


TRANSNET



delivering freight reliably



**Cross Border trade & Investment in Southern & Eastern Africa
Transnet Engineering's Experience**

- 
- 1 TE - Who are we?
 - 2 Cross Border Trade and Investment
 - 3 Opportunities for strategic partnership
 - 4 Conclusion





South Africa has embraced the challenge



“Regional and continental infrastructure development is of fundamental importance to the realisation of Africa's economic growth and development imperatives.” [...] As regional leaders, we carry a particular responsibility to serve as champions in driving industrial and infrastructure development both at the regional and continental levels.”

President Jacob Zuma - on Infrastructure Development



“Our foreign policy prioritises the building of relationships in the African continent, the focus of which is to promote development, contribute to the resolution of conflicts and to build an environment in which socio-economic development can take place”.











Minister of Public Enterprise: Malusi Gigaba – Reiterates SA's Foreign Policy on 28 June 2013



Transnet is a custodian of ports, rail and pipelines and has a number of operating divisions which have key focus areas



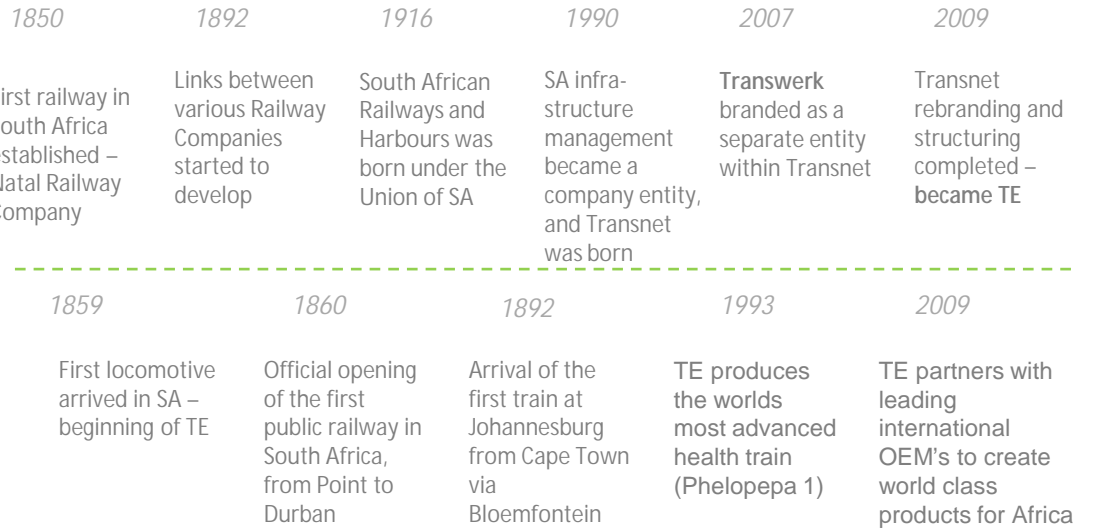
TRANSNET

				
				
<p>SA Rail Line and Freight Operator:</p> <ul style="list-style-type: none"> § Rail operator responsible for rail freight logistic solutions § Serve the mining, manufacturing and industrial sectors 	<p>Product Manufacturing:</p> <ul style="list-style-type: none"> § Manufacture § Assembly § Rebuilds § Refurbishments § Upgrades & Conversions § Maintenance & Service 	<p>SA National Maritime Authority:</p> <ul style="list-style-type: none"> § Responsible for the safe, efficient and effective management of South African ports 	<p>Port Terminals Operator:</p> <ul style="list-style-type: none"> § Monitoring and executing port terminal operations within South African ports 	<p>Oil and Gas Pipeline Operator:</p> <ul style="list-style-type: none"> § Transportation of petroleum and gas products via a pipeline network within South Africa
<p>Owns and operates 21,000 km track, including 1,500km dedicated heavy haul</p>	<p>Africa's rolling stock and maintenance supplier of choice</p>	<p>Landlord to 8 commercial Ports around the South African coastline</p>	<p>16 cargo terminal operations across South African Ports</p>	<p>3 800 km of pipeline capacity for petroleum and gas products</p>



TE began its journey in 1850, and is currently a leading Engineering & Manufacturing firm

TE journey to date



TE Today (2015)...

REVENUE R14.bn	ASSET VALUE R8.2bn	EMPLOYEES ~12250
DEPOTS 132	FACTORIES 6	CUSTOMER FACING BUSINESSES - 4

Today Transnet Engineering is the backbone of South Africa's railway industry with 4 Customer Facing Businesses including Manufacturing, Maintenance, Trading and Supply Chain Services. We have 132 depots, six factories and ~12,250 employees countrywide. The organization is dedicated to in-service maintenance, repair, upgrade, conversion and manufacture of freight wagons, mainline and suburban coaches, diesel and electric locomotives as well as wheels, rotating

We are very excited about the new Journey that TE has embarked upon. We will be leveraging off our existing capabilities, but super sizing it with customer centricity. We intend to establish our presence closer to your operations, offering Innovative Rolling Stock Products and Superior Value Propositions!!!!

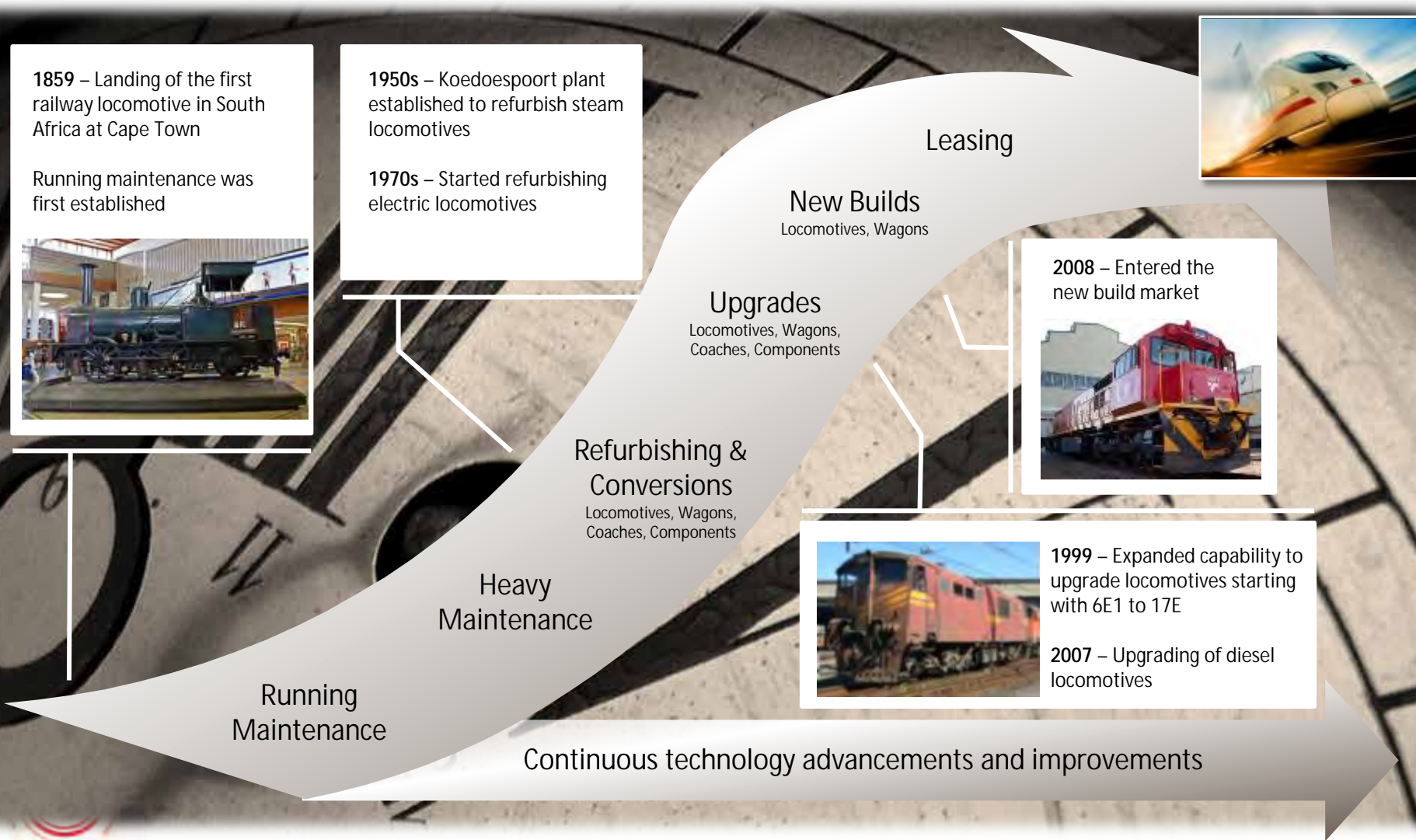
Rolling Stock Manufacturing

Rolling Stock Maintenance



TE brings over 150 years of experience to the Transnet Engineering sector and has built substantial expertise...

TE's evolution and transformation of the SA transport industry



1859 – Landing of the first railway locomotive in South Africa at Cape Town

Running maintenance was first established



1950s – Koedoespoort plant established to refurbish steam locomotives

1970s – Started refurbishing electric locomotives

Upgrades
Locomotives, Wagons, Coaches, Components

Refurbishing & Conversions
Locomotives, Wagons, Coaches, Components

Heavy Maintenance

Running Maintenance

Continuous technology advancements and improvements

New Builds
Locomotives, Wagons

Leasing

2008 – Entered the new build market



1999 – Expanded capability to upgrade locomotives starting with 6E1 to 17E

2007 – Upgrading of diesel locomotives



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Macroeconomics on the African Continent



- Africa's GDP growth is expected to strengthen to 4.5% in 2015 and 5% in 2016 after subdued expansion in 2013 (3.5%) and 2014 (3.9%).
- The 2014 growth was about one percentage point lower than expected, as the global economy remained weaker and some African countries saw severe domestic problems.
- The world economy is improving and if the African Economic Outlook AEO 2015 predictions are right, Africa will soon be closing in on the impressive growth levels seen before the 2008-09 global economic crisis.



East African Growth



- East Africa's growth accelerated in 2014 to more than 7%, from below 5% in 2013. It is projected to decelerate to 5.6% in 2015 and accelerate again to 6.7% in 2016.
- East Africa will then again become the continent's fastest growing region. It recovered in 2014 but is projected to decline again in 2015, although forecasts for this country are highly uncertain and depend on the evolution of the peace process. Ethiopia, Kenya, Rwanda, Tanzania and Uganda kept up their relatively high growth. As these countries have small mining sectors and their



Southern African Growth



- Southern Africa's growth slowed to below 3% in 2014 and only a moderate recovery is projected for 2015 and 2016.
- The subdued performance is due to the relatively poor growth in South Africa.
- South Africa's growth is projected to recover gradually on the back of more buoyant export markets and improved competitiveness due to the large depreciation of the rand.
- Mozambique and Zambia are achieving the highest growth in the region. Mozambique is mainly driven by so-called mega projects and large infrastructure investment, financed by foreign direct investment and the government.
- In Zambia, good harvests boosted 2014 growth and mitigated the effect of lower growth in mining, manufacturing and services.
- Growth is expected to remain strong in both countries but more efforts are needed to broaden the economy and make growth more inclusive.





Regional Integration - United in Railways

“Regional Integration for Inclusive Growth,” recognizes that regional integration is not an end in itself, but rather a tool for enhancing economic growth and fostering inclusion – within and between countries. After decades of relative stagnation, Africa has shown a steady upward improvement in performance in the past decade and a half. Average growth has been about 5 %, while the value of intra-African trade has increased fourfold over the last decade.

Regional integration not only provides scale economies that allow greater access to capital markets, including foreign direct investment, but can also enable countries to pool resources for large, “game-changing” projects in transport and energy.





Regional Integration - United in Railways

The continent's under developed infrastructure is largely to blame for its low level of competitiveness and productivity, low share of exports in world exports, and low levels of intra-regional trade. To address these constraints, there is need for a regional approach to infrastructure development, particularly in the sectors of energy, water, transport, and information and communication technology. African countries must be better linked through roads, **railways**, ICT, power infrastructure networks, and ports and harbours.

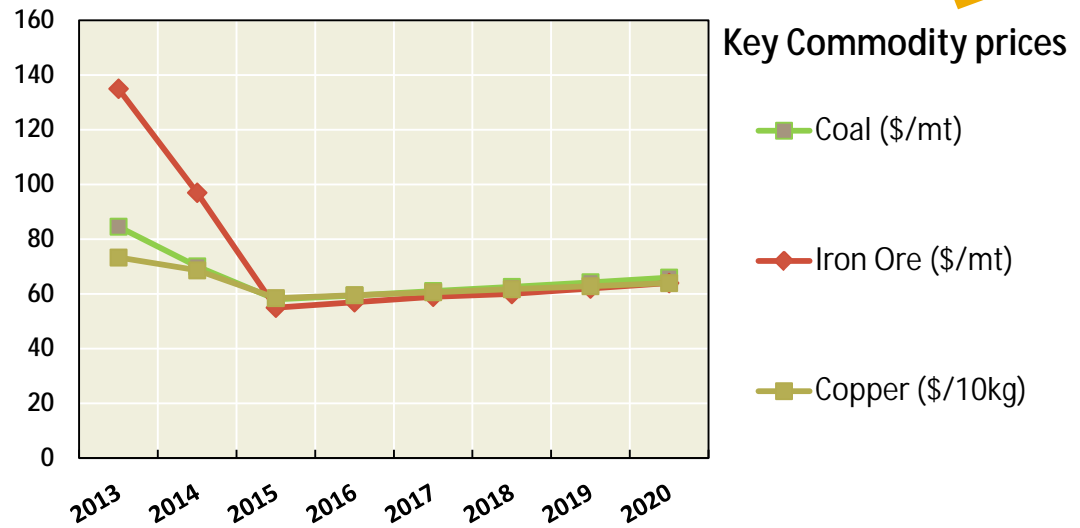
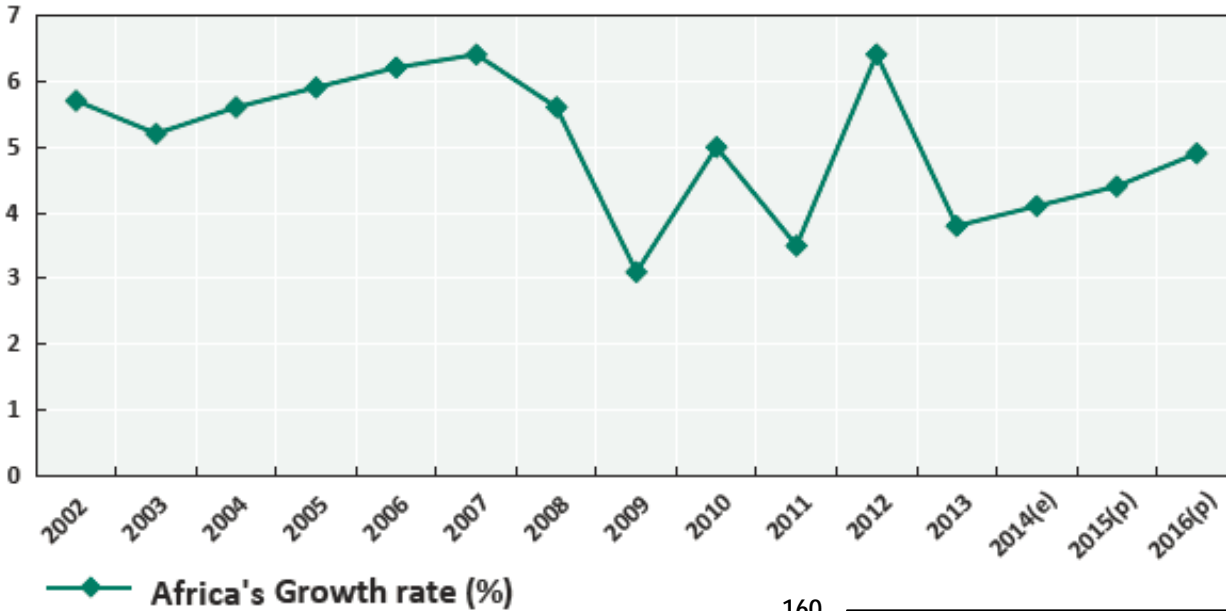
Infrastructure remains a major obstacle to growth in the continent.

Regional integration can be a key means for African countries to foster broad and inclusive growth.

The **Tripartite Free Trade Agreement** involving COMESA, EAC and SADC is proving to be an important building block for Africa's integration



Macroeconomic Trends



What does this mean?

- Looking at the economic outlook and projected commodity prices, with Africa's population set to double by 2050; It becomes imperative for Leaders of Railways to take decisive action to establish safe and reliable Railway Operations in our countries, within our Regional Economic Communities for the benefit of Integration of the African Continent.
- “Unlocking the economic potential of the continent's diverse regions will be vital to create millions of jobs needed to improve the standard of life for our people”.

Most of us will agree with the above!

The Challenge is

“Can Africa do it by itself”?



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Key Railway Projects in SADC and EAC

We go beyond the product focus and are able to provide turnkey railway solutions, that may include funding solutions, JVs, as well as possible BOTs.



Project:

Northern Multimodal Transport Corridor
Mombasa-Kigali Railway Project

Countries: EAC: Kenya, Uganda, Rwanda

Status: Engaging Railway Authorities to Collaborate on Project.

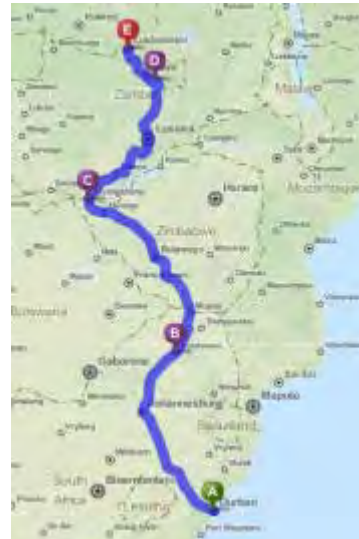


Project:

Central Multimodal Transport Corridor
Dar es Salaam, Kigali, Musongati Railway Project

Countries: EAC: Tanzania, Rwanda, Burundi

Status: Engaging Railway Authorities to Collaborate on Project



Project:

North-South Corridor Capacity Development

Countries: SADC: DRC, Zambia, Zimbabwe, RSA

Status: Established Joint Operation Centre through Collaboration and provided maintenance and supply of Rolling Stock

Transnet is keen to establish value adding Partnerships with such Railway Projects



Partner for Regional Integration



- § Transfer of rail engineering knowledge and skills
- § Jointly established state of the art maintenance facilities with modernized machinery and equipment to support the current and future rolling stock demand.
- § Supply of railway products and services by Africans in Africa
 - § *China's 'resources-for-infrastructure' strategy*
 - § *Is it another form of Colonialism?*
- § Reduction in the cost of doing business in Africa, as localized support will not incur cost due to delayed maintenance support and services
- § Financial benefit from DFI as well as synergies created during the acquisition and during the life cycle support phases of the regional rail logistic chain.

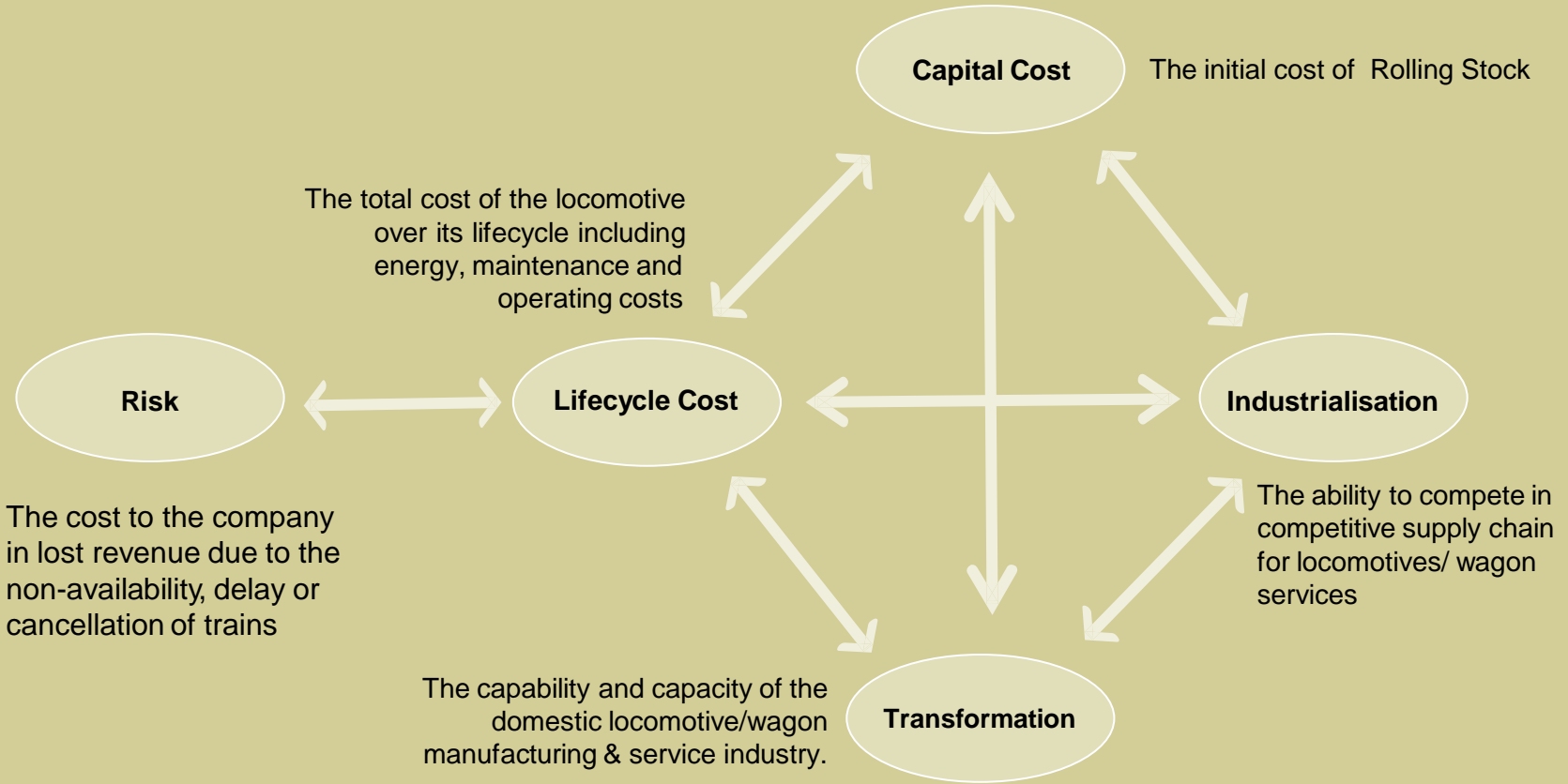




Standardisation

Higher standardisation leads to larger demand and lower LCCs

Standardisation

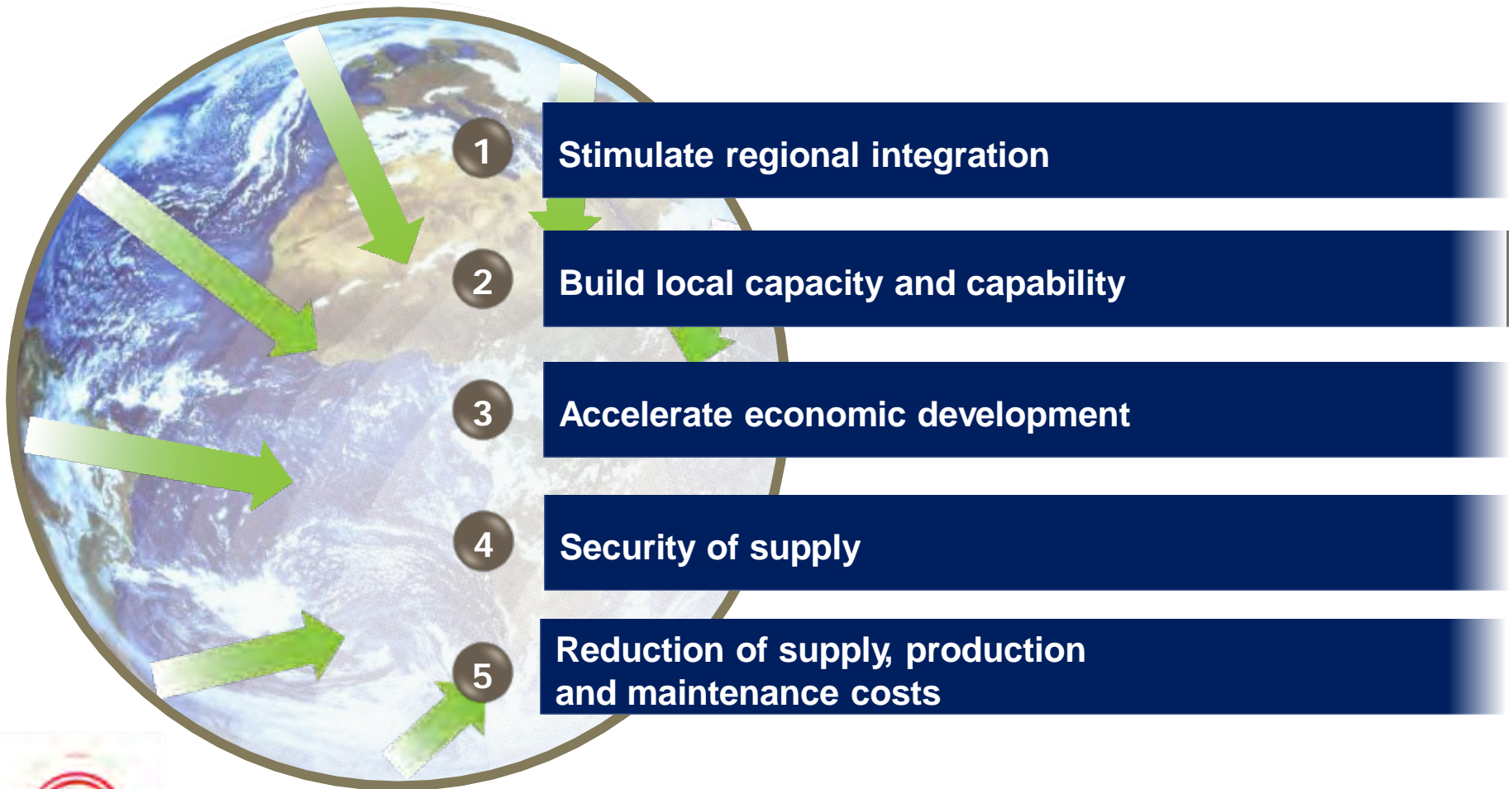


Standardisation

Standardisation

Standardisation

Strategic Sourcing initiatives: huge benefits for the region





Partner to Achieve

Lower cost		Maintenance & Support		Wide network		Quality	
Reliable Products		Ease of working with us		Green conscious		Product Differentiation	
Ease to integrate		Production Capacity		Local supply capability		Flexible	
Training support		Innovation		Skills & Capability		Modern Production Facilities	



Comprehensive Suite of Rolling Stock Support

TE can customize complete packages to meet operational requirements from manufacturing and maintenance to other supporting functions ...



Conclusion



Transnet's Support to Africa's Infrastructure Development

Group

- Supporting Governments' role in the development of the Region and the Continent
- **Financial support thro DFI as the opportunity may arise**

Rail

- Supplier Development
- Transfer Knowledge and Skills
- Conduct Engineering Development for African Solutions
- Supply of Rail Rolling Stock
- Supply of rail maintenance services

A Solid History

With origins dating back more than a century to the mechanical engineering department of the former South African Railways and Harbours, this engineering organization has actively supported railways in the expansion of the country's economy.

Our institutional capability will help avoid expensive lessons.

African Soul – Global Perspective

Transnet Engineering has committed itself to significant investments in research and development to service the specific requirements of Africa. This has led to an ever-expanding range of rolling stock solutions and products.

We pride ourselves on developing African Solutions by Africans for Africa and our commitment to the Continental Agenda for Regional Integration is unwavering



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THANK YOU