



transport

Department:
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WINDING DOWN OF PRASA WAR ROOM

PRASA has suffered blows from many years of mismanagement and deteriorating corporate governance. Today it is a broken organization, struggling to provide an efficient commuter and passenger rail service.

Overcrowded trains, ageing infrastructure, old rolling stock, rampant crime, poor internal controls and other ills are the order of the day.

In the 2018/19 financial year, the Auditor-General has flagged irregular expenditure, which has escalated to R27,2 billion.

In August 2019, I initiated a War Room as a consequence of the realization that over the years, PRASA has seen a sustained decline in its ability to provide a reliable, safe and predictable commuter and passenger service both by Metrorail and Shosholoza Meyl.

The work of the War Room was supplemented by an organizational assessment conducted by the Government Technical Advisory Centre (GTAC), a government component of the National Treasury, at our invitation.

The War Room focused on service recovery, getting operations back on track at a level that meets, if not exceeds commuter and passenger expectations. Similarly, the GTAC conducted an incisive exercise to examine the ongoing decline in PRASA's performance, despite the development of five turnaround strategies since PRASA's creation in 2009.

The concerted effort of the War Room demonstrated that with focus and commitment, passenger rail transport can become the mode of choice for the millions of commuters who rely on this service daily.

At the halfway point of the War Room, we conducted an assessment which gave

us an encouraging picture of progress despite the many bottlenecks PRASA had to navigate. It became clear that PRASA had to fastrack its capital spending programme if it was to recover the service to the desired levels.

The War Room unearthed many landmines driven by both internal dynamics and external factors. As a consequence, many of the targets were hamstrung by these challenges and required of us to effect a more decisive intervention. In over 2 years, almost R1 billion has been lost due to either train burnings, vandalism of power stations, public disorder, train collisions or floods. These costs peaked in 2019 at R364 million.

Despite this, the downward spiral of PRASA was self-inflicted as a result of poor and indecisive leadership which allowed a culture of impunity to prevail. In his 2018/19 audit report, the Auditor-General was scathing in his assessment of leadership at PRASA.

The GTAC report also flagged critical systemic issues that caused bottlenecks in the achievement of the War Room targets. These include collapse of internal systems and controls, dysfunctional supply chain management processes, hollowed-out project management capability and a business model that requires urgent review. These were further compounded by incidents of theft and vandalism and prevalent crime.

It is on this basis that we concluded that the War Room alone was never going to be a silver bullet to rid PRASA of its chronic ailments. Despite this, the War Room was successful in energising management and mobilise human resources behind a focused vision. Extending the mandate of the War Room beyond its original target of 31 December 2019 would have been counter-productive. PRASA is broken and the work done by the War Room helped us understand the extent of the challenges. While PRASA may be broken, we have a robust plan to turn it around.

Having realised this, we approached Cabinet to institute a more aggressive approach of placing the entity under Administration and we appointed Mr Mpondo as an Administrator. The Administrator is now in the process of facilitating an orderly winding down of the War Room, which would entail incorporating its targets into the work of the management under his leadership.

On 13 December 2019, we concluded a Shareholder's Compact with the Administrator, which outlines his mandate and deliverables over the 12 months of his engagement. The Compact enjoins the Administrator:

- to address and resolve all matters raised in the Auditor-General's report and ensure there are no repeat findings.
- to accelerate interventions aimed at improving operational performance.
- to expedite implementation of the modernisation programme, with priority focus

on fencing, signalling, perway and station upgrades.

- to ensure security interventions across all corridors.
- to urgently develop capacity to manage PRASA's capital programme, working with other state entities in the short term.
- to build capacity to support interventions aimed at recovering the system by establishing requisite supplier panels through competitive bidding or other means permissible in law.
- to attend to issues that require engagement with Transnet in order to unlock blockages that negatively affect operations.
- to ensure that effective consequence management is prioritised and provide support to investigations currently underway by law enforcement authorities.
- to review PRASA's organisational design and business model, and upon consultation and the approval by the Minister make the necessary and suitable changes to the structure and model of the Group.

While the War Room in its current configuration may not have achieved most of its targets, serious strides were made towards improving operational performance.

Issued by:

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