



Press Release

TRANSNET MARKS A MAJOR MILESTONE IN ITS LOCOMOTIVE FLEET RENEWAL PROGRAMME

21 February 2011

In a ceremony held at the company's Koedoespoort manufacturing facility in Pretoria today, Transnet Limited took delivery of the first two of the 100 locomotives it is purchasing from General Electric South Africa Technologies (GESAT) - the local arm of General Electric (GE).

Transnet and General Electric entered into an agreement for the supply of 100 Model C30ACi diesel locomotives – the first AC diesel locomotives to be introduced in Sub-Saharan Africa. Three of these locomotives generate the same hauling power as four of the older locomotives currently in use saving approximately 600 000 litres of fuel a year. The locomotives, which are to be used on the coal line and general freight business of Transnet Freight Rail, are part of Transnet's fleet renewal plan and the company's R93,5 billion 5-year capital investment programme.

In terms of the agreement, GE will build the first 10 locomotives at its plants in the United States, while the remaining 90 will be assembled at Transnet Rail Engineering (TRE) manufacturing facilities in Koedoespoort. GE will supply Transnet with all major components including engines, alternators and other hardware. TRE will be responsible for the complete assembly as well as sub-assemblies.

Speaking at the ceremony to celebrate the launch, Minister of Public Enterprises, Mr Malusi Gigaba, says, "This is a groundbreaking achievement for which we should all be proud. The agreement between Transnet and General Electric will go a long way towards ensuring that our state-owned entities play a significant role in advancing the goals of our New Growth Path."

"Jobs, skills development – especially engineering and technical skills, localisation of manufacturing of equipment, and ensuring that our logistics infrastructure, for which Transnet is responsible, works efficiently are some of the key deliverables on which we are to be judged," Minister Gigaba adds.

In line with Transnet's commitment to using its capital investment programme to meet Competitive Supplier Development Programme (CSDP) objectives, the agreement has a significant localisation and skills development element. CSDP is a Department of Public Enterprises initiative intended to encourage localisation of manufacturing, procurement from local suppliers, sustainable employment and skills development.

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Transnet's long-term objective is to localise its supply chain of imported manufactured goods or services to a reasonable level whilst promoting local industries and South Africa as an off-shore site of choice for OEMs and multi-nationals. This will increase both shareholder and societal value through sustainable localisation of its supply chain.

The GE/Transnet agreement is South Africa's largest CSDP transaction to date, placing Transnet as the leading state-owned enterprise in localisation with the aim of creating industrialisation opportunities.

Commenting on the milestone, Transnet Chairman, Mr Mafika Mkwanazi says, "Locomotive fleet renewal is central to our drive to improve productivity, safety and efficiency of our assets and people. In addition to the obvious benefits of a significantly reduced average age of Transnet Freight Rail's fleet, this enables us to showcase our technical ability through our engineering division. It also gives us an opportunity to develop our engineering, technical and manufacturing skills in partnership with a leader in this field – GE."

Transnet Rail Engineering's Koedoespoort plant was upgraded to meet the stringent requirements for original equipment manufacturers including training on GE's methodologies at its facilities throughout the world focusing on the renowned Lean and Six Sigma methodologies as applied by GE. Other areas of training covered logistics, assembly of various locomotives parts and components, field maintenance services for locomotives.

Transnet employees have received training at GE facilities in the United States, Mexico and Australia, and as a result of this deal, hundreds of jobs have been preserved.

"We are pleased to partner with Transnet to turn its vision of 21st century rail freight transport into reality. This partnership allows us to bring leading rail technology to South Africa while contributing to world-class skills development in the region", says Mr Lorenzo Simonelli, President and CEO of GE Transportation.

The agreement with GE is the third major CSDP transaction to be implemented by Transnet Rail Engineering. Already TRE is in partnership with another equipment manufacturer. This agreement is intended to make TRE part of the OEM's Global Supply Chain for rebuilt traction motors and diesel engines, to accredit TRE's facilities for loco maintenance and localise supply of parts.

Commenting on the achievements, TRE chief executive and a member of the Transnet Executive Committee, Mr Richard Vallihu says: "Our ultimate goal is to establish TRE as a centre of excellence meeting the highest standards set by locomotive original equipment manufacturers and making us a partner of choice in this region, Africa and beyond. This can only be achieved through innovative partnerships and the dedication of our employees."

Transnet is in the process of finalising an agreement with United States export credit agency (ECA) – US EXIM – to provide funding for the purchase of these locomotives. Such funding is part of Transnet's Board-approved strategy of diversifying its funding sources cost effectively.

Notes to Editors

- Transnet Rail Engineering (TRE) is a major player in the South African locomotive, wagon and coach maintenance, refurbishment, repair, conversions, upgrade and new build markets and is the main supplier to Transnet Freight Rail and the Passenger Rail Agency of South Africa.
- TRE also runs in-service and out of service maintenance for wagons, locomotives and provide coaches on route support.
- TRE has been building South African wagons for the last two decades.
- The CSDP, which replaced the National Industrial Participation Programme (NIPP), is an initiative by the SA government, Transnet's only shareholder, to encourage industrial development, job creation and transfer of skills in South Africa through imaginative partnerships with OEMs.
- GESAT is a partnership between GE Transportation, a division of GE, and Mineworkers Investment Company.

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