Focus on Forest Engineering Conference

Howick, 4/11/2009

1949 - 2009
60 years & growing

Is Rail Transport a thing of the past?

by

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NCT FORESTRY CO-OPERATIVE LIMITED

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This Presentation Covers:

1. NCT's Business
2. Distribution & Logistics
3. Importance of Rail Transport
4. Recent Rail Developments
5. Conclusion

NCT's Business

- Sold 2.3 million tons in 2008
- 1.7 million tons exported
- R1 billion turnover
- 60 Years of Proud Service to our Members

1949 - 2009
60 years & growing

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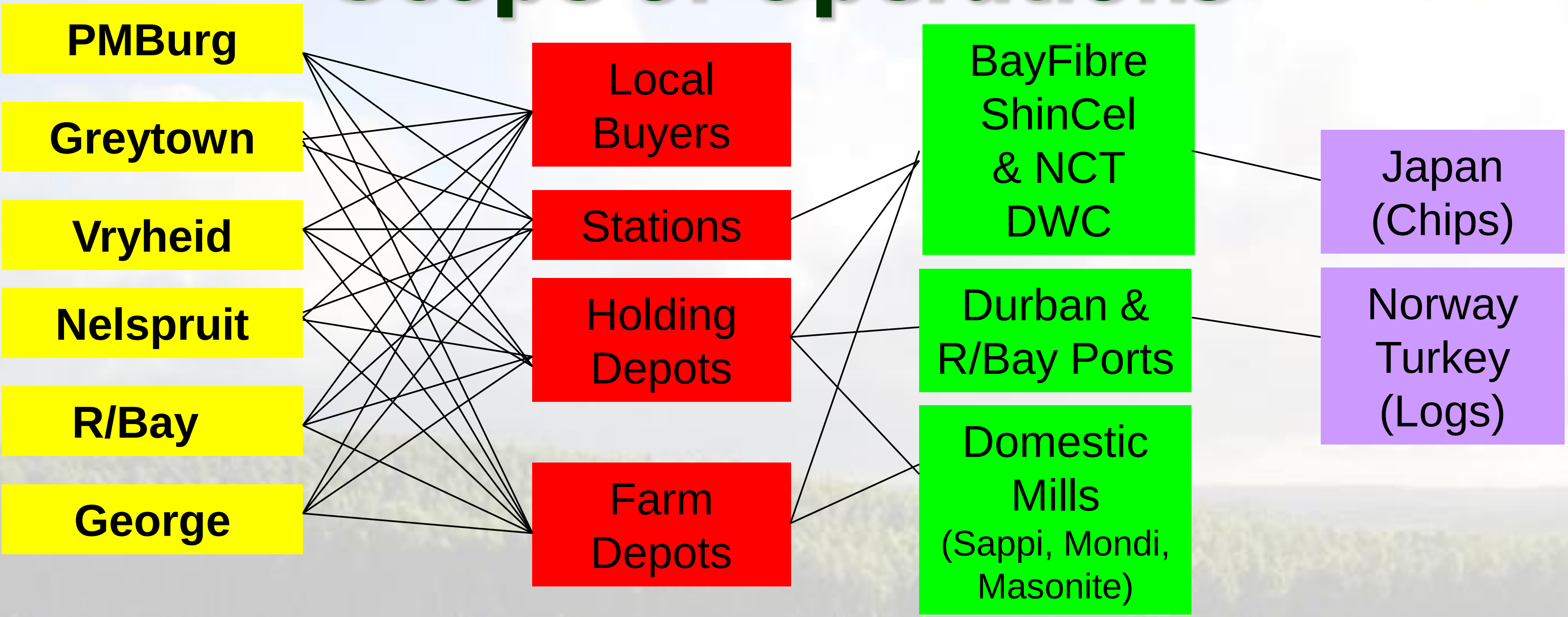
Scope of Operations



Member Base (Resource)

2000 Members / 600 SSTG's
270 000 Ha Owned
2,5 m tons/year
Geographical Spread

NCT (Administration)

737 Employees
Functional Structure

Markets & Trading

NCT Timber Holding Depots
Local Markets (Sawmills, Treated poles, Mining timber)
Domestic Markets (MDF, pulp)
International (Log exports)
BayFibre
ShinCel
NCT Durban Woodchips

Distribution & Logistics

Holding Depots
(Warehouse, Packaging)
Road
Rail
Shipping

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NCT's Subsidiaries

NCT

- **BayFibre**
  600 000 t Wattle
  800 000 t Gum
- **ShinCel**
  300 000 t Wattle
  100 000 t Gum
- **Durban Wood Chips**
  450 000 t Gum
- **NCT Tree Farming**
  30 000 ha

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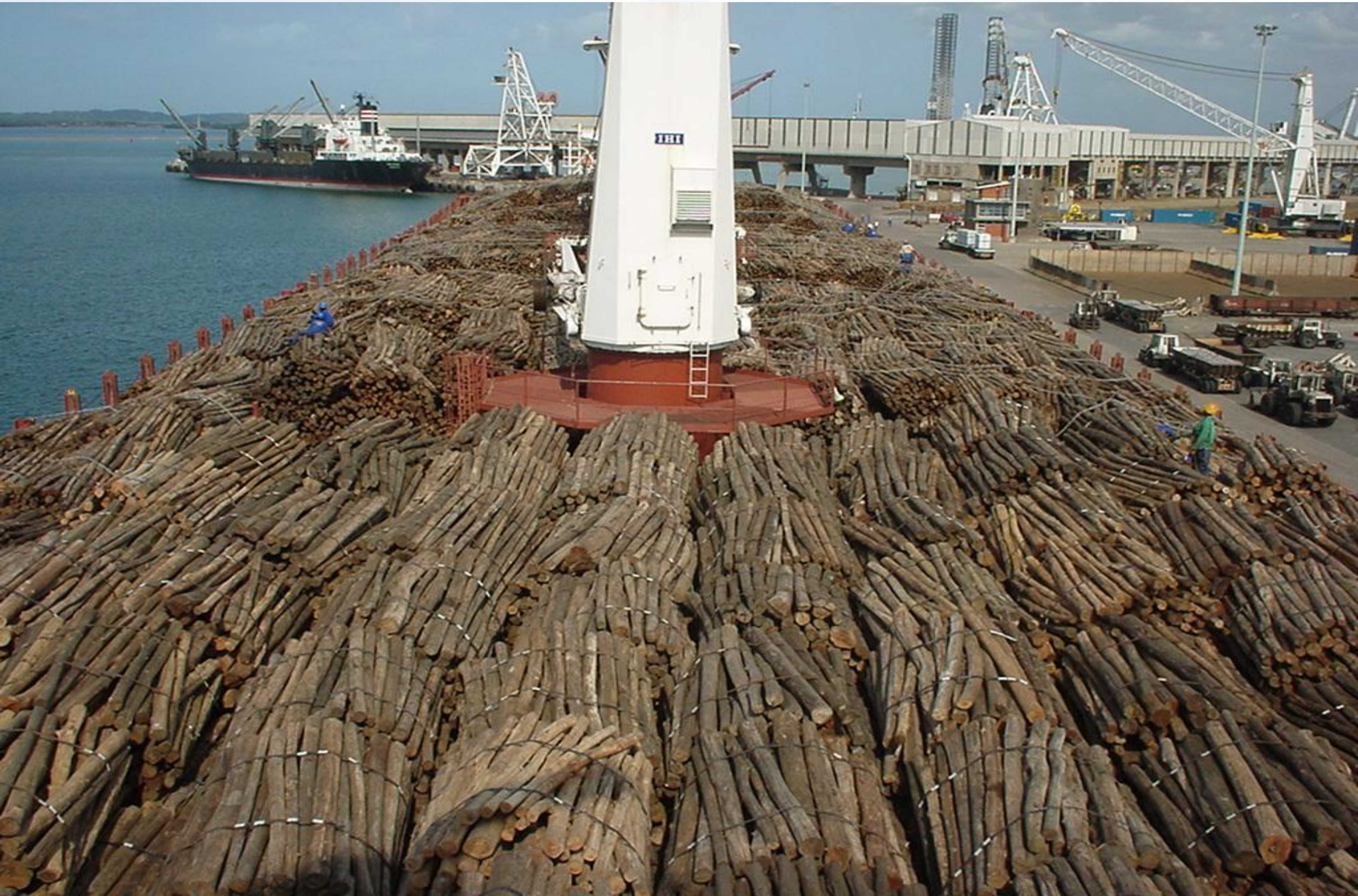
BayFibre – Richards Bay

Shincel – Richards Bay

NCT Durban Wood Chips

40 000 scm of Timber



Distribution & Logistics in NCT (& Industry)

- Local and International Supply chains
- Why is Logistics so important?

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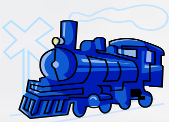
NCT Distribution Network
Key Elements

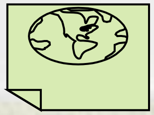
Grower Harvesting

Road Transport (1,7m t)

Rail Transport (550k t)



Shipping (200k t + 1,5m t)



Grower

Chip, MDF & Pulp Mills 2.0 m t

Special Markets 0,5 mt

Depots

Contractor Harvesting

Delivery Documentation

Information Flow

Communication

24 / 7 / 365

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Main Volume Flows to BayFibre & Shincel Richards Bay

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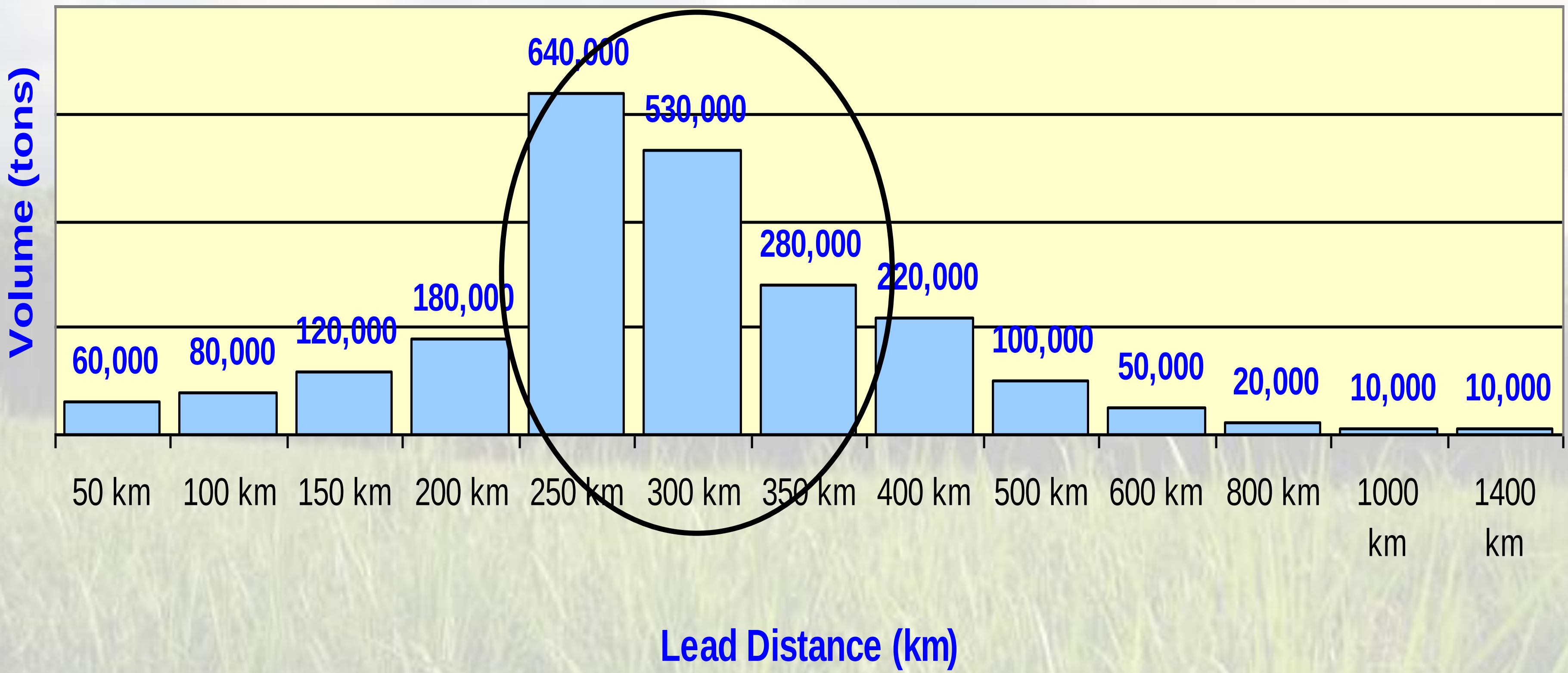
Volume vs Lead Distance (All Commodities)



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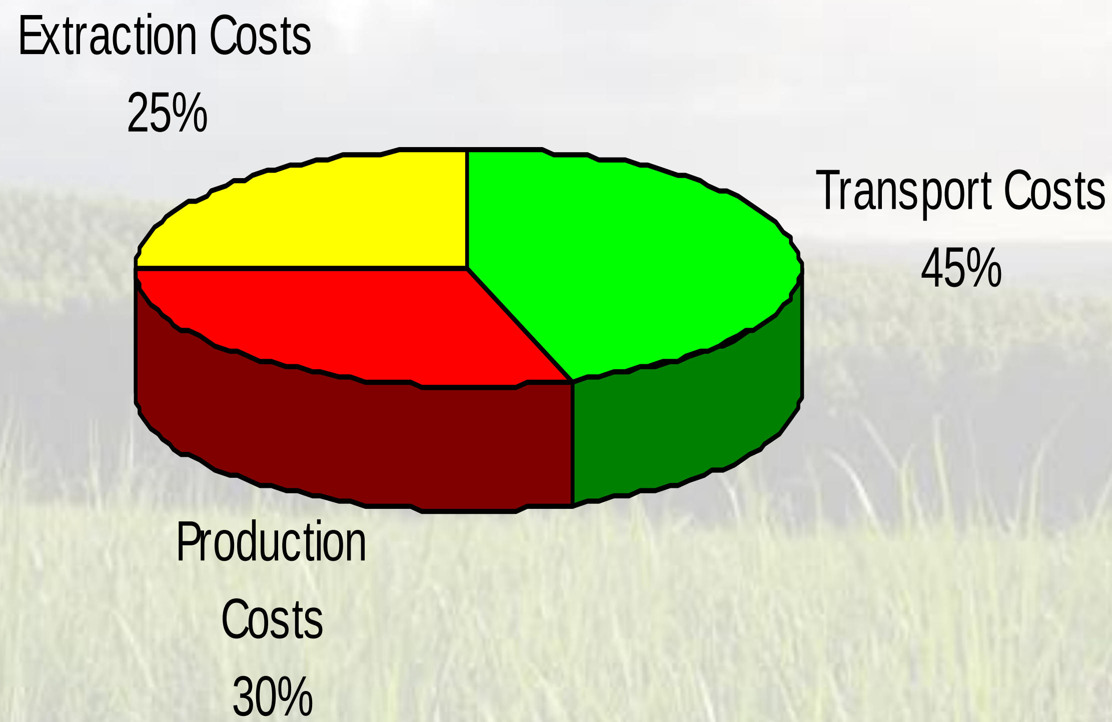
Movement Costs of Timber = 70 % of Gross Value



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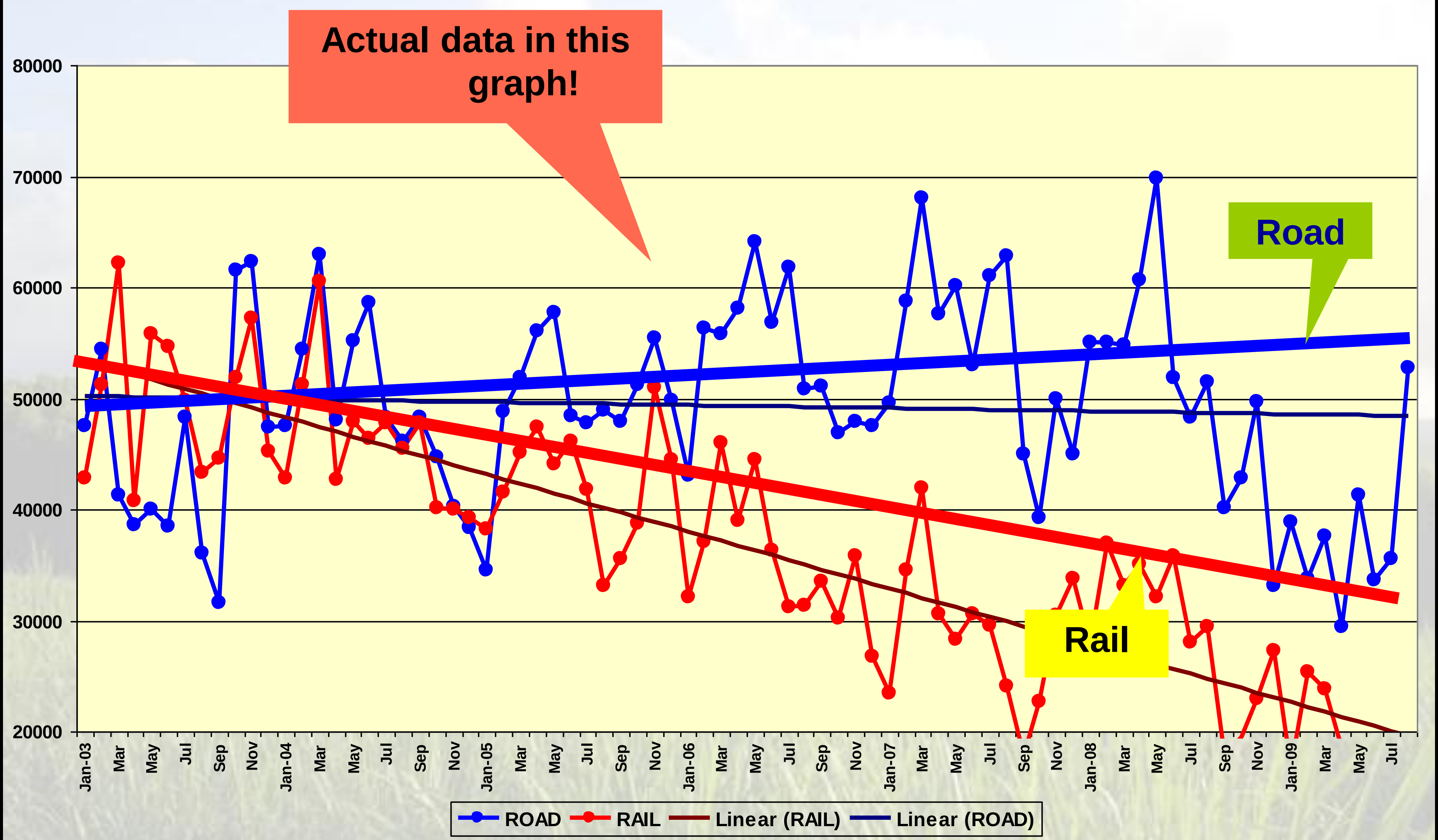
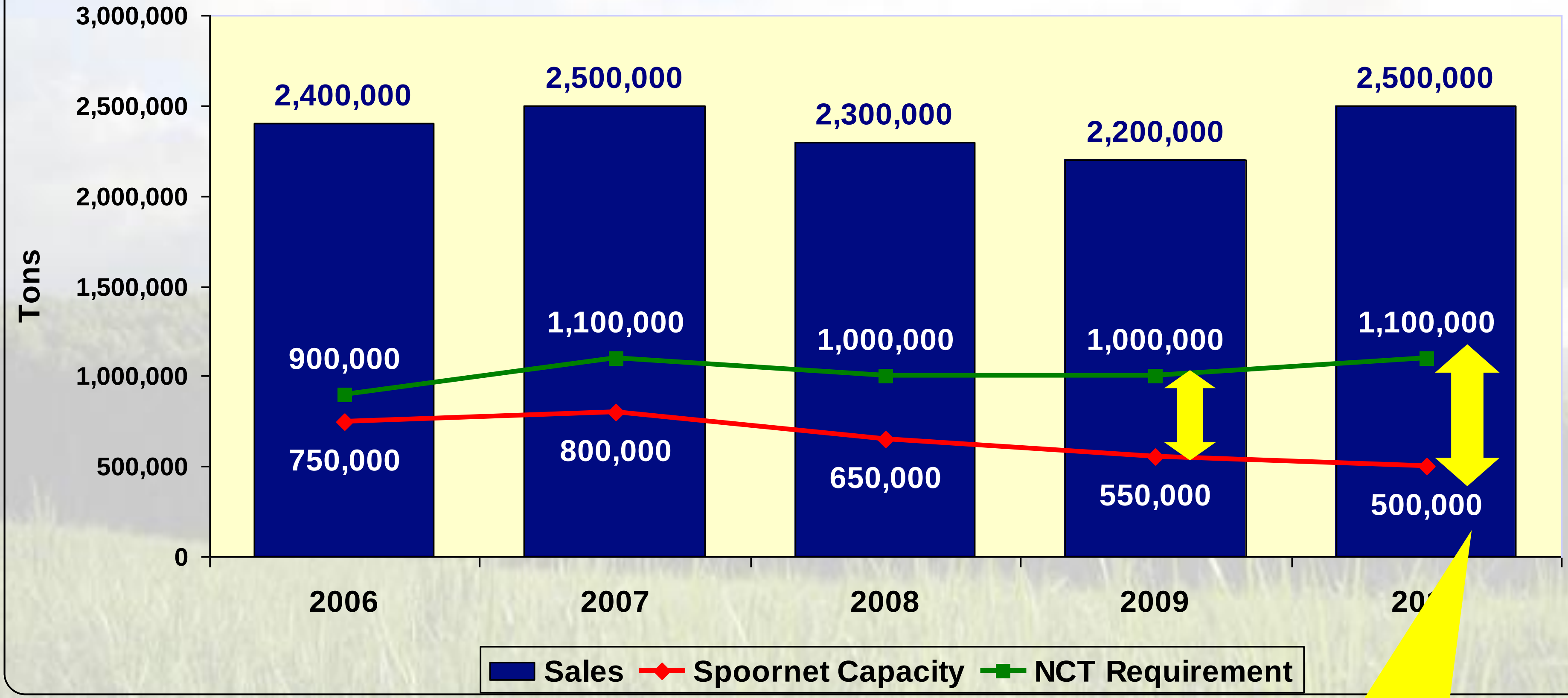
ROAD vs RAIL - January 2003 to August 2009



NCT RAIL REQUIREMENT
2006 - 2010



Gap Analysis

Why?

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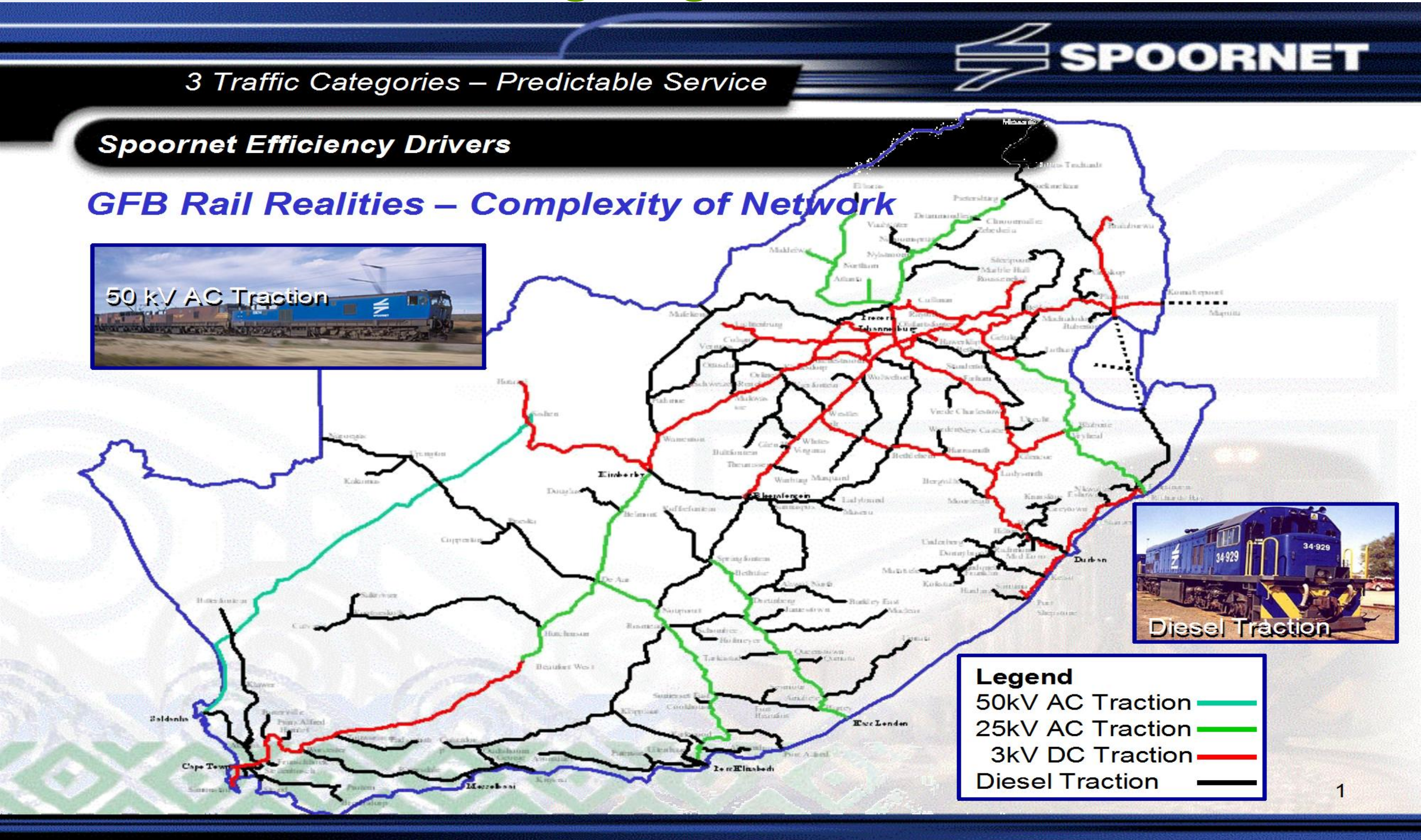
Infrastructure of 16 138 km
3,6 ft gauge rail track

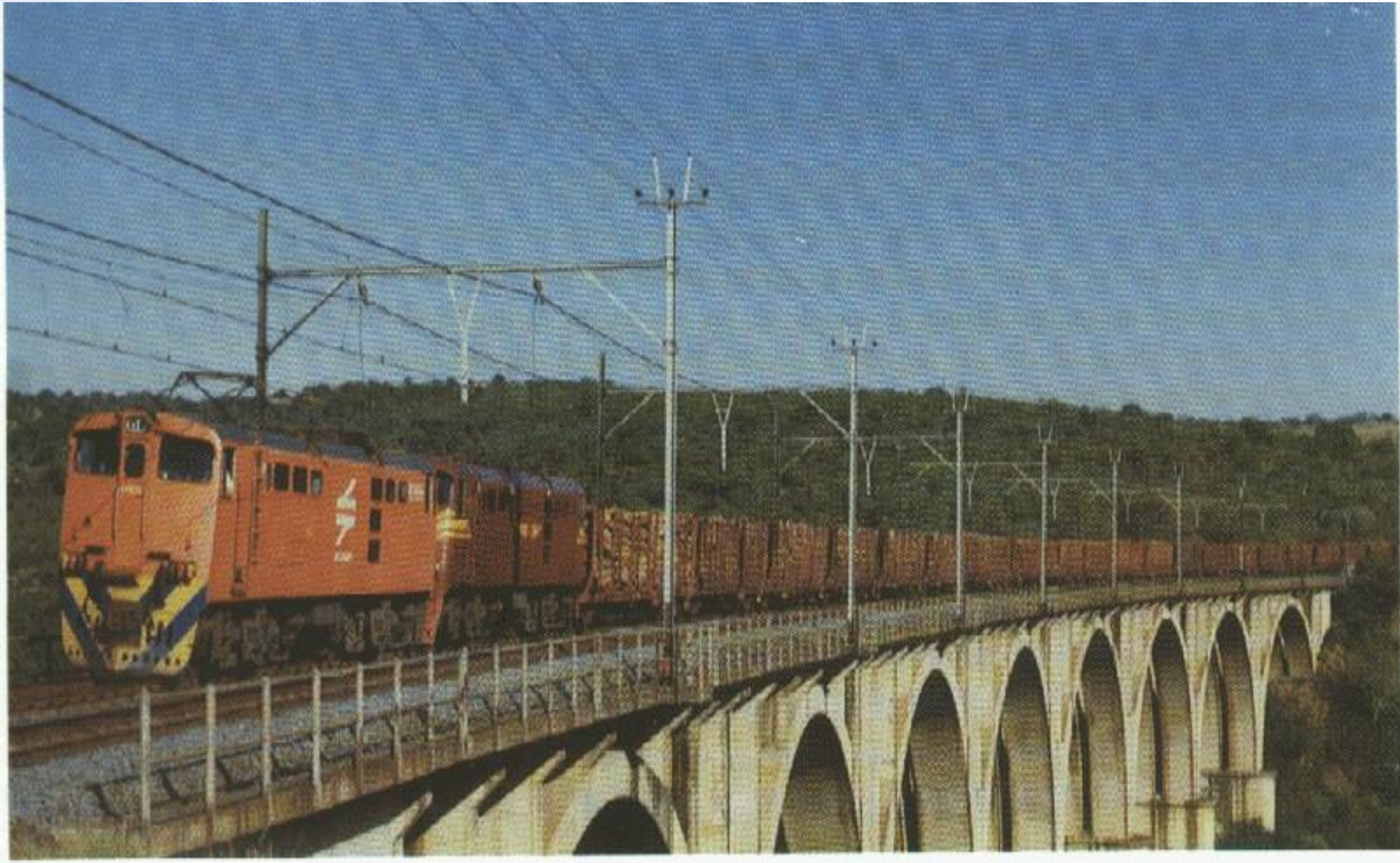


1100 Sidings

3300 ST Timber Rail Trucks (Vacuum & Airbrake)

600 S35 Diesel Electric Locomotives

1100 E6 & E7 Electric Locomotives



Single Biggest Current Logistical Issue

Road vs Rail Transport – correcting the imbalance!

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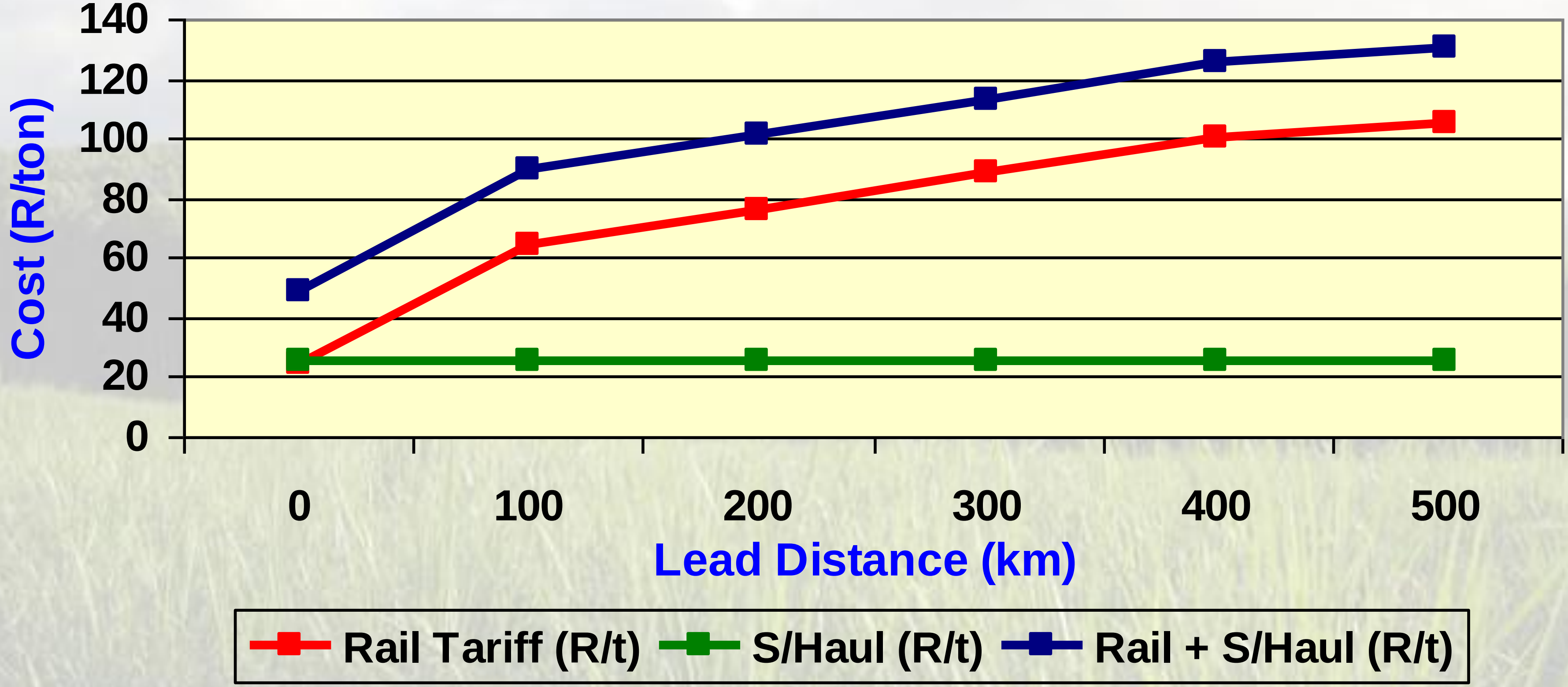
RAIL TRANSPORT 2005



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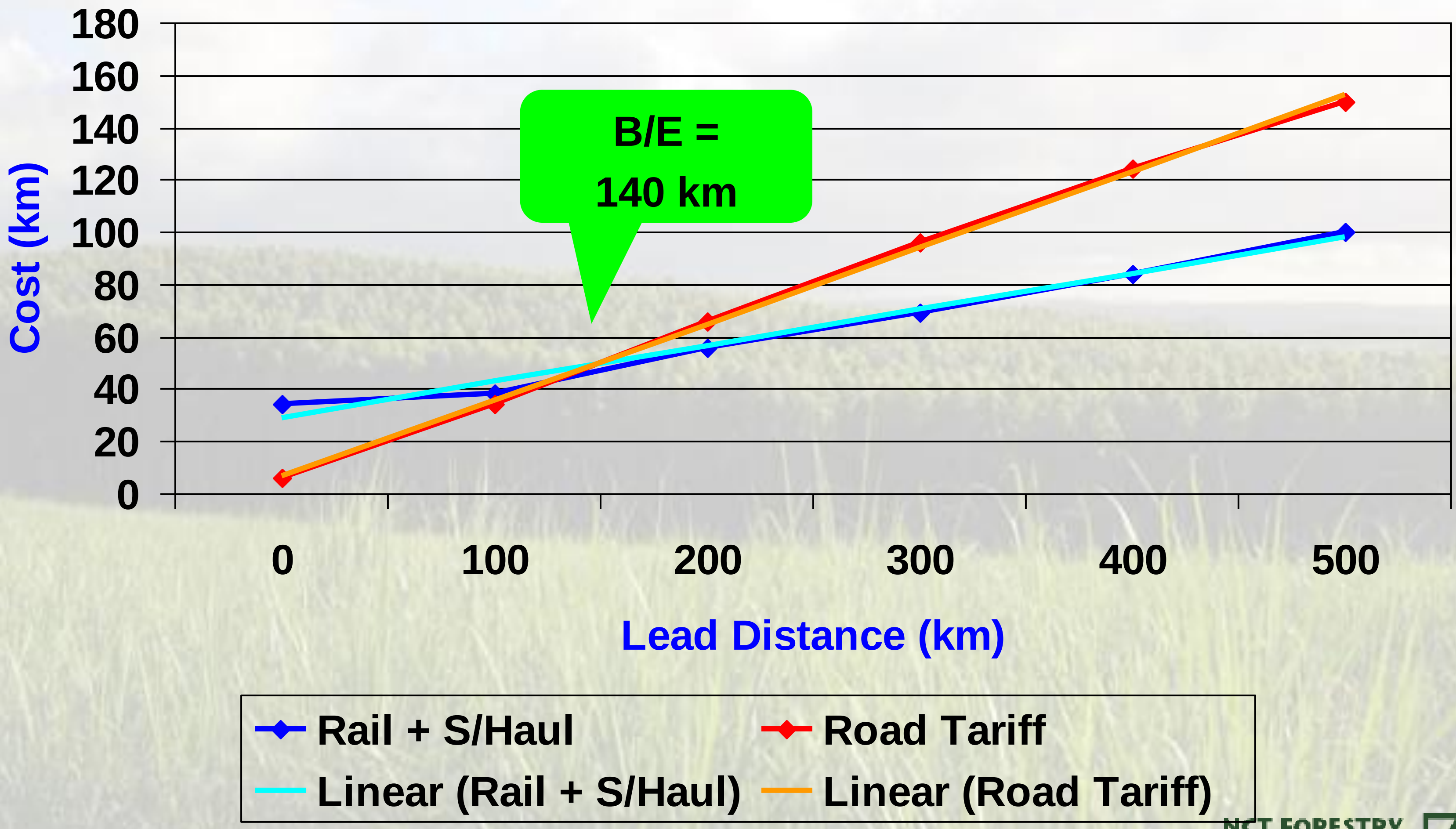
RAIL VS ROAD
2005



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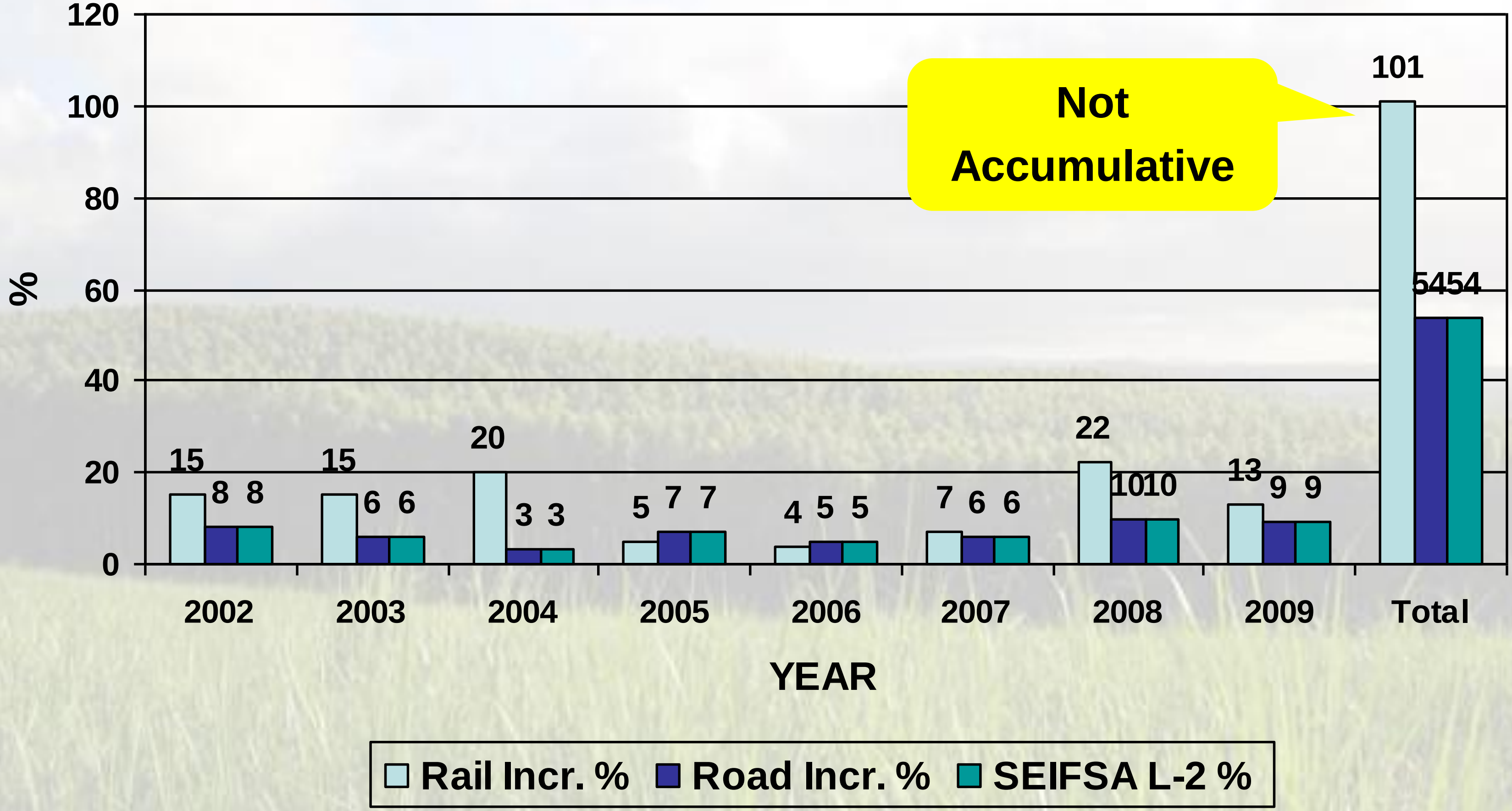
ANNUAL INCREASES
2002 - 2009



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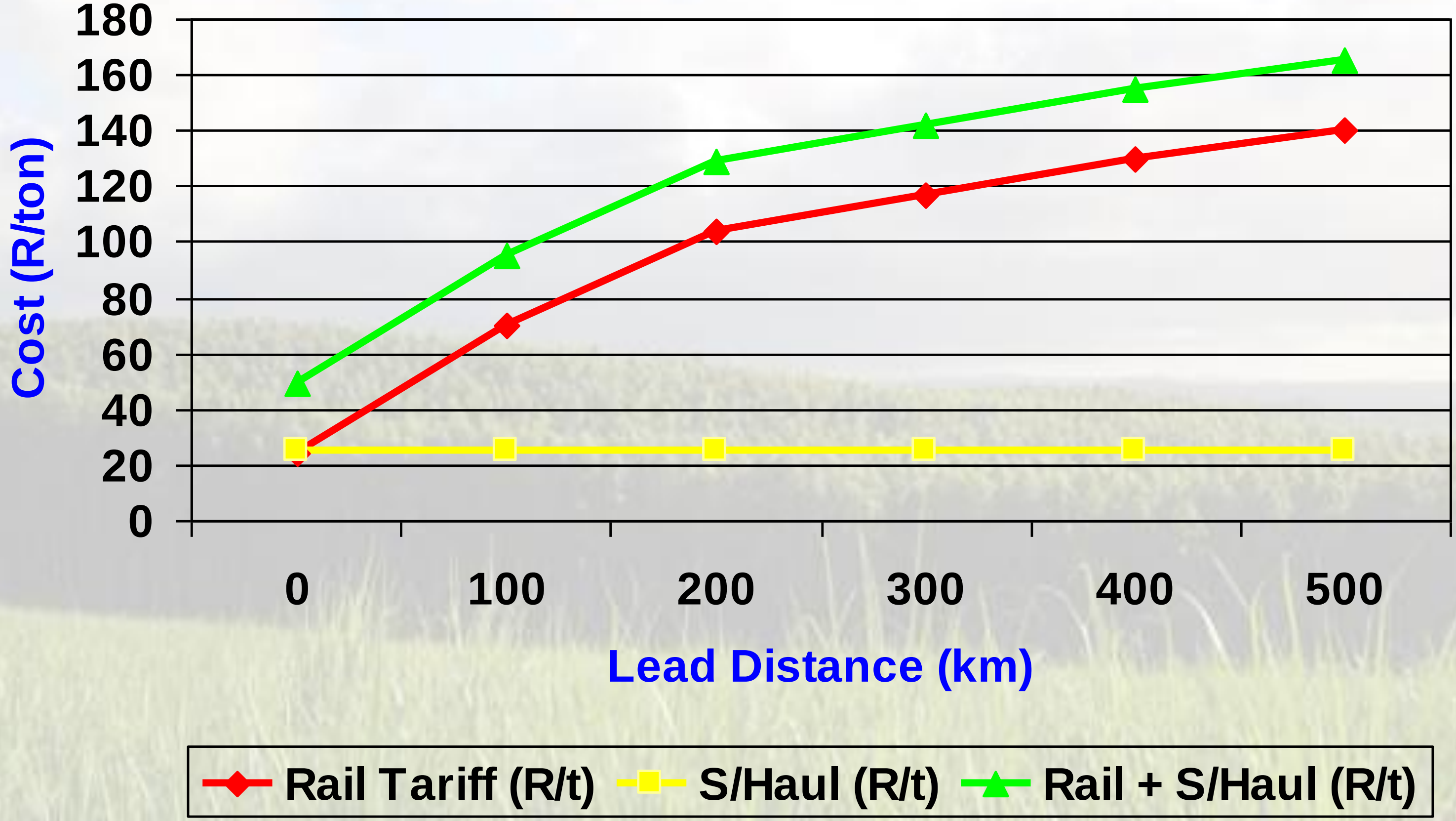
RAIL TRANSPORT 2009



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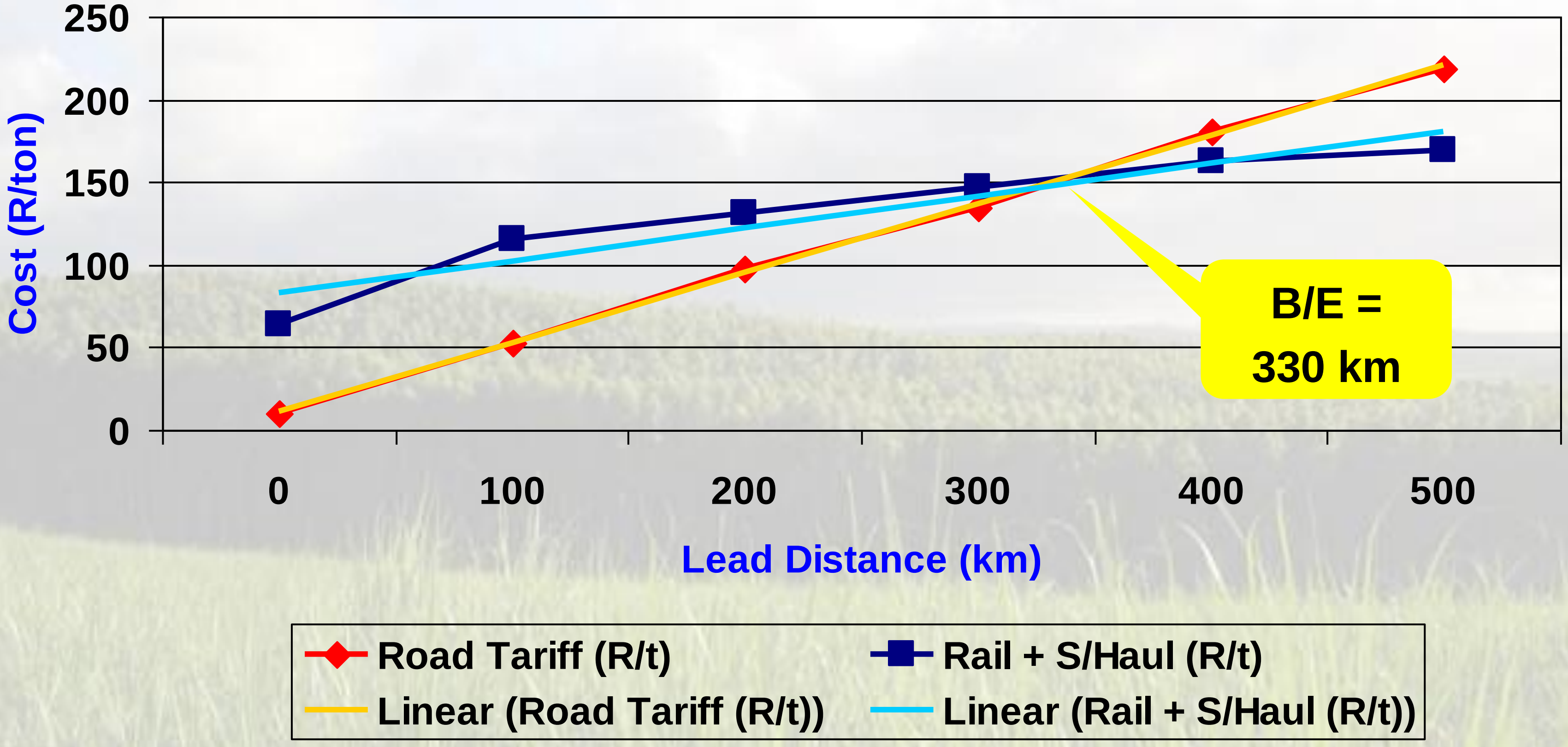
RAIL VS ROAD 2009



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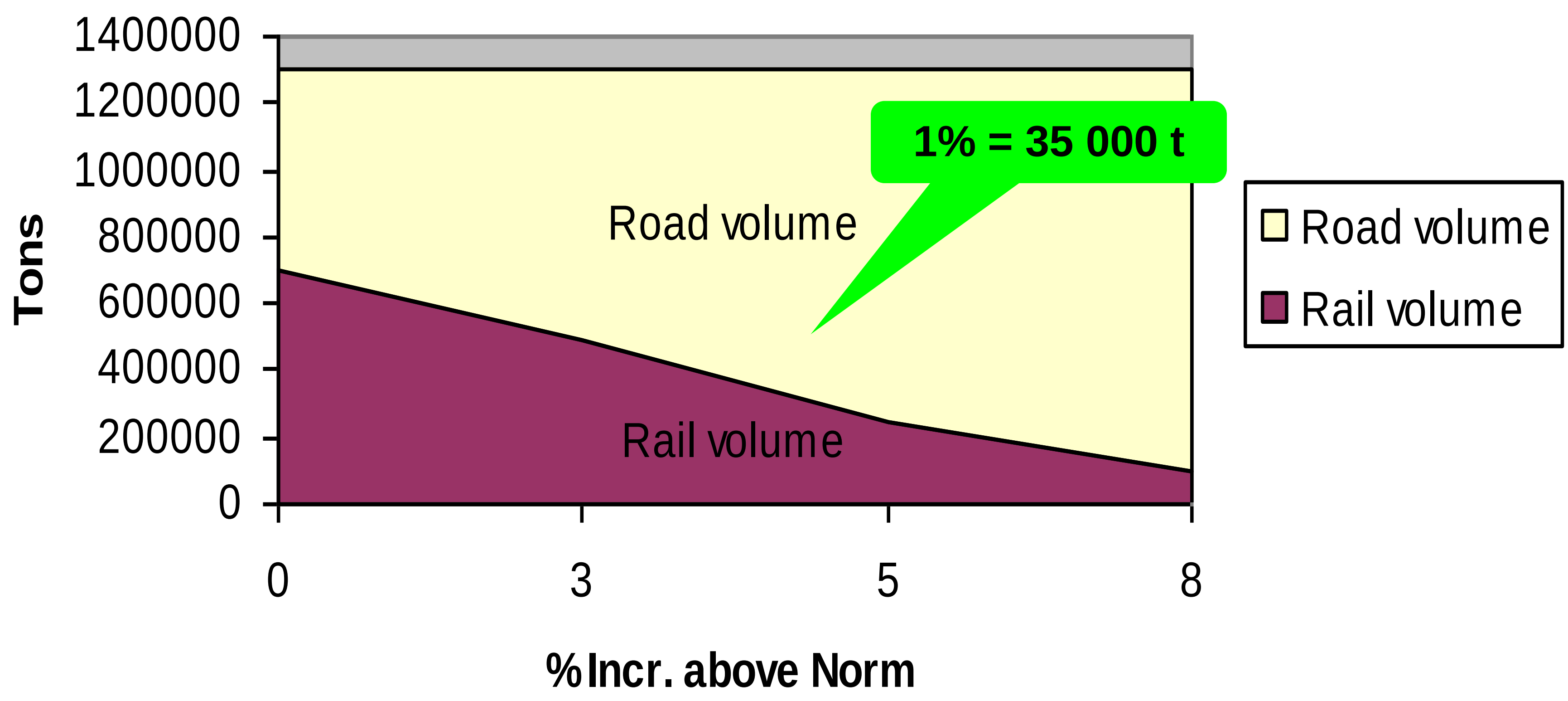
MODAL SPLIT SENSITIVITY



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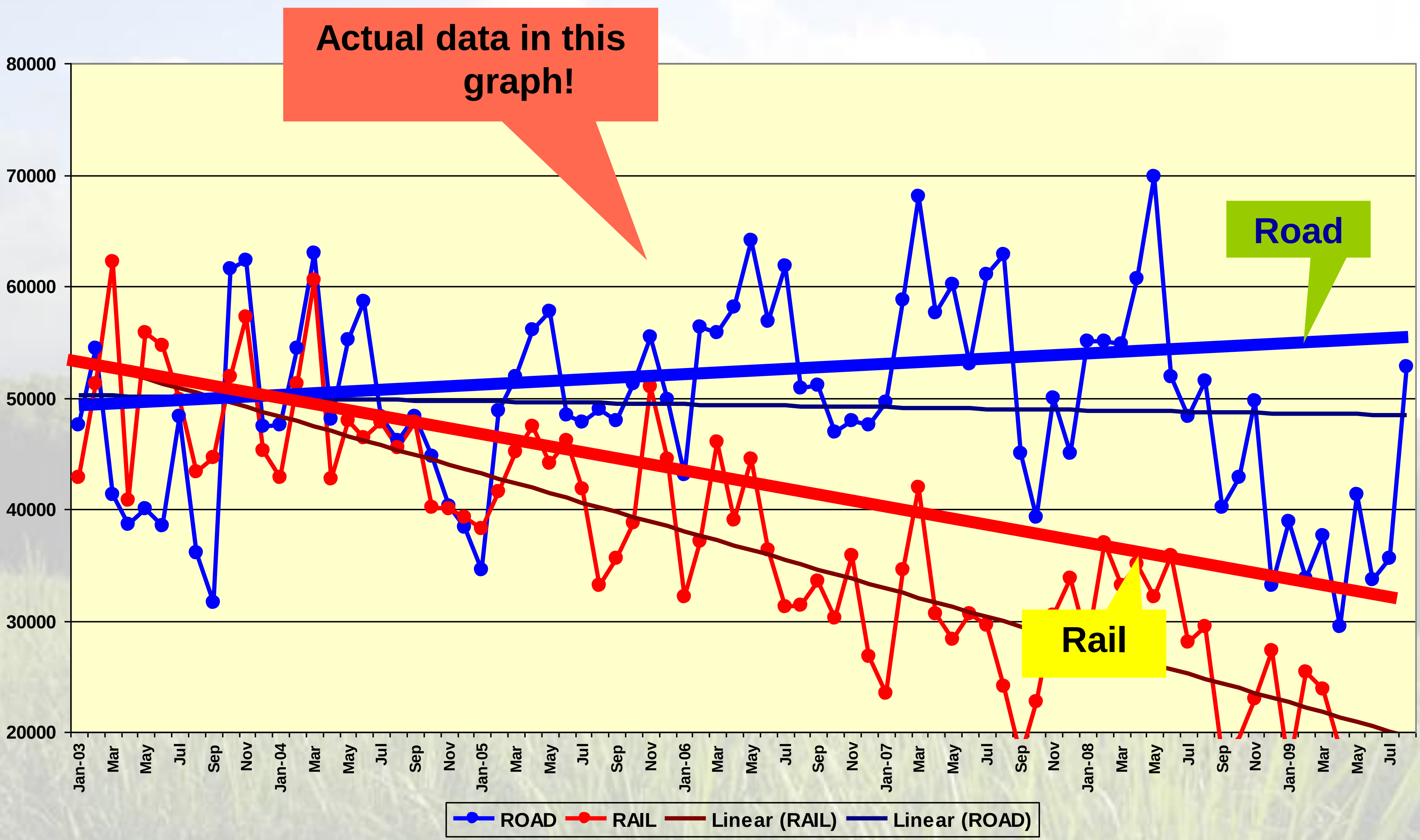
ROAD vs RAIL - January 2003 to August 2009



Rail: Where are we now?

- Different quantums, but extrapolate NCT problem to total industry incl: Sappi, Mondi, etc.
- Timber remains a high volume – low value bulk commodity ie. Rail “friendly” traffic
- Divide & Rule attitude of TFR
- Poor Cost Competitiveness
- Limited maintenance on Infrastructure
- Ignorance by officials of the ultimate impact of complete service failure: direct and externalities
- PBS Vehicles : GCM = 67 000kg

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Rail: What we need!

- **To be Understood very Urgently**
- **Index related future tariff increases**
  - Steel & Forex levies to be abolished
  - Lead distance > 250 km – 30 to 40 c/t.km
- **Improved reliability & Infrastructure**
- **Decentralized decision making which will allow for a locally designed customised service (collaboration)**
- **Rail privatization – Competition**
  - SANRAL Model

Proposed Future Structure

"OLD SPOORNET"

- Wagons
- Locomotives
- Branchline Infrastructure

Owned & Operated by Spoornet only

Evolve

Mature

"NEW RAILWAYS"

- Branchline Infrastructure

Owned by NDOT / KZNDOT

- Wagons
- Locomotives

Operated by private operators or TFR
Private operators can lease from TFR or own their own rolling stock

Commercial, Access & Safety Regulators

There is some common ground:

- **Spent the R15 billion (5 yrs) on infrastructure and rolling stock promised in 2007**
- **Recognition of the importance of rail logistics to our rural timber growing communities**
- **Political Will and Administrative Capacity to change to a new commercial & free market business model and structure**
- **But, will we get the timing right?**

Dust ≠ Movement

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We need a "balanced" approach urgently

Thank You

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