

# Officials to meet over Transnet tenders

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The Department of Trade and Industry has called for a meeting of top government officials after almost a year of tireless lobbying by specialised spring manufacturer Springmaster over the role state-owned Transnet Engineering (TE) has been playing in the rail engineering sector.



The meeting comes as tenders worth about R86bn are being adjudicated. The government wants to use its vast rail budget to spark a rail renaissance.

But many businesses are concerned about their future and the increasingly aggressive role TE is playing as a partner and competitor in train and component manufacturing. TE assembles locomotives and wagons mainly for Transnet Freight Rail.

Springmaster's managing director Adrian da Costa has spent the past 18 months writing letters complaining about Transnet's behaviour, specifically after his firm started to lose work supplying springs to TE. Da Costa took the matter to the Competition Commission last year and asked it to investigate TE's behaviour, which he alleged was anti-competitive.

The Competition Commission did not agree with Da Costa but said the Department of Public Enterprises was interested in his allegations that TE was selling springs that it was buying from Springmaster to other TE factories at prices which were inflated - in some instances by as much as 250%.

## Lobbying government officials

Since then, Da Costa has repeatedly written to the Departments of Trade and Industry and Public Enterprises, the Treasury and the Standing Committee on Public Accounts outlining his company's plight. The capacity he invested to meet the anticipated increase in demand - after he attended a briefing by the Department of Public Enterprises on how the private sector needed to ready itself for the state's rail investment programme - was now idle, he said, and 23 employees had been laid off.

Da Costa said tenders from TE had been cut or withdrawn. He is also concerned that TE is investing about R180m to install robotic equipment in its spring factory, which he fears will put him out of business.

Until recently, Da Costa had not received any responses to his concerns about being able to continue to supply TE and its

continued growth as a competitor. TE produces springs that are different from those manufactured by Springmaster.

But TE's chief executive Richard Vallihu said last week that Springmaster's business had grown and benefited from the growth of TE. He also pointed out that the Competition Commission had not found evidence to support Da Costa's belief that TE was behaving anti-competitively.

"I want to allay fears and not go on the defensive; one or two suppliers are thinking this way but thousands more are satisfied," Vallihu said. "When the Department of Public Enterprises comes out with its strategy document stating how TE will be the industry champion and its future role, it will become very clear that we are here to build the industry and not wantonly destroy businesses."

Last week, the Department of Trade and Industry acknowledged Springmaster's relentless campaign to bring its plight to the attention of the government in an e-mail to Da Costa in which it outlined plans for a meeting between private sector rail industry representatives with top officials from the Departments of Trade and Industry and Public Enterprises and TE. Among the issues to be discussed are the policy principles for TE and the state's plans for boosting industrialisation.

Source: Business Day via I-Net Bridge

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