Presentation to the Portfolio Committee on Public Enterprises
Infrastructure Programme: Progress and Impact

28 May 2013
Introduction: Summary of the Transnet Corporate Plan over the next seven years

- **R300bn** capital investment programme over 7 years
- Expanding **rail, port and pipeline infrastructure**
- **Increase** in capacity to meet market demand
- **Growing** volumes and improving market share
- Continued **financial stability** and strength
- Significant **productivity and operational efficiency** improvements
- Enabling **regional integration**
- **Shift from road to rail** – reducing the cost of doing business and carbon emissions
- Enabling **economic growth**
- Promoting **safety, job creation**, skills development, **localisation**, empowerment and transformation opportunities
- Promoting **sustainable growth**
- Creating **regulatory certainty**
- Driving **research** and deployment of new **cutting edge technologies**
Procurement of 1064 locomotives for GFB

- Tender process currently underway
- GFB capacity increase from 80mt to 170mt

Countercyclical approach to funding capital

- Financial performance of Transnet creates opportunities for funding during tough economic cycles
- Stimulates the economy
- Creates capacity ahead of demand to enable volume uptake during upswing

Board sub-committees

- BADC oversees capital acquisitions and execution
- Meets monthly to address the above
- Consist of 4 non-executive and two executive directors

Next generation supplier initiatives

- Targeting of specific procurement events
- Focus on strategic, programmatic and SMD
- Objective is to promote industrialisation, technology transfer and sustainability
- Already implemented at Transnet
Performance

• Prior year spending over the same period was R14.4bn representing a 32% increase.

Divisions which have under spent against the approved budget:

• **Pipelines**: R1 442m (44%). The change in delivery agent from AWP to TCP resulted in a revised budget and spending pattern. The risk relating to the underspend is unlikely to be mitigated by year end.
• **Freight Rail**: R1 042m (8%). The wagon build and wagon fleet upgrades are behind schedule.
• **Ports Authority**: R618m (35%). Tug purchases are behind schedule. First milestone payment expected in February 2013.
• **Port Terminals**: R263m (19%)

Forecast against Approved Budget

• The total latest estimates (R29.7bn) is below the approved budget (R31.2bn), however the latest estimate represents an increase of 33% compared to the 2011/12 capital investment of R27.6bn.

<table>
<thead>
<tr>
<th>Spending on key projects</th>
<th>Cumulative December 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project</td>
<td>Budget</td>
</tr>
<tr>
<td>Capitalisation of infrastructure maintenance</td>
<td>1 722</td>
</tr>
<tr>
<td>Capitalisation of locomotive maintenance</td>
<td>1 390</td>
</tr>
<tr>
<td>Capitalisation of wagon maintenance</td>
<td>1 080</td>
</tr>
<tr>
<td>Expansion of the coal line to 81mtpa</td>
<td>846</td>
</tr>
<tr>
<td>ORE: Acquisition of Locos &amp; power station upgrades</td>
<td>772</td>
</tr>
<tr>
<td>GFB: Acquisition of 100 new diesel electric locomotives</td>
<td>747</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Spending key projects</th>
<th>Cumulative December 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project</td>
<td>Budget</td>
</tr>
<tr>
<td>Cape Town Container expansion project</td>
<td>251</td>
</tr>
<tr>
<td>Reconstruction of Sheet-Pile Quay Walls at Maydon Wharf</td>
<td>99</td>
</tr>
<tr>
<td>TPT container handling equipment for DCT MW and Point</td>
<td>679</td>
</tr>
<tr>
<td>New Multi Product Pipeline (NMPP)</td>
<td>3 047</td>
</tr>
</tbody>
</table>
## Locomotive Acquisition Programme

### Locomotives in Production

<table>
<thead>
<tr>
<th>Project</th>
<th>110 Class 19E Locomotives</th>
<th>100 Class 43 Diesel Locomotives</th>
<th>32 Class 15E Locomotives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Service and Commodities</strong></td>
<td>Export Coal: Coal</td>
<td>GFB: Steel, domestic coal, magnetite and cement</td>
<td>Export Iron Ore: Iron Ore</td>
</tr>
<tr>
<td><strong>Deliveries</strong></td>
<td>All 110 delivered and accepted into operations</td>
<td>All 100 delivered with 95 accepted into operations</td>
<td>8 Delivered and undergoing testing</td>
</tr>
</tbody>
</table>
| **Report**                   | • The performance of the locomotive fleet on the Coal Line has improved drastically since the introduction of the Class 19E locomotives.  
• The locomotives have regenerative capability (credit electricity back into the power grid) resulting in more efficient electricity utilisation. | • The locomotives are deployed in the Palaborwa region | • Challenges were experienced at the manufacturers plant due to industrial action and rail theft.  
• Recovery plan is in place and full recovery is expected by December 2013. |
| **Localisation and CSDP**    | Contract value: R3300m  
Committed SD obligation: R1287m (39%)  
Actual spend: R 1287m (100% of commitment) | Contract value: R2300m  
Committed SD obligation: R1246m (54%)  
Actual spend: R952m (76% of commitment- contract in progress) | Contract value: R1312m  
Committed SD obligation: R1524m (40%)  
Actual spend: R241m (46% of commitment- contract in progress) |

### Locomotives in Pre-production

<table>
<thead>
<tr>
<th>Project</th>
<th>43 Class 43 Diesel Locomotives</th>
<th>95 Class 19E Equivalent Locomotives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Service</strong></td>
<td>General Freight Business</td>
<td>General Freight Business</td>
</tr>
<tr>
<td><strong>Report</strong></td>
<td>The contract was awarded in December 2011 and production will commence on the same line as the 100 Class 43 locomotives. Delivery of 20 locomotives is expected in 2012/13 and the remaining 23 locomotives is expected in 2013/14.</td>
<td>The contract for the construction of the 95 electric locomotives was awarded to China South Rail in October 2012. Delivery is expected to commence in 2013 with completion planned for Q4 of 2014.</td>
</tr>
</tbody>
</table>
| **Localisation and CSDP**    | Contract value: R968m  
Committed SD obligation: R631m (65%)  
Actual spend: R26m (4% of commitment- contract only recently awarded) | SD and localisation targets are currently being finalised |
## Wagon Build Programme

<table>
<thead>
<tr>
<th>Type</th>
<th>Jumbo wagons</th>
<th>CR17 wagons</th>
<th>Flat bed wagons</th>
<th>Automotive wagons</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Service and Commodities</strong></td>
<td>Export Coal</td>
<td>Manganese</td>
<td>Containers</td>
<td>Vehicles</td>
</tr>
<tr>
<td><strong>Quantity</strong></td>
<td>1 236</td>
<td>1 080</td>
<td>2 432</td>
<td>350</td>
</tr>
<tr>
<td><strong>Specification</strong></td>
<td>80t</td>
<td>60t</td>
<td>60t</td>
<td>Vehicle units</td>
</tr>
<tr>
<td><strong>Special Features</strong></td>
<td>Jumbo wagons built specifically for the Export Coal Line</td>
<td>These are multi-purpose wagons and can be used to service other mineral commodities such as cement, klinker, chrome and magnetite</td>
<td>These wagons are servicing the container sector as well as containerisation of mineral products such as coal for Eskom and manganese.</td>
<td>Double deck automotive wagons are currently on the build programme to service the automotive manufacturing sector (Toyota, Ford, BMW, VW and GM). These are new generation wagons equipped with hydraulically operated flexi decks which allow for multiple profile vehicle loading.</td>
</tr>
</tbody>
</table>
## Container Portfolio

<table>
<thead>
<tr>
<th>Project</th>
<th>Budget Dec 2012</th>
<th>Actual spending Dec 2012</th>
<th>Major achievements/comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reengineering of Durban Container Terminal</td>
<td>63</td>
<td>44</td>
<td>• Project is almost complete with minor items remaining.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Commissioning of the re-fuelling facility is in progress.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• 717 000 lost time injury free hours achieved.</td>
</tr>
<tr>
<td>Acquisition of former Durban International Airport site</td>
<td>1 850</td>
<td>1 850</td>
<td>• Acquisition of 637 hectares of land for future port development needs from ACSA.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• The project entails acquisition of the land in order to develop a deep-water container port, with an annual capacity of 9.6 million TEUs to be provided in four phases.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• The DIA site is to be developed into a dig out port to address demand requirements in the container, liquid bulk and automotive sectors up to 2040.</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>• Various funding models and the execution strategy for the development are currently being explored.</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>• Process to acquire associated land parcels adjacent to the DIA site has commenced.</td>
</tr>
<tr>
<td>Acquisition of 7 tandem-lift ship-to-shore cranes</td>
<td>679</td>
<td>455</td>
<td>• 3 cranes were delivered in November 2012</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>• Shipping of cranes delayed due to delay in crane rail installation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Remaining 4 cranes expected in January 2013</td>
</tr>
<tr>
<td>Ngqura Container Terminal</td>
<td>179</td>
<td>167</td>
<td>• The Ngqura Container Terminal paving was completed on time in December 2012.</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>• Quay wall length is now 1310m and able to accommodate 3 large or 4 container feeder vessels.</td>
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<tr>
<td></td>
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<td></td>
<td>• Plans for new building based on Green Building concept for efficient energy management will be presented for approval before the detail design phase commences.</td>
</tr>
<tr>
<td>Cape Town Container expansion</td>
<td>251</td>
<td>202</td>
<td>• Project nearing completion with only 10m of quay wall remaining for construction.</td>
</tr>
<tr>
<td></td>
<td></td>
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<td>• Savings are anticipated on the project</td>
</tr>
</tbody>
</table>
## Heavy Haul Export lines

<table>
<thead>
<tr>
<th>Project</th>
<th>Budget Dec 2012 R million</th>
<th>Actual spending Dec 2012 R million</th>
<th>Major achievements/comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iron ore line expansion to 60,0mt</td>
<td>772</td>
<td>585</td>
<td>• All baseline scope required to increase port capacity to 60,0mt has effectively been completed.</td>
</tr>
<tr>
<td></td>
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<td>• The acquisition of 32 locomotives for the Ore Line was impacted by a three week strike experienced at a supplier’s operations in March 2012.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• There was also an incident of stolen rail at the same supplier in November 2012.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• The Company has formulated a catch up plan which is to working closely with all suppliers involved to fast track the project.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Despite the challenges experienced in executing the project all available product from customers was delivered to the port for export.</td>
</tr>
<tr>
<td>Coal line expansion to 81,0mt</td>
<td>846</td>
<td>741</td>
<td>• The expansion of the Coal Line to 81mtpa was approved at the end of the first quarter of the 2012/13 financial year, this impacted the budgeted schedule progress and capital investment.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Delays in sourcing rail material have also contributed to the back-log.</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>• Transnet Freight Rail is engaging Eskom to ensure that the electrical supply between Ermelo and Richards Bay is completed as planned to recover the back-log.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Attained second place in the Construction Engineers of South Africa awards for the construction of the Brakspruit Bridge. These awards are made for innovation, quality, outstanding workmanship and professionalism.</td>
</tr>
<tr>
<td>Project</td>
<td>Budget Dec 2012 R million</td>
<td>Actual spending Dec 2012 R million</td>
<td>Major achievements/comments</td>
</tr>
<tr>
<td>---------------------------------</td>
<td>---------------------------</td>
<td>-----------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| New Multi-Product Pipeline      | 3 047                     | 1 633                             | • Transnet Capital Projects (‘TCP’) replaced the delivery agent on the project in January 2012 and amended the delivery strategy of the project.  
• Terminal 1  
  This sub-project is 34% complete overall. The engineering has progressed according to plan for the 13 priority engineering packages.  
  On average about 900 people are involved on site. TM1 achieved 2.2 million Lost Time Injury (‘LTI’) free hours.  
  There is a high degree of hydrocarbon contamination of underground material. Contaminated material is being removed and placed on approved disposal sites. Negotiations are underway with stakeholders regarding an increase to the dewatering discharge volumes.  
• Terminal 2  
  Terminal 2 was 63% complete. The project schedule is extending to April 2013.  
  Changes emanating from the hazardous operation have been assessed and the effect on the schedule is being incorporated into the overall schedule by the NMPP Steering Committee. The focus is on releasing the full manufacturing isometric drawings issued for fabrication (IFF) to a fabricator.  
  The enlargement of petrol tanks embankment and the backfill of spill basin and Fire House Pump slabs are in progress. |
Capital Execution Achievements to December 2012

Capacity Creation

Ore Line
• Longitudinal rails stress management system
• Ultrasonic broken rail detection system
• 60mt capacity available

Yard Safety
• Beaconsfield, Ermelo and Bayhead completed
• 14 sites remaining

Mn Expansion to 5.5mt
• Crossing loops extended to accommodate 1200m trains
• Kimberly to De Aar line doubled
• Hotazel yard reconfigured to handle more trains

DHEW
• Sand bypass system to replenish Durban beaches
• Excellence in engineering design and civil works
• Innovation technologies through control systems and ‘green’ tech

CTCT
• Reuse of crushed concrete from paving works
• Use of ‘deck and pile’ method to stabilise quay walls

TRANSPORT
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Introduction

Capital Investment YTD Dec 2012

Impact of Capital Investment Plan

Historical Capital Investment

Corporate Plan 2013/14

Capital Execution to Deliver the Market Demand Strategy

Private Sector Participation
Approximately 71 000 jobs will have been sustained in 2013/14 and a total of 199 721 jobs (economy-wide) will have been created and/or maintained as a result of Transnet’s capital investment programme during the 2016/17 peak investment cycle.
The capital investment to December 2012 has resulted in 20,855 indirect jobs being created/sustained over the period.

In addition to the above, Transnet has employed 5,077 people in the Year to date December 2012.

The gender and racial profile of the employed staff is detailed in the charts below.

**Skills development and capacity building**

<table>
<thead>
<tr>
<th>Skills development and capacity building</th>
<th>Actual Dec 2012</th>
<th>Target March 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineering trainees (number of learners)</td>
<td>122</td>
<td>120</td>
</tr>
<tr>
<td>Technician trainees (number of learners)</td>
<td>315</td>
<td>300</td>
</tr>
<tr>
<td>Artisan trainees (number of learners)</td>
<td>925</td>
<td>500</td>
</tr>
<tr>
<td>Sector specific trainees (number of learners)</td>
<td>1,709</td>
<td>1,800</td>
</tr>
</tbody>
</table>
## Human capital: Forward looking

### Planned permanent and contract headcount

<table>
<thead>
<tr>
<th>Year</th>
<th>Contractors</th>
<th>Permanent</th>
<th>Transnet</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012/13 LE</td>
<td>67 027</td>
<td>71 184</td>
<td></td>
</tr>
<tr>
<td>2013/14</td>
<td>8 907</td>
<td>8 728</td>
<td>+4 157</td>
</tr>
<tr>
<td>2014/15</td>
<td>58 120</td>
<td>62 456</td>
<td></td>
</tr>
<tr>
<td>2015/16</td>
<td>67 027</td>
<td>71 184</td>
<td></td>
</tr>
<tr>
<td>2016/17</td>
<td>8 907</td>
<td>8 728</td>
<td>+4 157</td>
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<tr>
<td>2017/18</td>
<td>58 120</td>
<td>62 456</td>
<td></td>
</tr>
<tr>
<td>2018/19</td>
<td>67 027</td>
<td>71 184</td>
<td></td>
</tr>
</tbody>
</table>

*Subject to the Strategic workforce planning process*

### Planned intakes per annum (*skills required*)

<table>
<thead>
<tr>
<th>Year</th>
<th>Engineering Degree</th>
<th>Technical Diploma</th>
<th>Artisan</th>
<th>Protection Officers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012/13*</td>
<td>300</td>
<td>1 401</td>
<td>1 347</td>
<td>1 282</td>
</tr>
<tr>
<td>2013/14*</td>
<td>500</td>
<td>1 401</td>
<td>1 347</td>
<td>1 282</td>
</tr>
<tr>
<td>2014/15*</td>
<td>605</td>
<td>1 282</td>
<td>1 171</td>
<td>1 105</td>
</tr>
<tr>
<td>2015/16*</td>
<td>666</td>
<td>1 282</td>
<td>1 171</td>
<td>1 105</td>
</tr>
<tr>
<td>2016/17*</td>
<td>732</td>
<td>1 282</td>
<td>1 171</td>
<td>1 105</td>
</tr>
<tr>
<td>2017/18*</td>
<td>805</td>
<td>1 282</td>
<td>1 171</td>
<td>1 105</td>
</tr>
<tr>
<td>2018/19*</td>
<td>886</td>
<td>1 282</td>
<td>1 171</td>
<td>1 105</td>
</tr>
</tbody>
</table>

### Training Costs (R million)

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<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>842</td>
<td>1 133</td>
<td>1 089</td>
<td>1 181</td>
<td>1 282</td>
<td>1 347</td>
<td>1 401</td>
</tr>
</tbody>
</table>

### Training costs as a % of personnel costs

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>%</td>
<td>4.2%</td>
<td>5.0%</td>
<td>4.4%</td>
<td>4.3%</td>
<td>4.2%</td>
<td>4.2%</td>
<td>4.0%</td>
</tr>
</tbody>
</table>

### Strategic Focus Areas:

- Transnet will continue to invest significant resources in the recruitment, development, deployment and retention of key operational, technical and managerial skills to facilitate growth, while balancing interventions with cost containment.
- In addition to key human capital initiatives, the human capital strategy in support of the MDS will have a specific focus on job creation and skills development.
Historical Capital Investment: BBBEE and CSDP

Total Spend over past 7 years R136.6bn

Recognised TOTAL^ BBBEE spending (Rbn)*

Recognised BBBEE % spending against TOTAL measurable procurement spending

CSDP and Localisation

<table>
<thead>
<tr>
<th>50 EMD</th>
<th>Contract value: R481m</th>
</tr>
</thead>
<tbody>
<tr>
<td>locomotives for GFB</td>
<td>Committed SD obligation: R322m (67%)</td>
</tr>
<tr>
<td>Actual spend: R322m (100% of commitment –contract completed)</td>
<td></td>
</tr>
</tbody>
</table>

| 44 Class 15E | Contract value: R1980m |
| locomotives for the Ore Line | Committed SD obligation: R772m (39%) |
| Actual spend: R772m (100% of commitment –contract completed) |

^ TOTAL includes operating and capital investing measurable procurement spend
*Total measured procurement spend (TMPS): March 2012 – R 32.2bn
March 2013 – R 37.97bn

BBBEE spend

TMPS from 2007 to 2013 (R billion)

49,3

114,5

163,8
**Historical Capital Investment**

**New Multi-Product Pipeline**
- 3X 16inch pipelines in northern network completed
- 24 inch trunk line completed
- Engineering feats include horizontal directional drilling
- Environmentally first class execution of the project through some of the most ecologically sensitive areas such as the wetlands south of Gauteng.

**PE Manganese Terminal Refurbishment:**
- Terminal capacity expanded to 4.8mt

**Construction of the Port of Ngqura**
- 5 berth deepwater port
- Technologically advanced
- International Ship and Port Security (ISPS) accredited

**Export Iron Ore Line:**
- Expanded in 3 phases from 29mt to 41mt then 47mt and now 60mt
- Longest train in the world operating on the Ore Line 342 wagons 4km long

**Refurbishment of Agriport bulk terminal**
- 80 000 tons of agricultural product capacity created
- Terminal discharge rate increased from 600t/hr to 1200 to 1500t/hr

**Ngqura Container Terminal**
- 4 berth container terminal
- First phase capacity for 2 berths of 700 000TEUs

**Durban Harbour entrance channel:**
- Widened to 225m and deepened to -16.5m CD
- Port can now accommodate size of new generation container vessels 9200 TEU

**Cape Town Container Expansion**
- Berths extended seaward and deepened to -16.5m CD
- ‘Deck and pile’ solution developed to address quay wall stability risks
- Capacity increase from 600000 TEUS to 900000 TEUS

**44 locomotives for the Ore Line**
- 454kN of tractive effort
- Electrical regenerative capability

**4 tugs for Durban and Richards Bay**
- Tug towing capacity of 60t bollard pull

**Ngqura Container Terminal**
- 4 berth container terminal
- First phase capacity for 2 berths of 700 000TEUs

**Refurbishment of Agriport bulk terminal**
- 80 000 tons of agricultural product capacity created
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**New Multi-Product Pipeline**
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- 24 inch trunk line completed
- Engineering feats include horizontal directional drilling
- Environmentally first class execution of the project through some of the most ecologically sensitive areas such as the wetlands south of Gauteng.
Historical Capital Investment: Major project completed

**Phelopepa II Health Train**
- 18 Coach health train of only 2 in the world, Transnet also owns the Phelopepa I
- Trains offers optometry, dentistry, pharmacy and psychological medical care
- Screening for cancer, diabetes and oral & health education
- 40 students trained each year in various medical disciplines

**Durban Point Car Terminal**
- 3,300 parking bays resulting in 92,000 more vehicle handling capacity

**Bulk liquid berth at the Port of Richards Bay**
- 300m in length and -14mCD in depth
- 1,25mt of capacity created

**Construction of Khangela Bridge**
- 4 lane bridge linking Bayhead Road to gain easy access to the N3 Highway to Gauteng
- Alleviates traffic congestion in the Durban South precinct

**Trailing Suction Hopper Dredger**
- 4,200 cubic metres of hopper capacity, manned by 24 crew, with a top speed of 12 knots
- Can load larger loads of silt and clay which is difficult dredging material
- 2.3m cubic metres of dredging capacity created

**Coal Line expansion beyond 67mt**
- Numerous interventions aimed at standardising rolling stock fleet and electrical upgrades, formation repairs and yard upgrades and reconfiguration

**Additional coal berth at the Port Richards Bay**
- 10mt of capacity created for export coal on the port side

**Pier 1 Container Terminal in Durban**
- Conversion of Pier 1 into a dedicated container terminal with 770,000 TEUs being created

**50 EMD GFB locomotives**
- 240kN at 26km/h of tractive effort
- Deployed in Palaborwa region hauling magnetite, rock phosphate and iron oxide

**Bulk liquid berth at the Port of Richards Bay**
- 300m in length and -14mCD in depth
- 1,25mt of capacity created
Transnet socio-economic impact from CAPEX over the past seven years.

- In the past seven years Transnet is estimated to have contributed a total of R97.3 billion to the South African GDP through capital investments.
- In the same period the intermediate and direct imports as a result of capital investments is estimated to equal R55.2 billion.
- Transnet sustained (including new jobs) approximately 63,500 economy-wide jobs on average per year for the past seven years.
Capital investment plan

Change in 7-year capital investment plan by Operating Division

<table>
<thead>
<tr>
<th>R billion</th>
<th>2013/14 CP</th>
<th>TFR</th>
<th>TE</th>
<th>TNPA</th>
<th>TPT</th>
<th>TPL</th>
<th>TCC</th>
<th>Other</th>
<th>2012/13 CP</th>
</tr>
</thead>
<tbody>
<tr>
<td>307,5</td>
<td>1,8</td>
<td>0,7</td>
<td>0,4</td>
<td>300,1</td>
<td>1,5</td>
<td>6,7</td>
<td>10,7</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Change in 7-year capital investment plan by project

<table>
<thead>
<tr>
<th>R billion</th>
<th>2013/14 CP</th>
<th>Swazi rail link</th>
<th>Manganese</th>
<th>Iron Ore Expansion to 82.5mt</th>
<th>Pier 1 Phase 2 Salisbury Island</th>
<th>Richards Bay - Liquified natural gas Facility</th>
<th>MDS Wagons</th>
<th>Other</th>
<th>2012/13 CP</th>
</tr>
</thead>
<tbody>
<tr>
<td>307,5</td>
<td>4,7</td>
<td>3,2</td>
<td>3,9</td>
<td>4,8</td>
<td>2,5</td>
<td>2,8</td>
<td>6,5</td>
<td>4,8</td>
<td></td>
</tr>
</tbody>
</table>

| Change in 7-year capital investment plan by Operating Division

- **R billion**
  - **2013/14 CP**: 307,5
  - **TFR**: 1,8
  - **TE**: 0,7
  - **TNPA**: 0,4
  - **TPT**: 300,1
  - **TPL**: 1,5
  - **TCC**: 6,7

| Change in 7-year capital investment plan by project

- **R billion**
  - **2013/14 CP**: 307,5
  - **Swazi rail link**: 4,7
  - **Manganese**: 3,9
  - **Iron Ore Expansion to 82.5mt**: 4,8
  - **Pier 1 Phase 2 Salisbury Island**: 2,5
  - **Richards Bay - Liquified natural gas Facility**: 2,8
  - **MDS Wagons**: 6,5
  - **Other**: 4,8
## Capacity creation resulting from the investment plan

<table>
<thead>
<tr>
<th>Area of investment</th>
<th>Existing capacity</th>
<th>Capacity created over 7 years</th>
<th>Future Capacity</th>
<th>Utilisation in 2019/20</th>
</tr>
</thead>
<tbody>
<tr>
<td>TFR Coal Line</td>
<td>71mtpa</td>
<td>26.5mtpa</td>
<td>97.5mtpa</td>
<td>100%</td>
</tr>
<tr>
<td>R32.4bn</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TFR Ore Line</td>
<td>58.7 mtpa</td>
<td>23.8 mtpa</td>
<td>82.5 mtpa</td>
<td>100%</td>
</tr>
<tr>
<td>R19.3bn</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TFR General Freight</td>
<td>85.2 mtpa</td>
<td>95.1 mtpa</td>
<td>180.3 mtpa</td>
<td>100%</td>
</tr>
<tr>
<td>R142.7bn</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maritime Containers</td>
<td>Terminals: 5.4 mTEUs</td>
<td>Terminals: 2.7m TEUs</td>
<td>Terminals: 8.1 mTEUs</td>
<td>Terminals: 79%</td>
</tr>
<tr>
<td>R30.2bn</td>
<td>Ports: 7.4 mTEUs</td>
<td>Ports: 1.0 mTEUs</td>
<td>Ports: 8.4 mTEUs</td>
<td>Ports: 77%</td>
</tr>
<tr>
<td>Bulk</td>
<td>Terminals: 90.1 mtpa</td>
<td>Terminals: 36.9mtpa</td>
<td>Terminals: 127.0 mtpa</td>
<td>Terminals: 100%</td>
</tr>
<tr>
<td>R37.6bn</td>
<td>Ports: 196mtpa</td>
<td>Ports: 36mtpa</td>
<td>Ports: 232 mtpa</td>
<td>Ports: 100%</td>
</tr>
<tr>
<td>Breakbulk</td>
<td>Terminals: 15mtpa</td>
<td>Mainly sustaining: Ports 3mtpa</td>
<td>Terminals: 15 mtpa</td>
<td>Terminals: 74%</td>
</tr>
<tr>
<td>R9.2bn</td>
<td>Ports: 28 mtpa</td>
<td></td>
<td>Ports: 31 mtpa</td>
<td>Ports: 39%</td>
</tr>
<tr>
<td>NMPP*</td>
<td>4.4 billion litres pa</td>
<td>4.3 billion litres pa</td>
<td>8.7 billion litres pa</td>
<td>87%</td>
</tr>
<tr>
<td>R6.6bn</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1) R6.6bn investment is for Phase 1 & 2 from 2013/14 to 2018/19.  
2) 8.7bn litres capacity and 87% utilisation is on completion of Phase 1.  
3) R7.8bn planned to be invested for Phase 1 & 2 from 2013/14 to 2019/20 for Phase to be operational in 2019/20 with future capacity of 12.2bn litres and 64% utilisation in 2019/20.
Seven-year capital investment analysis per corridor

2013/14 Corporate Plan
7 Year Capital Investment of R307.5bn

Freight Rail Head Office and General Freight investments (wagons, infrastructure and locomotives) have been classified as national investments which cut across all corridors, except for R10.6bn for Freight Rail Manganese expansion to 16mtpa which is allocated to the South Corridor.
**Coal and minerals system**

**Overview** The Coal system consists of 6 distinct rail systems (Waterberg, Coal Backbone, Coal Export Line, Swaziland Link, Limpopo Coal And Mineral Feeders, Natcor North heavy haul line, North Coast line) and the Ports of Richards Bay and Maputo. Expansion initiatives being undertaken or being planned for increase in exports and domestic consumption for Eskom and local industrial users.

**Capital investments for the seven-year period**

1. **Export coal line R32,434 million**  
   2012/13 capacity: 71.0mt  
   2018/19 capacity: 97.5mt (+26.5mt)

2. **Development of the Waterberg region R5,085 million**  
   Waterberg region holds 40% of SA’s remaining coal reserves. Considered to be the next growth node for the coal sector, infrastructure availability remains a key constraint to unlock capacity for export and domestic consumption for Eskom. 23mt of capacity can be created during the first phase. This entails, upgrading of existing rail networks incrementally, provision of passing loops, expansion and reconfiguration of yards, upgrade of electrical backbone, electrification of certain sections and upgrade of network to 26t/axle.

3. **Development of the Maputo Corridor R646 million**

4. **Swaziland rail link (feasibility study) R292 million**  
   Proposed Lothair link to a point in Swaziland presents an alternate route to the east coast Port of Richards Bay as well as Maputo.
<table>
<thead>
<tr>
<th>Initiative</th>
<th>Overview</th>
<th>Seven Year Investment R million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expansion to 81mt</td>
<td>Capacity increase planned through operational optimisation and investment through: • Simplification of the system through standardisation • Debottlenecking</td>
<td>2,928</td>
</tr>
<tr>
<td>Expansion to 97mt</td>
<td>Project entails various infrastructure installations and upgrades, including sections of line doubling and tripling, improving carrying capacity to 26t/axle, yard reconfiguration, Overvaal Tunnel doubling, electrical upgrades of substations and equipment</td>
<td>8,898</td>
</tr>
<tr>
<td>Acquisition of Class 19E Locomotives</td>
<td>Additional fleet to ensure standardisation of operations and maintenance programmes. Locomotive specification is 25kVAC/3kVDC with AC traction motors, 300kN of tractive effort, speed of 35km/h, weight of 104t and equipped with air brake systems</td>
<td>4,019</td>
</tr>
<tr>
<td>Capitalised maintenance</td>
<td>Infrastructure Locomotives Wagons</td>
<td>5,754 2,277 3,724</td>
</tr>
<tr>
<td>Locomotive upgrade</td>
<td>Locomotive Class 10E1 upgrade and general overhaul On-board computers on electric locomotives</td>
<td>1,287 399</td>
</tr>
<tr>
<td>General</td>
<td>Resignalling of coal line Centralisation of traffic operations Other</td>
<td>1,400 700 1,048</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>32,434</strong></td>
</tr>
</tbody>
</table>
Export iron ore line

The export iron ore line runs from the mines in the Northern Cape to the Port of Saldanha where the ore is loaded onto carrier vessels for export. The channel has been operating since 1975 and is the primary export route for iron ore. The ore line has been expanded in three phases to date to a capacity of 60mt. The next planned expansion is to 82.5mt.

Capital investments for the seven-year period

2012/13 capacity: 58.7mt
2018/19 capacity: 82.5mt (+23.8mt)

1. Export iron ore line Freight Rail R19,262 million

   The scope entails the construction of new loops and in port rail track, Eskom power upgrade, and wagons. The expansion also entails the acquisition of 26 (23 electric - 15E and 3 diesel-Cl43) locomotives to create the required tractive effort.

2. Saldanha Ports Authority Phase 2 expansion R3,388 million

   This involves increasing berthing capacity at the port.

3. Saldanha Port Terminals R4,911 million

   This involves the procurement of tipplers and port handling infrastructure.
### Export iron ore line - key projects

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Overview</th>
<th>Seven Year Investment R million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expansion to 82.5mt</td>
<td>The scope entails the construction of new loops and in port rail track, Eskom power upgrade, wagons, tipplers, port handling infrastructure and berthing capacity at the Port of Saldanha. The expansion also entails the acquisition of 26 locomotives (23 Class 15E and 3 Class 43) to create the required tractive effort.</td>
<td>TFR Infrastructure: 7,695 TFR Locomotives: 1,717 TPT: 4,911 TNPA: 3,388</td>
</tr>
<tr>
<td>Acquisition of remaining Class 15E Locomotives – expansion to 60.0mt</td>
<td>This component for the acquisition of 32 Class 15E locomotives which is in execution is related to the expansion to 60mt and is being undertaken in order to standardise fleet and maintenance programmes and to allow for the cascading of diesel fleet back to GFB.</td>
<td>451</td>
</tr>
<tr>
<td>Capitalised maintenance</td>
<td>Infrastructure Locomotive Wagon</td>
<td>4,533 1,611 2,333</td>
</tr>
<tr>
<td>Other</td>
<td>Completion of ore line Phase 1C expansion to 60.0mt and other</td>
<td>922</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>27,561</strong></td>
</tr>
</tbody>
</table>
General Freight Business

**Overview** The aggressive growth in General Freight volumes will see huge investments in this sector over the next seven years. Just over 47% of this investment will be allocated to rolling stock acquisition and upgrades to facilitate the anticipated growth. These investments also seek to address Transnet’s and Government’s plan of migrating freight from road-to rail to support volume growth.

**Capital investments for the seven-year period**

- 2012/13 capacity: 85.2mt
- 2019/20 capacity: 180.3mt (+95.1mt)

1. **Freight Rail R142,668 million***

   * - Capital investments include Waterberg (R5,085 million); Maputo Corridor (R646 million) and Swaziland Rail Link (R292 million)

   a. Manganese Expansion to 16mtpa R10,615 million
   b. Locomotive acquisitions R39,731 million
   c. Wagon acquisitions R17,066 million
   d. Locomotive upgrades R3,621 million
   e. Wagon upgrades R5,147 million
   f. Capitalisation of infrastructure, locomotive and wagon maintenance R41,118 million
   g. Infrastructure and property R8,377 million
   h. Refurbishment of City Deep R558 million
   i. Upgrade Optic fibre Cable Network R364 million
## Locomotive acquisition programme

### Spending (R million)

<table>
<thead>
<tr>
<th></th>
<th>Coal 110 Cl 19E</th>
<th>Ore 32 Cl 15E</th>
<th>GFB 100 Cl 43</th>
<th>GFB 43 Diesels</th>
<th>GFB 95 Electric</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Planned future Spending</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>28</td>
<td>422</td>
<td>10</td>
<td>111</td>
<td>560</td>
</tr>
<tr>
<td>2015</td>
<td>17</td>
<td>29</td>
<td>-</td>
<td>-</td>
<td>1 832</td>
</tr>
<tr>
<td>2016</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

### Spending (R million)

<table>
<thead>
<tr>
<th></th>
<th>112 Class 19E</th>
<th>GFB 599 Electric</th>
<th>GFB 465 Diesels</th>
<th>Total 1 064 GFB Locomotives</th>
<th>23 Class 15E and 3 diesel</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Planned future Spending</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>130</td>
<td>1 435</td>
<td>1 400</td>
<td>2 835</td>
<td>-</td>
</tr>
<tr>
<td>2016</td>
<td>1 974</td>
<td>4 920</td>
<td>2 800</td>
<td>7 720</td>
<td>95</td>
</tr>
<tr>
<td>2017</td>
<td>1 435</td>
<td>4 920</td>
<td>2 968</td>
<td>7 888</td>
<td>951</td>
</tr>
<tr>
<td>2018</td>
<td>435</td>
<td>5 215</td>
<td>2 968</td>
<td>8 183</td>
<td>671</td>
</tr>
<tr>
<td>2019</td>
<td>-</td>
<td>5 215</td>
<td>2 968</td>
<td>8 183</td>
<td>-</td>
</tr>
<tr>
<td>2020</td>
<td>-</td>
<td>5 215</td>
<td>-</td>
<td>5 215</td>
<td>-</td>
</tr>
</tbody>
</table>
South Africa has 80% of the world’s manganese resources and 29.7% of the global exports. Manganese is primarily used in the production of steel. Economic growth in China and India is driving demand. Investment in the expansion of capacity to 16mtpa includes doubling of rail lines over certain sections where bottlenecks have been identified, construction of new loops and extending current passing loops, rolling stock acquisition and the relocation of the current terminal from Port Elizabeth to Ngqura to operate out of two berths. Investment also provides a cost effective export solution to new entrants and junior miners.

**Capital investments for the seven-year period**

2012/13 capacity: 5.5mt  
2019/20 capacity: 16.0mt (+10.5mt)

1. **Freight Rail R10,615 million**  
   • Upgrade of rail network to standards appropriate to heavy haul type operations.  
   • Provision of basic infrastructure for a consolidation terminal (to be operated by independent party) to accommodate junior miners.  
   • Purchase of locomotives and wagons.

2. **Port Terminals R7,222 million**  
   • Relocation and expansion of materials handling facilities at the Port of Ngqura.

3. **National Ports Authority R551.8 million**  
   • Construction of expanded terminal at the Port of Ngqura.
Durban Container Terminal (DCT) is the busiest container terminal in Africa and handles 2,5 million TEUs per annum. Container volumes have grown on at a rate of 10% p.a. on average over the past 30 years. Two main expansion initiatives are planned to increase capacity at DCT. Berth deepening at DCT Pier 2 is likely to create an additional 400,000 TEUs of capacity while the Expansion of DCT Pier 1 into Salisbury Island is expected to generate a further 1,1 million TEUs of capacity.

**Capital investments for the seven-year period**

2012/13 capacity: 2,459,000 TEUs  
2019/20 capacity: 4,000,000 TEUs (+1,5 million TEUs)

1. **Durban Container Terminal Pier 2**  
   TNPA R6,000 million;  
   TPT R1,527 million
   
   Dredging of the container berths to -16m chart datum and acquisition of port handling equipment – 5 ship-to-shore cranes and 40 straddle carriers.

2. **Durban Container Terminal Pier 1**  
   TNPA R4,000 million  
   TPT R6,622 million
   
   The expansion of the Pier 1 Container Terminal into Salisbury Island (8,6ha) and construction of a new quay wall on the eastern side of Pier 1. Port handling equipment to be acquired – nine ship-to-shore cranes and 36 rubber-tyred gantry cranes. Capacity of about 1,1 million TEUs per annum is expected to be created.

3. **Development of the former Durban International Airport (DIA) site into a dig-out port**  
   R3,831 million
   
   The project entails the acquisition of the DIA site and associated land needed in order to develop a deep water mega container port and the associated feasibility study. The funding indicated above relates to the acquisition of associated land parcels and feasibility costs.
Cape Town Container Terminal

Overview
The expansion of the Cape Town container terminal will increase capacity to 1,4 million TEUs (Phase 2) to address the growth in demand for containers, enabling it to be the second largest port in the country.

The aim of the expansion part of this project is to increase capacity from 700 000 TEUs to 900 000 TEUs and ultimately to 1,4 million TEUs p.a., whilst also providing a platform for further expansionary programmes should future demand exceed planned capacity. The project entails waterside and landside expansion to increase capacity and efficiency of the existing terminal.

Capital investments for the seven-year period

2012/13 capacity: 800,000 TEUs
2019/20 capacity: 1,400,000 TUEs (+600,000 TEUs)

1. National Ports Authority R1,037 million
   a. Basin and berth deepening to -16m chart datum
   b. Quay refurbishment
   c. Conversion of terminal marshalling yard to staging area
   d. Conversion of long jetty and coastal berth stack areas to a RTG operation
   e. Port industrial park site access bridge

2. Port Terminals R832 million
   a. Six ship-to-shore cranes;
   b. 26 straddle carriers;
   c. 32 rubber-tyred-gantry cranes; and
   d. 1 850 reefer points to accommodate an increase in refrigerated container capacity.
Ngqura Container Terminal

Overview
This project involves the completion of the container terminal footprint to its full potential. The quay wall infrastructure is completed and provides for four container terminal berths but still requires equipping and operationalisation of the remaining two berths. Operational capacity will increase in two phases to 1.5 million TEUs and then to 2 million TEUs. The National Ports Authority component of the project is to develop a further two berth container terminal (to a total of four berths). The benefits include increased capacity and downstream benefits for the broader economy.

Capital investments for the seven-year period

2012/13 capacity: 800,000 TEUs
2019/20 capacity: 1,500,000 TEUs* (+700,000 TEUs)

1. National Ports Authority R848 million
   a. Completion of two berth container terminal (to a total of four) supported by 60ha of back-up area

2. Port Terminals (Phase 2A Expansion) R948 million
   a. Four megamax ship-to-shore cranes;
   b. 18 rubber-tyred-gantry cranes;
   c. 48 haulers and trailers;
   d. two reach stackers;
   e. ICT software and equipment.

* - Phase 2B: Plans are in place to increase capacity to two million TEUs through the acquisition of port handling equipment. The project will commence 24 months prior to the terminal reaching a throughput volume of 1.5 million TEUs.
Port of Richards Bay Capacity Expansion Programme

Overview Richards bay is expected to experience significant volume growth (magnetite, ferrochrome, coking coal, chrome, ferromanganese and general freight). In order to support this growth, Transnet is undertaking a number of projects to provide rail, terminal and marine infrastructure.

Capital investments for the seven-year period

2012/13 capacity: ~26.5mt 2019/20 capacity: 35.1mt

1. National Ports Authority R3,855 million
   a. Additional berthing capacity for multi-purpose terminal – berths 709 -711 (700m quay wall)
   b. Additional dry bulk terminal export berthing capacity –berths 802/3
   c. Redesign of Bayvue rail yard.

2. Port Terminals R6,381 million
   a. Additional shiploaders and unloaders, haulers, trucks, mobile cranes, stacker reclaimers, excavators and tipplers.
   b. Upgrades to conveyor belt systems.
Overview
The study and establishment of a new and separate coal export terminal with an anticipated export capacity of 32mtpa to support emerging coal mining entrants into the coal export market.

Capital investments for the seven-year period

2012/13 capacity: nil  
2020/21 capacity: 32mt (+32mt)

1. National Ports Authority R2,983 million
   a. ‘Greenfield’ development of a common user berth 307 which will require:
      • Basin and berths dredged to a depth of -17.5 chart datum  
      • Quay construction for two berths for Cape size vessels  
      • Service network for roads, water, sewer, electrical, etc.

2. Terminal operator TBC
   • Construction of coal terminal infrastructure and stockyards including all equipment and conveyor systems (costs still to be determined)
Overview The NMPP is a strategic investment to secure the supply of petroleum products to the inland market over the long term. The 24-inch trunk line from Durban to Gauteng covers a distance of 555 km and replaces the existing DJP pipeline which is now 47 years old and reaching the end of its lifecycle. The construction of 160 km of 16-inch pipelines in the northern network has now also been completed.

This investment will increase capacity from the existing 4.4 billion litres per annum in the DJP to 8.7 billion litres. The NMPP construction is progressing according to the revised plan.

Capital investments for the seven-year period

2012/13 capacity: 4,368 million litres
2019/20 capacity: 8,736 million litres (+4,368 million litres)

1. Pipelines R6,603 million
   a. Phase 1 R4,772 million
      Completion of terminals
   b. Phase 2 R1,831 million
      Project being scoped to increase capacity beyond 8.7 billion litres p.a.
MDS execution approach

**OPERATIONS**
- Efficiency risks in rail will be addressed via a ‘Gold Standard’ operating model which will be rolled out to all the rail business units (e.g. scheduled railway).
- Real time performance visibility through technology and improve accountability).
- Ramp up in skills particularly in lean operations, continuous improvement and planning.
- Improved safety across all operations.

**COMMERCIAL**
- Most of the volume growth is based on latent demand which is inherently lower risk.
- Regardless of this, volume risks will be mitigated through take or pay contracts (e.g. on GFB). Take or pay contracts with twelve of the top customers will secure a significant percentage of the volumes.

**CAPITAL INVESTMENT**
- R165 billion of the capital plan is ‘modular’ and flexible in nature and can be curtailed to changing volume expectations i.e. projects managed and executed internally by Rail Engineering; Capital Projects and Freight Rail (RME).
- The remaining R142 billion will be external (build type projects and direct purchase).
- Overall capital risks will be mitigated through superior capital execution and improved procurement performance.
NATIONAL DEVELOPMENT PLAN ON PRIVATE SECTOR PARTICIPATION IN THE PROVISION OF FREIGHT CAPACITY

Strategic area

- Greater use of public-private financing with priority to infrastructure programmes contributing to regional integration...
- Collaborative investment by business and Government into key infrastructure projects such as in the Waterberg/Lephalale region...
- Overall infrastructure investment plan, including central basin, Waterberg, Coal line to Richards Bay and matching Port export capacity. Other possibilities include Botswana coal deposits...
- Pursue private sector participation to relieve the rail infrastructure burden...
- Given the magnitude of capacity constraints and the huge financial and organisational resources needed, effective partnerships need to be developed between public and private sector...
- Private sector partnerships are essential to upgrade freight corridors...

ECONOMIC INFRASTRUCTURE PROVISION

- Ensure domestic security of supply for existing power stations
- New heavy-haul rail corridor to the Waterberg coal field, upgrade of central basin coal network and expand export capacity in the line to Richards Bay (integrated commodity project plan)
- Expand capacity of Coal, Iron Ore and Manganese lines with consideration given to concessioning parts of this network
- Planning to prioritise improving capacity, efficiency and sustainability of these corridors while enhancing the performance of seaports and inland terminals (integrated logistics project plan)

BULK RELATED OBJECTIVES

- Develop a collaborative approach to Private Sector Participation with intention to leverage collective resources in the provision of infrastructure and transport services
- Wagon capacity for coal system beyond 81mtpa
- Infrastructure for Waterberg new link; Overvaal tunnel expansion; Consolidation of central basin
- Regional links, Botswana and Swaziland

TRANSNET IMPACT AREAS
Transnet MDS focuses on the following core business areas:
- General Freight (Container, domestic minerals, automotive)
- Bulk Commodity Exports (Coal, Manganese, Iron Ore)
- NMPP for liquid fuels

Transnet execution of core MDS is based on:
- Renewal of the national Rolling Stock fleet
- Capital expansion of national logistics infrastructure
- Productivity gains through operations

Private Sector could contribute Capital, Risk Mitigation, Skills and Technology to support the successful execution of MDS core projects

MDS complimentary focus areas:
- Durban Dig-out
- Intermodal inland hubs
- Regional development
- Other non-core MDS opportunities

Opportunities to enhance delivery through PSP

In principle funding through PSP structures
Transnet PSP Policy Objectives:
• Expedite infrastructure development and capacity creation,
• Improve South Africa’s logistics service offering,
• Unlock private sector investment; and
• Optimise the developmental impact on the economy

Application of PSP policy where:
• Transnet and a Private Party enter into a long term commercial agreement to jointly develop and or operate common business objectives through the sharing of risks and rewards
• Transnet asset is concessioned to a Private Party for the purposes of the Private Party performing the following activities; Design, Build, Finance and or Operating

Benefits enabled through PSP
• Alternate procurement options for Mega projects
• Risk mitigation and diversification for Transnet
• Raising complimentary Private capital & investment
• Skills & technology to support execution & operations
TRANSNET STRATEGIC APPROACH TO PSP PORTFOLIO DEVELOPMENT

Tier 1 portfolio development
Based on Transnet Corporate Plan. This represents “Core” projects committed within Transnet’s 7 year plan.

Tier 2 portfolio development
Based on Transnet Long Term Planning Forecast (LTPF). This essentially gives a national view of freight related infrastructure developments and highlights “Complimentary” projects required but not funded in Tier 1 projects.

Tier 3 portfolio development
Any projects identified that are not specifically included in Transnet’s official infrastructure view; often these will be linked to national initiatives to unlock industrial development and economic growth.

Enabling the economy and key national development imperatives will be required in all projects.

PSP Portfolio must incorporate a 30 year plus investment and risk strategy.
<table>
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<tr>
<th>Key PSP portfolio focus areas based on volume drivers</th>
<th>PSP transaction opportunities</th>
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</table>
| **1. Bulk commodities (coal, iron ore and manganese)** | • Dedicated bulk wagon fleets; port and inland terminal operations  
• New Mega infrastructure (e.g. Waterberg heavy haul, Overvaal Tunnel) |
| **2. Intermodal (focus on containers)** | • Strategic Integrated Projects 2 (SIP2) Durban-Gauteng-Free State development projects, which include the Durban Dig-out Port (DDOP) development and Gauteng intermodal super-hubs (e.g. Tambo Springs) |
| **3. Rail (general freight services)** | • General rail related transactions and expansion of industry specific wagon fleets such as Automotive and Timber |
| **4. Ports (multi-purpose services)** | • Multi-purpose port terminals and end of pipe facilities. |
| **5. Regional integration** | • Over-border infrastructure and integrated operations with neighbouring countries (Botswana, Mozambique and Swazi-land new links and upgrades) |
| **6. Non-core but complementary to MDS** | • Portfolio of unsolicited bids and non-MDS critical opportunities |
Thank You