

Clarity sought on TE's manufacturing role

By [Nicky Smith](#)

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Two of SA's largest rail engineering firms have expressed concern about the dominant role state-owned Transnet Engineering (TE) looks set to play in the country's R324bn rail investment plan with one firm describing the state's approach to partnering with the private sector in infrastructure investment as "schizophrenic".



DCD Group and Union Carriage and Wagon (UCW) - firms that design and manufacture locomotives, wagons and coaches - said statements by the Department of Public Enterprises and those made by TE were conflicting.

Rob King, the managing director of DCD, said his company was in negotiations to supply components to international train manufacturers bidding to supply locomotives to Transnet Freight Rail (TFR) and coaches to the Passenger Rail Agency of SA.

DCD and other private sector rail firms were concerned about being muscled out by TE.

This was reinforced by feedback DCD received from international companies bidding for tenders and from statements made about the role TE would play in the roll-out of the state's rolling stock acquisition programmes.

"We are in talks to deliver bogeys for coaches (to Alstom) but they are saying to us that the decision (to award work) might have to be made politically as opposed to commercially," King said.

"International train manufacturers hoping to win tenders had been reluctant to contract with DCD without clarity about how much of the work will need to be directed to TE," King alleged.

UCW's managing director Gary Steinmetz agreed with King that public statements on TE's role in the procurement programme was a worry. "The messages are confusing," he said.

Private sector's role uncertain

Steinmetz said an impression had been created "that all rolling stock will be manufactured within their (TE) control".

"Statements by Minister of Public Enterprises Malusi Gigaba had created a different impression; that the private sector was needed and would be encouraged to be part of the rolling stock procurement," Steinmetz said.

To what extent the private sector would be able to compete with TE was unknown as R4bn was being invested in capacity at TE, which Steinmetz said was a "serious investment".

The confusion for the international train manufacturers that have flocked to SA to participate in what is one of the world's largest rail programmes, is a result of the oft-repeated ambition to build up the engineering capabilities of TE, and TE's own ambitions to establish itself as an exporter of rolling stock for global narrow gauge markets.

"TE already competes with DCD, Scaw and UCW, in the manufacture of wagons and locomotives and the refurbishment of existing rolling stock in SA," King said.

"What worries us in particular is that we have an existing supply chain in SA which may not be used in the tenders and it would seem there is new capacity being developed (at TE) and I would question why we need that," he said.

King said DCD was doing work with Eskom to supply local content to its build programme and was discussing how the company could participate in the planned nuclear power station build programme.

"It's like the government is schizophrenic: When it is trains we do one thing and when we do energy we do it differently," King said. "It's as if you have the National Development Plan going up against the developmental state. Up there are two very different philosophies," he said.

Gigaba's spokesman Mayihlome Tshwete said the concern expressed was "premature" and it was the state's intention to use entities such as TE to stimulate the industrialisation, rather than to dominate the market.

"There will be a clear role for the private sector, the competitive supplier development programme is about helping Transnet to industrialise the economy; to have more manufacturing capacity. They (TE) have largely been assembling locomotives and in many cases are already partnering with private-sector companies to fulfil their mandate to assist in the development of the private sector and to build up black industrialists," Tshwete said.

Source: Business Day via I-Net Bridge

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