



SpoorNet GFB into the Future

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Maritime Conference 3 – 5 March 2003

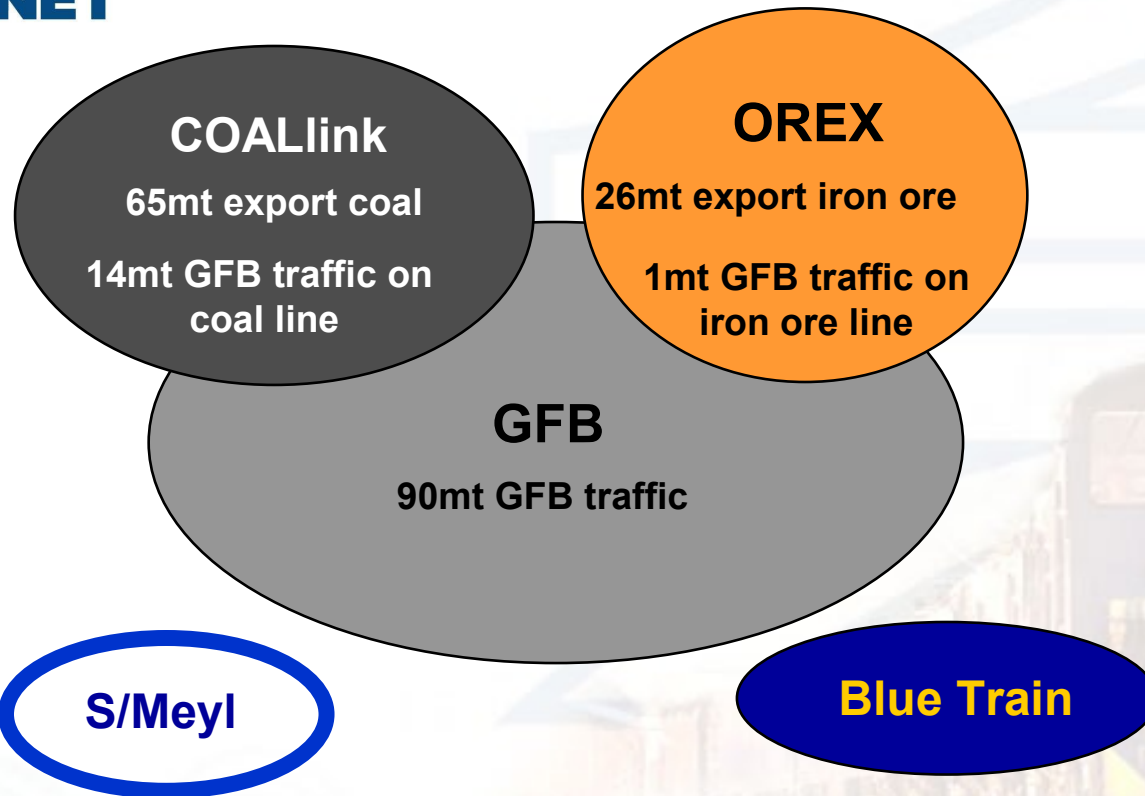
Agenda

- **Spoornet Business Overview**
- **Spoornet involvement in Ports**
- **Current Spoornet SAPO Relationships**
- **Challenges**
- **GFB Strategy**
- **Tactical Actions**



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Spoornet Business Overview

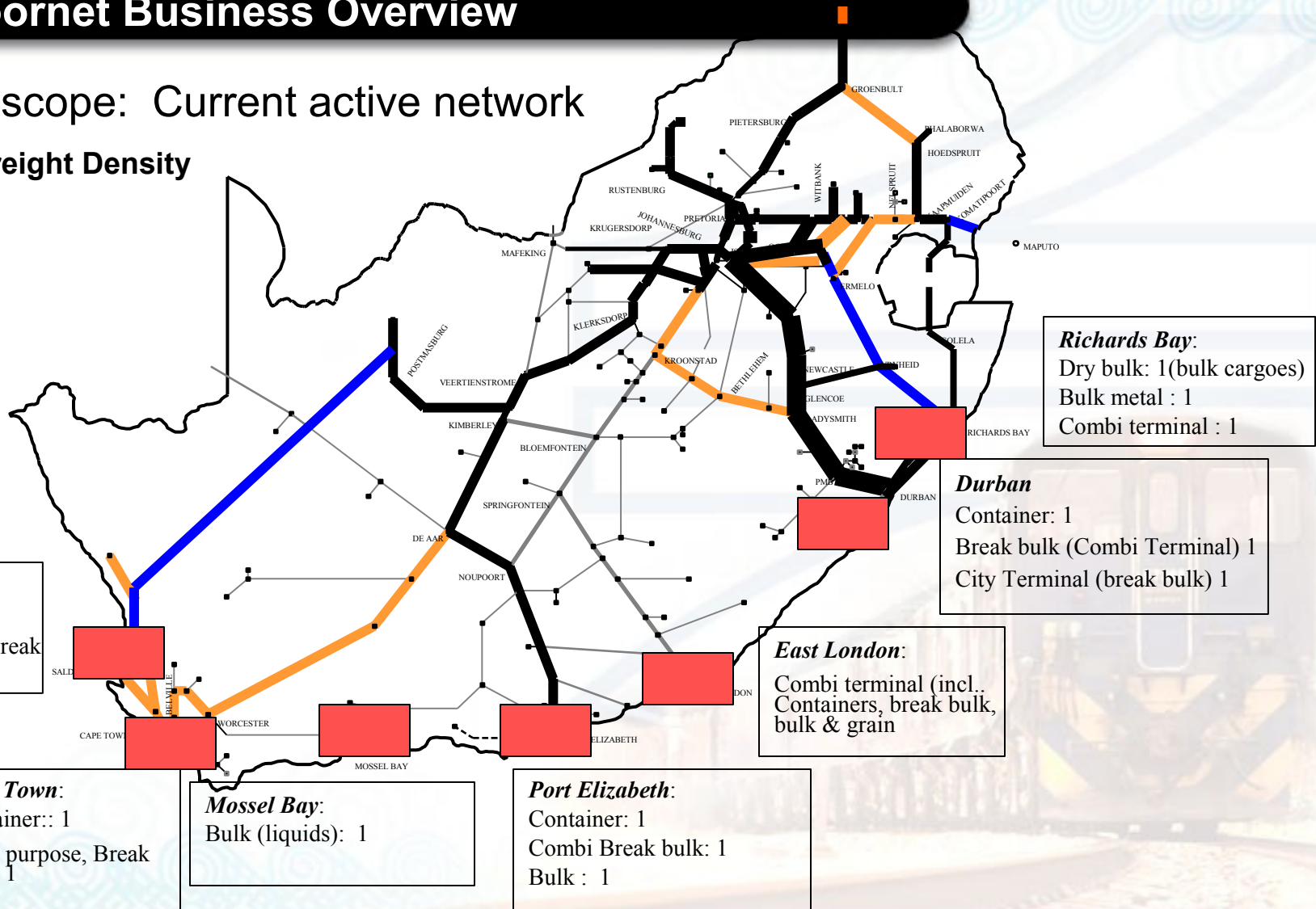


GFB into the Future

Spoornet Business Overview

Network scope: Current active network

Spoornet Freight Density



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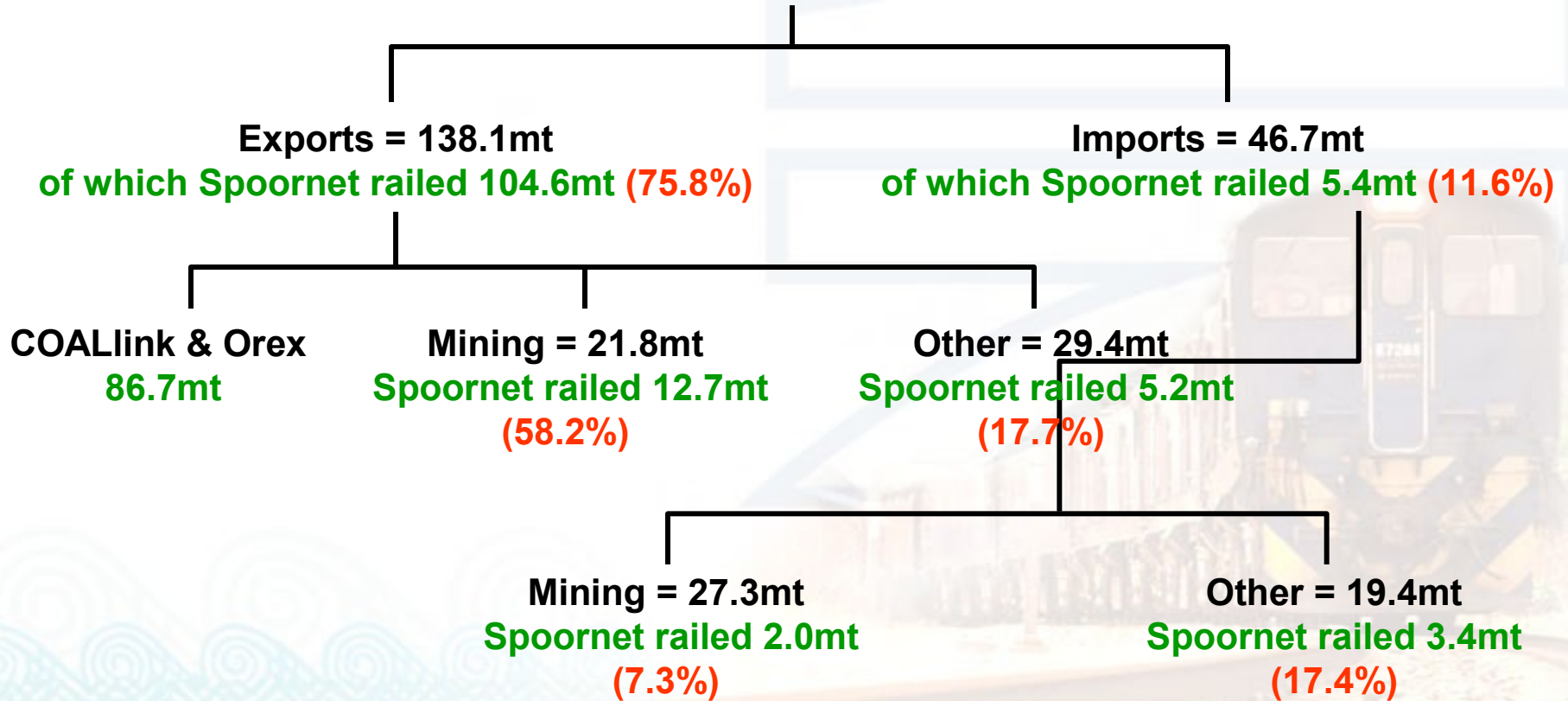


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Spoornet Involvement in Ports

Cargo Handled by SA Ports 01/02

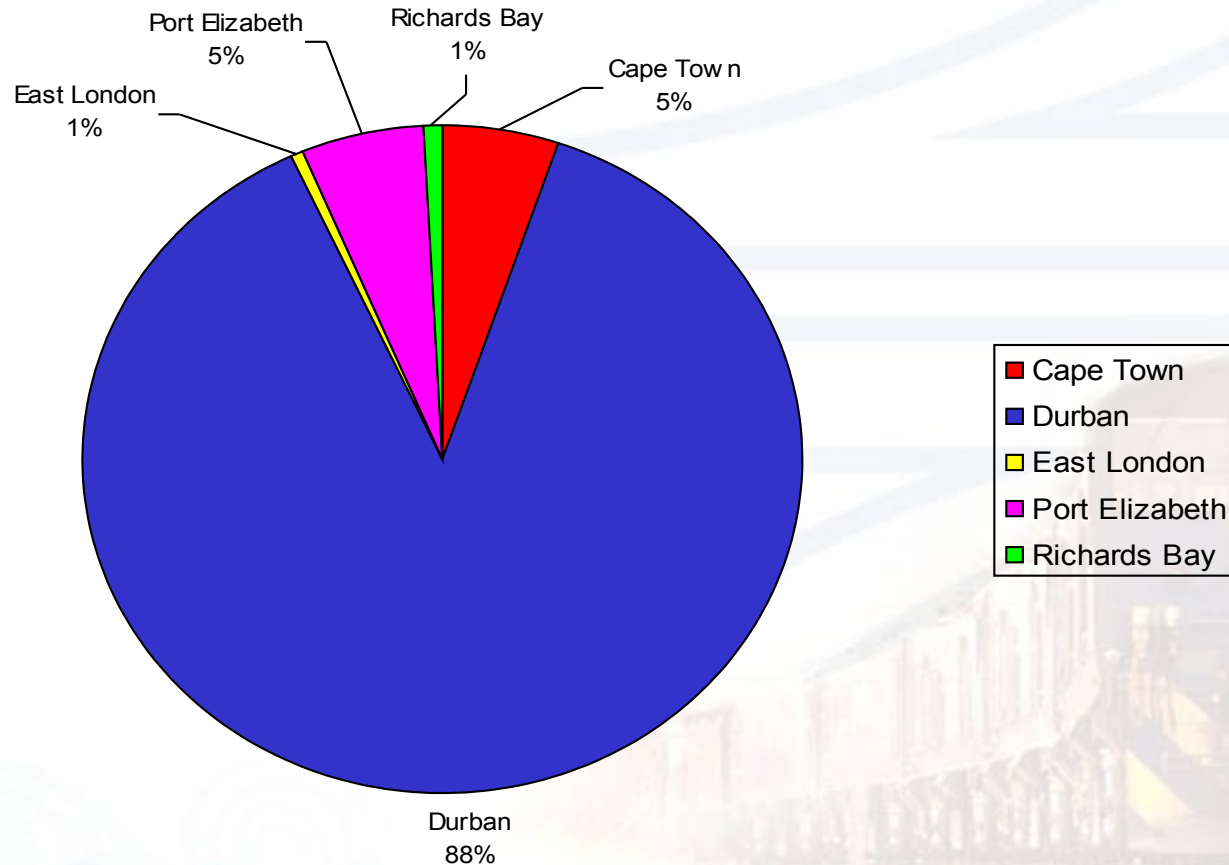
Total cargo handled = 184.8mt
of which Spoornet railed 110.5mt (59.8%)



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Spoornet Involvement in Ports

Container Exports through SA Ports 01/02

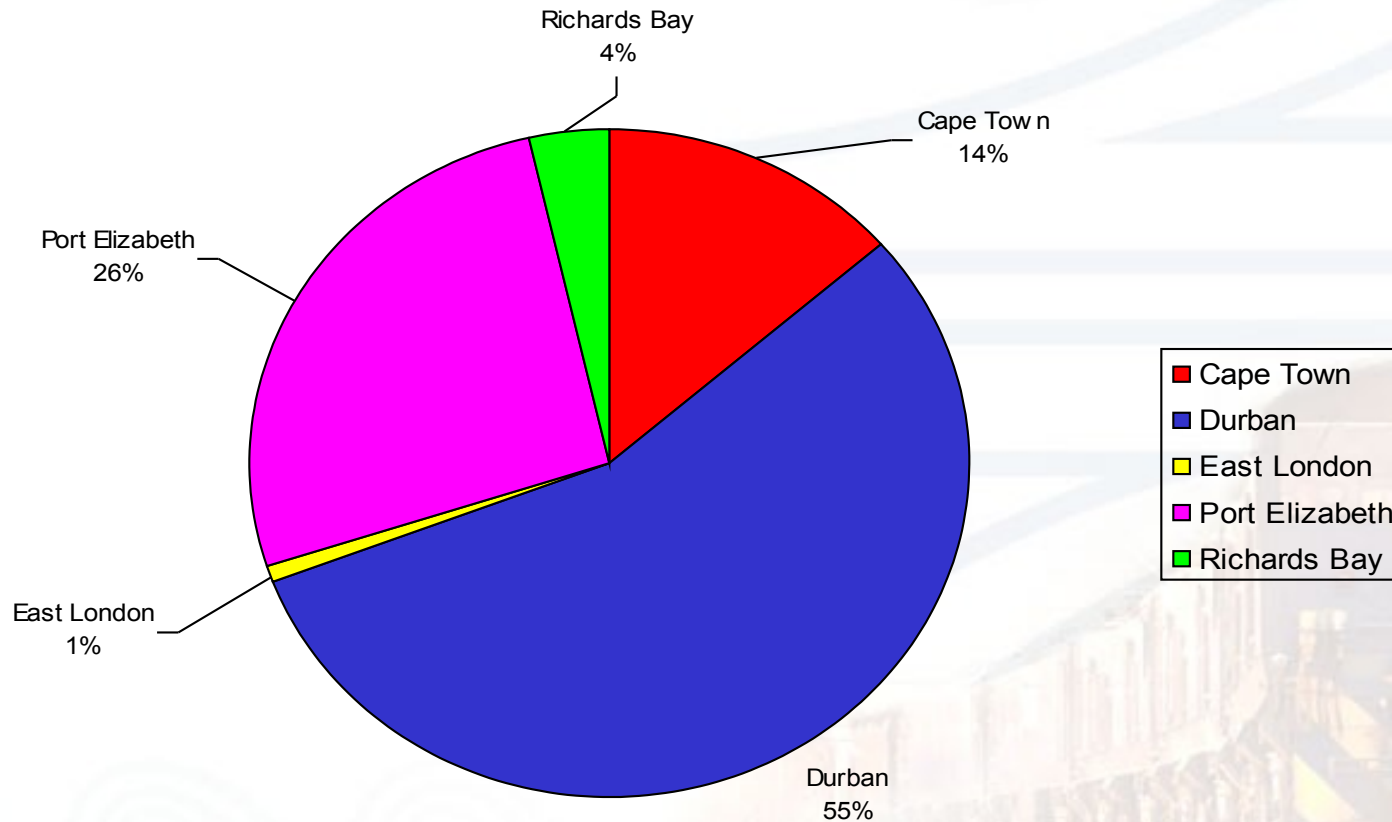


195,837 TEU's are exported through SA Ports. 88% of the container volumes are moved through Durban. 83% of the Durban Port traffic are conveyed on the Gauteng – Durban Line.

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Spoornet Involvement in Ports

Container Imports through SA Ports 01/02



175,206 TEU's are imported through SA Ports. 55% of the container volumes are moved through Durban. 83% of the Durban Port traffic are conveyed on the Gauteng – Durban Line. 74% and 71% of the Cape Town and Port Elizabeth Port Traffic respectively are also destined for Gauteng.

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Current Spoornet SAPO Relationship

- **The current Spoornet SAPO relationship focus on the following key issues**
 - **Joint Strategic Planning per Industry per corridor**
 - **Alignment of the Transnet components of the supply chain**
 - **Redesign the Supply chain configuration and joint capital deployment wrt optimization and capacity creation**
 - **Explore Collaboration Opportunities**

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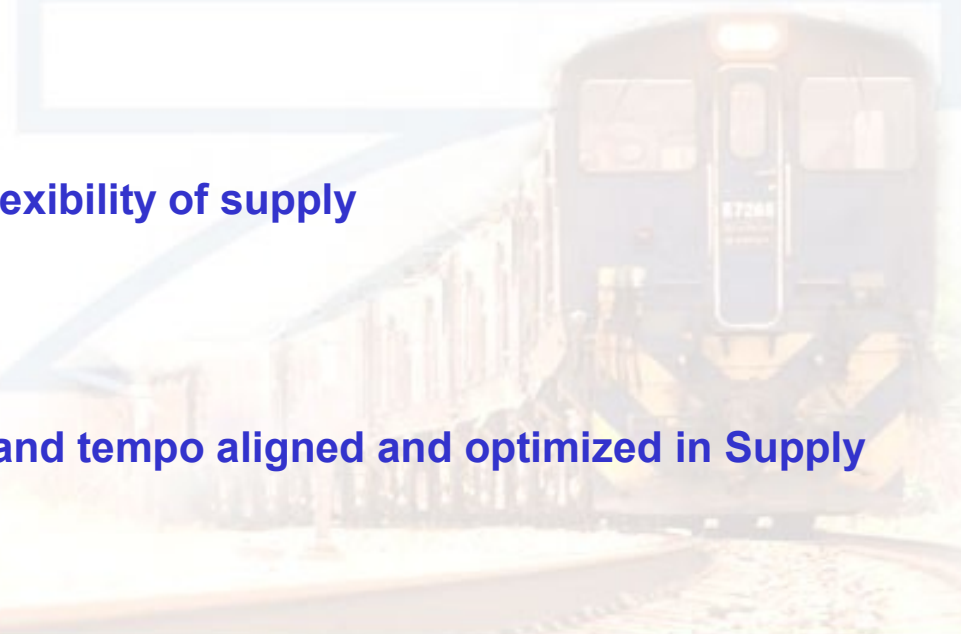


Challenges**Spoornet GFB Challenges**

- Proactively enable collaboration between supply chain members
- Establishing a presence in South African ports to improve the throughput times of import and export business
- Logistics enablement through 3rd parties is gaining favour with major customers and leads to disintermediation action and focus
- Service delivery is compromised due to, amongst others, insufficient capital expenditure
- Focussing on sustainable business is essential to effect turnaround of business whilst socio economic services needs to be maintained

Rail friendly Cargo Classification

Rail Friendly cargo is defined as:

- **Stockpile to stockpile**
 - **Large parcel size**
 - **even flow versus seasonality**
 - **long distance conveyance**
 - **NO shunting**
 - **No Wagon Preperation**
 - **NO Auxillary equipment**
 - **Predictability of demand and inflexibility of supply**
 - **Sustainability re cost coverage**
 - **No Abrassiveness or Hazmat**
 - **Loading and offloading method and tempo aligned and optimized in Supply chain context**
- 

Current Issues**Industry Challenges**

- **A study on Supply Chain and Logistics Enhancement for Export Councils initiated by the Trade and Investment South Africa highlighted the following issues with regard to the distribution of exports commodities:**
- **Customs and Excise**
 - **Export certification and rebate process**
 - **Import inefficiencies**
- **Road and Rail**
 - **High Inland Costs**
 - **Reliability**
- **International Distribution**
 - **Warehousing in foreign markets (Automotive, Agro-Processing and Furniture**
- **Location of plants away from ports (Base Metals - Aluminum, Wire, Chemicals, etc.**

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GFB Strategy**Marketing Strategy**

- CRM
- Port
- Pricing
- Logistics
- Communication
- HR
- IT Strategy

Operating Strategy

- Over border
- Safety
- Capacity

Investment Strategy

GFB Strategy

Marketing Strategy

- **CRM Strategy** – is a business strategy for:- realizing higher corporate profitability, generating increased customer satisfaction and loyalty, maximizing lifetime value from customer segments, creating a customer-centric organizational structure with defined roles and responsibilities and enhancing competitive advantage.
- **Port Strategy** - Develop in collaboration with SAPO and NPA to effect joint planning, negotiations, investments
- **Pricing Strategy** - Pricing will ensure sustainability and commercial viability.

GFB Strategy**Marketing Strategy**

- **Logistics Strategy** - Focussed on rail reliability, predictability as well as flow management and optimisation via b2bafrica technology for specific supply chains. Collaboration with industry or customer groupings
- **Communications Strategy** - Focussed on customer communication forums and the National Customer Service Centre
- **HR Strategy** - Focussed on increasing skills base, skills retention and Training & Development
- **IT Strategy** - to achieve an accurate information and enabled environment

GFB Strategy**Operating Strategy**

- **Overborder Strategy** - Based on Corridor and ring fence logic
- **Safety Strategy** – Enhance training and focus on safety grades and task observations. Ensure Safety compliance to processes and standards
- **Capacity Strategy** - Based on 3 Traffic Category and corridor logic in order to stabilize core business

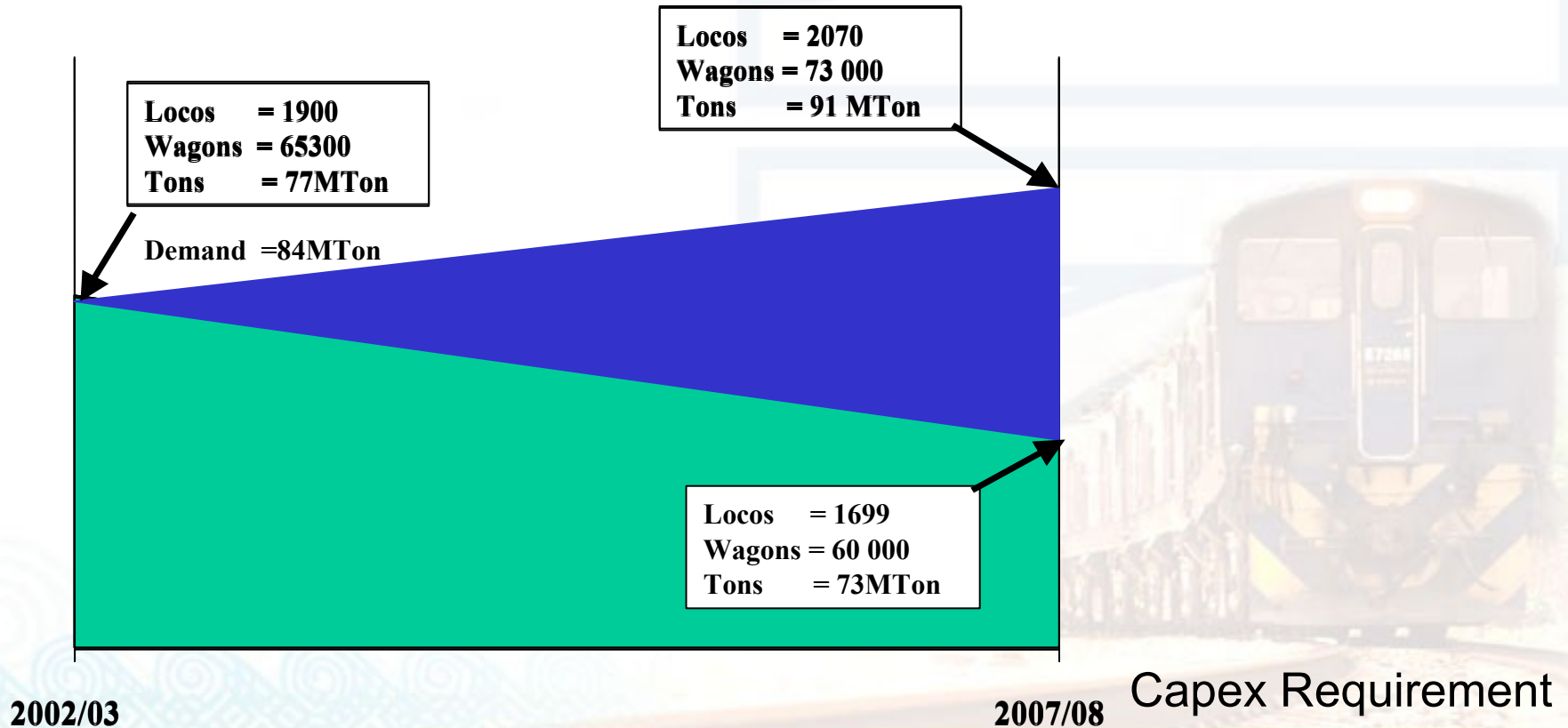
GFB into the Future

GFB Strategy

Strategies – Closing the Investment Plan Gap

5 YEAR PLAN

(Money in real terms)



GFB Strategy

Investment Strategy

- Massive investment drive to close the the GAP between the current capacity constraints and increased demand.
- R1,78bn will be invested 2003/2004 and will be increased annually to balance the shortfall in capacity requirements.
- The broad thrust of the GFB investment programme covers improvements in operational efficiencies through various upgrades and new technologies, replacement programmes, improving safety standards, etc.

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Tactical Actions**Review customer base and flows – back to basics.**

A] MegaRail (base flows) and efficiency programs.

- Role out 325 service codes in MegaRail (top 50 customer flows), during October 2002 in terms of an implementation plan.
- Team focus with clear responsibilities and accountabilities i.e integrate with technical and ensure ownership of assets, utilization and care of assets by line.
- System support with manual interactions to implement designs into train plans.
- Standard setting and monitoring of network, locomotives, wagons and crew.

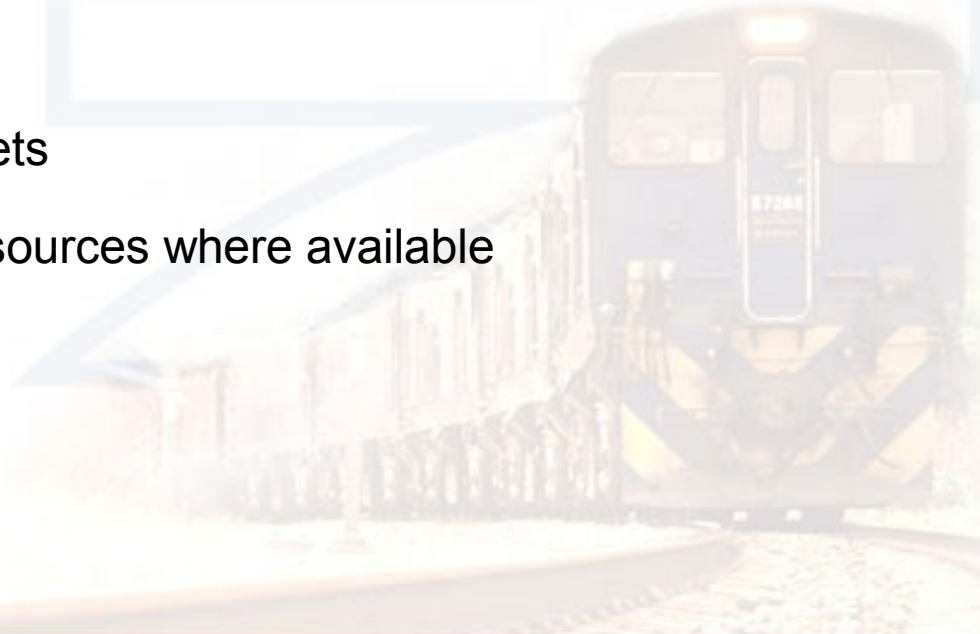
Tactical Actions**Review customer base and flows – back to basics**

B] implement sector strategies

- Integrate with capacity and yield management process
- Reviewed all contracts and implement new contract structure (3Traffic Categories incorporated) / format including mandatory SLA
- Resource rater than market driven
- Selective exit strategies and service redesign
- Eliminate 1 to 5 wagon consignments and focus on rail friendly business

Tactical Actions**Stabilize train plan**

- Implementing operation stabilize initiatives
- Considered total resource view in MegaRail selection
- Review input from ops areas i.R.O - advise of flows that consume resources
- Redeployment of certain assets
- Deployed some COALink resources where available



Tactical Actions**Effect real time decision making**

- Implement National Customer Service Centre (NCSC), with defined problem resolution and escalation process
- Sector based teams(manned by Key Account Managers on a rotational basis)
- Flow management on a 24/7 basis (Ferros, granite, etc)
- Stockpile visibility and management
- Empowered personnel who take responsibility and accountability of their action

Tactical Actions

Enhanced NWB commitment and Area Teams

- Deployment of Customer Service Managers into Operations Teams, so as to ensure dynamic review of executability and efficiency
- Commitment based on revised locomotive and wagon capabilities
- Different process for MegaRail demands
- Empowerment with complete accountability in terms of macro and micro roles

Tactical Actions**Performance management and Stakeholder integration**

- Clear customer performance reports and communication
- Integrated KPIs focusing on team work and ensure line of site by all to customers e.g. secretaries
- Communicate and monitor
- Closer and clear relationships with SAPO, NPA, **freightdynamics**
- Review and enhance all Labour agreements in terms of current realities

Tactical Actions**Enhanced communication and formulized customer/ industry forums.**

- Agree single message and communicate consistently.
- Forums identified and input into a year planner.
- Implement a secretariat function.
- Enhanced customer account plan process and commercial personnel more visible at customers and ops area.

Tactical Actions

Pride, people care and safety environment.

- Adopt a depot.
- Enhanced communication and ownership via “you’re at the heart of it all” and change management programs.
- Implement Exco depot visit action plans.
- Enhanced HR, safety and functional training in line with accountabilities and responsibilities.
- Instill pride and discipline in the workplace.
- More tangible reward and recognition implementation.

Conclusion

Optimizing isolated portions of the supply chain does not necessarily contribute to the optimization of the total supply chain

It is of utmost importance that all role players are part of the total solution - to ensure a win-win result



Thank you

 **SPOORNET**

