

TRANSNET



delivering freight reliably



Portfolio Committee on Trade and Industry

Transnet's' progress on IPAP interventions and localisation on locomotive procurement

11 August 2015



Topics



1. Transnet's progress made in terms of the IPAP interventions

2. Transnet's progress made in terms of the local content of locomotive and wagon procurement

3. Transnet's achievements to date

4. Transnet's Enterprise Development achievements





Topics



1. Transnet's progress made in terms of the IPAP interventions

1. IPAP and Legislative Requirements

2. Designated sectors in the rail industry

3. Transnet's Approach to Localisation



Localisation through Supplier Development at Transnet came about from the policies Government has developed in order to address the challenges faced by South Africa



The National Challenges

- Unemployment
- Inequality
- Skills shortage
- Growing population
- Infrastructure shortage
- Limited industrial capacity
- Reliance on resource export

The National Agenda

- Job creation
- Skills development
- Normalising society and economy
- **Local procurement and economic growth**
- **Infrastructure development**

Government Response

- NDP
- **IPAP I & II**
- Local Procurement Accord
- CSDP
- B-BBEE
- SME development
- Overall policy reform
- PPPFA, designation





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The dti has identified sectors in which it is strategic for South Africa to gain capabilities and set minimum local content thresholds for components within those sectors



dti designated sectors	Minimum threshold for local content
Buses (Bus Body)	70% - 80%
Textile, clothing, leather and footwear	100%
Steel power pylons and substations	100%
Canned / Processed vegetables	80%
Furniture products	
Office furniture	85%
School furniture	100%
Bases and mattress	90%
Rail rolling stock	
Diesel locomotives	55%
Electric locomotives	60%
Electric multiple units (EMUs)	65%
Wagons	80%
Set top boxes (STB)	30%

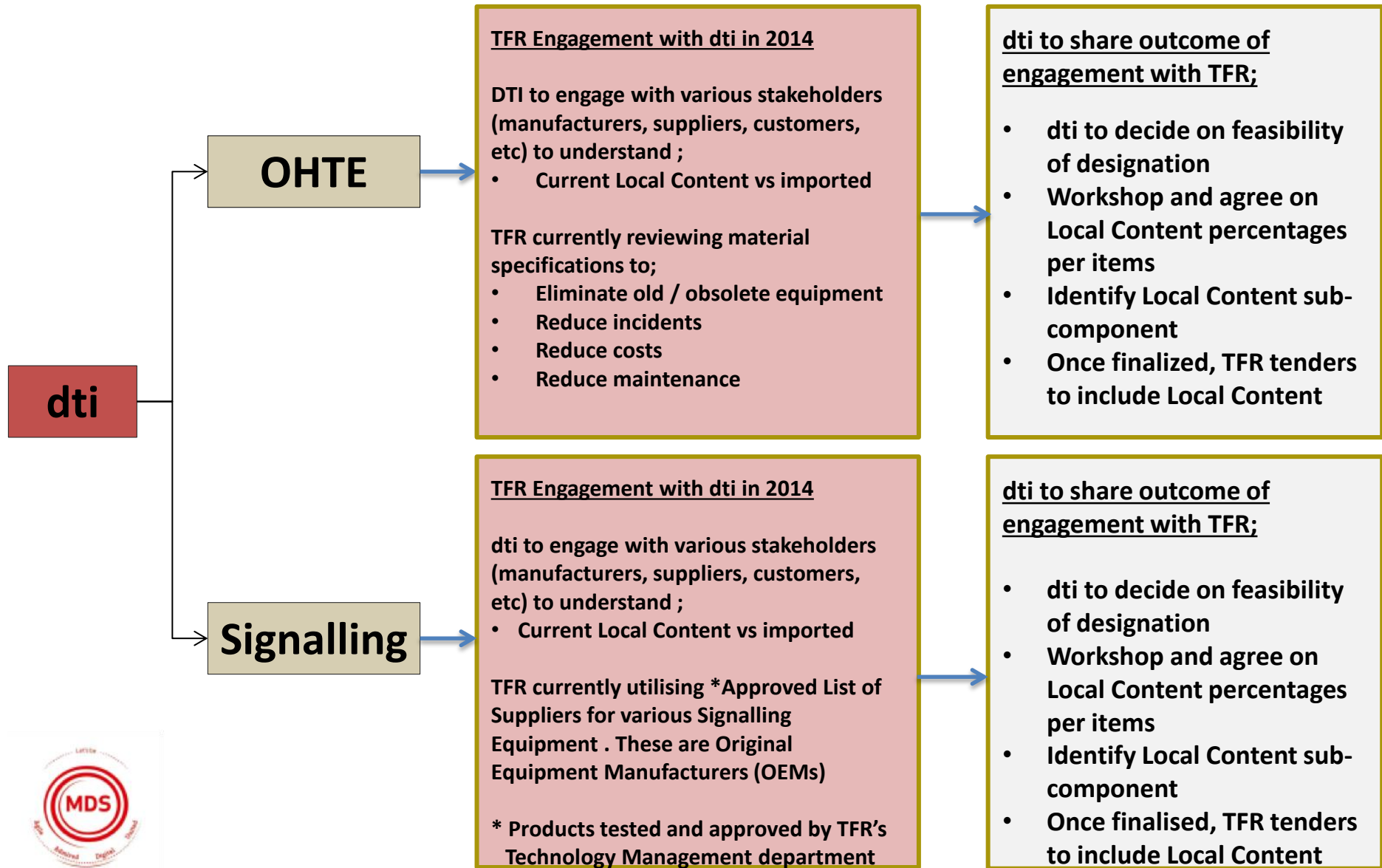
- Primary focus areas for Rolling stock
- Secondary focus areas for MDS
- Not within the top 20, but still fall within the designated sector for rolling stock

Detailed components identified in the MDS capital breakdown and their respective local content thresholds		
Component/Activity	Local content 3-5 yrs.	Local content 6 yrs. and above
Locomotive assembly*	100%	100%
Wheels	100%	100%
Couplers	100%	100%
Bearings	100%	100%
Bogies	100%	100%
Braking systems	70%	80%
Axles	100%	100%





Overhead Track Equipment (Ohte) and Signalling Equipment





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In order to drive localisation, Transnet supports driving three different key localisation drivers – Which are key pillars of SD



Through this approach Transnet aims to facilitate and influence established suppliers to engage with local emerging suppliers to enable downstream supplier development

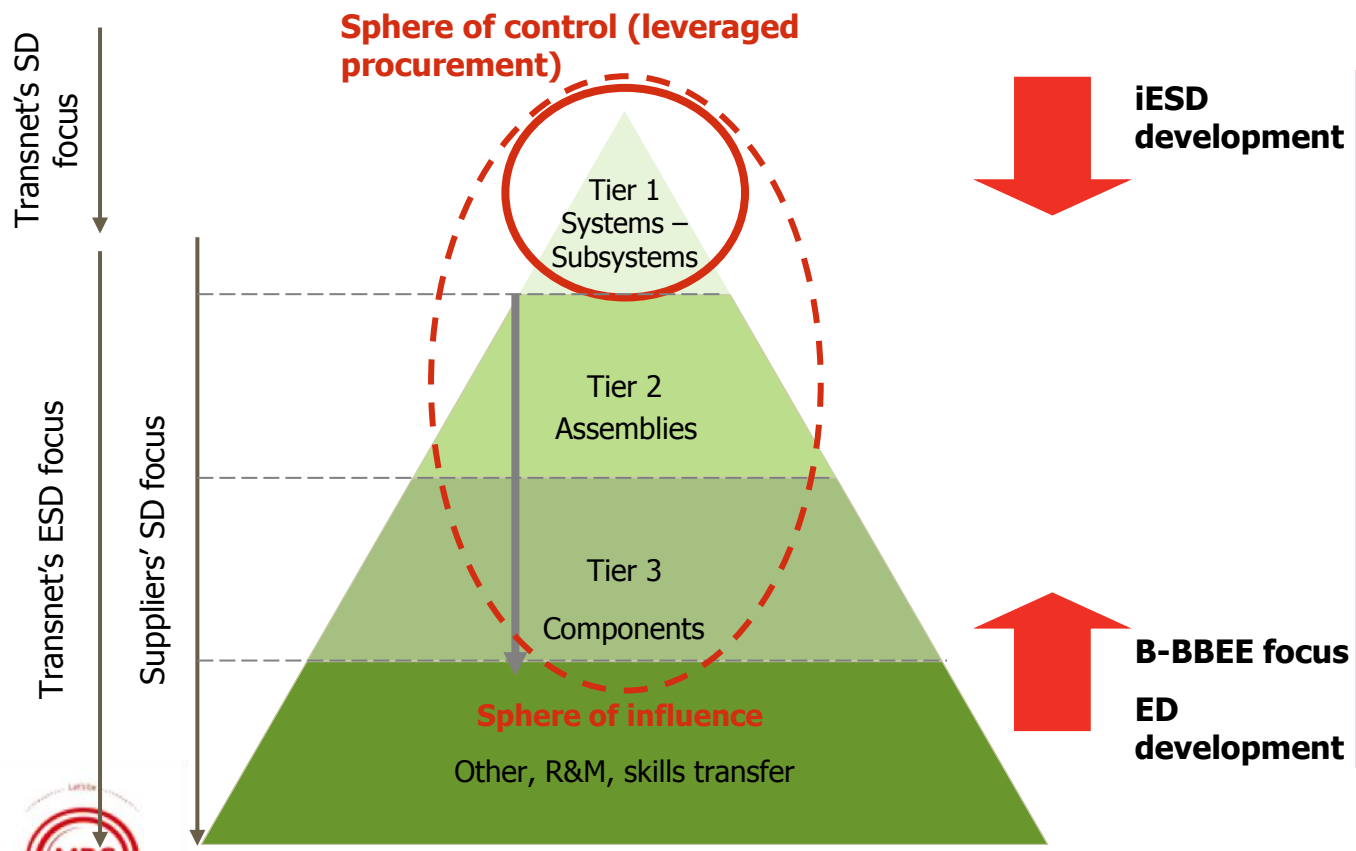


Transnet's iESD strategic approach is to focus on Tier 1 suppliers and to influence them to engage local Tier 2 and 3 suppliers

Supplier development category

Supplier base

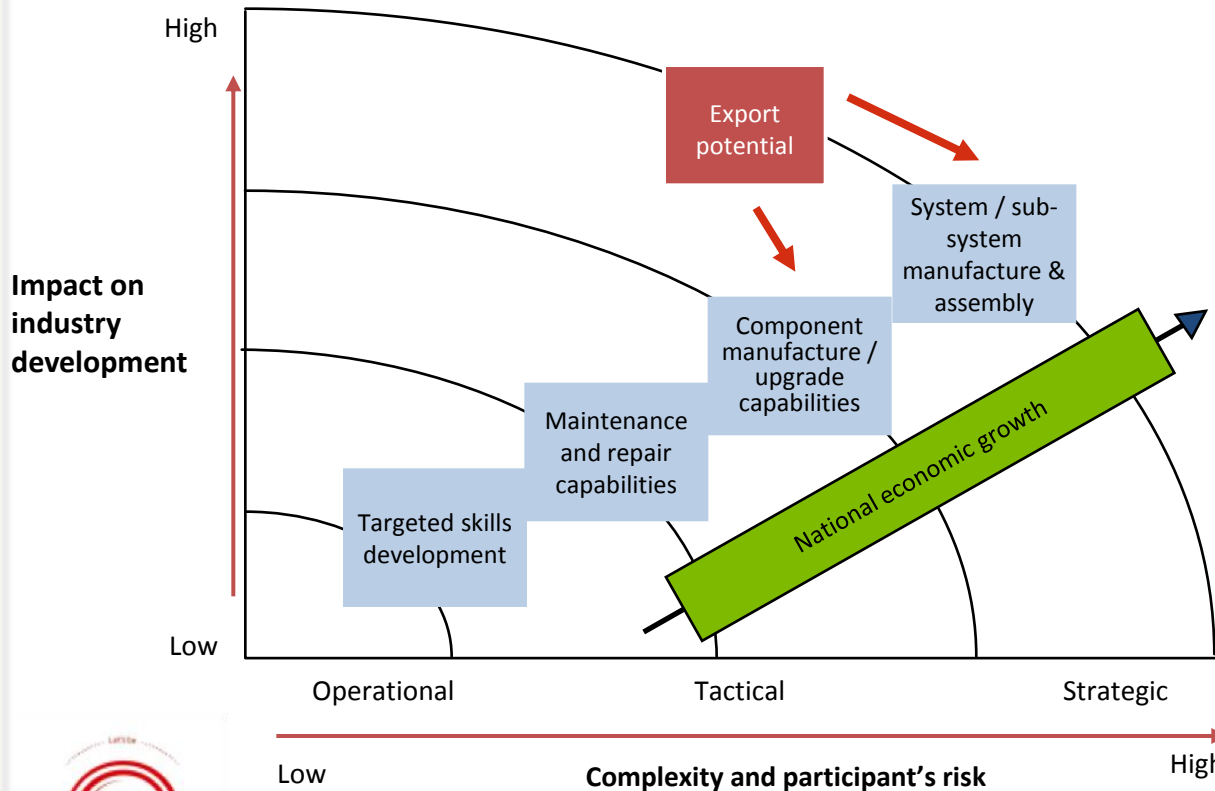
A result of Transnet's iESD drive



Note: ED - Enterprise Development / PP - Preferential Procurement

Transnet has recognised four key areas of opportunity that could be leveraged in order to develop the local supplier base

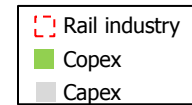
Socio-economic impact measured largely on factors decreasing imports, increasing local content and providing relevant skills transfer











- SD opportunities present themselves along the entire value chain
- While the large Capex transactions provide opportunities for system, sub-system and component manufacture and assembly...
- ...manufacturing opportunities also lie in developing maintenance and repair capability
- To ensure the development of a competitive local supplier base, industry-specific skills transfer and skills relating to manufacture need to be driven by SD



The rail sector spend is significant enough to drive industrialisation through programmatic procurement events



Asset Group	Capex Spend (Rbn)	Identified Capex Commodities with SD Potential		
 Locomotives, Parts & Spares	80,7	<ul style="list-style-type: none"> New locomotives Bogies Wheels Couplers 	<ul style="list-style-type: none"> Draw gear Ventilation systems Control systems Traction motors 	<ul style="list-style-type: none"> Coach components Axles Brake systems
 Wagons, Parts & Spares	61,1	<ul style="list-style-type: none"> Brake systems Pressure vessels Axles Steel 	<ul style="list-style-type: none"> Bearings Wheels-34" Draft gear Draw gear 	<ul style="list-style-type: none"> Wheels-36" Long Term Parts Agreements
 Infrastructure, Materials & Services (Perway)	86,9	<ul style="list-style-type: none"> Rail Ballast Sleepers Transformer installations 	<ul style="list-style-type: none"> Signalling installation Fasteners Overhead track equipment 	<ul style="list-style-type: none"> Overhead track wire On track machines
 Port Facilities	66,3	<ul style="list-style-type: none"> Berths Quays Straddle carriers Tug boats 	<ul style="list-style-type: none"> Civil works Cranes (RTG, RMG, STS) Haulers Dredgers 	<ul style="list-style-type: none"> Ship loaders Ship unloaders Marine craft IT systems
 Land, Buildings & Civil Infrastructure	21,2	<ul style="list-style-type: none"> Terminals Cement Building maintenance 	<ul style="list-style-type: none"> Civil works (roads, bridges) Land acquisition Building materials 	
 Machinery & Equipment	11,0	<ul style="list-style-type: none"> Fleet Mechanical equipment Lighting 	<ul style="list-style-type: none"> Forklifts Telemeters & radios Carbon brushes 	<ul style="list-style-type: none"> Gas pumps
 Pipelines	9,4	<ul style="list-style-type: none"> Pipeline 		
 Total Capex	336,6			

* List is not exhaustive
Source: MDS Consol document; Team analysis

Understanding the common technologies in rolling stock allows Transnet to prioritise its initial focus to achieve industrialisation around rolling stock



Common parts between a wagon and a locomotive

Wagon components

- Body



Bogie

Common components

- Bogies
 - Wheels
 - Frames
 - Bearings
 - Axles
- Brake systems
- Couplers & Draw gear
- Under frame



Draw gear

Bearings



Wheels & Axle

Locomotive components

- Body
- Propulsion systems
- Traction systems
- Ventilation systems
- Control systems



Braking system

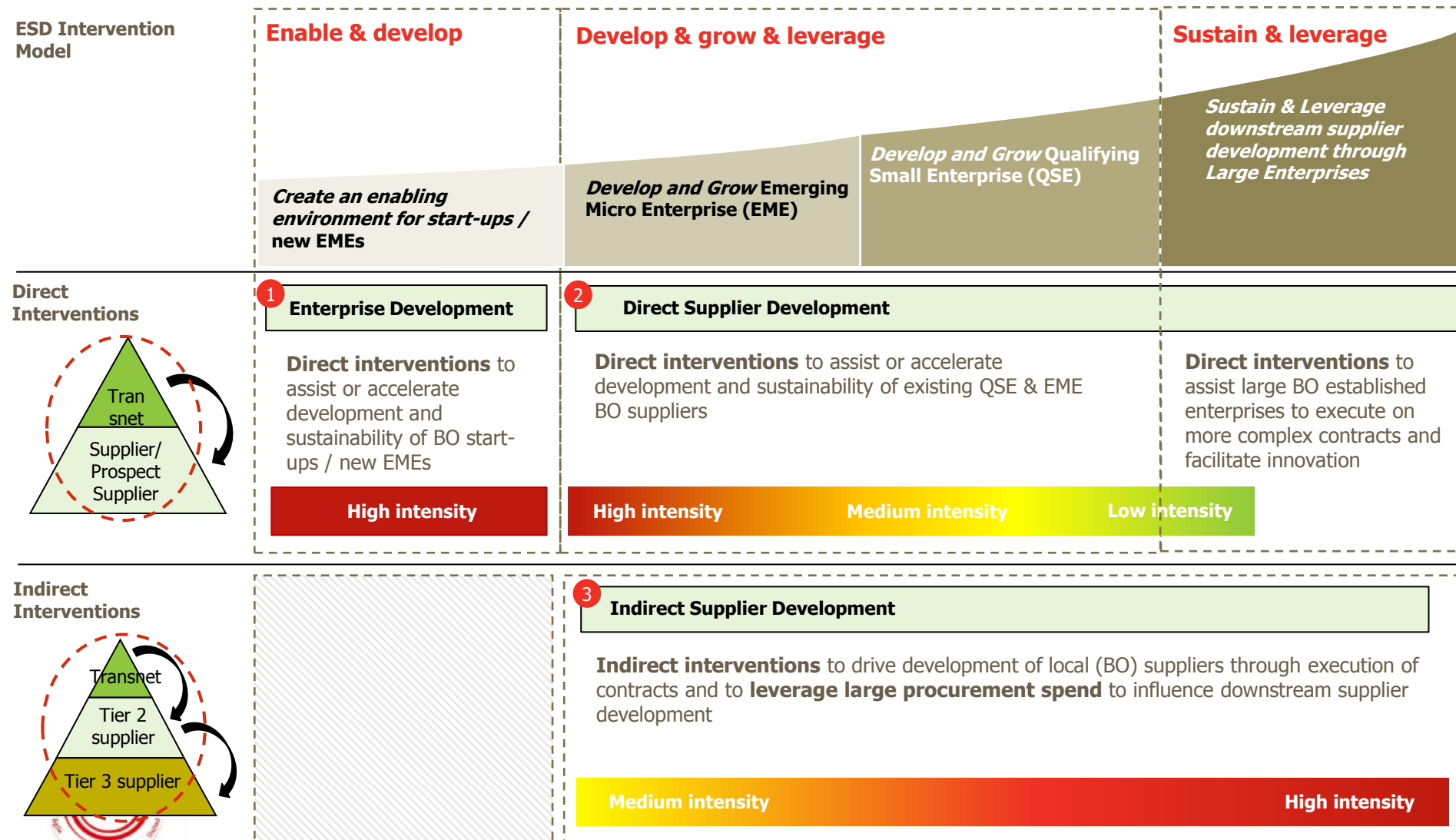
Further components to be developed

Comments

- By focusing on the common components in rolling stock, Transnet can pursue industrialisation objectives
- Sustainability of the industries is achieved through the:
 - purchase of the **1 400 locomotives**
 - Upgrade & maintenance of the existing fleet of **2 210 locomotives**
 - Building **19 600 wagons**
 - Refurbishment of **~96 000 wagons**



An all-encompassing strategic approach has been set in motion, covering both direct and in-direct aspects of ESD





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Topics



2. Transnet's progress made in terms of the local content of locomotive and wagon procurement

1. Transnet's 95 locomotive tender

2. Transnet Freight Rail – 1064 locomotive Localisation

3. Transnet Freight Rail - Infrastructure Localisation

4. Transnet Engineering – Wagon Localisation





Supplier Development Achieved

- At the date of the tender being issued Rolling Stock had not yet been designated and local content was not a legal requirement.
- Transnet, through the SD requirement, encouraged localisation in the Capacity and Capability pillar targeted to creating local assembly capability and in the Investment in plant, Transfer of technology and IP and Skills development pillars.

#	SD Pillar	SD achieved as a % of contract value
1	Capacity & Capability	32%
2	Investment in plant (Industrialization	9%
3	Technology and IP transfer	4%
4	Skills Development	4%
5	Job Creation/Preservation	11%
6	Small Business Development	6%
7	Rural Development	0%
TOTAL		67%



95 x 20E ELECTRIC LOCOMOTIVES - CSR



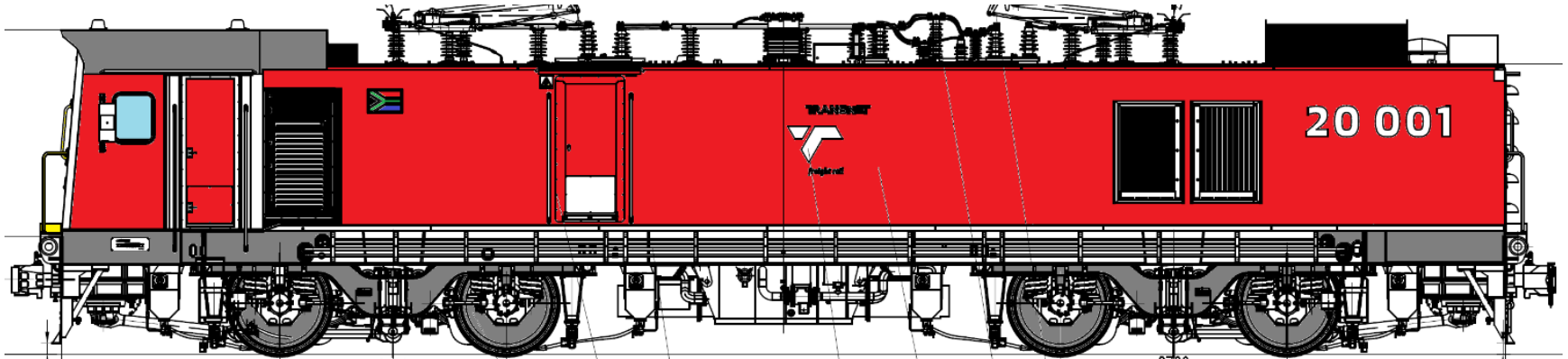
● SOUTH AFRICAN COMPANIES BENEFITING FROM THE BUILD PROGRAMME

No	SA Supplier Name	BBBEE Status	Black Ownership	Black Women Ownership	Services
1	Wabtec	5	30%	0%	Brakes & Braking Systems
2	Penbro	4	27%	6%	Power generation & Metal Fabrication
3	Booyco	4	0%	0%	Heat Ventilation and Air Conditioning
4	DCD	4	45%	5%	Engineering
5	First National Battery	3	36%	8%	Batteries
6	Siyahamba	4	90%	11%	Coach & Locomotive equipment
7	Ansys	4	40%	4%	Locomotive Control Systems
8	Radel	2	0%	0%	Electro Mechanical products
9	Proseat	2	43%	17%	Component Manufacturers
10	Hiperconn	1	0%	0%	Jumper Plugs & Sockets (Receptacles) on all rolling stock
11	Minus40	2	0%	0%	Heat Ventilation and Air Conditioning





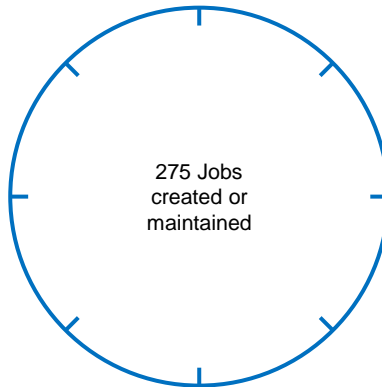
Class 20E (95) Assembly by TE



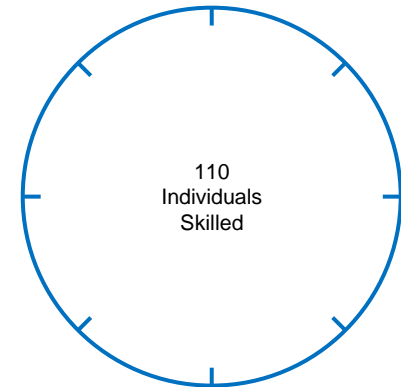
Local Assembly

- 85 of the 95 Assembled locally
- Technology and skills Transfer
- It is flexible and not affected by humidity

Jobs Created



Skills Transferred





95 Locomotive Skills Training – Transnet Engineering

Individuals trained by TE

#

	Total
	110
Carbody material prep technology	2
Carbody material bending and forming	2
Carbody welding technology	10
Carbody assemble technology	14
Carbody test technology	2
Frame material prep technology	2
Frame welding technology	10
Bogie frame machining	3
Driver's desk assembly technology	2
Components	2
Loco commissioning and testing technology	
Quality assurance	3
BOM/Product development	2
MIS	2
Train the Trainer	3
Electrical cubicle manufacturing tech	2
Bogie assembly technology	10





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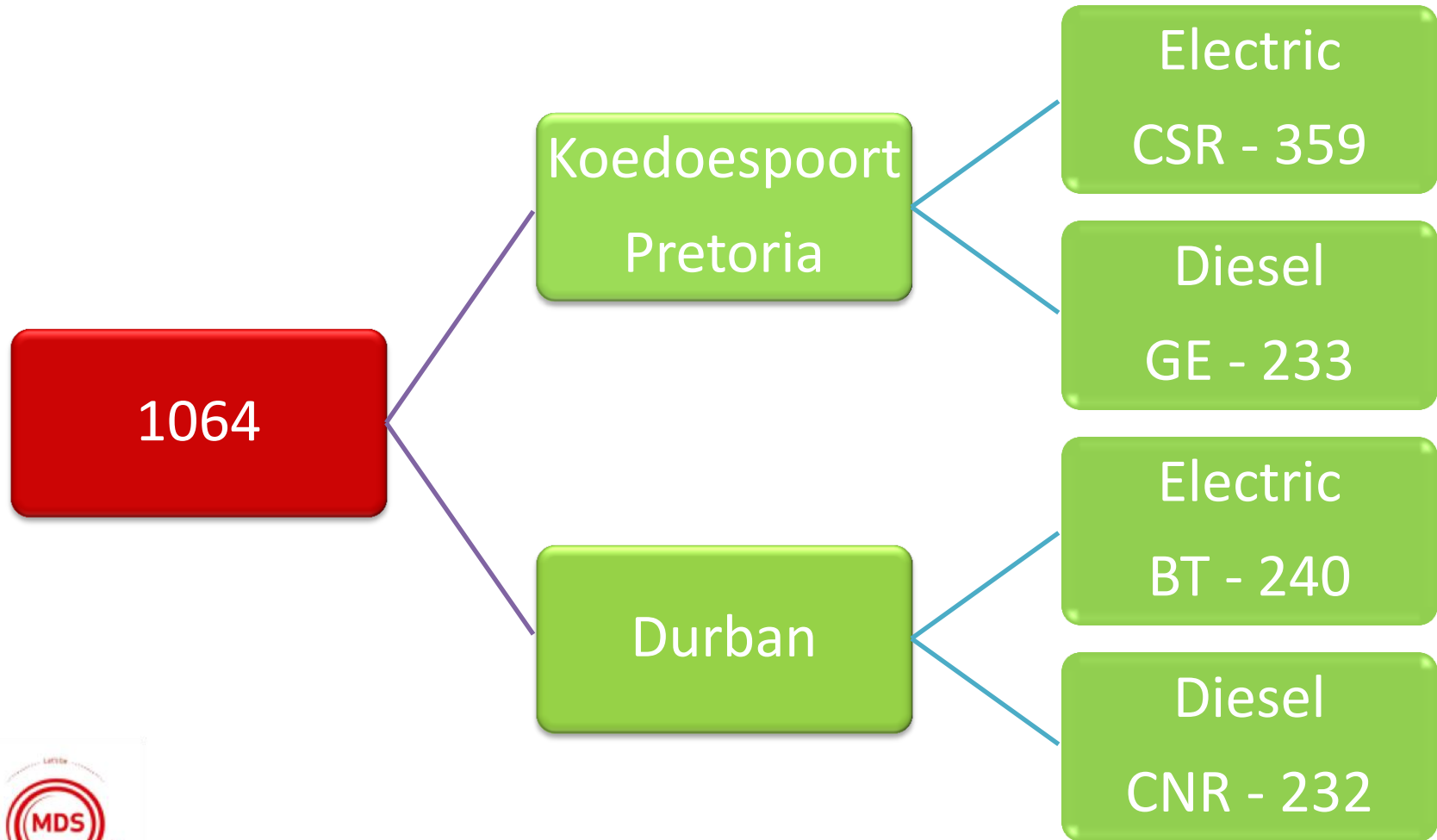
4. Transnet Engineering – Wagon Localisation





1064 Subcontractor's Allocation

- The locomotives will be delivered from 2015 to 2018
- TE Scope mainly includes assembly and fabricated components





1064 Locomotives SD Targets

#	SD COMMITMENT	SD TARGET % - Local content plus SD pillars
1	BT	60% +
2	CNR	55% +
3	CSR	60% +
4	GESAT	55% +
AVERAGE SD COMMITMENT - PERCENTAGE		70%

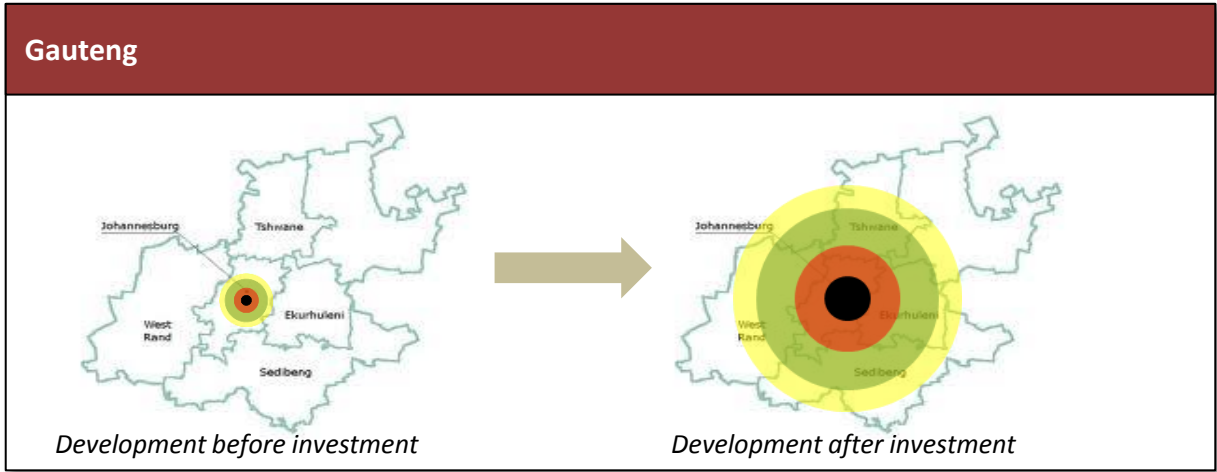
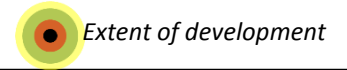
The SD % is contractually confidential but the average of 70% is committed and it falls within the SD pillars of: Localisation, Industrialisation, Technology and IP transfer, Skills development, Job creation/retention, Small business development and Rural integration

COMMODITY	JOB CREATION	JOB MAINTENANCE	SMALL BUSINESS PROMOTION	SKILLS DEVELOPMENT
LOCOMOTIVES (1064) : PROJECTIONS	6 268	9 930	55	954

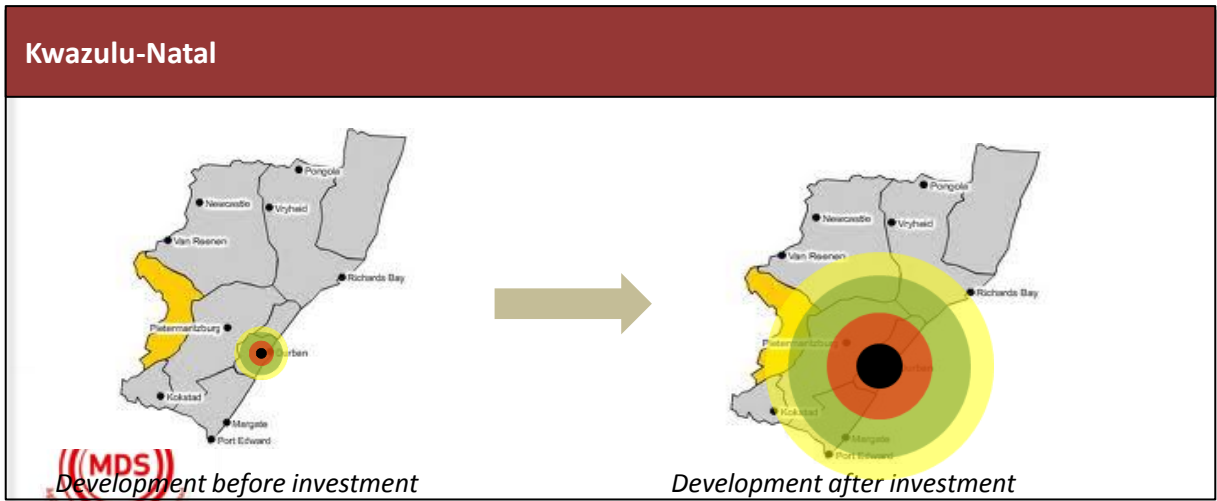




The establishment of 2 locomotive production facilities will have a positive impact on Gauteng and KwaZulu-Natal



- ### Comments
- 2 facilities needed due to IP protection considerations
 - The establishment of these facilities will enable the development of industry clusters around the production facilities with the following potential benefits:
 - Local economic development
 - Job creation
 - Rolling stock specific skills development
 - Technical skills development
 - Transfer of technology relating to locomotive component manufacturing & assembly

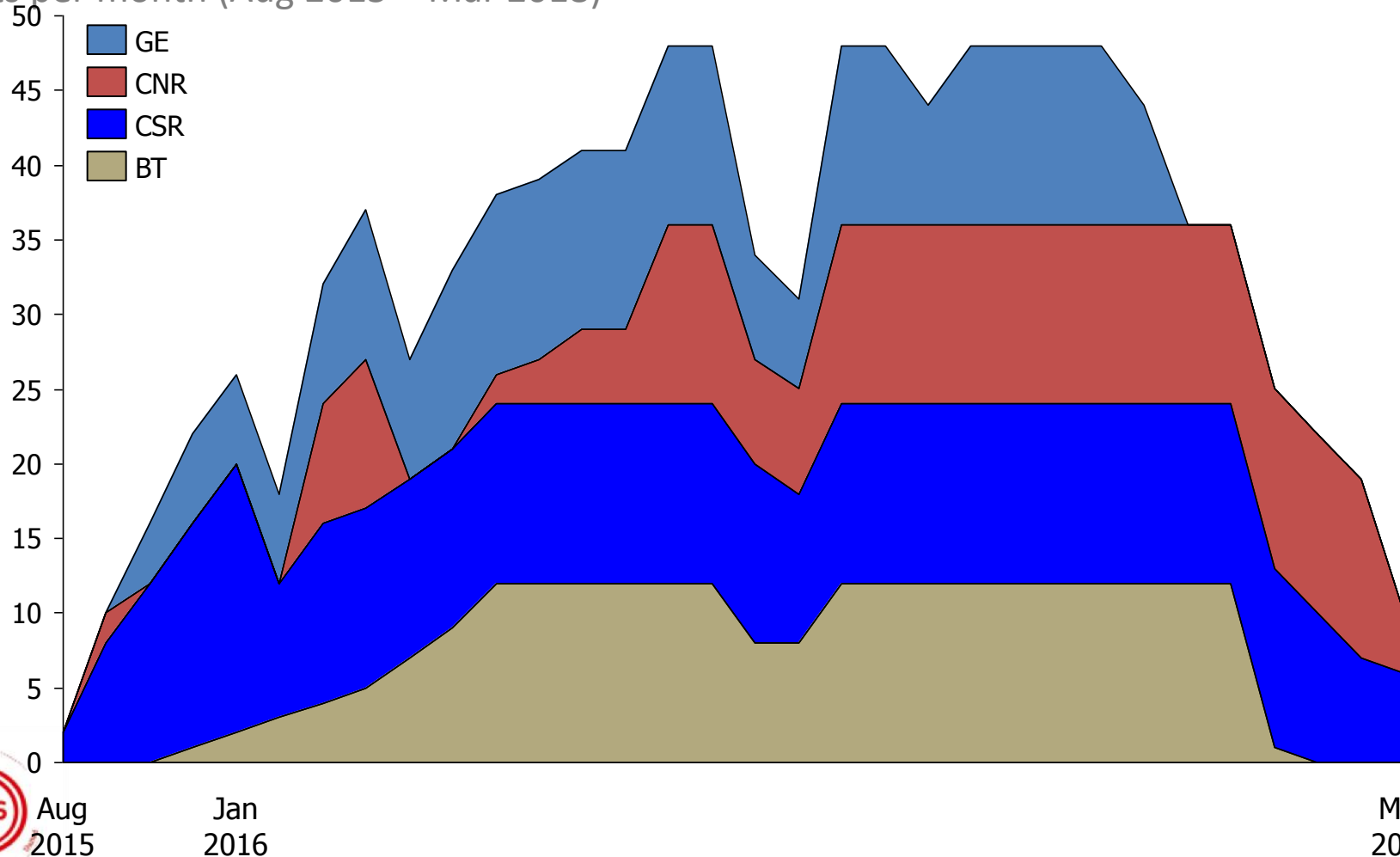




For 1064, TE aims to deliver the required locomotives to OEMs as per the planned delivery schedule

TE Planned Delivery Schedule

Units per month (Aug 2015 – Mar 2018)



Aug 2015

Jan 2016

Mar 2018



Topics



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TFR's key infrastructure commodities

LOCAL CONTENT CURRENT VS TARGET

Commodity	Local Content Current	Local Content Target (2 to 5 yr)	Strategy
Rails and Turnouts	10%	100%	Long Term Contracts
Fastening Systems	80%	100%	Create Competition (test and approve additional suppliers)
Sleepers	75%	100%	Long Term Contracts
Ballasts	100%	100% (grow supply base)	Long Term Contracts
On Track Machines	85% (service)	95% (service)	Long Term Contracts
Overhead Track Wire	90%	100%	Technology Improvement





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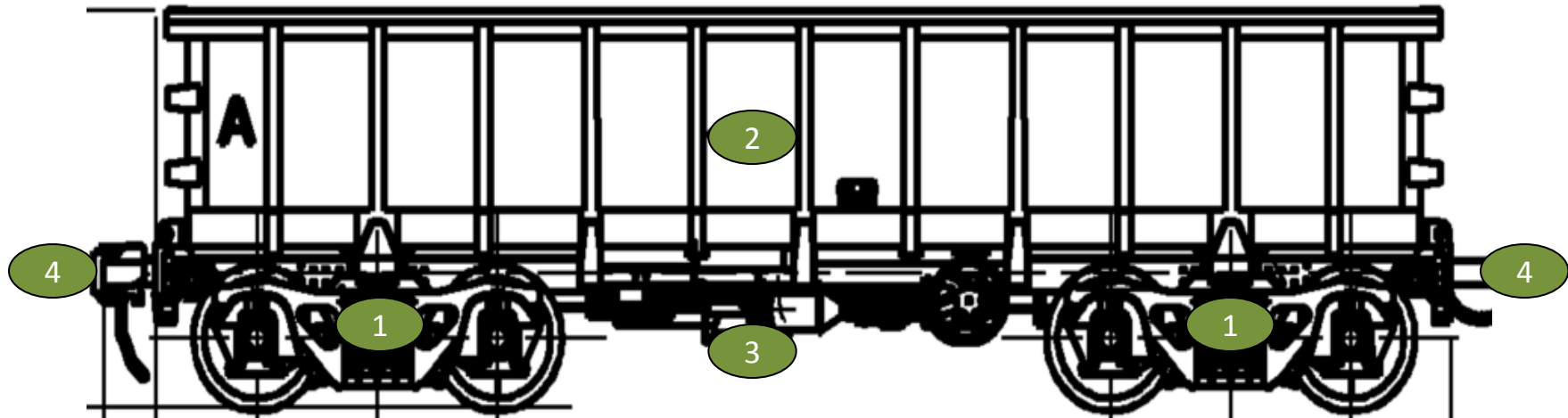
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A wagon consists of 4 primary components, SD has been instrumental to develop local capability



Wagon fall under the rolling Stock designated Sector and designated at 80%

Rolling Stock Component	Sub Elements	Local Content Threshold (36 months and beyond)
1 Bogies	Wheels, axles, bearings, Bogie Cast Components, springs	100%
2 Body	Steel , welding	100%
3 Brakes	Brake blocks, hydraulic piping, testing	70%
4 Drawgear	Drawgear, couplers, knuckles, yokes	100%



Rolling Stock (Wagons)

- Bogie
 - Consists of Wheels, Axles, Bogie Cast Components and Springs
 - Currently these components are being procured on a 5 year contract to allow for localization and the successful bidders have met the minimum threshold therefore monitoring of SD and LC will commence
- Body
 - Steel is already procured local and complies with the threshold of 100% Local Content
- Brakes
 - TE uses high, low friction brakeblocks on wagons and Locomotives brakeblocks.
 - The bidders have struggled to meet 70% LC on the Locomotives and Coach brakeblocks
 - On the brakes the bidders have struggled with the reasons stated are that some of the raw materials required on the components are imported and the volumes are low as compared to the ones used in the wagons
 - The other challenge with the Instruction Note is that it does not provide the procuring entity with an option when industry is unable to support operation and meet Local Content
- Drawgears
 - The drawgears tenders long term contract has been issued to the market and will be evaluated on 100% LC principle
 - The industry analysis on the maturity of the local industry to fully manufacture draw gears locally is also being done. The preliminary results of the analysis show the willingness of international suppliers to impart IP and partner with Local suppliers while sourcing more work in Africa.





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Transnet has had success in the implementation of SD across major transactions



Transactional impact



GPT Infra-projects:
Sleeper manufacturer

“R91m investment in plant”



Electro-Motive Diesel:
Locomotive

“67% Local content achieved”



Rail 2 Rail:
Sleeper manufacturer

“R73m investment in plant”



Bombardier, CSR, CNR GE:
Locomotives

“Total of R35bn committed to
Supplier development”

Pre2008

2015



Reelin Investments:
Bearings, transmission products

“45 new jobs created”



Siyahamba:
Doors, pipework, windows and
windscreens

“128 new jobs created, now an
established supplier”



Naledi Inhlanganiso:
34 Inch wheels

“R560m commitment for supplier
development”



Scaw Metals:
34 Inch wheels






“Over R1bn committed to SD with
R300m allocated to job
preservation”



Recent Contract Prices Compared To Benchmarks Indicate That No Price Premiums Were Applied, Despite SD Value Being Realised



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	Supplier	Commodity	Pricing (indexed to 100)*		SD obligations (% of contract value)
1		Traction motors	100 Benchmark price**	81 Contract price	30%
2		Draft gear	100 Benchmark price**	99 Contract price	6%
3		Long term parts agreement	100 Benchmark price**	86 Contract price	12%
4		Long term parts agreement	100 Benchmark price**	97 Contract price	41%
5		RTG & STS cranes	100 Benchmark price**	100 Contract price	26%

Across all these transactions, contract prices were lower than benchmarks, implying that no price premiums were imposed for the SD obligations

* Actual contract values not disclosed

** Determined using historic contract prices with appropriate escalations applied

Source: Transnet Supplier Development team

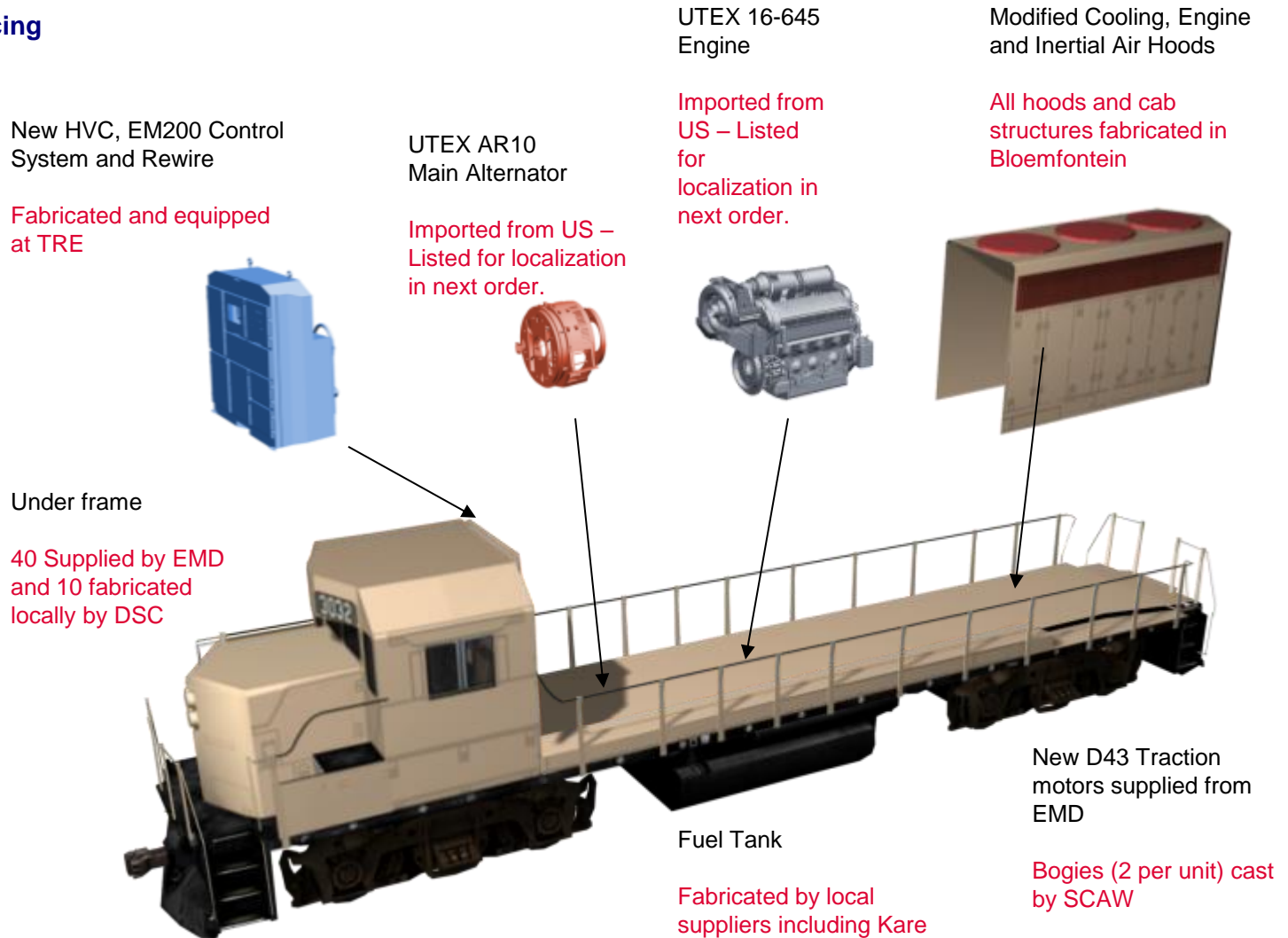
A significant CSDP initiative was the EMD 50 Like New Locomotives which had 66% of its components sourced locally

Major Component Sourcing

Of the 3000 Component parts listed, 2000 were sourced locally in South Africa.

That represents about 67% of the line items and over 40% of the product cost.

Plans have been presented to Transnet for additional units with increased local sourcing.



Transnet will drive local industry development through the recent procurement of locomotives



Programmatic Focus Area



delivering freight reliably

SD impact



Company Details

- US based company with a business unit in South Africa
- One of the business units is in the locomotive manufacturing business

Historical Context

- General Electric was awarded a contract
- The delivery of the first 2 locomotives was in 2011, with the first being locally manufactured in the same year

SD initiatives	Target	Actual
Local content	37%	30%
Skills development	7%	10%
Investment in plant & export promotion	10%	14%
Jobs created	9	9
Jobs preserved	186	186



Company Details

- Mitsui is a Japanese company that specialises in business development, logistics and trading of mineral and natural resources, materials and products

Partnership Details

- Mitsui established a local subsidiary, Venus Railway Solutions through which it acquired the new contract for 32 electric locomotives
- Mitsui has supplied Transnet with approximately 226 electric locomotives to date

SD initiatives	Target	Actual
Local content	40%	40%
Skills development	1%	1%
Jobs preserved	734	910



* Values are based on snapshot position at that time (i.e. not incremental)

Source: TFR EDI Report Oct 12

Significant benefit to the local industry have also been created through the procurement process



Strategic Focus Area



delivering freight reliably

SD impact



Company Details

- Electro-Motive Diesel is the world's largest builder of diesel-electric locomotives
- EMD is located in LaGrange, Illinois, USA

Historical Context

- A deal between Transnet and EMD for 50 like new EMD locomotives was brokered
- 40% of the parts used for the build of the locomotives were sourced locally

SD initiatives	Target	Actual
Local content	40%	40%
Skills development	N/A	N/A
Investment in plant	N/A	2%
Jobs created	9 new jobs	45 new jobs
Jobs preserved	N/A	36



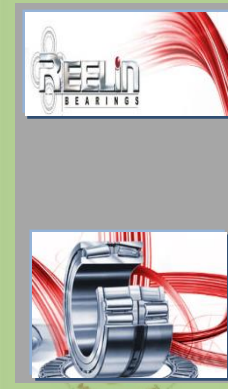
Company Details

- Swiss company established in 1949 as a family business
- Operates a decentralised group structure with 130 independent companies globally

Historical Context

- Liebherr was awarded a contract and committed to CSDP obligations
- To date, they have met 23% of their SD obligations

SD initiatives	Target	Actual
Local content	20%	28%
Skills development	1%	6%
Investment in plant	3%	1%
Jobs created	N/A	11
Jobs preserved	N/A	N/A



Company Details

- Reelin Investments is a **South African company** that specialises in the manufacturing of **roller bearings and various transmission products**

Historical Context

- Reelin Investments was **established in 1991** and its subsidiary Reelin Bearings received **its first contract with Transnet in 2008**
- Reelin Bearings has managed to **create additional jobs and contribute towards socio-economic initiatives**

SD initiatives	Target	Actual
Job creation	6 direct new jobs	45 direct new jobs
Job preservation	N/A	6 jobs
Investment in plant	0	R18m
Capacity	0	142 676 units
Transformation	100%	100%
Skills development	6 people	45 people

A high value tender for 34 inch wheels will support significant SD



Strategic Focus Area



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SD impact



Company Details

- Naledi Inhlanganiso (Pty) Ltd is a 100% black owned industrial group within the basic iron and steel sector of the manufacturing industry.

Historical Context

- Naledi Inhlanganiso through a consortium acquired the majority stake in the then listed Dorbyl Ltd in 2012/2013.
- estimated contract value of R1.6bn (30% of total contract)**

SD initiatives

- Capacity and Capability Building
- Skills Development
- Job Creation
- Job Maintenance and Preservation
- Small Business Promotion
- Investment in Plant
- Total**

Value committed

- R 364 293 480
- R 8 385 0002
- R 15 033 000
- R 33 600 000
- R 181 009 911*
- R 139 600 000
- R 560 911 480**



Company Details

- The Scaw Metals Group is an international group, manufacturing a diverse range of steel products. With key operations in South Africa, Australia, and a smaller presence in Namibia, Zimbabwe and Zambia.
- The Industrial Development Corporation (IDC) is the majority shareholder (74%) in the Scaw Metals Group. Main Street 510 (Pty) Ltd, consisting of a Black Economic Empowerment consortium holds 21% and an employee share ownership plan trust holds 5%.
- Estimated contract value of R3bn (70% of total contract value)**

Historical Context

SD initiatives

- Capacity and Capability Building
- Skills Development
- Job Maintenance and Preservation
- Small Business Promotion
- Total**

Value committed

- R 707 364 436
- R 4 742 784
- R 324 695 866
- R 85 620 217*
- R 1 036 803 086**

* Already counted under Capability and Capacity Building

...and a small, local engineering firm



SD impact



Company Details

- South African company started in 1986
- **Originally traded as Nustart Holdings**
- Located in **Wadeville, Germiston, South Africa**

Historical Context

- The company was transformed through a **90% B-BBEE acquisition (10% Black Woman Owned)**
- Company **received ISO-9000 accreditation in 2003**, becoming the first black owned company to receive this accreditation

SD initiatives	Target	Actual
Job creation	110	18
Job preservation	N/A	110
Investment in plant	R4,7m	R13,3m
Capacity		
• Windows	4 800 pcs pa	12 000 pcs pa
• Doors	1 200 pcs pa	3 600 pcs pa
• Door mechanisms	840 pcs pa	3 000 pcs pa
Transformation	0%	90%
Skills development	N/A	60 people

Siyahamba product offering:



Doors & door gears



Interior pipe-work



Windows & windscreens



* Values are based on snapshot position at that time (i.e. not incremental)

Source: Siyahamba CEO

We have also managed to develop two sleeper manufacturers...



SD impact



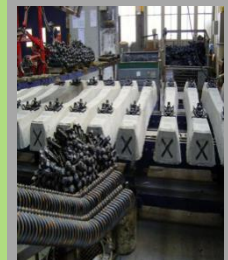
Company Details

- Indian company with strong **concrete sleeper manufacturing capabilities**
- Local plant located in **Ladysmith, South Africa**

Historical Context

- GPT was **founded in 1980**
- An award for **1 million concrete sleepers (over 5 years)** was received from Transnet
- As a direct result, a plant was set up in **April 2009** to meet this order

SD initiatives	Target	Actual
Job creation	80 direct new jobs	40 direct new jobs
Job preservation	0 jobs	80 jobs
Investment in plant	R75m	R91m
Capacity	100 000 pcs pa	200 000 pcs pa
Transformation	26%	40%
Skills development	80 people	125 people



Company Details

- South African company, **established in 2007**
- Located in **Kimberly, South Africa**

Historical Context

- An award for **1 million concrete sleepers (over 5 years)** was received from Transnet
- The contract was awarded after successful application to participate in the **Transnet CSDP through securing a licence agreement with Rail One GmbH of Germany**

SD initiatives	Target	Actual
Job creation	35 direct new jobs	85 direct new jobs
Job preservation	0 jobs	35 jobs
Investment in plant	R70m	R73m
Capacity	156 000 pcs pa	350 000 pcs pa
Transformation	26%	51%
Skills development	35 people	120 people

* Values are based on snapshot position at that time (ie not incremental)

Source: GPT CEO & director, Rail2Rail CEO

Other significant successes achieved in driving Supplier Development through the procurement process (Opex)

Context of impact

Enterprise & Supplier Development impact derived

Fuel

- Transnet has finalised fuel transaction
- ESD was included at 40% pre-qualification and the focus of the transactions was to drive job preservation, skills development, small business promotion and rural integration
- This was the largest single tender for fuel in the country's history valued at R17bn
- The contract was awarded to 9 BO businesses of which 8 are 100% BO and 5 are 100% BWO

Internal & External Audit

- After approaching the market for the supply internal audit services, Transnet appointed a consortium led by home-grown professional services firm, SekelaXabiso to run Transnet's internal audit function for the next five years
- Transnet also appointed SizweNtsalubaGobodo, a home-grown firm, as its external auditors
- The combined value amounted to ~1,7bn and the combined SD commitment amounted to ~R680m which translates to 40% (51.1% for Internal audit and 30% external audit)

ESD initiatives	Achieved
Job Preservation	30%
Job creation	10%
Skills Development	20%
Small business promotion	20%
Rural Integration	20%

ESD initiatives	Achieved
Technology Transfer	1,5%
Job creation	23%
Skills Development	16%
Small business promotion	7%
Rural Integration	4%

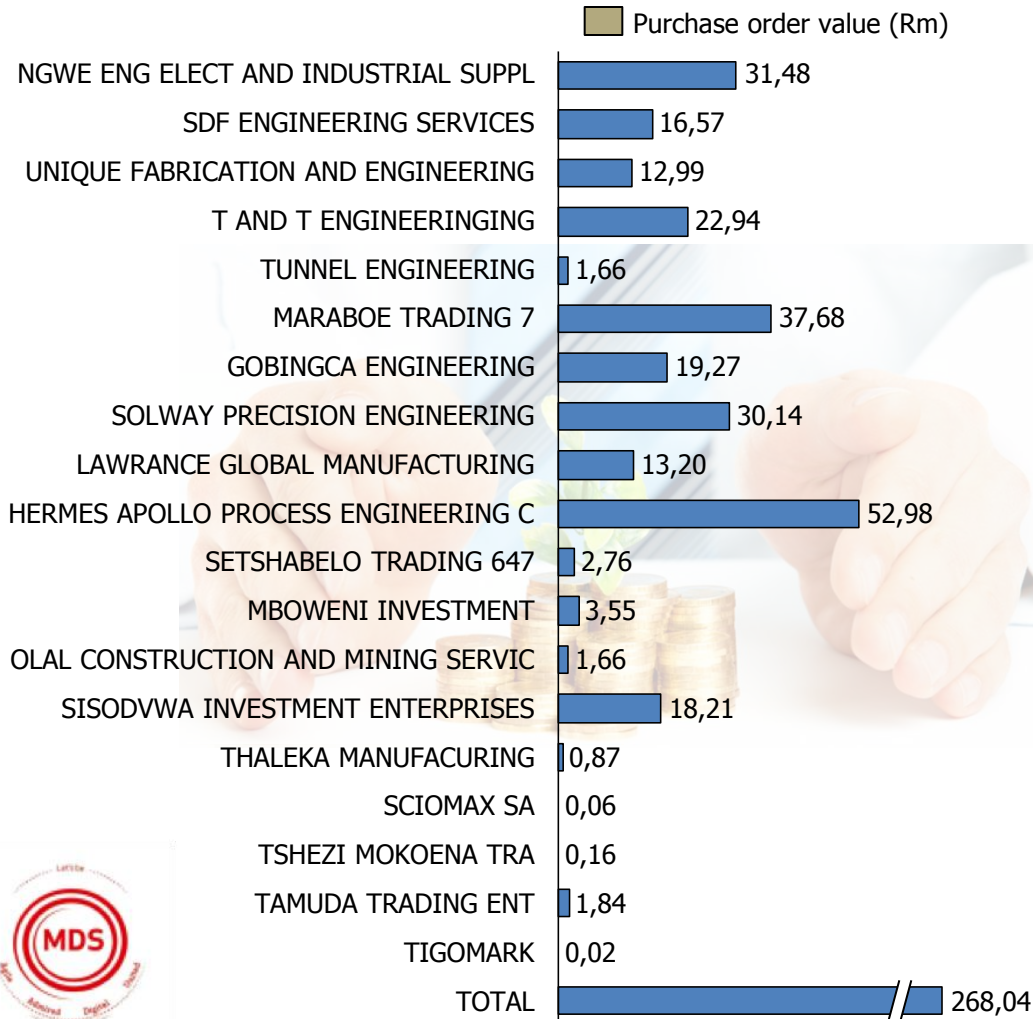


Many suppliers have been successfully developed into sustainable entities through TE's SD programmes



TE began developing suppliers in 2010

TE is currently supporting a number of incubatees each having completed numerous RFQ items and contracts



TE has a number of success stories linked to QSE development

- Delberg Engineering and Quality
- Flosolve
- Impact Plus Trading 133
- Lawrence Global Technologies
- Grinding power
- Cosmo Industrial
- Minus 40
- The Screw Man Pretoria
- Marine And General Engineering
- ER Signs
- Transtechnical Solutions
- Alternative Metallurgical Solutions



Similarly, TE has had success in developing a number of EME's

- Solway Precision Engineering
- Ngwe Engineering, Electrical and Industrial Suppliers
- Lamart Engineering
- Hose And Coupling For Africa CC
- Janse Van Rensburg AG
- JK Precision Engineering And Manufacturing
- Trade Property Ventures No186
- Mila Pagasus Steel
- Fabian Engineering
- MMS
- Deochaba Engineering
- LCT – Traction Motors



Transnet Engineering partnering with TLIU on the Technology Assistant Programme to incubate TE suppliers

Vendor Name	B-BBEE Status	BO%	BWO%	EME	QSE
NGWE ENG ELECT AND INDUSTRIAL SUPPL	LEVEL 3	100%	100%	YES	NO
SDF ENGINEERING SERVICES	LEVEL 3	100%	50%	YES	NO
T AND T ENGINEERING	LEVEL 1	100%	0%	NO	YES
TUNNEL ENGINEERING	LEVEL 2	100%	0%	NO	YES
MARABOE TRADING 7	LEVEL 3	100%	0%	YES	NO
GOBINGCA ENGINEERING CC	LEVEL 3	100%	0%	YES	NO
SOLWAY PRECISION ENGINEERING	LEVEL 4	50%	32%	YES	NO
LAWRENCE GLOBAL TECHNOLOGIES	LEVEL 3	100%	0%	YES	NO
HERMES APOLLO PROCESS ENGINEERING C	LEVEL 3	100%	0%	YES	NO
OLAL CONSTRUCTION AND MINING SERVICE	LEVEL 4	100%	0%	YES	NO
SISODVWA INVESTMENT ENTERPRISES	LEVEL 3	100%	0%	YES	NO
thaleka	LEVEL 3	91-100%	0%	YES	NO
Chiporo	Level 4	51-60%	51-60%	YES	NO
Setshabelo	LEVEL 3	91-100%	0%	YES	NO
Mission Point	LEVEL 3	91-100%	0%	YES	NO
Best Per Minute Enterprise Trading	LEVEL 3	91-100%	0%	YES	NO

Key Insights:

Of these incubated suppliers:

- **88% are majority Black Owned**
- 81% are Level 3 or better B-BBEE
- 25% have some level of Black Woman Ownership
- **87.5% are EME's**
- **12.5% are QSE's**





Topics



1. Transnet's progress made in terms of the IPAP interventions

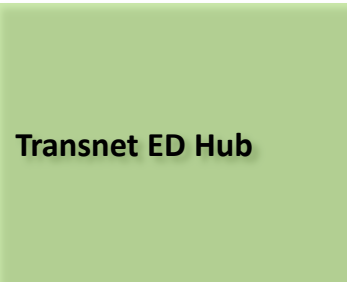
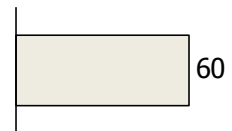





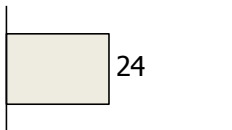

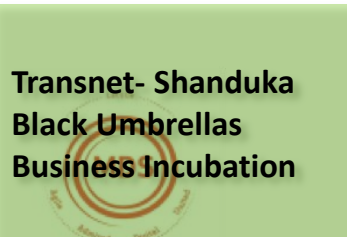
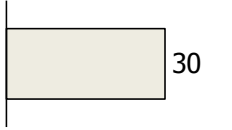

2. Transnet's progress made in terms of the local content of locomotive and wagon procurement

3. Transnet's achievements to date


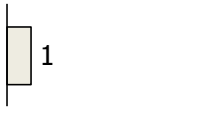


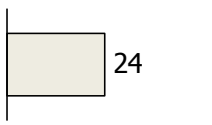


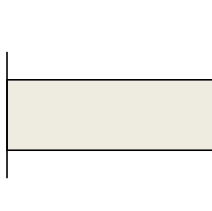

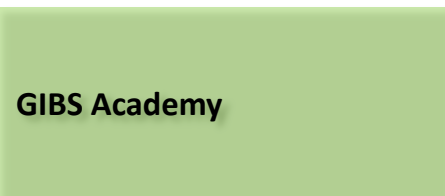
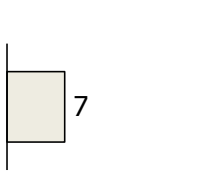


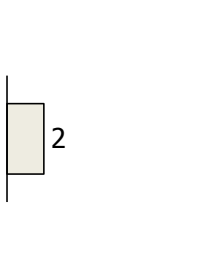

4. Transnet's Enterprise Development achievements



Transnet has invested in and supported numerous Enterprise Development (ED) initiatives (1 of 3)

ED initiative	Description	Project cost Rm	Duration yrs
	<p>Create an enabling environment for SMEs to access economic development interventions; create a culture of entrepreneurship; transform Transnet's supplier base ensuring active economic participation of SMEs; develop and support new entrepreneurs through structured training programmes.</p>		
	<p>Collaboration between Transnet, Anglo American and Small Enterprise Finance Agency to provide both Financial and Non-Financial Support to Transnet Black Owned Supplier.</p>		
	<p>A strategic partnership with Transnet and Gauteng Enterprise Propeller, aimed at providing financial and non-financial assistance to ensure SMMEs benefit from Transnet's ED programme.</p>		
	<p>A non-financial support service aimed at incubating 100% black-owned SMMEs, which meet Transnet's supply chain needs. The two Incubation Centres are currently running in KwaZulu-Natal, Richards Bay and Eastern Cape (Coega) areas.</p>		

Transnet has invested in and supported numerous Enterprise Development (ED) initiatives (2 of 3)

ED initiative	Description	Project cost Rm	Duration yrs
	<p>The fund is aimed at strengthening the performance of supplier firms and enabling them to be globally competitive</p>		
	<p>To enhance the productive capacity and support Transnet black owned manufacturing suppliers within Transnet supply chain in the next 5 years.</p>		
	<p>The TIRC will provide facilities and resources to SMMEs to research and develop innovative ideas which have commercially viability. The Centre will be a Hub facility for Social, Technological and Business Innovation (partnership between Transnet , SABS, JASA and Wits Transnet Centre for Systems Engineering)</p>		
	<p>The GIBS Enterprise Development Academy, aims to empower new and existing growth-oriented entrepreneurs with a business education, mentorship and other support services in order for them to build or grow their enterprises</p>		
	<p>The Rapid Process Improvement programme, as part of Transnet Supplier Efficiency Project, is an initiative with AIDC, which employs a simple process of running a 4-day workshop where attendees will be taught the implementation of the problem solving methodology and continuous improvement.</p>		

Transnet has invested in and supported numerous Enterprise Development (ED) initiatives (3 of 3)

Duration
yrs

Bakery Project



- A **partnership between Transnet and Umnyakazo** to empower **100% rural black women-owned co-operatives** to run and operate container bakeries in their communities (EC, KZN and NW)

3

Furniture Manufacturing Incubation



- Through a partnership between **Transnet and Furntech**, this is a Centre of Excellence for the furniture industry, to offer **business incubation and / or skills development in furniture** manufacturing. This is focused specifically on **Black People living with Disabilities**
- **SAFCOL and Kansai Plascon** on board

3

Nawe Zifunze Disable Driving School & Computer Academy



- Transnet has partnered with **Vuka Academy and Road Accident Fund** to establish a driving school academy and computer academy for disabled people in Richards Bay

2

Transnet SMME Business Toolkits



- "Transnet has partnered with SAGE Pastel, who will develop 1 250 SMME Business Toolkits, which covers all key areas of business management to our SMMEs."

1

The Transnet ED Hubs have been developed with the goal to promote SMME participation

Objectives of the ED Hubs...

The aim of the Transnet Small Business/Enterprise Development Hub is to ensure that **we create an enabling environment for SMME's to access products and services** that are offered by both Provincial and National Economic Development Institutions under the same roof - "one stop shop"

- ✓ To ensure that we create an **enabling environment** for Small, Medium and Micro Enterprises (SMMEs) to **access economic development** interventions that are provided by different Economic Development Institutions.
- ✓ To encourage and **nurture a culture of entrepreneurship** in South Africa
- ✓ To **transform Transnet's supply** chain thereby ensuring active economic participation of SMMEs.
- ✓ To **develop and support** new **entrepreneurs** through structured training programmes

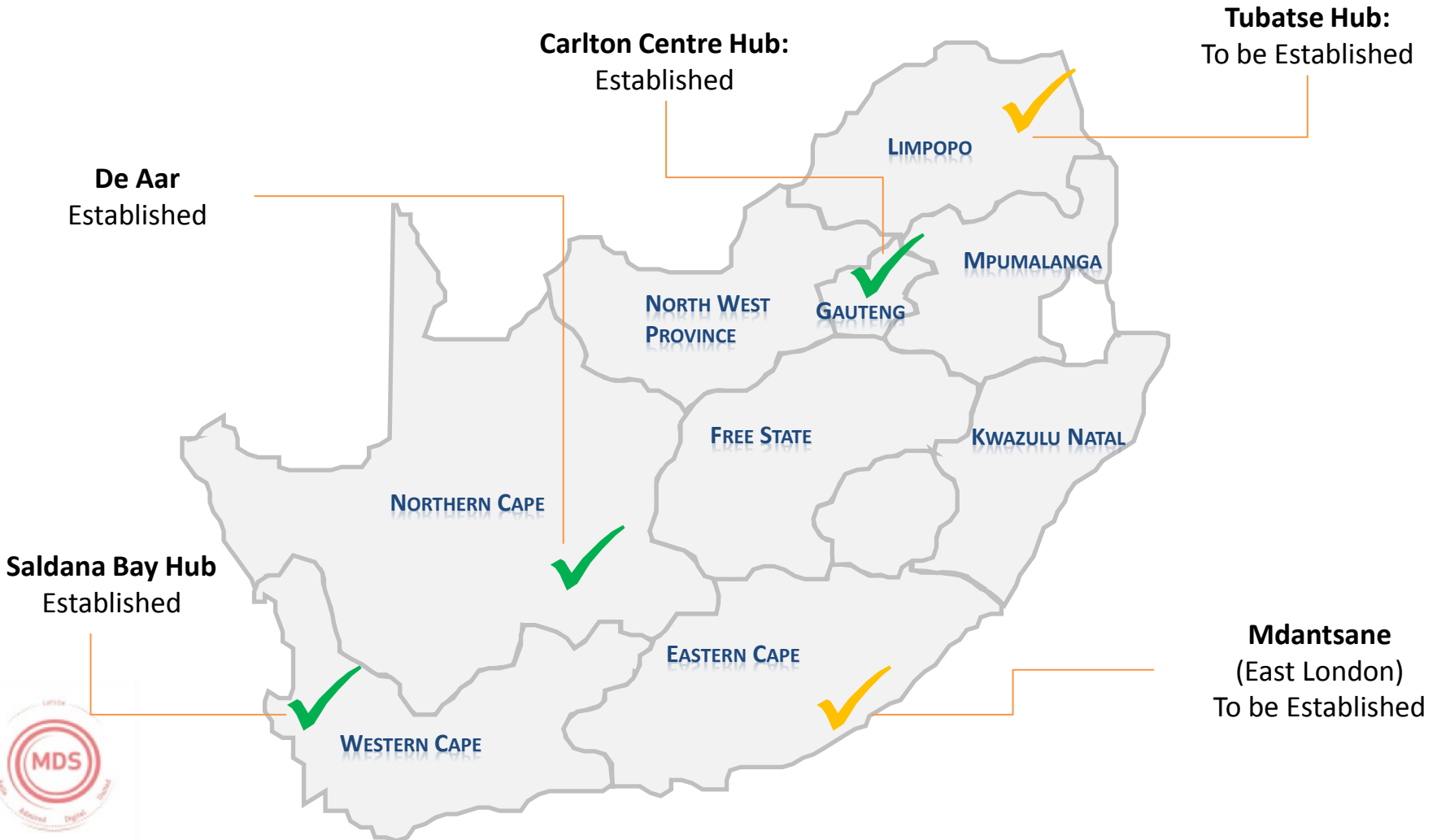


Core components of the ED Hubs

- The ED Hub initiative was piloted in the Carlton Centre Building and launched on the 7th August 2014 by the Minister of Public Enterprises
- The following Economic Development Agencies and government departments/institutions are incorporated as strategic partners in the "one-stop ED Hub" i.e. **DTI, SEDA, NYDA, GEP and SARS**
- This ensures that there are **strategic relationships** between Transnet, Provincial and National Economic Development Institutions
- The EDI's provide **both Financial and Non-Financial Support to SMME's**
- **Transnet has provided the infrastructure** and manages the ED Hub, whilst the strategic **partners provide their human capital** resources and other resources/services

3 ED hubs have been launched with another 2 hubs planned to be launched soon to drive SMME participation

Existing and Planned ED Hubs



The Transnet Carlton Centre ED Hub offers SMME's and other designated groups a number of support services



ED Hub Representative

Services Offered



- Advise, support and provide guidance on policies, documents and initiatives relating to SME'S.
- Receive suggestions, enquiries and comments regarding various related issues in respect of taxes and services available to SME'S.
- Maximise compliance as well as finding ways to reduce the compliance burden experienced by SME'S.

ED Hub Representative

Services Offered



- SEDA will provide the following specialised services:
- Business Assessment and Diagnostic Tools
 - Business Management Systems/Technologies
 - Human Resource Management
 - Legal Issues



- Developing, supporting and providing funding to SMME's and Co-operatives in GP;
- Providing pre and post investment business support services in line with its legislated mandate;
- Helping enterprises improve business efficiency by providing them with information, advice and guidance on business issues.
- Giving access to support skills and capabilities normally only available to big business



- Dti will provide the following specialised services:
- The Black Business SD Programme
 - The Co-operative Incentive Scheme
 - The SEDA Technology Programme
 - The Capital Projects Feasibility Programme
 - The Critical Infrastructure Programme
 - The Manufacturing Competitiveness Enhancement Programme
 - CIPC



NATIONAL YOUTH DEVELOPMENT AGENCY


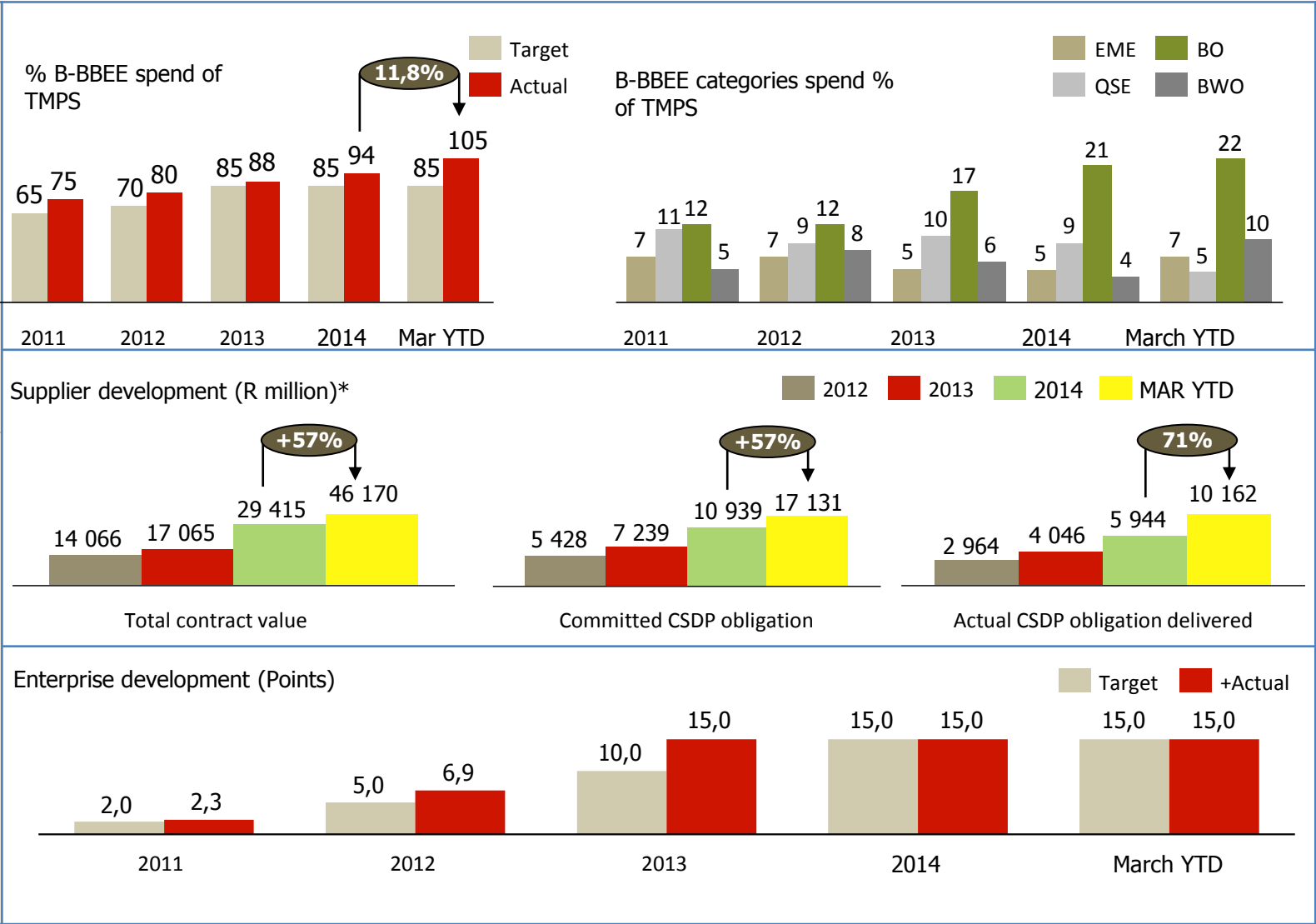
- Assisting youth enterprises to set up, expand or develop their business; Financing programmes;
Providing mentorship, training programmes and business development support.

In Summary...



delivering freight reliably

Transnet is currently rated as a **Level 2** B-BBEE contributor

- * Excludes recent locomotive awards where SD is currently being finalised
- + Based on codes applying at year end

TRANSNET



delivering freight reliably



Thank You