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TRANSNET PROJECTS

Beyond 2010

SEPTEMBER 2007

Moira Moses
Group Executive

Agenda



- **A reminder on our Vision and Mission**
- **Turnaround Strategy**
 - Overview
 - New Structure
 - Capex spending to 2012
- **Market Challenges: 2007 - 2030**
- **Changes:**
 - Strategic thinking: A business unit integrated approach
 - Best practice operations: Strategic joint ventures
- **Some statistics: Cumulative commodity use by 2014**
- **Questions**

From four-point turnaround to four-point growth strategy

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Growth through:

*Reengi-
neering –
integration,
productivity
and efficiency*

- Priority corridors
- Integrated commercial management
- Cross-divisional operational integration
- Efficient asset utilisation
- Planned maintenance in all divisions
- Cost effective procurement
- Shared services

*Capital
optimisation
and financial
management*

- Integrated capital, operations, and financial customer planning
- Focused investment for growth
- Capital portfolio optimisation
- Strategic asset/liability management
- Funding strategy

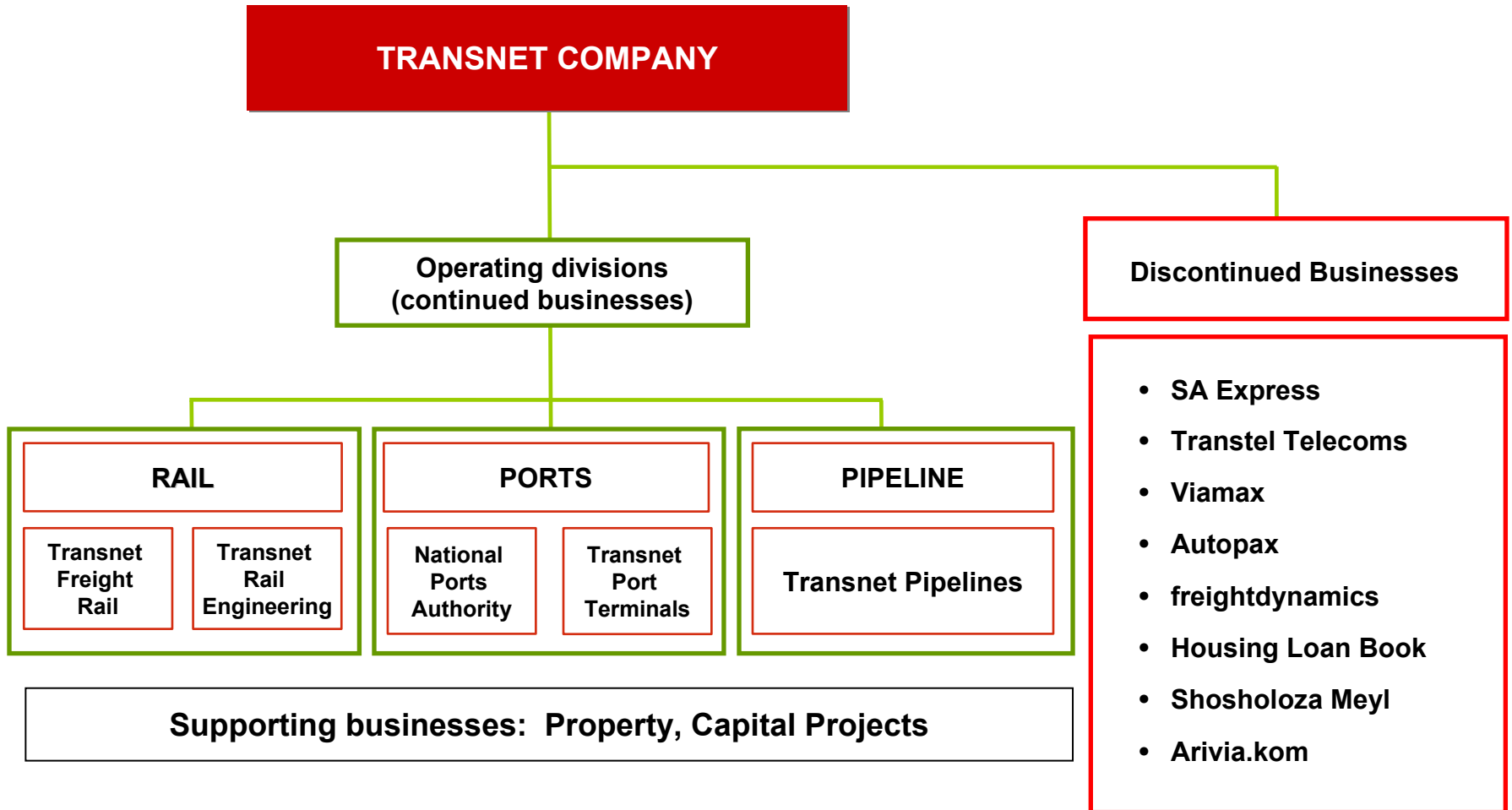
*Safety, risk
and effective
governance*

- Delivery on safety performance
- Complying to the highest standards of corporate governance
- Enterprise risk management
- Enterprise performance management (EPM)

*Human capital
execution*

- Accelerate implementation of HC strategy
- Talent management including critical skills
- Remuneration based on performance against strategic outcomes
- Value and culture

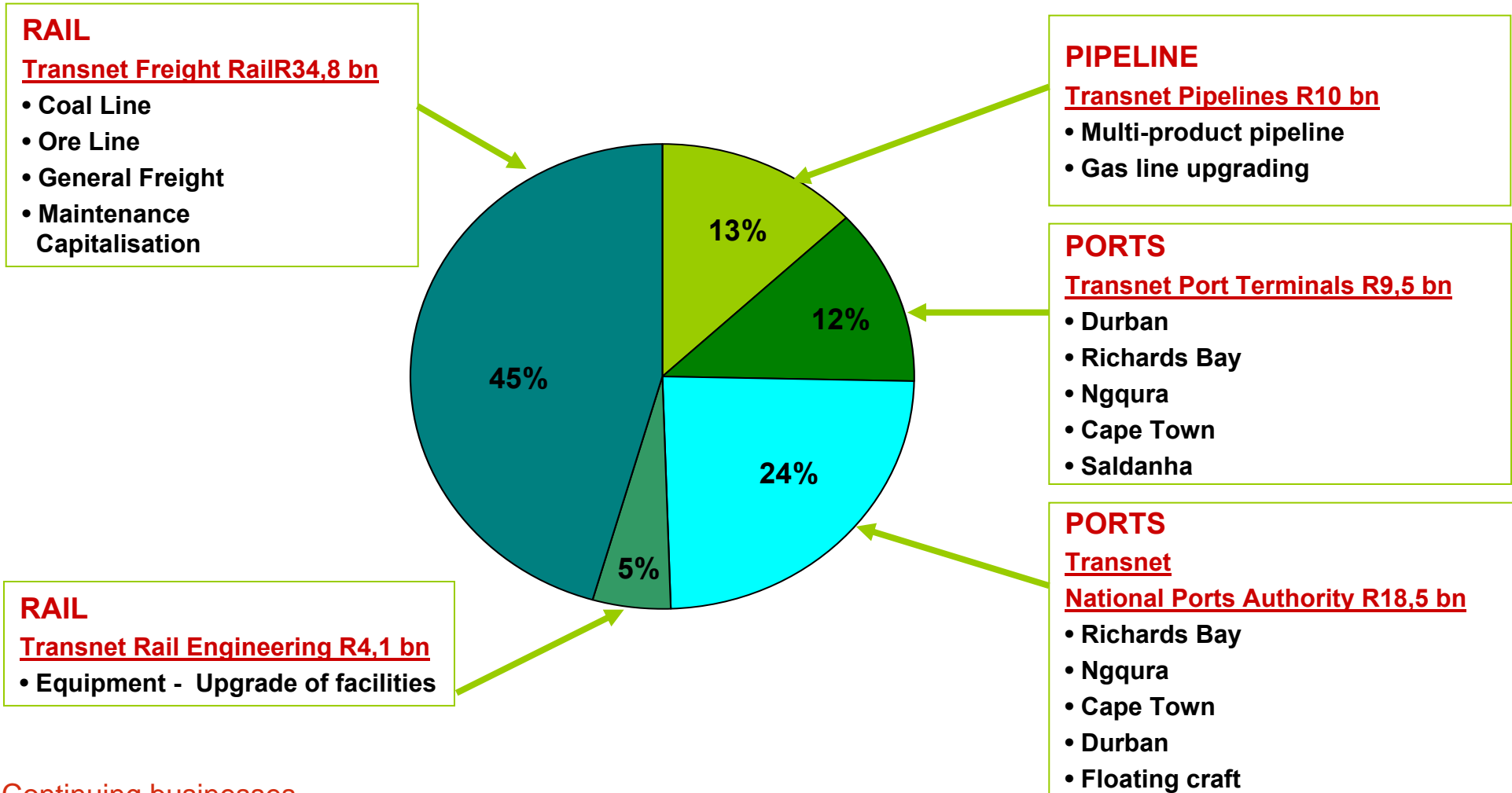
Transnet Structure



Capex spending five-year plan: R78.9 billion*



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RAIL

Transnet Freight Rail R34,8 bn

- Coal Line
- Ore Line
- General Freight
- Maintenance Capitalisation

PIPELINE

Transnet Pipelines R10 bn

- Multi-product pipeline
- Gas line upgrading

PORTS

Transnet Port Terminals R9,5 bn

- Durban
- Richards Bay
- Ngqura
- Cape Town
- Saldanha

PORTS

Transnet National Ports Authority R18,5 bn

- Richards Bay
- Ngqura
- Cape Town
- Durban
- Floating craft

RAIL

Transnet Rail Engineering R4,1 bn

- Equipment - Upgrade of facilities

* Continuing businesses



Market challenges: 2012 - 2030

| Commodity | Current requirement | 2007 → 2012 | 2013 → 2030 | |
|-------------|---------------------|------------------|------------------|---------|
| Containers | 3.3 million TEU | 4.8 million TEU | 13.5 million TEU | ~ 4 x |
| Coal | 68 million tons | 84 million tons | 92 million tons | ~1.35 x |
| Iron ore | 30 million tons | 60 million tons | 92 million tons | ~ 3 x |
| Manganese | 2.1 million tons | 6.3 million tons | 8.8 million tons | ~ 4 x |
| Liquid bulk | 5.2 million tons | 15 million tons | 42 million tons | ~ 8 x |
| Vehicles | 400 000 units | 600 000 units | 1 500 000 units | ~ 4 x |



Strategic thinking: A Business Unit integrated approach

Create a Transnet freight forecasting model

PORT

- TNPA Forecast (2006 Port Masterplan)
- Updated by Corridor study forecasts (GMA) (2007)



RAIL

- Freight Rail Flex 2007 Market Analysis
- Freight Rail 2005-2006 Actual Data
- University of Stellenbosch Forecasts



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- Integrated Freight Forecasting Model on a GIS

Port and Rail Corridor study

- ◆ Infrastructure development plan on key corridors
- ◆ Identify growth commodities per corridor
- ◆ Design integrated rail and port infrastructure solution

4 Corridors were identified for planning purposes

- Western Corridor
- Central Corridor
- Eastern Corridor
- Gauteng Basin

Rail Backbone Infrastructure



Transnet and Strategic Partners



- **International bench marks regarding EPCM (Engineering, Procurement and Construction Management) delivery.**
- **World class project management standards, systems, processes and procedures which are:**
 - Safety focused.
 - Have a stage-gate approach.
 - Uses the NEC3 (New Engineering Contract).
- **Skills transfer to create a well established team capable of delivering further capital expansion projects.**
- **Ability to be flexible and responsive to scope changes and additions, especially in cases of crises around capital equipment and emergency maintenance work.**



Best practice operations: Strategic joint venture

| | HMG |
|--------------------|-----|
| Programme | 51 |
| Project Management | 65 |
| Engineering | 207 |
| Project Controls | 121 |
| General | 113 |
| Construction | 60 |
| | 617 |

Some statistics: Cumulative commodity use by 2014



- HMG procurement spend from February 2006 – July 2007: R1.81 billion
- Total spend for July 2007: R170 million
- Spend on significant projects at end of July 2007:

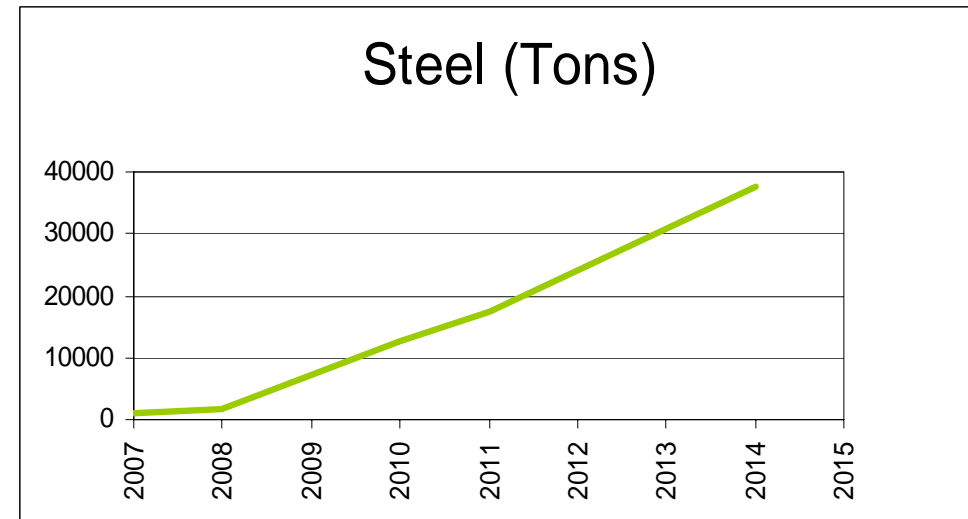
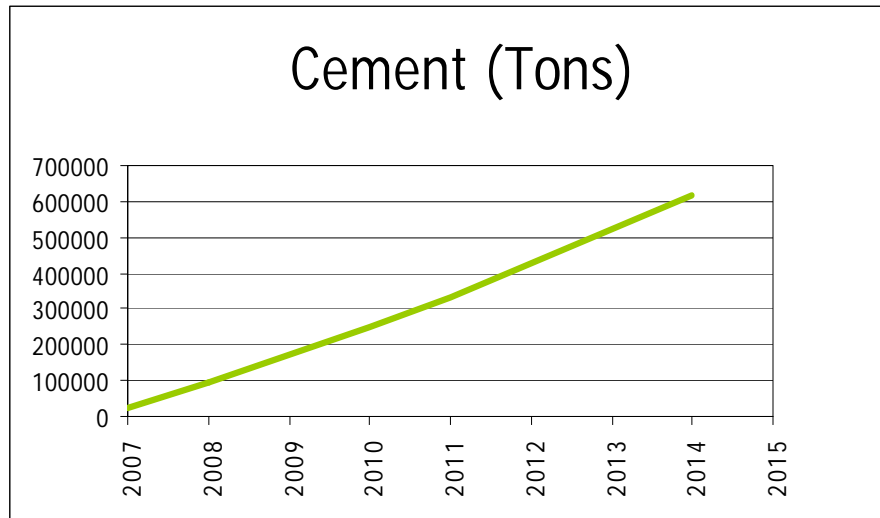
| Project | Spend (million) |
|---------------------------------|-----------------|
| Oreline Port | R490 |
| Oreline Rail | R221 |
| Port of Durban, Pier 1 | R520 |
| Port of Durban Harbour Entrance | R 88 |
| Port of Ngqura | R 103 |

Some statistics: Cumulative commodity use by 2014

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Cement: > 600 000 tons

Steel: > 30 000 tons

Pre-cast railway sleepers: > 300 000