TRANSNET

Transnet Port Terminals 2021

Contents

Highlights

R2,1 billion was spent on Transnet Port Terminals' capital expenditure programme to improve the reliability of the fleet of equipment across all terminals.

Mandatory truck booking systems were implemented in 2021 at Pier 1 and Pier 2 of the Durban Container Terminal (DCT) and at the Durban Multi-Purpose Terminal (MPT) to improve the flow of traffic to the terminals.

Business overview

Transnet Port Terminals (Port Terminals or TPT) is one of Transnet's six Operating Divisions (the Division). TPT plays a strategic role in the South African economy by enabling the efficient flow of imports, exports and transshipments through its cargo terminal operations, ensuring year-round connectivity of the South African economy with other key trading partners in the region and the rest of the world. As a vital enabler of trade between South Africa and the global market, Port Terminals continuously strives to improve the reliability and productivity of its operations through holistic business innovation to reduce business costs.

Port Terminals provides cargo handling services to a wide spectrum of customers including shipping lines, freight forwarders and cargo owners. Operations are divided into four major business segments, namely containers, dry bulk, break-bulk and automotive. The Division operates 16 terminals with 68 berths in seven ports spread along the South African coastline.

Containers

TPT operates container terminals in the ports of Durban, Ngqura, Port Elizabeth and Cape Town. The Division currently has a cumulative annual capacity of more than 6 million twenty-foot equivalent units (TEUs). The Durban and Cape Town container terminals are operating close to capacity, however, plans are in place to increase the capacity in these ports.

Dry bulk

Operations within the bulk sector are characterised by handling dry bulk commodities through a network of conveyor belts, tipplers, stackers, reclaimers and ship loading and unloading equipment. Port Terminals handles mineral bulk commodities at the ports of Richards Bay, Port Elizabeth and Saldanha, and handles agricultural bulk commodities at the ports of Durban and East London.

Break-bulk

Port Terminals handles steel, timber, granite, abnormal and project cargo, and other commodities through its break-bulk operations in multi-purpose terminals in all seven ports. In some instances, traditional bulk cargo can be handled at break-bulk facilities utilising a skip operation.

Automotive

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

Strategic intent

TPT's strategy is to be a world class terminal operator interfacing with rail and other logistics supply chains. A key enabler of this transition to a logistics service provider is a high-performance culture that enables Port Terminals to achieve:

- Financial sustainability and growth;
- Operational excellence supported by predictable, reliable and efficient terminal-handling services;
- A cohesive port ecosystem that is integrated, sustainable and customer focused; and
- Proactive planning across the ecosystem to achieve operational excellence and financial growth.

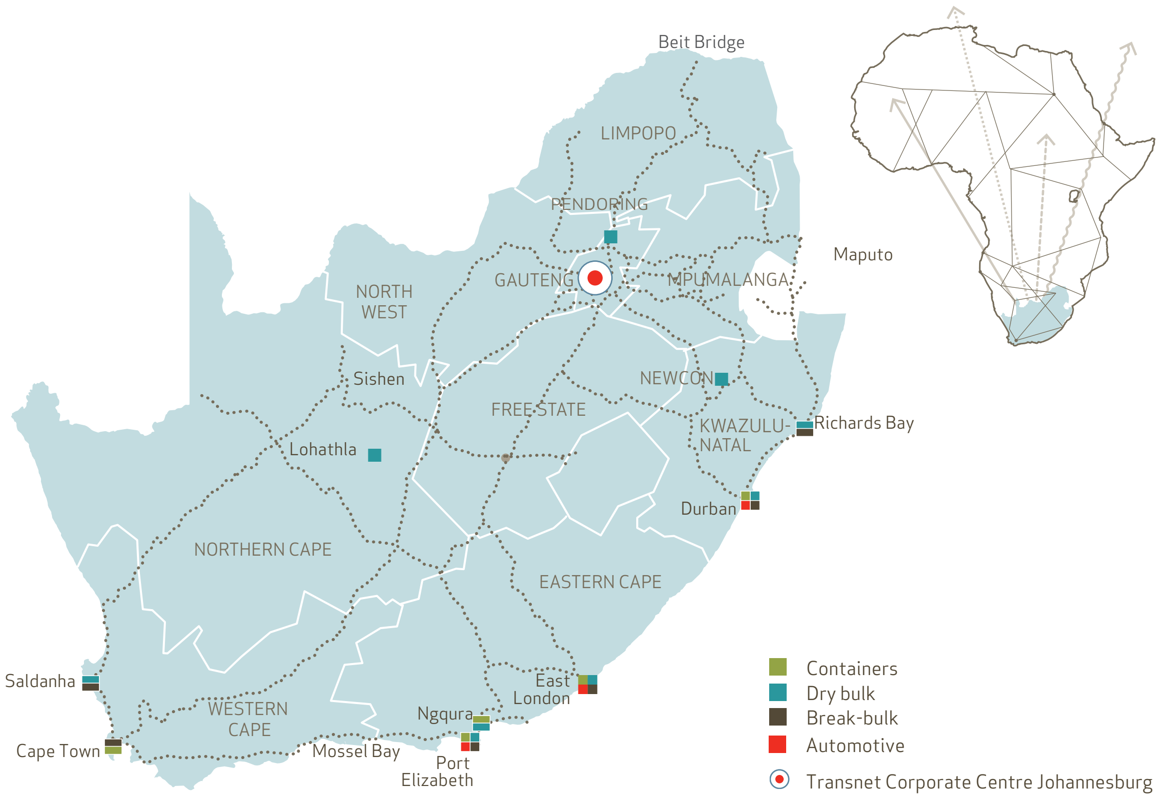
TPT's vision is to maximise shareholder value by:

- Improving the efficiency, cost-effectiveness and viability of the port operations;
- Leveraging a portfolio of world-class infrastructure assets;
- Strengthening global supply chains;
- Entering into global strategic partnerships to exploit new business opportunities and grow the revenue base;
- Generating sustainable economic growth; and
- Promoting regional integration.

Where we operate

The network extends across South Africa and comprises the heavy haul coal and iron ore export lines, key national corridors over which general freight traffic flows and branch lines.

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 the 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 the Transnet National Ports Authority, which then conducts mandatory annual audits on all the terminals.

Operational performance

The 2020/21 financial year was challenging for Port Terminals with the effects of the COVID-19 pandemic being felt throughout the business. Financially, revenue decreased by 5,2% from 2020 while operating expenses increased by 4,7% resulting in a 24% decline in EBITDA. The decline in revenue was largely driven by the significant reduction in production and demand in both the local and domestic economies as South Africa's major trading partners in Europe and China went into lockdown in an effort to curb the spread of the virus. This also impacted the export of raw materials, such as iron ore, magnetite, chrome and coal out of South Africa.

The automotive sector incurred the most losses due to the industry shutdown during lockdown level 5, limited operations post lockdown level 5, lower demand for new cars (considered a luxury commodity) and production challenges due to COVID-19. The COVID-19 pandemic also resulted in a number of unforeseen costs required to manage the risk of infection within the Division, which included personal protective equipment (PPE) such as masks, gloves, sanitisers, thermometers and the provision of additional medical personnel, such as nurses on site.

Operational performance was also adversely impacted by the effects of the COVID-19 pandemic. Positive cases and the need for contacts to be quarantined as well as social distancing measures and the various levels of lockdown affected the number of employees that could be deployed into operations, resulting in a knock-on effect on overall productivity and efficiency within the terminals. Furthermore, positive cases and the need for contacts to be quarantined had an adverse impact on the number of resources available for deployment, particularly during the country's first and second waves. Global supply chains were also disrupted, which hindered TPT's ability to procure and receive equipment spares, significantly influencing the availability of equipment and the Division's operational performance. Adverse weather conditions further exacerbated operational performance during the year.

Opportunities for recovery began to emerge in the latter half of 2021 in South Africa and the rest of the world as countries lifted lockdown measures and people began to adapt to the conditions and restrictions of the pandemic. However, the recoveries were not substantial enough to mitigate the losses incurred due to the pandemic.

Core initiatives

- Increase revenue by 6,5% during the 2021 financial year.
- Focus on operational efficiency and unlocking new business initiatives while cultivating a high-performance culture across the Division to mitigate the impact of the COVID-19 pandemic.
- Volume targets for the 2021 financial year were as follows:
  - Containers: 4,6 million TEUs;
  - Bulk cargo: 82,2 million tons;
  - Break-bulk cargo: 21,4 million tons; and
  - Automotive units: 781 904 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.
- Facilitate operational efficiencies across all sectors by improving the reliability and availability of equipment through the implementation of a preventative maintenance strategy as well as the investment of R2,6 billion in new and existing equipment.

Overview of key performance indicators

Key performance area and indicator	Unit of measure	2019 Actual	2020 Actual	**2021 Target**	**2021 Actual**	2022 Target
Financial sustainability						
Revenue	R million	13 086	13 809	**14 701**	**13 094**	14 242
EBITDA	R million	4 541	4 788	**4 962**	**3 631**	4 234
Operating profit margin	%	23,9	24,1	**21,6**	**14,5**	17,1
Return on invested capital	%	12,2	18,0	**15,5**	**8,7**	12,1
Revenue per employee	R million	1,8	1,7	**1,7**	**1,6**	1,7
Average tariff increase						
– Containers	%	5,3	5,4	**3,5**	**3,5**	–
– Automotive sector	%	5,5	5,4	**4,8**	**4,6**	–
Capacity creation and maintenance						
Capital expenditure[1]	R million	1 520	2 109	**2 601**	**2 108**	2 026
Operational performance						
Volume growth						
Containers	'000 TEUs	4 534	4 424	**4 625**	**3 959**	4 059
Bulk	mt	82,4	79,1	**82,2**	**74,3**	82,2
Break-bulk	mt	19,8	21,0	**21,4**	**20,1**	21,4
Vehicles	units	743 350	791 647	**781 904**	**485 375**	535 621
Operational efficiency and productivity						
Container dwell time						
DCT – Pier 1						
Imports	days	2,9	3,2	**3,0**	**3,0**	3,0
Exports	days	5,0	5,5	**5,0**	**5,0**	5,0
Transshipment	days	5,6	6,2	**10,0**	**6,5**	10,0
DCT – Pier 2						
Imports	days	2,3	2,9	**3,0**	**2,4**	3,0
Exports	days	5,9	6,0	**5,0**	**6,8**	5,0
Transshipment	days	6,7	7,4	**10,0**	**8,1**	10,0
Cape Town Container Terminal (CTCT)						
Imports	days	2,3	2,7	**3,0**	**2,6**	3,0
Exports	days	5,1	6,1	**5,0**	**7,0**	5,0
Transshipment	days	7,0	7,0	**15,0**	**8,4**	15,0

Key performance area and indicator	Unit of measure	2019 Actual	2020 Actual	**2021 Target**	**2021 Actual**	2022 Target
Moves per gross crane hour						
DCT – Pier 1	moves per hour	24	24	**25**	**20**	25
DCT – Pier 2 (prime berths[2])	moves per hour	21	18	**26**	**18**	26
CTCT	moves per hour	22	17	**24**	**17**	24
Port Elizabeth Container Terminal (PECT)	moves per hour	21	21	**22**	**18**	22
Ngqura Container Terminal (NCT)	moves per hour	21	18	**26**	**18**	26
Container moves per ship working hour						
DCT – Pier 1	moves per hour	47	41	**48**	**38**	48
DCT – Pier 2 (prime berths[2])	moves per hour	54	46	**60**	**49**	60
CTCT	moves per hour	45	38	**50**	**36**	50
PECT	moves per hour	33	24	**36**	**26**	36
NCT	moves per hour	46	37	**50**	**35**	50
Train turnaround time[3]						
DCT – Pier 1	hours	2,3	2,7	**4,0**	**2,7**	4,0
DCT – Pier 2	hours	2,0	2,3	**4,0**	**1,8**	4,0
CTCT	hours	1,3	2,6	**4,0**	**2,4**	4,0
NCT	hours	3,8	5,9	**4,0**	**5,3**	4,0
Saldanha Iron Ore Terminal[4]	minutes	109	110	**109**	**111**	109
Richards Bay Bulk Terminal	hours	9,1	8,5	**11,0**	**9,0**	11,0
Port Elizabeth Bulk Terminal	hours	7,5	7,6	**12,0**	**8,3**	12,0
Truck turnaround time						
DCT – Pier 1	minutes	41	49	**40**	**69**	40
DCT – Pier 2[5]	minutes	70	102	**65**	**78**	65
CTCT	minutes	35	52	**35**	**45**	35
NCT	minutes	36	41	**35**	**45**	35
Richards Bay MPT	minutes	27	34	**35**	**36**	35
Loading rate						
Saldanha Iron Ore Terminal	tons per hour	8 657	8 277	**8 100**	**8 001**	8 100
RB DBT – Loading – Magnetite	tons per hour	1 237	1 081	**1 100**	**1 241**	1 100
RB DBT – Loading – Chrome	tons per hour	893	866	**950**	**845**	950
RB DBT – Loading – Coal	tons per hour	691	703	**800**	**718**	800
RB DBT – Offloading – Coking Coal	tons per hour	533	630	**650**	**561**	650
Sustainable development outcomes						
Employment						
Employee headcount (permanent)	number	7 426	8 115	**8 355**	**8 332**	8 381
Health and safety						
DIFR	rate	0,52	0,54	**0,70**	**0,48**	0,70

1 *Capital expenditure excludes capitalised borrowing costs.*
2 *Prime berths for 2018/19 are berths 108, 203 and 204.*
3 *Based on 50 wagon trains for all container terminals, except CTCT which is based on 40 wagon trains.*
4 *Rake process time inside tippler – subject to service design review.*
5 *Targets based on historical operational methodology.*
n/a not available

Financial performance review

Salient features		**Year ended 31 March 2021 R million**	Year ended 31 March 2020 R million	% change
Revenue		**13 094**	13 809	(5,2)
– Containers		**6 574**	6 860	(4,2)
– Dry bulk		**3 795**	3 894	(2,5)
– Break-bulk		**2 084**	2 123	(1,8)
– Automotive		**635**	925	(31,3)
– Other		**6**	8	(24,4)
Operating expenses		**9 463**	9 021	(4,7)
– Energy costs		**672**	734	(8,5)
– Maintenance		**386**	413	(6,4)
– Materials		**531**	562	(5,7)
– Personnel costs		**5 211**	4 670	11,3
– Other		**2 663**	2 642	0,5
Profit from operations before depreciation, derecognition, amortisation, short-term incentives and items listed below (EBITDA)		**3 631**	4 788	(23,8)
Depreciation, derecognition and amortisation		**1 731**	1 465	17,9
Profit from operations before items listed below		**1 900**	3 323	(42,1)
Impairments and fair value adjustments		**784**	(358)	(315,9)
Net finance costs		**(216)**	(181)	21,1
Profit before taxation		**1 336**	3 862	(64,6)
Total assets (excluding CWIP)		**15 822**	15 638	1,2
Profitability measures				
EBITDA margin[1]	%	**27,9**	34,7	(6,8)
Operating margin[2]	%	**14,5**	24,1	(9,4)
Return on total average assets (excluding CWIP)[3]	%	**85**	22,4	(14,5)
Asset turnover (excluding CWIP)[4]	times	**0,83**	0,88	(6,3)
Capital investments^	R million	**2 108**	2 109	(5,2)
Employees				
Permanent employees	number	**8 332**	8 063	3,3
Revenue per employee	R million	**1,6**	1,7	(8,2)

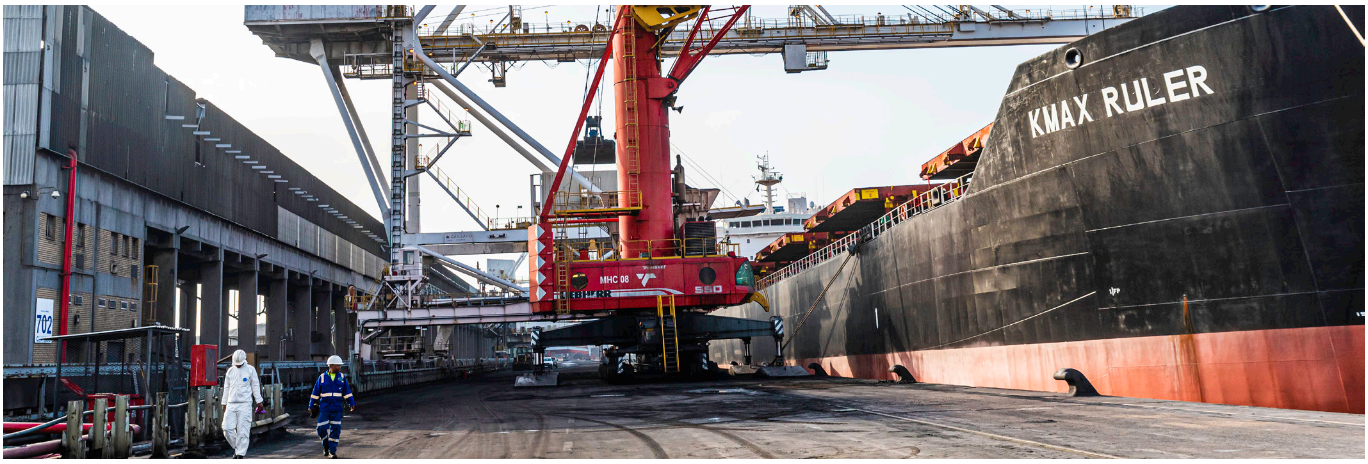
1 *EBITDA expressed as a percentage of revenue.*

2 *Profit from operations before impairment of assets, fair value adjustments, net finance costs and taxation expressed as a percentage of revenue.*

3 *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).*

4 *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

- Revenue for the year under review decreased by 5,2% to R13,1 billion (2020: R13,8 billion). The revenue budget was not achieved for the year mainly as a result of the impact of COVID-19. Revenue was also negatively impacted by adverse weather conditions, unfavourable market conditions, equipment challenges and poor rail supply.
- Savings on labour, energy, materials, repairs and maintenance, and contract payments were reduced by overspend on discretionary and other costs which included COVID-related expenses of R111 million. Despite this, Port Terminals achieved 2,9% savings on operating costs.
- As a result of the above, EBITDA declined by 23,8% and was 26,7% below budget for the year.
- Return on invested capital is below budget as a result of lower than budgeted net profit after tax.

Looking ahead

- Port Terminals has budgeted for an increase in revenue of 8,1% to R14,2 billion in the 2022 financial year, however, actual achievement of this revenue may be impeded by the continued impact of COVID-19 on both the local and global economies.
- The additional COVID-related costs, such as PPE and the provision of additional medical personnel, is expected to continue being incurred in 2022.
- There is a strong focus on operational efficiency and unlocking new business initiatives while cultivating a high-performance culture across the Division to mitigate the effects of COVID-19.
- There is also a renewed focus on cost control to reduce the overall impact on TPT's bottom line.

Capacity creation and maintenance

Port Terminals invested R2,1 billion in capital expenditure in 2021, exceeding the revised target of R1,97 billion. Investments included:

- The Saldanha refurbishment programme, which has progressed to the completion of ship loaders 1 and 2 as well as stacker reclaimers 2 and 4. The scope of the refurbishment focused on electrical, mechanical and structural work.
- New equipment to improve the reliability of the fleet and operational efficiencies, including:
  - Two mobile harbour cranes for the Port Elizabeth Container Terminal (PECT) to support the fresh fruit industry export season;
  - Two mobile shiploaders for the Saldanha MPT;
  - Forty-five straddle carriers for DCT Pier 2, of which 23 have been delivered;
  - Four straddle carriers for the CTCT;
  - Four straddle carriers for the East London MPT;
  - Four rubber-tyred gantry (RTG) cranes for CTCT;
  - Two RTG cranes for DCT Pier 1; and
  - Container-handling equipment at Durban's MPT – seven reach stackers, seven haulers, 15 trailers and two empty container handlers.
- Refurbishment programmes that are expected to improve the fleet reliability and operational efficiencies at the terminals are underway, with refurbishments on the following equipment already completed:
  - Two mobile harbour cranes in Durban's MPT; and
  - The shiploader in Durban's Maydon Wharf Bulk Terminal.
- Rail refurbishments and upgrades to the staff facilities at CTCT have been completed and additional staff facilities at the Cape Town MPT have been upgraded.
- The upgrade of Tippler 2 at the Richards Bay Dry Bulk Terminal (RB DBT) was also completed.

Looking ahead

Planned five-year capacity creation projects to facilitate volume growth include the following:

- Design and fabrication work to upgrade Tippler 1 at RB DBT;
- The Cape Town phase 2B project, which involves resurfacing work and the creation of a truck staging area and ancillary works to increase the terminal's capacity by 0,4 million TEUs, from 1,0 million TEUs to 1,4 million TEUs;
- Rail infrastructure, security and CCTV upgrades at Cape Town's multi-purpose and container terminals;
- The start of the berth deepening and lengthening at the North Quay of DCT Pier 2;
- The rehabilitation of the North Quay paving works at DCT Pier 2 to support stacking operations at the terminal;
- The acquisition of two ship-to-shore container cranes for the North Quay at DCT Pier 2 to support the lengthened and deepened berth post the berth deepening project;
- Replacement equipment for various container terminals to support the sector's turnaround strategy; and
- Completion of the feasibility study to increase the capacity of the automotive terminals in East London and Port Elizabeth to match the volume forecasts.

Operational performance

Volume performance across the sectors reflect a decline year on year due to COVID-19, which has negatively impacted the financial performance. The pandemic resulted in an unprecedented disruption to the global economy and world trade, amplifying TPT's poor volume performance for 2020/21 as indicated below:

- Container volumes decreased by 10,5% to 3 959 049 TEUs (2020: 4 423 894 TEUs). The container sector was primarily affected by the impact of the COVID-19 pandemic on both the local and global economies, and also by deteriorating weather conditions, poor reliability of ageing equipment and human resource limitations resulting from the COVID-19 pandemic.
- The automotive volumes decreased by 38,7% to 485 375 units (2020: 791 647 units) due to COVID-19 lockdown level 5, limited operations post level 5 lockdown, and lower demand and production challenges due to the pandemic.
- Bulk volumes decreased by 6,1% to 74,3 mt (2020: 79,1 mt) due to limited operations resulting in low productivity and agricultural volumes not materialising.
- Break-bulk volumes decreased by 4,2% to 20,1 mt (2020: 21,0 mt). The pandemic resulted in an unprecedented disruption to the global economy and world trade, amplifying TPT's poor volume performance for 2021.

Containers

- Volumes in the container sector were 14,4% below budget for 2021, declining 10,5% from the prior year.
- Export containers were 9,6% below budget, imports were 16,0% below budget and transshipments were 20,8% below budget.
- Imports were significantly impacted by a subdued economy in South Africa and other sub-Saharan countries while exports were affected by the subdued global economy and various lockdown measures implemented in countries across the globe. Exports have begun to show signs of recovery, but were still much lower when compared to the prior year. Port Terminals achieved positive reefer growth in 2021, although it was not sufficient to compensate for the losses in general exports. Transshipment volumes have declined on the back of customers diverting their calls to other regional hubs due to delays experienced in South Africa.
- Volume performances across the terminals were primarily impacted by:
  - Lower volumes handled during lockdown levels 5 and 4 in April and May 2020, with only essential cargo being permitted to be moved for the first half of April 2020 and limited gangs being deployed;
  - The two waves of COVID-19 infections that resulted in high absenteeism in June and July 2020 and in January 2021;
  - The economic impact of COVID-19 on both the local and global economies that resulted in fewer vessel calls by shipping lines;
  - Inclement weather conditions in Durban in September and October 2020, and also in Cape Town and Ngqura, which resulted in stoppages as well as slow working due to wind and fog; and
  - Poor availability and unreliable equipment in the Durban and Cape Town container terminals.
- PECT exceeded its volume budget for the year although this was largely due to diversions from NCT and CTCT due to COVID-19 restrictions. Some shipping lines increased the number of calls they made to PECT due to the introduction of two new mobile harbour cranes at the terminal.
- The Durban and Cape Town multi-purpose terminals exceeded their volume budgets due to an increase in ad hoc shipments and diversions from CTCT, respectively.

Bulk

- Volumes in the bulk sector ended the year 9,7% below budget, representing a 6,1% decline from the previous year.
- Iron ore volumes ended the year 8% below budget as a result of the COVID-19 lockdown and restrictions. The Saldanha Iron Ore Terminal only ramped up to full capability on 3 August 2020. Adverse weather conditions that resulted in high swells prevented vessels from berthing, and equipment breakdowns sometimes halted operations.
- Manganese volumes ended the year 3% below budget despite concerted efforts to recover volumes in the second half of the year. Volumes were negatively impacted by the national lockdown and related restrictions on operations, and high infection rates and absenteeism during the two waves experienced in the country. Cargo shortages due to rail challenges such as derailments and personnel (partially related to COVID-19) and equipment challenges were also key factors contributing to the deviation. Volumes transported via road assisted in recovering part of the volumes lost in the first two months of the year.
- Magnetite and chrome volumes ended the year 10% below budget due to the impact of COVID-19 on employee absenteeism, and the national lockdown and related restrictions. Rail network challenges resulted in the RB DBT running short of cargo and vessels then diverting to other ports. Overruns on the tippler 2 refurbishment and the coal line shutdown also impacted incoming volumes via rail.
- The Durban agriport ended the year 31,6% below budget, largely due to adverse market conditions and cargo cancellations due to COVID-19 restrictions.

Break-bulk

- Volumes in the break-bulk sector were 6,0% below budget, declining 4,2% from the previous year.
- All break-bulk terminals were impacted by the national lockdown and related restrictions as well as the slowdown in the markets.
- The Richards Bay MPT ended the year 5,9% below budget due to:
  - Depressed coal markets as a result of the low commodity price for cargo from Richards Bay in the first half of the year;
  - A slowdown in the steel market, with the national lockdown resulting in some customers opting to sell locally rather than exporting;
  - Low production of pig iron; and
  - Cable theft, which negatively impacted ferrochrome movements.
- The Durban MPT ended the year 73,8% above budget due to favourable steel and project cargo.
- The Cape Town MPT was impacted by lower volumes of manganese, cement, maize and reduced fishing vessel calls.
- The Saldanha MPT ended the year 11,7% below budget due to operations being stopped from 27 March to 18 April as a result of the COVID-19 level 5 lockdown and related restrictions.
- The Port Elizabeth MPT ended the year 21,6% above budget due to an increase in road-hauled manganese volumes and increased rail volumes.

Automotive

- Automotive volumes were most severely impacted by the national lockdown and the economic impact of the COVID-19 pandemic, ending the year 38,6% below budget – a 37,9% decline from the prior year.
- The local automotive industry was shut down during the level 5 lockdown in April 2020 and resumed only limited operations post the level 5 lockdown.
- The automotive terminals also reduced their operations during lockdown levels 5 and 4.
- The economic slowdown impacted the demand for new cars both locally and globally.
- The disruptions to supply chains resulted in production challenges at many of the automotive plants.

Looking ahead

- Volume targets for the 2022 financial year:
  - Containers: 4 059 million TEUs;
  - Bulk: 82,2 million tons;
  - Break-bulk: 21,4 million tons; and
  - Vehicles: 535 621 units.
- While sectors and countries begin to recover from the impact of COVID and demand starts to increase, it is unlikely to mitigate the entire volume lost in the 2021 financial year.

- In the container sector, sub-Saharan African economies face a slow recovery with GDP in the region projected to expand 3,1% next year, compared with a forecast of 5,2% for the world economy. Therefore, the focus for Port Terminals will remain on improving productivity and operational efficiencies; recoveries on complementary line services; enhancing service to customers to maximise real-time recovery from stoppages; improving strategic customer value propositions to attract volume; and fortifying the transshipment strategy.
- In the bulk sector, demand for all commodities is high and exceeds capacity in some cases, which means that improving operational efficiencies and creating additional export channels is key to achieving volume growth.
- The break-bulk sector faces a more challenging recovery and requires additional volumes and new customers.
- The recovery of the automotive sector is highly dependent on three main factors: the path of the pandemic and how it is managed; the roll out of the vaccine programme; and the actions of all governments in response to the pandemic. Vehicle exports are vital to the viability of the domestic automotive industry as exporting remains key to generating economies of scale and to achieving improved international competitiveness.
- The positives include renewed activity in the rental market, interest rates remaining at their low levels and the easing of the lockdown restrictions. These will support business and consumer sentiment and subsequently the new vehicle market in 2022.
- However, COVID-19 induced manufacturing supply chain disruptions, such as the current global shortage of semi-conductors. This is an important part of modern vehicles and could affect the availability of specific models in 2022.
- Importantly, although the new vehicles market in 2022 is expected to rebound substantially compared to 2020, aggregate new vehicle sales in 2021 dropped back to the level of 18 years ago and a recovery to the pre-COVID-19 level could take at least three years.

Operational excellence

Container moves per ship working hour

- Port Terminals' primary measure of operational efficiency, namely average moves per ship working hour (SWH) has varied across the container terminals compared to the same period last year:
  - DCT Pier 1 decreased its average SWH performance from 41 to 38 moves per hour in 2021;
  - DCT Pier 2 improved its SWH from 46 moves per hour in 2020 to 49 moves per hour in 2021;
  - CTCT's SWH declined to 36 moves per hour from 38 moves per hour in the prior year;
  - PECT increased its SWH to 26 moves per hour from 24 in 2020; and
  - NCT's SWH also declined from 37 to 35 moves per hour in 2021.
- The performance across the terminals was largely impacted by the national COVID-19 lockdown, which reduced the operational capacities of the terminals. Furthermore, in both the first and second waves, positive COVID-19 cases resulted in both infected employees and close contacts being unavailable for two weeks at a time. These challenges had a significant impact on TPT's ability to operate at optimal levels, particularly during lockdown levels 5 and 4 and as the surge moved from one province to another. CTCT was the most severely affected by the first wave, requiring a concerted effort to contain the infection rate and mitigate the impact of reduced resources on ship waiting time. Included in these efforts was the deployment of operators from Durban terminals to CTCT. Lessons learned from the first wave of infections assisted the terminals to manage the operational impact of the second wave. Productivity was also affected by adverse weather conditions and equipment availability and reliability due to similar resource challenges with technical employees.

Moves per gross crane hour

- The average moves per gross crane hour (GCH) declined to 18 moves (2020: 20 moves), falling short of the 2021 targets across the container terminals. Similar to SWH, GCH was impacted by the reduced operational capacity at the terminals, high absenteeism due to COVID-19 infections, significant adverse weather conditions over the past year, and the poor reliability and availability of key operating equipment.

Train turnaround time

- All container terminals, except NCT, maintained their train turnaround times below the targeted four hours in 2021 while the Richards Bay and Port Elizabeth bulk terminals maintained their train turnaround times below the targeted 11 and 12 hour thresholds, respectively.
- NCT exceeded the targeted train turnaround time due to reduced operational capacity induced by the lockdown regulations and the limited availability of resources to operate two rail-mounted gantry cranes consistently.
- The Saldanha Iron Ore Terminal exceeded its targeted rake turnaround time of 109 minutes due to equipment and rail challenges as well as reduced operational capacities due to lockdown regulations and the limited availability of human resources.

Truck turnaround time

- The average truck turnaround time was 55 minutes against a target of 42 minutes, showing a slight reduction from the 56 minutes in 2020. Reduced operational capacities due to lockdown regulations, limited availability of resources due to COVID-19 infections, equipment challenges and adverse weather conditions resulted in delays in turning around trucks inside the terminals.
- Mandatory truck booking systems were implemented at DCT Pier 1 and Pier 2 and Durban MPT during 2021 to manage the flow of traffic to these terminals.

Looking ahead

The key challenge for Port Terminals in 2022 is to manage the impact of the COVID-19 pandemic on people and operations. The national lockdown restrictions and COVID-19 infections will continue to impact the overall productivity and efficiency levels within terminals, however, the lessons from the first two waves will assist in managing these impacts.

Despite this challenge, Port Terminals will:

- Seek to increase SWH to 49 moves on average in the 2022 financial year by:
  - Resourcing gangs and supporting equipment to maximise crane deployment across vessels by replacing or refurbing key equipment;
  - Employing wind mitigation strategies such as anti-sway technology on cranes as well as new technology to address vessel ranging;

- Working collaboratively with shipping lines to optimise stowage, thus enabling higher productivity;
- Leveraging technology for more organised planning of vessels; and
- Creating a base layer of business intelligence and prescriptive analysis of operational statistics.

- Maintain truck turnaround time below the target of 42 minutes.
- 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 109 minutes at the Saldanha Iron Ore Terminal.
- Work collaboratively with Transnet National Ports Authority to minimise the impact of infrastructure projects on operations.
- Focus on cultivating an innovative culture and establishing partnerships with other organisations for research and development.

Sustainable development outcomes

Human capital (employment and transformation)

- Port Terminals achieved a permanent employee headcount of 8 332.
- Black employees represented 90,87% of the total employee base against a target of 90%.
- Female employees represented 29,93% of the total employee base against a target of 35%.
- People with disabilities represented 1,17% of the total employee base against a target of 1,5%.
- Port Terminals achieved its objective of obtaining a Level 2 B-BBEE rating.

Skills development

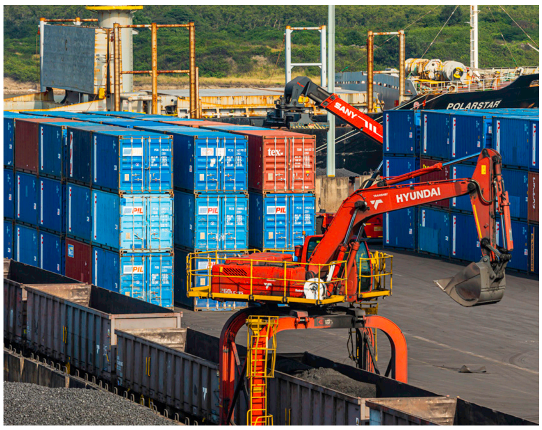
- Port Terminals spent 2,3% (direct, indirect and skills levies cost) of its total labour bill on employee training and skills development.
- Port Terminals trained 882 employees (target: 500) on sector-specific training, such as Operator Lifting Equipment, Operator Bulk Handling Equipment and Cargo Co-ordinators and Planners. An additional 1 835 employees completed refresher and recertification training.
- Port Terminals trained 106 managers and supervisors on various leadership development programmes against a target of 100.
- In total, 111 artisans were assessed on outcomes-based modular learning.
- Youth programmes:
  - 99 apprentices are in training;
  - 33 young professionals are in training ;
  - 4 engineers are in training; and
  - 25 trainees are in learnership programmes.

Health and safety

- Port Terminals achieved a disabling injury frequency rate (DIFR) of 0,48 against a target of 0,70.

Community development (social accountability)

- During the reporting period, Port Terminals donated PPE to two schools in Mtubatuba, KwaZulu-Natal and two schools in Saldanha, Western Cape.



Key risks and mitigating activities

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

Key risks	Mitigating activities
Inability to achieve operational targets, leading to customer dissatisfaction	• Implemented a maintenance strategy and completed critical equipment refurbishment and replacement projects • Implemented strategic partnerships with Transnet Engineering and original equipment manufacturers (OEMs) to improve maintenance • Implemented a quality assurance programme in the Engineering department • Filled critical vacancies in operations and technical areas • Reviewed the procurement strategy to reduce supply delays and spares shortages
Non-achievement of volume targets leading to erosion of EBITDA	• Implemented robust performance improvement plans to ensure that the committed customer volumes are executed • Improved equipment availability and reliability to enable volume execution • Implemented initiatives to mitigate revenue at risk
Safety incidents leading to injuries, fatalities and damage to equipment	• Ensured that equipment is fitted with fire suppression systems and fire extinguishers and is regularly maintained • Ensured that all Board of Inquiry recommendations are implemented • Ensured that security performs speed monitoring at all terminals • Conducted regular control self-assessments for critical safety procedures
Inefficiencies in the supply chain process leading to procurement delays and loss of productivity	• Implemented the Procurement Process Automation project • Filled critical vacancies in supply chain management (SCM) • Developed a training plan for end users to familiarise them with critical SCM processes • Develop a standard operating procedure with roles and responsibilities for demand planning
Breach of regulatory requirements leading to material irregularities, qualification of audited financial statements, etc.	• Conducted regular compliance audits • The Public Finance Management Act (PFMA) forum monitored non-compliance as well as the implementation of corrective actions

Along with the rest of the world, Port Terminals have had to deal with the emerging risk of COVID-19 in 2020/21 and the impact on its operations in terms of employee health as well and the impact on operational capacity. This has been well managed under the circumstances through mitigating actions such as hygiene programmes, employee screening for symptoms, educational awareness and the launch of a vaccination programme. Further to the above, Port Terminals have leveraged technology to aid in social distancing and remote working.

Opportunities

- Leverage economies of scale and efficiencies through integrated service offerings across the transport value chain.
- Develop back-of-port and regional integration to leverage and grow current demand and attract new markets.
- Support Transnet's regional aspirations by applying strengths and capabilities to countries in Africa.
- Leverage private sector participation opportunities to create win-win opportunities for Transnet to reduce debt, improve capabilities and attract new volumes to benefit Transnet and the economy as a whole.
- The Transnet Value Chain Coordination continues to facilitate improvements in operational efficiencies and logistics integration with Freight Rail, creating opportunities to shift more cargo from road to rail.
- Offering tailor-made solutions to OEMs in the automotive industry.
- Partnering with government departments such as the Department of Trade and Industry to attract new OEMs and develop the industry.

Abbreviations and acronyms

B-BBEE	Broad-Based Black Economic Empowerment
CTCT	Cape Town Container Terminal
CWIP	Capital work in progress
DCT	Durban Container Terminal
EBITDA	Earnings before interest, taxation, depreciation and amortisation
GCH	Gross crane hour
MPT	Multi-purpose Terminal
mt	Million tons
NCT	Ngqura Container Terminal
PECT	Port Elizabeth Container Terminal
PPE	Personal protective equipment
RB DBT	Richards Bay Dry Bulk Terminal
SHEQ	Safety, Health, Environment and Quality
SWH	Ship working hour
TPT	Transnet Port Terminals