





During the current year the following challenges were encountered:


Challenges


- 


GDP slowed to 2,5% directly affecting all freight and commodity volumes, negatively impacting the achievement of revenue targets.
- 


Lower than estimated tariffs allowed by regulators for ports and pipelines.
- 


Customer constraints and labour strikes negatively impacted mining output.
- 


Locomotive efficiency (measured through average gross ton kilometre per locomotive per month) and wagon efficiency (measured by wagon turnaround time) for GFB, were below targeted levels.
- 


Above CPI increases for electricity, labour and fuel.
- 

The downgrading of South Africa's sovereign credit rating resulting in an increase in the cost of debt.
- 

DCT Pier 1 negatively impacted by unauthorised labour action, resulting in a decrease to 23 GCH.
- 

Skills constraints in engineering, project management and technical.
- 

Nine employee fatalities (five in vehicles accidents, three to violent criminal acts, and one from a health condition). 125 public fatalities on railway lines.
- 

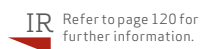
Safety remains a priority in all operations at all times. While standards have improved, they still fall short of aspiration.
- 

Policy and regulatory uncertainty persists in respect of regulated tariffs, the Ports Act, rail reform and coastal management legislation.



To address the challenges experienced over the last year the emphasis in the year ahead will remain on the following:

- Proactive capital investment to support the growth;
- Accelerated volume growth;
- Significant productivity and operational efficiency improvements;
- Continued financial stability;
- Policy engagement to provide regulatory certainty;
- Human capital development and job creation; and
- Enhanced economic, social and environmental value creation.



An overview of the MDS key focus areas for the period 2014-2020 is contained in Appendix A.

The Company has developed a comprehensive implementation plan to ensure successful delivery of the MDS. Specific initiatives include:

- **An Execution Support Office**, headed up by a Group Executive Committee member, to support the achievement of volume and revenue targets, mitigate cash flow at risk, drive priorities on operational efficiencies, and support capability building. The focus is on:
 - Strengthening MDS governance through cross-functional transparency and continuous prioritisation of critical initiatives;
 - Supporting Operating divisions and Corporate Centre process owners; and
 - Building high quality execution capabilities, including effective early warning, risk mitigation and decision-making.
- **A Capital Excellence Programme** to enhance capabilities for delivery to plan and manage costs and schedules. The focus is on:
 - **Portfolio optimisation.** Building capabilities and implementing methodologies to more effectively optimise the capital project portfolio and capital allocation process, based on proven, quantitative methods. This will ensure a focus on the capital projects that deliver on MDS objectives.
 - **Organisational design and governance.** Revised integrated capital controls and assurance framework in terms of the Project lifecycle process. Derisking Transnet's capital project delivery by building capabilities and methodologies; robust business cases; optimisation for economic, social and environmental outcomes; and improved execution readiness. This approach is to systematically scale limited resources to cover a broader range of projects through increased efficiency, cross-functional teams and improved collaboration and sharing across projects.
 - **Procurement acceleration.** Streamlining capital procurement processes with specific focus on items that are critical for large projects to ensure that capital procurement is not a bottleneck to project delivery. This includes demand management processes and contract management capabilities while simultaneously filling vacant procurement administration positions to avoid delays to critical path initiatives.
 - **Platinum standard organisation.** Building long-term capability for sustained levels of capital investment beyond the MDS, creating required positions, improved gate review processes, and securing the right capability mix for project lifecycle management.
- **A strategic marketing plan to capture market share and enhance revenue diversification;**

Expand freight services in intermodal, fast-moving consumer goods, transshipment containers and gas. In addition, Transnet is investigating and targeting rail and port opportunities in other countries.