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**SECOND REPORT OF THE PORTFOLIO COMMITTEE
ON
LOCAL GOVERNMENT RURAL AND URBAN DEVELOPMENT ON THE
ZIMBABWE
UNITED PASSENGER COMPANY (ZUPCO)**

**presented on
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REPORT OF THE PORTFOLIO COMMITTEE
ON
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ZIMBABWE
UNITED PASSENGER COMPANY (ZUPCO)

1.0 Introduction

1.1 As part of its oversight on the activities of the Ministry of Local Government, Rural and Urban Development and its departments your Committee examined submissions received from employees of the Zimbabwe United Passenger Company (ZUPCO). Allegations of irregularities which ranged from non payment of workers, unfair labour practices and violation of ZUPCO Articles of Association resulting in conflict of interest and failure to account for company assets, among other things, were made.

1.2 Your Committee resolved to conduct a fact finding tour to the ZUPCO workshops in Belvedere where it gathered oral evidence from the workers and members of management in two separate meetings. The evidence received prompted your Committee to gather further evidence from the Board of Directors of ZUPCO. The Hon. Minister for Local Government, Rural and Urban Development Dr. Ignatius Morgan Chiminya Chombo was also invited by your Committee to clarify issues of policy on the operations of ZUPCO and its turn-around strategy.

2.0 Findings of the Committee

2.1 Your Committee received oral evidence from ZUPCO employees to the effect that the ZUPCO Board which is supposed to have its tenure renewed every three years had outlived its term. The Board had seen some members who had been serving continuously since 2002, notably Professor Chipso Dyanda, the Chairperson. The tenure of ZUPCO Board members had become discretionary as the shareholders chose whether or not to renew such terms.

2.2 Amid such cases of irregularities your Committee resolved to invite the Minister for Local Government, Rural and Urban Development Hon. Minister Chombo come and clarify the position on the ZUPCO Board operations.

2.3 In evidence before your Committee, Hon. Minister Chombo stated that he was happy with how the ZUPCO Board operated. In response to a question on the observation that the Minister had said the ZUPCO Board was performing very well despite the fact that ZUPCO employees were facing serious financial challenges, Hon. Minister Chombo said ZUPCO was performing well compared to other companies. He added that ZUPCO had bought two hundred new buses and that a further two hundred had been ordered for the coming year. He said that with the increasing fleet and the freedom to charge competitive fares, ZUPCO would be able to settle part of the NSSA contributions and the outstanding ZIMRA debt from the revenue raked in by the buses. He further stated that this meant that all the retrenched employees, at some point would be paid their salaries.

2.3 In his response on the term of Board Members at ZUPCO, the Hon. Minister said that their tenure had been renewed and that they were given a new mandate. He added that he was not aware that Prof. Dyanda had overstayed as the concern had not been brought to his attention. Your Committee found the Hon Minister's statement unconvincing as he ought to have known the period the Board Chairperson had served, as the Appointing Authority, without anyone having to bring it to his attention.

2.4 It was also alleged by the workers that the Articles of Association at ZUPCO had been abused so much that some Board Members were serving both as members of Management and the Board. This inevitably led to conflict of interest when it came to approval of projects that the members proposed and wanted funded as management. Invariably the same members approved, as Board Members, the same projects and programmes that they wanted to undertake. A case in point was that of buses procured from China where the Chairperson of the Board even traveled with an engineer to source the ZUPCO buses.

2.5 On the issue of members of management also serving as Board members, the Hon. Minister said that we was fully aware of the issue and supported that position. He said the decision was arrived at when there was nobody within ZUPCO who could fill that position. The then Chief Executive officer Mr. Sakabuya had fallen ill hence the appointment of Mr. Kangausaru, a Board member, to the position of Acting Chief Executive Officer.

2.6 There was also no due regard for the principles of good corporate governance. The same applied to purchases of goods and assets for the company where the same managers sat as Board Members despite the fact that they were serving as Directors in Companies where ZUPCO sourced its goods and services. Elite Car Hire was given as a typical example where a white ISUZU truck was bought for one of the members under circumstances shrouded in mystery. Councillor Ushewokunze was alleged to be one of the interested parties in this Company.

2.7 In evidence before your Committee ZUPCO Board members confirmed that there were huge salary arrears for workers amounting to US\$6,4 million. The Board Members vehemently denied that ZUPCO was in a state of insolvency despite the debilitating debt.

2.8 *Allegations of unfair labour practices were cited where some discriminatory practices took place. Some employees in the same4 grades were pecked at different salary levels within ZUPCO. The explanation given was that there was a new and an old ZUPCO within the same company hence the discrepancies. What riled your Committee even then was that some ZUPCO employees were not being remunerated for their services. At the end of each month they received payslips showing amounts that they were expected to get and the names of their respective Banking Institutions. However, nothing was ever paid into such Accounts. Various deductions were also reflected on the pay slips showing whatever contributions the workers were expected to be making. However, nothing was being paid out at all. ZUPCO was also not paying NSSA contribution yet on the workers payslips it was reflected that contributions were being deducted. Your Committee found such practice extremely unethical and insensitive to the plight of the workers.*

2.9 On the non payment of NSSA contributions, Hon. Minister Chombo said that ZUPCO had a defined pension fund for its employees and this was affected by the dollarization of the economy in 2009. He said that like in most schemes, the contributors were asked to pay shortfalls arising from the non payment due to the liquidity constraints at that time. The arrears amounted to US\$1,7 million and were beyond ZUPCO's financial capability. However, he assured your Committee that the Board of Trustees which comprises employee representatives, executive management and Fidelity Life, were working on the issue so that payments could be made in stanzas.

2.10 The issue of unpaid salaries just like the crippling debt at ZUPCO posed major challenges for the company. ZUPCO employees informed your Committee that instead of the Board members being sympathetic to their plight in the face of such challenges, vocal workers were victimized and arbitrarily retrenched by members of management who also served in the Board. It was extremely difficult to separate management from the Board as these were the same people who made decisions on who should be retrenched.

2.11 During the interviews with workers your Committee observed widespread fears on the faces of some of them when there was mention of relatives of Senior Board members employed by ZUPCO who usually informed them of whatever gossip was said about them.

2.12 Fears engulfed the meeting when the name “Linda” was mentioned and whispers and inaudible murmurs could be heard in the background despite assurances from your Committee that they had Parliamentary protection for whatever they disclosed to the Committee. Ironically, the name ‘Linda’ was that

of a relative to the Chairperson of the ZUPCO Board which she also duly confirmed. Some employees were alleged to have been arbitrarily dismissed resulting in some of them resorting to the courts for recourse e.g the Madraya case. Such incidents of malicious dismissals were quite costly to the company as the law suits exceeded the wage bills.

Some of the assets that could not be accounted for included three bus engines which were said to have been sent to Dahmer for servicing. The three engines were expected to have been serviced at US\$51 000 and these were never returned to ZUPCO.

2.13 On the closure of ZUPCO depots countrywide Hon. Minister Chombo said that the company had faced stiff competition from black entrepreneurship. He said they were taking away the state entity which was left in urban areas only. Initially ZUPCO had depots in all cities during the colonial era. However the situation had changed totally with the advent of commuter omnibuses. Such a situation affected ZUPCO to the extent that it had to close some of its depots. He was apprehensive that the situation would never be the same and that they were encouraging ZUPCO to sell some of their depots because of the stiff competition.

2.14 On the issue of mismanagement the Hon. Minister said that no one had written to him on such issues, except the letters that he received occasionally concerning money issues. He further stated that:

“We have engaged them on monetary issues to say there is no money and it is better to have a company to run than to have nothing”

2.15 On the ZUPCO turnaround strategy Hon. Minister Chombo said that the 3 year strategy that he had been presented to him had seen ZUPCO buying two batches of buses of a 100 each without any Government assistance. ZUPCO was no longer operating in urban routes which were oversubscribed. Instead they were doing long distance routes. He also said that there was need for ZUPCO to go to the rural areas so that people could benefit from cheap and reasonable fares. He urged ZUPCO to buy appropriate buses so that these could be deployed in all districts with the right capacity. There was also need to repair the roads so that bus companies could go out more to the rural areas as they were currently reluctant.

2.16 On the allegations of rampant corruption by the Risk Management Control Department, the Hon. Minister said that as a department responsible for the arrests of people or conductors who are corrupt the department had to be strict for the survival of the company.

2.17 On the Madraya case, the Hon. Minister gave a different version from the one given by the Board of Members of ZUPCO prompting members of the Committee to make observations that the Hon. Minister did not have hands on experience on what was going on within ZUPCO. The Committee wanted to know why ZUPCO had lost huge sums of money to fight a case against Mr Madraya which was based on spurious allegations that he had taken his allocation of fuel without following the procedures of the company.

2.18 ZUPCO 's legal representatives failed to turn up at the court when they realized they were losing the case and subsequently withdrew their challenge after they realized that they were fighting a losing battle. However, the Hon Minister was still insisting that Mr Madraya had stolen the fuel even though he had won the case. The Hon Minister did not seem to have his facts right and he eventually conceded to your Committee by saying that,

“ I will not say what I think but I will go and check simply to make assurances double assured but my principle is that if you stole you stole and in the case of Madraya we will go and check with a view to make amelioration or to get views from both sides.”

In fact the Hon Minister did confirm that he only knew of the Madraya case on the day of the giving of evidence'. He said,

“I only heard of this Madraya today and I now have an interest in him and if it means we are going to appeal we will do that and Madraya might lose the case next time.”

2.19 Your Committee is of the opinion that such money could be better used to recapitalize ZUPCO instead of using it to fight court cases which may ricochet and strike ZUPCO a cruel blow.

4.0 OBSERVATIONS

4.1 Your Committee is extremely concerned at the observations that it made during its conduct of business. The concerns relate to the unbridled mismanagement at ZUPCO which had seen the company floundering in its operations.

4.2 Among other observations non payment of NSSA contributions had led to grave suffering of the retrenched employees as they had nothing to fall back on once out of employment. Some workers had been victimised even after winning their court cases. It was quite shocking to hear the determination and resolve with which the Hon. Minister wanted to appeal against the Madraya Case even after ZUPCO had lost the Court Case. Your Committee does not see the logic of losing over a hundred thousand dollars to fight a case involving some twenty litres of fuel. The company should concentrate its efforts on improving its operational efficiency and management rather than waste its hard earned resources on such trivial matters.

4.3 Your Committee is also concerned at ZUPCO's failure to appoint a substantive Chief Executive Officer who would confidently and willingly make decisions that would lead to meaningful development within the company and improve the plight of the employees.

4.4 Your Committee also noted that the Hon. Minister did not have hands on experience on what was happening at ZUPCO in terms of supervision and control. The Hon. Minister was oblivious that the ZUPCO Board Chairperson had served the Board for more than three consecutive terms. Your Committee is concerned that such length of tenure compromises the principles of good corporate governance.

4.5 It was also disturbing to your Committee to note that ever since the Risk Management Department was established, theft of 7 vehicle starters and other spares had been on the increase.

4.6 It was also noted by your Committee that ZUPCO had, within recent years, high staff turnover particularly at the administrative managers' level where personnel with requisite experience were lost. Some of them had fallen victim to dismissals under unclear circumstances or were sent on leave. These included the likes of Chikowore, Chigwa, Marazane and others.

5.0 Recommendations

5.1 Your Committee is seriously concerned that ZUPCO has failed in its operations and therefore strongly recommends the following:-

a) that the issue of the payment of the workers' salary arrears can no longer be procrastinated. ZUPCO simply has to prioritize the payment of workers before it can even think of settling its debts.

b) that there is urgent need for improved performance by ZUPCO as it is not performing well, contrary to the statements given by the Hon. Minister before the Committee that ZUPCO is performing well.

c) that the ZUPCO Management requires a complete overhaul and its replacement with competent personnel who can meet the aspirations of the entire workforce and also bring about a sound turnaround strategy for the Company.

d) that there is need for adherence to ZUPCO Articles of Association on the renewal of Board Members tenure.

e) that no members within ZUPCO should serve both as members of Management and the Board of Directors at the same time.

f) that ZUPCO should observe corporate governance ethics and principles.

f) that the issue of ZUPCO pay -slips be further investigated by the Anti-Corruption Commission and External Auditors.

g) that there is need for the appointment of a Substantive Chief Executive Officer at ZUPCO as a matter of urgency.

h) that ZUPCO assets sent to Dahmer be returned to the company for purposes of accountability and transparency.

i) that a careful study needs to be conducted to ascertain whether the privatization of ZUPCO could not be a better option in the face of challenges confronting the Company.

6.0 Conclusion

6.1 It is Your Committee's considered view that the recommendations contained therein will go a long way towards addressing the challenges at ZUPCO and are worth adopting and implementing without delay.
