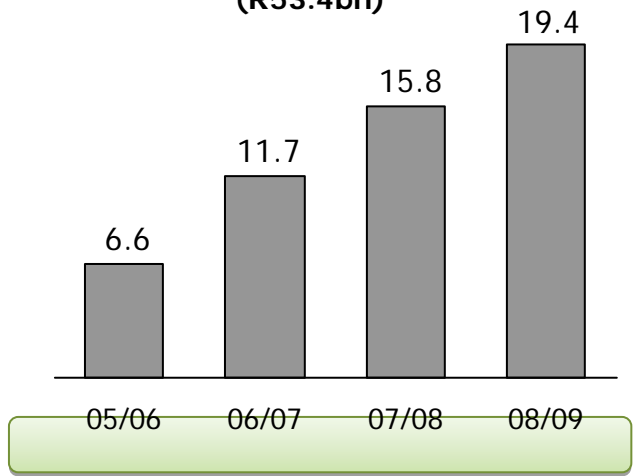
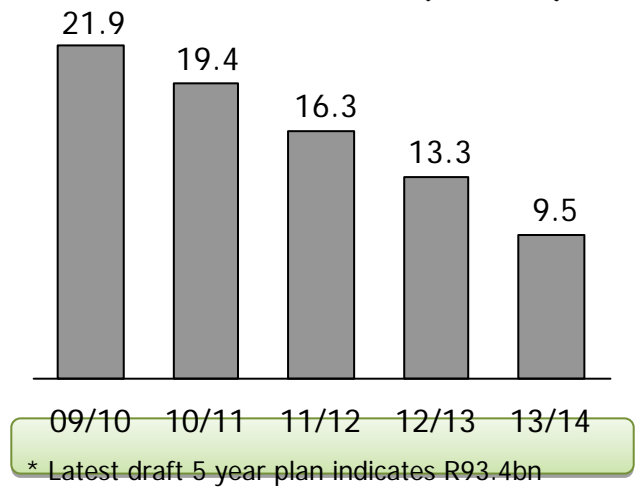


# 7. Five-year Capital Investment Plan and Concluding Remarks

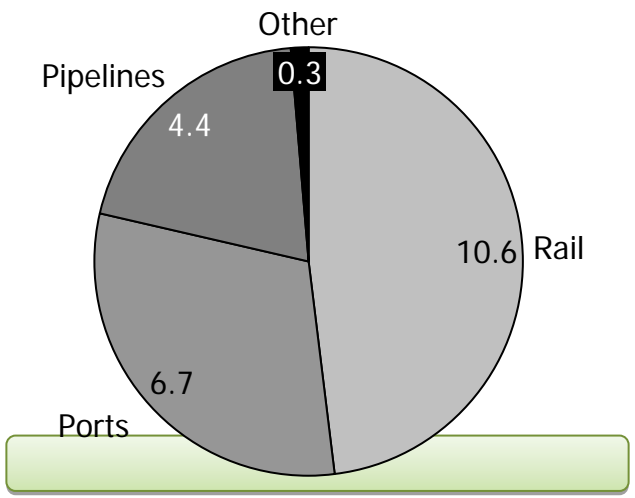
**Historical Investment: Past 4 years  
(R53.4bn)**



**Capital Investment Plan:  
2009/10 to 2013/14 (R80.5bn)\***



**2009/10 Capital Investment (R21.9bn)**



**Funding Plan 2009/10**

Cash available from operations	R9.6bn
Funds Raised in market:	
• Transnet Bonds	R7.76bn
• Club Loan R1.15bn	
• Locomotives (142)	R1.27bn
• Finnvera R0.67bn	
• JBIC	R1.93bn
• AFLAC	R1.25bn
• Commercial Paper	<u>R3.80bn</u>
Funding Raised	R17.83bn
Outstanding Drawdown/ Facilities	<u>R0.74bn</u>
Total Funding Available	<u>R18.57bn</u>

**Funding strategy and sources**

- Global Medium Term Notes
- Export Credit Agencies
- Bonds
- Bank Loans
- Development Financial Institutions
- Commercial Paper

# 7. Five-year Capital Investment Plan and Concluding Remarks

	COMPLEMENTARY TO TRANSNET STRATEGY	MEGA PROJECT PRIVATE FINANCE INITIATIVE	JOINT VENTURES IN CORE OPERATIONS
Criteria	<ul style="list-style-type: none"> <li>▪ “Non-core” but fundamental in complementing strategic objectives</li> <li>▪ Scope to improve productivity and drive efficiencies</li> <li>▪ Benefit from increased competition</li> </ul>	<ul style="list-style-type: none"> <li>▪ Mega investment requirements to provide step change in capacity</li> <li>▪ Unaffordable to Transnet alone</li> <li>▪ High risk investment due to long pay-back periods</li> <li>▪ Concentration risk</li> <li>▪ No guarantee on volumes</li> </ul>	<ul style="list-style-type: none"> <li>▪ Benefit of private sector expertise and technology</li> <li>▪ Value in strategic partnerships</li> <li>▪ High levels of innovation required</li> <li>▪ Increased volumes and revenue</li> <li>▪ Reduced cost of doing business in South Africa and improved competitiveness rating</li> </ul>
Probable projects	<ul style="list-style-type: none"> <li>▪ Branch lines</li> <li>▪ Inland terminals</li> <li>▪ Multi-purpose terminals</li> <li>▪ Short-sea-shipping feeder network</li> <li>▪ Customer wagons (eg Sasol)</li> <li>▪ Ship repair facilities</li> <li>▪ Passenger port terminals</li> </ul>	<ul style="list-style-type: none"> <li>▪ Coal line expansion</li> <li>▪ Iron-ore line expansion</li> <li>▪ Manganese expansion</li> <li>▪ Core Intermodal network expansion</li> <li>▪ New container terminals</li> </ul>	<ul style="list-style-type: none"> <li>▪ Transshipment hub-port terminal</li> <li>▪ Integrated logistics services</li> <li>▪ Inland terminals</li> <li>▪ New bulk port terminals (where unaffordable)</li> <li>▪ New container terminals (where unaffordable)</li> <li>▪ Customer owned wagons</li> </ul>

## 7. Five-year Capital Investment Plan and Concluding Remarks

- In the period 2005/06 to 2008/09, Transnet spent an unprecedented **R53,4bn** on ports, rail and pipelines.
- Transnet's current, approved capital investment plan is to spend **R80,5bn** over five years 2009/10 to 2013/14:
  - 32% on rolling stock
  - 59% on port, rail and pipeline infrastructure projects and
  - 9% on machinery, equipment and floating craft.
- Current estimates: 2009/10 to 2013/14 capex will increase to **R93,4 bn**.

### **This plan involves:**

- **re-investing CASH FROM OPERATIONS and**
- **significant BORROWING, which must be re-paid over time.**

**Both must be managed within set gearing ratios and cash interest cover targets.**

**(Ratings agencies and Transnet's loan covenants limit gearing to 50% and require cash interest cover of 3 times +)**

**This scale and complexity of infrastructure investment requires policy and regulatory certainty – both for Transnet and for private investors who will be asked to partner with Transnet going forward.**

## 7. Five-year Capital Investment Plan and Concluding Remarks

- Transnet's National Infrastructure Plan continues to undergo refinement as economic conditions change.
- Key strategic decisions are required to ensure that freight systems capacity is provided at the right place and at the right time.
- Major infrastructure expansions involve long lead times. Five years decision horizon needed for most major port and rail projects.
- As a state-owned enterprise, Transnet is well positioned to take this long-term perspective on the requirements of the freight system and plan accordingly, and to develop the projects and operations in partnership with the private sector.
- Policy and economic regulation must provide for a fair return on invested capital and predictability of cash flows.
- Stakeholder engagements will continue as a key feature of Transnet's planning process.



**TRANSNET**



delivering on our commitment to you



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