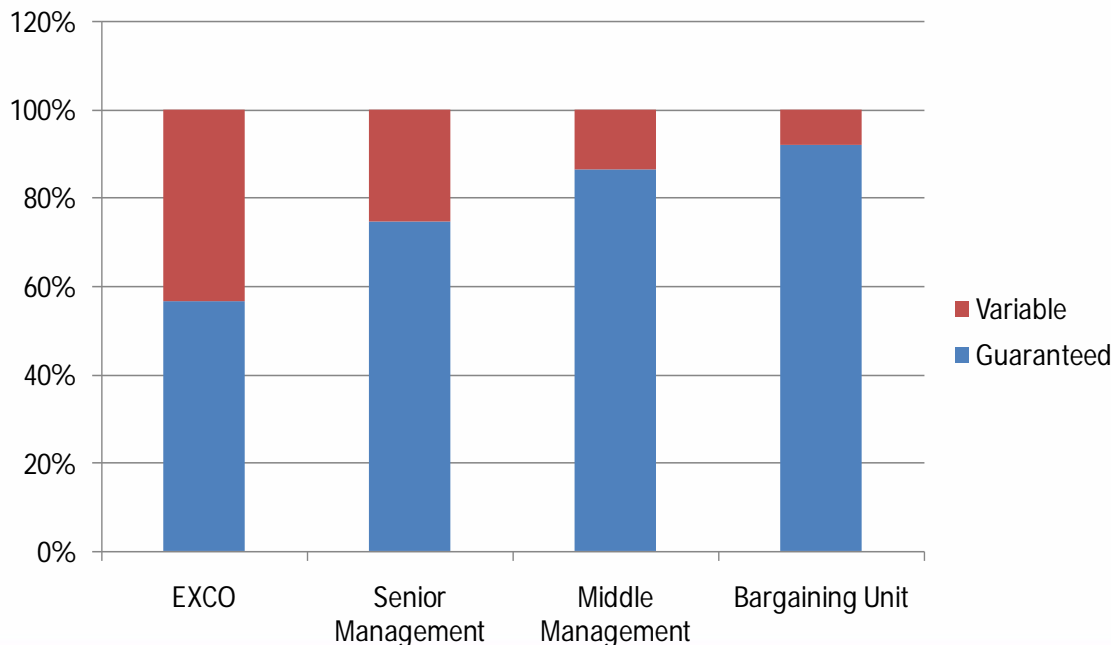
Guaranteed remuneration may be informed by the following elements:
- Short term and medium term economic and market trends and projections
- Business and financial outlook and projections
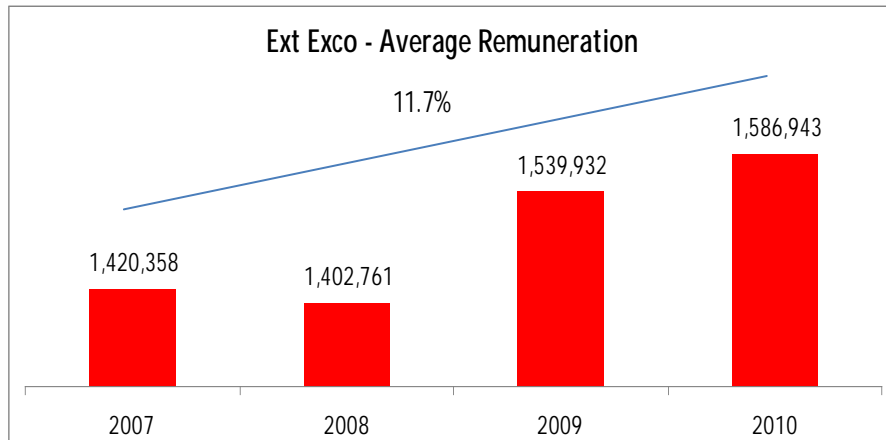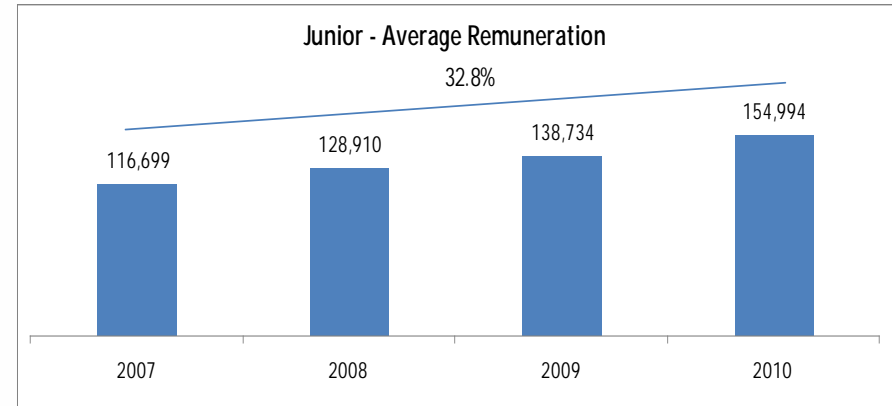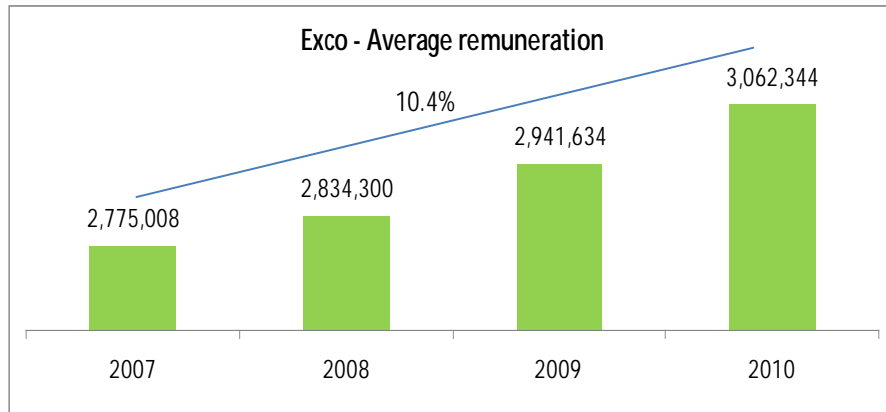- Pay parity
- Demand and supply of skills

Variable remuneration is:
- Once-off
- Does not impact on fixed cost
- Reward past performance
- Subject to achievement of stretched targets
- Line of sight (higher risk based pay for executives)

The graphs below depict increase in average annual **total earnings** of Group Exco, Extended Exco and Junior Personnel [excluding incentive payments]

Exco - Average remuneration

10.4%

3,062,344
2,941,634
2,834,300
2,775,008

2007   2008   2009   2010

Junior - Average Remuneration

32.8%

116,699   128,910   138,734   154,994

2007   2008   2009   2010

Ext Exco - Average Remuneration

11.7%

1,586,943
1,539,932
1,420,358   1,402,761

2007   2008   2009   2010

Junior personnel consist of First Line Management, Specialist and Technician and all other levels below that.

The average increase for junior personnel from 2009 to 2010 was 19.7% due to:

- 11% increase in pensionable earnings
- Implementation of overtime earnings threshold according to BCEA
- Implementation of new medical dispensation
- Guaranteed min earnings of R 50 000 per annum

Over the past three years, increase on average was:
- Transnet Top Management [Exco] – 10.4%
- OD Exco Teams [Extended Exco] – 11.7%

Executive Remuneration

- Remuneration levels of Transnet executives are largely determined by the market;

- Large publicly listed and state-owned enterprises require people with exceptional skills to lead competently and create employment for tens of thousands of people;

- They are further responsible for generating returns on large sums of investor money, including pension funds and savings of workers;

- State-owned enterprises often manage businesses of the same magnitude as, or larger than, public listed companies;

- Added responsibility of managing key national resources;

- Transnet aims to remunerate employees at the market median and the guaranteed of executives at Transnet compares well with the market median; and

- Aim to pay fairly for responsibility exercised and results achieved.

Executive remuneration in South Africa should remain competitive to retain skills and top talent that is required to execute and implement National and business objectives

Transnet Executives are subject to individual performance management and are assessed on a bi-annual basis;

- Executive scorecards are directly translated from the shareholder compact and the corporate plan;

- The measures which executives are assessed against are aligned with the targets as per the corporate plan and shareholder compact;

- These objectives are then cascaded to the rest of the management levels; and

- If a manager does not achieve the targets as set out in his / her individual performance scorecard, it impacts on the manager's annual wage increase percentage as well as the calculation of the short term incentive bonus.
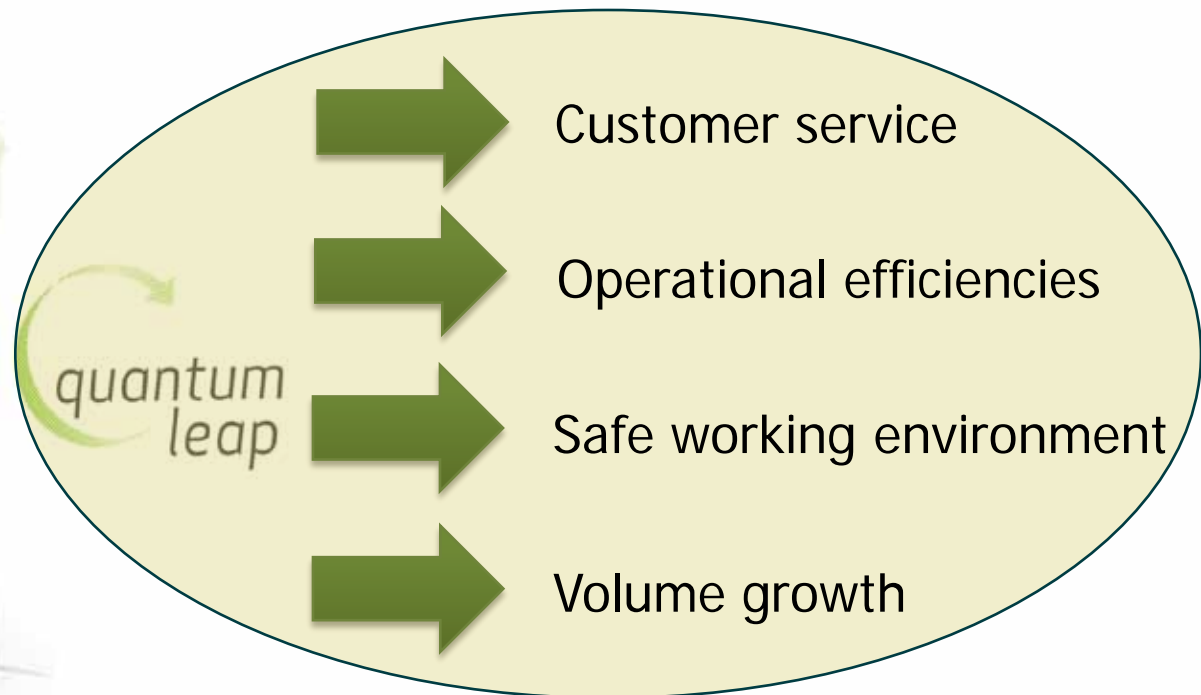
Board Remuneration

The fee structure for the non-executive directors in Transnet, as approved by the Board of Directors during a meeting on 7 October 2005, is depicted in the table below:

Fees	Emolument R-Value per Annum	Comments
Chairperson of the Board	1,000,000	Paid monthly
Non-Executive Directors	300,000	Paid quarterly
Add-on for Committee Chairmanship	150,000	Paid quarterly
Add-on for Committee Membership	75,000	Paid quarterly

- The directors are paid the above annual retainer fees and do not receive additional payment for meetings that they attend.
- The remuneration of the non-executive directors was recently benchmarked, but the Remuneration Committee of the Board decided that the remuneration should remain unchanged as it is market related.

Customer service

Operational efficiencies

Safe working environment

Volume growth

Thank you

QUESTIONS?