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TO:

ALL EXECUTIVE COUNCIL MEMBERS AND TRADE UNION REPRESENTATIVES

STRATEGIC LEADERSHIP FORUM (SLF)

The above meeting was held on 20 March 2017 at the Transnet Bargaining Council (TBC) and the following matter was discussed. Management at this meeting clearly indicated that this is a consultation process and not a matter for negotiations.

1. VOLUNTARY PACKAGE

Introduction:

The global economic growth outlook has weakened in recent months, led by a sharp slowdown in developing countries.

The outlook for the South African economy has also deteriorated and Transnet is severely impacted as a result of the challenging economic conditions with a poor forecast of improvement any time soon. To ensure the long-term sustainability of the business, Transnet is currently considering several options to address the low levels of activity and the impact of the economic downturn.

As an option to reduce labour cost, Transnet has offered a Voluntary Severance Package (VSP) to Management (Grade Levels A – F) from 23 February 2017 to 10 March 2017.

During the period that the VSP offer was open for managers, Transnet received numerous queries from bargaining unit employees who were interested in applying for a VSP

Proposal:

The terms of the current Wage Agreement (2015-2018) states as follows:

- “There will be **no forced** retrenchments in Transnet during the currency of this agreement. Transnet is entitled to **offer voluntary retrenchment and voluntary early retirement packages** to employees should it deem it necessary to do so due to its operational requirements. Transnet may also terminate the services of any employee, without payment of a severance package, if the employee unreasonably refuses to accept a reasonable offer of alternative employment with Transnet.”
- Transnet now wants to extend the VSP offer to Bargaining Unit employees and aims to open the VSP process from 20 March until 07 April 2017.

Salient Principles for the VSP Offer:

The voluntary severance package (VSP) process is completely **voluntary**.

- The approval of any voluntary severance package will be considered in line with business and operational requirements.
- Transnet has the right to refuse an application for a voluntary severance package (VSP).
- All permanent bargaining unit employees are eligible to apply, **except**:
- Employees who will be 60 years of age and older on the 31st March 2017;
- Employees who are currently placed on precautionary suspension and/or facing disciplinary action.
- Years of service will be calculated based on the date of permanent employment.
- Employees who opt to take a VSP will **not be re-employed**, either permanently or on a fixed term contract, for a period of seven (7) years following the date of exit.

How will the VSP Offer be calculated:

- The VSP value will be calculated on the annual cost to company (level G) and annual pensionable salary (grade levels H to L) as at 31 March 2017, summarised as follows:
- Bargaining unit employees with more than ten (10) years of completed service will receive one (1) year's salary as a severance package;
- Bargaining unit employees with less than ten (10) years of completed service, will receive a package that is a pro-rated value of their annual salary;
- Bargaining unit employees who opt to take a VSP, will be eligible for the negotiated salary increase for the month of April 2017;
- If any Short-Term Incentive is payable for the 2016/17 financial year, bargaining unit employees will qualify for a payment as per the Ground Rules of the Scheme (*if it becomes payable in June*); and
- Retirement / pension benefits will be paid out according to the rules of the respective funds.

Cost Saving Initiatives:

In the event that the VSP does not render the expected uptake, Transnet will embark on additional labour cost saving initiatives inclusive of:

- Implement a partial moratorium on the filling of vacancies related to support functions and non-critical positions;
- Manage the head count numbers through natural attrition;
- Limit promotions and reduce related personnel costs;

- Reduce non-core training cost, as well as the related travelling and accommodation costs;
- Review levels of work in the management structure and create career paths for managers and specialists with a reduction in the number of managers; and
- Scheduled overtime hours reduced through aligned shift patterns and manage ad-hoc overtime in line with operational demands.

Support Services, Enterprise Development and Timelines:

- Employees, who are interested to apply in a VSP, can obtain financial advice from the Transnet service provider ICAS. The number to contact is 0800 000 408.
- In addition, Transnet will provide support services to employees who have successfully applied for a voluntary severance package. These services are summarised as follows:
 - One mandatory session on financial counseling; and
 - One mandatory session on the psychological impact of taking a voluntary severance package, transition and professional career advice.
- These services must be utilised prior to the actual date of exit.
- Transnet will implement a social plan which includes opportunities for enterprise development to assist employees who opt to take a voluntary severance package.
- It is planned that all employees who successfully apply for a voluntary severance package, will exit the organisation by 30 April 2017.

Application Process:

- All eligible bargaining unit employees will receive a personalised statement with their severance package benefit value.
- This statement can be obtained from 20 March 2017 and will include all the relevant process information;
- The Human Resources Office closest to where the employee is based
 - e.g. if you are a TFR employee and only TE has an HR Office in your area, you will be able to obtain your statement from the TE HR Office and they will assist you with the process; or
- Employee Self Service (ESS) option on SAP by 20 March 2017.
- If an employee wants to apply, the following steps must be followed:
 - Click the YES button;
 - Print the application;
 - Complete and sign the form; and
 - Submit to the e-mail address VSP@transnet.net
- The Executive Management team of the relevant department will make a recommendation to support or not to support the VSP application.

VSP Application Process



VSP Retraction Process



Labour raised the following points: -

1. *The amount of Bargaining Unit Employees* affected across Transnet for this exercise – Management responded in that they need to reduce their salary bill by four billion rand of which the higher portion must in the management cadre and the lower in the bargaining unit cadre.
2. *Exclusion of employees* that are suspended or facing disciplinary action – Management responded in that these employees can apply, but Management will make the final decision if they grant these said employees the Voluntary Severance Package (VSP).
3. *Exclusion of employees* will be sixty (60) years of age and older on 31 March 2017 – Management responded in that they will consider applications by these employees for early retirement.
4. *Recall of employees* that have taken the VSP's – Management responded in that if and when the economic situation of the company improves, that these employees will be given the first right of acceptance or refusals for acceptance in the company.
5. *Contract Workers* – Management responded in that these contract employees are employed for specific projects and that this process is purely a voluntary process for full time employees.
6. *Training of employees for enterprise development and will Transnet pay for the training costs-* Management responded in that they will pay for the costs and they will inform Labour of the final figure of the cost they will pay.


7. *VSP Time Frame- (23 March 2017 – 7 April 2017)* – Management indicated that they will discuss the extension of the application time frame with their mandate givers and revert back to Labour.

8. *Prorated Value of the Annual Salary* for those employees with less than ten (10) years completed service is calculated as follows: -
 - 10% of annual salary per year – i.e. a person with nine (9) years' service will receive 90% of their yearly package as the VSP.

Management will be distribution formal correspondence to all employees of Transnet on Wednesday, 23 March 2017.

For further information, please do not hesitate to contact the author hereunder.

UNTU Greetings,



EW de Klerk
O. b. o SA Harris
GENERAL SECRETARY