TRANSNET

port terminals

REINVENT
FOR GROWTH

TRANSNET PORT TERMINALS **2023**

REINVENT FOR GROWTH

CONTENTS

HIGHLIGHTS

Revenue increased 15,8% to R16,8 billion.

EBITDA increase 40,4% to R5,9 billion.

Automotive and break bulk volumes increased by 20,9%.

The Durban Car Terminal, Port Elizabeth Multi-Purpose Terminal, Durban Maydon Wharf, Richards Bay Multi-Purpose Terminal, and the Durban Container Terminal's Pier 1 handled the highest volumes on record for a financial year.

BUSINESS OVERVIEW

Transnet Port Terminals (Port Terminals) occupies a key position in the South African economy by ensuring the smooth flow of imports, exports, and trans-shipments through its proficient cargo terminal operations. As a linchpin in the management of these vital trading hubs, Port Terminals guarantees year-round connectivity of the South African economy with its crucial trading partners in the region and across the globe. Embracing a spirit of reinvention, Port Terminals continually aims to enhance the reliability and efficacy of its operations through holistic business innovation, driving down business costs.

Port Terminals extends cargo handling services to a diverse range of customers encompassing shipping lines, freight forwarders, and cargo owners. Our operations span four principal business segments, namely containers, dry bulk, break bulk, and automotive. The Division oversees 16 terminals with 68 berths spread across seven ports dotting the South African coastline.

CONTAINERS

Port Terminals runs container terminals in the ports of Durban, Ngqura, Port Elizabeth, and Cape Town, with a total annual capacity of 5.7 million twenty-foot equivalent units (TEUs). The Durban and Cape Town container terminals are nearing capacity, however, innovative strategies are in the pipeline to expand capacity in these ports.

DRY BULK

Our operations in the dry bulk sector are distinguished by handling dry bulk commodities through an intricate network of conveyor belts, tipplers, stackers, reclaimers, and ship loading and unloading equipment. Port Terminals manages mineral bulk commodities at the ports of Richards Bay, Port Elizabeth and Saldanha, and agricultural bulk commodities at the ports of Durban and East London.

BREAKBULK

Handling a variety of commodities such as steel, timber, granite, abnormal and project cargo through break bulk operations, Port Terminals is a dominant force in multi-purpose terminals in all seven ports. Occasionally, traditional bulk cargo is managed at break bulk facilities using a skip operation.

AUTOMOTIVE

We operate automotive terminals at the ports of Durban, East London, and Port Elizabeth, dealing with a range of vehicles that are driven on and off the vessel.

In line with our ethos of reinvention, Port Terminals' strategy is to evolve into a world-class terminal operator interfacing with rail and other logistics supply chains. A culture of high performance is instrumental in this transition, enabling Port Terminals to achieve:

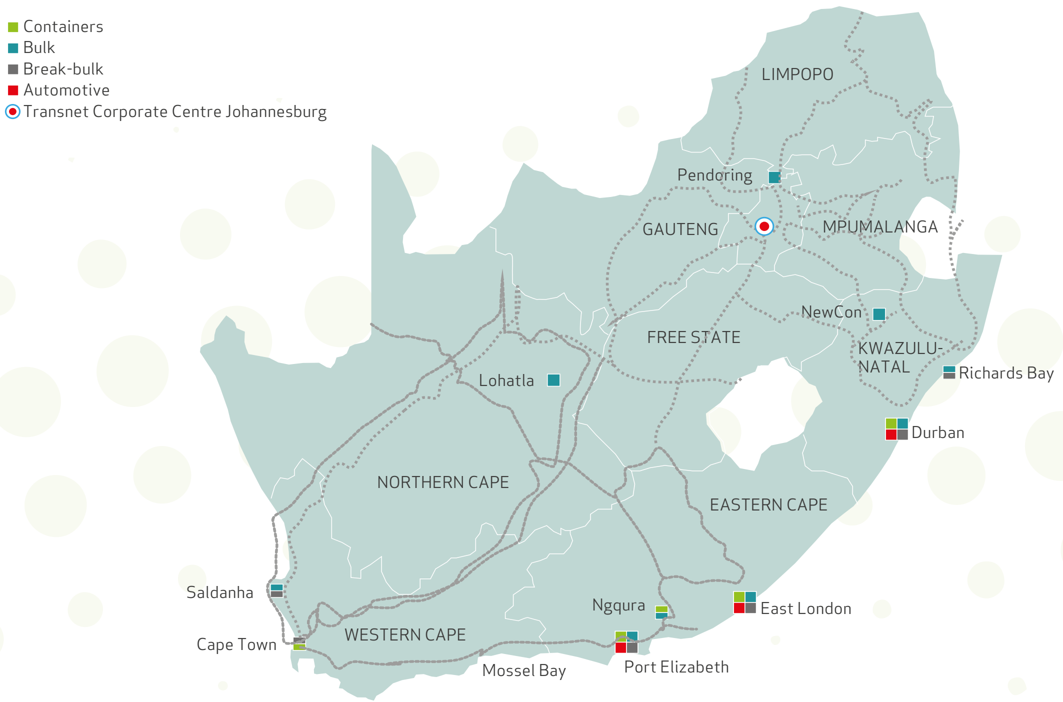
- Financial sustainability and growth;
- Operational excellence buttressed by predictable, reliable, and efficient terminal-handling services;
- An integrated, sustainable, and customer-focused port ecosystem; and
- Proactive ecosystem-wide planning to attain operational excellence.

Port Terminals' vision is to amplify shareholder value through:

- Boosting efficiency, cost-effectiveness, and viability of current port operations;
- Utilising a portfolio of world-class infrastructure assets;
- Consolidating global supply chains;
- Expanding the revenue base through global strategic partnerships to capitalise on new business opportunities;
- Generating sustainable economic growth; and
- Encouraging regional integration.

WHERE WE OPERATE

Figure 1: Port Terminals' geographic locations



REGULATORY ENVIRONMENT

The National Ports Act, No. 12 of 2005 (Ports Act) is the enabling legislation for Transnet Port Terminals and promulgates the parameters within which terminals operate in South Africa. With 21 Terminal Operator licences across South Africa, Port Terminals has developed a Compliance Risk Management Plan, as well as a Critical Control Framework and Control Self Assessments (CSAs) for the Ports Act. The CSAs are rolled out across the business biannually and ensure compliance with the Ports Act and Terminal Operator licences. Port Terminals submits annual reports on operations, performance, finance, SHEQ, and competition to Transnet National Ports Authority, which then conducts mandatory annual audits on all the terminals to ensure continuous compliance and improvement.

OPERATIONAL PERFORMANCE

The 2022/23 financial year was positive for Port Terminals as the Division demonstrated a strong improvement from the prior year. Revenue increased by 15,8% while EBITDA increased by 40,4%, largely driven by strong volume performance in the automotive and breakbulk sectors. Automotive volumes increased by 20,9% to 869 368 units due to the easing of Covid restrictions, Original Equipment Manufacturer (OEM) ramp up on order backlogs, increased rentals in the tourism sector and an improved supply of parts and return to full production by manufacturers. Breakbulk volumes increased by 20,9% to 29,2 million tons due to favourable market conditions such as a coal export boom due to the Russia/Ukraine conflict and the migration of volumes from Richards Bay Dry Bulk Terminal. Bulk volumes decreased by 1,5% to 71,6 mt mainly due to reduced rail supply, load shedding and industrial action in October 2022. Container volumes decreased by 2,4% to 4 033 559 TEUS due to April flooding in KZN, resultant unavailability of rail connectivity, slower economic activity, and the resurgence of Covid in China.

Despite the upbeat financial and volume performance, Port Terminals faced several significant challenges during the year, including the floods in KwaZulu-Natal in April 2022 and labour unrest in October 2022. Operational efficiency performance in container terminals were below expectation due to ageing infrastructure and equipment and the adverse impact of climate change, resulting in weather delays. On a positive note, the Ngqura and Port Elizabeth container terminals achieved more than 80% of contractual productivity targets with customers. Furthermore, the Durban Container terminals reflected a positive trend in the final quarter of 2022/23. This is the product of operational efficiency interventions that emanate from root cause analysis and the improvement of business processes. Bulk loading rates for iron ore and magnetite is above target for the year and automotive units loaded/discharged per hour also have a positive variance against target.

CORE INITIATIVES

- Increase revenue by 16% in the 2023 financial year.
- Focus on operational efficiency and unlocking new business initiatives while cultivating a high-performance culture across the Division.
- Volume targets for the 2023 financial year were as follows:
  - Containers: 4,2 million TEUs;
  - Bulk cargo: 82,5 million tons;
  - Break bulk cargo: 23,5 million tons; and
  - Automotive units: 737 476 units.
- Increase the volume (moves/tons/units) per ship working hour (SWH) to turn vessels around faster and attract shipping lines to South Africa's ports.
- Implement the turnaround strategy to improve the reliability of the current fleet of equipment across all terminals by replacing equipment that had passed its useful life, recruiting additional gangs, filling existing vacancies, and addressing employee concerns to improve staff morale.
- Implementation and embedding of employee incentive scheme to address employee morale and impact operational efficiencies positively.
- Improving the reliability and availability of equipment through the implementation of a preventative maintenance strategy and refurbishment programm

• OVERVIEW OF KEY PERFORMANCE INDICATORS

Port Terminals is committed to achieving against key strategic objectives. As such, various KPIs are implemented, and performance is measured against these. Below is an overview of the achievement against KPIs for the reporting period.

TRANSNET PORT TERMINALS

Key performance area and indicator	Unit of measure	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Target	2023 Actual	2024 Target
Financial Sustainability										
Revenue	R million	11 150	12 393	13 086	13 809	13 094	14 536	**15 711**	**16 826**	17 850
EBITDA	R million	3 794	4 172	4 541	4 788	3 651	4 208	**4 330**	**5 907**	5 750
Operating Profit Margin	%	20.7	19.9	23.9	24.1	14.7	18.0	**15.9**	**24.6**	22.0
Return on invested capital	%	n/a	12.1	12.2	18.0	8.7	9.7	**11.8**	**21.9**	36.4
Revenue per employee	R million	1.6	1.7	1.8	1.7	1.6	1.9	**1.9**	**1.9**	1.8
Capacity creation and maintenance										
Capital expenditure [(a)]	R million	1 208	1 365	1 515	2 109	2 108	1 518	**2 273**	**1 001**	2 412
Operational performance										
Volume growth										
Containers	000 TEUs	4 396	4 664	4 534	4 424	3 959	4 131	**4 218**	**4 034**	4 229
Bulk	million tons	88.1	91.0	82.4	79.1	74.3	72.7	**82.5**	**71.6**	81.4
Break bulk	million tons	10.0	11.2	19.8	21.0	20.1	24.2	**23.5**	**29.2**	25.9
Vehicles	units	679 792	704 052	743 350	791 647	485 375	719 114	**737 476**	**869 368**	826 033
Operational efficiency and productivity										
Container dwell time										1.20894
DCT - Pier 1										
– Imports	days	2.7	3.1	2.9	3.2	3.0	3.0	**3**	**3**	3
– Exports	days	4.7	5.3	5.0	5.5	5.0	5.4	**5**	**5**	5
– Transshipment	days	5.4	6.6	5.6	6.2	6.5	5.9	**10**	**7**	10
DCT Pier 2										
– Imports	days	2.2	2.5	2.3	2.9	2.4	2.9	**3**	**3**	3
– Exports	days	5.5	6.1	5.9	6.0	6.8	6.4	**5**	**7**	5
– Trans-shipment	days	5.9	7.8	6.7	7.4	8.1	8.1	**10**	**8**	10
CTCT										
– Imports	days	2.2	2.7	2.3	2.7	2.6	2.6	**3**	**2**	3
– Exports	days	4.3	5.8	5.1	6.1	7.0	6.8	**5**	**8**	6
– Trans-shipment	days	7.2	7.2	7.0	7.0	8.4	8.6	**15**	**9**	15
Moves per gross crane hour										
DCT Pier 1	moves per hour	26	25	24	24	20	19	**25**	**18**	22
DCT Pier 2 (Prime Berths[(b)])	moves per hour	24	23	21	18	18	18	**26**	**18**	22
CTCT	moves per hour	32	30	22	17	17	17	**24**	**14**	19
PE	moves per hour	25	23	21	21	18	17	**22**	**19**	32
NCT	moves per hour	31	25	21	18	18	17	**25**	**18**	45
Container moves per ship working hour										
DCT Pier 1	moves per hour	45	46	47	41	38	38	**48**	**39**	45
DCT Pier 2 (Prime Berths[(b)])	moves per hour	55	53	54	46	49	46	**60**	**43**	55
CTCT	moves per hour	53	45	45	38	36	34	**50**	**31**	40
PE	moves per hour	45	37	33	24	26	23	**35**	**25**	32
NCT	moves per hour	63	50	46	37	35	37	**50**	**42**	45

Key performance area and indicator	Unit of measure	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Target	2023 Actual	2024 Target
Train Turnaround time [c]										
DCT - Pier 1	hours	2.9	2.4	2.3	2.7	2.7	2.9	**4.0**	**2.8**	4.0
DCT - Pier 2	hours	3.5	2.2	2.0	2.3	1.8	2.4	**4.0**	**2.6**	4.0
CTCT	hours	1.0	1.1	1.3	2.6	2.4	3.1	**4.0**	**3.2**	4.0
NCT	hours	3.8	3.9	3.8	5.9	5.3	3.7	**4.0**	**3.1**	4.0
Saldanha [d]	minutes	112	105	109	110	111	115	**111**	**117**	111
Richards Bay	hours	8.4	8.4	9.1	8.5	9.0	11.7	**11.0**	**11.3**	11.0
Port Elizabeth	hours	9.8	7.9	7.5	7.6	8.3	9.2	**12.0**	**10.2**	12.0
Truck turnaround time										
DCT - Pier 1	minutes	37	35	41	49	69	74	**40**	**76**	40
DCT - Pier 2 [e]	minutes	79	72	70	102	78	88	**65**	**77**	65
CTCT	minutes	21	36	35	52	45	44	**40**	**43**	40
NCT	minutes	32	36	36	41	45	38	**35**	**35**	35
Richards Bay MPT	minutes	25	22	27	34	36	44	**35**	**47**	35
Loading rate										
Saldanha Iron Ore Terminal	tons per hour	8 564	8 576	8 657	8 277	8 001	8 214	**8 100**	**8 264**	8 100
RB DBT - Loading - Magnetite	tons per hour	n/a	n/a	1 237	1 081	1 241	938	**1 100**	**1 194**	1 200
RB DBT - Loading - Chrome	tons per hour	n/a	n/a	893	866	845	618	**900**	**766**	900
RB DBT - Loading - Coal	tons per hour	n/a	n/a	691	703	718	563	**700**	**686**	750
RB DBT - Offloading - Coking Coal	tons per hour	n/a	n/a	533	630	561	374	**650**	**275**	350
Sustainable developmental outcomes										
Employment										
Employee headcount (permanent)	number	8 891	8 816	7 426	8 115	8 332	7 602	**8 285**	**7 687**	9 783
Health and Safety										
DIFR	number	0.71	0.67	0.52	0.54	0.48	0.70	**0.70**	**0.70**	0.70

(a) Capital expenditure excludes capitalised borrowing costs.
(b) Prime berths for 2021/22 are berths 108, 203 and 204
(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

Below, the financial performance review, including both 2021/22FY and 2022/23FY, of the Division is shown. Alongside this, the percentage difference between the years is indicated.

Salient features		Year ended 31 March 2023 R million	Year ended 31 March 2022 R million	% change
Revenue		**16 826**	**14 536**	**16%**
– Containers		7 957	7 306	**9%**
– Dry bulk		4 380	3 743	**17%**
– Break-bulk		3 089	2 507	**23%**
– Automotive		1 400	979	**43%**
– Other		-	-	
Operating expenses		**10 919**	**10 328**	**5.7%**
– Energy costs		995	855	**16.4%**
– Maintenance		521	445	**17.2%**
– Materials		697	608	**14.8%**
– Personnel costs		5 329	5 598	**(4.8%)**
– Other		3 377	2 823	**19.6%**
Profit from operations before depreciation, derecognition, amortisation , short term incentives (STI) and items listed below (EBITDA)		**5 907**	**4 208**	**40.4%**
Depreciation, derecognition and amortisation		1 763	1 597	**10%**
Profit from operations before items listed below		**4 144**	**2 611**	**59%**
Impairments and fair value adjustments		660	246	**169%**
Net finance costs		(597)	(277)	**115%**
Profit before taxation		**4 080**	**2 643**	**54%**
Total assets (excluding CWIP)	R million	15 975	15 057	**6%**
Profitability measures				
EBITDA margin *	%	35.1	28.9	
Operating margin **	%	24.6	18.0	
Return on average total assets (excluding CWIP)***	%	18%	11%	
Asset turnover (excluding CWIP)****	times	1,1	0,1	
Capital investments ^	R million			
Employees				
Number of employees (permanent)	number	7 687	7 602	
Revenue per employee	R million	2.19	1.91	

* *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 (CWIP).*

**** *Revenue divided by average total assets, excluding CWIP.*

^ *Actual capital expenditure (replacement plus expansion), excluding borrowing costs and including capitlalised decommissioning liabilities*

PERFORMANCE COMMENTARY

Financial sustainability

During the year under review, Port Terminals noted a significant increase in revenue, up by 16% to R16,8 billion (2022: 14,5 billion). The positive revenue performance was largely driven by robust volume in the break bulk and automotive sectors. However, net operating expenses saw an uptick by 5,7% to R10,9 billion (2022: R10,3 billion), largely driven by higher fuel costs, increased repairs and maintenance costs in keeping with equipment age, and other overheads. Despite this, savings were achieved in personnel costs, including salaries and wages, thanks to higher staff turnover. The balance of the reduction in labour costs relates to Voluntary Severance Package (VSP) payments made in the 2022 financial year. This led to an increase of 40,4% in Port Terminals' EBITDA, reaching R5,9 billion (2022: R4,2 billion).

Return on invested capital is above budget as a result of a 47% growth in earnings for the period.

Looking ahead

For the 2023/24FY, Port Terminals has budgeted a 6,1% increase in revenue, projecting a figure of R17,9 billion. The budgeted EBITDA for the year is R5,8 billion. The upcoming year will see a concentrated effort on growing revenue streams through new business and cost optimisation initiatives to enhance terminals' bottom line. A key area of focus will be improving operational efficiencies and unlocking capacity to bolster volume throughput. These growth opportunities will be underpinned by fostering and maintaining a high-performance culture across the Division.

Capacity creation and maintenance

Investing in its future, Port Terminals allocated R1 billion in capital expenditure in the 2022/23FY.

Hereafter, updates to some of the key projects supported by the funding are explored.

The single most significant expenditure was for R355 million, dedicated to COPEX and capital spares, to ensure the appropriate maintenance, safety, and reliability of TPT's operational equipment. This was followed by an investment of R 251 million to further execute the Saldanha Iron Ore Terminal's Tippler 3 and related infrastructure project, aimed at maintaining sustained tippler capacity while existing tipplers undergo extensive refurbishment.

Conveyor belt replacements at SLD IOT and RCB DBT saw expenditure of approximately R88 million for the year. The acquisition of 45 replacement trailers at Cape Town Container Terminal, manufactured by Transnet Engineering, was concluded. The acquisition seeks to ensure sustained capacity and improved operational efficiency. This contributed to approximately R 60 million of the expenditure.

In response to the RCB fires in October 2021, the refurbishment of the old wagon load-out station was completed during 2022/23FY, costing about R43 million. TPT continued with the refurbishment of ship-to-shore cranes at DCT Pier 2 to bolster equipment reliability and sustain capacity. There was also continued investment in stacker reclaimers 1, 3, and 4 for the Saldanha Iron Ore Terminal's plant refurbishment programme. A significant development was the near completion of a multi-purpose shiploader acquisition at Richards Bay Berth 804. This will improve terminal efficiency, with the final completion having been delayed by COVID-19 restrictions, limiting OEM travel from China.

Port Terminal's efforts to improve safety and efficiency extended to the upgrade of rail infrastructure at Cape Town's container and multi-purpose terminals. During this period, TPT Head Office relocated to the Transnet-owned TP Building at Anton Lembede Street in Durban. This followed CAPEX-funded renovations to the building amounting to R 21 million during 2022/23FY.

Smaller expenditures were incurred on the renewal and upgrade of terminal operating systems, related hardware, IT equipment, and other IT costs (notably the introduction of the SAP HANA system). However, a planned capital expenditure of approximately R1,2 billion (of approximately R2,2 billion) was not realised. This was a result of various factors, including non-awards, legal objections to procurement processes, contractual disputes, project deferments, and savings on completed projects.

Looking ahead

In the immediate future, we have an array of projects slated to sustain and enhance capacity. These include the restoration of the Richards Bay Coal, Coking Coal and Sulphur conveyor routes which are set to be completed by April 2024. Additionally, we have plans to refurbish stacker reclaimer 3 at the Saldanha Iron Ore Terminal, complete various environmental upgrade projects at the same location to comply with Air Emissions Licence conditions, and procure replacement rubber-tyre gantry cranes for Pier 1 at DCT.

Port Terminal aims to finalise the feasibility study of the phase 2B project at the Cape Town Container Terminal (CTCT), which will expand the terminal's capacity from 1,0 million TEUs to 1,4 million TEUs and promote a modal shift of containers from road to rail, thus enhancing the rail market share.

Procurement of a replacement ship-to-shore crane for the Port Elizabeth Container Terminal (PECT) is also planned for the short to medium term. Additionally, TPT will seek to acquire replacement equipment for CTCT and for Pier 1 and Pier 2 at DCT, and the design and execution of the semi-automation projects at DCT Pier 1 and CTCT.

Security remains a crucial item on TPT's radar, with upgrades and CCTV installation at the container and multi-purpose terminals in Cape Town. Looking to cybersecurity, TPT aims to execute various IT projects and upgrade its terminal operating systems. This will serve to fill two needs in this area, the need for increased cyber security and the need to keep operating systems updated in an ever-evolving technological landscape.

Operational performance

In terms of operational performance, the auto and breakbulk sectors showed considerable improvement. The rise in the auto sector is a result of the upsurge in demand post COVID-19, while breakbulk benefited from an upsurge in coal volumes handled through Richards Bay Multi-Purpose Terminal (MPT). Also attributing to this is the increased manganese volumes through PE MPT. On the other hand, container volumes decreased by 2,4% year on year. This is a result of supply and demand constraints in the shipping line sector, weather delays, equipment issues, and impacts of industrial action. Similarly, bulk volumes dropped by 1,5%, primarily due to equipment breakdowns, adverse weather conditions, and rail supply issues.

Break bulk Performance: Break bulk volumes did exceptionally well, exceeding the budget by 24,5%, with a 21% increase from the previous year. The Richards Bay MPT was particularly successful, achieving 70,1% above budget due to increased demand for coal exports.

Automotive Performance: A total of 869,368 automotive units were handled in 2022-23, exceeding budget by 18%, with a 21% increase from the previous year. Durban and PE Car Terminals exceeded budget by 25,3% and 15,5% respectively due to improved production and supply of parts, an increase in car rental demand due to the opening up of the tourism industry, OEMs ramping up production to clear backlogs post-Covid-19 restrictions, and the return to three shifts by VW.

OPERATIONAL PERFORMANCE CONTINUED

Containers

While an ambitious budget was set for the 2022/23FY, container volumes ultimately lagged behind by 4,4%, exhibiting a marginal 2,4% dip compared to the previous year. Both import and export volumes struggled, falling short of the target by 6,7% and 3,1% respectively. Even transhipments were modestly off target, with a minor shortfall of 0,6%.

A confluence of disruptive factors informed this performance. The imbalance of supply and demand in the shipping line sector gave rise to a spate of shipping line omissions and cancellations. Adding to the complexity, we grappled with persistent cable theft which, in turn, wreaked havoc on our rail supply. Furthermore, the deteriorating weather conditions across the South African coastline presented yet another obstacle.

In April and May 2022, a heavy downpour took a toll on our infrastructure, washing away a section of Bayhead Road in Durban. Although partially opened for truck activity, this translated into a restricted movement of containers in and out of the terminal. Industrial action in October 2022, brought operations to a standstill, further impinging on volume performance. Issues of equipment availability and reliability also strained operational efficiencies, rendering the optimal deployment of equipment a formidable challenge.

Despite the hurdles, however, there were notable achievements. Pier 1 at DCT demonstrated resilience, surpassing its budget by 0,7% owing to the successful implementation of an industrial action recovery plan and vessel diversions from Pier 2. In contrast, Pier 2 bore the brunt of extreme weather in April and May 2022, experiencing equipment breakdowns and industrial action. Pier 2 fell 7,3% short of its budget.

At PECT, an impressive 33% budget excess was recorded. This is largely attributable to an upswing in reefer volumes from shipping lines. Unfortunately, this uptick was not mirrored at NCT, which ended the year 5,4% under budget as a result of the industrial action and inclement weather. CTCT also faltered, underperforming on its budget by 7,8%. This was chiefly a result of vessel omissions, industrial action, diversions to CTMPT, and delays resultant from inclement weather conditions.

Similarly, DBN MPT, and CT MPT wrestled with several challenges. DBN MPT fell 6,4% short of its budget, grappling with equipment challenges, adverse weather, reliability issues with the mobile harbour cranes, and industrial action. Meanwhile, CT MPT lagged 7,6% behind its budget due to a decrease in vessel calls and industrial action.

In the face of adversity, TPT's resolve has been tested and its resilience bolstered. This year has been one of learning, adaptation, and reinvention. Port Terminal remains committed to navigating the winds of change and setting its sails towards a promising future.

Bulk

While an array of unforeseen challenges were encountered during the reporting period, TPT has continued to look forward and to seek innovative, sustainable solutions.

The overall bulk volumes faced a significant shortfall, ending the year 13,2% below the ambitious 2022/23 budget. There was a slight retreat from last year, with volumes declining by a mere 1,5%.

Iron Ore operations, in particular, navigated a turbulent year, concluding 15,4% below budget. This was a direct result of a barrage of interruptions, from weather-induced delays, including high winds and swells, to breakdowns of plant and equipment. Rail reliability proved another stumbling block, as did disruptive industrial action.

The narrative was somewhat similar for manganese operations at the Port Elizabeth Bulk Ore Terminal, which ended the year 30,8% short of the budget. Here, the challenges were primarily rail-related, with cable theft and derailments hindering supply. The effects of industrial action strike were keenly felt, as was the migration of skiptainer vessels to NCT due to larger vessel parcels.

The magnetite and chrome volumes also faced a tough year, falling below budget by a substantial 38% and 29%, respectively. The fallout from fire damage on import routes exerted a significant impact, as did berthing congestion and weather delays. Wet magnetite and a derailment impacting the inbound line added to the list of obstacles faced.

Nevertheless, amid these difficulties, the Durban Agriport Terminal emerged as a beacon of success. It rode on a wave of high demand for local grains and, driven by a favourable export programme, exceeded its budget by an impressive 35,4%.

Looking back, the challenges of the past year can be viewed as invaluable learning experiences and opportunities for growth. Aligning with the overall reinvention of the Transnet Group, TPT understands that the journey will not just be about adaptation; it includes the willingness to turn adversity into advantage.

Break bulk

The break bulk volumes have demonstrated a remarkable performance. Bucking the broader trend, they exceeded budget projections by a considerable 24,5%. This represents a healthy increase of 21% from the previous year, a noteworthy achievement in the face of prevailing challenges.

The Richards Bay MPT has emerged as an exceptional performer in this respect, towering above budget expectations by an astonishing 70,1%. This significant surge was primarily due to an increased demand for coal exports, propelled by favourable commodity prices. Another key contributing factor was the migration of volumes from the bulk terminal, a strategy adopted in the wake of fire incidents.

On the other hand, Cape Town MPT faced a challenging year, falling 53,9% below budget. The major hurdles being a slow rail supply for manganese and dampened steel demand. Similarly, Saldanha MPT found itself 11,1% below budget. This was primarily due to sluggish rail supply of manganese and the impact of industrial action.

However, the narrative of success was carried forward by the Port Elizabeth MPT (PEMPT), which exceeded budget expectations by an impressive 38%. This achievement was chiefly attributed to the migration of skiptainer volume from PECT.

Automotive

During the 2022/23FY, the automotive sector underwent a significant transformation, handling a total of 869 368 units. This is an achievement that surpassed the budget by 18%, marking a noteworthy increase of 21% from the previous year.

The changes in the sector have been diverse. Imports surged by a substantial 38,2%, while exports experienced a marginal decrease of 3,3%. The area that saw the most dramatic transformation was trans-shipments, which soared by an impressive 42%.

The Durban and PE Car Terminals were central to this transformation, exceeding their budgets by 25,3% and 15,5% respectively. This successful performance can be attributed to a variety of factors, including the easing of COVID-19 lockdowns in China early in the year. This resulted in improved production and a more reliable supply of parts, which in turn enabled us to meet our handling targets more effectively.

The reopening of the tourism industry created a surge in car rental demand, which had a positive ripple effect on our operations. OEMs dramatically ramped up production to clear backlogs that had accumulated due to COVID-19 restrictions, leading to an increase in volumes for handling.VW's return to operating three shifts resulted in higher volumes of units, contributing to the strong performance for the year.

Despite these successes, the East London terminal fell short of the year-to-date budget by 15,5%. The primary reasons were the three-week shutdown at the locally based OEM Plant in August 2022, and a reduction in volumes by 600 per month due to the ongoing conflict between Russia and Ukraine.

Looking ahead

Volume targets for the 2023/24FY:

- Containers: 4,2m TEUS
- Bulk: 81,4m Tons
- Break Bulk: 25,9m Tons
- Automotive: 826 033 units

Container sector outlook

As the ripples of the global shipping crisis of 2020 to 2022 begin to recede, 2023 promises to be a year of rebalancing in the sector. Potential risks loom with an overabundance of vessels which may outweigh the demands of cargo owners. This could lead to a drop in freight rates, in turn bringing possible missed voyages as shipping lines strive to restore equilibrium. Further impacting the shipping lines are the International Maritime Organisation's (IMO) regulations advocating reduced fuel use, sparking a potential push towards scrapping older vessels and enforcing an efficient service to circumvent terminal delays. Nonetheless, container supply issues have been largely addressed, bringing a newfound stability to the market.

Terminal operations, notably in Asia, have stabilised following the impacts of stringent COVID-19 control measures. Yet the shadow of a potential global economic slowdown lingers, with significant growth predicted only for the Middle East and Far East. In response, Transnet is poised to foster new line services to enhance connectivity with these burgeoning markets. Our focus will steadfastly remain on elevating productivity and operational efficiencies, fortifying customer services, enriching strategic customer value propositions to attract volume, and ensuring gateway volumes and shipping lines receive unparalleled support for them to remain competitive.

Terminals have also stabilised, especially in Asia which was previously impacted by rigorous control over continued COVID-19 lockdowns. The concern for terminals is on the global economy which may move into recession or stagnation. Only the Middle East and Far East are forecast to grow their economies substantially in 2023. On the local front, headwind risks include load-shedding, equipment availability, rail reliability, heightened inflation, further ratings downgrades, greylisting impact and a possible recession. In reaction, TPT has sought to support new line services which will promote connectivity to the markets with high growth. Port Terminal will hold its focus on improving productivity and operational efficiencies; enhancing services to customers to maximise real-time recovery from stoppages; improving strategic customer value propositions to attract volume; and ensuring that gateway volumes and shipping lines are supported in the most efficient manner for them to remain competitive.

Bulk sector outlook

The iron ore sector has flourished amidst a prolonged spell of soaring commodity prices, with China maintaining its position as a pivotal player in the global iron ore industry. However, as China explores diversification in iron ore sourcing, South African exporters face a narrowing window of opportunity to capitalise on short- to medium-term supply-side constraints.

The manganese sector, representing roughly 5% of South African mining output, provides a substantial contribution to the national economy, with a validated demand for manganese export capacity confirmed at 28Mtpa by 2025/26FY. Port Terminals currently pursues a multi-channel export strategy for manganese, utilising the ports of Saldanha, Port Elizabeth, Cape Town, and potentially Richards Bay and Durban. In the longer term, the strategy will transition to a dual channel approach through the ports of Ngqura and Saldanha, with plans in place to develop a 16Mtpa capacity facility at the former.

Magnetite demand is projected to remain consistent, mirroring global steel demand as world economies, including China, continue to recover from the COVID-19 impact and navigate the ramifications of the conflict in Europe. This stability is reinforced by producers in Phalaborwa, operating three beneficiation plants and ensuring a guaranteed demand for logistics services.

China is the largest consumer of chrome ore. The demand for chrome ore is therefore expected to remain steady as economic recovery plans that are dependent on the consumption of steel and stainless steel in the manufacturing process are implemented following COVID-19 disruptions.

Demand for export coal from Europe is expected to remain consistent for the year as the continent supplements their energy mix as part of mitigating the risk of a significant disruption in their supply of electricity. India is expected to remain one of SA's top coal export destinations as the country seeks to increase its manufacturing output and power generation infrastructure.

Break bulk sector outlook

Despite initial COVID-19-related setbacks, projects within the sector have experienced a resurgence, fuelling an uptick in project-related cargo traversing the terminals. The economic recovery has also stimulated significant steel demand, particularly within the automotive and manufacturing industries. With local steel production unable to fully satisfy this demand, the import of steel is projected to remain robust. Transnet's multi-purpose terminals will persist in providing facilities for the export of bulk commodities, accommodating increased demand where capacity within the bulk terminals is exceeded.

Automotive sector outlook

The National Association of Automobile Manufacturers of South Africa reported that the new vehicle market's performance in 2022 remained resilient despite the multiple national and international headwinds. The industry was faced with global supply chain disruptions along with the adverse impact of the following challenges in South Africa:

- Floods experienced in KwaZulu-Natal during April 2022;
- Ever-increasing inflation, interest rates, and fuel prices; and
- Ongoing load shedding.

Despite the above, the repeal of all COVID-19 lockdown restrictions has supported the recovery in the new vehicle market. However, there is a trend of consumers buying less expensive and smaller cars.

The domestic new vehicle market is poised to display fortitude, in spite of a worsening global growth forecast and disruptions from the Russia-Ukraine conflict. South Africa's GDP growth projections remain somewhat pessimistic, forecasting single-digit growth in new vehicle sales for 2023. Despite these challenges, TPT is ready to navigate the hurdles and continue to adapt to the evolving landscape.

OPERATIONS EXCELLENCE

Container moves per SWH

Port Terminals' primary measure of operational efficiency is average moves per SWH. This measure has varied across the container terminals compared to last year.

The Ngqura Container Terminal improved its SWH performance from 37 to 42 moves per hour in 2022/23. DCT Pier 1 improved its average SWH performance from 38 to 39 moves per hour in 2022/23, while the performance at Pier 2 declined from 46 moves per hour in 2021/22 to 42 moves per hour in 2022/23. The performance at the CTCT has declined to 31 moves per hour from 34 moves per hour achieved in the prior year.

Productivity across the terminals has largely been affected by deteriorating weather conditions and poor equipment availability and reliability. CTCT also moved from a two-berth operation to a three-berth operation, resulting in lower crane deployment per vessel and a lower SWH.

On the positive side, the newly purchased straddle carriers for DCT Pier 2 are now starting to bear fruits and operational efficiency at this terminal has reflected an upward trend in the last quarter. Furthermore, the impact of the equipment refurbishment programme has also resulted in an upward trend in the SWH performance for DCT Pier 1, DCT Pier2, and NCT.

Moves per gross crane hour

The average moves per gross crane hour (GCH) decreased from 18 moves per hour in the prior year to 17,5 moves for the 2022/23 year. Similar to SWH, GCH was impacted by significant adverse weather conditions over the past year and the poor reliability and availability of key operating equipment. The current fleet reflects a number of equipment which are past its design life, which reduces the reliability. These challenges are being addressed through refurbishment interventions and entering into long-term contracts for the supply of critical spares. Port Terminals are also embarking on OEM partnership strategy to enter into long-term contractual agreements for the supply of equipment and management of the complete asset life cycle.

Train turnaround time

All container terminals as well as Durban Automotive terminal maintained their train turnaround times below the targeted four hours in 2023 while the Port Elizabeth Bulk Terminal maintained its train turnaround time below the targeted 12-hour threshold.

The Saldanha Iron Ore Terminal exceeded its targeted rake turnaround time of 111 minutes (achieved 117 minutes). This has been impacted by equipment and rail challenges. It is also important to note that the rake length has been increased from 114 wagons to 116 wagons.

The Richards Bay Bulk Terminal slightly exceeded its train turnaround time of 11 hours by achieving 11,3 hours due to equipment challenges and adverse weather conditions.

Truck turnaround time

The average truck turnaround time was 51 minutes against a target of 41 minutes, showing an improvement from the 58 minutes achieved in 2022. Increased volumes, equipment challenges and adverse weather conditions resulted in delays in turning around trucks inside the terminals. NCT and PECT both met their targeted time of 35 minutes and DCT Pier1 and Pier 2 have both shown an improving trend throughout the year.

Looking ahead

Port Terminals aims to achieve a minimum SWH of 55 at DCT Pier 2, 45 at Pier 1 and NCT, and 40 at CTCT in the 2023/24FY. This will be achieved by ensuring that teams are sufficiently resourced and by supporting equipment so that crane deployment can be maximised across vessels by replacing or refurbishing key equipment.

To further enhance productivity and efficiency, TPT has been adopting terminal partnership initiatives with shipping lines. These partnerships aim to streamline processes from the moment of ship arrival to departure, ensuring smoother operations and reduced timeframes. Simultaneously, cutting-edge Information and Communications Technology (ICT) systems are being implemented. These technological advancements will not only enable improved responsiveness but will also equip Port Terminals to tackle business and operational challenges more effectively. By leveraging digital solutions, we aim to facilitate efficient operations, swift problem-solving, and robust decision-making.

Clear goals have been set to ensure that truck turnaround times are maintained below specific targets for each terminal. For Pier 2, the aim is to keep it under 60 minutes, while for Pier 1 and CTCT, the aim is to limit it to 40 minutes. The target for NCT is an even more ambitious 35 minutes. By adhering to these goals, TPT hopes to increase its operational agility and client satisfaction.

For rail operations, the Division is committed to maintaining train turnaround times below four hours at the container terminals. The aim to keep these times under 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, is indeed an ambitious one. These determined targets are a testament to the Division's commitment to maximising efficiency and minimising delay in its logistics operations.

The new employee incentive scheme is set to be reviewed, as personnel are integral to the overall success of the Division, and ultimately to the Transnet Group. The scheme is to be refined to further drive operational efficiencies and ensure that teams remain motivated, productive, and engaged in the coming year.

SUSTAINABLE DEVELOPMENTAL OUTCOMES

Human capital (employment and transformation)

- Port terminals achieved a permanent employee headcount of 7 687 (8 892 including contractors) versus 7 595 in 2022.
- Black employees represented 92,6% (target 90%).
- Female employees represented 31% (target 39%).
- Permanent employees with disabilities represented 2,25% (target 2.5%).
- Port Terminals achieved its objective of obtaining a B-BBEE scorecard rating of level 3.

Skills development

- Port Terminals spent 2.6% (direct, indirect and skills levies cost) of its total labour bill on employee training and skills development (achieved against a target of 2.5%).
- A total of 689 employees underwent sector-specific training (against a target of 550).

Health and safety

- Port Terminals achieved a DIFR of 0,49 against a target of 0.7.

Community development (social accountability)

Highlights for the reporting period include:

- Jojo tanks installed at two schools in Saldanha.
- Four Schools received 100 pairs of school shoes (CE's school shoes initiative).
- Three homes for the needy received food parcel (April flood victims).
- Opening of Dondotha Multi-purpose Centre in Richard's Bay.

RISKS AND MITIGATING ACTIVITIES

The top five risks, shown below, were identified during the year under review and are accompanied by the appropriate mitigating plans.

Key Risks	Mitigating Activities
Financial sustainability uncertainty due to factors such as the rising cost of doing business and the uncertainty of Port Terminals' end state after the implementation of private sector participation (PSP) transactions	• Develop and obtain approval of a dividend policy to ensure that sufficient cash is retained to fund capital • Investment requirements required to sustain cargo terminals • Implement various cash-preservation initiatives to improve cash management • Investigate potential funding solutions for key capital projects to sustain and grow the business, despite the • Constraints on cash available for investment • Implement and monitor productivity improvement plans to achieve operational efficiencies and unlock capacity
Losing operating licences due to changes to port master plans which would result in a reduction in Port Terminals' footprint and adversely impact profitability	• Improve operational efficiencies and exploit competitive advantages to successfully compete against potential competitors • Form partnerships, where appropriate, with private sector operators where potential benefit exists for the entire South African economy
Delays in the delivery of capital projects leading to capacity constraints, missed business opportunities and cost overruns	• Minimise delays in the approval of business cases to ensure faster execution of projects • Implement a framed list of approved contractors to supply the required resources to execute key capital projects • Recruit support resources e.g., supply chain management and other critical skills required to support the delivery of key capital projects • Implement the Saldanha Tippler 3 Recovery Plan to ensure that further potential project delays are minimised, if not eliminated • Consider turnkey solutions where there are capacity constraints to execute large and complex capital projects
Energy crises leading to business disruption due to Eskom's challenges	• Reaffirm Eskom's curtailment agreements to ensure that the terminals are exempted from low load shedding levels • Pay premium tariffs for Saldanha terminals to guarantee power supply • Acquire backup power generators for critical areas e.g., buildings, servers, reefer yards, etc. to keep critical areas operational during power cuts • Upgrade various aged electrical infrastructure to prevent interruption of power supply • Complete the installation of smart electricity metres to aid in the management and reduction in electricity consumption
Breach of regulatory requirements leading to material irregularities, withdrawal of licences, qualified Annual Financial Statements, reputational damage, etc.	• Maintain a register of material regulatory exposures and annually review the register • Conduct compliance audits on a regular basis to identify areas of non-compliance and implement and track remedial actions • Provide regulatory training to employees on a regular basis to increase the level of awareness of compliance obligations • Budget and properly execute critical capital projects which are mandatory to achieve compliance

Most material Climate Change risks	Root 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	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
Operational disruptions	1. Increased weather events due to facilities not designed for flooding and wind events 2. Damage to support operations (rail, road)	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
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

OPPORTUNITIES

Port Terminal is committed to creating an efficient, integrated services by leveraging economies of scale and efficiencies. Through its integrated service offerings across the transport value chain, TPT will not only streamline its own processes, but also provide increased value to customers and stakeholders.

A critical aspect of the growth strategy involves the development of back-of-port and regional integration. By capitalising on current demand and attracting new markets, the aim is to drive not only TPT's growth but also contribute to regional economic development. Recognising the crucial role of private sector participation and investment, partnerships and good working relations with the private sector will continue to be actively pursued. By creating win-win opportunities, the Company can reduce its debt, enhance its capabilities, and attract new volumes. This approach is designed to benefit both Port Terminals and the wider South African economy.

In this endeavour, we're working closely with various government departments, such as the Department of Trade, Industry, and Competition. The partnerships aim to attract new OEMs and foster the growth of the industry as a whole.

Technology remains a critical driver of operational efficiency, and advancements are constantly being explored. These include remote equipment operations to streamline processes and improve service delivery. In addition, the utilisation of data analytics and business intelligence aids in the performance of root cause analysis, thereby enabling the development of informed strategies to enhance operational processes.

Looking further ahead, TPT plans to enter into long-term partnerships with OEMs to acquire key operational equipment, manage its lifecycle effectively, and improve lead times for acquiring spare parts, along with technical support. The potential benefits from this strategy extend to standardising components—which would simplify inventory management and reduce complexity—and promoting local vendor development. In essence, the approach is not only about immediate improvements but also about laying the foundation for a sustainable and resilient transport infrastructure.

ABBREVIATIONS

CSA	Control Self Assessments
CTCT	Cape Town Container Terminal
GCH	Gross crane hour
ICT	Information and Communications Technology
IMO	International Maritime Organisation's
MPT	Multi-Purpose Terminal
NAAMSA	National Association of Automobile Manufacturers of South Africa
OEM	Original Equipment Manufacturer
PECT	Port Elizabeth Container Terminal
PEMPT	Port Elizabeth Multi-Purpose Terminal
RTG	Rubber-tyre gantry
SWH	Ship working hour
TEU	Twenty-foot equivalent units
VSP	Voluntary Severance Package
CE	Chief Executive
COPEX	Capitalised Maintenance Expenditure
CTMPT	Cape Town Multi-Purpose Terminal
DCT	Durban Container Terminal
DIFR	Disabling Injury Frequency Rate
EBITDA	Earnings Before Interest, Tax, Depreciation and Amoritisation
GDP	Gross Domestic Product
IT	Information Technology
KZN	KwaZulu-Natal
NCT	Ngqura Container Terminal
PE	Port Elizabeth
PSP	Private Sector Participation
RCB	Richards Bay
STS	Ship to Shore
TP	Transnet Pipelines
TPT	Transnet Port Terminals