

**Dear Colleagues**

**Re: UPDATE ON IN-SERVICE MAINTENANCE**

The In Service Maintenance Function for Wagons and Locomotives was transferred from Transnet Engineering (TRE) to Transnet Freight Rail (TFR) on 1 July 2012.

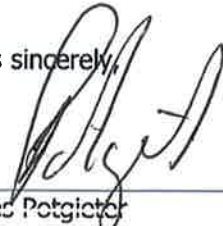
Early in January 2013, the business introduced a number of cost containment and operational efficiency initiatives to ensure that the budgeted volumes and budgeted financial targets would be met. At the time Transnet was R3.2 billion below its budgeted financial target and Transnet Freight Rail was 14 million tons below its target.

To this end Transnet Engineering and Transnet Freight Rail embarked on a joint recovery plan to address the shortfall in volumes. Given the teething challenges experienced with the transfer of In Service Maintenance; and the pressure to assist Transnet Freight Rail to increase volume targets, a decision was taken in January 2013 for the transferred In-Service maintenance function to be managed by Transnet Engineering on a secondment basis, for the remaining period of the 2012/2013 financial year.

During the secondment period Transnet Freight Rail used the opportunity to finalise the In-Service Maintenance structure in Transnet Freight Rail and obtained approval for recruitment. It is anticipated that the Transnet Freight Rail In Service structure will be fully operational by the end of September 2013. In the interim, the In-Service Maintenance function will remain with Transnet Engineering, until such time as the relevant In-Service Maintenance structures in Transnet Freight Rail are fully resourced. As the structure is populated, functions will start to move across from Transnet Engineering to Transnet Freight Rail. This will allow for a seamless transition and minimal disruption to operations. By the last quarter of 2013, In Service will be fully integrated into Transnet Freight Rail operational structures.


We need to work as a team and each member of the Transnet team is needed to fulfill our vision and reach our targets in the 2<sup>nd</sup> year of the MDS. Remember the Transnet Market Demand Strategy is exciting not only for our employees but for South Africa. Transnet's leadership depends on your continued team work, support, dedication and loyalty to make good on the Market Demand Strategy for Transnet and the country.

Yours sincerely,



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Potties Potgieter  
Chief Operating Officer  
Transnet Engineering  
Date:



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Mlamuli Buthelezi  
Chief Operating Officer  
Transnet Freight Rail  
Date: 16. 07. 2013