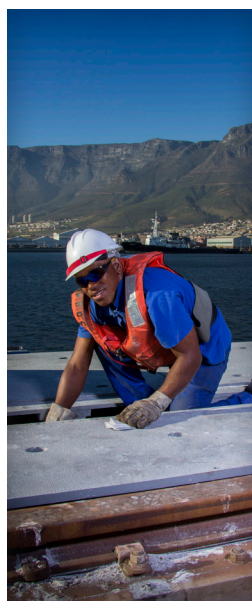
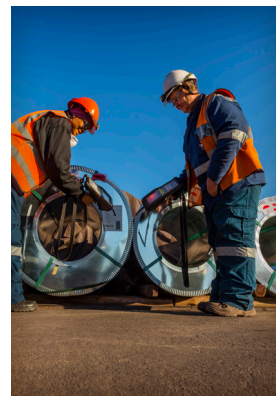
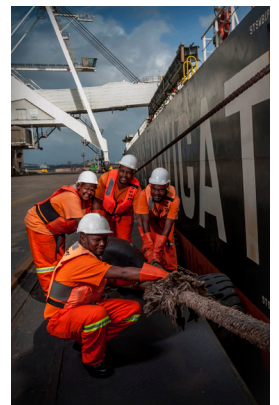


TRANSNET



TRANSNET
NATIONAL
PORTS
AUTHORITY
2020



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Highlights

Revenue declined by **2%** to **R12 172 million**.

EBITDA decreased by **5%** to **R7 866 million**.

Achieved a **DIFR** of **0,25** against a target of **0,75**.

Business overview

Transnet National Ports Authority (National Ports Authority or TNPA), an Operating Division of Transnet SOC Ltd, was established through the National Ports Act, No 12 of 2005 (the Ports Act) to be a landlord port responsible for the safe, efficient and economic functioning of the national ports system which it manages, controls and administers on behalf of the State.

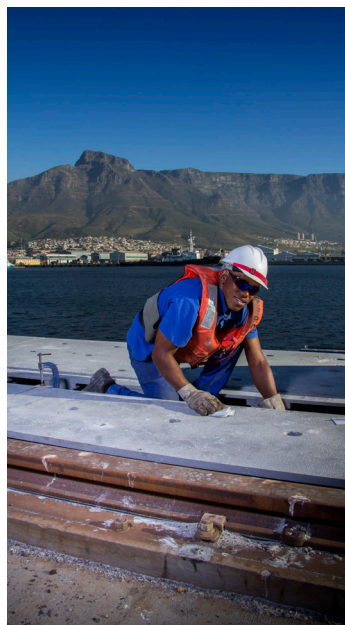
Section 11 of the Ports Act prescribes the core functions of the National Ports Authority as follows:

- To plan, provide, maintain and improve port infrastructure
- To promote the use, improvement and development of ports and control land use within the ports, having the power to lease port land under conditions that it determines
- To promote greater representation, in particular to increase participation in port operations of historically disadvantaged people
- To provide or arrange marine-related services, i.e. pilotage services, tug assistance, berthing services, dredging and hydrographic services
- To ensure that adequate, affordable and efficient port services and facilities are provided, including regulatory oversight of all port activities
- To provide aids to assist the navigation of vessels within port limits and along the coast

At an operational level, the TNPA occupies a strategic position in the country's transport logistics chain, managing South Africa's eight commercial seaports, namely Cape Town, Durban, East London, Mossel Bay, Ngqura, Port Elizabeth, Richards Bay and Saldanha Bay. Port Nolloth, the ninth port, does not handle any commercial cargo and is in its entirety leased to De Beers Consolidated Diamond Mines.

The ports under the control of the National Ports Authority span the South African coastline, which measures approximately 2 800 km. The National Ports Authority's asset base consists of port land, basic port infrastructure and marine fleet at the eight commercial ports. The TNPA manages port land of approximately 43,4 million m² and about 750 leases across the port system.

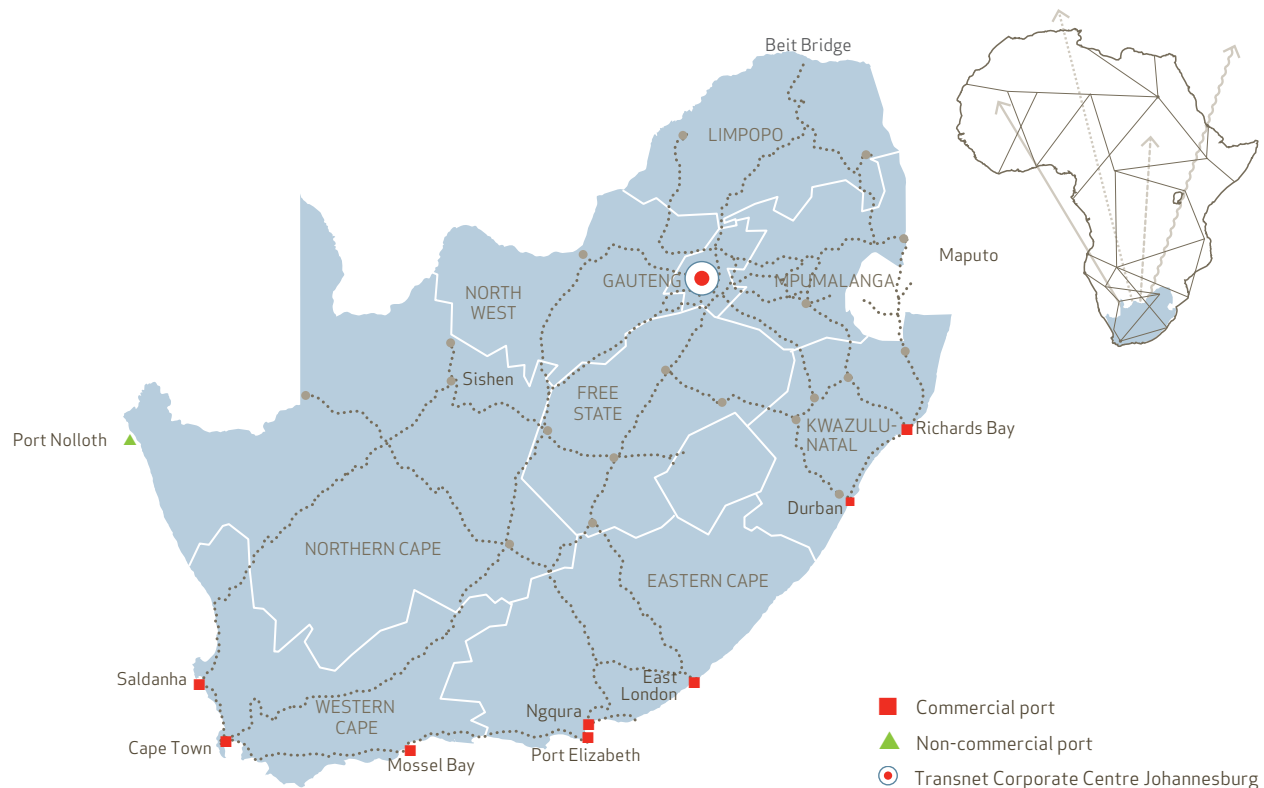
Operating within the port industry, the TNPA provides its services to port users, namely terminal operators, shipping lines, shipping agents, cargo owners and the clearing and forwarding industry. The National Ports Authority also carries a distinctive feature of being self-sustaining, unlike most other landlord port authorities that rely on national or provincial governments for financial support.



Where we operate

The map below depicts the geographic location of the national ports system.

Figure 1: National Ports Authority geographic locations



Regulatory environment

The National Ports Authority is committed to ensuring compliance with the Ports Act. As a regulated entity, the National Ports Authority is required to execute its strategy within a complex regulatory environment, whereby it assumes the role of a regulator of port users while also being regulated by the Ports Regulator. There are three levels of regulation and control within the port environment, namely regulatory oversight, economic regulation and port operations oversight.

The National Ports Authority recognises its accountability to all its stakeholders under the regulatory requirements applicable to its business and is committed to high standards of integrity. In view of the importance of complying with the ever-increasing universe of regulatory requirements and the national and international emphasis placed on the supervision thereof, the effective management of the regulatory risks to the National Ports Authority is essential.

The National Ports Authority evaluates its applicable legislation annually to ensure that it keeps abreast of the changing regulatory environment.

Operational performance

The 2019/20 Operations Performance Report focuses on all key commodities with the key focus being mainly on container terminals and strategic commodities such as export coal, manganese and iron ore, which are key strategic commodities also handled by Transnet Port Terminals, a licensed terminal operator managed by the TNPA.

The performance in the fourth quarter was considerably impacted by the Covid-19 pandemic that was classified as a pandemic by the World Health Organisation on 15 March 2020. On 16 March, President Cyril Ramaphosa declared the pandemic a national state of disaster whereby he announced immediate travel restrictions and the closure of schools from 18 March and the implementation of a national lockdown effective from 27 March 2020.

On 17 March, President Ramaphosa established the National Command Council on Covid-19, "to lead the nation's plan to contain the spread and mitigate the negative impact of the coronavirus".

TNPA had to adjust its operational response and service offerings in line with the new and revised Maritime Regulations and Marine Notices.

As a custodian of rail, ports and terminals, Transnet SOC Ltd established a Covid-19 Command Centre to closely monitor the coronavirus outbreak.

The Command Centre is responsible for coordinating and monitoring all vessels docking into all eight South African commercial seaports, namely Richards Bay, Durban, East London, Ngqura, Port Elizabeth, Mossel Bay, Cape Town and Saldanha. This also includes monitoring passengers on Transnet's Blue Train.

Transnet, which is responsible for vessel berthing and unloading of goods from vessels coming from different countries, is also rolling out sanitisers and safety protective wear for employees.

All procedures involving screening of the virus are done through the Port Health officials in collaboration with the Department of Health and the National Institute of Communicable Diseases (NICD).

The following measures are in place to safeguard employees at South Africa's ports:

- Transnet has distributed sanitisers throughout the organisation.
- All employees of Transnet National Ports Authorities and Transnet Port Terminals interacting with vessels and crew from affected areas are provided with sanitisers and personal protective equipment (PPE).
- TNPA's marine pilots are provided with appropriate PPE when receiving vessels from affected areas.
- All foreign vessels entering the ports must receive a free intensive check by the Port Health Department, and provide details of the last 10 ports of call.
- A separate list of vessels calling from affected areas are recorded.
- During quarantine all South African citizens, including marine pilots, must refrain from consuming foods and liquids on board the vessels.
- If infections are reported on board a vessel, the vessel may dock and Port Health will implement a quarantine.
- No persons are permitted to go aboard a vessel until Port Health has cleared the vessel.
- No crew is allowed to disembark without obtaining a clearance from Port Health.
- A thorough sweep of stowaways is conducted. If stowaways are found, the vessel must remain at anchor until the stowaways have been examined and cleared by Port Health.
- All waste on the vessels from affected areas will be incinerated and not allowed on shore.
- All yachts arriving in the country from all areas must report to South African Police Services and the Port Health Department. The skipper is to be informed that he and his crew have to remain isolated on board the vessel until cleared by Port Health.
- Additionally, Port Health employees have been briefed on government's national response plan to refer suspected cases to designated sites or hospitals.

South Africa's port system continues to focus on the following in the fight against Covid-19 and to ensure business continuity:

- Screening at the entrance gates to all ports
- Conducting business effectively while working from home
- Monitoring operational impacts of the lockdown through business continuity plans and the Covid-19 Command Centre
- Ensuring the safety of the National Ports Authority's employees with proper and adequate PPE to conduct their day-to-day duties
- Ensuring that those who are not required to be at the ports, work from home and observe the lockdown guidelines

Overview on Covid-19 status updates

Performance in the last quarter of the 2019/20 financial year was greatly impacted by the Covid-19 pandemic. By the close of the financial year, the global picture was uncertain due to the impact of the pandemic. The National Ports Authority had to adjust its operational response and service offerings to align with the new and revised maritime regulations and marine notices.

Operationally, the ports continue to perform below the targets set in the Corporate Plan's KPIs, which include ship turnaround times (STAT), anchorage waiting time and others. However, TNPA managed to effectively limit disruptions on the marine services which ensured that the marine service delays KPI, which is in the Shareholder's Compact, is well within the set target.

The TNPA did not meet the 2019/20 targets, and there is a likelihood that it will miss several commitments in both the Corporate Plan and Shareholder's Compact in the first quarter of the 2020/21 financial year.

The vessel calls performance comparison is one area that reflects the negative impact of Covid-19. Vessels are spending longer times alongside the berths due to the reduced number of available gangs to service vessels, and the additional health and safety protocols before vessels can be handled, thus increasing the number of vessels out at anchorage.

The Terminal Operator Performance Standards (TOPS) report provides terminal performance comparison between the previous year and the performance under review for the period 1 July to 31 December 2019. The focus of the report is on strategic terminals, i.e. containers, automotive, coal, iron ore and manganese. The performance summary focuses on three KPIs that have a major impact on STAT, namely terminal berthing delays, ship working hours and berth productivity.

The lockdown restrictions affected the submissions for the performance from January to April 2020. The terminals have been submitting their reports for the quarterly assessment of their performance by TNPA.

In the last four months of different lockdown levels, the Covid-19 pandemic has highlighted certain vulnerabilities in the port system as well as opportunities that can be explored to strengthen the port operations.

The International Association of Ports and Harbors has issued a new report, which provides an overview of the ongoing economic impact of the coronavirus on global port operations. The survey was done with responses from 104 ports around the world. The report highlights emerging trends in operations, including:

- An increase in high-frequency feeder services to regional ports, while other ports continue to feel the impact of cancelled container line sailings and the suspension of many ro-ro services; and

- The impact of the suspension of the ro-ro services is impacting the South African ports as vessel calls continue to be far below budget, with July being 53% below budget.

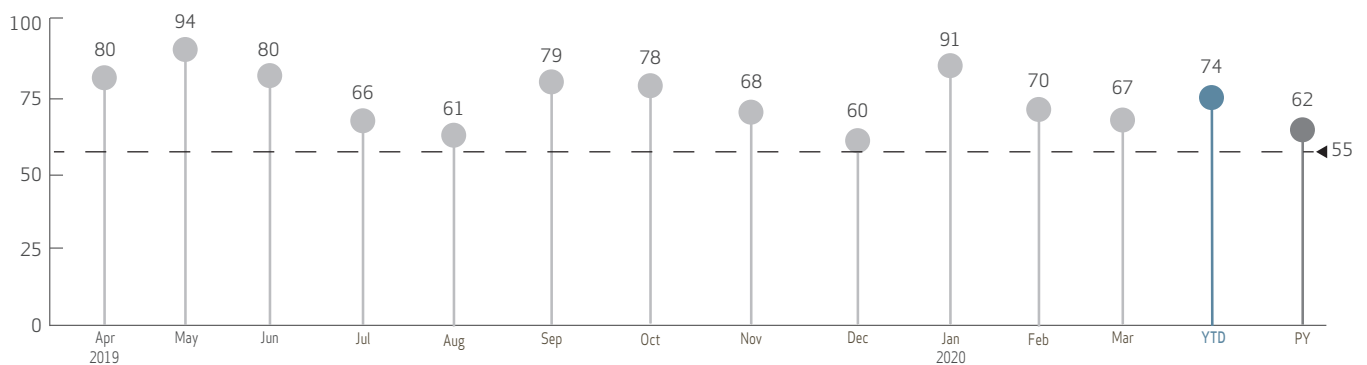
“Overall, a very fragmented situation for container shipping is becoming evident: some alliances have revamped services, whilst others are keeping cancellations,” said Professor Theo Notteboom, one of the report’s co-authors.

The graphs below compare all commodities’ performances in the 2019/20 financial year against target on a monthly basis with the YTD comparison of the 2020/21 financial year. The automotive industry has been badly affected by the pandemic, with its recovery expected to take months.

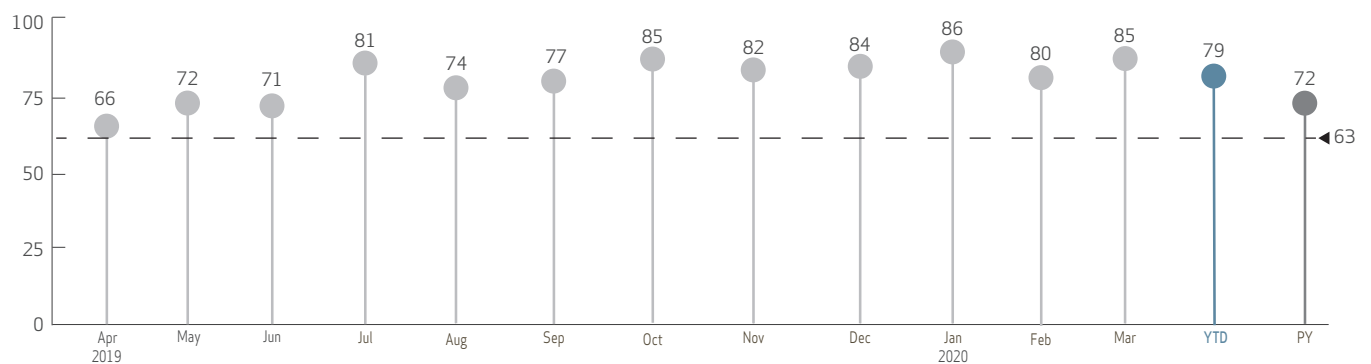
STAT and Anchorage

Ship turnaround time - hours

Durban Pier 1 (DCT Pier 1)

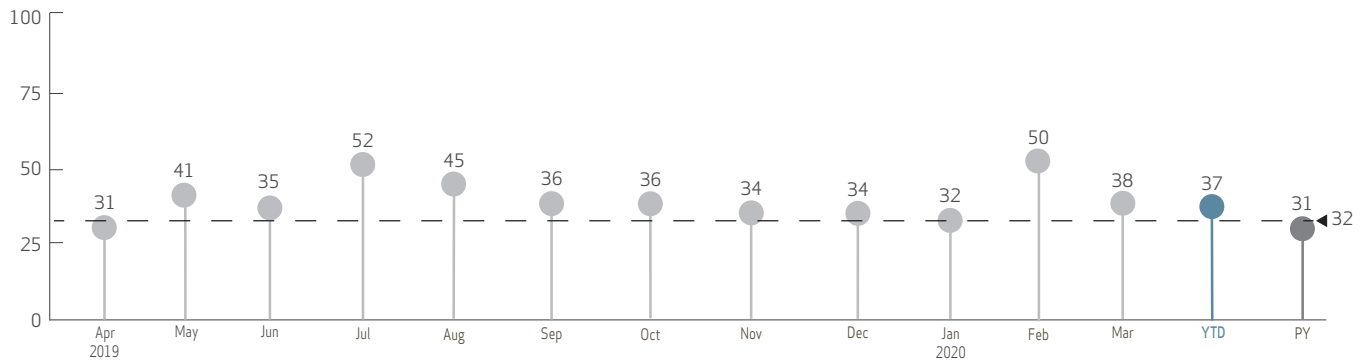


Durban Pier 2 (DCT Pier 2)

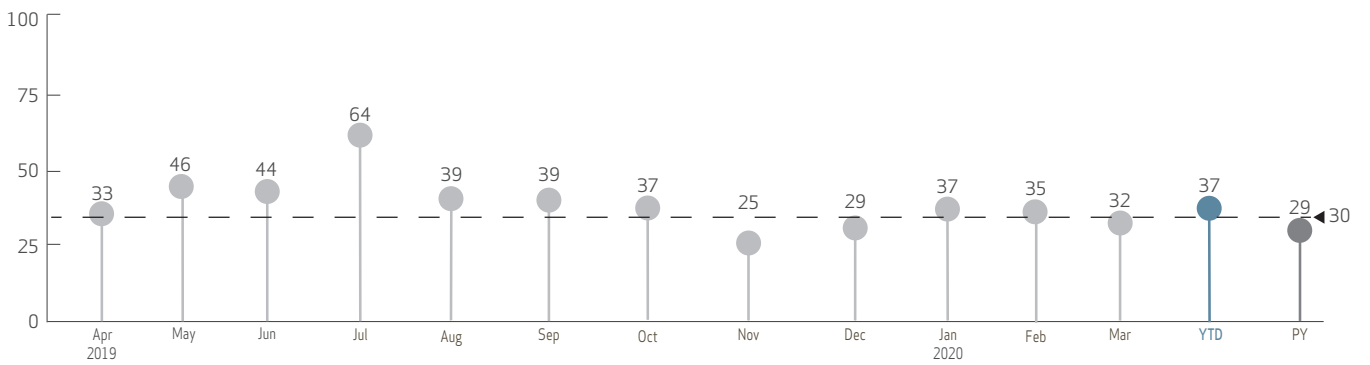


Ship turnaround time - hours (continued)

Cape Town (CTCT)

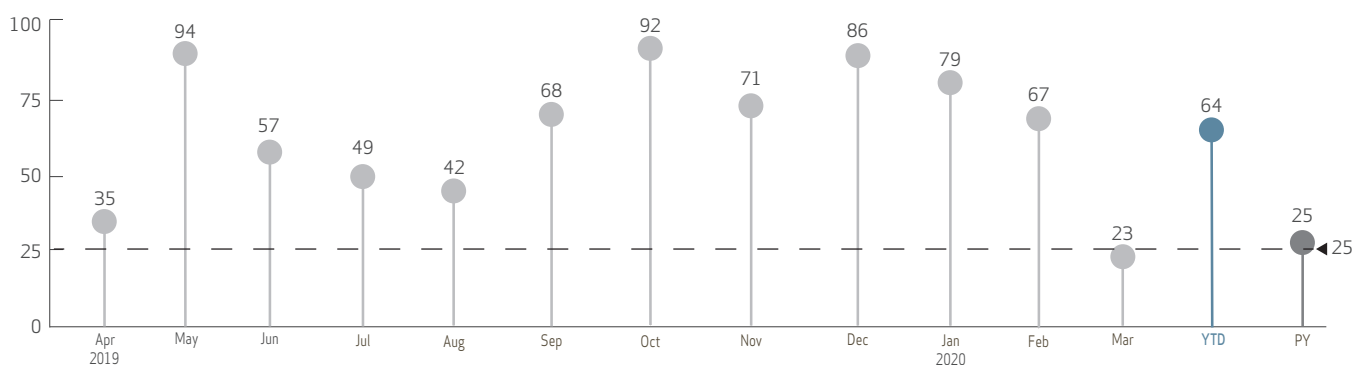


Ngqura (NCT)

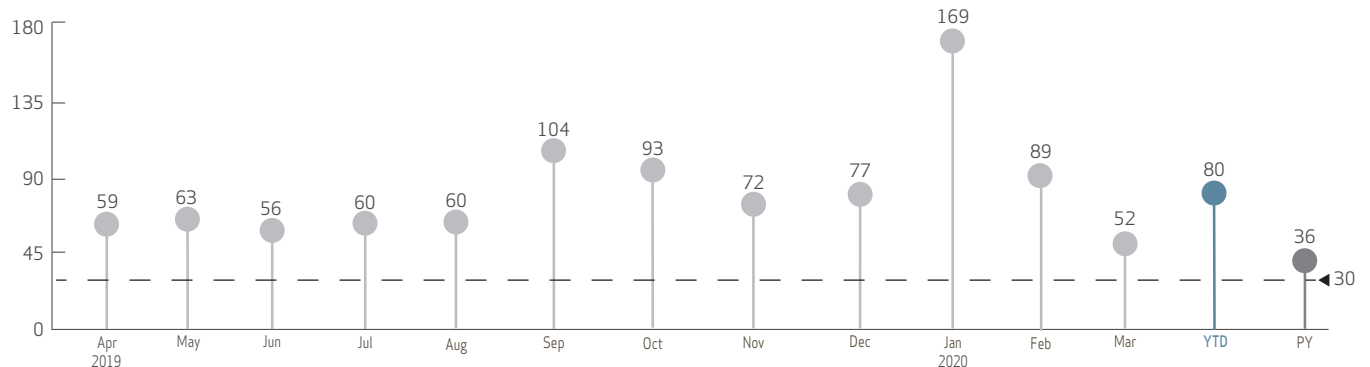


Anchorage waiting time - hours

Durban Pier 1 (DCT Pier 1)

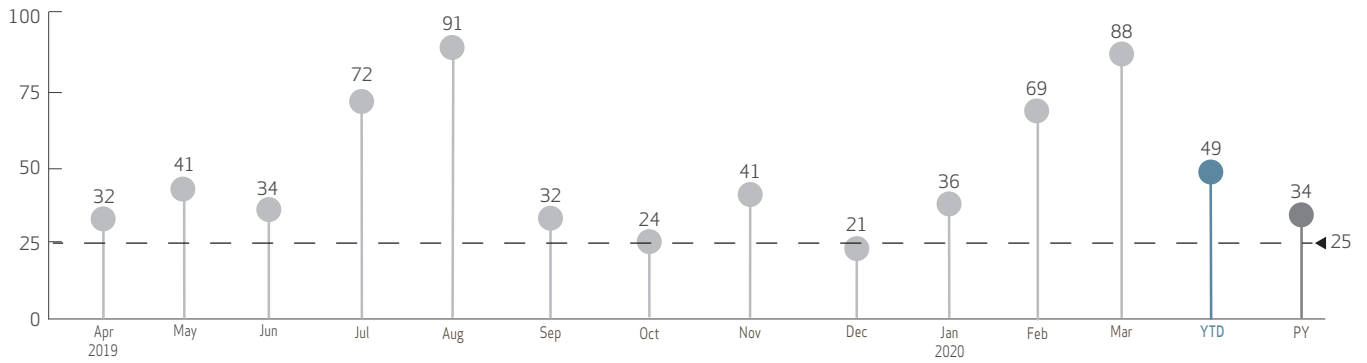


Durban Pier 2 (DCT Pier 2)

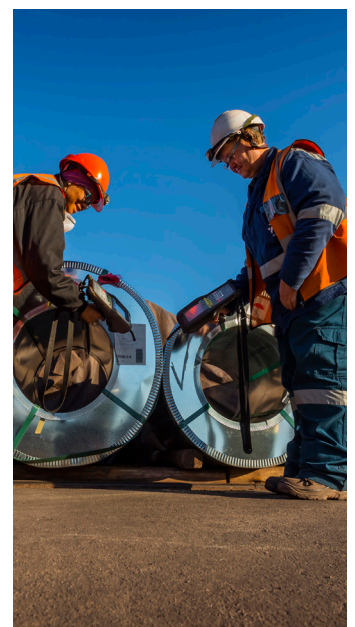
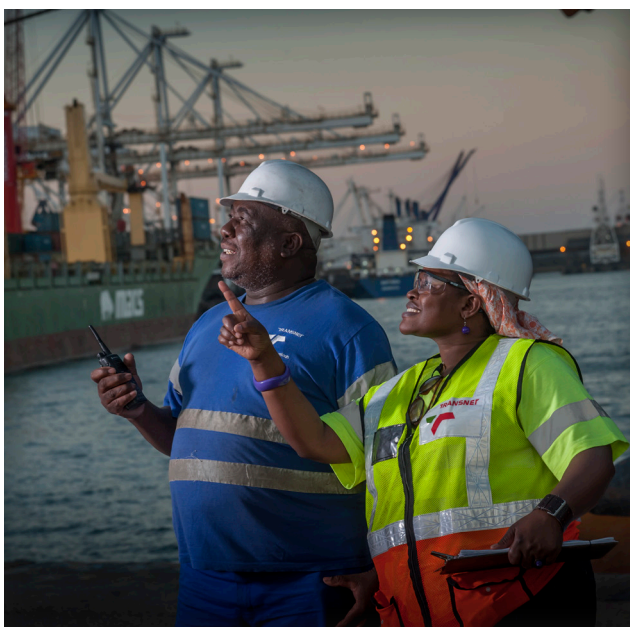
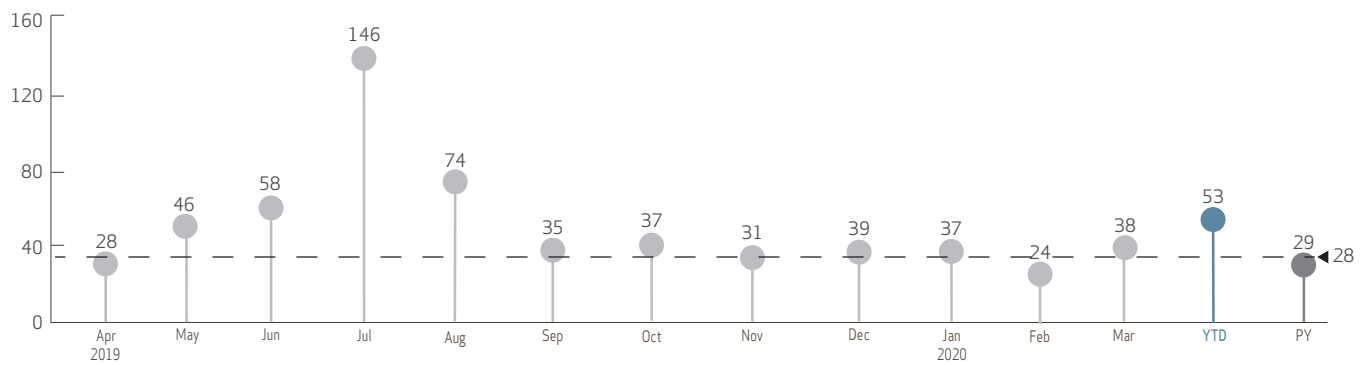


Anchorage waiting time – hours (continued)

Cape Town (CTCT)

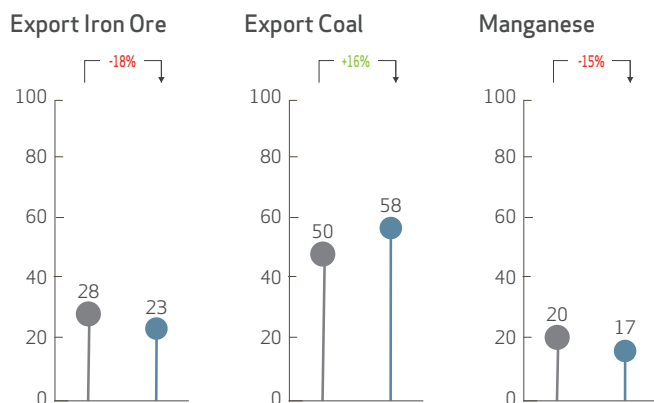
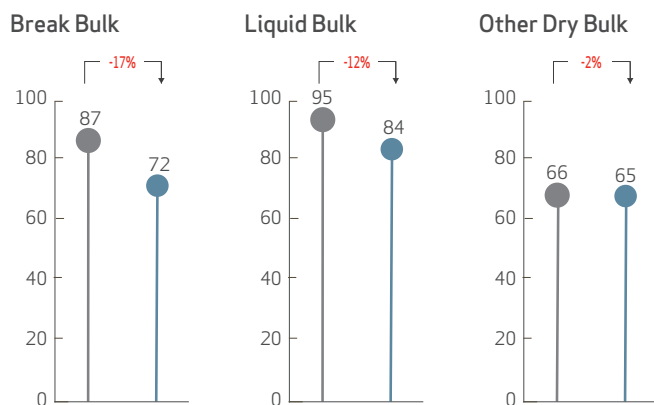
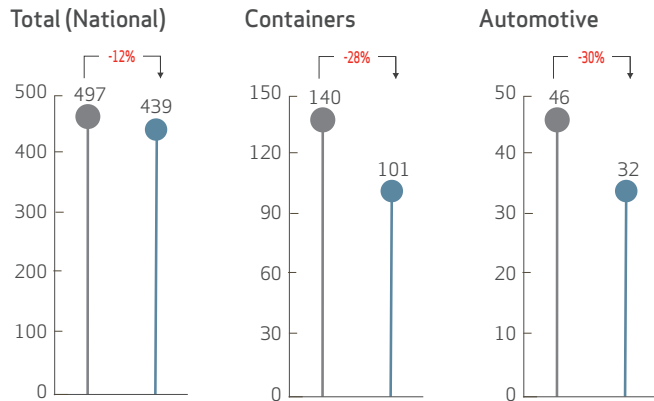


Ngqura (NCT)

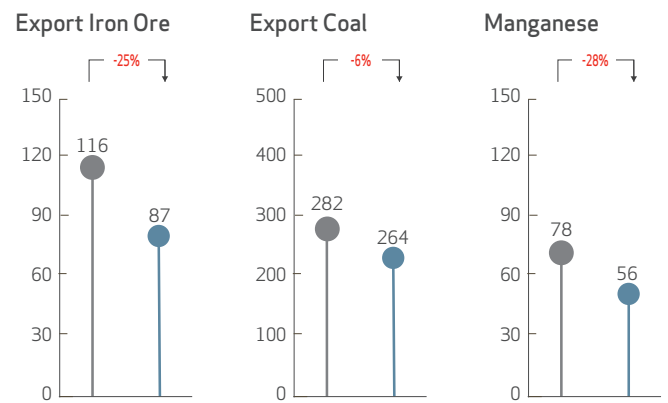
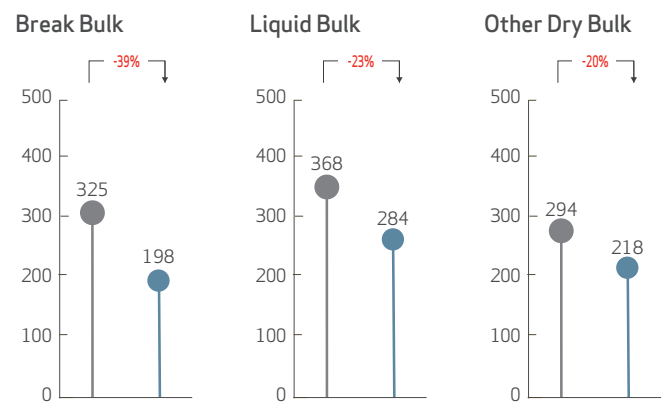
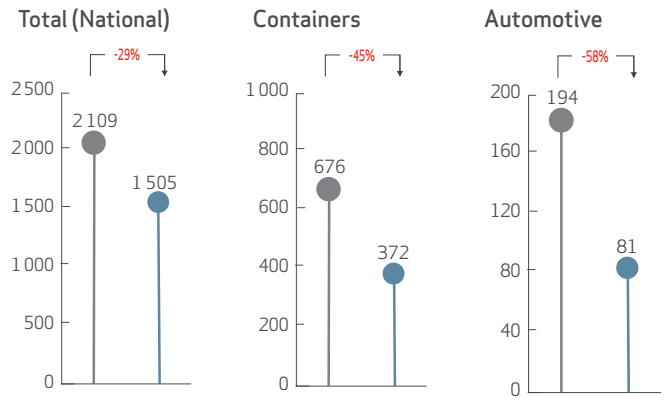


Port vessel calls performance

Vessel calls by commodity - July monthly



Summary vessel calls YTD (FY2019/20 vs FY2020/21)



■ FY2019/20

■ FY2020/21

- negative deviation

+ positive deviation

Core initiatives

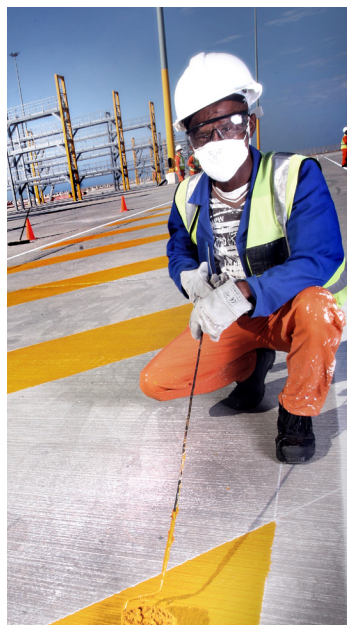
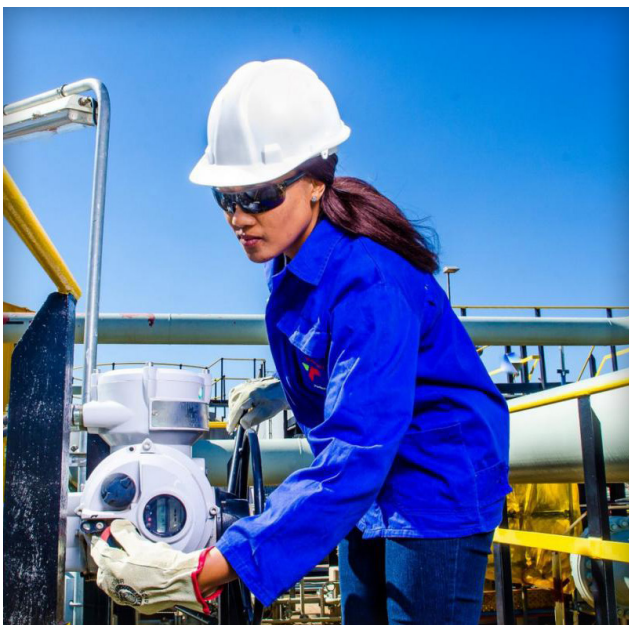
TNPA's operations have a number of initiatives that seek to improve operational efficiencies across the port system. For purposes of this report we focus on the initiatives that support marine services and aviation. These include:

- Surge mitigation in the ports of Ngqura and Cape Town;
- Pilot boats stability in the Port of Cape Town;
- Helicopter project in the Port of Cape Town
 - procuring of the helicopter and the hangar; and
- Maintenance of our fleet and security system:
 - CCTV maintenance
 - Helicopters
 - Tug fleet
 - Dredger

Other key initiatives include the Integrate to Decongest initiative in the Port of Durban, which seeks to decongest the landside operations specifically in the Container Terminal Precinct.

Further initiatives include:

- Designing a model for terminal performance enhancement led by Operations' capacity creation;
- Procuring a weather monitoring system to improve service predictability and operational performance mainly at the Western Cape ports covering Cape Town and the Port of Ngqura;
- Overseeing an improvement in the management of the performance inefficiencies covering the joint operations command centre by engaging terminal operators for a real-time transparent view of the operations;
- Introducing systems to enhance the monitoring of marine delays and craft availability aligned to Marine Operations Performance Standards (MOPS);
- Optimising marine helicopters in Durban and Richards Bay to alleviate delays;
- Implementing a tug renewal programme to improve towage delays; and
- Executing a training programme for marine personnel to ensure an effective personnel pipeline.



Overview of key performance indicators

Key performance area and indicator	Unit of measure	2018 Actual	2019 Actual	2020 Target	2020 Actual	2021 Target
Financial sustainability						
Revenue	R million	11 700	12 450	12 424	12 172	12 499
EBITDA	R million	7 201	8 317	7 090	7 866	7 749
Return on invested capital	%	6,8	3,9	9,7	14,2	6,5
Revenue per employee	R million	2,7	2,98	2,4	2,93	2,6
EBITDA margin	%	61,5	66,8	57	64,6	62
Operating profit margin	%	47,2	50,4	55	47	43
Gearing	%	24	16,7	25	16	8
Net debt to EBITDA	times	2,2	0,2	2,0	1,2	0,7
Return on total average assets - excluding capital work in progress (CWIP)	%	6,6	7,0	9	7,0	1
Asset turnover - excluding CWIP	times	0,1	0,1	16	17	15
Cash interest cover	times	3,9	5,1	4,1	6,0	3,5
Capacity investment						
Capital expenditure	R million	1 054	941	2 706	1 626	2 188
Operational performance						
Productivity						
Average ship turnaround time						
Durban Pier 1	container STAT hour	69	62	74	74	55
Durban Pier 2	container STAT hour	72	72	79	79	53
Cape Town	container STAT hour	32	31	37	37	50
Port Elizabeth	container STAT hour	20	19	37	32,2	30
Ngqura	container STAT hour	38	29	34,3	37	30
Anchorage waiting time						
Durban Pier 1	average hours	42	25	64	64	30
Durban Pier 2	average hours	79	36	80	80	40
Cape Town	average hours	34	34	49	49	40
Port Elizabeth	average hours	32,6	22	53	47	28
Ngqura	average hours	42,1	29	0	53	35
Richards Bay	average hours	76	55	0	1	60
Dry bulk						
Coal (RBCT)	hours	46	40	134	148	48
Iron ore (Saldanha)	hours	47,3	47	51	49	50
Manganese (Port Elizabeth)	hours	73,1	71	62	70,3	78
Berth occupancy						
Durban Pier 1	%	64	69	78	40	65 - 75
Durban Pier 2	%	69	69	76	53	65 - 75
Cape Town	%	64	61	64	68	60 - 70
Port Elizabeth	%	48	46	48,9	42,5	45 - 55
Ngqura	%	68	60	75,8	37,1	70 - 80
Berth utilisation						
Durban Pier 1	%	93	92	93,0	88	85 - 95
Durban Pier 2	%	92	93	93,0	92	85 - 95
Cape Town	%	80	81	85,0	90	70 - 80
Port Elizabeth	%	84	83	88,1	73,3	75 - 85
Ngqura	%	87	85	86,5	83,7	75 - 85
Market segment competitiveness						
Volume and revenue growth						
Containers	000 TEUs	4 778	4 682,0	4 902	4 538	4 688,6
Break bulk	million tonnes	7,1	6,2	7,6	4,7	3,7
Liquid bulk	million kilolitres	44,5	41,1	40,4	41,9	40,1
Dry bulk	million tonnes	180,6	179,3	190,9	182,6	186,9
Vehicles	units	676 508	722 791	724 141	776 762	781 906
Tariffs						
Average tariff increase	%	6,0	(7,0)	0,48	(6,27)	0,32

Key performance area and indicator	Unit of measure	2018 Actual	2019 Actual	2020 Target	2020 Actual	2021 Target
Sustainable developmental outcomes						
Human capital						
Training spend	% of personnel cost	5,9	1,5	3,1	1,7	2,6
Employee turnover	%	5,4	5,2	5,0	5,0	5,0
Employee headcount	permanent	4 351	4 155	5 214	4 165	4 721
Revenue per employee	R million	2,7	2,98	2,4	2,93	2,6
Risk, safety and health						
Cost of risk	% of revenue	2,7	2,4	0,30	2,85	0,32
DIFR	rate	0,3	0,41	0,75	0,25	0,75

Financial performance review

	Year ended 31 March 2020 R million	Year ended 31 March 2019 R million	% change	
Salient features				
Revenue	12 172	12 450	(2,2)	
- Containers	3 768	4 239	(11,1)	
- Break bulk	124	208	(40,4)	
- Dry bulk	1 300	1 297	0,2	
- Liquid bulk	683	701	(2,6)	
- Automotive	371	403	(7,9)	
- Other	5 926	5 602	5,8	
- Clawback and levy	0	-	0	
Operating expenses	4 306	4 133	4,2	
- Energy costs	593	534	11,0	
- Maintenance	335	285	17,5	
- Materials	87	82	6,1	
- Personnel costs	2 518	2 383	5,7	
- Other	773	849	(9,0)	
Profit from operations before depreciation, derecognition, amortisation and items listed below (EBITDA)	7 866	8 317	(5,4)	
Depreciation, derecognition and amortisation	2 182	2 042	6,9	
Profit from operations before items listed below	5 685	6 278	(9,4)	
Impairments and fair value adjustments	(555)	(2 575)	(78,4)	
Net finance costs	1 087	1 368	(20,5)	
Profit before taxation	5 152	7 481	(31,1)	
Total assets (excluding CWIP)	76 399	93 077	(17,9)	
	R million			
Profitability measures				
EBITDA margin ¹	%	64,6	66,8	(2,2)
Operating margin ²	%	46,7	50,4	(3,7)
Return on average total assets (excluding CWIP) ³	%	7,0	7,0	0
Asset turnover (excluding CWIP) ⁴	times	16,8	13,6	23,5
Capital investments [^]	R million	1 626	941	72,8
Employees				
Number of employees (permanent)	number	4 155	4 182	(0,6)
Revenue per employee	R million	2,9	2,98	(2,7)

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 total average assets, excluding CWIP.

[^] Actual capital expenditure (replacement plus expansion), excluding borrowing costs.

Performance commentary

Financial sustainability

Revenue for the year under review decreased by 2% to R12 172 million (2019: R12 450 million).

Looking ahead

- National Ports Authority intends to ensure financial sustainability in the current depressed environment. TNPA seeks to ensure, amongst others, completeness of revenue, tighter cost control, improved debt management and capital optimisation.
- TNPA's new business focus is:

Section 56 concession projects

Port	Completed Section 56 agreements	Commissioning date	Investment amount R million
Port of Cape Town	Cruise Terminal: V&A Waterfront Section 56 agreement concluded; development continuing parallel to operations	1 December 2015	90
	Greenfield Liquid Bulk Terminal: Burgan Cape Section 56 agreement concluded and operational	1 August 2017	
Port of Durban	Greenfields Cruise Terminal: KwaZulu Cruise Terminal (KCT) Section 56 agreement concluded	October 2020	285
Port of Saldanha	Greenfield LPG Terminal: Sunrise Energy construction concluded and facility now operational	15 May 2017	1 100
	Offshore Supply Base: Saldehco Offshore Supply Base Section 56 agreement concluded	Not yet commissioned	1 800
Port of Port Elizabeth	Brownfield Bidfreight Port Operations concluded (Sheds 10 and 11)	June 2019	20

Section 56 concessions project pipelines

Port	Completed Section 56 agreements
Port of Cape Town	Liquid Bulk Terminal: Brownfield projects (x3) <ul style="list-style-type: none"> • Public process to commence in Q4 of FY2020/21 (x 2) (subject to Island View Strategy (IVS)) • Public process to commence in FY2021/22 (x1)
Port of Durban	Maydon Wharf Agri Bulk Terminal: Greenfield project <ul style="list-style-type: none"> • Public process to commence in FY2020/21
	Maydon Wharf Dry Bulk Terminal: Greenfield project <ul style="list-style-type: none"> • Public process to commence in FY2021/22
	Maydon Wharf High Flush Liquid Bulk Terminal <ul style="list-style-type: none"> • Public process to commence in FY2021/22
	Liquid Bulk (Petroleum and Chemicals) Terminal – Island View Precinct: Brownfield project <ul style="list-style-type: none"> • Public process to commence in FY2021/22, subject to IVS
Port of Saldanha	Ship Repair Facility/Floating Dock: Greenfield project <ul style="list-style-type: none"> • Public process to commence in Q1 of FY2021/22
	Rig Repair Facility: Greenfield project <ul style="list-style-type: none"> • Public process to commence in Q1 of FY2021/22

Port	Completed Section 56 agreements
Port of Richards Bay	Liquid Bulk Terminal at South Dunes (including bunkering, if viable): Greenfield project <ul style="list-style-type: none"> Public process to commence in FY2020/21 Ship Repair Facility/Floating Dock: Greenfield project <ul style="list-style-type: none"> Public process to commence in Q1 of FY2020/21
Port of Ngqura	Energy Precinct: Greenfield/Brownfield project <ul style="list-style-type: none"> Open request for information to market to solicit innovative projects. Assessment results from received submissions expected at end October 2020 Request for proposal process and timing dependent on request for information outcome

Capacity creation and maintenance

The National Ports Authority's capital expenditure was 41% below budget at R1,6 billion (2019: R0,9 billion) due to underspending on the deepening of berths 203 to 205 at the Durban Container Terminal (DCT), the acquisition of a second grab hopper dredger and a cutter suction dredger, and the tank farm in Ngqura.

Looking ahead

TNPA plans to invest R2,2 billion during the 2020/21 financial year and R15 billion over the next four years to 2024 in capacity creation, infrastructure renewal and modernisation projects:

- **Capacity creation in 2020/21:**
 - R399 million budgeted to spend on the tank farm to equip berth B100 in Ngqura
 - R102 million budgeted on DCT berth deepening and lengthening of berths 203 to 205
- **Operation Phakisa projects in 2020/21:**
 - R276 million budgeted on all Phakisa projects
- **Helicopters in 2020/21:**
 - R302 million budgeted for the replacement of a Richards Bay and Durban helicopter as well as the procurement of a helicopter for Cape Town to start a new service
- **Fleet replacement in 2020/21:**
 - R87 million on a second grab hopper dredger
 - R60 million on a new cutter suction dredger

Operational performance

Performance is evaluated according to the approved targets in the Shareholder's Compact, which only focuses on the three container terminals at the ports of Durban, Cape Town and Ngqura. The KPIs that are evaluated cover ship turnaround time (STAT) and anchorage waiting time (AWT). The targets are set following a Shareholder's Compact policy and the process is clearly captured in a manual that is signed by the ministry of the Department of Public Enterprises. The targets are reviewed annually and agreed to by all stakeholders according to the manual and policy guidelines following the timeframes set. The focus will be on the two KPIs, namely STAT and AWT.

The following ports' terminals handle container vessels:

- DCT Pier 1 and Pier 2
- CTCT
- NCT

Operationally, the ports performed below target on the KPIs set out by the Shareholder's Compact and the Corporate Plan. As a result, the ports missed several commitments made in both the Corporate Plan and Shareholder's Compact for the 2019/20 financial year, which resulted in TNPA finishing below target at all terminals on targets that are tracked.

The vessel calls and performance comparison is one area that shows the negative impact of Covid-19. Vessels are spending longer times alongside the berths due to reduced numbers of available gangs to service vessels informed by health and safety protocols before vessels can be handled. This results in vessels waiting longer for berths and increasing the number of vessels out at anchorage.

Looking ahead

- Designed manual for enforcement of business performance oversight across the ports system including the licensed Terminal Operators that will enable independent verification and validation of performance at terminals;
- Monitoring and reporting of port operations' performance (WEGO, TOPS, HOPS, MOPS, ROPS, Shareholder's Compact, Corporate Plan) in line with the PRSA;
- Develop WEGO reporting system, based on completion of IPMS enhancement as core data system;
- Finalising the Design of Penalty and Incentive Model Penalty/Incentive Model Framework by:
 - Enforcement process flow and procedure review;
 - Following through on internal consultation in progress; and
 - Building capability in the continuous improvement portfolio.

Sustainable developmental outcomes

Human capital (employment and transformation)

- TNPA's permanent headcount decreased to 4 155 employees (2019: 4 182).
- Black employees represented 90% of the total employee base (2019: 88%).
- Female employees represented 37% of the total employee base (2019: 36%).
- People with disabilities represented 2,16% of the total employee base (2019: 2%).
- The employee turnover rate reached the target of 5%.
- The absenteeism index of 2,4% is lower than the target of 2,5%.

Skills development

In total, 25 750 learners were exposed to the business so as to create awareness of the port environment among the youth.

The Operating Division provided the following training in terms of critical skills:

- 28 engineers in training
- 2 technicians in training
- 16 marine pilots in training
- 164 marine cadets were trained

Health and safety

- A DIFR of 0,25 was recorded against a target of 0,75.

Environmental stewardship

Control and clearance of alien and invasive plants

The ports of Durban and Richards Bay combined cleared over 1 500 hectares of alien invasive plants and spent more than R620 000. Both ports' alien invasive species monitoring, control and eradication plans were audited by the National Department of Environment, Forestry and Fisheries, as required by the National Environmental Management: Biodiversity Act, No 10 of 2004 and its regulations (Alien and Invasive Species Regulations, 2014). Both ports had no findings.

Estuarine management

Estuaries are natural systems that provide indispensable goods and services for the economy and ecosystems. They provide nesting and breeding habitats for many aquatic species and some of those are resources for the fishing industry. Through the Estuarine Management Plans (EstMP), TNPA ensures that the marine system in each port remains resilient and their value is protected. In the Port of East London (Buffalo River Mouth Estuary) and the Port of Durban (Durban Bay Estuary) environmental management plans are in the implementation phase. More work focuses on

the monitoring of water quality and in the Port of Durban it has expanded to look at addressing sources of pollution to the sea. The Port of Richards Bay EstMP is complete and is awaiting gazetting by the Minister of Environment, Forestry and Fisheries.

Management of sensitive habitats

TNPA continued with its long-term ecological monitoring of the marine environment in all ports. No significant changes were recorded in the 2019/20 financial year. However, where pollution sources are known, port operational controls and port oversight audits are in place to manage port users. For infrastructural projects, environmental and sustainability controls to protect sensitive ecosystems are embedded in the Project Lifecycle Process Framework.

Port of Ngqura

The Port of Ngqura is known to be in a region that has an endemic plague which is carried by rodents. The port has a rigorous monitoring programme and biological controls to prevent the spread of the rodents. In the first quarter of 2020, the port through its monitoring noticed that rodents were dying. Investigations were immediately triggered to confirm the possibility of a plague. Investigations conducted to date with the help of the National Institute of Communicable Diseases have not confirmed a plague and further studies are in progress.

Social accountability

During the 2019/20 financial year, TNPA's CSI strategy continued to respond to business challenges relating to mission critical skills and environmental challenges. The CSI programme focused on the adoption of primary and high schools; provided required infrastructure, superstructure and maritime intervention. Under philanthropic support, focus was paid to environmental initiatives, community support and improving the quality of life.

Adopt-a-school programme - high schools

Since 2012, TNPA has been associated with 24 high schools around the port cities and, depending on their needs and affordability, the TNPA refurbished laboratories and libraries, installed smart boards, provided desks and provided WiFi to boost internet connectivity. Since 2012, over R50 million has been spent on the adopted schools.

Partnership with Lawhill Maritime Centre in Simon's Town

Since 2002 TNPA has provided essential financial support for deserving but disadvantaged young people to study at Lawhill Maritime Centre in Simon's Town. This initiative gives learners the opportunity to venture into promising careers in the maritime industry. In 2019, TNPA invested R781 400 to support 17 learners. Since 2002, over R10 million has been invested, benefiting about 210 learners. In 2020 the school will be celebrating its 25th anniversary.

Participation in Mandela Day activities in support of communities

Annually, TNPA participates in the Mandela Day call to action. In 2019, TNPA spent R1 million for the benefit of the following communities nationally:

Projects per region	Activity	Contribution
Gauteng	Health	R350 000
Eastern region	Social Community Development	R200 000
KwaZulu-Natal	Early Child Development	R250 000
Western Cape	Education	R200 000

Take a girl/boy child to the workplace

This job shadowing initiative aims to create meaningful work experiences for learners. In 2019, this initiative was observed throughout the national ports system involving TNPA employees' children and learners from adopted schools. The learners were paired with the function or department that they have an interest in; and in the port cities, port tours were conducted to give learners a 'touch and feel' of the maritime environment.

Participation in World Maritime Day (WMD)

TNPA, in partnership with the Department of Transport, participated in the WMD on 26 September 2019 under the theme "Empowering Women in the Maritime Community". Over R2 million was budgeted for this programme.

This event is celebrated globally and the theme gave the International Maritime Organisation an opportunity to work with various maritime stakeholders towards achieving the Sustainable Development Goals (SDG), particularly SDG 5, to foster an environment in which women are identified and selected for career development opportunities in maritime administrations, ports and maritime training institutes and to encourage more conversation for gender equality in the maritime space.

The national programme included:

- Women in Maritime Business Breakfast panel discussion on life at sea
- Port Open Day
- Masterclass on the 2019 theme: Empowering Women in the Maritime Community
- Career exhibition
- Port craft tours

Key risks and mitigating activities

The top 10 risks below were identified during the year under review with appropriate mitigating plans:

Key risks	Mitigating activities
Adequate port infrastructure maintenance	<ul style="list-style-type: none"> • Ensure dredger availability to dredging berths, channels and turning basins • Ensure timeous procurement of services and adherence to the Procurement Procedure Manual • Formalise maintenance inspection reports and implement recommendations • Implemented the Infrastructure Maintenance Plan • Monitor and improve procurement cycle times • Operations must be informed by a balance between commercial imperatives, maintenance and the protection of current assets especially in the container sector • Senior management to make it easy for maintenance teams to achieve their goals
A complex regulatory environment	<ul style="list-style-type: none"> • Conduct internal awareness sessions/compliance management programme • Deemed TNPA Board and perception of bias and conflicts of interest • Formally engage key stakeholders (Government departments, Shareholder, Transnet and regulatory bodies) to mitigate against unintended consequences of legislation relative to Integrated Coastal Management Act, National Ports Act, B-BBEE, and others • Transnet regulatory universe • Transnet compliance framework • Compliance staff assistance at Port and HQ
Safety risk	<ul style="list-style-type: none"> • Safety management system and risk assessments • Standard operating procedures, safety talks and VFL • Audits and inspections • SHE committee meetings and Safety symposiums • Red and Green Slips • Medical surveillance
Challenges experienced in introducing new entrants and industries into the port system	<ul style="list-style-type: none"> • Implement the S56 procedure manual • Training and development of all cross-functional teams to deal with concessions • Acquire sector-specific knowledge in the liquid bulk, oil and gas sectors and the regulatory environment affecting same • Dedicate capable resources to strategic projects that have been prioritised and manage cross-functionally, i.e. appoint transaction advisors and or specialists for major projects as required by the PFMA and strengthen and improve governance structures, S56 Steerco ASC, Project 5 Steerco and Port S56 committees
Security of information and cyber risk	<ul style="list-style-type: none"> • Improve systems security and general risk management by testing the integrity of systems • Ensure that all existing system and newly implemented systems (OTC, IPMS) are fully tested against cyber threats and ensure that the necessary mitigations are in place • Review and upgrade all system protocols where necessary • Test and improve disaster recovery • Transfer the risk where economically viable by procuring insurance
Delivery of the accelerated capex programme	<ul style="list-style-type: none"> • Capacitate infrastructure and procurement departments to deal with tenders and contracts, claims handling, procurement management, project programme office and document control, and project risk management • Ensure the new infrastructure is planned and designed to be able to cater for new generation vessels and oil rigs • Improve tracking and monitoring of projects through improved governance • Monitor and improve procurement cycle times and adherence to the Procurement Procedure Manual

Key risks	Mitigating activities
Attraction of critical skills to meet the demands of a changing port environment	<ul style="list-style-type: none"> • Review organisational structure and align to the execution of the strategy • Retrain and upskill existing staff to meet changing business needs • Implement the Recruitment and Retention Plan • Implement the Talent Management Programme • Review and enhance succession pipelines
Improving efficiencies and executing port oversight	<ul style="list-style-type: none"> • Establish integrated oversight team to execute function, i.e. oversight of SHE, facilities, engineering (maintenance), security, marine, finance and operations • Embed TOPS, MOPS, ROPS and HOPS • Draft and implement standard operating procedures, port standards and guidelines • Agree audit parameters with all stakeholders • Execute SHE, facilities, engineering, security, marine, finance and operations oversight audits • Embed oversight culture, continuous improvement and change management • Enforcement of the conditions in the licences, leases and section 56s • Formalise engagement with all stakeholders to create awareness and to provide feedback on status of oversight
Sustainability (extreme weather events and failure of climate change mitigations)	<ul style="list-style-type: none"> • Implement all sustainability initiatives (energy saving, water saving and air quality) • Ensure business continuity plans are robust enough to minimise the impact of droughts, severe storms and interruptions to energy supply • Engage with port users, other Operating Divisions and stakeholders to establish integrated business continuity plans to optimise scarce resources and coordinate efforts • Prepare for natural disasters including unpredictable and changing weather patterns by improving business continuity plans and predictive and analytical abilities • The design of new infrastructure and equipment (marine fleet) must contribute to sustainability goals
Port security challenges	<ul style="list-style-type: none"> • Implement the existing National Security Plan, Ministerial directive, Port Security Plans and TNPA Security Strategy and Policy • Develop and implement a revised Integrated Security Management Solution in collaboration with other state security agencies • Improve visible safeguarding, protection and compliance in the short to medium term • Optimise the use of and maintain the new CCTV cameras across the port system

Opportunities

- Optimise port efficiencies and customer services through performance standards and technology
- Provide joint bunkering services
- Explore new business development opportunities such as value-adding facilities
- Create an energy hub to enhance security of supply and support industrial development
- Promote the Port of Ngqura as a regional transshipment hub in sub-Saharan Africa
- Support regional integration and improve connectivity through port development and market diversification where feasible
- Promote the South African port system globally to attract investments and optimise industrial development zones
- Increase revenue and employment through Operation Phakisa projects, where feasible
- Expand the South African port system aligned to demand (e.g. Durban Dig-out Port) premised on feasibility and optimisation of existing efficiencies
- Operationalise the Maydon Wharf and the Agri Bulk Terminal in Durban

Abbreviations and acronyms

CSI	Corporate social investment
CTCT	Cape Town Container Terminal
CWIP	Capital work in progress
DCT	Durban Container Terminal
DIFR	Disabling injury frequency rate
EBITDA	Earnings before interest, taxation, depreciation and amortisation
HOPS	Haulier Operator Performance Standards
MOPS	Marine Operations Performance Standards
NCT	Ngqura Container Terminal
PPE	Personal protective equipment
ROPS	Rail Operator Performance Standards
SHE	Safety, health and environment
SOC	State-owned Company
STAT	Ship turnaround time
TNPA	Transnet National Ports Authority
TOPS	Terminal Operator Performance Standards
VFL	Visible Felt Leadership
WEGO	Weighted Efficiency Gains on Operations

