

Matter of Emphasis

- Audit for SARCC and Intersite completed on time
- Operational Control: Period from 26 December 05 – 31 March 2006 not included in Transnet's Audited Financial Statements
- Balances and alignment in materiality issues proved to be a major challenge for SARCC, Metrorail and External Auditors
- Results was the delay in finalising the report by stipulated deadline of 31 July 06



Key Highlights for 2005/06

- Unqualified Audit Report for SARCC (Inclusive of Metrorail and Intersite)
- Deployment in the order of 800 SAPS Railway Police in Commuter Rail Environment
- Establishment of 2 Contact Points in the Western Cape



Key Highlights for 2005/06 (contd.)

- Started construction on the Khayelitsha Rail Extension (KRE) - Project value estimated at R300 million.
- 308 coaches refurbished at a cost of R800m (Introduction of the 10M5 Prototype)



Major Risks to be Managed

- A more active Board during the early phase of Consolidation resulting in unusually high expenditure for Board Related Activities
- Lack of strong management team
- Uncertainties on the part of management and employees (employment guarantees, pension funds, benefits, housing, etc)

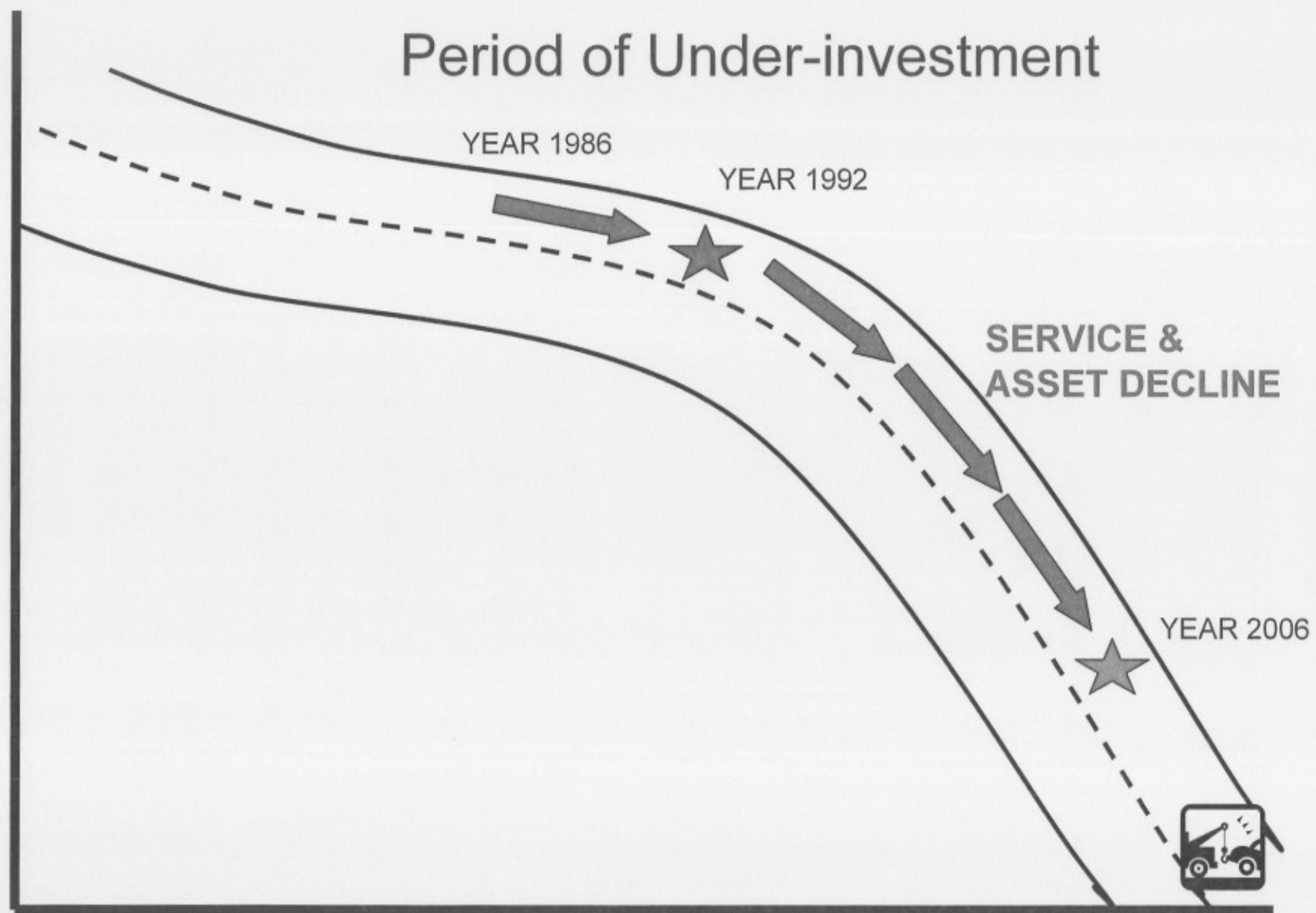


Setbacks

- More Coaches taken out of Service
 - Train Delays
 - Train Cancellations
 - Overcrowding
- Levels of crime remain unacceptably high
- Commuter Backlash against declining services



Period of Under-investment



The Decline of Commuter rail

From approximately 1986 there has been a significant under-investment in commuter rail in South Africa. The last new line (and new rolling stock) to have been built was the Khayelitsha Line which was opened in 1988 after a 3 year construction period.



The Decline (contd.)

Since then services have gradually been eroded, particularly after 1992 when wholesale cuts were made to the service times and frequencies.

A combination of failure to meet passenger demands, new developments away from the rail network, management shortcomings and the lack of investment, in particular in rolling stock since approx. 1996 is the fundamental cause of the current malaise.

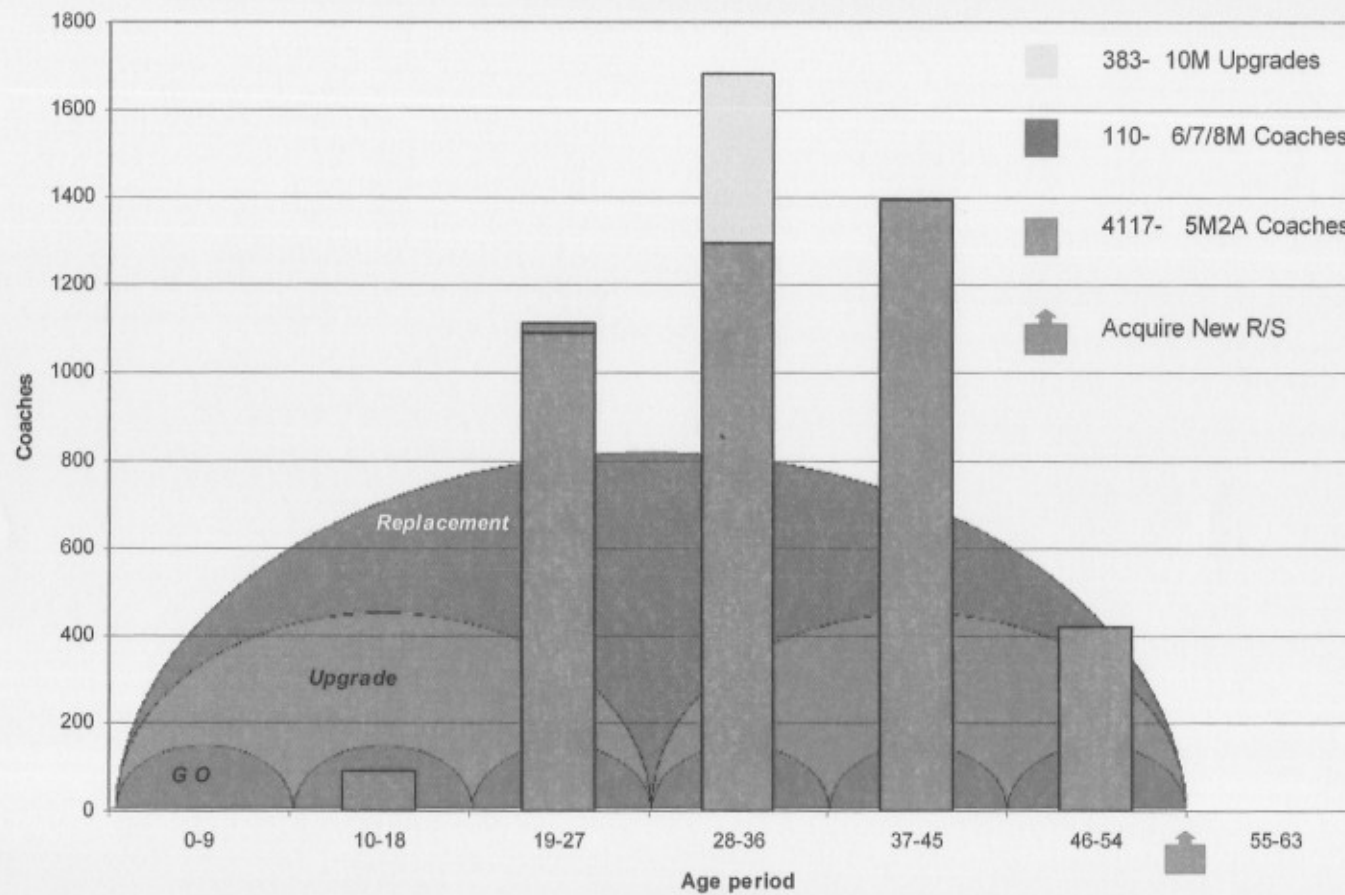


The Single Most Important Factor Impacting on Performance

Regions	Current Contracted Fleet		Current Available Fleet	
	Sets	Coaches	Sets	Coaches
CAPE TOWN	112	1229	74	811
KWAZULU NATAL	78	815	51	538
TSHWANE	64	814	43	537
WITS	142	1635	94	1079
EASTERN CAPE	13	145	8	95
TOTAL	409	4638	270	3060



SARCC Coach Age Distribution within a 54 year Life Cycle Model





The Strategic Response



A Future for Passenger Rail

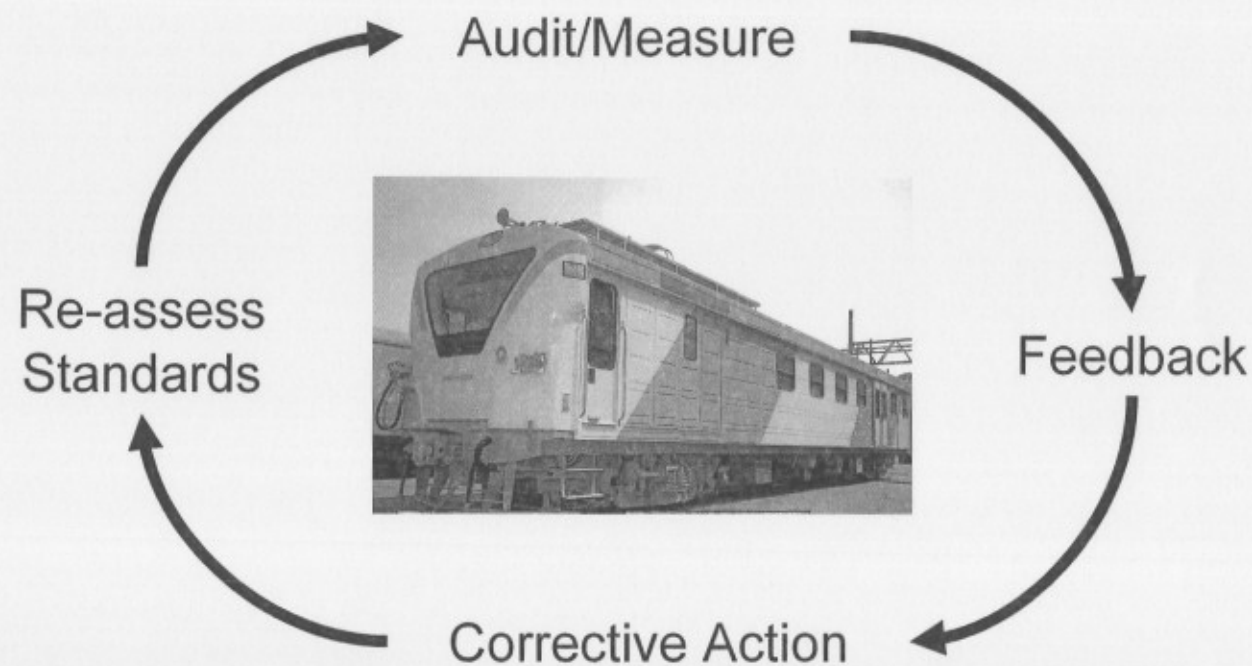
Our Strategic Response: National Passenger Rail Plan

- Turnaround Phase (2006 – 2009)
- Recovery phase (2010 – 2013)
- Growth Phase (2014 – 2020)

A Comprehensive Operational and Infrastructure Investment Strategy will support the above phases



Continuous Improvement Philosophy



Threats and Risks

- Operations are on a knife edge – could go either way
- Continued decline in availability of rolling stock
- Losing key technical staff – maintenance is at risk
- Industry not geared to cope with the growth in demand
- Theft and vandalism

