Transnet’s approach towards Enterprise and Supplier Development
Presenter: Mmadiboka Chokoe, Executive Manager Enterprise and Supplier Development
October 2014
AGENDA

- The way we are currently configured to support South Africa
- Background-SA Realities
- Our approach to stimulate economic growth and transformation
- Our commitment to build the “future” South African economy
- Success Stories of ESD Beneficiaries
- Conclusion
Transnet Business Model
Transnet is a custodian of ports, rail and pipelines and has a number of operating divisions which have key focus areas

<table>
<thead>
<tr>
<th>TRANSNET</th>
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<tbody>
<tr>
<td><strong>Freight Rail</strong></td>
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<tr>
<td><strong>Engineering</strong></td>
</tr>
<tr>
<td><strong>National Ports Authority</strong></td>
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<tr>
<td><strong>Port Terminals</strong></td>
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<tr>
<td><strong>Pipelines</strong></td>
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</tbody>
</table>

**SA Rail Line and Freight Operator:**
- Rail operator responsible for rail freight logistic solutions
- Serve the mining, manufacturing and industrial sectors

**Product Manufacturing:**
- Manufacture
- Assembly
- Rebuilds
- Refurbishments
- Upgrades & Conversions
- Maintenance & Service

**SA National Maritime Authority:**
- Responsible for the safe, efficient and effective management of South African ports

**Port Terminals Operator:**
- Monitoring and executing port terminal operations within South African ports

**Oil and Gas Pipeline Operator:**
- Transportation of petroleum and gas products via a pipeline network within South Africa

- Owns and operates **21,000 km** track, including **1,500km** dedicated heavy haul
- Africa’s **rolling stock** and maintenance supplier of choice
- Landlord to **8 commercial Ports** around the South African coastline
- **16 cargo terminal** operations across South African Ports
- **3 800 km of pipeline** capacity for petroleum and gas products

Source: TRE value analysis
SA faces dire unemployment challenges which has not improved for over a decade – number of sustainable jobs does not support the available work force

Youth Unemployment is of particular concern

<table>
<thead>
<tr>
<th>Year</th>
<th>People working</th>
<th>% Employed</th>
<th>Unemployed</th>
<th>% Unemployed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>9.5 mil</td>
<td>39.0%</td>
<td>1.9 mil</td>
<td>17.7%</td>
</tr>
<tr>
<td>2008</td>
<td>13.8 mil</td>
<td>45.0%</td>
<td>3.9 mil</td>
<td>21.9%</td>
</tr>
<tr>
<td>2012</td>
<td>13.5 mil</td>
<td>40.5%</td>
<td>4.5 mil</td>
<td>24.9%</td>
</tr>
</tbody>
</table>

SA youth unemployment 3rd highest in world

SOURCE: Mail & Guardian Newspaper; World Economic Forum Team analysis
Transnet has developed a Market Demand Strategy (MDS) which will facilitate the acceleration of key SD initiatives resulting in maximum SD value capture

MDS enables the following:

- **R300bn** capital investment programme
- Operating expenditure amounting to over **R300bn**
- Expanding *rail, port and pipeline infrastructure*
- **Increase** in capacity to meet market demand
- Continued **financial stability** and strength
- Significant **productivity and operational efficiency** improvements
- **Shift from road to rail** – reducing the cost of doing business and carbon emissions
- Enabling **economic growth**
- **Job creation**, skills development, *localisation and industrialisation*, empowerment and **transformation** opportunities

Source: MDS presentation
ESD came about from the policies Government has developed in order to address the challenges faced by South Africa

**The National Challenges**
- Unemployment
- Inequality
- Skills shortage
- Growing population
- Infrastructure shortage
- Limited industrial capacity
- Reliance on resource export

**The National Agenda**
- Job creation
- Skills development
- Normalising society and economy
- Local procurement and economic growth
- Infrastructure development

**Government Response**
- New Growth Path
- IPAP I & II
- Local Procurement Accord
- CSDP
- B-BBEE
- SME development
- Overall policy reform
- PPPFA, designation
- NDP

Source: SD strategy; team analysis
In an attempt to address the macroeconomic challenges, Government has introduced economic development policies

**National Government policies that impact Transnet**

**A. Growth & Development**
- **New Growth Path (NGP)** (Plan and Policy) (from 2010);
- **Competitive Supplier Development Programme (CSDP)** (from 2007);
- **National Industrial Policy Framework (NIPF) [IPAP II]** (from 2007);
- **National Development Plan (NDP)** (from 2009)

**B. Transformation & Empowerment**
- **B-BBEE** (from 2004) (historical view of spend);
- **Transport Charter (incl. Rail and Port Charters)** (from 2007)

**C. Compliance & Regulatory**
- **Preferential Procurement Policy Framework Act (PPPFA)** (from 2000);
- **Public Finance Management Act (PFMA)** (from 2000)

**National Development Plan**
- **Improve functioning of labour market**
- **Support small business**
- **Improve skills base**
- **Increase investment**
- **Reduce regulatory burden**
- **Improve capacity**

* Based on BBBEE Codes of Good Practice 2013, Transport charter targets still to be set

SOURCE: Various National policies; Team analysis
Transnet objectives are aligned to Government objectives which inform Supplier Development initiatives.

Government objectives

- Facilitate diversification
  - Increase the education & skills capability
  - Increase employment intensity

- Promote an equitable socio-economic society
  - Enable small business
  - Balance spatial development of rural areas

Transnet objectives

- Volume and revenue growth
- Supplier Development objectives
  - Localisation
  - Skills and knowledge transfer
  - Industry specific skills development
  - Job creation and preservation
  - SME² & Rural development
  - Industrialisation
- Financial strength
- Operational efficiency
- SHEQ
  - Safety, Health, Environment & Quality

1 Safety, Health, Environment & Quality; ² Small and Medium Enterprises
Source: Government policy document; team analysis
Transnet’s ESD journey began in 2008 and has evolved to service current opportunities within the MDS programme.

**Pre2008**
- Post tender process not offering much leverage
- Investment not necessarily industry-related (30% of contract)
- Penalties were negligible and often built into price
- DTI programme mandatory for all SOC’s imports over US$10 million
- Suppliers were clear of what was expected of them at outset

**2008**
- Transnet was the first SOE to launch the DPE’s Competitive Supplier Development Programme (CSDP) as an initiative within the Transnet group
- The first SDP developed and submitted to DPE in 2008
- Transnet designs SD structure into business procurement operating model
- Plans in place to expand SD to all transactions

**2010**
- R5.2bn committed to local content via CSDP contracts, including:
  - 100 GE locomotives
  - Additional 43 loco’s
  - Long-term parts agreements for the locos
  - 32 Mitsui/Venus 15E locos
  - STS and mobile harbour cranes
  - Draft gear components

**2011**
- The experience gained in CSDP transactions enabled Transnet to refine policies, processes and procedures
- In 2011 the SD concept broadened beyond CSDP
- Pursuing a broader range of SD opportunities through the supply chain could lead to improved industrial capability building and economic transformation

**2012**
- Transnet launches its R300bn Capital expansion programme over 7 years
- SD becomes a cornerstone of the overall programme
- The SD strategy and SDP is updated to ensure maximum realisation of SD over the course of MDS
- The revised SD Strategy and SDP is integrated into the new SCM Policy and Framework

Source: Supplier Development Team
Transnet’s ESD incorporates both growth and transformation objectives

**Transformation and Empowerment (B-BBEE codes)**

<table>
<thead>
<tr>
<th>Ownership</th>
<th>Promote <strong>economic transformation</strong> through the advancement of <strong>HDI¹ ownership</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Management control</td>
<td>Promote <strong>economic empowerment</strong> through the active participation of black people in <strong>management</strong></td>
</tr>
<tr>
<td>Employment equity</td>
<td>The redressing of previous disparities in <strong>employment</strong> by taking into account the historical social inequalities</td>
</tr>
<tr>
<td>Preferential procurement</td>
<td>The procurement of goods and services from <strong>HDI’s¹ and companies with compliant B-BBEE levels</strong></td>
</tr>
<tr>
<td>Enterprise Development</td>
<td>Provision of <strong>financial and non-financial support</strong> to develop small enterprises</td>
</tr>
<tr>
<td>Socio-economic development</td>
<td>Recognise companies contribution to initiatives that give <strong>HDI’s¹ sustainable access to the economy</strong></td>
</tr>
<tr>
<td>Skills development</td>
<td>Development of <strong>industry specific skill sets</strong> for sector development</td>
</tr>
</tbody>
</table>

**Economic Growth objectives**

| Industrialisation | Development of **industries** through machinery, equipment & buildings spend resulting in globally leading capabilities |
| Localisation and Export potential | **Capability building** through the procurement of **local goods and services** will increase SA’s **exports** |
| Technology transfer | Skills and knowledge transfer to the **local industry** through manufacturing related technologies |
| Job creation/preservation | The preservation and creation of **jobs** to achieve labour absorption |
| Develop industry specific skills | Development of **industry specific skill sets** for sector development |
| Enterprise Development | Provision of **financial and non-financial support** to develop small enterprises |
| Rural integration | The use of **rural labour and businesses** in order to achieve rural development/local economic development |

Source: Team analysis

¹ Historically Disadvantaged Individuals as per the B-BBEE Act 2003
To effectively target areas requiring growth and transformation, Supplier Development is involved in the planning stage of the procurement process. SD value creation at Business case, Scope of work and RFP development stages of the procurement process. Emphasis is placed on Transformation

Source: Team analysis; SD strategy
The participation of SD in the project initiation stage ensures that Transnet derives greater value from its procurement spend.

<table>
<thead>
<tr>
<th>Project Lifecycle Process</th>
<th>Ideal SD involvement</th>
<th>Current SD involvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concept (FEL-1)</td>
<td>• Identify SD</td>
<td>• Monitor and</td>
</tr>
<tr>
<td></td>
<td>opportunity to</td>
<td>evaluate compliance</td>
</tr>
<tr>
<td></td>
<td>be leveraged from</td>
<td>to SD obligations</td>
</tr>
<tr>
<td></td>
<td>business need</td>
<td>• Take corrective</td>
</tr>
<tr>
<td>Pre-feasibility (FEL-2)</td>
<td>• Define SD</td>
<td>steps for non-</td>
</tr>
<tr>
<td></td>
<td>initiatives to be</td>
<td>compliance</td>
</tr>
<tr>
<td></td>
<td>implemented</td>
<td></td>
</tr>
<tr>
<td>Feasibility (FEL-3)</td>
<td>• Develop SD</td>
<td></td>
</tr>
<tr>
<td></td>
<td>criteria that will</td>
<td></td>
</tr>
<tr>
<td></td>
<td>be included in the</td>
<td></td>
</tr>
<tr>
<td></td>
<td>RFP</td>
<td></td>
</tr>
<tr>
<td>Execution (FEL-4)</td>
<td>• Evaluation of</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SD criteria</td>
<td></td>
</tr>
<tr>
<td>Finalise (close out)</td>
<td>• Monitor and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>evaluate compliance</td>
<td></td>
</tr>
<tr>
<td></td>
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<td></td>
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</tr>
</tbody>
</table>

*SD effective value creation at concept, pre-feasibility and feasibility stages of the Project Lifecycle Process*

Source: Team analysis; SD strategy
Transnet’s SD methodology focusses on a planning framework that identifies a varying degree of ESD opportunities

<table>
<thead>
<tr>
<th>SD approach</th>
<th>Focus area</th>
</tr>
</thead>
</table>
| **Programmatic**   | • Longer than normal planning horizon and developing a whole range of new capabilities across the value chain  
                      • Infrastructure development and industrialisation is achieved through joint support between Government and SOC’s  
                      • Investment is focused in plant, technology and skills  
                      • Scope of transaction has industry wide impact |
| **Strategic**      | • Strategic initiatives follow a 3 to 5 year planning horizon  
                      • Focussed on the development of specific industrial capabilities  
                      • Investment in at least plant, technology and/or skills  
                      • Achieve capability & capacity building (localisation) objectives |
| **Focused**        | • Focused initiatives include all high value transactions with limited industrial leverage  
                      • Investment in technology or skills that enhance existing local capability |
| **Enterprise Development** | • ED transactions are typically have no industrial leverage and focus on developing feeder pipeline  
                                      • Increase the capability of small local suppliers, HDI’s\(^1\) and communities |

\(^1\) Historically Disadvantaged Individuals as per the B-BBEE Act 2003  
Source: DPE policy; SD strategy
The classification of commodities each have specific outcomes

**Programmatic focus area**

**Drive transformation through:**
- Black equity with an emphasis on active equity
- Promoting transformation through preferential procurement; ED, skills development and management control
- Using the B-BBEE scorecard

**Desired outcomes**
- Securing economic growth
- Developing manufacturing capability
- Downstream development and transformation of supplier base

**Strategic focus area**

**Drive transformation through:**
- Include Black equity in tenders
- Promoting transformation through preferential procurement
- Using the B-BBEE scorecard

**Desired outcomes**
- Increase competitiveness of local supply base
- Downstream development and transformation of supplier base

**Focused Supplier Development**

**Drive transformation through:**
- Black equity with an emphasis on women, disabled & youth
- Promoting transformation through preferential procurement & other ED initiatives
- Providing professional services at zero cost

**Desired outcomes**
- Effective Enterprise Development
- Increased participation of local communities and black business
- Job creation

**Enterprise Development**

**Drive transformation through:**
- Skills development with an emphasis on women, disabled & youth
- Promoting transformation through ED initiatives
- Investment into 3rd party ED service provider at zero cost

**Desired outcomes**
- Introduction of new suppliers into Transnet supplier base
- Focusing on local community development and participation
- Targeted ED initiatives

**Drive growth through:**
- Increase competitiveness of existing industry
- Build new industry through:
  - Investment in plant
  - IP transfer
  - Skills development
  - Increasing local content on specific commodities

**Desired outcomes**
- Job creation
- Skills development with an emphasis on women, disabled & youth
- Promoting transformation through ED initiatives
- Investment into 3rd party ED service provider at zero cost

**Drive growth through:**
- Creation of new capability with appropriate government support
- Influence OEMs to transfer skills and know-how
- Developing capabilities and skills transfer related to maintenance

**Desired outcomes**
- Innovation and rural development

**Drive growth through:**
- Develop specific skills & technology to support local industry
- Encouragement and support of innovation by local firms
- Job creation

**Desired outcomes**
- Effective Enterprise Development
- Increased participation of local communities and black business
- Job creation

Source: Team analysis; SD strategy
Transnet will spend ~R219bn on the Rail industry over the next 7 years which amounts to ~70% of total Capex ~R312bn

<table>
<thead>
<tr>
<th>MDS breakdown highlighting the Rail industry budget</th>
<th>Key comments</th>
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<tbody>
<tr>
<td><strong>Rbn</strong></td>
<td></td>
</tr>
<tr>
<td>Total Capital programme</td>
<td>312,153</td>
</tr>
<tr>
<td>Rail industry</td>
<td>219,262</td>
</tr>
<tr>
<td>Other asset groups</td>
<td>92,991</td>
</tr>
</tbody>
</table>

- **Growth of the local supplier base**
- **An increase in local capability and capacity**
- **Industrialisation of the rail industry ensuring that South Africa increases its export potential**

Source: Consolidated Corporate plan; team analysis
Due to this spend, the Rail industry will fundamentally shift within 7 years

- Manufacturing capability will create numerous jobs (112 000 jobs) particularly focusing on HDI’s.
- Items designed & manufactured locally
- Components will be of a high complexity (e.g. electrical)

A large number of transformed small businesses will develop to produce international quality products while growing sustainably

- At least 60-80% of the Rail industry components will be local in nature & of a global standard

Enterprise Development

- Transnet Design, Research & Innovations Centre’s in partnership with SABS.
- Transnet Moving Ideas Challenge Competition
- Rapid Process Improvement
- Transnet Supplier Parks

Supplier Engagement

- Carlton Centre Hub.
- Saldahna Hub.
- Tubatse (Limpopo) Hub.
- De Aar (Northern Cape) Hub
- Mdantsane (Eastern Cape) Hub.

Supplier Transitioning

- Godisa Fund (Transnet, SEFA & Anglo Zimele Supply Chain Fund)
- IDF
- Itireleng Fund.

Market Transformation

- ESD Support Programs e.g. Fuel Supply Project
- Productivity SA.
- Bakery Container Project.
- Furniture Manufacturing
- GIBS
- Disabled Focused Projects
Transnet’s SD efforts aim to accelerate the growth of local industry capability

The effects of Supplier Development on the local content

- Local content over time with Supplier Development
- Potential local content in the absence of Supplier Development over time

Capability growth Accelerators

- Supplier development will have a significant positive impact on local content of Transnet over time and will be enabled by:
  - Incubation & innovation
  - SD Spend & Designation
  - Monitoring & Enforcement
  - Transformation
  - Skills development
  - Investment in new technology
  - TE’s scope represents 25% of total value of locomotive
  - TE’s local content commitment on the scope is 85-90% from the onset

SOURCE: Team analysis
Transnet has recognised four **key areas of opportunity** that could be leveraged in order to develop the local supplier base

**Socio-economic impact** measured largely on factors decreasing imports, increasing local content and providing relevant skills transfer

- **SD opportunities** present themselves along the **entire value chain**
- While the large **Capex transactions** provide opportunities for **system, sub-system and component manufacture and assembly**...
- ...manufacturing opportunities also lie in developing **maintenance and repair capability**
- To ensure the development of a **competitive local supplier base, industry-specific skills transfer and skills relating** to manufacture need to be driven by SD

**Impact on industry development**

- **Operational**
  - **Targeted skills development**
- **Tactical**
  - **Maintenance and repair capabilities**
  - **Component manufacture / upgrade capabilities**
  - **Export potential**
  - **System / sub-system manufacture & assembly**
- **Strategic**
  - **National economic growth**

**Impact on industry development**

- **Operational**
  - **Targeted skills development**
- **Tactical**
  - **Maintenance and repair capabilities**
  - **Component manufacture /upgrade capabilities**
  - **Export potential**
  - **System / sub-system manufacture & assembly**
- **Strategic**
  - **National economic growth**

**Complexity and participant’s risk**

- **Low**
- **High**

**Source:** Team analysis
Transnet will adopt a tailored support programme for different suppliers

Innovation & incubation are key enablers to stimulating enterprise development

- **Shallow Complexity**
  - Incubation
  - Basic technical knowledge
  - Access to funding
  - Business plan development
  - Tender preparation
  - Capital raising
  - Forms of ownership

- **Medium Complexity**
  - Establishing market presence
  - Launch of core business functions
  - Recruitment & general management
  - Marketing plans & sales tactics
  - Financial management

- **High Complexity**
  - Refinement of operations model & core process optimisation
  - Establishment of centres of excellence
  - Business strategy development
  - Performance management
  - Operational management

**Growth in Capacity**

**Growth in Capability**

**Enablers to organic growth**

- Incubation
- Innovation

**Enterprise Development Requirements**

 Comments

- In order for an organisation to experience organic growth, there needs to be an increase in both capacity and capability.

- Through growth an organisation is able to produce more complex products in a way that is sustainable for their business.

- Innovation and Incubation are key phases of support which can accelerate organisational development.

- Transnet aims to apply a tailored support framework for suppliers across their value chain.

**SOURCE:** Team analysis
The Transnet’s ESD focus will include supporting new entrants and existing suppliers through incubation and innovation initiatives...

### Supplier type

#### Start-ups
- Business idea launched off the ground
- Business plan created
- Financing to be secured
- Development needs across all areas of growth

#### Characteristics
- Support capitalisation
- Work experience & technical skills development through:
  - Enterprise Development
  - Incubation
- Managerial and entrepreneurial skills training

#### Typical Intervention types
- Operations set up and business begins
  - Market presence established
  - Core business function launched
- Turnover < R5m per annum
- Growth needs include:
  - Gain experience
  - Increased revenue
  - Skills development
  - Access to IP

- Support recapitalisation
- Access to markets, IP and capability building through:
  - Joint ventures
  - Sub-contracts
  - Set asides
- Managerial training

#### Developing and growing existing suppliers

#### Emerging Micro Enterprise (EME)
- Improved level of business sophistication
  - Refinement of operating model and processes
  - Established value proposition
- Turnover of R5m to R35m per annum
- Growth needs include:
  - Exposure to more complex business
  - High increase in revenue
  - Exposure to and generation of best practice IP

- Facilitate generation of IP through promotion of local designs in commodity strategies
- Access to work opportunities through set asides
- Technical and managerial training

#### Qualifying Small Enterprise (QSE)
- Established business
  - Complex governance structures
  - Aligned strategies and performance management
  - Highly developed operating model
  - Enhanced capabilities
- Turnover > R35m
- Growth levers for further expansion:
  - Annuity revenue
  - Exposure to large projects
  - Development of IP
  - Improvement to governance structures

#### Large and Medium Enterprises (LMEs)
- Limited Supplier Development involvement
- Drive downstream SD
- Monitoring and access to continued business

### SOURCE:
Team analysis
WHY A DIFFERENT APPROACH TOWARDS ENTERPRISE DEVELOPMENT
SETTING UP A DESIGN AND INNOVATION CENTRE THAT UNLOCKS NEW AND NURTURE EXISTING ENTERPRISES TO REALISE GROWTH
DELIVERING ON OUR COMMITMENT TO SOUTH AFRICA
THROUGH SUPPORTING INNOVATION AND ENTREPRENEURSHIP
TRANSNET MOVING IDEAS COMPETITION
Transnet’s hubs to help small business

NICKY SMITH
Transport Editor

TRANSEN Group plans to spend R260m to develop small businesses this year, the state-owned freight and logistics company said yesterday at the launch of its Enterprise Development Hub initiative.

Known as the Hub, the programme will offer a range of services including business development, business registration, procurement advisory services, tax registration and compliance, financial support and guidance on black economic empowerment, Transnet said.

The first hub is in the Carlton Centre in downtown Johannesburg, and others are set to be opened in other parts of the country in the next few months.

Transnet is investing R308bn over the next seven years across its rail, port and terminal operations in an effort to boost its capacity and to stimulate economic activity and job creation. The programme, known as the market demand strategy, is in line with the stated objectives of the government to develop small businesses, and particularly black-owned enterprises.

Transnet CEO Brian Molefe said the group had “identified the need to create an enabling environment for small players” to take advantage of the opportunities by Transnet’s investment programme.

“Our intention is to assist black-owned entities that struggle to build their businesses into sustainable and profitable entities.”

Public Enterprises Minister Malusi Gigaba said the initiative was in line with Transnet fulfilling its mandate to act as a catalyst for economic development through its investment programme.

“This is not a nice-to-have programme, but a pivotal element of their mandate to ensure that through the capacity at their disposal, they influence significant change in the economy by expanding the frontiers of economic participation and ownership to broader groups,” Mr. Gigaba said.

In the past financial year Transnet invested R27.5bn, which is the largest amount of money ever invested in capital expenditure in a single year by the company, as the group ramps up its spending on new and existing infrastructure.

The launch of Transnet’s new support services would “expand business opportunities for smaller enterprises and new entrants, especially black-owned SMMEs (small, medium and micro enterprises) through a central portal of information,” Mr. Gigaba said.

The Hub is a partnership between the South African Revenue Service, the Gauteng Enterprise Propeller, the BEE Verification Agency, the National Youth Development Agency, the Small Enterprise Development Agency and the Department of Trade and Industry’s Companies Intellectual Property Commission and Transnet, with Transnet providing the bulk of the funding.

smith@bdtn.co.za
## TRANSNET ENTERPRISE DEVELOPMENT HUB – SERVICES OFFERED

<table>
<thead>
<tr>
<th>Procurement Advisory Services</th>
</tr>
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<tbody>
<tr>
<td>• Provide information on procurement opportunities within Transnet</td>
</tr>
<tr>
<td>• Assistance with vendor registration process</td>
</tr>
</tbody>
</table>

Developing, supporting and providing funding to SMME's and Co-operatives in GP;

Providing pre and post investment business support services in line with its legislated mandate;

Helping enterprises improve business efficiency by providing them with information, advice and guidance on business issues.

Giving access to support skills and capabilities normally only available to big business

### SEDA provides the following specialised services:

- Business Assessment and Diagnostic Tools
- Business Management Systems/Technologies
- Human Resource Management
- Legal Issues

### Dti will provides the following specialised services:

- The Black Business SD Programme
- The Co-operative Incentive Scheme
- The SEDA Technology Programme
- The Capital Projects Feasibility Programme
- The Critical Infrastructure Programme
- The Manufacturing Competitiveness Enhancement Programme
TRANSNET ENTERPRISE DEVELOPMENT HUB – SERVICES OFFERED

Advise, support and provide guidance on policies, documents and initiatives relating to SME’S.

Receive suggestions, enquiries and comments regarding various related issues in respect of taxes and services available to SME’s.

Maximise compliance as well as finding ways to reduce the compliance burden experienced by SME’s.

Assisting youth enterprises to set up, expand or develop their business; Financing programmes; Providing mentorship, training programmes and business development support.

Assisting to unlock the potential of entrepreneurs by easing the regulatory and compliance burden experience by SME’s to transact with CIPC electronically.

CIPC, through Transnet facilitation, will offer online customer code creation, name reservations and company registrations.

Providing verification support to SMMEs at a lower cost.
Purpose of the Transnet/SBU Incubator

- To provide non-financial support to 100% Black Owned Company’s
- To build the operational capabilities, efficiencies and effectiveness of funded Transnet Suppliers
- To reduce the cost of doing business
- To contribute to the creation of sustainable Jobs and Economic Development
- As an additional benefit company’s will be added on Shanduka’s Black Umbrella’s Black Pages procurement directory list

Socio Economic outcomes

- Impact on poverty elevation
- Jobs Creation
- Women Empowerment
- Youth Empowerment
- Empower People living with disabilities
- Providing a fully integrated business development solution to qualifying enterprises
- Providing qualified procurement-ready supplier database for Transnet

shanduka blackumbrellas
Developing South Africa’s Future Black Businesses Together.
TRANSNET GODISA FUND

- Launched on the 21st of February 2014 by Ministers of Public Enterprises and Economic Development; and Directors from Transnet, Small Enterprise Financing Agency (sefa), and Anglo American.
- Tri-partite PPP between Transnet, Anglo American Zimele, and sefa.
- Capitalised with R165 million for 10 years.
- R150 m for financial assistance and R15 m for non-financial assistance.
- Managed by AA Zimele.
- Established governance structures including Board of Directors and Investment Committee.
BUSINESS OBJECTIVES

• Business imperative more developmental than commercial.
• Aims to nurture black-owned SME’s that are Transnet’s current and potential suppliers.
• To grow the rail, ports and engineering sector.
• To create sustainable enterprises through financial and non-financial assistance.
• Contribute towards government’s job creation and BEE programmes and initiatives.
• Enable Transnet suppliers to consistently meet their contractual obligations and grow their businesses sustainably.
The project implements interventions to assist enterprises to:

**REDUCE WASTE**
- 5% Reduction of waste

**IMPROVE UTILIZATION OF RESOURCES**
- 10% Improvement in utilization

**IMPROVE EFFICIENCY**
- 10% Improvement in Efficiency

**IMPROVE QUALITY**
- 5% Improvement in Quality
Intervention towards WORLD CLASS performance of SMME for 11 weeks

**Intervention 1**
- Financial Analysis
- Where are we now & where do we want to go?

**Intervention 2**
- Cost driver and Operations Analysis
- How do we get there and what do we need?

**Intervention 3**
- Formalising core Processes
- We are changing our business?

**Intervention 4**
- Performance Monitoring EWS
- We are measuring if it is working?

**KEY OUTPUTS**

- Assessment Report
  - A view of the enterprise that tells us where we are now and areas of focus

- Implementation Roadmap
  - A roadmap (improvement projects) of how we will achieve our desired level of productivity and efficiency

- Solution Implementation
  - Implementing changes within our business achieve excellence

- Monitoring and Evaluation
  - Tracking performance
  - Ensuring Sustainability
SESFIKILE INDUSTRIES was established in 2002 by CEO Zaheer Ahmed Khan. It is located in Hughes Industrial Park, Romeo Street, Boksburg, Gauteng.

The company provides the following services:

- Chemical and Industrial Supply
- Safety wear & PPE
- Air conditioning

With the change in demand, the company has grown in capacity, and enabled them to move to new premises (Warehouse of 2000 m$^2$). The company has a total number of 15 employees, and due to growth it is expected to increase capacity with an estimated 15 more employees.
Achieved Impact

- **Improve Efficiency**
  - 20% improvement in efficiency by additional space utilization
  - => 10% Target

- **Quality Improvement**
  - 15% improvement in quality, by separation of different processes and operational areas
  - QMS system implemented
  - => 5% Target

- **Improve Utilization of Resources**
  - 10% improvement in utilization, additional 1800 m² made available
  - => 10% Target

- **Waste Reduction**
  - 5% reduction of waste, there is additional racking made available for additional stock on hand
  - => 5% Target
Project Impact

- Increased production rate
- Rejects have decreased due to Process Improvement
- Improved morale as employees know of what is expected of them and more communication through the review meetings
- Appointment of 2 new sales representatives - Completed
- Moving to a larger premises (250 m² to 1200 m²) - Completed
- Create walk-in and over-the-counter sales facilities – Completed
- Purchase own embroidery machine to undertake branding of garments - In progress
- Introduce new brands and a 4th Division, i.e. Engineering components – not yet started
Quality Improvement
Gap Identified
Flammable Material Stored outside
Non Standard Operating Procedures
Flow of Material Constrains

Non Standard Operating Procedures
Manual Stock Keeping Unit

Regular Stock Count needed
SESFIKILE INDUSTRIES

Current Impact Pictures

FACILITIES
Before: 250 m²
Currently: 1200 m²

STOCK
Increase of capacity by 70% in each of the three Services
STOCK
Increase of capacity by 70% in each of the three Services
SERVICES
Clear Process Flow
OUR RESPONSIBILITY

As an organization, we are embarking on groundbreaking territory as we endeavor to utilize innovation and design to foster new and grow existing enterprises - not just for our current procurement needs, but more importantly for our future needs. Therefore, in turn bringing new products, services and inventions to the market that holds commercial equity for the country as a whole.

Throughout our targeted engagements, we will:

- **Ensure** the holistic development of existing and new entrepreneurial activities.
- **Provide targeted** support for those in Business, in preparing them to enter into a formalized supply or procurement value chain.
- **Reinforce** the importance of local economic development, in addressing the high unemployment rates, especially amongst the youth.
THANK YOU