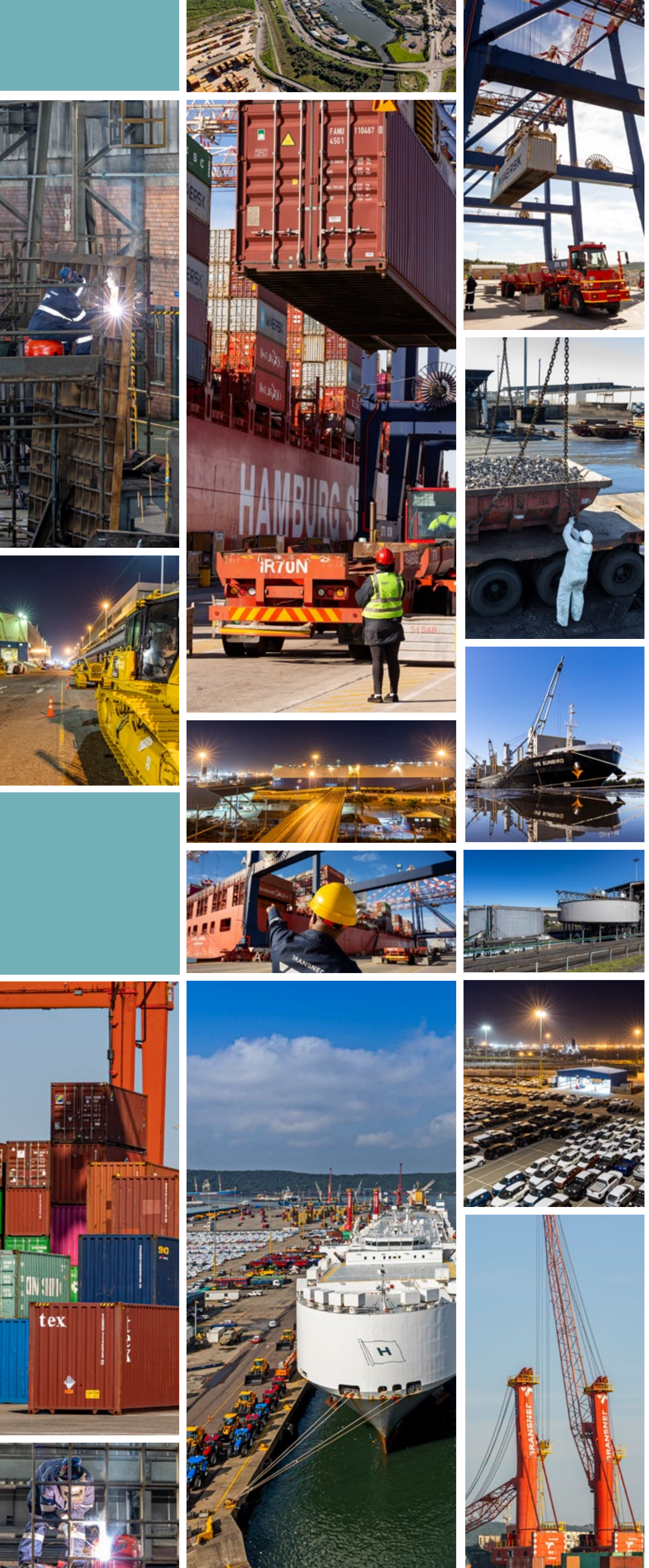
TRANSNET

port terminals

TRANSNET PORT TERMINALS **2024**



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TRANSNET
port terminals

HIGHLIGHTS

Revenue increased by **9,7%** to **R18,5 billion.**

EBITDA increased by **7,5%** to **R6,33 billion.**

Capital expenditure increased by **39,9%** to **R1,4 billion.**

ROTA improved by **1%** over prior year.

A Private Sector Partnership (PSP) partner was awarded for the Durban Container Terminal Pier 2.

Chrome volumes were **11%** above prior year.

Magnetite volumes were **20%** above prior year.

Container volumes were **2,9%** above prior year.

BUSINESS OVERVIEW

Transnet Port Terminals (TPT) plays a crucial role in the South African economy by facilitating the efficient movement of imports, exports and transshipments through its cargo terminal operations. This strategic function ensures ongoing year-round connections with regional and global trading partners, enhancing trade flows. TPT actively works to boost the reliability and efficiency of its operations, driving own business costs through innovative practices.

TPT offers cargo handling services across a diverse customer base, including shipping lines, freight forwarders, and cargo owners. It manages four primary business segments: containers, dry bulk, break-bulk, and automotive. The division operates 16 terminals with 68 berths distributed across seven coastal ports, and three inland terminals in Richards Bay, Durban and Port Elizabeth, all linked directly by rail to enhance operational connectivity.

CONTAINERS

TPT operates container terminals in the ports of Durban, Ngqura, Port Elizabeth and Cape Town, with a cumulative annual capacity of 5,7 million twenty-foot equivalent units (TEUs). The Durban and Cape Town container terminals are nearing their capacity limits, however plans are underway to expand their capabilities.

BUSINESS OVERVIEW CONTINUED

DRY BULK

The bulk sector operations involve managing dry bulk commodities through a network of conveyor belts, tipplers, stackers, reclaimers, and ship loading and unloading equipment. Mineral bulk commodities are handled at the ports of Richards Bay, Port Elizabeth and Saldanha, while agricultural bulk commodities are processed at the ports of Durban and East London.

BREAK-BULK

TPT manages steel, timber, granite, abnormal and project cargo, and other commodities through break-bulk operations in multi-purpose terminals across all seven ports. Traditional bulk cargo is occasionally managed at break-bulk facilities using a skip operation.

AUTOMOTIVE

TPT operates automotive terminals at the ports of Durban, East London and Port Elizabeth. These facilities handle a variety of vehicles driven onto and off vessels.

The strategy places emphasis on TPT becoming a world-class terminal operator that seamlessly interfaces with rail and other logistics supply chains. To accomplish this, fostering a high-performance culture is crucial, which will enable:

- Financial sustainability and growth;
- Operational excellence with predictable, reliable, and efficient terminal-handling services;
- An integrated, sustainable, and customer-focused port ecosystem; and
- Proactive planning across the ecosystem to achieve operational excellence.

TPT's vision aims to maximise shareholder value through:

- Enhancing the efficiency, cost-effectiveness and viability of current port operations;
- Leveraging a portfolio of world-class infrastructure assets;
- Strengthening global supply chains;
- Growing revenue by joining global strategic partnerships to explore new business opportunities;
- Generating sustainable economic growth; and
- Promoting regional integration.

WHERE WE OPERATE

Figure 1: 'TPT' geographic locations

REGULATORY ENVIRONMENT

Transnet Port Terminals operates under a range of legislative and regulatory requirements, with the National Ports Act (No. 12 of 2005) being a key piece of legislation that governs its activities. This Act establishes the operational framework for TPT. In line with the provisions of the Act, TPT holds 21 Terminal Operator Licenses (TOL), which define its responsibilities and obligations as a licensed provider of port services and facilities.

TPT's Compliance Operational Plan is designed to ensure alignment with the National Ports Act and other high-risk regulatory requirements that impact its TOLs. The plan outlines mandatory activities aimed at ensuring regulatory compliance, including Compliance Control Plans, Control Self-Assessments, Compliance Monitoring and Compliance Reporting.

In addition, TPT submits annual reports to the Transnet National Ports Authority on various aspects of its operations, including performance, financials, safety, health, environment and quality (SHEQ), as well as competition matters. The Authority also conducts annual audits to ensure TPT's ongoing compliance and drive continuous improvement.

OPERATIONAL PERFORMANCE

The 2023/24 financial year was positive for TPT, showing significant improvement from the previous year. Revenue rose by 9,7%, and EBITDA grew by 7,5%. This growth was fuelled by strong performance in the break-bulk sector, higher storage revenue in the automotive sector, and tariff increases for the 2023/24 financial year.

Although the Break-bulk volumes did not exceed prior year, they did surpass the budget by 10,2%, driven by favourable market conditions.

Bulk volumes remained steady at 71,6 million tonnes year-on-year, due to reduced rail supply and load shedding. However, Magnetite and Chrome exceeded prior year performance. Container volumes grew by 2,9% year-on-year.

TPT faced several significant challenges during the year despite positive financial and volume performance. Severe congestion in the Port of Durban from November 2023 to February 2024 hindered operations. Container terminal efficiency fell short due to ageing infrastructure and equipment, as well as weather delays caused by climate change. Similarly, loading rates in the bulk sector were largely below target.

CORE INITIATIVES

Key strategic initiatives to increase revenue, diversify and reduce reliance on TFR, while aligning with Rail Reforms include:

- Revenue increased by 9,7% in the 2023/24 financial year.
- Focused on operational efficiency and unlocking new business initiatives while cultivating a high-performance culture across the Division.
- Volume targets for the 2023/24 financial year were as follows:
  - Containers: 4,2 million TEUs;
  - Bulk cargo: 81,4 million tonnes;
  - Break-bulk cargo: 25,9 million; and
  - Automotive units: 826 033 units.
- Increased the volume (moves/tonnes/units) per ship working hour (SWH) to turn vessels around faster and attract shipping lines to South Africa's ports.
- Implemented a preventative maintenance strategy and refurbishment programme to ensure reliable and available equipment, replacing outdated units as needed.
- Increased operational efficiency by recruiting additional teams, filling vacancies and improving employee morale.

OVERVIEW OF KEY PERFORMANCE INDICATORS

To keep TPT on track with its objectives, specific Key Performance Indicators (KPIs) have been identified. The following table presents these KPIs, along with their targets and actual performance in each area.

Key performance area and indicator	Unit of measure	2023 Actual	2024 Target	2024 Actual	2025 Target
Financial sustainability					
Revenue	R million	16 826	17 850	**18 456**	20 255
EBITDA	R million	5 891	5 750	**6 334**	6 321
Operating profit margin	%	25%	22%	**23%**	21%
Return on average total assets	%	27%	29%	**28%**	31%
Revenue per employee	R million	2,2	1,8	**2,1**	1,8
Capacity creation and maintenance					
Capital expenditure	R million	1 001	2 412	**1 400**	3 962
Operational performance					
Volume growth					
Containers	000 TEUs	4 034	4 229	**4 152**	4 416
Bulk	million tons	71,6	81,4	**71,6**	78,6
Break-bulk	million tons	29,2	25,9	**28,5**	27,9
Vehicles	units	869 368	826 033	**773 506**	827 600
Operational efficiency and productivity					
Container dwell time					
DCT - Pier 1					
- Imports	days	3	3	**3**	3
- Exports	days	5	5	**5**	5
- Transshipment	days	7	10	**7**	10
DCT - Pier 2					
- Imports	days	3	3	**2**	3
- Exports	days	7	5	**8**	6
- Transshipment	days	8	10	**8**	10
CTCT					
- Imports	days	2	3	**2**	3
- Exports	days	8	6	**9**	7
- Transshipment	days	9	15	**13**	15
Moves per gross crane hour					
DCT - Pier 1	moves per hour	18	22	**16**	20
DCT - Pier 2[b]	moves per hour	18	22	**16**	20
CTCT	moves per hour	14	19	**12**	19
PE	moves per hour	19	20	**17**	20
NCT	moves per hour	18	20	**16**	20

Key performance area and indicator	Unit of measure	2023 Actual	2024 Target	2024 Actual	2025 Target
Container moves per ship working hour					
DCT - Pier 1	moves per hour	39	45	**34**	43
DCT - Pier 2[b]	moves per hour	43	55	**38**	51
CTCT	moves per hour	31	40	**24**	41
PE	moves per hour	25	32	**25**	32
NCT	moves per hour	42	45	**36**	46
Train Turnaround time[c]					
DCT - Pier 1	hours	2,8	4,0	**2,6**	4
DCT - Pier 2	hours	2,6	4,0	**3,3**	4
CTCT	hours	3,2	4,0	**4,0**	4
NCT	hours	3,1	4,0	**4,8**	4
Saldanha[d]	minutes	117	111	**112**	111
Richards Bay	hours	11,3	11,0	**11,9**	11
Port Elizabeth	hours	10,2	12,0	**10,4**	12
Truck turnaround time					
DCT - Pier 1	minutes	76	40	**96**	65
DCT - Pier 2[e]	minutes	77	65	**89**	65
CTCT	minutes	43	40	**58**	40
NCT	minutes	35	35	**36**	35
Richards Bay MPT	minutes	47	35	**87**	35
Loading rate					
Saldanha Iron Ore Terminal	tons per hour	8 264	8 100	**7 940**	8 250
RB DBT - Loading - Magnetite	tons per hour	1 194	1 200	**1 211**	1 300
RB DBT - Loading - Chrome	tons per hour	766	900	**836**	900
RB DBT - Loading - Coal	tons per hour	686	750	**608**	750
RB DBT - Offloading - Coking Coal	tons per hour	275	350	**238**	350
Sustainable developmental outcomes					
Employment					
Employee headcount (permanent)	number	7 687	9 783	**8 991**	11 229
Health and Safety					
LTIFR	number	0,70	0,70	**0,59**	0,70

(a) Capital expenditure excludes capitalised borrowing costs.
(b) Target for 2024/25FY takes into account the availability of key equipment; also takes into account maintenance and operational process initiatives
(c) Based on 50 wagon trains for all container terminals except CTCT which is based on 40 wagon trains
(d) Rake process time inside tippler – Subject to service design review
(e) Targets based on historical operational methodology
n/a - not available

FINANCIAL PERFORMANCE REVIEW

		Year ended 31 March 2024 R million	Year ended 31 March 2023 R million	% change
Salient features				
Revenue		**18 456**	16 826	9,7
– Containers		**8 723**	7 953	10
– Dry bulk		**4 712**	4 183	13
– Break-bulk		**3 602**	3 330	8
– Automotive		**1 419**	1 359	4
– Other		**–**	–	
Operating expenses		**(12 122)**	(10 935)	10,9
– Energy costs		**(966)**	(995)	(2,9)
– Maintenance		**(684)**	(521)	31,3
– Materials		**(747)**	(697)	7,1
– Personnel costs		**(6 070)**	(5 345)	13,6
– Other		**(3 656)**	(3 377)	8,3
Profit from operations before depreciation, derecognition, amortisation, short term incentives (STI) and items listed below (EBITDA)		**6 334**	5 891	7,5
Depreciation, derecognition and amortisation		**2 019**	1 763	14
Profit from operations before items listed below		**4 315**	4 128	5
Impairments and fair value adjustments		**(25)**	660	(104)
Net finance costs		**(1 131)**	(597)	90
Profit before taxation		**5 472**	4 065	35
Total assets (excluding CWIP)		**15 265**	15 975	(0,04)
Profitability measures				
EBITDA margin*	%	**34,3**	35,0	(2,0)
Operating margin**	%	**23,4**	24,5	(4,7)
Return on average total assets (excluding CWIP)***	%	**28**	27	3,8
Asset turnover (excluding CWIP)****	times	**1,2**	1,0	22,6
Capital investments^	R million	**1 400**	1 001	39,9
Employees				
Number of employees (permanent)	number	**8 991**	7 687	17,0
Revenue per employee	R million	**2,05**	2,19	(6,2)

* *EBITDA expressed as a percentage of revenue.*
** *Profit from operations before impairment of assets, fair value adjustments, net finance costs, and taxation expressed as a percentage of revenue.*
*** *Profit from operations before impairment of assets, fair value adjustments, net finance costs, and taxation expressed as a percentage of average total assets excluding capital work in progress.*
**** *Revenue divided by average total assets excluding capital work in progress.*
^ *Actual capital expenditure (replacement + expansion) excluding borrowing costs.*

PERFORMANCE COMMENTARY

FINANCIAL SUSTAINABILITY

Revenue for the year increased by 9,7% to R18,5 billion (16,8 billion in 2023), driven by strong performance in the break-bulk sector, tariff increases, and higher storage revenue in the automotive sector. Net operating expenses rose by 11% to R12,1 billion (R10,9 billion in 2023), mainly due to higher labour costs from the implementation of fourth shift and annual wage increases, as well as increased costs for materials, repairs and maintenance to address equipment breakdowns and to maintain equipment availability. However, savings were achieved in fuel costs due to reduced volumes in the containers and bulk sectors. TPT's EBITDA grew by 7,5% to R6,33 billion (R5,9 billion in 2023). The return on invested capital remains at 22%, significantly above the average cost of capital of 12%.

Looking ahead

TPT aims for a 10% revenue increase to R20,3 billion in the 2025 financial year, with a budgeted EBITDA of R6,3 billion. The focus will be on boosting revenue through new business and cost optimisation to enhance the bottom line. While short-term OPEX is expected to rise due to the full implementation of the four-shift pattern across the terminals, IT transversal costs and increasing Group overheads recoveries, efforts will be made to improve operational efficiencies and unlock capacity to increase volume throughput. Growth opportunities will be pursued by fostering and sustaining a high-performance culture across the Division.

CAPACITY CREATION AND MAINTENANCE

TPT invested R1,396 billion of capital expenditure in 2023/24 to ensure sustained capacity and improved operational efficiency. Key projects that contributed to this include:

- An initial payment of R382 million for the replacement of 27 Rubber-Tyred Gantry Cranes (RTGs) at the Cape Town Container Terminal.
- R130 million has been allocated for acquiring seven second-hand RTGs at Cape Town Container Terminal. These will supplement the declining RTG capacity while new replacement RTGs are being manufactured.
- R500 million allocated for national equipment refurbishments and Capital Spares to ensure safety and reliability at various terminals.
- R96 million as an initial payment for a replacement Ship-to-Shore Gantry (STS) crane at Port Elizabeth Container Terminal.
- R26 million for acquiring replacement conveyor belting materials at the Saldanha Iron Ore Export Terminal.
- R14 million and R13 million for replacement haulers at Cape Town Container Terminal and Ngqura Container Terminals, respectively.
- R47 million for rebuilding the Coal conveyor route at Richards Bay Dry Bulk Terminal (RBDBT) damaged by fires in October 2021. The route was operational by December 2023, with remaining works to be completed early in 2024. Completion of the Chrome and Sulphur routes at RBDBT is anticipated in the 2024/25 financial year.
- R56 million for replacing aged laptop computers for TPT personnel and R22 million for upgrading the SAP system to SAP Hana, which integrates online analytical and transactional processing, storing data in memory for faster processing and integration.

In the short term, the following projects are planned to create and sustain capacity:

- The rebuild of the Chrome and Sulphur conveyor routes at Richards Bay Dry Bulk Terminal will be completed within the 2024/25 financial year.
- Completion of critical portions of the refurbishment of Stacker Reclaimer 3 at Saldanha Iron Ore Terminal.
- Awarding contracts for the replacement Saldanha Tippler 3 Mechanical Completion and Bulk Power Upgrade in the first quarter of 2024/25, with project completion and handover in 2025.
- Completion of various environmental upgrade projects at Saldanha Iron Ore Terminal to comply with Air Emissions Licence conditions.
- Acquisition of 16 replacement rubber-tyre gantry (RTG) cranes for Pier 1 at Durban Container Terminal (DCT).
- Delivery and commissioning of a replacement ship-to-shore crane for Port Elizabeth Container Terminal (PECT).
- Acquisition of auxiliary container handling equipment, including Empty Container Handlers, Reach Stackers, and Forklifts, for Cape Town Container Terminal (CTCT) and Pier 1 and Pier 2 at DCT, to support the sector's turnaround strategy.
- Approval of the business case and completion of the turnkey procurement phase for designing and executing semi-automation projects at DCT Pier 1 and CTCT.
- Security and CCTV upgrades at container and multi-purpose terminals in Cape Town, Saldanha, Ngqura and Richards Bay.
- Approval of the business case for the development of the proposed 16mtpa Port of Ngqura Manganese Export Terminal (NMET) inclusive of funding strategy.
- Execution of IT projects, including implementing SAP Hana and upgrading the General Cargo Operating System (GCOS).
- Implementation of the Demand Management Plan to ensure achievement of critical projects.
- Optimisation of the MRP to ensure availability of critical spares.

PERFORMANCE COMMENTARY CONTINUED

OPERATIONAL PERFORMANCE

Container volumes improved year-on-year, with a 2,9% rise to 4 152 288 TEUs. This growth resulted from a turnaround strategy boosting productivity at various container ports. Although break-bulk did not improve year-on-year, volumes did exceed the budget, driven by increased manganese volumes through PE MPT. However, bulk volumes remained flat due to equipment breakdowns, adverse weather, and rail supply challenges.

CONTAINERS

- Container volumes were 2,9% higher than the previous year.
- Imports fell short of the prior year by 1%, while exports and transhipments surpassed the previous year by 3,6% and 12,7% respectively.
- Several factors impacted volume performance for the year:
  - Significant congestion for shipping lines in the Port of Durban from November to February;
  - Ongoing cable theft causing rail supply challenges;
  - Deteriorating weather conditions along the South African coastline; and
  - Poor equipment availability and reliability, hindering operational efficiency.
- Despite these challenges:
  - DCT Pier 1 exceeded prior year by 3,8%, benefitting from the industrial-action recovery plan and vessel diversions from Pier 2;
  - DCT Pier 2 marginally exceeded prior year volumes by 1,3%;
  - PECT exceeded prior year by 41,7% due to increased reefer volumes;
  - NCT exceeded prior year by 13,7%;
  - CTCT was 10,4% below prior year volumes, mainly due to vessel omissions, industrial action, diversions to CTMPT, and weather delays;
  - DBN MPT was 11,9% above prior year volumes due to diversions from DCT Pier 1 and Pier 2 during the congestion from November to February; and
  - CT MPT was 4,6% above prior year volumes.

The slowdown in economic demand in 2023 versus 2022, coupled with high but slowly decreasing inflation in Western countries, disrupted the balance between supply and demand in the maritime industry. This drop in demand significantly lowered container freight rates, worsened by overcapacity as shipping companies received ships ordered during the relatively prosperous period of 2021–2022. This overcapacity is expected to persist through 2024 and 2025, leading to another structural capacity crisis in the container shipping sector. Cargo volumes are forecast to increase more slowly than vessel fleet growth, at 3-4% in both 2024 and 2025 versus substantial vessel fleet growth of 9.5% in 2024 and 4.9% in 2025.

Additionally, global tensions have intensified. The ongoing Russian–Ukrainian war, starting in February 2022, and the emerging Israeli–Palestinian conflict have impacted world trade and goods transportation. These factors have limited the use of the Suez Canal, increasing traffic around the Cape of Good Hope.

Potential conflict between the USA and China further complicates the situation. China's intentions towards Taiwan could lead to major route changes, embargoes, and trade disruptions. Such a conflict would likely cause freight rates to soar and disrupt traffic. Western economies remain heavily dependent on China despite the USA's "decoupling" and Europe's efforts to "de-risk" trade relations. Over the past two years, the European Union's trade deficit with China has more than doubled. In the USA, the 2023 deficit was the lowest in a decade, but it began increasing again towards the year's end.

In South Africa, several headwinds pose risks, including elections, loadshedding, equipment availability, rail reliability, heightened inflation, grey listing, potential ratings downgrades, and a possible recession.

TPT will focus on:

- Improving productivity and operational efficiencies;
- Enhancing services to customers for real-time recovery from stoppages;
- Improving strategic customer value propositions to attract volume; and
- Ensuring sufficient support for gateway volumes and shipping lines to retain competitiveness.

BULK

- Bulk volumes matched the previous year's volume at 71,6mtpa.
- Iron Ore volumes reflected a decrease year-on-year of 1,7% due to poor rail reliability, weather delays (high wind/swells), equipment breakdowns, and industrial action.
- Manganese volumes were flat over prior year at 15,9mtpa, affected by rail supply challenges (cable theft, derailments), industrial action, and the migration of skiptainer vessels to NCT.
- Chrome volumes were 11% above prior year.
- Magnetite volumes were 20% above prior year.

Iron is the most used metal worldwide, essential for the construction, engineering, automotive, and machinery industries, primarily as a key component in steel. Thus, the supply of iron ore is crucial for the global economy. The iron ore sector has thrived due to high commodity prices, with China remaining a pivotal market, accounting for about 70% of global iron ore imports. However, the ongoing issues in China's real estate sector, which makes up 30–35% of the country's steel demand, will continue to pressure the steel and iron ore markets in 2024, albeit more gradually. Chinese steelmakers are reducing production due to rising costs, weak demand from the property crisis, and inventory pressures. In 2023, production of iron ore in South Africa equated to an estimated 61 million tons which is significantly below the peak of 81 million tons in 2017. South Africa has approximately 696.48 million tons of iron ore reserves as of 30 June 2023, which will last an estimated 13 years at current production rates.

Manganese is essential for manufacturing lithium-ion batteries, used in electrical backup systems and electric vehicles, and in steel production. Despite the decrease in steel demand, the global surge in electric vehicle demand positions South Africa well to meet this need. The Manganese sector accounts for about 5% of South African mining output and exports, significantly contributing to the economy. TPT employs a multi-channel strategy to export manganese through Saldanha, Port Elizabeth, Cape Town, and potentially Richards Bay and Durban. In the long term, the strategy will shift to a dual-channel approach through the ports of Ngqura, where a 16mtpa capacity facility is planned, and Saldanha.

Magnetite is a key element in various industries due to its diverse applications. It is used in making steel, bolts, household gadgets, equipment, industrial facilities, automotive components, machinery, infrastructure development, shipbuilding, and railway lines. The demand for magnetite is expected to remain steady, aligning with global steel demand as world economies grow. The primary challenge lies in rail supply to the Port, as road trucking is not a feasible option for transporting this commodity.

Chrome is essential for hardening steel, manufacturing stainless steel, and producing various alloys. As the world's largest producer and exporter, South Africa produced an estimated 18 million metric tonnes of chrome in 2023 and holds the largest chrome deposits globally.

The demand for South African export coal from Europe is expected to remain strong as the continent supplements its energy mix to mitigate the effects of the Russia–Ukraine war, with European countries restarting coal-fired power plants. India is also expected to remain a top destination for South African coal, driven by its increasing manufacturing output and expanding power generation infrastructure

BREAK-BULK

- Break-bulk volumes reflected a decrease over prior years volumes by 2,5%.
- Durban Multi-Purpose Terminal (MPT) surpassed the prior year's performance by 24,8%.
- Durban Maydon Wharf was below prior years volumes by 26,7%.
- The Richards Bay MPT was 2,7% below the prior year's volumes.
- Cape Town MPT is 6,7% below prior year, mainly due to slow rail supply for manganese, and subdued steel demand.
- Saldanha MPT is 3,9% above prior year due to favourable manganese and iron ore volumes.
- PEMPT is below prior year by 6,3% due to TFR cable theft incidents and the late start-up of the MECA 3 new emerging miners.

Break-bulk, or general cargo, involves transporting separate pieces rather than using containers. This includes items like wind turbines, cables, generators, steel, wood and pipes, all handled through TPT's multi-purpose terminals. These terminals also facilitate the export of bulk commodities via a skip operation when demand exceeds the capacity of bulk terminals. The economic fundamentals reflected in the bulk section of this document will also have an impact on the break-bulk sector since break-bulk terminals are often used to transport bulk commodities.

Although COVID-19 disrupted many projects in the sector, they have now resumed as industries recover. This resurgence has increased in project-related cargo moving through the terminals. Economic recovery has also boosted steel demand from industries such as automotive and manufacturing. Since local steel production cannot meet this demand, steel imports are expected to remain strong.

AUTOMOTIVE

- A total of 773 506 automotive units were handled in 2023–24, 11% below the prior years volume of 869 368 units.
- Imports and transhipments decreased by 34,9% and 30% respectfully, while exports increased by 22,7%.
- Durban saw a decrease against prior year by 16,8%, while Port Elizabeth Car, and East London Terminals saw increases of 3,1% and 3,3% respectively.

The 2023 calendar year was challenging for the global automotive industry. Key issues included vehicle shortages due to production disruptions caused by semiconductor shortages, high interest rates, and post-pandemic supply chain disruptions. Despite these challenges, OEMs are set to increase vehicle production globally to fully utilise factory capacity. However, higher inflation and interest rates, along with the lack of profitability from electronic vehicles, will require OEMs to reassess their production and investment costs to achieve savings and grow earnings.

According to the National Association of Automobile Manufacturers of South Africa (NAAMSA), several factors influence the industry's outlook. The NAAMSA CEOs Confidence Index highlights significant risks, including the upcoming national and provincial elections, persistent load shedding, logistics constraints, oil prices, currency fluctuations, and geopolitical conflicts. Furthermore, the shortage of automotive carriers had a cascading impact on vehicle transportation costs. This, combined with high interest rates had a negative impact on vehicle imports in South Africa. Another contributing factor impacting total volumes handled was a local OEM reaching its European Union emissions target resulting in it intentionally limiting production output. On a positive note, new vehicle exports increased by 12,7% in 2023, adding 44 505 vehicles. Remarkably, two out of every three vehicles manufactured in South Africa are exported.

South Africa's GDP growth is expected to be subdued, with a forecast of 1,2% for 2024, slightly higher than the 0,6% growth in 2023. Given the close correlation between new vehicle sales and GDP, single digit growth in new vehicle sales is anticipated for 2024. Although the total new vehicle market showed marginal growth in 2023, NAAMSA predicts that a full recovery to the 536 612 units sold locally recorded in 2019, may take up to four years.

Looking ahead

Volume targets for the 2024/25 financial year:

- Containers: 4,4m TEUS;
- Bulk: 78,6m tonnes;
- Break Bulk: 27,9m tonnes; and
- Automotive: 827 600 units.

PERFORMANCE COMMENTARY CONTINUED

OPERATIONS EXCELLENCE

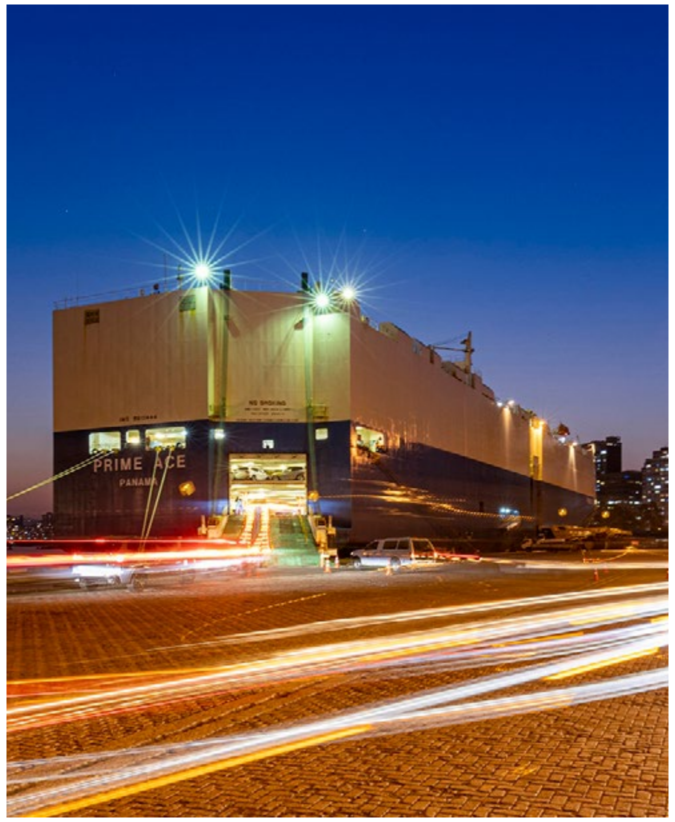
CONTAINER MOVES PER SHIP WORKING HOUR

TPT measure operational efficiency by average moves per ship working hour (SWH). This metric has varied across the container terminals compared to last year:

- DCT Pier 1: SWH declined from 39 moves per hour in 2022/23 to 34 moves per hour in 2023/24;
- DCT Pier 2: SWH decreased from 42 moves per hour in 2022/23 to 38 moves per hour in 2023/24;
- Ngqura Container Terminal: SWH dropped from 42 moves per hour in 2022/23 to 36 moves per hour in 2023/24; and
- Cape Town Container Terminal: SWH declined to 24 moves per hour in 2023/24 from 31 moves per hour in 2022/23.

The SWH performance across the container terminals has been adversely impacted by equipment availability and reliability challenges at the dedicated container terminals. Furthermore, adverse weather conditions, such as strong winds and rain, also affected operational performance.

This decline is being addressed through a focused Recovery Plan. initiative, which includes the replenishment of key equipment fleet in the short and medium term, as well as through the acquisition of critical spares to support the maintenance teams. The fleet replenishment programme will take approximately 12-24 months to fully execute. In the interim, TPT has established an OEM partnership which will result in reduced lead time to procure spares, standardise equipment, reduce spare holdings, incentivise local investment and includes machine lifetime support which all have a positive effect on machine uptime. This effort will be supplemented by additional technical resources as well as introducing 4th shifts at terminals. TPT has also initiated engagements with stakeholders to provide interim equipment requirements that alleviate immediate shortfall challenges. In this vein, the Cape Town Container Terminal has received delivery of seven second-hand rubber-tyre gantry cranes (RTG), of which six have been handed to operations. The seventh RTG spares have been delivered and are being installed.



MOVES PER GROSS CRANE HOUR

The average moves per gross crane hour (GCH) decreased from 17,5 moves per hour last year to 15,5 moves in the 2023/24 financial year. This decline, like the SWH, was due to significant adverse weather conditions and the poor reliability and availability of key operating equipment. The current fleet has equipment that is past its design life, which reduces reliability. To address these issues, refurbishment interventions are underway, along with long-term contracts for critical spares supply. TPT is also pursuing an OEM partnership strategy to secure long-term agreements for equipment supply and complete asset life cycle management.

TRAIN TURNAROUND TIME

All container terminals met their train turnaround time target of four hours except for the Ngqura Container Terminal, which exceeded this target. The Durban Automotive Terminal consistently stayed below the four-hour target. Additionally, the Port Elizabeth Bulk Terminal maintained a train turnaround time under the 12-hour threshold.

The Saldanha Iron Ore Terminal slightly exceeded its rake turnaround time target of 111 minutes, achieving 112 minutes due to intermittent equipment and rail supply challenges. Similarly, the Richards Bay Bulk Terminal marginally exceeded its train turnaround time target of 11 hours, reaching 11,9 hours, primarily due to equipment challenges and adverse weather conditions.

TRUCK TURNAROUND TIME

The average truck turnaround time performance declined compared to 2023 actual of 51 minutes, reaching 66 minutes against a target of 42 minutes. This increase was mainly due to equipment breakdowns, increased volumes, and adverse weather conditions impacting operational activities. PECT achieved their targeted time of 35 minutes, while NCT was just above their target by one minute.

Looking ahead

TPT aims to achieve the following in the 2024/25 financial year:

- Attain a minimum SWH of 51 at DCT Pier 2, 43 at Pier 1,46 at NCT, and 41 at CTCT by:
  - Resourcing gangs and supporting equipment to maximise crane deployment by replacing or refurbishing key equipment;
  - Adopting terminal partnership initiatives with shipping lines to improve productivity and efficiency from ship arrival to departure;
  - Implementing a 24/7 Maintenance Regime to improvement of equipment availability and reliability;
  - Enhancing skills through cross-training operators to operate more than one machine; and
  - Implementing ICT systems to improve responsiveness to business and operational challenges.
- Maintain truck turnaround time below the target of 65 minutes both for Pier 1 and 2, 40 minutes for CTCT, and 35 minutes for NCT;
- Maintain train turnaround times below four hours at the container terminals, 12 hours at the Port Elizabeth Bulk Terminal, 11 hours at the Richards Bay Bulk Terminal, and 111 minutes at the Saldanha Iron Ore Terminal;
- Implement a Recovery Plan to support key enablers and improve business performance; and
- Review the new employee incentive scheme to further improve operational efficiencies in the year ahead.

TRANSNET PORT TERMINALS

SUSTAINABLE DEVELOPMENTAL OUTCOMES

HUMAN CAPITAL (EMPLOYMENT AND TRANSFORMATION)

- Employee headcount: TPT had a permanent employee headcount of **8 991** (9 731 including contractors) as of March 2024, compared to **7 687** (8 892 including contractors) in 2023.
- Transformation targets: Black employees represented **94,31%** of total employees (target 92%), female employees represented **32,03%** (target 35%), and permanent employees with disabilities represented 1,97% (target 3%).
- B-BBEE rating: TPT achieved a B-BBEE scorecard rating of level 3.

SKILLS DEVELOPMENT

- Training expenditure: TPT spent **2,6%** (direct, indirect and skills levies cost) of its total labour bill on employee training and skills development, exceeding the target of **2,5%**.
- Employee training: A total of **1 019** employees underwent sector-specific training, surpassing the target of **550**.

HEALTH AND SAFETY

- Safety performance: TPT achieved a LTIFR (Lost Time Injury Frequency Rate) of 0,59, which is below the tolerance level of 0,70.

COMMUNITY DEVELOPMENT (SOCIAL ACCOUNTABILITY)

In the Western Cape region:

- Donated over 200 pairs of shoes to underprivileged learners from Langabuya Primary School and Klipfontein Primary School;
- Distributed 500 blankets and 500 hygiene packs to various non-profit organisations in Saldanha;
- Provided 300 healthcare packs to non-profit organisations in Saldanha;
- Hosted 60 delegates, including the Ministries of the Department of Women, Youth and Persons with Disabilities (DWYPD) and Transport, for Women's Month activities for 30 learners from seven provinces; and
- Provided career guidance to young people at the Youth and Entrepreneurship Summit at Citrusdal.

In the Durban region:

- Donated ten Solidarity Food Parcels to ten NGOs in the Durban region, in partnership with the Transnet Foundation;
- Supplied 208 pairs of school shoes as part of the winter drive, to five schools in and around Durban; and
- During the 2023 year's 16 Days of Activism campaign, TPT collaborated with the Transnet Foundation to partner with a community organisation/NGO to provide sanitary care packs to girls in Durban.

In the Richards Bay region:

- In partnership with Transnet Foundation, handed over 100 school desks to Phola Combined Primary School in Kendal Mpumalanga; and
- During the 2023 calendar year's 16 Days of Activism campaign, TPT collaborated with the Transnet Foundation to partner with a community organisation/NGO. Together they provided sanitary care packs to girls in Richards Bay.

In the Eastern Cape region:

- During the 2023 calendar year's 16 Days of Activism campaign, TPT collaborated with the Transnet Foundation to partner with a community organisation/NGO. Together they provided sanitary care packs to girls in the Eastern Cape.
- Implemented the Transnet Young Leadership Programme: Community Development Phase.
- Transnet volunteers trained 10 NGOs across the Province on various skills.
- Distributed 518 pairs of school shoes as part of the CE's Shoes on Feet campaign.

KEY RISKS
AND MITIGATING ACTIVITIES

The following were identified as the top five risks during the year under review, along with appropriate mitigating plans:

Top 5 risks	Mitigating activities
1 **Losing operating licences due to changes to port master plans, which could result in a reduction in Port Terminals' footprint and adversely impact profitability.**	• Establish a structured strategy and operational plan to adapt to regulatory changes, enhancing regulatory compliance. • Define a clear strategy to boost operational efficiency and meet Terminal Operator Performance Standards. • Revise the procurement strategy for critical spares to bolster critical equipment reliability and improve productivity. • Identify and address operational sustainability challenges, enhancing operational efficiencies and competitive advantages. • Assess and quantify the impact of external projects like the National Ports Authority section 56 process, PSPs and the Ngqura Manganese Export Terminal (NMET). • Form partnerships with private sector operators to improve performance and attract investment. • Enhance safety and security measures, ensuring compliance with SHERQ regulatory requirements. • Review the Tariff Management Strategy to mitigate risks and address proposed changes by the National Ports Authority. • Develop a comprehensive compliance plan to rectify deficiencies and protect terminal licences.
2 **Business disruption due to ESKOM's challenges, leading to energy crises.**	• Revisit the findings of the energy audit and develop a comprehensive energy plan with options per region/terminal. • Implement the energy projects recommended by the Transnet GCE, such as PV Solar for sheds and roofs. • Help terminals negotiate curtailment agreements for those that do not currently have them, such as SLD, RCB, MW etc. • Implement the smart metering project to independently measure energy consumption. • Provide backup generators for reefer containers.
3 **Delays in the delivery of capital projects leading to capacity constraints, missed business opportunities and cost overruns.**	• Recruitment of resources to assist with the execution and delivery of capital projects. • Project teams to be trained on various contracting strategies and to be able to select appropriate one for project. • Recruitment of business-case writers to minimise delays in the approval of business cases, ensuring faster execution of projects. • Procure an as-and-when required professional services contract for Engineering Design, and Project and Construction Management Services. • Develop and implement recovery plans for delayed key capital projects, for example SLD Tippler 3.
4 **Breach of regulatory requirements leading to material irregularities, withdrawal of licences, qualification of AFS and reputational damage.**	• Regularly conduct compliance audits to identify areas of non-compliance and implement and track remedial actions. • Regularly provide regulatory training to employees, increasing the level of awareness of compliance obligations. • Budget for, and properly execute critical capital projects which are mandatory, to achieve compliance. • Map, track, and monitor developments of critical regulatory stakeholders, including the National Ports Authority, as a regulator for proactive regulatory compliance management. • Create an operational compliance plan for TPT and enhance internal oversight governance and internal control structures and functions to boost compliance.
5 **Non-compliance with safety policies and procedures leading to incidents, injuries, fatalities, reduced asset life, and capacity losses.**	• Capacitate and improve the occurrence management process within TPT to improve investigation, identification of preventative recommendations, and efficient closure of occurrences. • Source experts (Internal or External) to conduct an independent assessment on TPT's equipment safety risks and establish safety management plans & controls. • Implementation and Monitoring of an appropriate and just visible felt Leadership plan to support embedding passionate safety leadership at all levels. • Establish and provide guidelines for the use of corrective and/or consequence measures for managing human cause or factor to all acts (including occurrences) of undesirable safety behaviour or conduct, and poor safety performance to improve safety culture. • With the provision of a Fire and HAZMAT specialist resource, establish robust and proactive fire safety risk management approaches to drive the implementation and monitoring of the Fire Management Safety Strategy to improve and sustain TPT's fire safety compliance. • Establish robust and proactive safety risk management approaches to promote occurrence reduction and prevention through the identification of five (5) high-consequence activities/processes across all the operational sectors, standardise these SOP's and communicate nationally for implementation. • Implementation of an assurance programme to evaluate the effective implementation of BOI recommendations for safety related occurrence BOI's conducted in 2022/23 & 2023/24 to support rapid learning.

KEY RISKS AND MITIGATING ACTIVITIES CONTINUED

CLIMATE CHANGE RISK

Failure to adapt and mitigate climate change impact leading to operational disruptions, destruction of infrastructure and equipment, and loss of life.

Aspects	Key causes	How they impact operations	How we will address
Climate change leading to catastrophic weather events.	1. Changing weather patterns because of increased emissions. 2. Changing wind directions and intensity. 3. Change in global temperatures.	1. Flooding. 2. Increased wind events leading to prolonged operational disruptions. 3. Loss of revenue.	1. Weather Operating Procedure. 2. Weather warning system by South African Weather Service (SAWS). 3. Maintenance of storm water systems. 4. Maintenance of storm pins (STS Cranes). 5. Weather stations installed in all ports with live weather information.
Operational disruptions.	1. Increased weather events due to facilities not designed for flooding and wind events. 2. Damage to support operations (rail, road). 3. Non-compliance with SOPs for anchoring equipment during storms.	1. Equipment not designed for high wind events. 2. Operations not equipped for changing coastal conditions. 3. Maintenance not executed.	1. Weather Operating Procedure. 2. Weather warning system by SAWS. 3. Maintenance of storm water systems. 4. Maintenance of storm pins (STS Cranes). 5. Weather Stations installed in all ports with live weather information.
Destruction of infrastructure and equipment.	1. Storms not identified by weather services. 2. Flooding. 3. Power surges and or loss of power. 4. Lack of maintenance of storm water and storm infrastructure.	1. Flooding. 2. Increased wind events leading to prolonged operational disruptions. 3. Loss of revenue.	1. Weather Operating Procedure. 2. Weather warning system by (SAWS). 3. Maintenance of storm water systems. 4. Maintenance of storm pins (STS Cranes). 5. Weather stations.

TRANSNET PORT TERMINALS

OPPORTUNITIES

- **Integrated Service Offerings for Efficiency:** Strengthening integration across the transport value chain to optimise operations, reduce costs, and enhance overall efficiency in support of government's road to rail strategy.
- **Back-of-Port Development:** Expanding back-of-port facilities to foster regional integration and capture new markets for sustained growth.
- **Expansion into African Markets:** Leveraging existing strengths to support regional initiatives in African markets, including consulting services.
- **Partnerships with Original Equipment (Parts) Manufacturers:** Accelerate the conclusion and implementation of the OEM/OPM long-term partnerships for the acquisition of key operational equipment, life cycle management, improving lead times to acquire spares, technical support and local vendor development.
- **Public Sector Partnerships (PSP) Opportunities:** Exploring and capitalising on PSP opportunities to create mutually beneficial arrangements.
- **Networking:** Collaborating with government entities and the private sector to facilitate the attraction of new business opportunities, foster industry development, and align with broader economic goals.
- **Tariff Adjustments for Commodities:** Adjusting tariffs strategically to ensure fair pricing, generate revenue, and align with international norms, thus contributing to sustainable financial health.
- **Technology:** Utilisation of data analytics and business intelligence to improve operational processes, including the investigation of remote operations in terminals that are heavily impacted by inclement weather patterns.

ABBREVIATIONS

SOC	State-Owned Company
TVCC	Transnet Value Chain Coordination
SWH	Moves per Ship Working Hour
GCH	Moves per Gross Crane Hour
LTIFR	Lost Time Injury Frequency Rate
PSP	Private Sector Participation
RB DBT	Richards Bay Dry Bulk Terminal
CTCT	Cape Town Container Terminal
DCT	Durban Container Terminal
NCT	Ngqura Container Terminal
mtpa	Million tonnes per annum
OEE	Overall Equipment Efficiency
CSA	Control Self-Assessment
SHEQ	Safety, Health, Environment and Quality
OEM	Original Equipment Manufacturer
RTG	Rubber-Tyre Gantry (Crane)
RMG	Rail-Mounted Gantry (Crane)
OLE	Operator: Lifting equipment
OBHE	Operator: Bulk Handling Equipment
CC	Cargo Coordinator
B-BBEE	Broad-Based Black Economic Empowerment
BCM	Business Continuity Management
PIR	Post-Implementation Review

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