BIZCOMMUNITY

Transnet acts on Madonsela report queries

By Karl Gernetzky

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Transnet CE Siyabonga Gama said on Monday that the company had resolved to terminate its relationship with Trillian and Regiments Capital, both named in the public protector's State of Capture report as worthy of investigation.

Image Source: RDM - Siyabonga Gama

Former public protector Thuli Madonsela did not probe Transnet in her report but recommended that it be a focus of the proposed judicial commission of inquiry. In particular, she said, reports that the companies had invoiced Transnet for work that was not done needed to be scrutinised.

Gama said Transnet was satisfied that it got value for money from Trillian and Regiments Capital. "As Transnet, we have resolved that a continued relationship either with Trillian or Regiments is no longer in our interests," he said.

Trillian chairman Tokyo Sexwale has appointed an advocate to probe the allegations.

Signs of recovery

Announcing Transnet's results for the first six months of the financial year, Gama said weak economic conditions had continued to delay implementation of its multibillion-rand modernisation programme.

However, the company was seeing "green shoots of recovery" among customers, which would inform planned R227bn capital expenditure over the next seven years. This included the steel sector, where Transnet granted R628m in price reprieves, leading to a decrease in earnings before interest, tax, depreciation and amortisation of 0.3% to R13.9bn during the period, Gama said. Transnet was already seeing signs of recovery in the coal and steel sectors, he said.

Transnet grew revenue 1.2% and operating expenses rose 2.3%, although this was less than expected. The company "maintained profitability" over the period. It posted a profit of R393m for the year to March 2016, and R5.3bn in 2015. Discretionary capital expenditure decreased 42% year on year from R16.1bn to R9.4bn.

Capital expenditure

The company would make revisions to its planned capital expenditure based on projected demand from customers, chief financial officer Garry Pita said on Monday.

Independent transport economist Andrew Marsay said Transnet's slower capital expenditure was understandable given market conditions. He highlighted the risk that its investment programme might be unsustainable. Most of the capital expenditure was in the general freight market, which was unable to pay for itself, he said.

The long-term ability to "cross-subsidise" investment in general freight infrastructure through high profits in the port sector was uncertain given the ongoing Competition Commission probe into exclusionary practices and excessive prices, he said.

The Competition Commission announced in July that it had launched a probe - which is expected to take two years - into pricing policies at the state-owned company.

Source: Business Day