Contents

• MDS and Capital Investment Plans
• Operation Phakisa
• Enterprise and Supplier Development Philosophy
• Enterprise and Supplier Development Achievements incl. BBBEE
• Skills Development
• CSI Achievements
MDS is expected to have significant socio-economic impacts across South Africa

- Countercyclical capacity creation - **R336bn** capital investment programme

- Operating expenditure amounting to **over R420bn**

- Expanding **rail, ports and pipeline infrastructure** thereby enabling **economic growth**

- Continued **financial stability** and strength – Cash interest cover and gearing ratios remain within target levels

- Significant **productivity and operational efficiency** improvements

- **Job creation, skills development, localisation, empowerment and transformation** opportunities - expected to create and/or sustain up to ~**584,000 job opportunities** across the economy.

- **Shift from road to rail** – reducing the cost of doing business and carbon emissions.
Summary of Transnet’s 7-year capital investment plan

### 7-year capital investment plan by year

<table>
<thead>
<tr>
<th>Year</th>
<th>R billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>13/14</td>
<td>33.6</td>
</tr>
<tr>
<td>14/15</td>
<td>45.4</td>
</tr>
<tr>
<td>15/16</td>
<td>56.6</td>
</tr>
<tr>
<td>16/17</td>
<td>53.8</td>
</tr>
<tr>
<td>17/18</td>
<td>50.1</td>
</tr>
<tr>
<td>18/19</td>
<td>50.9</td>
</tr>
<tr>
<td>19/20</td>
<td>46.3</td>
</tr>
</tbody>
</table>

### Asset type

- Pipeline Networks: 3.4%
- Port Facilities: 25.2%
- Intangibles and Other: 11.4%
- Wagons: 1.2%
- Floating Craft: 20.8%
- Locomotives: 4.6%
- Machinery and Equipment: 6.3%
- Land and Buildings: 26.5%
- Perway: 3.4%

### Expansion vs Replacement

- Expansion: 44%
- Replacement: 56%
The majority of the investments will be in General Freight and Freight Rail

**Commodity split (Rbn)**

- GFB: 49
- Export Coal: 20
- Export Iron Ore: 16
- Containers (Ports): 14
- Manganese Ore: 25
- Bulk: 21
- Breakbulk: 41
- Pipeline: 147
- Other: 147

**Divisional split (Rbn)**

- TFR: 51
- TPT: 31
- TE: 53
- TPL: 7
- TNPA: 7
- Other: 210

**Major programmes include:**

- GFB rail capacity growth to meet market demand, volumes from 90.1mt to 202.6mt
- Increase export coal to 97.5mt – including Waterberg
- Increase export manganese to 16mt
- Increase export iron ore volume after R21bn investment
- Completion of the New Multi-Product Pipeline (NMPP)

**Area of Impact**

- Nationwide impact
- Northwest Province and Kwazulu Natal
- Significant impact to Northern and Eastern Cape especially Saldanha Bay economy
- Significant impact to Northern and Kwazulu Natal
- Gauteng and Kwazulu Natal

Source: Team Analysis
## Future 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 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>TFR Coal line</td>
<td>77,0 mtpa</td>
<td>20,5 mtpa</td>
<td>97,5 mtpa</td>
<td>100%</td>
</tr>
<tr>
<td>TFR Ore line</td>
<td>60,0 mtpa</td>
<td>-</td>
<td>60,0 mtpa</td>
<td>100%</td>
</tr>
<tr>
<td>TFR General freight</td>
<td>97,8 mtpa</td>
<td>104,8 mtpa</td>
<td>202,6 mtpa</td>
<td>100%</td>
</tr>
<tr>
<td>Maritime containers</td>
<td>Terminals: 6,3 mTEUs Ports: 8,5 mTEUs</td>
<td>Terminals: 1,4 mTEUs Ports: 1,6 mTEUs</td>
<td>Terminals: 7,7 mTEUs Ports: 10,1 mTEUs</td>
<td>Terminals: 79% Ports: 60%</td>
</tr>
<tr>
<td>Bulk</td>
<td>Terminals: 92,3 mtpa Ports: 212,6 mtpa</td>
<td>Terminals: 12,3 mtpa Ports: 57,8 mtpa</td>
<td>Terminals: 104,6 mtpa Ports: 270,4 mtpa</td>
<td>Terminals: 94% Ports: 75%</td>
</tr>
<tr>
<td>Break-bulk</td>
<td>Terminals: 16,9 mtpa Ports: 29,7 mtpa</td>
<td>Terminals: 1,2 mtpa Ports: 0,8 mtpa</td>
<td>Terminals: 18,1 mtpa Ports: 30,5 mtpa</td>
<td>Terminals: 88% Ports: 35%</td>
</tr>
<tr>
<td>NMPP* R6.9bn</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>
</tbody>
</table>

*NMPP* stands for National Minerals Policy and Planning.
The successful execution of the MDS will have a significant impact on the economy

Transnet’s total seven-year impact

<table>
<thead>
<tr>
<th>Impact on GDP (R million)</th>
<th>Direct impact</th>
<th>Indirect impact</th>
<th>Induced impact</th>
<th>Total impact</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>96 928</td>
<td>42 420</td>
<td>86 593</td>
<td>225 941</td>
</tr>
<tr>
<td>Impact on capital formation (R million)</td>
<td>346 588</td>
<td>116 567</td>
<td>206 691</td>
<td>669 846</td>
</tr>
<tr>
<td>Impact on employment (number of jobs)</td>
<td>161 028</td>
<td>170 522</td>
<td>302 058</td>
<td>633 608</td>
</tr>
<tr>
<td>- Skilled impact on employment</td>
<td>37 418</td>
<td>39 531</td>
<td>69 770</td>
<td>146 719</td>
</tr>
<tr>
<td>- Semi-skilled impact on employment</td>
<td>84 341</td>
<td>67 413</td>
<td>117 757</td>
<td>269 511</td>
</tr>
<tr>
<td>- Unskilled impact on employment</td>
<td>39 269</td>
<td>63 578</td>
<td>114 531</td>
<td>217 378</td>
</tr>
<tr>
<td>Impact on households (R million)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Low income households</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Medium income households</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- High income households</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fiscal impact (R million)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- National Government</td>
<td></td>
<td></td>
<td></td>
<td>53 813</td>
</tr>
<tr>
<td>- Provincial Government</td>
<td></td>
<td></td>
<td></td>
<td>52 334</td>
</tr>
<tr>
<td>- Local Government</td>
<td></td>
<td></td>
<td></td>
<td>355</td>
</tr>
<tr>
<td>Impact on the balance of payments (R million)</td>
<td></td>
<td></td>
<td></td>
<td>11 936</td>
</tr>
</tbody>
</table>

Employment impact per province – seven-year annual average employment to 2021/22 (number of jobs)

- In the next seven years, Transnet’s average annual GDP impact to 2021/22 is expected to amount to R225,9 billion (calculated in constant 2014 prices).

- Over this period, Transnet expects to create and/or sustain 633 608 job opportunities across various skills levels economy-wide comprising direct, indirect and induced contributions1.

1 Direct impact – direct impact emanating from the transport sector on itself.
Indirect impact – impact that a particular sector will have on all other industries that supply inputs (materials) for the operations taking place in the sector.
Induced impact – economic impact will result from the paying out of salaries and wages to people who are employed in a particular sector, as well as the salaries and wages paid by businesses operating in the sectors indirectly linked to this sector due to the supply of inputs. These additional salaries and wages lead to an increased demand for various consumable goods that need to be supplied by various economic sectors through out the broader economy.
The footprint of the infrastructure development plan will be felt nationwide

**National (R141bn)**
- 1064 Locomotive Programme (R50bn)
- Copex (R72bn)
- Demand Driven - Wagons (R10bn)
- NMPP Phase 1 & 2 (R5bn)

**Gauteng (R14bn)**
- Pipelines (R3.8bn)
- GFB (R4bn)
- TE (R3.3bn)

**Northern Cape (R1.8bn)**

**Western Cape (R29bn)**
- Iron Ore – Saldanha (R20bn)
- Cape Town (R6bn)

**Kwazulu Natal (R90bn)**
- Pier 1 Phase 2 Infill and Execution (R16bn)
- DCT berth deepening (R10.1bn)
- Containers Other (R6bn)
- DDOP (R4bn)
- RBEP (R26bn)

**Eastern Cape (R39bn)**
- Manganese 16Mtpa Upgrade (R20bn)
- PE Deepening Berths (R6.3bn)
- Tank farm Berth A100, roads, port entrance and services (R3bn)
- Ngqura Other (R3bn)

**Limpopo (R5bn)**
- Export Coal (R8bn)
- Coal other (R2bn)
- Swazi Rail link (R5bn)

**Free State (R1.2bn)**

**Mpumalanga (R15bn)**
- Export Coal (R8bn)
- Coal other (R2bn)
- Swazi Rail link (R5bn)
The MDS will focus on job creation and skills development.

### Planned permanent and contract headcount

<table>
<thead>
<tr>
<th>Year</th>
<th>Contractors</th>
<th>Permanent</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014/15 LE</td>
<td>68 287</td>
<td>71 432</td>
</tr>
<tr>
<td>2015/16</td>
<td>74 698</td>
<td>10 275</td>
</tr>
<tr>
<td>2016/17</td>
<td>75 091</td>
<td>9 921</td>
</tr>
<tr>
<td>2017/18</td>
<td>74 479</td>
<td>8 838</td>
</tr>
<tr>
<td>2018/19</td>
<td>75 007</td>
<td>8 935</td>
</tr>
<tr>
<td>2019/20</td>
<td>75 738</td>
<td>9 037</td>
</tr>
<tr>
<td>2020/21</td>
<td>76 241</td>
<td>9 039</td>
</tr>
</tbody>
</table>

### Planned intakes per annum (skills required)

- **Graduate in Training, CA trainees & candidates trained in A**
- **Technician trainees**
- **Protection Officers**
- **Leadership development**
- **Artisans**
- **Sector Specific**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Graduate in Training, CA trainees &amp; candidates trained in A</strong></td>
<td>6 722</td>
<td>5 164</td>
<td>5 080</td>
<td>5 596</td>
<td>6 450</td>
<td>7 343</td>
<td>8 517</td>
<td></td>
</tr>
<tr>
<td><strong>Technician trainees</strong></td>
<td>232</td>
<td>232</td>
<td>220</td>
<td>242</td>
<td>266</td>
<td>292</td>
<td>594</td>
<td></td>
</tr>
<tr>
<td><strong>Protection Officers</strong></td>
<td>410</td>
<td>422</td>
<td>424</td>
<td>509</td>
<td>509</td>
<td>654</td>
<td>321</td>
<td></td>
</tr>
<tr>
<td><strong>Leadership development</strong></td>
<td>968</td>
<td>665</td>
<td>665</td>
<td>550</td>
<td>300</td>
<td>330</td>
<td>353</td>
<td></td>
</tr>
<tr>
<td><strong>Artisans</strong></td>
<td>2 000</td>
<td>2 200</td>
<td>2 450</td>
<td>3 000</td>
<td>3 500</td>
<td>3 850</td>
<td>4 244</td>
<td></td>
</tr>
<tr>
<td><strong>Sector Specific</strong></td>
<td>605</td>
<td>200</td>
<td>208</td>
<td>226</td>
<td>226</td>
<td>226</td>
<td>226</td>
<td></td>
</tr>
</tbody>
</table>

* Figures are approximate and subject to change.
Transnet will continue to invest significant resources in the retention of key skills

<table>
<thead>
<tr>
<th>Employees attending leadership development programmes*</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXCO &amp; Extended Exco</td>
</tr>
<tr>
<td>2,249</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Training Costs (R million)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>796</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Training costs as a % of personnel costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.2%</td>
</tr>
</tbody>
</table>

*Subject to the Strategic workforce planning process. Transnet continues 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.
• MDS and Capital Investment Plans

• Operation Phakisa

• Enterprise and Supplier Development Philosophy

• Enterprise and Supplier Development Achievements incl. BBBEE

• Skills Development

• CSI Achievements
**Operation Phakisa: Strategic Intent, Marketing Strategy & Value Proposition**

**Strategic Intent:**
Facilitate Economic Growth through optimization of available land and sea space and new business initiatives.

**Marketing Strategy:**
Establish an Oil and Gas Marine Repair engineering and logistic services complex, boat building facilities and ship repair facilities.

**Value Proposition:**
In addition to refurbishing the existing facilities, Transnet will execute on the following initiatives:
- Establishment of Rig Repair facilities in the Port of Saldanha;
- Implementation of Strategic Prioritized Projects in the Port of Richards Bay; and
- Implementation of Strategic Prioritized Projects in the Port of East London
Establish purpose-built oil and gas port infrastructure in Saldanha Bay

- In 2012 South Africa serviced 4 rigs out of a possible market of 80 rigs along West African shores. The contribution to GDP from these 4 rigs was R1.2 bn.

- The proposed infrastructure investments at Saldanha will enable the repair of a minimum of 12 rigs per annum starting from 2018, as well as the provision of additional manufacturing support services through the IDZ.

- Berth capacity will not be available to service rigs until 2018.

- Once the enabling infrastructure is in place, modelling indicates that 42,650 jobs (including multiplier factor jobs and 7,970 new jobs) will be created.

- A rig repair facility and jetty should be developed to service supply vessels and manufacture offshore vessels in line with priority projects.

- Operators (industry or users) should be provided with incentivised access to port facilities in exchange for developmental commitments (e.g., investment, job creation, skills development, supplier development/transformation and use or pay).

Key stakeholders identified
- Manufacturing and Services Industry
- The dti, DPE, DoT, SLD IDZ,
- Development Funding Agencies

Required resources
- Estimated Project(s) value: R13.2bn

Implementation timeframe
- Start date: 1 May 2013
- End date: 31 Dec 2017

Key performance indicators
- 2016: Industries take up S56 concession
- 2017: Commissioning of Quay 205 and Mossgas Jetty
- 2017: Commissioning of support services in the IDZ
A flexible approach in Richards Bay to allow the private sector to grow the market

- Quantify and unlock opportunities in oil and gas, ship or rig repair and maritime vessel building in line with market requirements in Richards Bay.
- Allow the market to implement a low risk, flexible capacity for ship or rig repair at Richards Bay.
- Implement facilities for maritime vessel building in Richards Bay.
- Explore the feasibility of Richards Bay establishing a Liquid Natural Gas cluster.
- Enhance container handling capacity.
- Allocate waterfront land to IDZ in support of Maritime Manufacturing.

Key stakeholders identified
- Industry
- RCB IDZ
- Transnet
- the dti, DoT
- Development Funding Agencies

Required resources
- Investment:
  - Transnet
  - Private Sector

Implementation timeframe
- Start date: 2015
- End date: 2017

Key performance indicators
- 2015: Operator appointed
Unlocking boat building in East London will have significant synergies with the motor industry

- Develop, support and grow the maritime vessel industry at the Port of East London
- Transnet refurbishes existing slipway facility and industry makes necessary investments
- Boat or ship building industry is provided with incentives in exchange for developmental commitments (e.g., investment, job creation, skills development, supplier development)
- Preferential access to Special Economic Zone land in support of boat or ship building

Key stakeholders identified
- Industry
- DoT, DPE
- the dti
- Development Funding Agencies

Required resources
- Investment:
  - Transnet
  - Private Sector

Implementation timeframe
- Start date: Sep 2014
- End date: Aug 2015

Key performance indicators
- 2015: Operator appointed
Overview of Operation Phakisa projects and Project Engagement plan

<table>
<thead>
<tr>
<th>Project</th>
<th>Advisor Project Analysis Completed</th>
<th>Business Case Development and Approval</th>
<th>Procurement of Preferred Bidder Completed</th>
<th>Financial close and appointment of Bidder</th>
<th>Required Operational Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saldanha Oil and gas repair and supply base facilities</td>
<td>Sept 2015</td>
<td>Sept 2015</td>
<td>Dec 2016</td>
<td>Sept 2017</td>
<td>2019</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Engagements</th>
<th>Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kick off meeting with the Transaction Advisors</td>
<td>End April 2015</td>
</tr>
<tr>
<td>Introduction of Transaction Advisor to Saldanha Bay IDZ</td>
<td>14 May 2015</td>
</tr>
<tr>
<td>East London Port tour and project team engagement with Transaction Advisor and Introduction of Transaction Advisor to East London IDZ</td>
<td>15 May 2015</td>
</tr>
<tr>
<td>Richards Bay Port tour and project team engagement with Transaction Advisor and Introduction of Transaction Advisor to Richards Bay IDZ</td>
<td>18 May 2015</td>
</tr>
</tbody>
</table>
Multiple skills will be developed through Operation Phakisa

<table>
<thead>
<tr>
<th>Skills Category</th>
<th>Skills To be Developed</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Construction</td>
<td>- civil trades (brick laying, carpentry, plumbing)</td>
</tr>
<tr>
<td></td>
<td>- electrician (single and three phase)</td>
</tr>
<tr>
<td></td>
<td>- site supervisors</td>
</tr>
<tr>
<td>• Professional Services</td>
<td>- legal</td>
</tr>
<tr>
<td></td>
<td>- engineering (design, land and quantity surveying)</td>
</tr>
<tr>
<td></td>
<td>- project managers</td>
</tr>
<tr>
<td>• Manufacturing</td>
<td>- boilermakers</td>
</tr>
<tr>
<td></td>
<td>- sheet metal workers</td>
</tr>
<tr>
<td></td>
<td>- riggers, welders</td>
</tr>
<tr>
<td></td>
<td>- turner and machinists</td>
</tr>
<tr>
<td></td>
<td>- millwrights</td>
</tr>
<tr>
<td></td>
<td>- fitters</td>
</tr>
<tr>
<td>• Plant</td>
<td>- operators,</td>
</tr>
<tr>
<td></td>
<td>- drivers</td>
</tr>
<tr>
<td></td>
<td>- auto-electricians</td>
</tr>
<tr>
<td></td>
<td>- motor mechanics</td>
</tr>
<tr>
<td>• SHE</td>
<td>- health care</td>
</tr>
<tr>
<td></td>
<td>- fire fighting (IMDG)</td>
</tr>
<tr>
<td></td>
<td>- environmental practitioners</td>
</tr>
</tbody>
</table>
Through Operation Phakisa There Are Many Business Opportunities

- Condition monitoring
- Supply and delivery of rollers
- Transport and handling of steel products
- Dust plant filters
- Water monitoring
- Hygiene and sanitation
- Air monitoring services
- Load testing service
- Courier services
- Cleaning Services (Industrial)
- General Maintenance
- Munchers & Conveyor System For Portal Lathe
- New Wash Bay Facility for Wagons Saldanha
- Hydrocarbon pollution
- Upgrade of UFL Conveyor
- Work at height hazard
- Effluent Flow Meter
- Lifting road floor repair (Diesel Workshop)
- Gardening and housekeeping services
- Training and development
- Communications
- General consumables suppliers
- Accommodation
- Medical services
- Recreation
- Casual, fixed contract and permanent labour
- Security
- Repairs
- Transportation
- Canteen and catering services
- Uniform and protective clothing
- Cleaning of office, mess and ablution facilities
Contents

- MDS and Capital Investment Plans
- Operation Phakisa
- **Enterprise and Supplier Development Philosophy**
- Enterprise and Supplier Development Achievements incl. BBBEE
- Skills Development
- CSI Achievements
Transnet’s Supplier Development journey began in 2008 and has evolved accordingly to service government objectives.

**Pre-2008**

- Post tender process not offering much leverage
- Investment not necessarily industry-related (30% of contract)
- Penalties were negligible and often built into price
- DTI programme mandatory for all SOC’s imports over US$10 million
- Suppliers were clear of what was expected of them at outset

**2008**

- **Initiation of CSDP within Transnet**
  - “The DPE introduced the CSDP highlighting SOE participation as a key factor to realising SD objectives”
  - Transnet was the first SOE to launch the DPE’s Competitive Supplier Development Programme (CSDP) as an initiative within the Transnet group
  - The first SDP developed and submitted to DPE in 2008
  - Transnet designs SD structure into business procurement operating model
  - Plans in place to expand SD to all transactions

**2010**

- Transnet applies SD in first transactions
  - R5.2bn committed to local content via CSDP contracts, including:
    - 100 GE locomotives
    - Additional 43 loco’s
    - Long-term parts agreements for the locos
    - 32 Mitsui/Venus 15E locos
    - STS and mobile harbour cranes
    - Draft gear components

**2011**

- SD begins to be rolled out to all transactions
  - “The SD structure was capacitated further and SD was rolled out to more transactions”
  - The experience gained in CSDP transactions enabled Transnet to refine policies, processes and procedures
  - In 2011 the SD concept broadened beyond CSDP
  - Pursuing a broader range of SD opportunities through the supply chain could lead to improved industrial capability building and economic transformation

**2012**

- Transnet launches MDS strategy with significant SD opportunities
  - “The market demand strategy is a key enabler to driving growth and transformation within our country”
  - Transnet launches its R300bn Capital expansion programme over 7 years
  - SD becomes a cornerstone of the overall programme
  - The SD strategy and SDP is updated to ensure maximum realisation of SD over the course of MDS
  - The revised SD Strategy and SDP is integrated into the new SCM Policy and Framework
### Impact on the South African economy

**Economic growth**
- Job creation
- **Reduced logistics cost** resulting in reduced cost of doing business
- **Investment in plant and technology**

**Job creation**
- **Reduced unemployment** levels due to more economic opportunities

**Skills transfer**
- **Move from unskilled to semi-skilled workforce**
- **Increase** in speed and **productivity of workforce**
- **Increased diversity** in work resulting in skills retention

---

### Impact on Transnet

**Reduced supply chain costs**
- **Removal of exposure** to foreign currency fluctuations
- **Lower stock level** requirements
- **Ease of communication**
- **Shorter delivery times**

**Improved operational efficiency**
- **Greater responsiveness**
- **Ease of communication**
- **Shorter delivery times**
- **Security of supply**

**Transformation within Transnet’s supply chain**
- **BBBEE compliance**
- **Brand eminence building**

---

**SOURCE:** Transnet Group ESD; Team analysis
SD / ED focus will include supporting new entrants and existing suppliers through incubation and innovation initiatives...

Creating new suppliers

Developing and growing existing suppliers

Emerging Micro Enterprise (EME)
- Operations set up and business begins
  - Market presence established
  - Core business function launched
- Turnover <$5m per annum
- Growth needs include:
  - Gain experience
  - Increased revenue
  - Skills development
  - Access to IP
- Support recapitalisation
- Access to markets, IP and capability building through:
  - Joint ventures
  - Sub-contracts
  - Set asides
  - Managerial training

Qualifying Small Enterprise (QSE)
- Improved level of business sophistication
  - Refinement of operating model and processes
  - Established value proposition
- Turnover of $5m to $35m per annum
- Growth needs include:
  - Exposure to more complex business
  - High increase in revenue
  - Exposure to and generation of best practice IP
- Support recapitalisation
- Access to markets, IP and capability building through:
  - Joint ventures
  - Sub-contracts
  - Set asides
  - Managerial training

Large and Medium Enterprises (LMEs)
- Established business
  - Complex governance structures
  - Aligned strategies and performance management
  - Highly developed operating model
  - Enhanced capabilities
- Turnover >$35m
- Growth levers for further expansion:
  - Annuity revenue
  - Exposure to large projects
  - Development of IP
  - Improvement to governance structures
- Limited Supplier Development involvement
- Drive downstream SD
- Monitoring and access to continued business

Supplier type
Characteristics
Typical Intervention types

Start-ups
- Business idea launched off the ground
- Business plan created
- Financing to be secured
- Development needs across all areas of growth
- Support capitalisation
- Work experience & technical skills development through:
  - Enterprise Development
  - Incubation
- Managerial and entrepreneurial skills training

SOURCE: Team analysis
MDS creates a number of SD specific outcomes addressing transformation and growth of the local supplier base.

Transnet will improve 6 key factors...

1. Significant increase in Capex and Opex spend
2. Volume and revenue growth
3. Building additional capacity
4. Improving operational efficiency
5. Building financial strength
6. Improving SHEQ

...which will contribute to SD in South Africa achieving 7 key outcomes:

1. Enable **industrialisation**
2. Create a significant opportunity to channel **increased spend to grow local economy**
3. Allow for **transfer of skills** from OEMs to build local capability
4. Allow for increased **job creation**
5. Supports the **growth of local industry** to sustainable support the transport sector
6. **Promote downstream suppliers** through ensuring OEMs comply with SD obligations
7. Facilitate **increase in transformation** of local supplier base through shifting spend

---

1 Safety, Health Environment & Quality
Source: Transnet Corporate Plan; NGP; B-BBEE; CSDP
To effectively target opportunities, SD is involved in the planning stage of the procurement process. Emphasis is placed on Transformation and Economic Growth.

**SD value creation at Business case, Scope of work and RFP development stages of the procurement process.**

Source: Team analysis; SD strategy
Several common success factors have been identified in order to ensure measurable value is extracted from the SD focus areas

<table>
<thead>
<tr>
<th>Common success factors for effective supplier development value extraction...</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>“design for local market”</strong></td>
</tr>
<tr>
<td>• Develop / <strong>adapt the technical specifications</strong> so that <strong>local suppliers</strong> are able to tender and <strong>meet the minimum specification</strong> requirements</td>
</tr>
<tr>
<td>• The <strong>technical specifications should not be tailored</strong> to any specific OEM or supplier in order to ensure greater competition</td>
</tr>
<tr>
<td><strong>“when required split tenders”</strong></td>
</tr>
<tr>
<td>• Where possible <strong>split tenders to assist smaller suppliers to scale up</strong></td>
</tr>
<tr>
<td>• Where possible split tenders so that both international and local suppliers are able to provide goods and services</td>
</tr>
<tr>
<td><strong>“leverage both OD and group SD knowledge”</strong></td>
</tr>
<tr>
<td>• Across the organisation there are <strong>pockets of SD knowledge, experience and expertise</strong></td>
</tr>
<tr>
<td>• Seeing that Transnet aims to leverage ‘total spend’ we should focus on <strong>leveraging ‘total SD capabilities’ in order to ensure maximum value extraction</strong></td>
</tr>
<tr>
<td>• <strong>Incorporate key learnings</strong> into new operations in order to <strong>streamline existing processes</strong></td>
</tr>
<tr>
<td><strong>“develop and improve market intelligence”</strong></td>
</tr>
<tr>
<td>• Developing suppliers relies <strong>heavily on Transnet’s knowledge and understanding of the market and the suppliers who operate within it</strong></td>
</tr>
<tr>
<td>• <strong>Improving market intelligence</strong> will assist in <strong>developing a competitive advantage</strong> and ensure accurate forecasting</td>
</tr>
<tr>
<td><strong>“increase market competitiveness”</strong></td>
</tr>
<tr>
<td>• In order to ensure that supplier development initiatives are sustainable, Transnet need to focus on <strong>developing suppliers that will be competitive in the marketplace</strong></td>
</tr>
<tr>
<td>• As suppliers develop and mature there will be <strong>greater competition within the RSA based market which supports</strong> one of Transnet’s other <strong>mandates of reducing the cost of business in RSA</strong></td>
</tr>
<tr>
<td><strong>“management support and process integration”</strong></td>
</tr>
<tr>
<td>• Dedicated executive and senior managers are held responsible for <strong>enterprise development initiatives</strong> at both group and ODs</td>
</tr>
<tr>
<td>• SD has becomes and needs to be <strong>solidified as a core component of the strategic sourcing process</strong> in order to ensure sustained improvement</td>
</tr>
</tbody>
</table>
Through this approach Transnet will influence established suppliers to engage with local emerging suppliers

Transnet’s SD strategic approach is to focus on Tier 1 suppliers and to influence them to engage local Tier 2 and 3 suppliers

**Supplier development category**

**Supplier base**

- **Sphere of control (leveraged procurement)**
  - Tier 1
    - Systems – Subsystems
  - Tier 2
    - Assemblies
  - Tier 3
    - Components
  - Other, R&M, skills transfer

**SD development:**
Rolling stock, port equipment and infrastructure

**B-BBEE focus**
ED development

Note: ED – Enterprise Development / PP – Preferential Procurement
Source: Team analysis
Transnet has recognised four key areas of opportunity that could be leveraged in order to develop the local supplier base.

Socio-economic impact measured largely on factors decreasing imports, increasing local content and providing relevant skills transfer.

- **SD opportunities** present themselves along the entire value chain.
- While the large Capex transactions provide opportunities for system, sub-system and component manufacture and assembly...
- ...manufacturing opportunities also lie in developing maintenance and repair capability.
- To ensure the development of a competitive local supplier base, industry-specific skills transfer and skills relating to manufacture need to be driven by SD.

Source: Team analysis
A number of the commodities fall within designated sectors and local content thresholds are stipulated

<table>
<thead>
<tr>
<th>dti designated sectors</th>
<th>Minimum threshold for local content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buses (Bus Body)</td>
<td>70% - 80%</td>
</tr>
<tr>
<td>Textile, clothing, leather and footwear</td>
<td>100%</td>
</tr>
<tr>
<td>Steel power pylons and substations</td>
<td>100%</td>
</tr>
<tr>
<td>Canned / Processed vegetables</td>
<td>80%</td>
</tr>
<tr>
<td><strong>Furniture products</strong></td>
<td></td>
</tr>
<tr>
<td>Office furniture</td>
<td>85%</td>
</tr>
<tr>
<td>School furniture</td>
<td>100%</td>
</tr>
<tr>
<td>Bases and mattress</td>
<td>90%</td>
</tr>
<tr>
<td><strong>Rail rolling stock</strong></td>
<td></td>
</tr>
<tr>
<td>Diesel locomotives</td>
<td>55%</td>
</tr>
<tr>
<td>Electric locomotives</td>
<td>60%</td>
</tr>
<tr>
<td>Electric multiple units (EMUs)</td>
<td>65%</td>
</tr>
<tr>
<td>Wagons</td>
<td>80%</td>
</tr>
<tr>
<td>Set top boxes (STB)</td>
<td>30%</td>
</tr>
</tbody>
</table>

*Locomotive assembly is estimated to be ~15% of the total cost of a locomotive

Source: iSCM; Team analysis
Key commodities with potential SD opportunity have been identified within Transnet’s Capex programme...

<table>
<thead>
<tr>
<th>Asset Group</th>
<th>Capex Spend Rbn</th>
<th>Identified Capex Commodities with SD Potential</th>
</tr>
</thead>
</table>
| Locomotives, Parts & Spares                           | 80,7            | • New locomotives  
• Bogies  
• Wheels  
• Couplers  
• Draw gear  
• Ventilation systems  
• Control systems  
• Traction motors  
• Coach components  
• Axles  
• Brake systems |
| Wagons, Parts & Spares                                | 61,1            | • Brake systems  
• Pressure vessels  
• Axles  
• Steel  
• Bearings  
• Wheels-34”  
• Draft gear  
• Draw gear  
• Wheels-36”  
• Long Term Parts Agreements |
| Infrastructure, Materials & Services (Perway)          | 86,9            | • Rail  
• Ballast  
• Sleepers  
• Transformer installations  
• Signalling installation  
• Fasteners  
• Overhead track equipment  
• Overhead track wire  
• On track machines |
| Port Facilities                                       | 66,3            | • Berths  
• Quays  
• Straddle carriers  
• Tug boats  
• Civil works  
• Cranes (RTG, RMG, STS)  
• Haulers  
• Dredgers  
• Ship loaders  
• Ship unloaders  
• Marine craft  
• IT systems |
| Land, Buildings & Civil Infrastructure                | 21,2            | • Terminals  
• Cement  
• Building maintenance  
• Civil works (roads, bridges)  
• Land acquisition  
• Building materials |
| Machinery & Equipment                                 | 11,0            | • Fleet  
• Mechanical equipment  
• Lighting  
• Forklifts  
• Telemeters & radios  
• Carbon brushes  
• Gas pumps |
| Pipelines                                             | 9,4             | • Pipeline |
| Total Capex                                           | 336,6           |                                                                                                               |

* List is not exhaustive

Source: MDS Consol document; Team analysis
Contents

• MDS and Capital Investment Plans

• Operation Phakisa

• Enterprise and Supplier Development Philosophy

• Enterprise and Supplier Development Achievements incl. BBBEE

• Skills Development

• CSI Achievements
SD targets for the 1064 Locomotive procurement programme

<table>
<thead>
<tr>
<th>#</th>
<th>OEM</th>
<th>SD TARGET %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>BT</td>
<td>63%</td>
</tr>
<tr>
<td>2</td>
<td>CNR</td>
<td>64%</td>
</tr>
<tr>
<td>3</td>
<td>CSR</td>
<td>70%</td>
</tr>
<tr>
<td>4</td>
<td>GESAT</td>
<td>84%</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>AVERAGE SD COMMITMENT - PERCENTAGE</strong></td>
</tr>
</tbody>
</table>
There will be an increase in the SD potential due to the establishment of 2 locomotive production facilities

**Gauteng**

- Development before investment
- Development after investment

**Kwazulu-Natal**

- Development before investment
- Development after investment

**Comments**

- It is envisaged that two productions facilities are to be established in Johannesburg (Gauteng) and Durban (Kwazulu-Natal)
- 2 facilities needed due to IP protection considerations
- The establishment of these facilities will enable the development of industry clusters around the production facilities with the following potential benefits:
  - Local economic development
  - Job creation
  - Rolling stock specific skills development
  - Technical skills development
  - Transfer of technology relating to locomotive component manufacturing & assembly
Understanding the common technologies in rolling stock allows Transnet to prioritise its initial focus to achieve industrialisation around rolling stock...

**Common parts between a wagon and a locomotive**

- **Wagon components**
  - Body

- **Common components**
  - Bogies
    - Wheels
    - Frames
    - Bearings
    - Axles
  - Brake systems
  - Couplers & Draw gear
  - Under frame

- **Locomotive components**
  - Body
  - Propulsion systems
  - Traction systems
  - Ventilation systems
  - Control systems

**Comments**

- By focusing on the common components in rolling stock, Transnet can pursue industrialisation objectives

- Sustainability of the industries is achieved through the:
  - purchase of the 1,400 locomotives
  - Upgrade & maintenance of the existing fleet of 2,210 locomotives
  - Building 19,600 wagons
  - Refurbishment of ~96,000 wagons

Source: Transnet Capex Generic Bill of Materials; Wagon SD Strategy; Locomotive SD Strategy
Across Transnet Operating Divisions, a number of procurement opportunities have been identified

### Programmatic initiatives
- Locomotives

### Strategic initiatives
- Fuel
- Electricity
- Gas and Lubes
- Fleet
- Travel
- Consulting
- Security
- Telecoms
- Wagons**
- Locomotive Telemeters and Radios
- Rails
- On track Machines
- Rail Fasteners
- Signalling
- Sleepers
- Bearings
- Steel
- Draft Gear
- Wheels
- Axles
- Ship to shore Cranes**
- Straddle Carriers
- Haulers
- Ship Unloaded
- Ship Loaders
- Rubber Tyred Gantry
- Stevedoring
- Tug Boats**
- Marine Craft
- Dredges
- Dredging Services**
- EPCM (Engineering, Procurement, Construction Management)
- Engineering Services
- Plant Hire
- Construction
- Cement
- Construction
- Repairs and Maintenance
- OD specific gas
- Pumps

### Focused initiatives
- Advertising and Promotions
- Forklifts
- ICT
- Office Automation
- Health Care Services
- Transformers Installation
- Signalling Installation
- Overhead Track Wire
- Overhead Track Equipment
- Ballasts
- Tools
- Carbon Brushes
- Paint
- Equipment Rental
- Labour Brokers
- Repairs and Maintenance
- Building Materials
- Tools
- Building Maintenance

### Small business initiatives
- In-house Catering
- Stationary
- Uniform Clothing
- Protective Equipment
- Recruitment Services
- Cleaning
- Repairs and Maintenance
- Vegetation Control
- Thermite Welds
- Track Switches
- Coach Components
- Castings
- Repairs and Maintenance
- Driving Services
- Environmental Management
- Personal Protective Equipment

* Driven by Group via Cross Divisional & Cross Functional Sourcing Teams. ** Potential programmatic fleets
Transnet is currently rated as a **Level 2** B-BBEE contributor.

### B-BBEE spend and ESD Performance – 31 Mar ‘15

#### % B-BBEE spend of TMPS

<table>
<thead>
<tr>
<th>Year</th>
<th>Target</th>
<th>Actual</th>
<th>Mar YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>65</td>
<td>75</td>
<td>85</td>
</tr>
<tr>
<td>2012</td>
<td>70</td>
<td>80</td>
<td>85</td>
</tr>
<tr>
<td>2013</td>
<td>85</td>
<td>94</td>
<td>94</td>
</tr>
<tr>
<td>2014</td>
<td>85</td>
<td>105</td>
<td>105</td>
</tr>
</tbody>
</table>

#### B-BBEE categories spend % of TMPS

<table>
<thead>
<tr>
<th>Year</th>
<th>EME</th>
<th>BO</th>
<th>QSE</th>
<th>BWO</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>7</td>
<td>11</td>
<td>12</td>
<td>5</td>
</tr>
<tr>
<td>2012</td>
<td>7</td>
<td>12</td>
<td>10</td>
<td>17</td>
</tr>
<tr>
<td>2013</td>
<td>5</td>
<td>5</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>2014</td>
<td>4</td>
<td>7</td>
<td>5</td>
<td>10</td>
</tr>
</tbody>
</table>

#### Supplier development (R million)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Total contract value</th>
<th>Committed CSDP obligation</th>
<th>Actual CSDP obligation delivered</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>14 066</td>
<td>5 428</td>
<td>2 964</td>
</tr>
<tr>
<td>2012</td>
<td>17 065</td>
<td>7 239</td>
<td>4 046</td>
</tr>
<tr>
<td>2013</td>
<td>29 415</td>
<td>10 939</td>
<td>5 944</td>
</tr>
<tr>
<td>2014</td>
<td>46 170</td>
<td>17 131</td>
<td>10 162</td>
</tr>
</tbody>
</table>

#### Enterprise development (Points)

<table>
<thead>
<tr>
<th>Year</th>
<th>Target</th>
<th>+Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>2,0</td>
<td>2,3</td>
</tr>
<tr>
<td>2012</td>
<td>5,0</td>
<td>6,9</td>
</tr>
<tr>
<td>2013</td>
<td>10,0</td>
<td>15,0</td>
</tr>
<tr>
<td>2014</td>
<td>15,0</td>
<td>15,0</td>
</tr>
<tr>
<td>March YTD</td>
<td></td>
<td>15,0</td>
</tr>
</tbody>
</table>

* *Excludes recent locomotive awards where SD is currently being finalised
+ Based on codes applying at year end
Transnet has achieved significant success in driving Supplier Development in its procurement process (1/2)

**Context of Impact**

**Enterprise & Supplier Development impact derived**

<table>
<thead>
<tr>
<th>ESD initiatives</th>
<th>Achieved</th>
<th><strong>ESD initiatives</strong></th>
<th>Target</th>
<th>Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Preservation</td>
<td>30%</td>
<td>Localisation</td>
<td>37%</td>
<td>37%</td>
</tr>
<tr>
<td>Job creation</td>
<td>10%</td>
<td>Skills development</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Skills Development</td>
<td>20%</td>
<td>Export promotion</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Small business promotion</td>
<td>20%*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural Integration</td>
<td>20%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Technology**

- **Achieved**
  - 1,5%

**Job creation**

- **Achieved**
  - 23%

**Skills Development**

- **Achieved**
  - 16%

**Small business promotion**

- **Achieved**
  - 7%

**Rural Integration**

- **Achieved**
  - 4%

**Internal & External Audit**

- After approaching the market for the supply of internal audit services, Transnet appointed a consortium led by home-grown professional services firm, SekelaXabiso to run Transnet’s internal audit function for the next five years.
  - Transnet also appointed SizweNtsalubaGobodo, a home-grown firm, as its external auditors.
  - The combined value amounted to ~1,7bn and the combined SD commitment amounted to ~R680m which translates to 40% (51.1% for Internal audit and 30% external audit).

**General Electric**

- **100 locomotives**
  - General electric was awarded the contract after tendering processes in 2006 & 2007.
  - GE was open to supplier development and shared drawings and samples with TE and local suppliers.
  - In line with their commitment to SD, they extended their drive for high quality by having Quality management personnel at supplier sites.
  - They employed South African experts to work closely with the local suppliers thus removing language as a barrier to success.

**Transnet**

- Has finalised fuel transaction.
  - ESD was included at 40% pre-qualification and the focus of the transactions was to drive job preservation, skills development, small business promotion and rural integration.
  - This was the largest single tender for fuel in the country’s history valued at R17bn.
  - The contract was awarded to 9 BO businesses of which 8 are 100% BO and 5 are 100% BWO.

**Fuel**

- Transnet has finalised fuel transaction.
  - ESD was included at 40% pre-qualification and the focus of the transactions was to drive job preservation, skills development, small business promotion and rural integration.
  - This was the largest single tender for fuel in the country’s history valued at R17bn.
  - The contract was awarded to 9 BO businesses of which 8 are 100% BO and 5 are 100% BWO.

**ESD initiatives**

- **Achieved**
  - Job Preservation: 30%
  - Job creation: 10%
  - Skills Development: 20%
  - Small business promotion: 20%*
  - Rural Integration: 20%

**SD initiatives**

- **Achieved**
  - Technology Transfer: 1,5%
  - Job creation: 23%
  - Skills Development: 16%
  - Small business promotion: 7%
  - Rural Integration: 4%
Transnet has achieved significant success in driving Supplier Development in its procurement process (2/2)

### Reelin Investments

*Roller Bearings & various transmission components*

- Reeling investments was established in 1991 and received its first contract with Transnet in 2008
- As a direct result of the joint venture agreement and contracts received from Transnet, Reeling bearings has managed to create additional jobs and contribute towards socio-economic initiatives

### Siyahamba Engineering

*Doors, pipework, windows, windscreens*

- Transformed in 2003 - a BBBEE group bought 90% (10% BWO, 80% BMO)
- Company received ISO9000 accreditation in 2003, becoming to first Black Owned company to receive such an accreditation

### ESD initiatives

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Job creation</strong></td>
<td>6 direct new jobs</td>
<td>45 direct new jobs</td>
</tr>
<tr>
<td><strong>Job preservation</strong></td>
<td>N/A</td>
<td>6 jobs</td>
</tr>
<tr>
<td><strong>Investment in plant</strong></td>
<td>0</td>
<td>R18m</td>
</tr>
<tr>
<td><strong>Capacity growth</strong></td>
<td>0</td>
<td>142676 units</td>
</tr>
<tr>
<td><strong>Transformation</strong></td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Skills Development</strong></td>
<td>6</td>
<td>45</td>
</tr>
</tbody>
</table>

### ESD initiatives

<table>
<thead>
<tr>
<th></th>
<th>As at 2009</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Job creation</strong></td>
<td>110</td>
<td>111</td>
</tr>
<tr>
<td><strong>Job preservation</strong></td>
<td>N/A</td>
<td>142</td>
</tr>
<tr>
<td><strong>Investment in plant</strong></td>
<td>R 4,7m</td>
<td>R 13,9m</td>
</tr>
<tr>
<td><strong>Capacity growth</strong></td>
<td>4 800 pcs pa</td>
<td>6 000 pcs pa</td>
</tr>
<tr>
<td></td>
<td>1 200 pcs pa</td>
<td>1 200 pcs pa</td>
</tr>
<tr>
<td></td>
<td>840 pcs pa</td>
<td>600 pcs pa</td>
</tr>
<tr>
<td><strong>Transformation</strong></td>
<td>0%</td>
<td>90%</td>
</tr>
<tr>
<td><strong>Skills Development</strong></td>
<td>N/A</td>
<td>115 people</td>
</tr>
</tbody>
</table>

**Source:** Team analysis
Transnet has invested in and supported numerous ED initiatives (1 of 3)

<table>
<thead>
<tr>
<th>ED initiative</th>
<th>Description</th>
<th>Project cost</th>
<th>Duration yrs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transnet ED Hub</td>
<td>Create an enabling environment for SMEs to access economic development interventions; create a culture of entrepreneurship; transform Transnet’s supplier base ensuring active economic participation of SMEs; develop and support new entrepreneurs through structured training programmes.</td>
<td>60</td>
<td>3</td>
</tr>
<tr>
<td>GODISA Fund</td>
<td>Collaboration between Transnet, Anglo American and Small Enterprise Finance Agency to provide both Financial and Non-Financial Support to Transnet Black Owned Supplier.</td>
<td>55</td>
<td>10</td>
</tr>
<tr>
<td>Itireleng Fund (in partnership with GEP)</td>
<td>A strategic partnership with Transnet and Gauteng Enterprise Propeller, aimed at providing financial and non-financial assistance to ensure SMMEs benefit from Transnet’s ED programme.</td>
<td>24</td>
<td>2</td>
</tr>
<tr>
<td>Transnet-Shanduka Black Umbrellas Business Incubation</td>
<td>A non-financial support service aimed at incubating 100% black-owned SMMEs, which meet Transnet’s supply chain needs. The two Incubation Centres are currently running in KwaZulu-Natal, Richards Bay and Eastern Cape (Coega) areas.</td>
<td>30</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: Transnet ED initiatives; Team analysis
Transnet has invested in and supported numerous ED initiatives (2 of 3)

<table>
<thead>
<tr>
<th>ED initiative</th>
<th>Description</th>
<th>Project cost</th>
<th>Duration yrs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transnet-Seda Supplier Development Programme</td>
<td>The fund is aimed at strengthening the performance of supplier firms and enabling them to be globally competitive</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Productivity SA</td>
<td>To enhance the productive capacity and support Transnet black owned manufacturing suppliers within Transnet supply chain in the next 5 years.</td>
<td>24</td>
<td>3</td>
</tr>
<tr>
<td>Transnet Innovation and Research Centre</td>
<td>The TIRC will provide facilities and resources to SMMEs to research and develop innovative ideas which have commercially viability. The Centre will be a Hub facility for Social, Technological and Business Innovation (partnership between Transnet, SABS, JASA and Wits Transnet Centre for Systems Engineering)</td>
<td>150</td>
<td>5</td>
</tr>
<tr>
<td>GIBS Academy</td>
<td>The GIBS Enterprise Development Academy, aims to empower new and existing growth-oriented entrepreneurs with a business education, mentorship and other support services in order for them to build or grow their enterprises</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>Rapid Improvement Process</td>
<td>The Rapid Process Improvement programme, as part of Transnet Supplier Efficiency Project, is an initiative with AIDC, which employs a simple process of running a 4-day workshop where attendees will be taught the implementation of the problem solving methodology and continuous improvement.</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Transnet ED initiatives; Team analysis
Transnet has invested in and supported numerous ED initiatives (3 of 3)

<table>
<thead>
<tr>
<th>ED initiative</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bakery Project</td>
<td>• A partnership between Transnet and Umnyakazo to empower <strong>100% rural black women-owned cooperatives</strong> to run and operate container bakeries in their communities (EC, KZN and NW)</td>
</tr>
<tr>
<td>Furniture Manufacturing Incubation</td>
<td>• Through a partnership between Transnet and Furntech, this is a Centre of Excellence for the furniture industry, to offer <strong>business incubation and / or skills development in furniture manufacturing</strong>. This is focused specifically on Black People living with Disabilities</td>
</tr>
<tr>
<td></td>
<td>• SAFCOL and Kansai Plascon on board</td>
</tr>
<tr>
<td>Nawe Zifunze Disable Driving School &amp; Computer Academy</td>
<td>• Transnet has partnered with Vuka Academy and Road Accident Fund to establish a driving school academy and computer academy for disabled people in Richards Bay</td>
</tr>
<tr>
<td>Transnet SMME Business Toolkits</td>
<td>• “Transnet has partnered with SAGE Pastel, who will develop 1 250 SMME Business Toolkits, which covers all key areas of business management to our SMMEs.”</td>
</tr>
</tbody>
</table>
### The Transnet ED Hubs promote SMME participation

#### Objectives of the ED Hubs...

- The aim of the Transnet Small Business/Enterprise Development Hub is to **ensure that we create an enabling environment for SMME’s to access products and services** that are offered by both Provincial and National Economic Development Institutions under the same roof - “one stop shop”

- **To ensure that we create an enabling environment** for Small, Medium and Micro Enterprises (SMMEs) to **access economic development** interventions that are provided by different Economic Development Institutions.

- **To encourage and nurture a culture of entrepreneurship** in South Africa

- **To transform Transnet’s supply** chain thereby ensuring active economic participation of SMMEs.

- **To develop and support** new entrepreneurs through structured training programmes

### Core components of the ED Hubs

- The ED Hub initiative was piloted in the Carlton Centre Building and launched on the 7th August 2014 by the Minister of Public Enterprises

- The following Economic Development Agencies and government departments/institutions are incorporated as strategic partners in the “one-stop ED Hub” i.e. DTI, SEDA, NYDA, GEP and SARS

- This ensures that there are **strategic relationships** between Transnet, Provincial and National Economic Development Intuitions

- The EDI’s provide both Financial and Non-Financial Support to SMME’s

- Transnet has provided the infrastructure and manages the ED Hub, whilst the strategic partners provide their human capital resources and other resources/services
A number of services are offered at the Transnet Carlton Centre ED Hub

Services Offered

- Advise, support and provide guidance on policies, documents and initiatives relating to SME’S.
- Receive suggestions, enquiries and comments regarding various related issues in respect of taxes and services available to SME’s.
- Maximise compliance as well as finding ways to reduce the compliance burden experienced by SME’s.
- Developing, supporting and providing funding to SMME’s and Co-operatives in GP;
- Providing pre and post investment business support services in line with its legislated mandate;
- Helping enterprises improve business efficiency by providing them with information, advice and guidance on business issues.
- Giving access to support skills and capabilities normally only available to big business.

SEDa will provide the following specialised services:

- Business Assessment and Diagnostic Tools
- Business Management Systems/Technologies
- Human Resource Management
- Legal Issues

Dti will provide the following specialised services:

- The Black Business SD Programme
- The Co-operative Incentive Scheme
- The SEDA Technology Programme
- The Capital Projects Feasibility Programme
- The Critical Infrastructure Programme
- The Manufacturing Competitiveness Enhancement Programme
- CIPC

Assisting youth enterprises to set up, expand or develop their business;
Financing programmes;
Providing mentorship, training programmes and business development support.
Transnet Enterprise Development Hub, formally launched by Minister Malusi Gigaba

NICKY SMITH
Transport Editor

TRANSNET Group plans to spend R260m to develop small businesses this year, the state-owned freight and logistics company said yesterday at the launch of its Enterprise Development Hub initiative.

Known as the Hub, the programme will offer a range of services including business development, business registration, procurement advisory services, tax registration and compliance, financial support and guidance on black economic empowerment, Transnet said.

The first hub is in the Carlton Centre in downtown Johannesburg, and others are set to be opened in other parts of the country in the next few months.

Transnet is investing R308bn over the next seven years across its rail, port and terminal operations in an effort to boost its capacity and to stimulate economic activity and job creation. The programme, known as the market demand strategy, is in line with the stated objectives of the government to develop small businesses, and particularly black-owned enterprises.

Transnet CEO Brian Molefe said the group had “identified the need to create an enabling environment for small players” to take advantage of the opportunities by Transnet’s investment programme.

“Our intention is to assist black-owned entities that struggle to build their businesses into sustainable and profitable entities.”

Public Enterprises Minister Malusi Gigaba said the initiative was in line with Transnet fulfilling its mandate to act as a catalyst for economic development through its investment programme.

“This is not a nice-to-have programme, but a pivotal element of our mandate to ensure that through the capacity at their disposal, they influence significant change in the economy by expanding the frontiers of economic participation and ownership to broader groups,” Mr Gigaba said.

In the past financial year Transnet invested R27.5bn, which is the largest amount of money ever invested in capital expenditure in a single year by the company, as the group ramps up its spending on new and existing infrastructure.

The launch of Transnet’s new support services would “expand business opportunities for smaller enterprises and new entrants, especially black-owned SMMEs (small, medium and micro enterprises) through a central portal of information,” Mr Gigaba said.

The Hub is a partnership between the South African Revenue Service, the Gauteng Enterprise Propeller, the BEE Verification Agency, the National Youth Development Agency, the Small Enterprise Development Agency and the Department of Trade and Industry’s Companies Intellectual Property Commission and Transnet, with Transnet providing the bulk of the funding.

smith@bdtn.co.za
Transnet-GIBS Programme – Delegate self-reported growth (10 months after beginning the course)

83% increased revenue
Revenue % increase
Mean = 33.5%

66% employed more staff
Average no. staff
Mean = 6.4

83% of the delegates increased their revenue by an average of 33.5%

66% of the delegates increased their staff complement by an average of 6.4 employees
Testimonials:

"Because of Transnet I have started exporting to the UK, I have two clients which I started selling to. I am supplying to Nigeria through one of the companies in the program. Have gone to present my company in India, Ghana, Singapore, Indonesia, am negotiating contracts and prices with distributors in these countries and will start exporting to them soon."

"When I started the programme, I thought my business was more "Corporate Communications" and after consulting with the mentors, I made a really big change in the business, to focus on Events, Branding and design. This has now allowed me to offer my clients a new service offering with events and also for me to focus correctly on what my business now offers. Transnet had made the difference in my business."

"From being exposed to the Smart Procurement Expo's that Transnet offered us, we were able to meet new clients and get business from them, which we didn't have before."

"Received a grant from SEDA for R600 000 to buy machinery and increase production capacity of the company. I am employing more people and that Transnet as it would not be possible with their help."
Contents

• MDS and Capital Investment Plans

• Operation Phakisa

• Enterprise and Supplier Development Philosophy

• Enterprise and Supplier Development Achievements incl. BBBEE

• Skills Development

• CSI Achievements
Transnet continues to invest significant resources in key skills to facilitate growth

A representative workforce.

Skills development, capacity building and job creation.

<table>
<thead>
<tr>
<th>Designated categories</th>
<th>Actual % 2015</th>
<th>2015 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black</td>
<td>83,0</td>
<td>83,0</td>
</tr>
<tr>
<td>Females at Group Exco</td>
<td>43,0</td>
<td>43,0</td>
</tr>
<tr>
<td>Females at extended Exco</td>
<td>43,0</td>
<td>43,0</td>
</tr>
<tr>
<td>Females below extended Exco</td>
<td>26,4</td>
<td>26,4</td>
</tr>
<tr>
<td>PWDs</td>
<td>2,3</td>
<td>2,3</td>
</tr>
</tbody>
</table>

- Transnet achieved and exceeded its targets for black employees.
- Female representation is growing steadily despite significant challenges in an operations heavy environment at semi and unskilled levels.

<table>
<thead>
<tr>
<th>Key performance Indicator</th>
<th>Unit of measure</th>
<th>2015 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training spend</td>
<td>Rand value</td>
<td>R644 million</td>
</tr>
<tr>
<td>Engineering trainees</td>
<td>Number of learners</td>
<td>255</td>
</tr>
<tr>
<td>Technician trainees</td>
<td>Number of learners</td>
<td>563</td>
</tr>
<tr>
<td>Artisan trainees</td>
<td>Number of learners</td>
<td>613</td>
</tr>
<tr>
<td>Sector specific trainees</td>
<td>Number of learners</td>
<td>3320</td>
</tr>
<tr>
<td>Protection officers</td>
<td>Number of learners</td>
<td>988</td>
</tr>
</tbody>
</table>
Enterprise Development (ED) Hubs are in the process of being established to drive SMME participation.

Existing and Planned ED Hubs

- **Carlton Centre Hub:** Established
- **De Aar:** Established
- **Saldana Bay Hub:** Established
- **Tubatse Hub:** To be Established
- **Mdantsane (East London):** To be Established
Contents

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• CSI Achievements
Transnet Supports a number of CSI initiatives, with a number of key regional and rural successes to date

With both Phelophepa trains operating simultaneously, the extended reach of the primary healthcare offering enables potentially 360 000 patients to receive healthcare they would not have had access to before.

Provide academic support to 40 orphaned youth; offer academic enrichment camps in Maths and English.

50 maths, science and English teachers from 18 schools adopted by the Transnet Foundation are benefitting from classroom support offered by highly experienced tutors.

Provide access to sports for 290 rural and farm schools.

Train coaches and referees in sports and life skills.

Build sports infrastructure in targeted schools.

We partnered with the SAPS in Dundee, KwaZulu-Natal and provided the station with an extension of five containerised offices.

Department of Social Development used refurbished containers to build a R1.1-million multi-purpose centre.

Each year, 120 high school boys from across South Africa attend the school where they receive a holistic education that focuses on academic skills, life skills and football development. The school currently employs eight educators and four coaching staff.

Provide access to sports for 290 rural and farm schools.

Train coaches and referees in sports and life skills.

Build sports infrastructure in targeted schools.

SAFA / Transnet Football School of Excellence.
CSI achievements for 2014/15 included a total investment of R242 million

**Health** – Provide access to primary health care services to rural communities.

- Invested R95.9 million in primary health care initiatives impacting 110 902 patients.
- Provided healthcare experiential training to over 1 266 students.
- The health portfolio reached over 352 429 community members.

**Education** – Provide skills training to teachers and improve academic performance for orphaned youth.

- To date, Transnet has funded 10 students, four of whom have completed their studies.
- The programme has achieved a 100% pass rate.

**Sports development** – Promote a healthy lifestyle among learners in rural and farm schools.

- Transnet/SAFA School of Excellence provides academic and soccer development to 120 learners on full scholarships.
- Achieved a matric pass rate of 93% while the rest of the grades’ pass rate ranged between 90% and 100%.

**Transnet employee volunteer programme (EVP)** – Inculcate and encourage an ethos of volunteering among Transnet employees.

- Employees volunteered in community projects in Durban, Port Elizabeth, Gauteng, De Aar, Cape Town and Saldanha Bay.
- Invested R27.1 million which included: Mandela Day and Group Chief Executive awards.

**Container assistance programme (CAP)** – Provide vital infrastructure solutions to communities in need.

- Operational costs for Khuma, Springs, Thokoza, Ireagh and Empangeni community centres, and Mambuka and North West police stations.
- Construction of Tafalashe and Ntamonde police station commenced.
- Invested R10.4 million in the current year.

**Heritage preservation** – Manage Transnet heritage assets for future generations.

- Transported locomotives of historic value from various locations to a safe storage warehouse in Bloemfontein.
- Rebranded George Museum.
Breakdown of CSI Investment over 2014/15 across a number of regional and national programmes

### Specific CSI Programmes for 2014/15 (Rm)

<table>
<thead>
<tr>
<th>Health</th>
<th>Employee Volunteer Programme</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GCE EVP Awards</td>
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<tr>
<td></td>
<td>National</td>
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<tr>
<td></td>
<td>Mandela Day</td>
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<tr>
<td></td>
<td>Village de Aar</td>
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<td></td>
<td>Village Saldanha</td>
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<tr>
<td></td>
<td>Village Cape Town</td>
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<tr>
<td></td>
<td>Village Gauteng</td>
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<tr>
<td></td>
<td>Village PE</td>
</tr>
<tr>
<td></td>
<td>Village Durban</td>
</tr>
<tr>
<td></td>
<td>EVP Hostel Blitz</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Sports</th>
<th>Socio Economic Infrastructure Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural and Farm Schools</td>
<td>CPF</td>
</tr>
<tr>
<td>Infrastructure (Sports Fields)</td>
<td>CSI Forum</td>
</tr>
<tr>
<td>School of Excellence Renovations</td>
<td>SAPS Office</td>
</tr>
<tr>
<td>School of Excellence</td>
<td>Multi Purpose Centre</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Education</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Teacher Classroom Support</td>
<td></td>
</tr>
<tr>
<td>Orphan Education Development</td>
<td></td>
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<tr>
<td></td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Heritage</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Kimberly Museum</td>
<td></td>
</tr>
<tr>
<td>George Museum</td>
<td></td>
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</tbody>
</table>
Thank you