



20 August 2010

Transnet comment on misleading statements from Prasa

Transnet Limited has expressed concern over misleading, false and defamatory statements made against the company by several representatives of the Passenger Rail Agency of South Africa (Prasa) in the media over the last week or so.

These follow Prasa's unilateral decision to suspend its long distance passenger train service for reasons within its control and without consulting Transnet. Prasa has since began and maintained a vicious media campaign accusing Transnet of being the main cause of its troubles. The latest instalment is being Mr Tumisang Kgaboesele, the advisor to Prasa's Group Chief Executive, in an interview on national television.

On or about 15 July 2010, Transnet was advised by Prasa that no payments would be made in respect of work performed on its 124 locomotives without a relevant purchase order. Transnet has not been paid for legitimate and valid work performed worth approximately R1,3 billion. Despite this, Transnet continued maintenance work on the Prasa locomotives. Correspondence since received from Prasa has confirmed the indebtedness and Transnet awaits a payment schedule as promised.

Transnet advised Prasa of their inability to meet these requirements, in particular when it came to en-route inspection and repairs. Prasa, reaffirmed its position in writing on 23 July 2010. Consequently, by 12 August 2010, more than 70 locomotives of the available 124 locomotives were out of service awaiting maintenance. Transnet made numerous attempts to highlight the risks to service delivery and the Rail Safety Regulator operating permit impacts to Prasa but all attempts failed. Therefore its is reasonable to conclude that the service was terminated due to lack of locomotives rather than the reasons Prasa has been providing up to now.

In addition, it should be noted that Transnet has not received any formal complaints from Prasa regarding service quality or access to the rail network

from Prasa other than in a meeting called by Transnet on 22 February 2010. Furthermore, it is irresponsible of Prasa to have not exhausted every effort with Transnet and the relevant government departments in attempts to resolve the impasse prior to terminating their services.

Following Prasa's suspension of services, Transnet, through its acting Group Chief Executive, has made concrete proposals to Prasa on how to assist it resume its operations, address all the concerns raised and move forward.

Transnet has on several occasions made it clear to Prasa that it is willing to engage in constructive negotiations where facts and not fiction are dealt with in the interest of getting all Prasa's services resumed. Transnet awaits Prasa's response in this regard.

On 15 August 2010, Prasa instructed Transnet to immediately return to Prasa's depots some 70 locomotives awaiting maintenance at Transnet's facilities in order to be maintained by Prasa. Based on industry knowledge and Rail Safety Regulator requirements, Transnet believes that these locomotives are not likely to be maintained any time soon. Therefore the Shosholozza service will not resume as contemplated by Prasa.

It is apparent that the requirements for a purchase order and the rigid adherence to this requirement despite the impact on the business is the genesis of the situation in which Prasa finds itself. Transnet regards this service as of national interest and remains dedicated and committed to assist Prasa restore its services urgently and is ready to engage on this.

Issued by Mboniso Sigonyela on behalf of Transnet Limited

Summary of facts

- Transnet Rail Engineering (TRE) has not at any time refused to perform maintenance on Prasa's rolling stock.
- Before August 15, Transnet had had no official notification from PRASA of the intention to move its maintenance work to other suppliers
- TRE and Prasa meet on a monthly basis to discuss locomotive maintenance issues and action plans.
- The reason for not executing maintenance on approximately 70 Prasa locomotives is that the purchase orders for this maintenance were never received from Prasa. This was a requirement imposed by Prasa.
- Transnet Rail Engineering has not at any time refused to certify Prasa's locomotives as rail safe.

- Transnet has at no time refused Prasa access to the network.
- PRASA owes Transnet R1.3 billion of which R226 million is subject to a dispute resolution process which relates to the pricing on the Metrorail 10M5 coaches.
- Transnet has always conducted itself in an open and transparent manner seeking constructive resolution to matters of mutual interest. All discussions and negotiations have been conducted in good faith.
- Transnet notes with concern misleading, inaccurate and defamatory media statements attributed to various Prasa employees.