



**Integrating transport infrastructure investments and
modernization: Perspectives from South Africa**

Mr Siyabonga Gama, Transnet Group Chief Executive

It was the best of times, it was the worst of times,

It was the age of wisdom, it was the age of foolishness,

It was the epoch of belief, it was the epoch of incredulity,

It was the season of Light, it was the season of Darkness,

It was the spring of hope, it was the winter of despair.....

Distinguished guests

Ladies and gentlemen

With this memorable opening, the English author, Charles Dickens summed up his intense feelings about an epochal event - the French Revolution – that shook the very foundations of the world we live in. This was in his book, *A Tale of Two Cities*, which he wrote in 1859.

In 1802, Albert Mathieu, a French mining engineer, put forward a proposal to tunnel under the English Channel, with illumination from oil lamps, horse-drawn coaches, and an artificiality island mid-channel for changing horses.

I mention these two significant events because they were once ideas in the minds of people, ideas that grew to be epochal events – the fruits of which we witness today. This in a time when in Africa, we have had many dreams but very few of them have become a reality.

In South Africa, we have been given an unprecedented opportunity to reshape and re-imagine our transport landscape – an opportunity that is not likely to be revisited upon us any time soon.

It is *our best of times*.

In many ways, we at Transnet are experiencing our very own revolution. I wish to thank the organizers for inviting me to this August gathering of port, shipping and logistics professionals , executives and leaders to share an African perspective and our journey with you. I am most humbled and privileged at the opportunity offered to us and for me to stand before you representing 65,000 Transnet personnel back home.

A brief background - Transnet is South Africa's state-owned freight transport and logistics infrastructure company and is the custodian of the country's rail, ports and pipeline networks. We have 8 commercial ports across the 3300km of South Africa's coastline, 30,300 km of rail network and some 3800 km of pipeline carrying gas and liquid fuels. In 2015, our railways handled 226 million tons of freight.

As a proudly state owned company, Transnet has a dual mandate;

A) We are required to provide world-class infrastructure and technology , as part of our mandate to catalyze economic growth.

B) At the same time we are at the forefront of driving South Africa's developmental objectives.

Our greatest challenge is perhaps the facilitation of a large-scale shift of traffic from road to rail.

In April 2012, we launched our Market Demand Strategy. The market demand strategy is aimed at strengthening South Africa's logistics backbone and position our supply chains to better compete in global terms. Since 2012, we have spent an unprecedented R108,9 billion in our rail, ports and pipelines infrastructure.

By 2022 we would have spent almost half a trillion rand on our Capital Investment program.

In April 2014 we announced the award of more than R50 billion in contracts for the building of a thousand and sixty four diesel and electric locomotives. This was to four global original equipment manufacturers – one North American , one Transatlantic and two Chinese manufacturers;

We awarded China South Rail Zhuzhou Electric Locomotive and Bombardier Transportation contracts to build 599 electric locomotives and General Electric Transportation Division and China North Rail Rolling Stock to build 465 diesel locomotives.

Our locomotive fleet renewal programme is integral to the success of our Market Demand Strategy.

It bears noting that this is with significant localisation and industrialisation in our country. Industrialization is a key pillar of South Africa's infrastructure and modernization programs as we seek to locate new industrial sectors in our country to create employment and to bolster economic growth.

Last year, we invested over R2 billion building the last two berths and buying the required port operating equipment at our port of Ngqura, our latest deep water port which will accept heavy haul traffic in the Eastern Cape region of South Africa.

Investment at the port entailed the building and deepening to 16 meters of the container terminal's two additional berths and purchase

of port equipment, including two megamax ship-to shorecranes, 18 rubber tyred gantries, 48 haulers and 48 bathtub trailers.

This was crucial for our country as this port serves as a transshipment facility and a regional pivot port between the Asian markets for traffic from the East and South America for traffic across the Atlantic.

In November last year we also completed a state-of the art upgrade to Africa's largest inland port – City Deep – which is in Johannesburg. It is part of our drive to swing freight from road to rail and move rail-friendly cargo off South Africa's roads.

The upgrade was intended to create a modern terminal and included:

- Installation of the Navis terminal operating system, with the same platform as we use in our port terminals;
- Upgrading and replacement of existing terminal infrastructure; and
- Installation of a new gate and weigh-bridge system.

In March this year, we delivered the first batch of 22 passenger coaches engineered and manufactured at our centres of excellence in Pretoria and Cape Town to Botswana , one of our neighboring countries.

The supply to Botswana Railways is a significant step in Transnet's drive to establish itself as Africa's premier manufacturer of rolling stock.

We are also in the process of completing a new 24 inch multi product pipeline between the port city of Durban to the bustling metropolis of Johannesburg .

All the efforts that I have outlined point to one significant factor – our overwhelming desire to create a modern, integrated freight and logistics system for South Africa - whilst aggressively pursuing a road-to-rail strategy for the betterment of our country.

We at Transnet therefore count ourselves as extremely fortunate that we are able to shape the future of our nation in the manner we are doing. We are also more excited at realizing Africa's dreams at a pace of implementation that is hitherto unheard of on our continent.

Going forward, as a 3PL, we are an asset-based provider of services limited to our own assets; however the future is in 4PL where we extend our services to incorporate other value-added services in the entire logistics supply chain.

This is the only approach that can ensure a sustainable road to rail shift. We *must* create asset-light, multiple revenue streams in order to grow, diversify and derisk our business.

As we modernize our infrastructure , we are also embarking on a journey of innovation, where we are placing research and development at the epicenter of our developmental work. We aim to learn from those of you who have made significant inventions so that we do not treadmill on terrain that has already been traversed. We also aim to translate our knowledge of the African continent to create products that are user friendly and customized to the unique needs of Africans. In so doing , we will partner with others who are willing to share their expertise and experiences with us, those who are willing to create genuine partnerships based on integrity and trust and a desire to take humankind forward. As pioneers we will continue to look at

efforts to further industrialize our country, to invest in technology that improves the logistics competitiveness of our country and Continent. We are looking at a number of cutting edge breakthroughs that will reflect our pioneering spirit such as doing inventing the first doloise to protect harbors from the harsh seas, such as the first heart transplant so many years ago. We are willing to learn, and we are willing to share in a vastly globalizing world so that our business activity can always bring about a better life for all. As we do this we shall make mistakes and we hope that those who have gone before us will always be available to guide and offer us wise counsel.

As the great Hungarian film director, Michael Curtiz, once said, “*The only things you regret are the things you don't do.*”

At Transnet, we aim to do it all – to the best of our abilities and to ensure that we deliver freight reliably to our customers at all times. We have a choice to create a better future for our people. We believe that partnerships in port terminals, railways and pipelines both at home and abroad will give impetus to our dreams to continue to play a meaningful role in facilitating trade and deepening globalization.

We hope to see you all in Cape Town in April 2017 during the Intermodal Africa Conference when we can share with you our lovely South African wines, experiences in intermodalism and you can experience the World's longest operational train, a 342 wagon train with 8 locomotives that provide traction for our iron ore exports , a spectacle measuring some 4.5km!

I thank you for listening .