

## 1. Introduction

### BUT SOUTH AFRICA HAS A NUMBER OF STRATEGIC CHALLENGES TO ADDRESS IN FREIGHT LOGISTICS

- Transport intensive economy
- High domestic logistics costs – due to inland economy distance from ports
- High ocean freight rates for container shipping – due to distance from trading partners
- Poor regional connectivity
- Investment backlog in the national network
- Total demand for freight is likely to double within the next two decades
- Limited intermodal solutions in inland logistics
- Scarce skills across all levels of the freight system
- Policy and regulatory uncertainty

**South Africa needs a shared vision for the freight transport system that responds to the unique challenges confronting the country and the region.**

## 1. Introduction

- Operate the ports in a complementary manner to make the port system more efficient, increase maritime connectivity and reduce ocean freight rates.
- Implement a high performance rail corridor backbone for the country that will alleviate corridor congestion and provide the capacity to meet long- term demand for freight in the economy.
- Formulate and implement integrated service strategies for key customer segments to realise the synergies of the port, rail and pipeline systems.
- Enhance the connectivity of the South African freight system with the regional freight system.
- Grow the skills base and supplier base for the broader industry.



**PROGRAMME**

<b>1</b>	<b>Introduction</b>	<b>Chris Wells:</b> Acting Group Chief Executive	<b>09:00 –</b>
<b>2</b>	<b>Policy &amp; Regulation context</b>	<b>Vuyo Kahla:</b> Group Executive: Office of the Group Chief Executive	<b>09:15 –</b> <b>09:30</b>
<b>3</b>	<b>Infrastructure Plan</b>	<b>Moira Moses:</b> Group Executive: Transnet	<b>09:30 –</b>
<b>4</b>	<b>Overview Demand Forecast and Rail Planning</b>	Capital Projects <b>Francois Meyer:</b> Planning Director, Rail: Group Planning	<b>09:45</b> <b>09:45 –</b> <b>11:00</b>
<b>BREAK</b>			
<b>5</b>	<b>Pipeline Planning</b>	<b>Lennie Moodley:</b> Chief Operating Officer:	<b>11:30 –</b>
<b>6</b>	<b>Port Planning</b>	Transnet Pipelines <b>Moira Moses:</b> Group Executive: Transnet	<b>11:45</b> <b>11:45 –</b>
<b>7</b>	<b>Five-year Capital Investment Plan and</b>	Capital Projects <b>Phumelele Motsoahae:</b> Planning Specialist: <b>Chris Wells:</b> Acting Group Chief Executive	<b>12:15</b> <b>12:15 –</b> <b>12:30</b>
<b>8</b>	<b>Questions and Concluding remarks discussion</b>	Group Planning	<b>12:30 –</b> <b>13:30</b>

- **Current port, rail and pipeline policy assumes that:**
  - competition to Transnet operations is a pre-requisite for freight system optimisation;
  - separating infrastructure ownership from operations is necessary for operational improvements;
  - the state should own and invest in infrastructure and allow the private sector to operate; and
  - splitting Transnet into separate state-owned enterprises will benefit the economy.
- **Current port and pipeline Regulators' mandates encourage:**
  - tariffs to be set low at the expense of long-term infrastructure investment;
  - inconsistent and discretionary regulatory rules, creating uncertainty and risk for investment planning; and
  - Regulators to take on policy-making roles that impact on Transnet's mandate.
- **National Ports Act, 2005 provides for the corporatisation of TNPA:**
  - Will breach key provisions of Transnet's major loan agreements; and
  - Reduce Transnet's ability to raise capital funding at optimal levels going forward.

**Transnet's integrated infrastructure ownership, combined with its revenue from operations, enables it to borrow optimally in the capital markets for long-term investments.**

**Without a strategic SOE role in appropriate combination with private sector investment , the freight network will depend on project-specific state revenue allocations and short-horizon, non-integrated, costly private investment.**

# 2. Policy & Regulation context

**Transnet Pipelines**

In its 2009/10 tariff determination for Transnet Pipelines, NERSA decided not to allow a recovery of costs associated with borrowings for the construction of the NMPP, leaving Transnet with approximately R1 billion revenue shortfall in 2009/10. This will result in a significant spike in tariffs when the NMPP is commissioned.

**Transnet National Ports Authority**

The Ports Regulator's Directives published on 6 August 2009, stipulated that the Regulator shall *"limit the increases to the existing revenue weighted tariffs to CPIX minus X"*, where "X" is an *"efficiency factor determined by the Regulator"*, and in considering the Authority's tariffs, the Regulator *"will give due consideration to whether it is desirable that the tariffs which it finally approves enable the Authority to"* recover its investment, costs and make a profit commensurate with the risk. After engagement, the Regulator on 29 January 2010 amended these provisions, but high levels of uncertainty remain regarding the approach to be followed in tariff approvals and the impact this will have for infrastructure investment.

Period	Transnet Application	Nersa decision
2007/08	5.6%	0%
2008/09	15%	4.43%
2009/10	74.42%	Minus 10.38
2010/11	51. %	PENDIN

Ports

Period	Transnet Application	Regulator Decision
2010/11	19.13% or 10.62% for each of the three years	4.42% with no reasons for decision

2010/11  
2012/13

**Who regulates the Regulators?  
Economic Regulation in its current form is not conducive to investment in major infrastructure.**

### **To realise a common vision for the freight transport system, SA needs:**

- Policy and regulatory certainty on Transnet's role, structure and mandate.
- Economic regulatory policies, principles and laws that reduce discretion and discourage the setting of tariffs at very low levels, to the detriment of strategic infrastructure investments.
- Quantum improvement in freight system productivity, efficiency, reliability, safety and environmental compliance through the refinement of Transnet's operating model and appropriate partnerships with the private sector.
- Continued implementation of the infrastructure investment programme with greater focus on procurement localisation in alignment with emerging industrial policy.
- Regulatory certainty that investors will be allowed to make an appropriate return on invested capital.

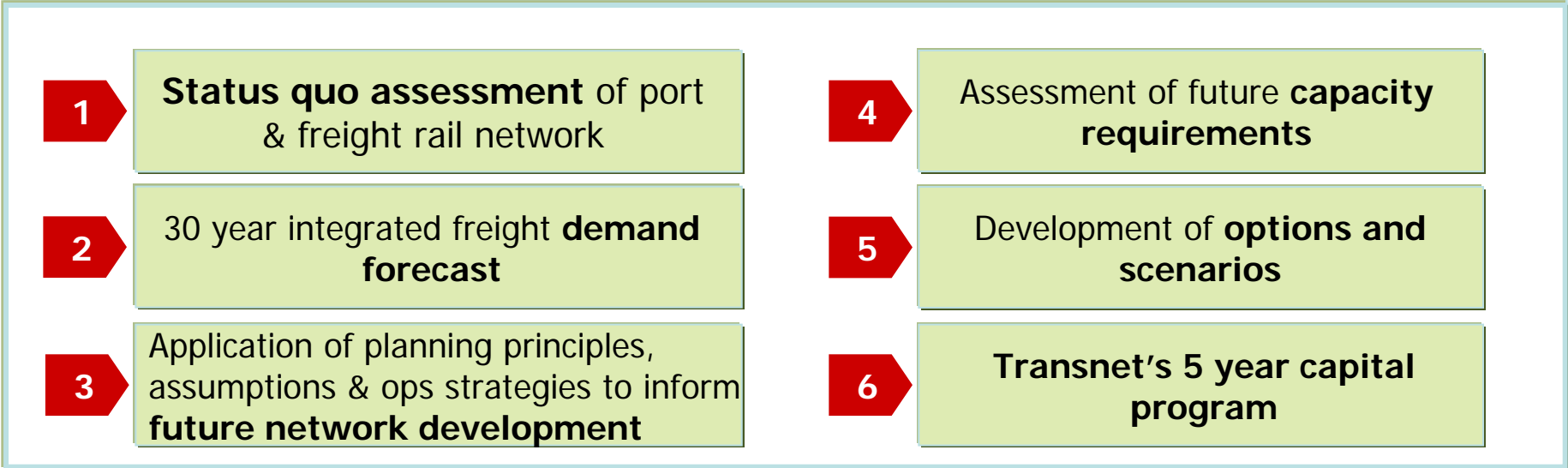


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## Objectives

- To provide Transnet and the relevant stakeholder community with a **framework** within which long term planning for port, rail and pipelines can be executed
- To provide a **basis** for engagements with key government and other stakeholders
- To inform Transnet's **capital investment program** & future funding requirements
- To act as a **governance document** for infrastructure planning and investment in Transnet

## Components of the NIP



# 3. Infrastructure Plan Overview

