



# transport

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Department:  
Transport  
**REPUBLIC OF SOUTH AFRICA**

## **MINISTER OF TRANSPORT STATEMENT ON THE DEVELOPMENTS AT THE PASSENGER RAIL AGENCY OF SOUTH AFRICA (PRASA) DELIVERED AT PRASA CORPORATE OFFICE IN PRETORIA-HATFIELD**

**13 March 2017**

The Acting Director General of Transport, Ntate Mathabatha Mokonyama  
The Acting Group CEO of Prasa, Ntate Lindikaya Zide  
The Executive Management of Prasa present  
Members of the Media  
Ladies and Gentlemen

**Good morning,**

Let me start by reminding all of you that transport is the heartbeat of economic growth and social development. The Department of Transport is one of the lead departments to ensure state reform and economic development in order to facilitate radical socio-economic transformation in South Africa.

The Department is mandated to facilitate and enable a reliable, economic, safe, comfortable and accessible transport infrastructure and services to all.

The launch of the Passenger Rail Agency of South Africa (PRASA), in March 2009 brought forth a new era in passenger transport that saw the former South African Rail Commuter Corporation (SARCC) transformed into PRASA. Metrorail, Shosholoza Meyl, Autopax, Prasa Cres as well as Intersite Property Management Services became part of PRASA.

This consolidation of entities followed a decision by Cabinet of the 1st December 2004, which decided that Prasa should offer an integrated passenger service that prioritise customer needs, provide better mobility and accessibility to masses of the South African population in need of safe and affordable transport.

PRASA, as the implementation arm of the National Department of Transport, the sole shareholder, is primarily focused on the mandate contained in the Legal Succession Act of South African Transport Services ("SATS") Act of 1989 as amended in November 2008.

As a wholly owned Government public entity, reporting to the Minister of Transport, PRASA's main responsibility is to deliver rail and related services in South Africa. This mandate is implemented in consultation with and under the guidance of the Minister of Transport.

Ladies and gentlemen, we are a constitutional state, governed by laws, regulations and policies. Similarly, I exercised the power bestowed on me to pull all stops in bringing stability and good governance at Prasa. Painstakingly, after robust engagements and discussion with the former Board of Prasa, we were all united in principle to second Mr Letsoalo from the Department of Transport to act as the Acting GCEO. The process was underpinned by relevant policies and prescripts applicable to process of secondment of an employee.

To that end, the individual seconded retains his/her position and relevant benefits in the point of origin. However, such processes does not deprive the individual seconded of any applicable benefits to the position he/she is acting in. It is unfortunate that my letter of secondment of Mr Letsoalo in accordance with Chapter 1 of the Public Service Regulations, 2001, as amended, read in conjunction with Section 15 (3) of the Public Service Act, 1994 became the subject of deliberate misinterpretation.

As a shareholder, I have the responsibility to ensure that Prasa delivers on its core mandate and that such delivery is underpinned by prudent and good governance principles. The decision to second Mr Letsoalo was intended to ensure that we attend and correct all other issues that drew negative publicity and brought about a sense of insecurity and low staff moral at Prasa.

At the time, I promised that as the Shareholder, I will continuously monitor progress and ensure that necessary controls and systems are put in place to promote good governance, because commuters in our country who heavily rely on public transport deserves nothing but the best.

The state of dissonance at the time was preceded by continued events of a governance nature. The first was the 2014/15 report by the Auditor-General, which highlighted serious governance breaches, particularly in the supply chain management area, with findings of irregular, fruitless and wasteful expenditure.

The second was the report by the Public Protector into allegations of maladministration at Prasa, titled "Derailed". These two reports necessitated serious Board and Management focus in implementing the remedial actions recommended by the Auditor-General and Public Protector.

As Government, we have committed ourselves to deal decisively with fraud and corruption, and will do everything in our power to root out these acts of dishonesty and criminality wherever they emerge. The issue playing itself in the public discourse and to which some of us opt to grandstand and play to the gallery, is the matter relating to Werksmans investigation. It is deliberately and maliciously misconstrued that we intend sweeping under the carpet some of the poignant alleged corruption identified from this investigation. That is far from the truth ladies and gentlemen.

I wish to once again place on record that we directed the former Board to go deeper into the perceived corruption and leave no stone unturned when dealing with this matter especially in relation to the Auditor General and Public protector's reports and others brought to their attention. In dealing with this matter, it is prudent that a clear scope of work and program is determined, and that financial and fiscal prudence be exercised at all times. It cannot be that public funds are spent willy nilly, without clear terms, conditions and scope of work.

In ensuring that Prasa delivers on its core mandate and that such delivery is underpinned by good governance principles, I expressed my concern over the long and protracted investigation by Werksmans Attorneys. My concern was that the investigation seemed endless and without a clear scope and a specific end objective. This situation resulted in excessive spending, which was reported to be in the region of R80 million then and now sitting at approximately R127 million.

Ladies and gentlemen, I raised concern on the recent allegations contained in the Sunday Times media report of the 26 February 2017 titled "Mr Fix-It ups his own pay by 350%". I therefore

instructed the Prasa Board to duly investigate the matter and report back to the Minister and the Department of Transport by Friday, 3 March 2017, to ensure that timeous and appropriate action is taken. Additionally, I requested the then Board to furnish me with reasons for the cause of the public spats that played themselves in the media between the Board and Mr Letsoalo.

At the centre of this was the salary issue relating to the Acting GCEO arising from a letter of agreement from the Board, which letter is a subject of various interpretations. I will refrain from the details of this letter as it is subject of court processes, but must however place it on record that once the courts have deliberated and concluded, I am enjoined to come and clarify you in order to avoid the similar incidences in future.

It is unfortunate that despite my laudable and persistent plea to both the Board and the Acting GCEO not to further exacerbate the instability at Prasa, compromising good governance and further bringing the organisation into disrepute, the public spats continued unabated and it seemed to have fallen on deaf ears.

This unwarranted behaviour from both sides further contributed to irretrievable breakdown of relationship and trust between the Board and the Acting GCEO. It therefore became unavoidable that we recall the Acting GCEO for the good of the company. The decision which should not be misconstrued as an indication of any wrongdoing by Mr Letsoalo, however, it should be understood as part of the broader intervention to restore stability at Prasa.

In as far as the Board is concerned, amidst a litany of issues where the Board was found wanting relating to amongst others the declining performance, lack of good governance, lack of financial prudence and ever deteriorating public confidence due to spades of in-fighting.

I have on numerous occasion directed the Board through formal communications to focus on pertinent issues relating to service delivery and the core mandate of the company, to no avail. My requests and instructions were often not heeded to and the preoccupation of the Board was on side issues.

Following careful consideration of representations from both the Board and the Acting GCEO, and my observation of the deteriorating state of affairs. This, together with the continuing public spats between the Board and the former Acting Group CEO, Mr Collins Letsoalo, and in considering prudently what will be in the best interest of Prasa and the public, in accordance with Section 24(1) of the Legal Succession to the South African Transport Services Act, Act 9 of 1989, I resolved to dissolve the Board of Prasa with immediate effect.

It is my contention that my pronouncement to dissolve the former Board of Prasa was a necessary step to bring the matter to closure but also to ensure that I restore good corporate governance, stability and ensure that Prasa continue to provide services to the South African public.

The term of office of the removed Board was to expire in July 2017 and the advertisement calling for nomination for the new Board was published in newspapers and has already closed. I have appointed an interim board that will oversee the affairs of the entity until the appointment of the new Board as anticipated.

The matter relating to the position of the Acting Group Chief Executive Officer remains a matter to be dealt with by the Board in terms of the Shareholder Compact.

Ladies and gentlemen, I therefore wish to announce my appointment of the following individuals as the Interim Board Members of Prasa with effect from today, 13th March 2017.

1.Mr Nazir Ali – Chairperson

- 2.Mr Frans Baleni
- 3.Mr Ronny Mkhwanazi
- 4.Mr Tiyani Rikhotso
- 5.Ms Natalie Skeepers
- 6.Ms Constance Maleho (NDOT)
- 7.Mr Xolile George (SALGA)
- 8.National Treasury Representative

I wish to indicate that Mr Xolile George, who represent SALGA will retain his position in the Board together with a representative from National Treasury who will be to replacing Mr McMillan, who resigned from National Treasury.

The Board members for the interim Board were carefully selected on the basis of skills and expertise required to run a company of this magnitude. These skills set include the following:

- Technical
- Corporate Governance
- Legal
- Finance
- Risk Management
- Human Resource and Communication

I take this opportunity to congratulate the Prasa interim Board and wish to re-commit my unwavering and undivided support to the Board, the Management, the staff as well as the South African public at large.

I would like to thank PRASA services providers, business partners, labour unions SATAWU and UNTU, and all key stakeholders for their patience, continued support and understanding.

The stability and good governance is our collective responsibility and I urge you to collaborate with us in ensuring that we redeem the company and reinstate the governance that all of us will be proud to be associated with. Prasa is our rail transportation home, and will be in the future to the generations to come.

I thank YOU