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PARLIAMENT OF ZIMBABWE



**SECOND REPORT OF THE PORTFOLIO COMMITTEE ON
TRANSPORT AND COMMUNICATIONS ON THE
NATIONAL RAILWAYS OF ZIMBABWE'S TURN AROUND
STRATEGY AND THE HARARE CHITUNGWIZA RAILWAY**

Presented to Parliament on 14TH JUNE 2006

[S.C. 19. 2006]

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Committees' Terms of reference

PORTFOLIO COMMITTEES

Ordered in terms of Standing
Order No. 153

(1) At the commencement of every session, there shall be as many select committees to be designed according to government portfolios to examine expenditure, administration and policy of government departments and other matters falling under their jurisdictions as the House may by resolution determine and whose members shall be nominated by the Standing Rules and Orders Committee.

Order No. 153

Such nominations shall take into account the expressed interests, experience or expertise of the members and the political and gender composition of the House.

(2) Each select committee shall be known by the portfolio determined for it by the House.

Terms of Reference of Portfolio Committees

154. Subject to these Standing Orders, a portfolio committee shall-

- a) Consider and deal with all bills and statutory instruments or other matters which are referred to it by or under a resolution of the House or the Speaker;
- b) consider or deal with an appropriation or money bill or any aspect of an appropriation or money bill referred to it by these Standing Order or by or under a resolution of this House; and
- c) monitor, investigate, enquire into and make recommendation relating to any aspect of the legislative programme, budget, rationalization, policy formulation or any other matter it may consider relevant of the government department falling within the category of affairs assigned to it, and may for that purpose consult and liaise with such department;

Tuesday, 19 July 2005

ANNOUNCED: That the Committee consists of the following members:

Mr. L. Mugabe, Mr. L. Chikomba, Mr. G. Chimbaira, Mrs. S. Machirori,
Mr. E. Mdlongwa, Mr. T. Mubhawu, Prof. J. Moyo, Mr. D. .M. Ncube, Mrs. C. Pote, Mr. E.
Porusingazi, Mr. J. Sikhala, Mr. Z. Ziyambi and Mr. M. Zwizwai.

Mr. L. Mugabe to be Chairman

ANNOUNCED:

23 February 2006

Senators:

Senator E. Jacob, Senator F. R. E. Magadu, Senator J. Moyo, Senator R. Ndlovu
and Senator S. Sai

1. EXECUTIVE SUMMARY

The Committee in its oversight role enquired into the activities of the parastatals that fall under the Ministry of Transport and Communications. The Committee looked into the National Railways of Zimbabwe's turn around strategy and its plans for the Harare-Chitungwiza railway that was supposed to ply commuter trains.

The Committee toured the National Railways of Zimbabwe (NRZ) premises in Bulawayo. One of the major findings was that NRZ had diversified its business units with the thrust being to produce most of the products that the organization used in the warehouses rather than importing. Some of the setbacks were that NRZ was being crippled by theft and vandalism of the signaling and the telecommunications infrastructure, and unpaid inter-parastatal debts. Despite the challenges, the organization showed that it was on the path to recovery. Both management and workers indicated a willingness to implement the turn around strategy that was being steered on by the Secretary of Transport and Communications. It is important to note that management and employees have their reservations about the issue of concessioning that was muted by the Minister of Finance, Dr H. Murerwa, in his 2006-2007-budget statement, that the idea might not be suitable for Zimbabwe since it had failed elsewhere. For example, in countries like Britain and Zambia, the railway authority ended up bearing the burden of the costs resulting from the exercise, as private players were not interested in the maintenance and repairing of infrastructure.

On the whole, the Committee was impressed by the sound management and the level of unity displayed at NRZ. The Committee recommends that the government helps NRZ to settle the inter-parastatal debts that have accumulated over the years and facilitate the implementation of projects like the import substitution in the manufacturing and warehousing departments.

In light of the targeted sanctions that have been imposed on the government of Zimbabwe, the Committee recommends that the government should look at other avenues to make available rail infrastructure, as the cost was prohibitive due to the foreign currency required. The Committee also recommends that the government should make available funds in time before their value was eroded by inflation to facilitate proper planning. The Committee was of the view that NRZ should reconsider its plans for the Harare-Chitungwiza railway and offer it to private players on a Build Operate and Transfer (BOT) System, once the restructuring was completed.

1. INTRODUCTION

The Committee had, according to its workplan for the remainder of the session, planned to enquire on the turn around strategies being implemented in the transport and communications sectors. The Committee therefore visited the National Railways of Zimbabwe (NRZ), which had been earmarked for concessioning by the Minister of Finance and Economic Development in his 2006- 2007 budget statement.

2. OBJECTIVES

- a. To assess the progress that has been made in implementing the turn around strategies and the restructuring exercise at National Railways of Zimbabwe (NRZ).
- b. To be appraised on NRZ's plans for the Harare-Chitungwiza railway.

3. METHODOLOGY

- 3.1. The Committee received considerable written and oral evidence from the following; -
 - a) National Railways of Zimbabwe management
 - b) Officials from the Ministry of Transport and Communications
 - c) Zimbabwe Urban Commuter Railway Investment Company (ZURIC)
 - d) National Railways of Zimbabwe Workers Unions

4. FINDINGS

4.1. NATIONAL RAILWAYS OF ZIMBABWE

4.1.1. The Committee visited the National Railways of Zimbabwe Headquarters in Bulawayo on 28th February 2006.

4.2 Tour of the premises

4.2.1. The Committee was shown around the workshops. The Committee was informed that NRZ is now producing its own products as part of import substitution. However, NRZ cannot produce wheels, which they are just coating. The Committee was shown the repair work on the coaches and the commuter trains. NRZ officials pointed out that Zimbabwe railway tracks are in need of replacement as they have a life span of 100 years and those currently in use were put in place in 1897, hence they have outlived their life span. The problem being currently experienced at NRZ is the lack of foreign currency to engage in a maintenance exercise, considering that it costs US\$10 million just to purchase a track 70 meters long from China. The Committee was also taken around the main station in Bulawayo and shown the signaling and telecommunications equipment that are prone to theft and vandalism, which could cause train accidents like the Dete Train Disaster, where a thief changed the train direction in the process of stealing the signaling component. The security of National Railways of Zimbabwe needs to be beefed up.

4.3. Interviews with management

4.3.1. The Committee was informed that railway operations in Zimbabwe started in 1897 with the objective of supporting the growth of the economy, especially the mining sector. However, these have since grown to cater for the various sectors of the economy. The mission statement of NRZ is *to provide a cost effective rail transport service to passengers and freight in support of the national economy with a vision to become the best national railway system in the region by December 2007*. NRZ has the following broad objectives;

- To regain lost market share and command at least 60% market share by December 2006.
- To be the lowest cost service provider in the transport industry by December 2006.
- To realize an operating profit by December 2006

- To achieve a salary to revenue ratio of 38% by December 2006.
- To declare and pay a dividend to the shareholder with effect from 2007.

4.3.2. The Committee was informed by the General Manager, Retired Air Commodore Karakadzai, that the market available to NRZ nationally is about 12 million tonnes, but business available in 2006 is 9 million tonnes. The best performance was in 1985 when 18,03 million tonnes were moved, which compared well as NRZ was designed to carry 18 million tonnes annually.

4.3.3. The Committee was informed that NRZ'S position as at the end of October 2005 was that; it had a salary to revenue ratio of 110%. There was staggered and delayed payment of salaries, failure to pay major creditors and failure to procure adequate fuel, a maintenance backlog, late running of passenger trains and the organization was charging sub-optimal tariffs.

4.3.4. The Committee was informed by management that the key challenges facing the organization are the shortage of foreign currency, expensive maintenance of infrastructure and equipment, theft, vandalism, fuel, social service obligations and a declining capacity. NRZ is experiencing technical and professional brain drain and has an outdated Information Technology (IT) system and the track and signalling infrastructure are in a poor state. The electrified section, that covers Harare-Bulawayo, is overdue for maintenance. Financially, the organization has problems with cash flow, funding and is burdened by unsettled inter-parastatal debts.

4.3.5. The Committee was informed that NRZ has taken the following measures to address the decline; recapitalization, PLARP funding, turnaround strategy and restructuring. They are implementing a new job evaluation system. NRZ was also looking forward to reintroducing the Bulawayo - Francistown passenger train. The Committee was also informed that currently NRZ has boosted the commuter train facilities, purchased rail materials from China and is anticipating introducing alternative methods of running trains that are cost effective.

4.3.6. The Committee also noted the parastatal's achievements since October 2005. Revenue generation and collection has improved. There is a reduction of salary to revenue from 110% to 62 % - which means that salaries were paid on time in January and February 2006. Timely payment of salaries also matched the implementation of payment plans for major creditors and a reduction in passenger train delays. NRZ also has a facility for importation of supplementary fuel

and implementation of maintenance programs to repair and recover rolling stock and infrastructure.

4.3.7. The Committee was informed that NRZ officials require assistance in ensuring that the provisions of the Railways Act of 1997 are implemented in terms of funding for infrastructure and social services by the state. NRZ officials urged Parliamentarians to support the enactment of tougher laws against theft and vandalism of railway property to be presented by the Minister of Transport and Communications before Parliament.

4.3.8. On the way forward, the Committee was satisfied on the progress being made in implementing the approved turnaround strategy, efficient resource utilisation, repairing and recovering equipment. National Railways of Zimbabwe wants to review tariffs, so that they are in line with changes in costs, to review rentals for real estate and operating procedures (Flex – Link). In addition, NRZ is considering the prioritisation of traffic, import substitution, and considering the potential of forming strategic partnerships and sourcing fuel from other sources.

4.4. Employees' welfare

4.4.1. The Committee learnt that the workers unions, management and the ministry are one team in implementing the restructuring exercise. However, the workers are not happy and want clarification and more details on the issue of privatisation and concessioning as mentioned by the Minister of Finance in his 2006-2007-budget statement. They required to be informed the implications of the processes as regards their job security.

4.4.2. The Committee was informed that Zambia and Britain once concessioned to private organisations. The private players only used the tracks when it was profitable and abandoned the whole exercise because they did not want to repair the rail infrastructure that had deteriorated. Privatisation would require strict monitoring of the new players to insure that there is no resultant damage to rail infrastructure and that government would not be burdened by maintenance costs that in essence should be borne by the former.

4.4.2. The Committee questioned why NRZ officials are staying in hotels when the organization has guesthouses, which were being let out to a certain minister. The response from

the General Manager was that he has taken note of the issue and communicated with the Minister of Transport and Communications and they are in the process of addressing the issue.

4.5. Harare-Chitungwiza railway

4.5.1. The Committee deliberated on the proposals by the Zimbabwe Urban Commuter Railway Investment Company (ZURIC), a consortium that has proposed to undertake the Harare-Chitungwiza railway project.

4.5.2. The Committee resolved that after the restructuring exercise, the Ministry of Transport and Communications should hand over the project to private players who are able to finance the project on a Build Operate and Transfer (BOT) System.

5. COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS

5.1. In light of the targeted sanctions that have been imposed on the government of Zimbabwe, the Committee recommends that the government look at other avenues to make available rail infrastructure, as the cost is prohibitive due to the foreign currency required.

5.2. The Committee recommends that the Harare-Chitungwiza commuter train system should be awarded to private players in the form of Build Operate and Transfer (BOT) System and the Ministry of Transport and Communications should seriously reconsider the applications that have been made by consortiums to undertake this project.

5.3. The Committee also recommends that the government should make available funds in time before their value is eroded by inflation, to facilitate proper planning and implementation of projects by parastatals.

6. CONCLUSION

6.1. The Committee observed the essential role and contributions that parastatals in the Transport sector play in the economy of Zimbabwe. Transport is the vital cog in the Agrarian reform and the manufacturing industry. One cannot underestimate the role of the National Railways of Zimbabwe. It is imperative that the government directs and supports the turn around

initiatives at NRZ and compliments the effort by management to restore productivity and profitability, given the zeal of both management and workers to rally behind this cause.