

TRANSNET



TRANSNET Insights

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MESSAGE FROM THE CBDO



The past two months have brought unprecedented change in our country's political landscape. We are living in a Government of National Unity (GNU) tasked by millions of South Africans to lead and make the best decisions for our economy and wellbeing. One constant in all the change we have seen in recent times, is the critical role that Transnet plays in keeping South Africa's economy functional.

We are a State-Owned Company that is fully in its own process of change, improvement and most importantly-recovery. In his Opening of Parliament Address on 18 July 2024, President Cyril Ramaphosa reminded us that

“

To drive inclusive growth, we need an efficient freight rail network to carry our minerals, agricultural produce and manufactured goods to market.

”

Our business as Transnet, is the nerve centre of the South African Economy, and we are well positioned to create the required capacity to restore our organisation's financial position and operational performance. Our organisation has to re-build its capital from high performance rather than from the fiscus, and there are various initiatives in the pipeline to make this our reality.

We are collaborating closely with our key stakeholders, such as our customers, through the National Logistics Crisis Committee (NLCC) and through our relationships with Business Chambers and Industry Bodies. While some of our operations have been negatively impacted by disruptions from the communities within which we operate, we are continuing to foster sustainable relationships with our stakeholders. Our goal is to co-exist with our stakeholders and operate efficiently while creating opportunities for businesses and communities as a State-Owned Company. In the same spirit as that of the newly formed Government of National Unity, our pursuit is to come together to not only grow our business, but to simultaneously grow the prospects of those who are directly impacted by our operations.

Our 18-month long Recovery Plan is halfway through its second phase, and there are several progressive changes that have taken place recently. We have appointed a Group Chief Operating Officer, logistics industry veteran Solly Letsoalo, who has returned to Transnet for a second time after a successful stint in the private sector. Furthermore, our Recovery objectives received an important financial boost with the African Development Bank Group having approved a R18.85 billion corporate loan to Transnet.

We have been receiving new equipment in operations, particularly at our Ports. Equipment & Infrastructure, Maintenance and Funding are some of the key focus areas of our Recovery Plan and seeing achievements in these areas speaks to the hard work and resilience of our leadership and our 50 000 strong workforce. Another recent milestone has been the health and wellness giant Clicks, through their Trust, committing to financially sponsor the Transnet-Phelophepa Healthcare trains.

For 30 years, the Transnet led health care project has reached millions of people across the country. It is one of our proudest initiatives, fulfilling our mandate to empower the communities we operate in. Being a State-Owned Company, we have a multipronged responsibility, comprising commercial viability and societal responsibility. That is why we also contribute to the maintenance and preservation of our rich South African Heritage through our Transport Museums and related community enriching activities. We intend to grow our visibility in this space, to inspire young people and educate them about the transport sector.

We have multiple projects in the pipeline to grow our business in South Africa and the rest of the African Continent. We are collaborating with the industry and the private sector in various ways, and we are determined to succeed. Our leadership is strong with recent executive appointments, and indeed, "there is no mountain we cannot climb and no peak we cannot reach."



TRANSNET UPDATE ON REFORM AND CAPACITY GROWTH INITIATIVES

Transnet is making considerable progress in implementing institutional reform measures in accordance with the Freight Logistics Roadmap and the Guarantee Framework Conditions issued to Transnet by National Treasury. These include the reform of the rail business, corporatisation of the Transnet National Ports Authority (TNPA), and disposal of non-core assets.



The rail reform process, which entails the vertical separation of Transnet Freight Rail (TFR) into a Rail Operating Company and an Infrastructure Manager, is on track. Since the publication of the draft railway Network Statement in March 2024, Transnet actively participated in a consultation process facilitated by the Interim Rail Economic Regulatory Capacity (IRERC). This was in preparation of the finalisation of the final Network Statement to open train slots for third party train operator access.

Following extensive consultations to align with key stakeholders, the Interim Infrastructure Manager has made its input to IRERC and Transnet looks forward to the publication of the final network statement and proposed tariff methodology to open slots for third party access by 30 September 2024.

The Rail Operating Company and Infrastructure Manager operating models and organisational designs will be finalised in the first quarter of 2025.

Transnet has also initiated the corporatisation of TNPA, which will culminate in the establishment of the National Ports Authority as a wholly owned subsidiary of Transnet. The National Ports Act mandates the incorporation of TNPA. The reform will enhance TNPA's regulatory oversight on terminal operators across its port network. The corporatisation will establish TNPA as a financially autonomous entity capable of generating its own revenue, attract increased investments to improve the efficiency and positioning of South African ports to enhance competitive maritime trade and create appropriate partnerships. It will also, through its independence, enhance terminal licence oversight and align with international standards and regulations governing port authorities and ensure compliance with South African maritime and port regulations.

Work is underway to complete the Memorandum of Incorporation and the Registration of the National Ports Authority.



In line with the Guarantee conditions, Transnet's plans to dispose of its non-core property portfolio are progressing well. The disposals will generate cash and reduce holding costs. The Transnet Board of Directors has approved a plan for the disposal of the non-core assets. Transnet will finalise the full list of non-core assets for disposal in the current financial year.

"These initiatives are a demonstration of Transnet's commitment to the structural reforms in response to the changes in policy and regulations. In some cases, these changes entail entry of third parties in the rail and port networks, which is a necessary step to stimulate competition and address long-standing challenges such as underinvestment," said Transnet Group Chief Executive, Michelle Phillips.

TNPA ADDS FIVE NEW TUGBOATS TO BOOST SHIPPING EFFICIENCIES AT SA'S BUSIEST PORT

Transnet National Ports Authority is accelerating the implementation of its R1 billion investment towards a reliable marine fleet, with the latest addition of five new tugboats aimed at improving shipping efficiencies at the Port of Durban.

During a christening ceremony held at the Port of Durban on Thursday, 16 August, TNPA officially launched and named the latest investment of five tugboats into the port's marine fleet. This forms part of TNPA's marine Fleet Renewal Programme, which prioritises the acquisition of marine assets to strengthen shipping operations at the ports. Investment in marine fleet is an important element of Transnet's efforts to revitalise South Africa's ports and support economic growth

This tugboat acquisition entails a total of seven tugs, with two allocated to the Port of East London and are scheduled to be unveiled at a launch, naming and christening ceremony in East London in September 2024. This brings TNPA's tugboat complement to

a total of 38 across its eight commercial seaports, with the Port of Durban boasting the highest number of 14 tugs. These assets are critical for delivering marine services and various port services such as pilotage, towage, firefighting, marine search and rescue as well as waterside pollution combat.

Delivering the keynote address at the christening ceremony at the Port of Durban, Transnet Board Chairperson, Andile Sangqu highlighted the significance of investing in marine assets: "The procurement of this fleet demonstrates Transnet's commitment to fully realising the Recovery Plan. We are now approaching 12 months of the 18-month cycle and can see improvement in the agility of executing strategic projects, which will enhance the organisation's competitiveness. Meeting the objectives of the Marine Fleet Renewal Programme coupled with a skilled workforce will catapult our responsiveness to meeting global shipping demands." The tugs will be integrated into commercial shipping operations this week at the Port of Durban.



TRANSNET RECEIVES R18.5 BILLION LOAN TO BOOST RECOVERY PLAN

The African Development Bank Group has approved a R18.85 billion corporate loan to Transnet for its recovery and growth plans.

The 25-year loan is fully guaranteed by the government of South Africa. It will facilitate the first phase of the company's R152.8 billion five-year capital investment plans to improve its existing capacity ahead of expansion for the priority segments throughout the transport value chain.

Transnet has faced operational challenges in the critical rail and port businesses resulting from underinvestment in infrastructure and equipment, theft and vandalism, and external shocks such as floods and the effects of the COVID19 pandemic.

The company is committed to addressing past challenges, fostering integrity, and enhancing efficiency within the organisation. It has made progress in some key areas including reforms in governance, procurement and financial management.

The recovery plan, launched in October 2023, seeks to rehabilitate the infrastructure and accelerate the relaunch of operations over 18 months, focusing on restoring operational performance and freight volumes to meet customer demands.

Transnet has been a client of the African Development Bank since 2010.

Michelle Phillips, Group Chief Executive of Transnet said: "We appreciate the support demonstrated by the African Development Bank, the loan extended by the bank will make a significant contribution to Transnet's capital investment plan to stabilise and improve the rail network and to contribute to the broader South African economy. The accompanying grant funding to the loan will also greatly assist Transnet with its energy efficiency efforts and with Infrastructure Project Preparation initiatives."



INDUSTRY APPLAUDS IMPROVEMENTS AT TRANSNET OPERATIONS AS THE RECOVERY PLAN ENTERS SECOND PHASE

The Transnet Recovery Plan, currently in its second phase, is yielding positive results with the business sector impressed by recent successes recorded at our operations.

Sasol has credited improved service delivery by Transnet Freight Rail (TFR), as a contributor towards its better year-end results. South Africa's largest iron-ore producer, Kumba, said it had started seeing a better performance by TFR in the second quarter of this year.

At a recent media briefing, Transnet National Ports Authority's Operations Manager for Richards Bay, Siphon Ntshangase, said the restoration and re-implementation of Grindrod's back-of-port conveyor belt has helped ore throughput at the port.

He said more improved throughput was anticipated towards the end of the year when two more conveyor belts are to commence with operations.

Through ongoing ramped-up volume capacity by TFR, in tandem with continuous port infrastructure progress, bulk-load exports through Richards Bay are projected to result in reduced ore-truck traffic on the N2 from Mpumalanga's coal basin to the port.



The Cape Town Port Terminal recorded an increase of 30% in its waterside productivity in the last six months. Oscar Borchards, the Managing Executive of the Western Cape region at Transnet, was quoted in media reports saying that the deployment of new equipment and the introduction of policy changes at the port had a significant positive effect on performance. Export forums, which represent key industry players, also reported performance improvements at the port over the last six months.

Terry Gale, the Chairperson of Exporters Western Cape, an industry body that represents the interests of exporters in the province, said working numbers at the Port of Cape Town are improving week-on-week and there was optimism in the industry that this would be maintained. Steel manufacturing giant, ArcelorMittal South Africa, has cited Transnet's improved service offerings as one of the reasons it has decided to keep its long steel manufacturing business division in Gauteng and KwaZulu-Natal operational.

TPT BULKS UP OPERATIONS WITH DELIVERY OF NEW MACHINES AT MULTIPLE TERMINALS

In line with one of the Equipment & Infrastructure focus areas of the Recovery Plan, Transnet Port Terminals (TPT) has taken delivery of critical equipment to improve reliability and efficiency.

The Cape Town Container Terminal (CTCT) received 15 new haulers to boost operational efficiency in the port. The latest delivery is part of a consignment of 47 new haulers that is planned to reach the terminal by the end of July and follows the arrival of 10 haulers in June. "The haulers are key in moving containers within the CTCT and will significantly boost operational recovery at the terminals, after operations were affected by the recent inclement weather," CTCT said in a statement. "Original Equipment Manufacturer (OEM), Shacman, is currently conducting a full inspection before the vehicle-mounted tools necessary for the CTCT environment are installed," CTCT said.

The CTCT is the fourth terminal at TPT to receive equipment in the last five months. The Ngqura Container Terminal (NCT) took delivery of 50 new haulers in July. The Richards Bay Terminals took delivery of 75 dumpers and 35 payloaders in March. The Durban Container Terminals took delivery of 35 haulers as well in the same month, while the CTCT took delivery of another 10 haulers in June.

The acquisition of the haulers at NCT will increase citrus loading rates as mid-season approaches, and will also provide relief to the technical team that oversees planned maintenance.

Since the beginning of the citrus season, NCT has maintained satisfactory performance as cited in a recent industry meeting where the Citrus Growers Association commended the terminal and depot set up, acclaiming it as the best in the country and worth positioning as a benchmark.

The investment marks an exciting new phase for TPT in the Eastern Cape Region, setting the stage for improved service delivery and sustained growth.



AFRICA CEO FORUM DISCUSSES TRANSNET'S CRITICAL ROLE IN ENHANCING ECONOMIC CONTINENTAL GROWTH



The Africa CEO Forum 2024 conference held in Kigali, Rwanda, provided a crucial platform for discussing Africa's future amidst geopolitical and economic shifts. Transnet, represented by three executives, including Michelle Phillips, Group Chief Executive Officer Yolisa Kani-Chief Business Development Officer and Nosipho Maphumulo, Group Chief Financial Officer, actively participated at the event, contributing to panel discussions, attending key meetings, and networking with industry leaders.

Phillips participated in a panel discussion on the topic centred on economic growth through major mining projects and Transnet's crucial role in the value chain and project bankability.

"Transnet is at an advanced stage of allowing private access to the network. Over the next few months, we anticipate the interim regulator will approve or set a tariff, enabling all stakeholders to understand the costs associated with accessing the network. This clarity will enhance the bankability of projects they wish to invest in or operate within South Africa.

Outside of implementing the turnaround strategy for Transnet, there are two things I am currently focused on:

- The day-to-day efficiency and tactical efforts to get the business into a profitable position, which is why I was appointed to turn the business around.
- The vertical separation of the network from the operations, so in the next few years, you will find Transnet becoming more of an operational company, rather than what we are doing now, which is trying to be everything to everyone."

The forum emphasised Africa's urgent need to claim its place at the global decision-making table rather than being subject to the whims of global powers. Key themes included the necessity for a new era of political and corporate leadership focused on improved governance and public policies, the importance of AI, technology, education, and infrastructure in African policymaking. Another theme was the critical need to actualize seamless intra-African trade following the Africa Continental Free Trade Agreement (AfCFTA).

TNPA APPOINTS GRINDROD SA AS PREFERRED BIDDER FOR PORT OF RICHARDS BAY CONTAINER HANDLING FACILITY

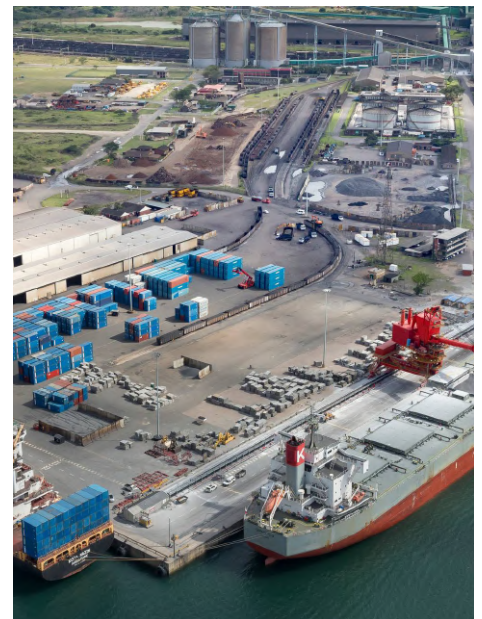
Transnet National Ports Authority (TNPA) has appointed Grindrod South Africa (Pty) Ltd (Grindrod SA) as the Preferred Bidder to develop and operate a container handling facility at the Port of Richards Bay, as part of plans to drive improved port efficiency and service levels. This development will enable an increase in the port's container handling capacity from 50 000 twenty-foot equivalent units (TEUs) to 200 000 TEUs per annum, in alignment with the TNPA KZN ports master plan.

This successful award responds to historical calls from industry for a container terminal in Richards Bay and follows the successful conclusion of a Section 56 concession process in terms of the National Ports Act, Act No. 12 of 2005, which began with the issuing of a Request for Information (RFI) and subsequently the Request for Proposals (RFP) to market.

With over 20 years of expertise in the container sector, Grindrod SA is ideally positioned to spearhead the development and operation of this facility, which is scheduled to become operational in 2027. The project entails an estimated capital investment of approximately R285 million, offering a substantial boost to the region's container industry.

The project is also poised to stimulate economic growth, create jobs, and foster skills development in Richards Bay. The partnership with Grindrod SA, a Level 1 B-BBEE South African registered company, underscores TNPA's commitment to transformation. To advance the transformation agenda, Grindrod SA intends to partner with Eyamakhosi Resources (Pty) Ltd, a local entity within the Umhlathuze Municipality, to ensure that the benefits of this project extend to the local community.

"This is a significant step forward in our efforts to enhance the Port of Richards Bay's infrastructure and capacity. We are confident that Grindrod South Africa's experience and commitment to the local partnership will drive the success of the facility, bringing considerable economic and logistical benefits to the region," said Adv Modjadji Phyllis Difeto, TNPA's Acting Chief Executive.



TRANSNET TRANSPORT MUSEUM RATED AS BEST PLACE TO VISIT IN GEORGE

The Transnet Transport Museum in George is fast becoming favourite amongst locals and holiday makers in the Garden Route. On the global travel app TripAdvisor where millions of travellers generate their own reviews, the museum, under its old name as the Outeniqua Museum, is currently rated as Number One in the 'places to visit in George' category.

"What a gem of a museum. Such a huge collection of Vintage cars, train engines and other fascinating vehicles. All the vehicles are maintained to top notch condition. Truly displays the South African transport heritage", said one of the reviews left on the website.

In June, the museum hosted the weeklong Food, Wine, and Beer Festival. This was the second event that Transnet, through Group Business Development, had collaborated on with George-based Ngcura Projects. The first collaboration between the two entities was the hugely successful Christmas Market that saw thousands of holidaymaker's flock to the museum that had been converted into a sight of festive delight. With these events, Transnet leases out its space to the tenant while also receiving new visitors to the museum, which is a heritage home to an impressive collection of exhibits spanning across various modes of transportation, from ox-wagons to classic automotive vehicles, and vintage steam locomotives.

Located on the world-famous tourist destination, the Garden Route, the festival was abuzz with local guests as well as passport carriers, who enjoyed a cold beverage and great local food while also learning about South Africa's rich transportation history. The experience offered visitors a journey through time, displaying the evolution of various transportation modes.



Image by Katherine Heigan

Top Attractions in George

Map

See all

These rankings are informed by Tripadvisor data—we consider traveller reviews, ratings, number of page views, and user location.



1. Outeniqua Transport Museum

484

Speciality Museums

◆ Transport museum showcasing a collection of classic European cars and steam locomotives in a historic engine shed. Ideal for family outings and railway aficionados. ⓘ

The festival focused on local agricultural products and various small and medium businesses, presenting over 100 local wineries, craft gin and beer breweries, crafters, and local food vendors from the Garden Route, and broader Western Cape Province.

The Transnet Transport Museum – George is one of two museums that are owned and operated by Transnet. As part of Transnet’s plans to revitalise its museums, Group Business Development is constantly exploring innovative ways to engage with audiences, diversify revenue streams, and explore various public – private partnerships.

Thabo Seshoka, Senior Manager: Heritage Assets and Preservation said he was pleased with the turnout at the festival. “Our objective is to display the versatility of our museums and inspire the next generation to take interest in the arts, heritage as well as engineering. At our Heritage Museums, these elements come together in a distinct way.”

“Furthermore, we are positioning our museums’ unique features as event venues for hire. This festival is the second to be held at the George Museum, after the successful Christmas Market. We look forward to growing our visitor footprint and to undertake more events such as these ones.”



Image by Katherine Heigan

YOUNG ENGINEERS DEVELOP GROUNDBREAKING OPERATIONS MACHINE

Four Transnet young engineers have displayed immense skill and innovation with their collaboration on a project that has improved operations at one of our major terminals. Lindelihle Cebekhulu, Pr Eng (TFR), Sibusiso Nkosi (TE), Mthokozisi Cele (Pr. Eng, PEM) (TE), and Nikheil Singh (TFR) have successfully completed the Advanced Compressor Brake Wagon (ACBW) project, which has improved turnaround times for offloading tons of product at the Port of Saldanha.

The ACBW is a complex machine developed to improve the iron-ore offloading process.

Tracy-Leigh Ayton, Transnet Freight Rail Saldanha Area Operations Manager thanked the young engineers for bringing together the Operating Divisions and for executing the project with great success.

“*The biggest benefit for us is the charging capacity of the brake wagon. For the first time, we can confidently say that no off-loading is delayed. Should there be a pressure drop, this brake wagon can charge all on its own without sending another locomotive to assist, meaning delaying another tippler’s off-loading.*”



Louis Du Toit, Iron Ore Transnet Port Terminals Manager, heaped praise on the Engineers who are the brains behind the machine that has brought positive changes to the terminal.

“We see the benefits of this machine at our terminal. Congratulations to the young engineers for the great work that you have done on this project. It is extra special because it was developed by Transnet employees for Transnet. This project is also a good example of the integration of the three Operating Divisions (Transnet Port Terminals, Transnet Freight Rail and Transnet Engineering) on this iron ore corridor. On this corridor, no one corridor can work in isolation, we all depend on each other,” Louis added.



CLICKS HELPING HAND TRUST JOINS TRANSNET PHELOPHEPA HEALTHCARE TRAINS IN THREE-YEAR PARTNERSHIP



The Clicks Helping Hand Trust has come on board as a new partner of the Transnet Phelophepa Healthcare trains. In June, Transnet and the Trust officially signed a three-year partnership, to provide basic healthcare to communities across South Africa. The signing ceremony was held at the Transnet Phelophepa II in Upington, where it was stationed to provide services to local communities.

Representatives of local stakeholders such as the Departments of Health and Education were all smiles alongside former Transnet CEO, Bertina Engelbrecht. The Clicks Helping Hand Trust committed to funding the Transnet Phelophepa train project with R2 million each year for three years, an agreement that came into effect on 1 April 2024.

Transnet took Engelbrecht and other officials from Clicks on a tour of the Transnet Phelophepa II train and showed the extensive work that the world-class healthcare train has been doing in serving impoverished communities for thirty years. "We do not have all the resources, but with this train, we can help many more people in our communities. It is my personal commitment to grow this partnership, and that each clinic on this train must have a sponsor," added Engelbrecht. Shamona Kandia, Head of Health at the Transnet Foundation, thanked Clicks for their partnership and announced that they have also joined forces in rolling out an Adolescent Health Programme in several provinces.

We would love to hear your thoughts on our Customer Newsletter. For feedback or any business-related queries, please find our contact details below:

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