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2016-09-15

TO:

ALL EXECUTIVE COUNCIL MEMBERS, FTUR'S AND TUR'S: TRANSNET ENGINEERING

FEEDBACK: TE: NEEC WSP MEETING HELD ON 5 SEPTEMBER 2016

The meeting was held at Koedoespoort Fhata Lushaka Boardroom and was attended by the following Labour Representatives from UNTU:

Messrs: Wielligh Meyer, Clayton du Plessis, John Short and Jacobus Zara.

The meeting was chaired by Ms RSC Masoek.

The Safety and Culture briefing was done and the attendance register was circulated.

Apologies:

Mr Meyer made apologies for Mr de Klerk Deputy General Secretary.

NEEC-WSP Matters Arising:

- TTCs – A meeting with GM Locomotives needs to be setup to discuss the appointment of TTCs within the locomotive business, Mr. J Short made it very clear that we cannot allow this to continue it is only locomotives that does not comply. Management committed to come back with a clear way forward before the next NBC.
- SDP course is put on hold due to upgrading or reshaping of the modules to suit the 20 21 strategy.
- Workshop will be arranged by Stephen Mathlou with Labour to discuss both the SDP course and the Yellow Belt Lean Six Sigma Course that is causing prejudice for our Master Artisans in our businesses.

The following Presentations were presented:

Internal Initiatives to improve representation of Women & PWDs is ongoing.

TE will still maintain the Moratorium on filling of positions especially with external employees which will mean that the changes in the employee profile will be influenced by internal movements and exits.

As a result, Human Capital is currently working on the following internal processes as part of improving PWDs representation: -

- Internal Graduate Development programme
- Woman in Operations (On the Job training) using Wheels business as a pilot
- Proposal on Leaverships for PWDs development and currently going through approval processes
- Building of a database of PWDs & Women for future referrals and possible appointments

SOE – Presented by Mr P Sibanyoni

In terms of the Artisan Agreement, 65 artisans have received pay progressed for the month of June. YTD 286 (9%) artisans have pay progressed.

Transnet Engineering National Business Feedback

The meeting was held on the 6th of September 2016, UNTU was represented by W Meyer, C du Plessis Executive Council members, J Short, J Zara Full time Union Representatives and E de Klerk Deputy General Secretary.

The meeting was Chaired by Mr Jiyane Chief Executive

The Safety and Culture Briefing was done and the attendance register circulated.

A. THE Agenda was adopted with the following additions from UNTU

- i.a. CW Examiner Repairer movement to the grade of Wagon Fitter;
- i.b. Assistant acting as Examiner Repairer;
- i.c. The status of the Gain Share Committee;
- i.d. Overtime;
- i.e. The status of the In-service Integration Committee.

B. Minutes of previous meetings

The minutes of the previous meeting was adopted as a true reflection of the meeting.

C. Matters arising from previous meeting

1. Laptops lost due to negligence

Investigations on lost laptops gets done and if viewed that there was a security lapse then security gets penalised for security breach. On request of a replacement of the lost laptop, the relevant Manager needs to then take the necessary action if deemed so.

2. CCTV System

Provide clarity on the purpose of the CCTV system installed in the workshops.
Matter not finalised

3. Employee Conduct in the Workshops

Communicate the generally accepted conduct (do's and don'ts) for cell phone usage expected from employees working in the workshops.

This was discussed in depth and awaiting further engagement and clarity in respect of the company's position in this regard.

D. Executive Comments

Chief Executive in relation to the picture below presented the new business framework and also commented that the next phase of the process is to develop the Human Capital Strategy to populate the business framework and that they will engage shortly with Labour in this regard.

E. Manufacturing

WAGONS

- National Wagons Manufacturing has missed the sales budget for the month, but still ahead of budget year to date. This is mainly due to late prototypes in Bloemfontein. This is the only pant that has missed the sales budget. Plans are in place to catch up in the month of September 2016.
- The contribution is better than budget as a result of saving on Other Operational Expenditure.
- Ebitda is below budget due to supernumerary numbers, this will change will the additional sales of 1250x Containers and

Priority1 Warrant

- The 500 x Chrome Wagons have been included in the budget for the financial year in addition to Priority 1 approval.
- The Business continues to focus on safety performance of the business.

FOUNDRY

BLOEMFONTEIN BUSINESS

- Business achieved R5.5m sales for August 2016 against a budgeted R5.4m, YTD R22.3m against a budgeted R21.7m to which resulted in a profit of R2.2m in EBITDA against budgeted profit of R2m. YTD actual of R6.2m against budgeted profit of R6m.
- Risk & Safety – has a DIFR rating of 1.47 against target of 0.75.

KOEDOESPOORT BUSINESS

- Business achieved sales of R3.5m against a budgeted R4.1m (due to decrease in customer demand), YTD R14.3m against a budgeted R16.5m which resulted in a loss in EBITDA of –R2.8m against a budgeted loss of –R1m for the month and YTD, –R12.5m loss against budgeted loss of –R7.2m
- ***Risk & Safety – has a DIFR of 0.93 against target of 0.75.***

COACHES

The National Business is not performing well with R186.5m Sales YTD actual against a R302.8m budget. The YTD EBITDA is at negative R121m against a YTD budget of negative R10m.

The business has engaged on various projects to improve overall performance, including the Internal Project - Refreshed and Reimaged as well as new PRASA TE Interface project. Partnering with the customer in order to ensure increased reliability and availability of coaches.

The focus remains filling critical vacancies and closing skills shortage gaps with various process already underway with Human Capital to address this.

The DIFR has reduced from 0.95 to 1.12 in August, with Salt River and Koedoespoort DI's at 5 and 2 respectively.

F. Maintenance

1. Wagons

Year to date negative deviation on sales is due the yard blockage at Insepe. This has been addressed with the warrant to work and release B-Fleet wagons. The light wheel price lower than budgeted price had also contributed to National sales deviation in the Central Region.

- EBITDA is better than budget as a result of cost savings, better material management and better than budget contribution.

2. Wheels

Financial Performance:

Sales for the month is R 84.8m against the budget of R 152.5m, R 67.7m behind budget mainly due reduced demand by 1050 wheels as well as the change in product mix with a decreased demand in heavy wheel lifting's. EBITDA for the month is a profit of R 6.1m against the budgeted profit of R 21.2m, R 15.1m behind mainly due to reduced sales YTD EBITDA is impacted greatly by the past 2 months' decline in demand by a deviation of R 63.3m, that is R28.6m versus a budget of R 91.9m. External sales YTD ended at R 47.2m versus a budget of R 45.1m.

Safety Overview

The business has achieved a DIFR of 0.88 versus a target of 0.75, deviation due to DI's experienced in DBN and one in SRX still under investigation.

Quality Overview

The Defects per unit was 0.45 versus a target of 30.

Second party audits were conducted in three centres, KDS has only 1 open finding that is currently being actioned by MPE. Audit were done in DBN & UTH with 18 & 30 findings being raised respectively. Action plans for these findings have been submitted and is being followed up.

3. Rotating Machines

The business achieved the sales of R57m against the budget of R37m for the month and R127m against the budget of R107m for the first quarter. Even though the Change in WIP of R2.6m was not favourable, the business achieved an EBITDA of R6.4m against a budgeted loss of R-4.5m for the month. The business managed all the costs well for the month with the exception of labour Cost. The deviation of R3.6m in labour cost was due to surplus number of skills in line with the current budget. The majority of the surplus staff will be retained to achieve the increased demand in critical components. Finance is currently updating the financial budget in line with the additional sales.

The business faces challenges with critical material shortages on GE Compressors, GM Engines, Turbochargers, Speed Increaser, 19E Traction Motor (bearings, 19E pinions, rotor shafts, seals, bearings, valves, oil pumps) and the breakdown of Butt Welding Machine in KDS Traction. Supply management is fully aware of all the requirements and is in constant discussions with the suppliers. The Purchase Orders for 8 GE Compressors and 13 Turbochargers have now all been received from Transnamib. Due to material challenges, the business has only delivered 4 Turbochargers to date. The business plans to deliver further 2 Turbochargers and 2 GE Compressors in July. Depending on material availability, the balance of 7 Turbochargers and 6 GE Compressors will be delivered during the month of August.

The DIFR has increased from 0.21 to 0.42 due to 1 Disabling Injury that took place at KDS Engines during the month of June. An employee had removed a component from the wash bay with a crane to place it and placed it outside on the stands. The lifting beam swung and hit his left shoulder and ear, pressing him against a steel structure.

4. LOCOMOTIVES

Maintenance

Mothballed Locomotives: Of the 51 locomotives 38 have been released.

Weekly meetings – Weekly meetings between TFR Li Department and TE have been setup to discuss critical actions and support, current pressure points are on the Coal Line.

TE has commenced a 24/7 management roster to provide critical support to TFR. A Priority 1 budget has been approved and execution has commenced.

Safety:

The DIFR is currently at **0.34** against a target of **0.74**.

G. High Level Maintenance, Plant & Equipment Summary

MAINTENANCE:

The Critical machine overall availability for JULY 2016 is at **97.99%** YTD in comparison to Last month's **97.98%**. This indicator is just below the TE set target of **98%**.

1. COMPLIANCE & REGULATORY AFFAIRS

Safety Performance

Transnet Engineering's 12 months revolving DIFR is 0.41 for July 2016, which is the same in comparison to last month's performance of 0.41. Five (5) Disabling injuries have been recorded against the target of five (5) DI's for the reporting period (26 June to 25 July 2016). Fifty-nine (59) DI's were recorded against a target of Ninety-five (95) for the 12 months revolving period.

Review TE National Shunting Guideline

National Shunting Guideline review process has started and inputs will be consolidated from Regional Railway Safety Specialists for completing by the end of Q2. Robust interactions from Regional Railway Safety Specialists are underway to map out the preferred shunting model for TE to be completed by the end of Q2.

2. TE SHE PERFORMANCE ANALYSIS: JULY 2016

a) Disabling Injury Frequency Rate (DIFR) YTD

Transnet Engineering's 12 months revolving DIFR is 0.41 for July 2016, of which is the same in comparison to last month's performance of 0.41.

b) Employee fatalities (Number) YTD

TE incurred a fatality in July 2015 as a result of motor vehicle accident.

TE incurred a fatality in April 2016 as a result of motor vehicle accident.

c) Disabling Injuries (Number)

Current financial year's TE targets are: DIFR = 0.74 and DIs = 95

Five (5) Disabling injuries have been recorded against the target of five (5) for the reporting period i.e. 26 June 2016 to 25 July 2016.

Twenty-three (23) Disabling Injuries have been recorded year to date against the target of twenty-six (26).

Fifty-nine (59) Disabling Injuries have been recorded for the 12-month revolving period against the target of 95.

d) Security:

Theft for the month of July 2016 was R287k. Recoveries to the value of R46k was reported for the month July 2016. The main items of theft were the following: 1 Cutting torch and 2 x regulators, 65 x reservoir tanks in Navilsig to the value of 187k, cable theft to the value of 86k. Five suspects was arrested around the country, cases are with SAPS for further investigations.

Actions:

- New security risk assessment conducted at GMX depot to identify shortcomings.
- Prevention of laptop theft awareness has been distributed during July 2016
- Redeployment of 2 Protection Officers to Germiston to assist with supervision of the service provider.
- Meetings with senior management of the new service provider to address the high number of incidents

H. Human Capital

Permanent Headcount per Quarter (Number)

TE permanent Headcount is at 12224 against 108884 target. More with 1340. TE permanent employees increased from 10970 to 12224 with 1254 increase to date. Increase is due to the reintegration project.

Root Cause:

- Low order book
- Moratorium on filling of vacancies especially in Support businesses
- Negative growth experienced due to more exits than hires.

Actions:

- Fill critical vacancies with internal employees
- Multiskilling, Upskilling and development of people to fill vacant positions as well as redeployment of employees either to other businesses or centres or Transnet Divisions

Fixed Term Headcount per Quarter (Number)

Fixed term contracts are at 200 against the 0 target

Root Cause:

- Renewing of FTC contracts for critical TE projects and availability of Welders needed for new projects

Actions:

- Terminate all FTC contracts by September 2016 excluding Welders who are needed for new projects
- No filling of FTC positions as and when vacated as well as no creation of new FTC positions

Total Headcount per Quarter (Number)

Total headcount is at 12424 against the 10884 with 1540 more headcount

Root Cause:

- TE total Headcount is within the budget
- TE total headcount is reducing and will reduce due to low order book

Actions:

- Adherence to the moratorium on filling of positions especially with external appointments
- Multiskilling, Upskilling and development of people to fill vacant positions as well as redeployment of employees either to other businesses or centres or Transnet Divisions

Employee Relations**Discipline, Dismissals, and Grievances****Discipline**

- 65 disciplinary cases were received for the month of July.
- Disciplinary cases increased from 90 to 65 from June 2016 to date
- Most disciplinary cases were on AWOL and negligence

Dismissals

- 8 dismissals were reported for the month of July 2016.
- Disciplinary cases reduced 16 to 8 from June 2016 to date
- Majority of dismissals were on AWOL and negligence

Grievances

- 15 grievances were registered for the month of July 2016.
- Majority of grievances were on interpersonal relationships.

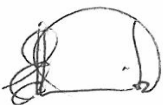
UNTU Items

- i.a. CW Examiner Repairer movement to the grade of Wagon Fitter.
All relevant information is being scrutinised and being investigated and will be work shopped with Labour.
- i.b. Assistant acting as Examiner Repairer.
Same as the above comment.
- i.c. The status of the Gain Share Committee.;
Gain Sharing Committee will have to be re- established and in line with the new TE structure.
- i.d. Overtime.
Pointed out to management that overtime worked is still being flaunted and they need to take control.
- i.e. The status of the In-service Integration Committee.
The In-service Integration Committee is non-functional at this stage, however all queries and unhappiness should still be sent through to Joseph Jali.

Please be advised that should you have any enquiries in this regard, you should not hesitate to call any one of the persons below: -.

Messrs: Wielligh Meyer	063 687 3661
Clayton du Plessis	078 212 6211
John Short	071 481 6975
Jacobus Zara	082 655 9058
Eddie de Klerk	082 567 6638

UNTU Greetings,



EW de Klerk
O. b. o SA Harris
GENERAL SECRET ARY