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TRANSNET



13th Annual Intermodal Africa Conference Rail transportation and the Role of Intermodalism

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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

Transnet Port Terminals (TPT)



- 16 Cargo Terminals operating across 7 SA ports
- Revenue R8.5 bn
- Assets R19 bn
- 6 624 employees

Transnet Engineering (TE)



- Support TFR for rolling stock and TPT for lifting equipment maintenance
- Revenue R13.4 bn
- Assets R11.2 bn
- 12 428 employees

Rail

Transnet Freight Rail (TFR)



- 20 500 km of railway track
- 226 million tons of freight
- General freight & two heavy haul export lines
- Revenue R34.4 bn
- Assets R99.7 bn
- 37 891 employees

Pipelines

Transnet Pipelines (TPL)



- 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

Supporting

Capital Projects
Transnet Foundation
Property
Schools



- R312 billion of capital investments over 7 years
- CSI in Education, Health, Sport, Arts & Agriculture
- Property Management
- Transnet Schools



Transnet Market Demand Strategy supports regional goals



Goal : Fifth best performing Railway in the World, Employer of Choice, World Class Service, Gold Standard Operations and Capital Execution

Operations efficiency & execution	Capital Investment	Market Development	Regional Integration	People	Safety
<ul style="list-style-type: none"> § Integrated operational readiness § Gold Standard Railway - reliable, safe scheduled railway § Integrated Train, Yard and Maintenance Plans § Lean & Efficient Operations & Focussed NCC 	<ul style="list-style-type: none"> § Accelerated locomotive acquisition § Capacity created ahead of demand – strategic expansion § World class capital execution function § Leverage capital procurement, supplier development and localisation 	<ul style="list-style-type: none"> § Freight Logistics Service Provided § Collaboration – Customers Long term contracts § Road-Railer solutions § Strategic Alliances § Marketing Strategy implementation 	<ul style="list-style-type: none"> § Corridor development – North-South, East-West, Maputo § Establishment of JOOs § Regional Integration Marketing Strategy § Joint corridor investment § Project management / Consulting 	<ul style="list-style-type: none"> § Strategic Workforce Plan § New organisation archetype – Employee Value Propositions § Inspirational leadership brand § Railway University § Programmes for Engineers, Artisans & Graduates in training 	<ul style="list-style-type: none"> § Independent teams driven by competitive advantage § Mature safety performance – DB Safety Culture § Technology to reduce human error & equipment failure

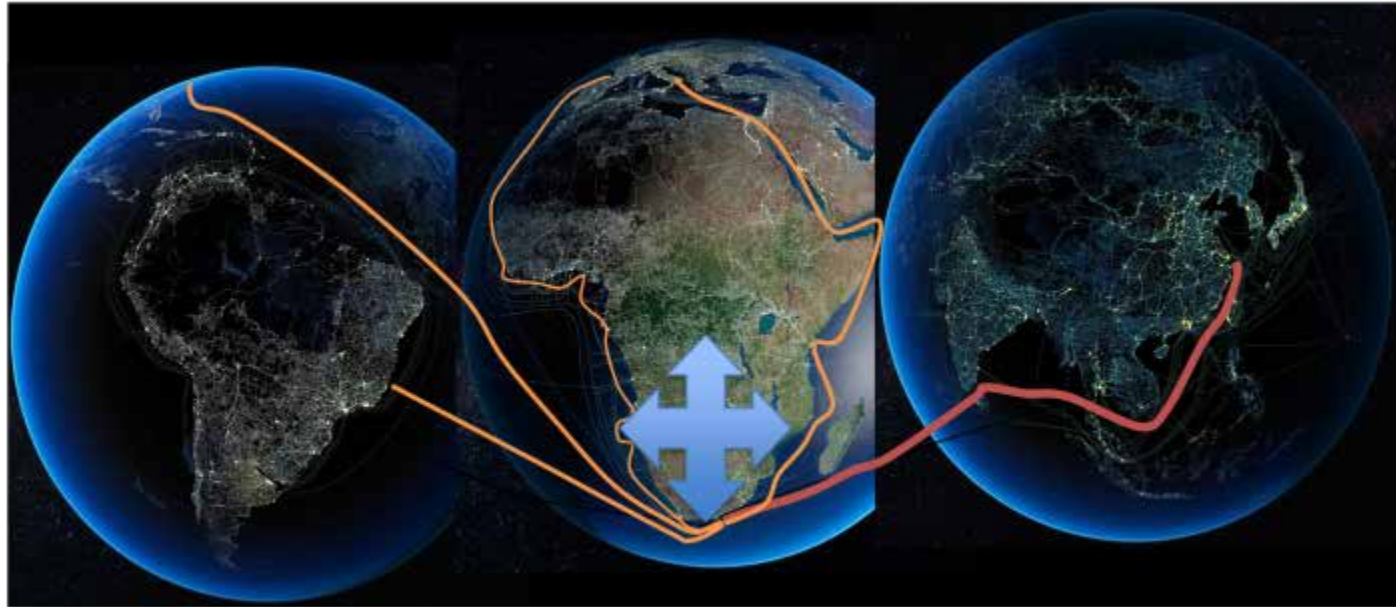
Organisational Development & Performance; Business Transformation; Accountability & Governance; Risk Management; Policy & Regulation



Transnet Connecting and Integrating the Region

Position of South Africa's ports system and connecting rail network enables access to:

- § South-South trade
- § Far East trade
- § Europe & USA
- § East & West Africa regional trade



Port of Ngqura developing as a transshipment hub serving the continent

Shortest Trade Route between Shanghai and Santos:

- § via Suez Canal 13,590nm = 27 days + transit fee
- § via Panama Canal 13,130nm = 26 days + transit fee
- § via South Africa 11,270nm = 22 days @ 21 knots



Rail fulfils a critical role in the growth and development of economies – of countries and regions



Enabling production and trade

Catalyst for economic growth

Driving exports & ensuring rural access to markets

Creation of strategic transport infrastructure

Regional & global connectivity & integration

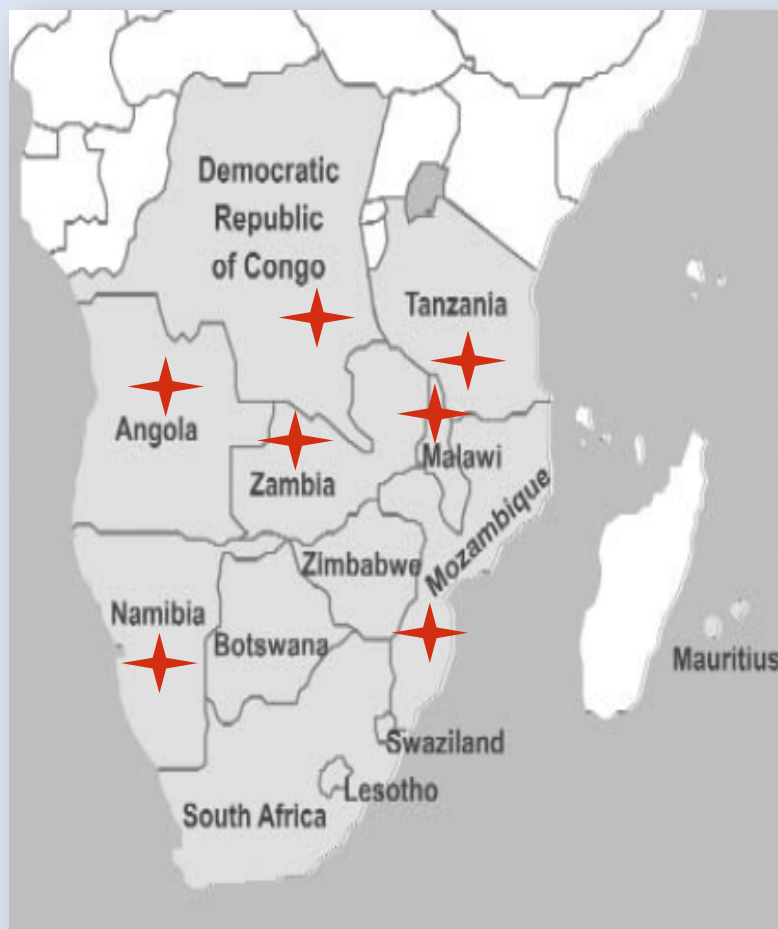
Job creation and skills development

Developing world class rail technology





Southern Africa Economic Outlook GDP Growth



★ = Rapid growth areas

Country	2013	2014	2015	2016	2017
Angola	8.2	7.8	4.5	3.9	5.1
Botswana	5.6	5.5	4.3	4.2	4.2
DRC	8.2	9.4	8.0	8.5	9.0
Lesotho	3.9	3.5	4.0	4.5	4.5
Madagascar	3.0	4.0	4.6	4.8	5.0
Malawi	5.5	6.1	5.1	5.6	5.9
Mauritius	3.8	4.2	3.5	3.7	3.7
Mozambique	8.5	8.0	7.2	7.3	7.3
Namibia	4.2	4.3	5.5	5.3	5.1
South Africa	2.8	3.5	2.0	2.1	2.4
Swaziland	0.7	1.8	2.0	1.8	1.6
Tanzania	6.9	7.0	7.2	7.1	7.1
Zambia	7.5	7.8	5.6	6.2	6.9
Zimbabwe	5.0	5.7	1.0	2.5	3.5



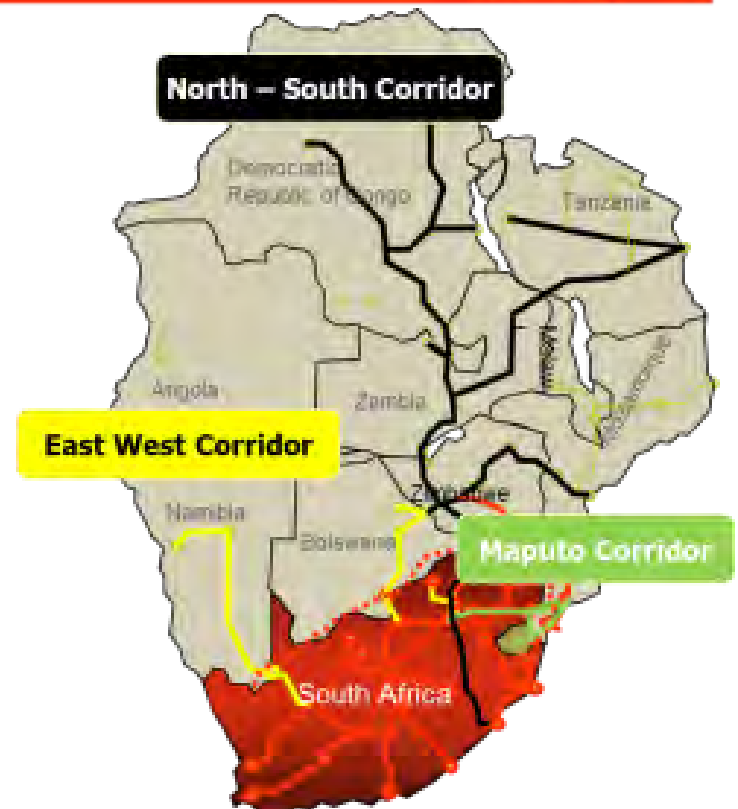
Regional integration- Corridor plans

Building on Inter-Railway Agreements...

§ Bilateral agreements aim to promote interoperability between SADC railways and define operational, safety and technical standards between corresponding countries

... To Develop Corridors

§ Corridors are a broader concept defined by flows of goods across railway and country boundaries in a seamless manner and require cooperation amongst multi-role players



Improve Cross border traffic flows

- § Implementation of the North-South corridor service to improve asset cycle time from +20 days to 6 days
- § Capture market share from road to rail – copper and containerised freight
- § In line with inter-railway operations, certain neighbouring countries are allowed access to the Transnet Freight Rail rail-network to support cohesive regional development





Developments in Intermodalism

Technology and Infrastructure

- § Bimodalism – Road Railer development gaining momentum across the world
- § Skiptainers – new ways of moving mining commodities
- § Development of swap body containers – improving empty leg and asset utilisation
- § Development of multimodal freight parks

Transport handling

- § Bulk Mineral Mining commodities increasingly being containerised
- § Rail as a sustainable transport mode – reduced carbon emissions and lower transport and externality costs

Relationship Trends

- § Increased Public Private Partnering with rail
- § Collaboration across the supply chain – investment in loading equipment, bimodal and other rail technologies
- § Chinese investment in many countries' and their rail infrastructure to secure long term commodity requirements

Volume trends

- § Global rail freight volumes remain static – BRICS countries' rail freight volumes increasing
 - BRICS countries' investment in their rail systems
- § Development and densification of integrated freight corridors

How will the region respond?





Maritime developments that are driving growth

International maritime trends

- § **High-cube containers** dominate: By the end of 2014, another small gain had been made by the mainstream 40ft (9ft 6in) or high-cube container size, increasing its share within the maritime fleet to above 50% for the first time (in TEU terms, and irrespective of type).
- § **Biggest growth** -10.4%- was for the maritime 40ft high-cube fleet of principally dry freight and reefer containers, as against 5% for the 20ft counterpart
- § Containerised exports driven by **reefer shipping**
- § Global trend towards **dry bulk commodities** being transported in boxes, taking advantage of intermodal links offered by containers



Maritime developments that are driving growth

International maritime trends

- § *Developing countries* have been increasingly *fuelling global economic growth*, merchandise trade and demand for maritime transport services
- § Liner shipping connectivity characterised by increasing container ship sizes due to growing demand and supply, as well as the *expansion of trade in manufactured goods, parts and components*
- § Rising *sustainability imperatives* and climate change concerns in the maritime industry
- § Greater *private sector involvement* in maritime transportation
- § Greater *globalisation in manufacturing activities*, an extension of supply chains, *growth in intermediate goods* and expansion in *intra-regional flows*

These trends continue to define countries' trade competitiveness and level of integration into the global transport and trading networks

Intermodalism can enhance intra-regional trade

A means to achieve economic growth and development in Africa

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- § Three container shipping routes emerging as the ones to watch in 2015 - Asia-US East Coast links, **links to and from the Middle East and connections to Africa**, especially those linking the continent with Asia
- § Africa experiencing a significant increase in trade with growing volumes of cargo at all **African ports**, and an expected surge is forcing port authorities and operators to increase capacity, analyse operations, and employ measures to allow bigger ships into their ports.
- § **South Africa's largest container port**, the Port of Durban, is undergoing investment and expansion



Currently African intra-regional trade, at ~10% of total trade, is well below levels found on other continents





Critical success factors for Intermodalism in Sub-Saharan Africa

- § Sub-Saharan rail corridor development and upgrade for connectivity
- § Development of dry ports, warehousing and intermodal facilities on the rail network
- § Terminal and Warehousing facilities
 - Distribution centres for product to reach markets in the region
 - Lowering inventory costs
- § Appropriate location of core inland hubs and logistics parks
- § Logistics Service Provider partnerships
- § Development of intermodal technologies
 - Bimodal
 - Information technologies
 - Swap body wagon technologies



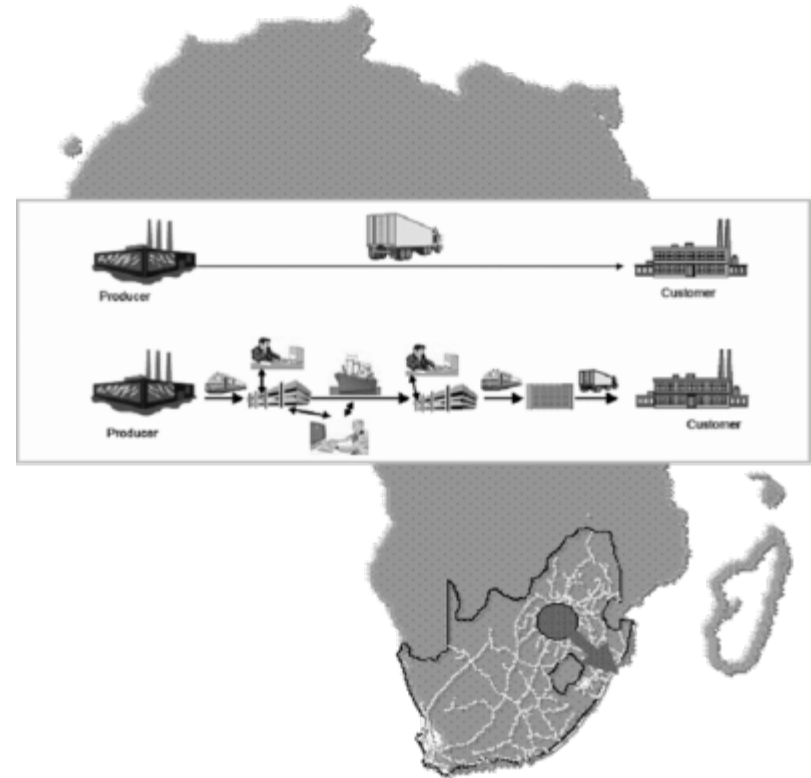
- § *Unlocking Regional Integration for intermodalism key to supporting move to beneficiated exports from the region*
- § *Balancing of freight through intermodalism - between ports, rail and road- is essential to sustain the system*





Conclusion

- § The Southern African Region presents opportunities that can only be exploited by collaboration in the Region
- § Integrated planning for future infrastructure development to create world class freight infrastructure
- § Improving efficiencies across the supply chain through intermodalism
- § Stimulate trade and reduce the cost of logistics
- § PSPs to enhance development and realise full market potential





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THANK YOU