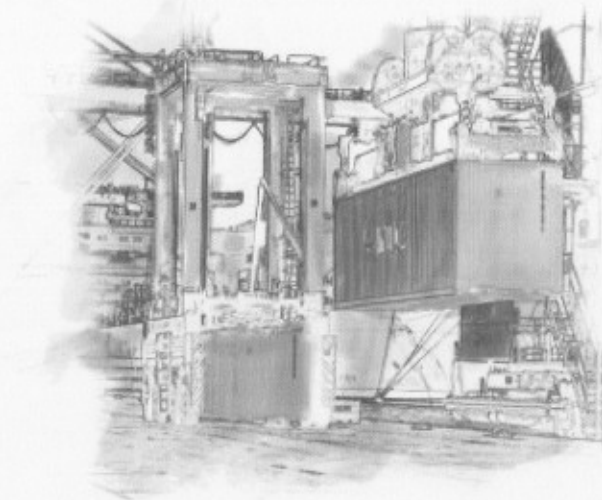
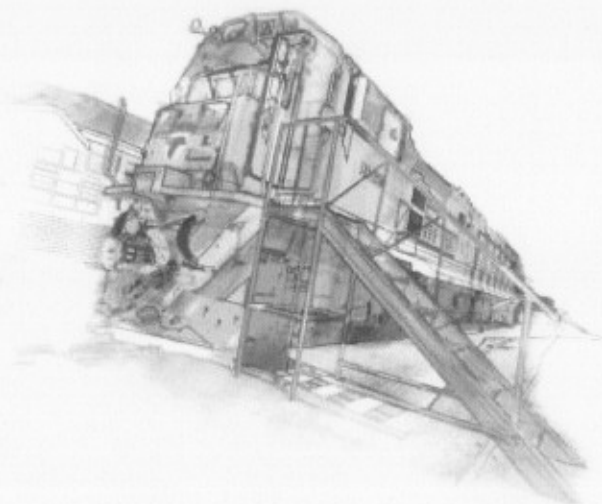


# Presentation to the Portfolio Committee on Public Enterprises

# TRANSNET

- **Transnet Infrastructure Build Programme**
- **NMPP progress update**
- **Security of fuel supply**



**Presented by:**  
**Transnet SOC Limited**  
**Group Chief Executive**  
**Mr Brian Molefe**  
**14 June 2011**

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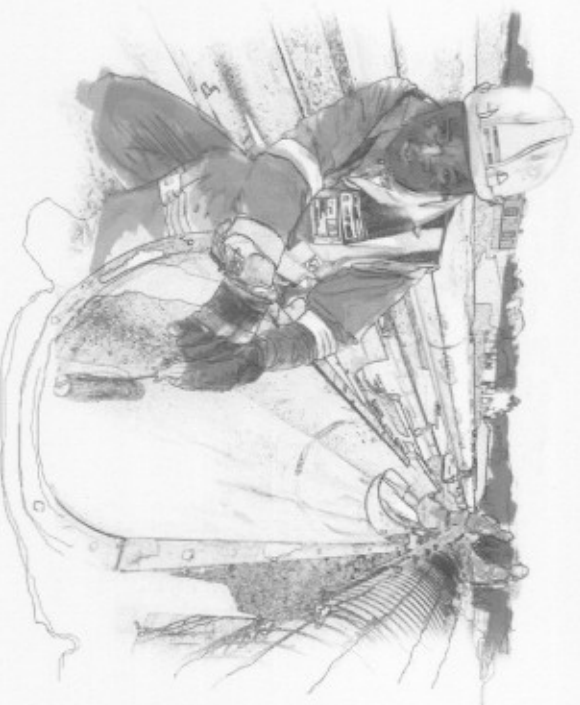
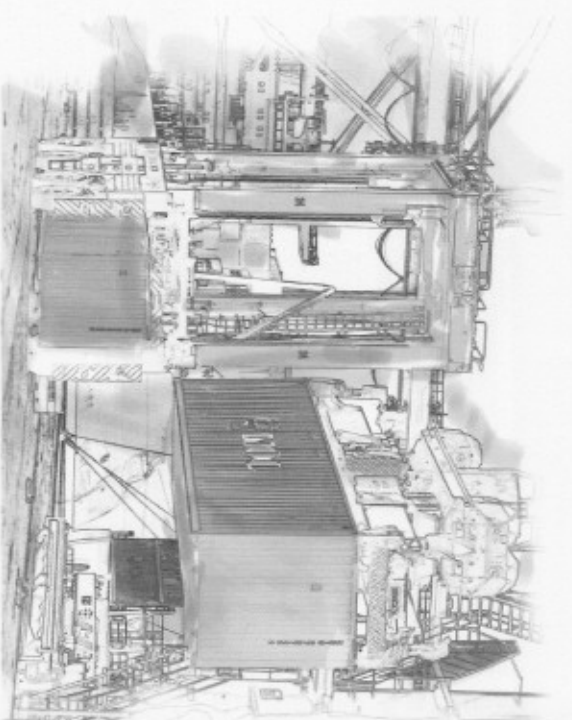
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# Introduction to Transnet Limited



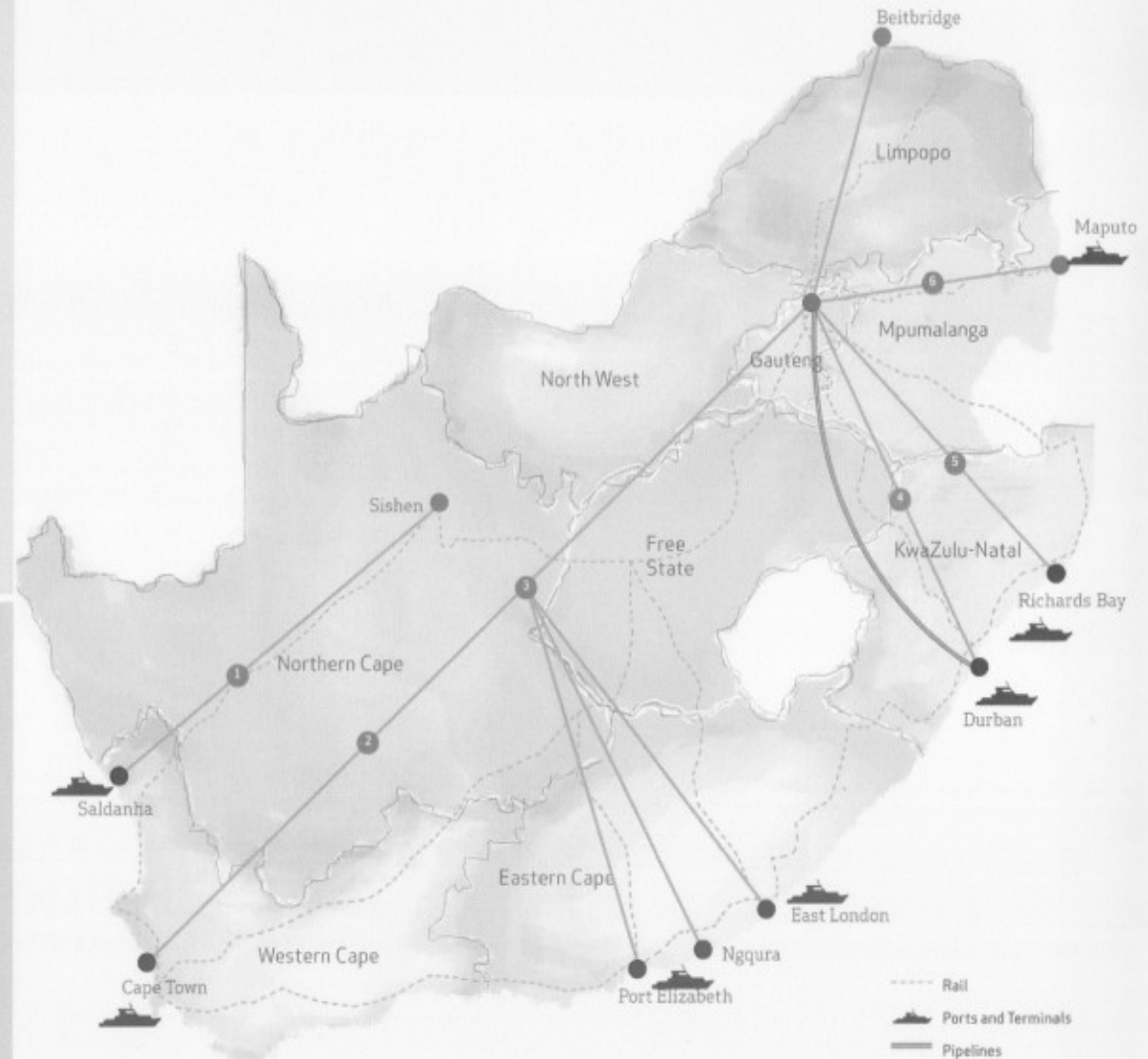
## Shareholder Mandate

- Transnet's key role is to assist in **lowering the cost of doing business** in South Africa and enabling **economic growth** through providing appropriate ports, rail and pipeline **infrastructure and operations** in a cost-effective and efficient manner and within acceptable benchmark standards.
- Transnet is **self-funded** and does not receive subsidies from the State and accordingly Transnet must earn an **appropriate return on investment** to ensure the sustainability of the company over the long term.

## Vision and Mission

- Transnet is a focused freight transport Company, delivering **integrated, efficient, safe, reliable and cost-effective** services to promote economic growth in South Africa.
- This is to be achieved **through increasing our market share, improving productivity** and profitability and by providing appropriate **capacity to our customers ahead of demand**.

Main transport corridors (rail and ports)



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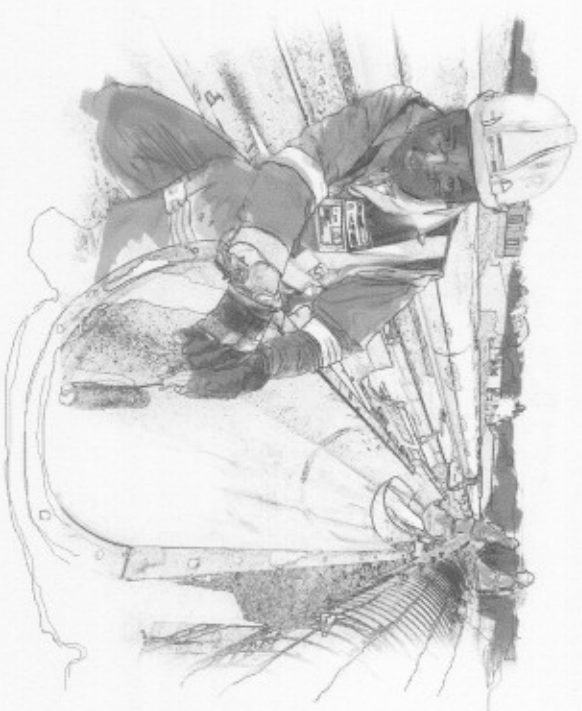
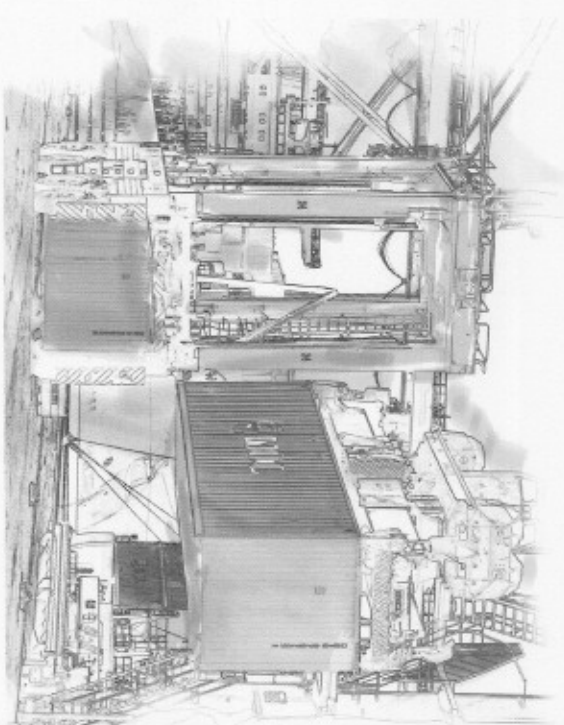
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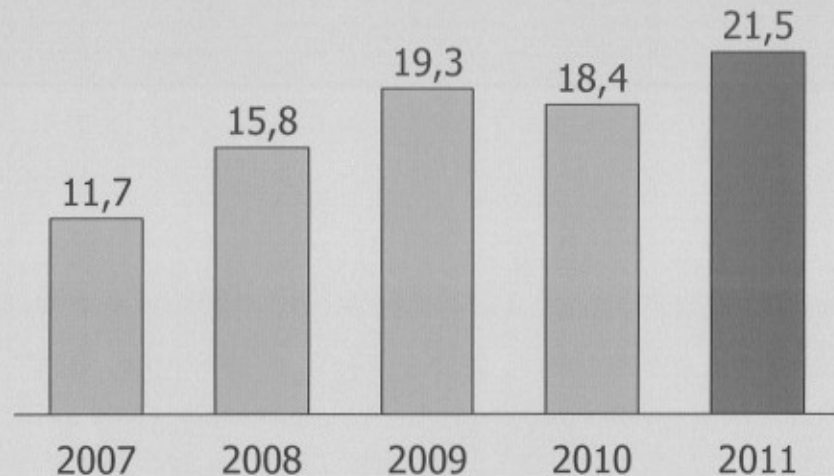




# Summary of Transnet 2010/11 Capital investment



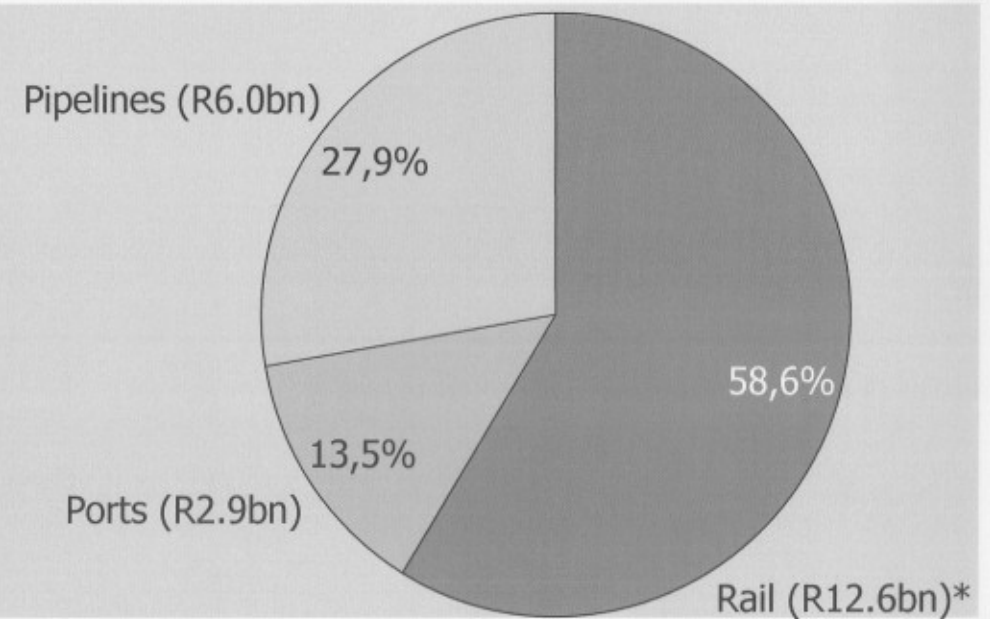
Transnet Group Historical Capital Investment (R billion)



Total investment of R87bn during past 5 years, funded without Government guarantee on the strength of Transnet's balance sheet

Capital investment by Operating Division (R21.5 billion) 2010/11

- Planned investment of R22.8bn for the 2010/11 year as part of the 5-year capital investment plan.
- Actual investment represents 94% of planned spend.
- Did not compromise capacity creation or customer commitments.
- Capacity created in rail (ore, manganese and containers on rail) and ports (bulk, automotive and container sectors)



\* Includes Specialist Units and inter-divisional eliminations

## Major capital investments



Asset Type	Quantity
<b>Acquisitions</b>	
<b>Locomotives</b>	<b>94</b>
19E Dual Voltage locomotives for the Coal Line	58
Class 15E locomotives for the Ore Line	34
Class 43 GE Diesel Locomotives	2
<b>Wagons</b>	
New wagons for the PE Manganese	354
<b>Refurbishments</b>	
<b>Locomotives</b>	
Conversion from Class 6E to 18E	41
Conversion of wagons 48t to 60t capacity	410
<b>Wagons</b>	
Wagon Liftings	12 900
<b>Infrastructure: Replacements</b>	
Rail	555km
Railway sleepers	292km
Screening of track	528km

Asset Type	Quantity
<b>Port Infrastructure</b>	
Tugs for Durban	2
Tugs for Richards Bay	2
Trailing Suction Hopper Dredger	1
Bulk liquid berth at Richards Bay	1
<b>Cargo handling equipment and facilities</b>	
Rubber tyred gantry cranes for CTCT	16
Agriport Bulk Terminal 80 000 tons of storage capacity	1
PE Manganese Refurbishment: increase in capacity from 2.8mt to 4.8mt	1



## Capacity created to date



Project name	Capacity created
Cape town Container Terminal	Increased capacity to 900 000 TEUs
Port of Ngqura	Fully functional deep water port, created 5 berths current capacity for containers 700 000 TEUs.
Durban Pier 1	Dedicated container terminal with 750 000 TEUs capacity
Durban Container Terminal Reengineering	Created capacity of 300 000 TEUs thus far
Export Iron Ore line	Increased from 29mtpa to 53mtpa
Port Elizabeth Manganese	Increased capacity from 2.8mtpa to 4.8mtpa
Durban to Johannesburg Pipeline	Increased capacity through introduction of drag reducing agents

## Capacity created to date



Project name	Capacity created
Bulk Liquid berthing facility in Richards Bay	Berth is 400m long and depth of 114 Chart Datum. 1.25mt of capacity created
Durban Point Car Terminal	Created 3300 new parking bays resulting in 80 000 units of annual capacity.
Trailing suction hopper dredger	2.3m cubic metre of annual capacity added to port system. The dredger can dredge up to a depth of 30m.
Acquisition of 50 EMD locomotives	Locomotives deployed on the Phalaborwa to Richards Bay GFB route. Hauled a tonnage of 2.7mt in 2010/11 in consist with other locomotive classes.
Agriport Bulk Terminal	85 000t storage facility for soya bean meal together with conveyor and steel shed



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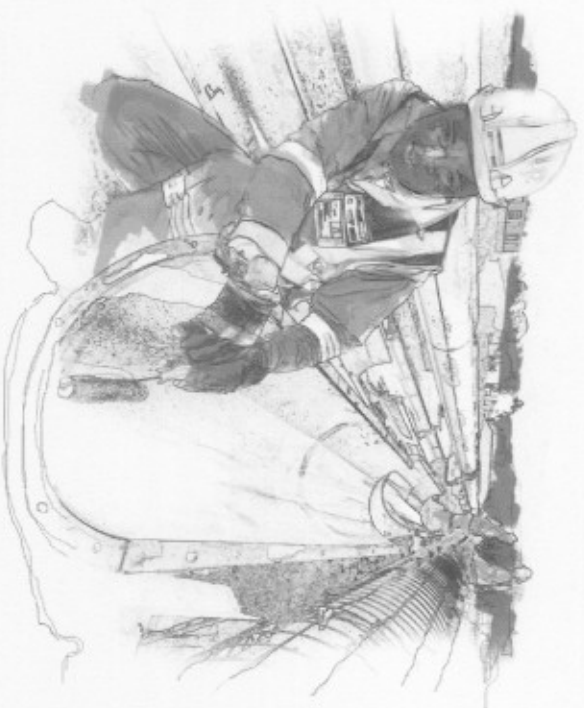
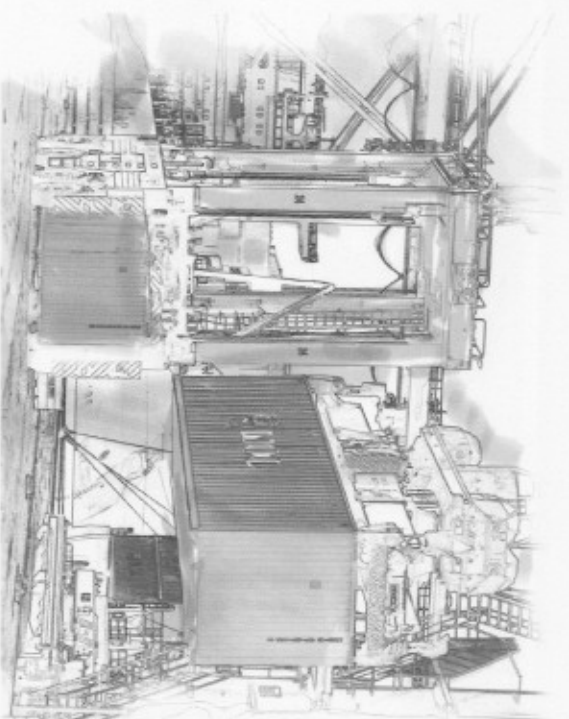
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## Mega Projects: New Multi-Product Pipeline



- The scope of the project is to build a new 555 kilometre 24 inch diameter trunk line from Durban to Gauteng that addresses the increased demand for fuel in the heartland of SA's economic region, Gauteng.
- This will increase capacity from the existing 4,4 billion litres to 8,4 billion litres.
- NMPP front-end engineering design phase has been completed, Transnet were granted the licence to construct the NMPP by Nersa.
- The project also entails the construction of 160km of 16-inch pipelines in the northern network to enhance capacity to meet demand in the inland market.

### Progress:

#### • Pipelines:

- The construction of the 16-inch Kendal to Watloo Pipeline (PL4) was completed on 3 December 2010
- The remaining two 16-inch pipelines (PL2 – Jameson Park to Alrode, and PL3 – Alrode to Langlaagte) were completed in April 2011.
- Trunk line: 24-inch Durban to Jameson Park pipeline is scheduled to be ready for commissioning by the end of July 2011 and is planned to be ready for operation by the end of 2011.

#### • Pump Stations:

- Three inland Pump Stations are scheduled to be completed and ready for commissioning by September 2011.
- Main transfer pumps have been delivered and the piping contractor has mobilised and is busy with the piping installation and structural steel erection. Pump Stations 1, 3 and 5 is expected to be mechanically complete by July 2011.

#### • Terminals:

- Work on both terminals is progressing well. Construction of Terminal 1 at Island View Cutler complex has commenced
- The work on Terminal 2 in Jameson Park is progressing well and hydro-testing of the two Intermix Tanks at Terminal 2 commenced on 27 March 2011. The intermediate phase of Terminal 2 is expected to be mechanically completed by the end of July 2011 and ready for commissioning.

Spending	Rand million
ETC	23 407
Actual 2010/11	5 612
Since inception	11 588
2011/12	5 645
2012/13	3 280
2013/14	2 225



# Mega Projects - Durban: Harbour Entrance Widening and Deepening and Container Terminal Reengineering



## Harbour Entrance Channel Widening and Deepening (DHEW)

- The project entails dredging, deepening and widening of the channel on the north side, with the provision of a new northern groyne; the improvement and strengthening of the south breakwater; and construction of a fixed sand bypass system.
- The scope remaining on the project is the construction of the permanent sand bypass system.

### Progress

- The entrance channel has been widened to 225m and dredged to a depth of -18m Chart Datum
- New generation container vessels of 9 200 TEU can now be accommodated at the port
- Queen Mary II, one of the largest passenger vessels in the world was able to call at Durban

## DCT Reengineering

- The main objective of the project is to increase the capacity of the Durban Container Terminal for the handling of containers from approximately two million TEUs per annum to 2,3 million TEUs per annum and ultimately to 2,9 million TEUs per annum by 2014/15
- This is a joint National Ports Authority and Port Terminals project.
- Secondary objectives of the project is the replacement of infrastructure that has deteriorated over a working life of more than 20 years and efficiency improvements at the terminal for operational as well as security purposes.

### Progress

- The project is expected to be completed during the 2012/2013 financial year.
- All new workshops and buildings have been completed, handed over and are in use.
- The first batch of 300 new ground slots was handed over to operations.
- The rehabilitation of the old paving is in progress.

Spending	DHEW	DCT Reengineering	
Spending	Rand million		
	TNPA	TNPA	TPT
ETC	3 360	693	1 018
Actual 2010/11	54	137	131
Since inception	2 826	548	772
2011/12	11	78	62
2012/13	150	38	36
2013/14	384	31	2





## Mega Projects: Cape Town Container Expansion



- The aim of the expansion part of this project is to increase capacity from 700000 TEUs to 900 000 TEUs and ultimately to 1 400 000 TEUs per annum, whilst also providing a platform for further expansionary programmes should future demand exceed planned capacity.
- The current expansion plans require an increase in ship to shore (STS) cranes, new rubber tyred gantries (RTGs), conversion works to facilitate a rubber tyred gantry operation and an increase in refrigerated container capacity.
- Infrastructure work includes the deepening of berths, quay wall extension and refurbishment.

### Progress

#### Quay refurbishment and berth deepening

- Berth 601 has been upgraded and fully operational with 4 new ship-to-shore (STS) cranes
- Refurbishment of Berth 602 is continuing and expected to be completed by May 2011
- Six out of eight STS cranes are fully operational
- Dredging of the basin is 95% complete to the planned depth of -15.5m CD. Certain spots are at -15.3m CD.
- 440m of the 1130m Long Quay wall has been dredged to -15.5m CD.

#### Reconfiguration Work

- Conversion of half of the stack area on long Quay has been completed
- All 32 RTGs have been commissioned and are operating well and is part of the system that led to CTCT achieving above target GCH performance
- The upgrade of the main port power supply and the harbour main substation is progressing well with long lead electrical items already installed
- Expansion to 1.4mTEUs/a will be submitted for approval to the relevant structures when volumes of 800 000 TEUs/a are reached.

Spending	Rand million	
	TNPA	TPT
ETC	2 608	1 766
Actual 2010/11	488	253
Since inception	1 712	985
2011/12	606	148
2012/13	327	68
2013/14	101	39
2014/15	576	-
2015/16	431	96





# Mega Projects - Ngqura: Port Construction and Container Terminal



## Port Construction

•This project entails the provision and construction of basic port infrastructure for the Port of Ngqura consisting of breakwater construction, dredging of basin and channels, a sand bypass system, five berths and back-up areas, initial landside infrastructure, as well as pilot boats and tug boats.

### Progress

- The last section of the quay wall was completed in October 2010.
- The Port of Ngqura ran a successful poison-free rodent control and monitoring programme, and the project environmental manager won the UK Oak Award for this Urban Raptor Project.
- The project also received the 2010 SAICE Award for Most Outstanding Civil Engineering Achievement in Technical Excellence for 2009 – joint winner with Soccer City (now FNB Stadium).

## Container Terminal

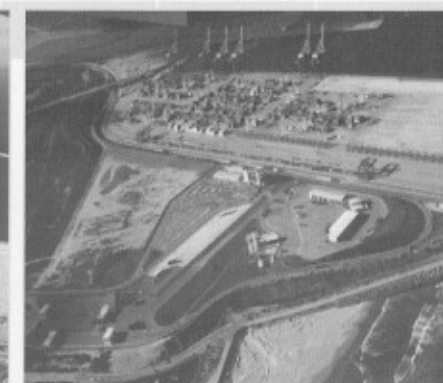
•The Ngqura Container Terminal is a greenfields project with the objective of providing a full service container terminal together with rail links to the Port of Ngqura.

•The Ngqura Container Terminal is one of the facilities identified for the introduction of the partnerships with the private sector (PSPs).

### Progress

- The work on the container terminal is substantially complete and Phase 1 of the project has been closed out.
- The last section of the quays has been filled with water and the dredging contract has been awarded.
- Dredging of the additional 100m of quay wall commenced in Feb 2011 and handover is forecast for November 2011.
- When complete, two additional berths will be available for the handling of container volumes.
- The project has achieved 3 million LTI free hours.

Spending	Rand million			
	Ngqura Port Construction	Ngqura Container Terminal		
	TNPA	TNPA	TPT	TFR
ETC	3 492	3 836	1 466	2 598
Actual 2010/11	123	348	40	73
Since inception	3 083	2 552	1 319	977
2011/12	37	297	9	1
2012/13	20	40	1	-
2013/14	-	9	109	3
2014/15	6	107	62	279



## Mega Projects: Iron Ore Export Corridor



The iron ore export project comprises a rail line from Sishen to the Port of Saldanha and through the port terminal onto export carrier vessels. The increased demand in basic commodities world-wide has led to the mines (Kumba and Assmang) increasing their production capacities and has resulted in an increase in volumes to be transported to Saldanha for export.

The Iron Ore Line consists of 3 expansion initiatives all of which are at an advanced stage of execution and capacity created is being utilised:

- Phase 1A expansion to 41mtpa (2005)
- Phase 1B expansion to 47mtpa (2006)
- Phase 1C expansion to 60mtpa (2008)

The projects scope consists of the acquisition of rolling stock including 44 Class 15E heavy haul locomotives and upgrade and construction of infrastructure (power, track). Building of workshops for rolling stock service, upgrade and extension of conveyors, upgrade and installation of port handling equipment, dust mitigation measures and installation of mooring hooks and marine related work.

### Progress

#### Phase 1A Expansion to 41mtpa

- Construction of the reverse osmosis plant completed, currently in commissioning phase

#### Phase 1B Expansion to 47mtpa

- Control software to improve reliability of tipplers, conveyors and reclaimers have been installed
- Passing loops, stockyard workshops, upgrade of 3 stacker reclaimers, modification of conveyors and drives were completed in 2010/11

#### Phase 1C Expansion to 60mtpa

- Dredging of the port and installation of mooring hooks to enable dual ship loading was completed
- 13km out of 32km of track on the Postmasburg link line has been installed
- Structural work on the road over rail bridge was completed
- Electrical work on the power upgrade is continuing

Spending	Rand million		
	Phase 1A	Phase 1B	Phase 1C
ETC	5 698	4 146	4 335
2010/11 Actual	456	1 023	1 516
Since inception	3 887	3 471	2 167
2011/12	121	1 215	980
2012/13	71	449	288
2013/14	34	-	-
2014/15	36	-	-
2015/16	38	-	-



## Mega Projects: Export Coal Line



### Expansion: warrant AYN and AYO

This programme of work packages was approved in December 2005 (Warrants AYO for expansion, and AYN for sustaining capital with the objective of raising export coal rail capacity to 71mtpa (adjusted downwards from 78mtpa).

### Expansion: Quantum Leap

The Quantum Leap project was the first initiative to simplify and standardise the export coal operation. The scope of this initiative relates to the following:

- Building of 800 jumbo wagons.
- Lead equipping on all locomotives for export coal.
- Upgrading feasible network feeder lines to 26 ton per axle.

### Expansion: Ramp up to 81mtpa

Export coal rail performance has declined to a level of 61,8mt in financial year 2009/10. It is Freight Rail's intention to address this decline and ramp export coal capacity, to a level of 81mtpa by the end of the financial year 2014/15.

This programme incorporates a combination of significant operational optimisation and capital expenditure projects, both of an expansionary and sustaining nature. The project will address two areas: Simplification and standardisation of the system and De-bottlenecking the system.

### Progress

- During the 2011/12 financial year, four new substations were completed (Delmas, Argent, Kendal and Geluksplaas).
- To ensure failsafe data transmission, the migration of interlocking interfaces to the optical fibre cable from Richards Bay to Geluksplaas was also completed.
- Other completed projects include formation rehabilitation at Geluksplaas, grouting and chair replacements at Tunnel 16 as well as the Ermelo yard automation project (yard safety).
- The 81 mtpa expansion revised FEL-2 feasibility study as well as the 10-year sustaining investment for FEL-3 projects were also finalised.

Planned Spending	Rand million		
	Expansion to 71mtpa	Expansion Quantum Leap	Expansion to 81mtpa
ETC*	3 839	1 082	5 100
2010/11 Actual	414	796	174
Since inception	831	796	174
2011/12	351	182	725
2012/13	413	-	987
2013/14	265	-	771
2014/15	65	-	765
2015/16	-	-	539





## Locomotive acquisition programme



### Acquisition of 110 Class 19E dual voltage locomotives for the Coal Line:

Locomotives being acquired to improve efficiency and facilitate ramp up in coal export volumes.

- 60 locomotives have been delivered (44 in 2010/11 and 16 in 2009/10); 48 locomotives have been fully accepted into operations while the remaining 12 locomotives are at various stages of testing and commissioning.
- The remaining 50 locomotives are planned to be delivered at four per month over next 13 months. Completion of the project is expected in the second quarter of 2012/13.

### Acquisition of 100 Class 43 Diesel locomotives:

Locomotives for GFB for replacement of aging fleet.

- Two locomotives were delivered in January 2011 for testing and expected acceptance is May 2011.
- Eight more locomotive sets were shipped from the United States in April 2011 for assembly in South Africa.
- The remaining 90 locomotives will be built at Rail Engineering's Koedoespoort plant.
- The first locally assembled locomotive is expected in December 2011.
- 33 locomotives are expected to be built in 2011/12 and 65 locomotives are expected in 2012/13.

### Acquisition of 44 Class 15E locomotives for the Iron Ore Line:

Acquisition to facilitate the ramp up in Iron Ore volumes to 60mpa

- To date 34 locomotives have been delivered, with 31 being accepted into operations and 3 locomotives in the process of acceptance testing.
- The remaining 10 locomotives will be delivered during the course of the current financial year. This project forms part of the Ph1A and B expansions
- Plans are in place to run a full electric option on the Ore Line resulting in Transnet entering into a contract to acquire 32 more Class 15E locomotives. The project has been approved by the Shareholder.

Spending (R million)	Coal 110 CI 19E	Ore 44 CI 15E	Ore 32 CI 15E	GFB 100 CI43
Estimated total cost	3 405	2 362	2 000	2 314
2010/11 Actual	925	1 058	168	334
Since inception	2 116	2058	168	771
2011/12	857	307	85	510
2012/13	292	-	715	692
2013/14	-	-	98	569

Delivery schedule	Locomotives (units)	Wagons (units)
2011/12	86	1509
2012/13	110	672
2013/14	64	736
2014/15	40	915
2015/16	40	461

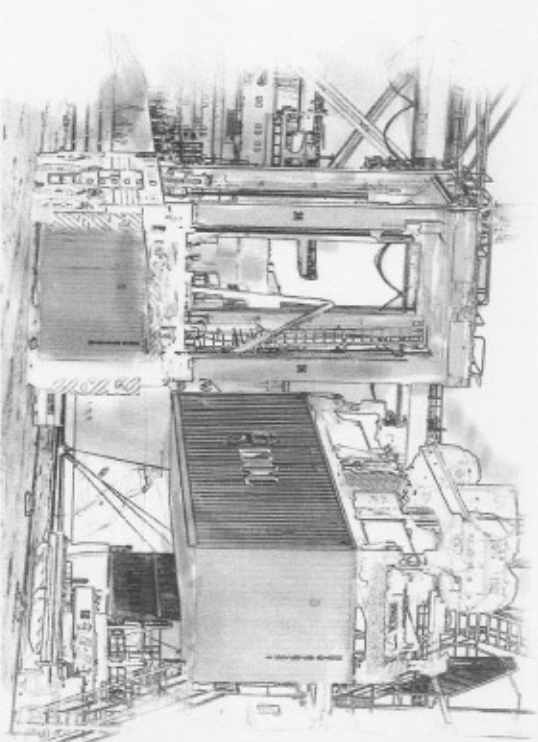


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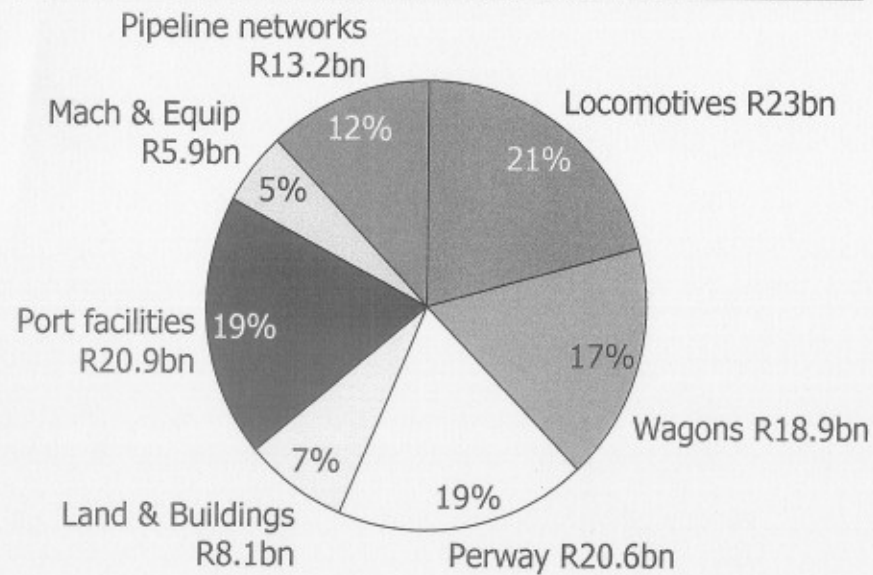
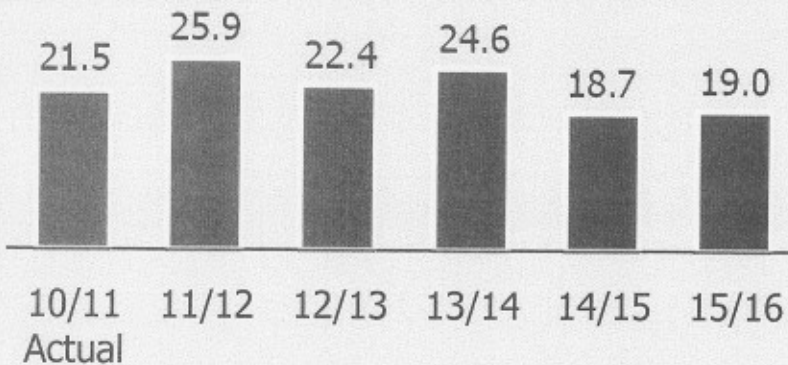
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# Transnet Five Year Capital Investment Plan



## Transnet Group (R110.6bn)



## 5-YEAR CAPITAL INVESTMENT: R110.6bn

Project	Next 5 years
Iron Ore Line (expansion to 60mt)	3 232
Iron Ore Line:32 Class 15E locomotives	898
NMPP	11 150
Dual Voltage Locomotives	1 149
DCT Reengineering	247
Ngqura Container Terminal	1 550
DHEW sand bypass system	545
Coal Line expansion to 81mt (AYN and AYO, Quantum Leap and 81mt)	5 063
Cape Town Container expansion	2 392
Acquisition of 100 quick fix diesel locos	1 771
Acquisition of old Durban Airport site	1 500
Reconstruction of sheet pile quay walls at Maydon Wharf	1 487
Durban Container Terminal berth deepening	3 300
Pier 1 Phase 2 expansion into Salisbury Island	1 884