## Overview

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The Transnet Group

Ports
- Transnet National Ports Authority (TNPA)
- 8 Commercial ports along 2 798 km of coastline
- Revenue R9.9bn
- Assets R 72.5 bn
- 3 823 employees
- 16 Cargo Terminals operating across 7 SA ports
- Revenue R8.5 bn
- Assets R19 bn
- 6 624 employees

Rail
- Transnet Port Terminals (TPT)
- Support TFR for rolling stock and TPT for lifting equipment maintenance
- Revenue R13.4 bn
- Assets R11.2 bn
- 12 428 employees
- Transnet Engineering (TE)
- 20 500 km of railway track
- Revenue R34.4 bn
- Assets R99.7 bn
- 37 891 employees
- Transnet Freight Rail (TFR)
- 226 million tons of freight
- General freight & two heavy haul export lines
- Revenue R3.1 bn
- Assets R32.3 bn
- 621 employees

Supporting
- Capital Projects
- Transnet Transnet Foundation
- Property
- Schools
- Transnet Transnet Pipelines (TPL)
- 18 billion litres of petroleum products and gas through 3 800 km of pipelines, mainly to Gauteng
- Revenue R13.4 bn
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- 18 billion litres of petroleum products and gas through 3 800 km of pipelines, mainly to Gauteng
- Revenue R3.1 bn
- Assets R32.3 bn
- 621 employees
- R312 billion of capital investments over 7 years
- CSI in Education, Health, Sport, Arts & Agriculture
- Property Management
- Transnet Schools
MDS – Arresting the “Death Curve” to drive volumes back to rail

- **1986**: Decline in volumes following deregulation
- **1990s**: Lack of investment compromises service and leads to less utilisation of rail - loss of market share to Road
- Business in decline – loss of skills and market reputation
- **1998** onwards: Consultants propose privatisation of heavy haul lines and various misleading “shrink to grow” strategies
- **2000s**: Inadequate and ageing capacity. Unable to capitalise on economic growth and commodity boom
- **2005**: Management introduce Vulindlela Re-engineering Programme and other General freight volume growth strategies appropriate for the high fixed cost rail business
- **2009**: Economic Recession interrupts growth path – Affordability constrains capacity creation

2012: Market Demand Strategy

*Decisive action arrests “Death Curve” and leads to Rail Turnaround*
Rail market share growth is a fundamental driver of the MDS

- **Catalyst for Economic Growth**
- **Job Creation**
- **Regional Integration**

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**Market Demand Strategy**

- **Road-Rail Freight Industry Imbalance**
- **Reducing the Cost of Logistics**
- **Meet Freight Demand & Improve Service Delivery**
## All pillars equally important to the strategy

**Goal:** Top 5 Railway - Financially sustainable, Integrated Logistics Service Provider, Innovative, Employer of Choice, World Class Customer Service, Gold Standard Operations and Capital Execution

### Market Demand Strategy

#### Core Strategies

<table>
<thead>
<tr>
<th>Market Development</th>
<th>Operational Efficiency</th>
<th>Capital Investment</th>
<th>Regional Integration</th>
<th>Safety</th>
<th>People</th>
</tr>
</thead>
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#### Objectives

- **To build market reputation & credibility**
- **To increase market share**
- **To develop a customer centric culture**
- **To improve performance productivity and operational efficiency**
- **To create capacity ahead of demand**
- **To maintain, upgrade and modernise the rail system**
- **To develop an integrated Regional rail system with economic growth opportunities**
- **To build and maintain a healthy and safe working and operations environment**
- **To develop skills**
- **To create sustainable employment opportunities**
- **To transform the business to a high performance culture**
Volume Growth following MDS implementation in 2012/13

Significant rail volume growth despite low economic growth
Accelerating Implementation

- Robust execution plans
- Building a **commercial** and **logistics mindset** – beyond sale of rail transport
- Value propositions to meet specific **customer** requirements
- Building further **alliances** to fast-track opportunities
- Building **market reputation** through reliable and efficient service delivery
- Rolling stock and network **modernisation** programme

**RAMS** – Rail Addressable Market Share
Heavy haul lines contributing to national export drive

### Coal (mt)

<table>
<thead>
<tr>
<th>Year</th>
<th>Coal Export</th>
<th>Total</th>
<th>Coal</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>69.2</td>
<td>84.3</td>
<td>15.1</td>
</tr>
<tr>
<td>2014</td>
<td>68.2</td>
<td>83.1</td>
<td>14.9</td>
</tr>
</tbody>
</table>

### Iron Ore & Manganese (mt)

<table>
<thead>
<tr>
<th>Year</th>
<th>Export Iron Ore</th>
<th>Total</th>
<th>Manganese</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>55.9</td>
<td>64.2</td>
<td>8.3</td>
</tr>
<tr>
<td>2013</td>
<td>54.3</td>
<td>62.6</td>
<td>8.3</td>
</tr>
</tbody>
</table>
Achieving growth in General Freight Commodities, the foundation for Road-Rail shift

Mineral Mining & Chrome (mt)

- 2013: 16.1 mt
  - Chrome: 4.3 mt
  - Non-Ferrous Metals: 2.0 mt
  - Mineral Mining, Granite & Consolidation: 9.9 mt
- 2014: 18.5 mt
  - Chrome: 4.9 mt
  - Non-Ferrous Metals: 1.8 mt
  - Mineral Mining, Granite & Consolidation: 11.9 mt

Agriculture & Bulk Liquids (mt)

- 2013: 11.4 mt
  - Grain, Timber & FMCG: 1.9 mt
  - Fuel & Petroleum: 1.1 mt
  - Africa & Other: 1.1 mt
- 2014: 11.1 mt
  - Grain, Timber & FMCG: 1.9 mt
  - Fuel & Petroleum: 1.2 mt
  - Africa & Other: 1.2 mt

Steel & Cement (mt)

- 2013: 20.9 mt
  - Cement & Lime: 8.2 mt
  - Iron, Steel & Cement: 12.7 mt
- 2014: 21.4 mt
  - Cement & Lime: 8.2 mt
  - Iron, Steel & Cement: 13.2 mt

Containers & Automotive (mt)

- 2013: 10.7 mt
  - Intermodal Wholesale: 0.4 mt
  - Automotive, Industrial & Other: 10.3 mt
- 2014: 13.4 mt
  - Intermodal Wholesale: 0.4 mt
  - Automotive, Industrial & Other: 13.0 mt
Building competence in Intermodal growth sectors – Extending Superhighway Philosophy since 2009

**TFR Automotive Volumes on Rail ‘000 Units**

- 2009: 102,85
- 2010: 101,31
- 2011: 130,75
- 2012: 144,69
- 2013: 173,57
- 2014: 186,85

**TFR Containers on Rail ‘000 TEUs**

- 2009: 525
- 2010: 555
- 2011: 628
- 2012: 763
- 2013: 857
- 2014: 1,050

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**Introduced Superhighway” philosophy on Natcor, Cape gateway and Ngqura Express**

- Marketing services directly to Shipping lines
- Siding conversion strategy
- Investing in City Deep Terminal
- Security of containers
- Crew safety
- Crew book-off system
- Average Rail Transit time achieved: from 23 hrs average to 18 hours rail transit time
- Reduced Short-shipments
- Improved planning - NCC

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**Extending Superhighway Philosophy since 2009**

- Marketing services directly to Shipping lines
- Siding conversion strategy
- Investing in City Deep Terminal
- Security of containers
- Crew safety
- Crew book-off system
- Average Rail Transit time achieved: from 23 hrs average to 18 hours rail transit time
- Reduced Short-shipments
- Improved planning - NCC
Addressing the challenges to accelerated growth

Significant impact of economic environment, commodity price fluctuations and locomotive reliability
Six Business Units targeting specific commodities across the shared network:

- **Coal; Cement; Containers; Agriculture; Iron Ore**
- **Coal; Magnetite; Phosphate rock; Chrome**
- **Iron ore; Manganese; Lime; Grain; Containers**
- **Iron ore; Manganese**
- **Containers; Coal; Fuel; Cement; Manganese**
- **Agriculture; FMCG; Containers; Coal; Fuel**
- **Agriculture; Manganese; Limestone; Grain; Containers**
- **Agriculture; Iron Ore**
- **Containers; Coal; Fuel**
- **Agriculture; Manganese; Limestone; Grain; Containers**
- **Iron ore; Manganese**
- **Containers; Coal; Fuel; Cement; Manganese**
- **Agriculture; FMCG; Containers; Coal; Fuel**
- **Agriculture; Manganese; Limestone; Grain; Containers**
- **Iron ore; Manganese**
- **Containers; Coal; Fuel; Cement; Manganese**
- **Agriculture; FMCG; Containers; Coal; Fuel**
- **Agriculture; Manganese; Limestone; Grain; Containers**
## Commodity Strategies – Intermediate Manufacturing and Manufactured Goods

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Strategies</th>
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</thead>
</table>
| **Steel & Cement**                     | **Grow share of finished steel and cement products from current ~20%**  
  ▪ Deployment of *20E locomotives* to key AMSA flows  
  ▪ Design multi purpose wagons  
  ▪ Introduce integrated service offering - logistics value proposition and establishment of distribution hubs  
  ▪ Industry and customer collaboration; Sales force and marketing tools development  |
| **Intermodal, Containers and Palletised Freight** | **Intensive Market Penetration to grow current <20% share**  
  ▪ New locomotive deployment to Capecor – *23E and 45D*  
  ▪ Merchant heavy haul strategy for growth of Import-Export flows; Domestic Intermodal strategy implementation  
  ▪ Introduction of Bimodal technology – to be piloted on Natcor and Capecor  
  ▪ PSP strategy for development of terminals  
  ▪ Collaboration with freight forwarding agents  
  ▪ Development of logistics service offering and specific value proposition  
  ▪ Sales force and marketing tools development  |
| **Automotive**                         | **Grow share of Vehicles and Components transportation**  
  ▪ Building of automotive wagons – to profile specifications  
  ▪ Enhance competitive service offering - supply chain / logistics value proposition  
  ▪ Sales force and marketing tools development  |
| **Fuel & Chemicals**                   | **Maintain share of Fuel prior to NMPP migration; Grow share of Chemicals**  
  ▪ PSPs for specialised tanker wagons  
  ▪ Refine service offering - supply chain / logistics value proposition  
  ▪ Sales force and marketing tools development  |
## Commodity Strategies – Agricultural

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agricultural Commodities</strong></td>
<td><strong>Grow share of agricultural products from current ~20%</strong>&lt;br&gt;Deploy / Cascade locomotives appropriate for “hub and spoke” and “Less than Train Load” operating models&lt;br&gt;Implement Branch Lines strategy&lt;br&gt;Design &amp; Develop multi purpose wagons – PSPs focusing on swop body wagons / containers&lt;br&gt;Introduce integrated service offering - supply chain / logistics value proposition&lt;br&gt;Industry collaboration – eg. Grain industry, Sugar Industry&lt;br&gt;Sales force and marketing tools development</td>
</tr>
<tr>
<td><strong>Timber</strong></td>
<td><strong>Maintain share of Timber</strong>&lt;br&gt;Deployment of locomotives for operation of 100 wagon timber trains&lt;br&gt;PSPs for timber wagons / swop bodies&lt;br&gt;Refine service offering - supply chain / logistics value proposition&lt;br&gt;Customer collaboration Sales force and marketing tools development</td>
</tr>
<tr>
<td><strong>Regional Integration</strong></td>
<td><strong>Improve Cross border traffic</strong>&lt;br&gt;Implementation of the North-South corridor service to improve asset cycle time from +20 days to 6 days.&lt;br&gt;Capture new market from road to rail, eg. copper and containerised traffic&lt;br&gt;In line with inter-railway operations, neighbouring countries are allowed access to Transnet Freight Rail’s rail-network to support cohesive regional development</td>
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## Commodity Strategies - Mining

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Strategies</th>
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<tbody>
<tr>
<td><strong>Manganese</strong></td>
<td><strong>Capacity creation to grow current market share of ~90%</strong></td>
</tr>
<tr>
<td></td>
<td>- Manganese capacity expansion programme – Heavy haul operations philosophy</td>
</tr>
<tr>
<td></td>
<td>- Deployment of 20E locomotives and 200 wagon trains &amp; Common User Facilities</td>
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<tr>
<td></td>
<td>- Competitive pricing; Take or Pay Contracting</td>
</tr>
<tr>
<td><strong>Magnetite</strong></td>
<td><strong>Capacity creation for road-rail shift</strong></td>
</tr>
<tr>
<td></td>
<td>- Infrastructure capacity creation programme - Phalaborwa to Komatipoort.</td>
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<tr>
<td></td>
<td>Connectivity with Mozambique and Swaziland with Joint Operating Offices</td>
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<td></td>
<td>- Replace 60 CMR wagon train with 75 CR wagon train.</td>
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<td></td>
<td>- Deployed 43D locomotives with RDP to increase train length from 75 to 150</td>
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<td></td>
<td>wagons; Relationship Building; Competitive pricing models</td>
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<tr>
<td><strong>Chrome</strong></td>
<td></td>
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<tr>
<td></td>
<td>- Deployment of 43D / 44D locomotives and 100 wagon trains</td>
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<tr>
<td></td>
<td>- Development of Common User Facilities</td>
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<tr>
<td></td>
<td>- Customer Relationship Management; Industry Collaboration;</td>
</tr>
<tr>
<td></td>
<td>Competitive pricing; Take or Pay Contracting</td>
</tr>
<tr>
<td><strong>Eskom Coal</strong></td>
<td><strong>Customer Collaboration and Capacity Creation for Road-Rail shift</strong></td>
</tr>
<tr>
<td></td>
<td>- Customer collaboration on coal supply and power generation OD pairs</td>
</tr>
<tr>
<td></td>
<td>- Review of loading and offloading times, aligned rail and tippler</td>
</tr>
<tr>
<td></td>
<td>maintenance; Integration of planning process for all domestic and export</td>
</tr>
<tr>
<td></td>
<td>coal; Customer Relationship Management; Centralised consolidation of</td>
</tr>
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<td>key account plans</td>
</tr>
<tr>
<td><strong>Waterberg Coal</strong></td>
<td><strong>Capacity Creation for Export and Domestic Growth</strong></td>
</tr>
<tr>
<td></td>
<td>- Upgrading existing lines &amp; power supply systems; additional / extending</td>
</tr>
<tr>
<td></td>
<td>loops, electrification of Thabazimbi – Lephalale section</td>
</tr>
<tr>
<td></td>
<td>- Research and Market Intelligence for trends in strategic commodity</td>
</tr>
<tr>
<td></td>
<td>- Relationship Building; Competitive pricing models</td>
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Creating the fundamentals for Logistics Development and Rail Migration

- **Rolling Stock Locomotives:**
  - New dual voltage locos to reduce throughput time and improve service reliability

- **Wagons:**
  - Develop common wagon chassis to reduce shunting, enable faster wagon turnaround, improved asset utilisation, increased density and lower unit costs
  - Investigate feasibility of swop body wagons / containers

- **Infrastructure** maintenance & development
  - “A” standard network upgrade and modernisation
  - Weighbridges

- **Development of Terminals, CUFs and Distribution hubs** – Location and Upgrading

- **Technology & Systems**
  - **Bi-modal** Road–Rail technologies – piloting on NatCor and CapeCor - suitable to service intermodal, agricultural and FMCG flows
  - Specialised haulage power, handling technologies to work in various terrains and terminals, specialised loading and lifting equipment or trailing vehicles

- **Customer Siding Development, Maintenance and Management** including Loading & Offloading **Equipment**

- **Logistics alliances** and **Logistics skills** development

- **North-South corridor development, operations model, business model and pricing**

- **Real estate development** – logistics facilities, warehousing, facilities

- **Systems development** – Track and Trace; Web interface
Terminals, CUFs and Hubs to improve integration and service to customers

Recent Hub / Terminal Development

- Bloemfontein – Containerised Manganese
- Pendoring Multi-User Facility – Chrome & Ferrochrome
- Lohatla – Manganese
- Newcastle – Coal & Ferrochrome
- Newcastle - CAB Multi-User, Multi-Product Facility

Super terminal
Intermodal terminal
Freight nodes
Mineral nodes
General freight terminal
New locomotives to be deployed across the network for continued tonnage growth

Assembly in Durban: 23E Bombadier 45D CNR
Assembly in Pretoria: 22E CSR 44D GE
Refinement of specific Back to Rail initiatives to secure opportunities in 2015/16

**Progress to date**

- **Opportunities identified** per business unit – pipeline is at 18.9 mt
- **Detailed action plans** outlining specific requirements - eg resources required, operational readiness, customer / industry readiness to ensure effective implementation and bankable tons per week being refined
- **Customer analysis** and validation of volumes in progress.

**Next Steps**

- Development of detailed **implementation plans** outlining specific requirements per opportunity identified
- Engagement and / proposal to **pricing** committee on the approach to pricing for the additional volumes
- Setting up of physical **nerve centres** per Business Unit
- **Engagement** plans **with customers** with high growth potential
- Development of **Marketing Tools**

**Opportunities identified for Road-Rail growth – 18.9mt**
Conclusion

- Rail growth is a catalyst for Economic Growth and Development
- Unlocking Regional Growth and Integration
- Creating Jobs and Building skills
- Leading Sector Transformation