

Making sense of Comrade Alec's big ideas for Transnet

Public Enterprises Minister Alec Erwin has always been a man of Big Ideas, and his latest announcements on his Ministry's intentions for Transnet are no exception.

Jane Barrett outlines these plans and how they will benefit workers.

For the first time in over 30 years, there is talk of new rail links and serious expansion of port and rail capacity. For the first time since democracy, there appears to be more than lip service being paid to the developmental role of the parastatals. SAA is being described as a strategic asset. It has been accepted that handing over port operations to private multinationals through concessions would not be in the best national interest, and the critical role of state owned rail in keeping the economy moving has been recognised. In addition, a previous decision to remove the National Port Authority (NPA) from Transnet has been reversed.

This is music to the ears of the SA Transport and Allied Workers Union (Satawu), which has been locked in protracted battles with the Department of Public Enterprises (DPE) over privatisation and other forms of restructuring for the past five years. The scary part is that were it not for our vociferous opposition, SAA, large parts of Spoornet, as well as port operations would now be in the hands of private profiteers, and Comrade Alec would have very little to deliberate over. Somewhere in all of this there is a thesis to

be written on policy making. When and how do governments change their minds? How much does 'the man' (in this case 'the Minister') count? When can we as unions take the credit? To what extent has there been a global shift? But that is not the subject of this piece. Neither does Satawu presently have the time to contemplate these questions. The union is simply very pleased for the moment that it was able to engage government on the future of Transnet and its subsidiaries using a common language and with a shared objective. The fact that Public Enterprises Minister Alec Erwin and Transnet's CEO Maria Ramos clearly share a vision and are committed to clearing up corporate governance issues, makes our interactive task potentially even easier. For years as a trade union we have found ourselves periodically being caught between government and the leadership of Transnet and its subsidiaries in their often-subliminal squabbles over jurisdiction and policy direction. There have been times when these squabbles have worked to our advantage in that they have created impasses, which have resulted in the non-implementation of government decisions, which we have opposed. But by and large the muddled lines of communication and authority between government and Transnet have been dysfunctional both to the consultation process and to actual operations.

WHAT ARE THE BIG PLANS?

What exactly are the 'Big Plans' for Transnet though, and where do the down sides lie for workers in the group, if any? The plans boil down to the following:-

R37bn routine investment by Transnet over five years

The Transnet Board and Cabinet have approved R37bn routine investment by the group over the next five years in port and rail infrastructure and asset maintenance and

renewal. This has not been broken down into business unit detail but it can safely be assumed that the investment plans are relatively in line with the business plans of the individual business units.

In the case of Spoornet, the restructuring agreement reached between government, management and labour in 2001 was based on business case that projected investment requirements over twenty years. Isolating the figures for 2004 to 2009 the projections were around R12bn, which included major investments in locomotives and more limited but nevertheless large investments in wagons, the signal system and track rehabilitation.

In the case of the National Port Authority the re-design of Durban harbour is to continue, starting with the widening of the harbour's entrance and the development of a new terminal. And in the case of SA Ports Operations (Sapo) the business is to continue with its equipment renewal programme.

It should be pointed out that what cabinet has approved is not government expenditure, but expenditure by the parastatal, most of which will be funded off its balance sheet (that is through revenues) but which will require Transnet to borrow between R2.5bn and R8bn.

R21bn for new Transnet infrastructure

The really new part of the deal is the possibility of expansion beyond existing business plans. There is talk of the following possibilities:- a new rail link between Gauteng and Durban, a new rail link between Sishen and Coega, a second phase of Coega Port, the creation of a new logistics park in Durban, and a whole new terminal system in Bay Head, Durban. The proposals are all at very much an exploratory stage, but it is these infrastructure developments where the private sector has been encouraged to start thinking. As Satawu understands it, the role of the private sector would be in the

contracted construction of such expansion. The construction would in all likelihood also benefit Transwerk, the engineering division of Transnet.

If the expansion plans come to fruition, then we will be looking at substantial growth of the parastatal - hopefully accompanied by the creation of new jobs which at the very least will offset the likely fall-off in current jobs in rail and ports due to the introduction of new technologies.

Keeping the pipeline network. Petronet Erwin and Ramos are unequivocal about Petronet remaining in Transnet on the basis of its strategic importance.

Removing SAA from Transnet

Government and Transnet have put forward an argument that the expansion investments for port and rail cannot be met unless the balance sheet of Transnet is 'restructured'. Their primary proposal is that SAA debt's should be taken out of the group's financial equation by removing the company from the group. SAA should stand alone as a state owned company accountable to its own board and then to government. The Minister has stated unequivocally that he would like to see SAA expand, especially on the technical and freight side, with a view to the company playing a more active role in trade with Africa and Asia. To this end he sees no point in selling SAA to a foreign airline or to a bank, whose interests would be profit rather than trade.

Satawu has no quarrel with the proposal for SAA to stand alone. Already the wages and working conditions of the airline's workers are negotiated outside of the Transnet Bargaining Council. What Satawu would like to see in addition, is a strategy of engagement to grow the aviation industry in general, the establishment of a national aviation bargaining council, and a focus on skills development.

Further 'restructuring of the balance sheet' through the sale of non-core businesses

The proposed sale of Transnet's remaining so-called 'non core businesses' is where the sting in the tail of government's plans lies. Erwin and Ramos are at one in their

conviction that the port and rail investment requirements can only be met if the smaller businesses of the group such as Freightdynamics (road freight) and Autopax (road passenger) are sold off. There is nothing very new in this notion, and already over the past five years the group has shed Production House (Transnet's printing unit sold to Skotaville in 2001 and subsequently liquidated and exposed as a corrupt deal), Chemical Services (a laboratory business sold to Eskom in 2001), Transmed (the administration of Transnet's medical scheme sold to Medlife in 2001), Virtual Care (Transnet's pharmacies sold in a management buyout in 2003), and Apron Services part sold and re-established as Equity Aviation in early 2003. Many of these deals were done over the heads of labour and outside the National Framework Agreement (NFA) and remain running disputes between Satawu and government. The proposed sale of Transnet Housing is currently in abeyance partly because of such a dispute.

Satawu has pointed out to both Erwin and Ramos that the sale of all the above businesses took place in an apparent vacuum - that both government and Transnet over the past five years endlessly referred to the need to agree on an 'end state' for the group, and yet continued to make structural changes to the group without such an agreed vision. This created huge frustrations for Satawu. In response to these criticisms both Erwin and Ramos have made firm commitments to adhere to a proper engagement with labour on the subject, as well as proper adherence to the terms of the NFA. This at least is a major advance. Satawu is confident of its ability to put forward serious arguments for retaining and/or integrating some of the remaining smaller businesses of Transnet. And even if we fail to convince, a serious engagement will hopefully prevent some of the shady management and BEE deals that have taken place in the past and will guarantee the jobs and employment conditions of workers. Like any self-respected trade union, Satawu would prefer to bargain hard over known proposals, rather than have to deal with the messy fall-out of semi-clandestine deals.





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It is interesting to note that Erwin does not appear to include either Transtel (the group's telecommunications division which is essential to the running of the railways) or Propnet (Transnet's property division) in his reference to the sale of non-core businesses. Rather he has hinted at the possibility of the consolidation of the Information Technology capacities of the state owned enterprises, as well as the consolidation of the property portfolios of the state owned enterprises.

Initial Public Offerings after 2006

Nothing has been shared with labour with respect to an initial public offering. But statements have been made to the press that the private sector may be invited into IPO's 'in some state companies' after 2006. Whether this is a reference to Acsa (Airports Company South Africa, which is not in the Transnet fold) or to SAA, or to Transnet in general, is not clear. Either way, Satawu is likely to oppose such plans if and when they are tabled. The Telkom experience is one to take lessons from.

A worrying silence on passenger rail

For some odd reason Erwin's announcements have been frighteningly silent on the passenger rail question. This is odd given that the backlogs in investment in passenger rail have received such media attention over the past year. Maybe the explanation lies in the fact that the Minister is fresh from his trade and industry portfolio, and the movement of goods rather than people is uppermost in his mind. Or maybe it's because passenger rail has fallen through the cracks because of the peculiar split in accountability between the Ministries of Transport and Public Enterprises. The commuter passenger rail operating company Metrorail is presently a subsidiary of Transnet and therefore operations are accountable to DPE, while the SA Rail Commuter Corporation which owns the assets (including the wagons) is accountable to DOT. This classic split between infrastructure and operations, and the

problems of accountability that it inevitably results in, is one that may be resolved if the idea of merging Metrorail and SARCC is pursued. (As an aside it should be pointed out that it is very odd that while this merger is on the table, Erwin is talking of the possibility of splitting Spoornet operations and infrastructure. This issue has not received much focus simply because the details of the idea have not been tabled to Satawu yet, but also because Satawu is pretty certain that such a proposal will never fly.)

Need to seriously focus on skills development

Satawu has pointed out both to Erwin and Ramos that no amount of capital investment in the world will make the rail and ports systems work better if the same degree of focus is not put on skills development in the parastatal.

Currently the skills shortages in Spoornet means that on many parts of the network, no routine track and overhead maintenance is being carried out. The shortage of track inspectors, linesmen and other artisans means that the company only has the capacity to deal with repair work in many areas. This is a disaster both for the efficient functioning of the system as well as long term investment demands. As with any bit of engineering, if you don't maintain it, it costs more to fix or replace in the long run.

Satawu has argued to Erwin that the issue of skills development requires 'state of emergency attention' and should not be left to normal company level consultation and decision making. Satawu is of the view that a tripartite intervention, with the support of the Transport Education and Training Authority (TETA) is required.

Ideas on worker participation in efficiency drive

In a meeting of the four Transnet trade unions with Erwin in early October, Satawu proposed more active worker participation in shaping efficiency improvements in the port

and rail operations. This is a position that has been put time and time again both to parastatal management and government, but for once the union's counterparts didn't go glassy-eyed. Erwin responded positively by inviting the tabling of a 'concept document' by organised labour, and promised that government would assist in sourcing funding support for such a project. Satawu hopes that his positive response is an indication that Comrade Erwin has not forgotten that workers often have a very sophisticated understanding of the environment that they work in, and where it could be changed to make things work better.

Satawu will be drafting a document on worker participation and efficiency for circulation to the other transport trade unions in the course of the next month. The document will then be tabled for discussion with government and Transnet.

CONCLUSION

Satawu is optimistic that the next few years will see serious and constructive engagement with government and Transnet over the future of the transport group and its workers. The union is under no illusions that there may be big battles over the detail of strategy as well as over the protection of jobs and working conditions. But at least we believe we are at last talking off the same page. And although we will leave the thesis on policy making to the academics, we would like to take at least a little credit for making sure that the Ministry of Public Enterprises as well as the leadership of the parastatal has gone back to the principles of Reconstruction and Development. Satawu believes that where we are now with Transnet and government proves that it is worth pursuing a principled position against privatisation, backed by reasoned arguments as well as mass membership mobilisation. We only hope that what we see now is neither temporary nor limited to the transport parastatal.

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