

“South Africa's Port Systems in reaching out to global trade”

Transnet Port Terminals



Transnet 4.0

Admired

United

Digital

Agile

Presented by Siyabulela Mhlaluka



- Background, Transnet & TPT
- Current Environment, SSA African Economic Context & South African Policy environment
- The Strategy of Transnet/TPT South African Port System as an enabler for global trade
- Transnet/TPT Specific Initiatives increasing the attractiveness of the South African Port System as a conduit of regional integration
- Conclusion

Who are we?

Transnet SOC Ltd is a public company with the South African government running as its sole shareholder, through the Department of Public Enterprises (DPE).



public enterprises
Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA

Good governance

The DPE aims to drive investment, productivity and transformation in the department's portfolio of State Owned Companies (SOC), their customers and suppliers so as to unlock growth, drive industrialisation, create jobs and develop skills

Other stakeholders include:



transport
Department:
Transport
REPUBLIC OF SOUTH AFRICA





Transnet State Owned Company



Advanced Manufacturing

- Support TFR for rolling stock and TPT for lifting equipment maintenance
- eight product-focused businesses, 150 depots, seven factories and 15,000 employees

Transnet Freight Rail (TFR)

- 20 500 km of railway track (80% of Africa's total rail)
- 182 million tons of freight
- General freight & 2 heavy haul export lines
- 25,000 employees

Transnet National Ports Authority (TNPA)

- 8 Commercial ports along 2 954 km of coastline
- Plan, provide, maintain and improve port infrastructure
- Providing marine-related services, including dredging, aids to navigation, ship repairs and marine operations

Transnet Port Terminals (TPT)

- 16 Cargo Terminals (68 berths) operating across 7 ports
- 3 Inland Ports
- Containers, Mineral Bulk and the Agricultural Bulk and Ro-Ro (roll on/roll off)

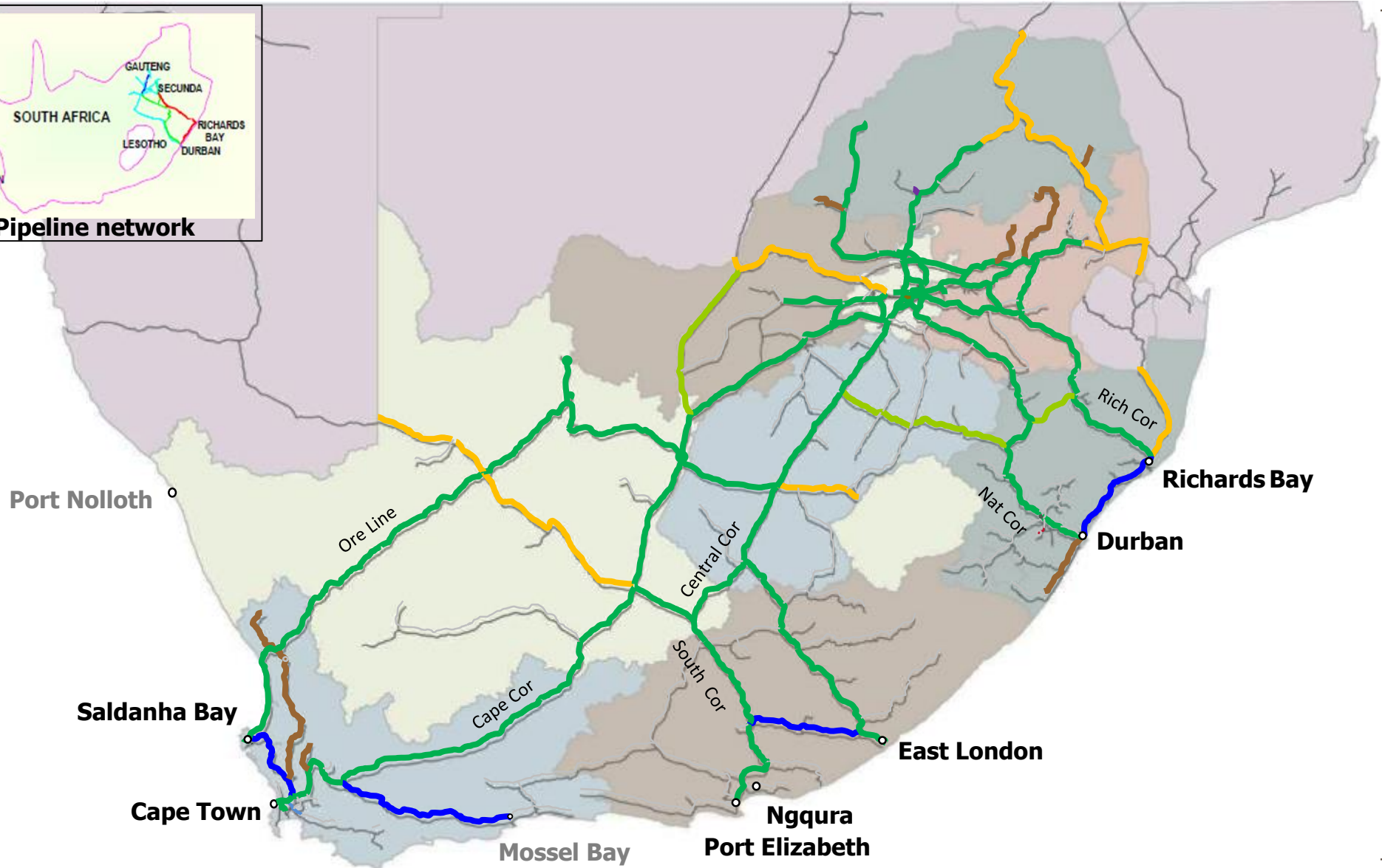
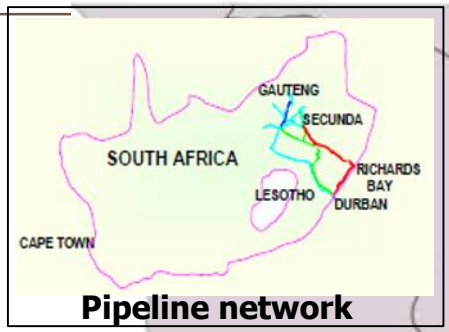
Transnet Pipelines (TPL)

- Transnet pipelines' network transports 100% of South Africa's bulk petroleum products.
- 18 billion litres of petroleum products and gas through 3 000 km of pipelines, mainly to Gauteng

Capital Projects Transnet Foundation Property Schools

- Capital investment execution division.
- CSI in Education, Health, Sport, Arts & Agriculture
- Property Management
- Transnet Schools

Where do we operate.....



Who are we? Transnet Port Terminals

Transnet Port Terminals manages 16 cargo Terminals across 7 commercial ports
 Operational Focus: containers, Break bulk, Dry Bulk and Auto.



Breakbulk:
19,3m tons

bulk

break bulk

containers

delivering freight reliably

automotive

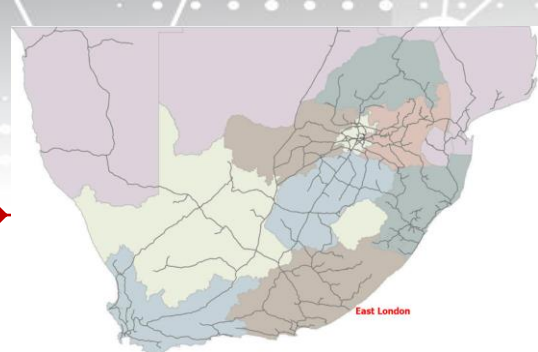
Bulk: 93,6m tons

Automotive: 827 000 units

Containers: 6.5m teu



Port of East London



Container:
90k teu

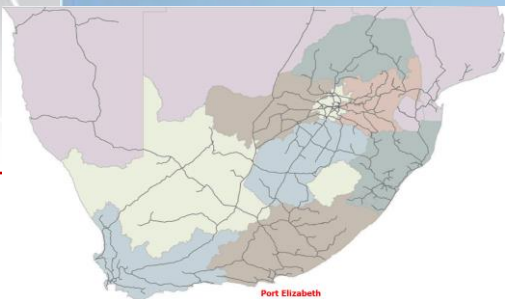
Bulk
500k tons

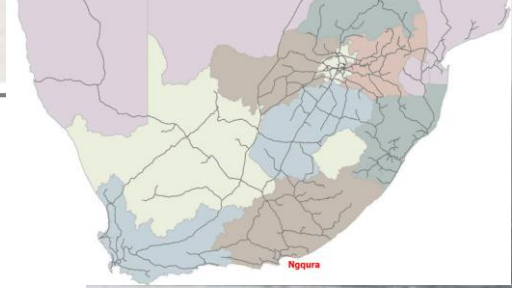
Part of the East
London
Industrial
Development
Zone

Multi
Purpose:200k
tons

Automotive
157k units

Port of Port Elizabeth

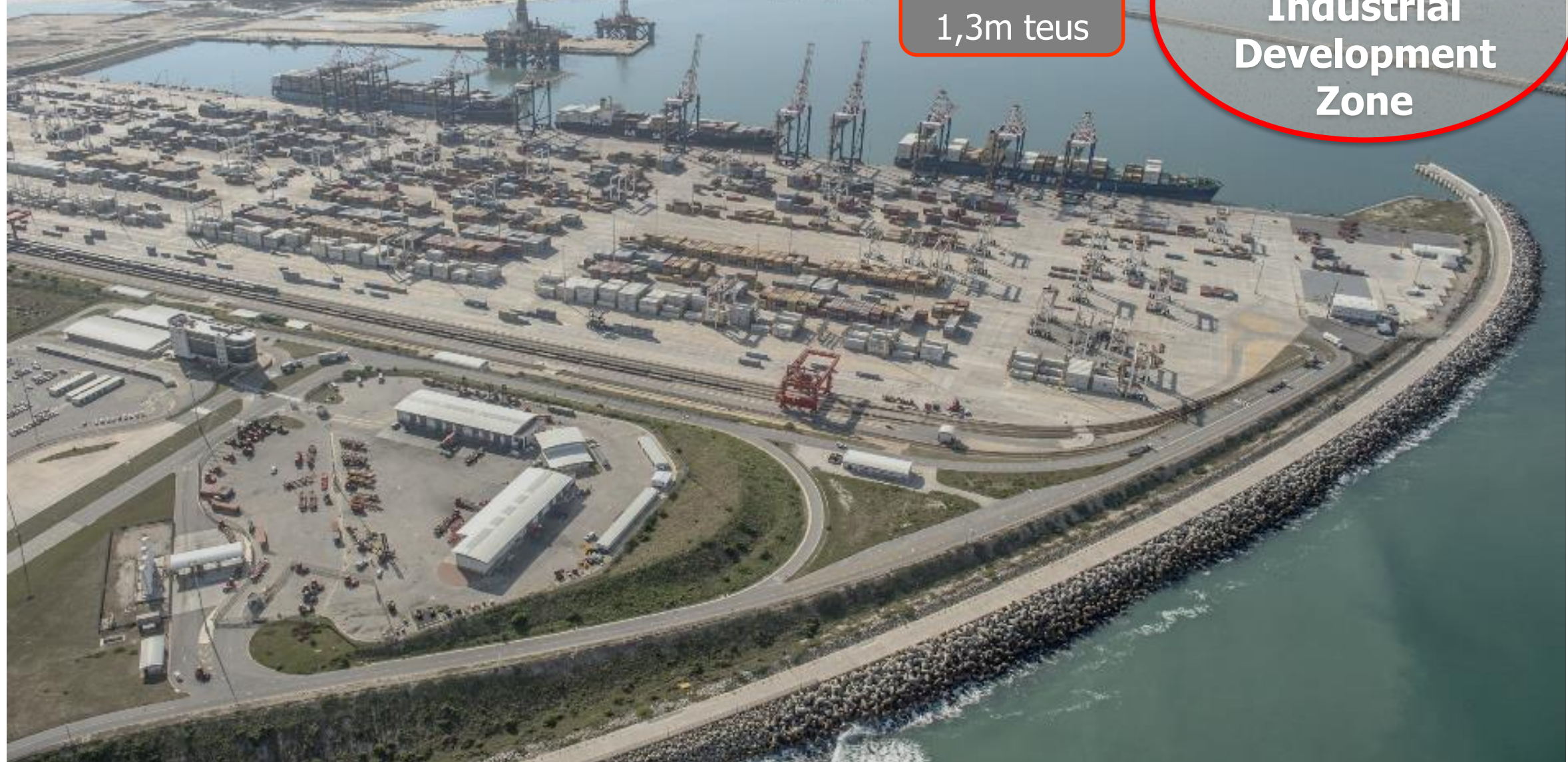


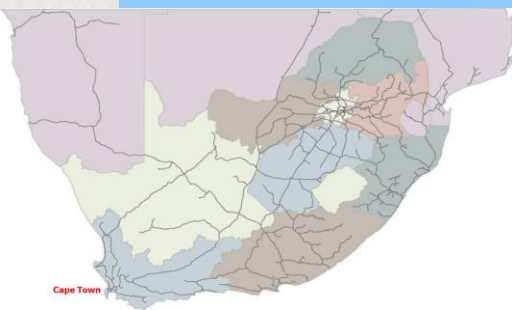


Port of Ngqura – RTG Facility (40)

Container
1,3m teus

Part of the
**Coega
Industrial
Development
Zone**



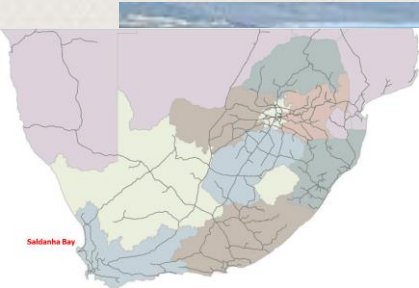


Port of Cape Town



Multi Purpose
600k tons;
90k teu

Container
1m teu



Port of Saldanha

Part of the
Saldanha Bay
**Industrial
Development
Zone**

Bulk
60 m tons

Multi Purpose
6,7m tons



The Port of Durban – Container Terminals



Pier 1
Container 700k
teu

Pier 2
Container 2,4m
teu

SkyPics 2015 ©

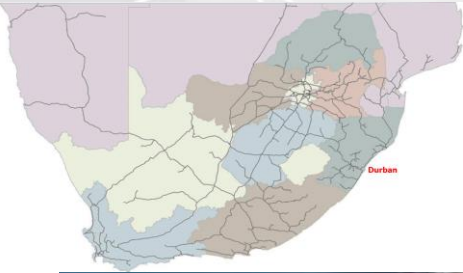
The Port of Durban RoRo Terminal



Automotive
520k units

Multi Purpose
230 k teu;
700k tons

Durban Maydon Wharf



Bulk
1,5m tons

Multi Purpose
1,5m tons

The Port of Richards Bay



Multi Purpose
8,7m tons

Bulk
26,6m tons

Containers
22k TEU

Spotlight: The Port of Durban



Port Ranking
1st in Sub-Saharan Africa
3rd in Africa
4th in Southern Hemisphere

Customers
Terminal Operators;
Shipping Lines;
Ships Agents;
Cargo Owners; and
Clearing and Forwarding
Industry.

Annual Throughput
90 209 562m tons
2.770m TEU's Containers
10.883m tons Dry Bulk
457,154 Automotives
28.430m kl Liquid Bulk
2.462m tons Break Bulk

EBITDA
2017/2018 FY
R4.740bn

GDP Contribution
20% to Durban GDP
11% to KZN GDP
2% to SA GDP

Asset Base
R28.3bn

Capital Investment
R16.4bn
Over 7 years

Employment
Direct 1194
Indirect 50,000
Projects 37,200

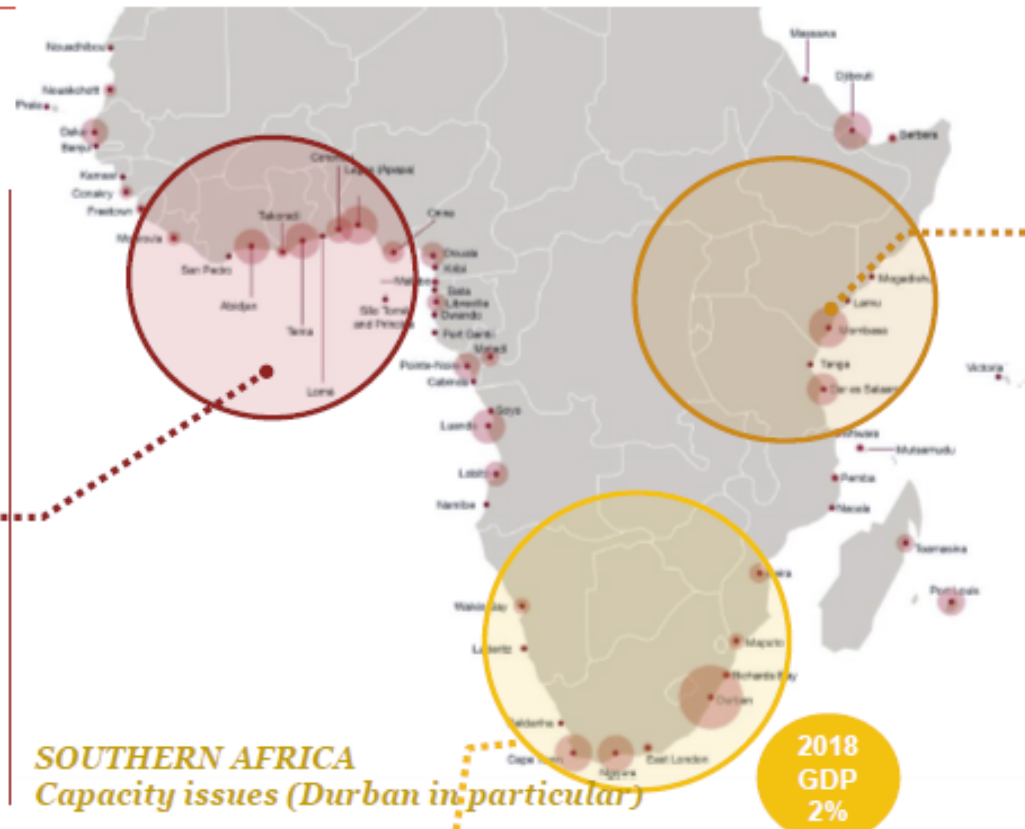
Berths
8 Container
3 Auto
13 Dry Bulk
12 Break Bulk
8 Liquid Bulk

Fleet
8 Tugs
2 Pilot boats
5 Launches
2 Helicopters
1 Pollution boat
1 VIP craft
1 Floating crane

BBBEE Spend
92.7%

Capacity
Containers 3.4m TEUs
Dry Bulk 11m Tons
Auto Units 900,000
Liquid Bulk 21m Tons
Break Bulk 2.9m Tons

Economic Context: Economic growth in SSA continues to recover steadily but with variations by country and region, SSA GDP 3,1% in 2018 and 3,6 in 2019/20



WEST AFRICA
 Sufficient port capacity
 Operational performance challenges

2018
 GDP
 3.8%

moderate economic growth off a lower base

Average GDP growth in West Africa is projected to rise to 3.8% in 2018 and 3.9% in 2019.

Nigeria contributes +/- 70% of regional GDP, and has a large impact on the region.

Exports of goods & services as % of GDP in 2017: 26.9% and imports 34.9% = trade deficit

Forecast GDP 2017 (BMI)

Benin	4.4%	Gambia	3.3%	Nigeria	0.7%
Burkina Faso	5.6%	Ghana	8.0%	Senegal	7.3%
Cameroon	5.6%	Liberia	4.2%	Sierra Leone	6.9%
Cote D'Ivoire	7.8%	Niger	5.7%	Togo	5.2%
Gabon	0.9%				

EAST AFRICA
 Significant capacity constraints

2018
 GDP
 5.9%

strong economic growth of a lower

Economic growth in East Africa was 5.9% in 2017 and is forecast to continue to grow in 2018 and 2019.

Exports of goods & services as % of GDP in 2017: 16.6% and imports 23.9% = trade deficit

Forecast GDP 2017 (BMI)

Djibouti	6.9%	Malawi	5.2%	South Sudan	1.2%
Ethiopia	7.5%	Rwanda	5.7%	Tanzania	5.3%
Kenya	4.5%	Somalia	2.6%	Uganda	6.0%

SOUTHERN AFRICA
 Capacity issues (Durban in particular)

2018
 GDP
 2%

Low forecast economic growth of a higher base

Economic outlook is cautious. The region continues to face major headwinds: high unemployment, weak commodity prices, fiscal strain, increasing debt, and high inflation. Real GDP is estimated at an average of 1.6% for 2017, and projected 2.0% in 2018. Exports of goods & services as % of GDP in 2017: 29.7% and imports 30.5% = trade deficit

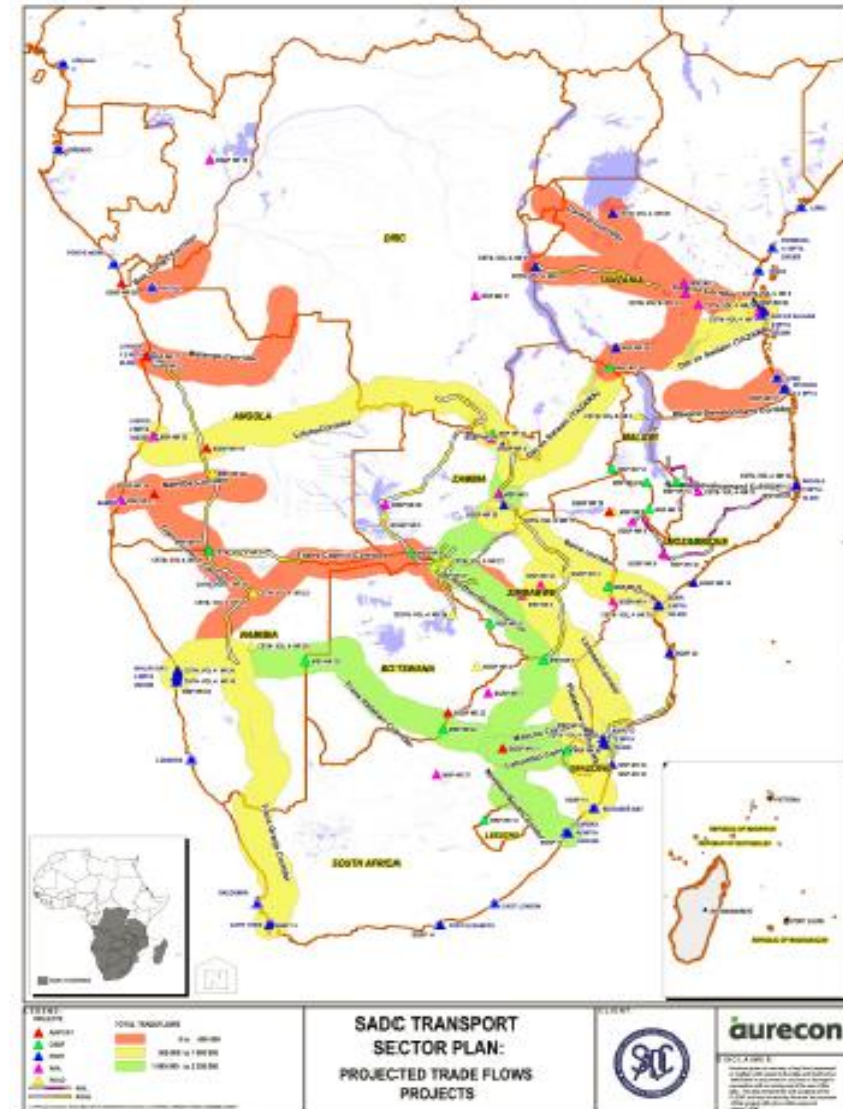
Forecast GDP 2017 (BMI)

Botswana	1.5%	Mozambique	4.1%	South Africa	0.8%	Zimbabwe	0.9%
		Namibia	0.6%	Swaziland	0.6%		

Outlook: Trade vs Infrastructure Capacity in SSA

- The EU is SADC's largest trading partner, SA largest part of EU imports to and EU exports from the region. (Europe commission, 2014).
- The total port traffic in Southern Africa will increase from **92 million tons in 2009** (Nacala, Beira, Maputo, Durban and Walvis Bay) to **500 million tons in 2027 (PIDA)**.
- Transit traffic from landlocked countries will also more than double from 12mt → 35mt in 2020 projected to increase < 100 mt over the next 30 years.
- **Dire need for major port expansion by 2020 (SADC).**
- Similarly East & West African port traffic is increasing giving rise to a need for major investments in infrastructure
- Currently East African Community (EAC) leads as most integrated in Africa trade integration index.
- West Africa (ECOWAS) 3rd Regional integration – clear focus on intra Africa trade.

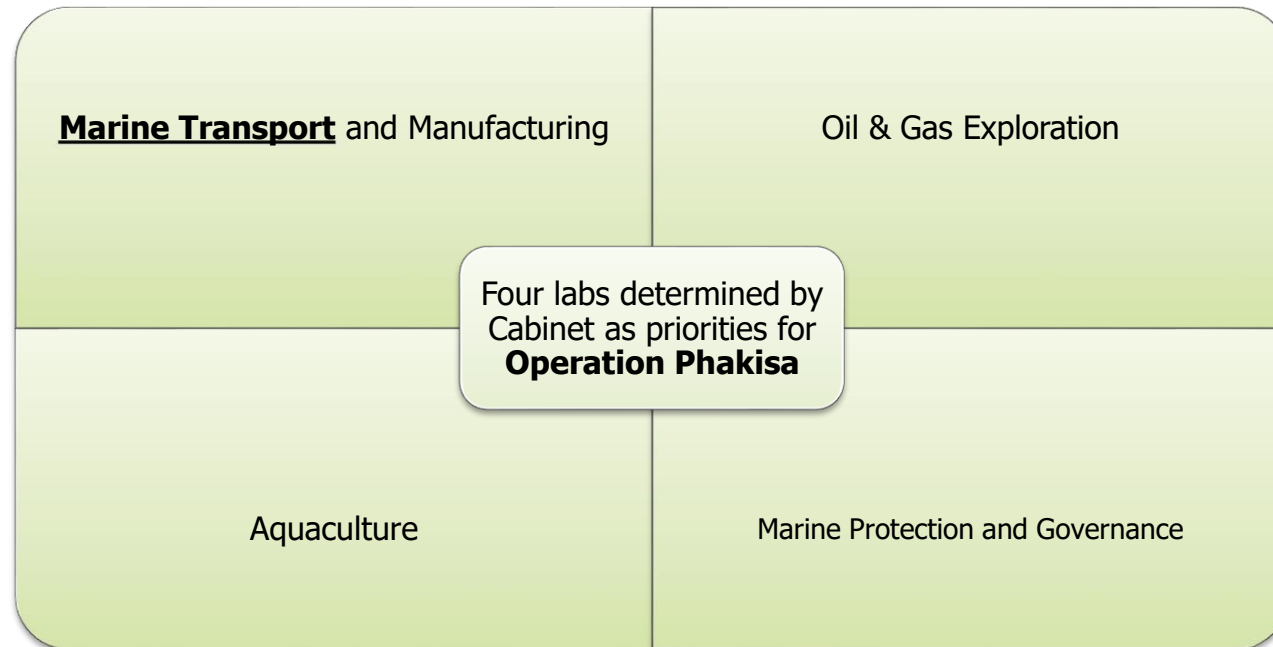
WHAT IS TRANSNET DOING TO CAPTURE THIS NEW GROWTH??



Policy Environment...



Government policy focused on GDP and job creation to resolve inequality, unemployment and poverty...

- **National Development Plan:** aims to eliminate poverty and reduce inequality by 2030 by, amongst other things, growing an inclusive economy
- **New Growth Path:** provides the framework for economic policy and the driver of South Africa’s jobs strategy
- **Industrial Policy Action Plan:** specific plans to grow the economy and create jobs through industrial policy



TPTs Lab is lab focused on accelerating the growth of the **Marine Transport and Manufacturing sector:**
 –*Marine transport with a focus on: cargo handling*

Through Operation Phakisa, our vision is to accelerate the current GDP contribution and job creation potential of the sector

	Initial lab vision	Baseline (2010)	Target for interventions
 <p>GDP Contribution</p>	<ul style="list-style-type: none"> Accelerate the GDP contribution of the sector 	<ul style="list-style-type: none"> ~R15bn 	<ul style="list-style-type: none"> Increase the contribution to GDP by R14-23bn by 2019
 <p>Job Creation</p>	<ul style="list-style-type: none"> Increase total employment 	<ul style="list-style-type: none"> ~15,000 jobs 	<ul style="list-style-type: none"> Increase the number of total jobs created by 40,000-50,000 jobs by 2019

Numbers based on pre-lab projections

Transnet 4.0 to unlock opportunities for investment in SA

Freight solutions

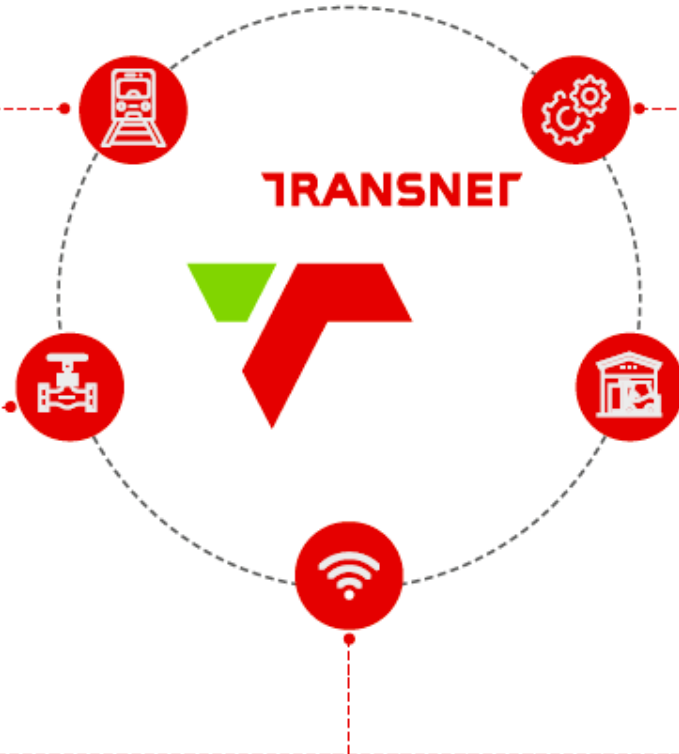
World-class, customer-centric end-to-end freight solutions

- Added capabilities and partnerships to enhance general freight positioning (4PL)
- Africa dimension – port and rail concessions
- Foster regional trade

Liquids and gas

Access and distribution of liquids and gas energy resources

- Natural gas networks
- Liquid fuel storage
- Energy opportunities



Advanced manufacturing

Africa's own rail, ports and transport original equipment manufacturer (OEM)

- Customer-focused packaged asset life cycle solutions (design, finance, build, maintain, replace)

Infrastructure and spatial solutions (local and regional)

Logistics eco-systems to enable and accelerate economic growth

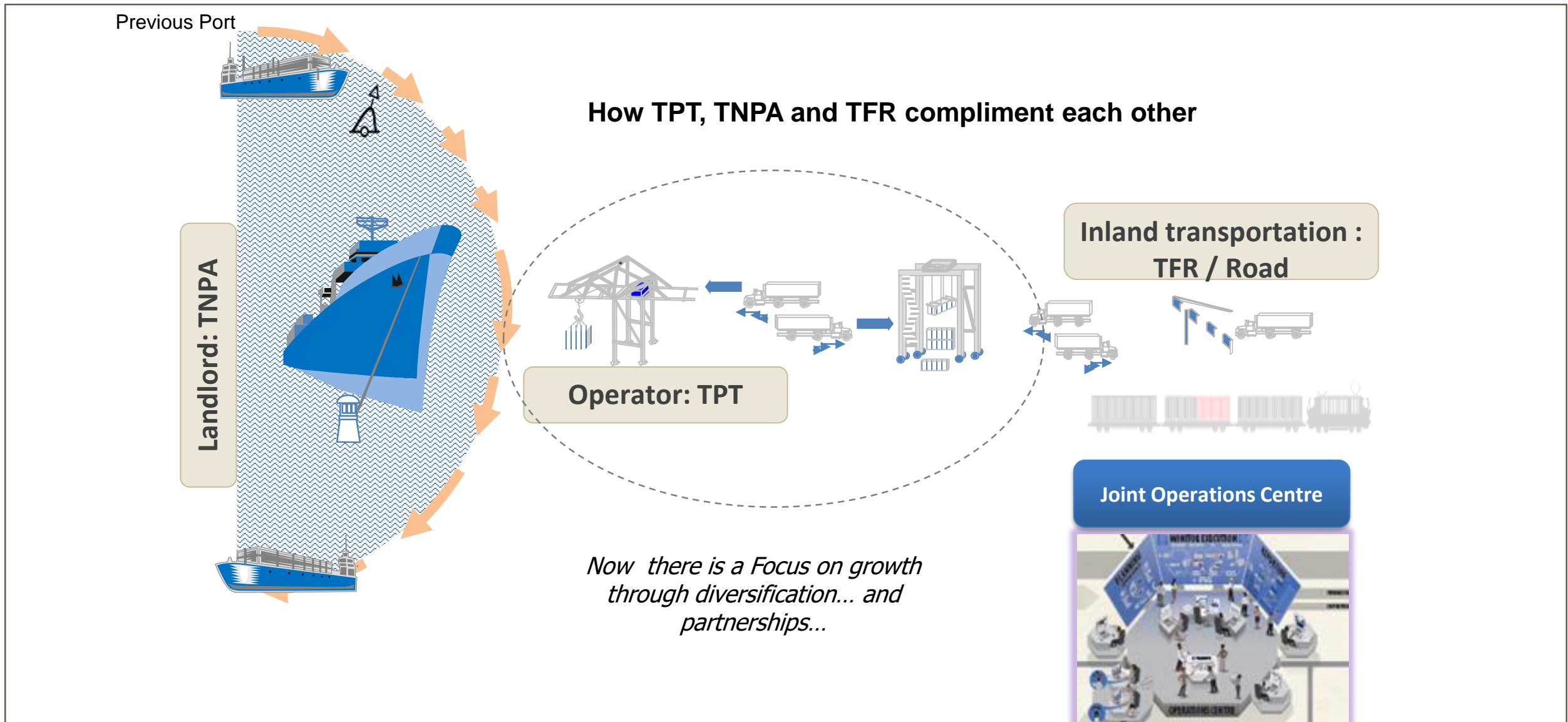
- Port and inland hubs
- Optimise local, national and regional freight logistics networks
- Split core and leveraged

Digital

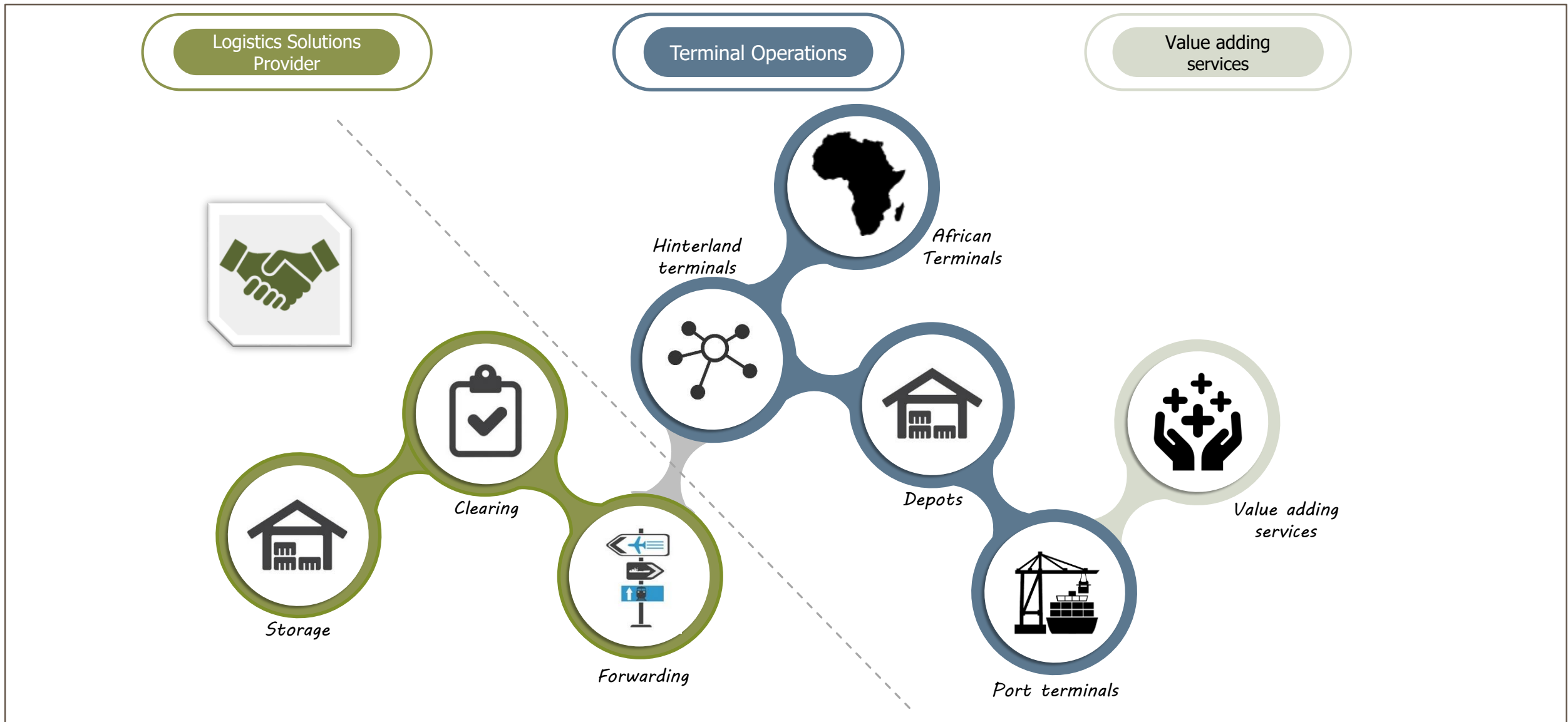
Monetising digital freight and infrastructure capabilities

- Examples: Fibre and telecommunications, data solutions, information-driven businesses, etc.

Traditionally the focus of TPT has been cargo handling.....



Transnet (TPTs) Initiatives to enable Global Trade to the Region



To what extent have we diversified so far... (Current diversification initiatives)

Value Added Services

MPT licensing to stuff and de-stuff

- All MPT's Bulk and Break – Bulk

Automotive Fitment centers

- Data dotting
- Radio fitment

Pre tripping Facilities

- Container washing
- Inspections
- Container weighing

Inland terminals (Bulk / Break Bulk)

- Pendoring (Chrome)
- Newcon (Manganese)

Digital & PSP

General Cargo Operating System (GCOS)



Commercialized and sold

Agri PSP in East London
Private partner
(TPT Waterside – Partner Landside)

International Expansion

Seeking International Opportunities outside RSA – supporting TIH and other partners



Inland terminals (Bulk / Break Bulk & Containers)

- GP Pendoring (Chrome 1,2mt)
- KZN Newcon Inland Terminal (440k t Manganese)
- NC Lohattha inland terminal (1.8mt Manganese)
- KZN Depot 1 Durban containers



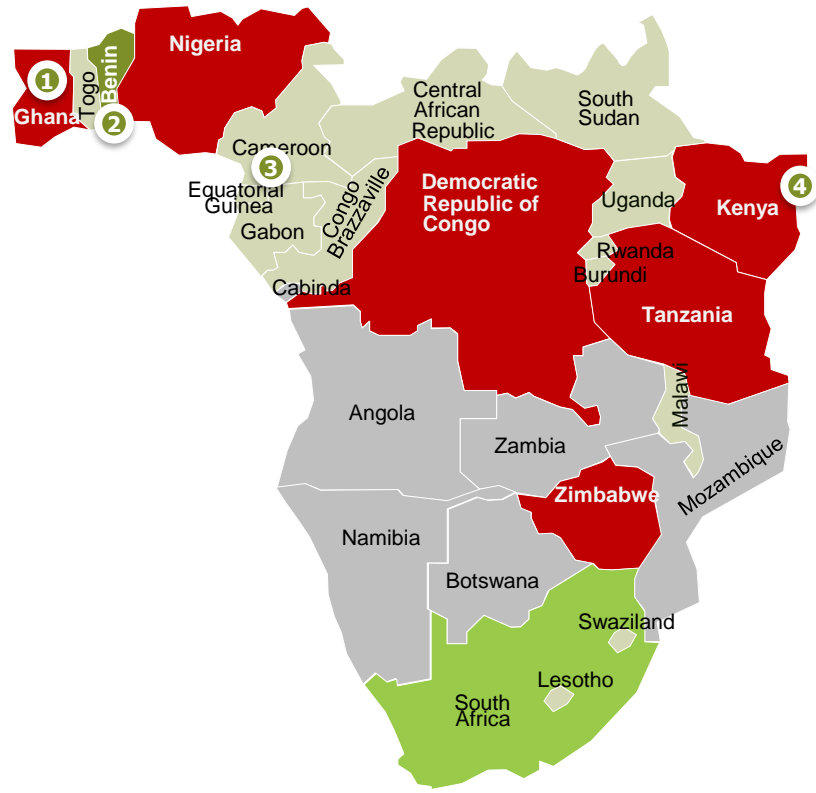
Agri Bulk PSP

- PSP partner introduces additional 1 400 000 tons of grain volumes via a network of 84 in-land silos & bunkers.
- PSP partner upgrades TPT silo complexes to the latest standards

Increase inter-operability, economies of scale, road to rail (LH), one customer experience

International Expansion: Transnet International Holdings

Seeking International Opportunities outside RSA – supporting Transnet International Holding and partners



Increase the Footprint if Transnet across the continent of Africa

 Vision	<ul style="list-style-type: none"> • Fuelling Africa's growth and development as the leading provider of innovative supply chain solutions
 Mission	<ul style="list-style-type: none"> • Linking economies; connecting people; growing Africa!

Leverage Transnet's core capability in port and rail in order to support infrastructure growth and development across the continent.



- As a division of Transnet SOC/TPT is committed to creating and driving transport infrastructure which enables global trade to the region.
- Both the National Policy environment and organisational strategy are aligned to give effect to the infrastructure base required for increased trade flows to thrive.
- TPT's focus has traditionally been on port terminal freight cargo handling, however our unit is seeking to diversify its service offerings beyond Port Terminal cargo handling and into Freight solutions.
- This will incorporate the expansion into inland dry ports with a strong rail focus directly connected to our existing marine terminals, Digital solutions which drive efficiencies and connectivity as well as increasing our footprint beyond the Republic of south Africa... - all with a view to increasing the prevalence of trade to the region.

THANK YOU



18 Phakisa Initiatives for Marine Transport and Manufacturing

A Infrastructure and operations	B Skills and capacity building	C Market growth
<ol style="list-style-type: none"> 1 Create supportive funding and revenue model 2 Establish purpose-built oil and gas port infrastructure by appointing Facility Operators – Saldanha Bay 3 Align on Implementation of government policy 4 Prioritise Transnet and TNPA funding allocation towards marine manufacturing 5 Maintain and refurbish existing facilities 6 Unlock investment in new and existing port facilities 7 Implement Strategic Prioritised Project – Richards Bay 8 Implement Strategic Prioritised Projects – East London 	<ol style="list-style-type: none"> 9 Train 2,550 TVET College graduates on an 18-month Workplace-based Experiential Learner Programme in scarce and critical trades over the 5 year period 10 Create dedicated Occupational Teams for MTM Sector (professional, trades, operators and seafarers) 11 Establish trade RPL, CBMT or Centres of Specialisation in Saldanha Bay and Richards Bay 12 Train 18,172 learners as artisans, semi-skilled workers and professionals over the next 5 years 13 Increase usage of ESSA system and targeted career awareness services as a high value recruitment tool for MTM 14 Increase capacity to develop skills for ~1,200 ratings and ~720 officers per year 	<ol style="list-style-type: none"> 15 Create and implement a public procurement and localisation programme 16 Develop a strategic marketing campaign and value proposition for target markets 17 Propose inclusion of preferential procurement clause in the African Maritime Charter 18 Support local registry of vessels through incentives and encouragement of using SA-flagged ships for cargo and coastal operations (based on United Nations Conference on Trade and Development and African Maritime Charter guidelines)

i. TNPA – Transnet National Ports Authority
 ii. ESSA – Employment Services of South Africa
 iii. TVET – Technical and Vocational Education and Training

iv. RPL – Recognition of Prior Learning
 v. CBMT – Competency-based Modular Training

Background & Context:

The New Silk Road – A Major disruptor for the Maritime industry?

- \$900 Billion plan to rebuild the silk road to from China Europe
- Link 68 countries by land and sea.
- The initiative will encompass land routes (the “Belt”) and maritime routes (the “Road”) with the goal of improving trade relationships in the region primarily through infrastructure investments.
- Link 65% of the worlds population

China ‘ We building bridges not walls.’



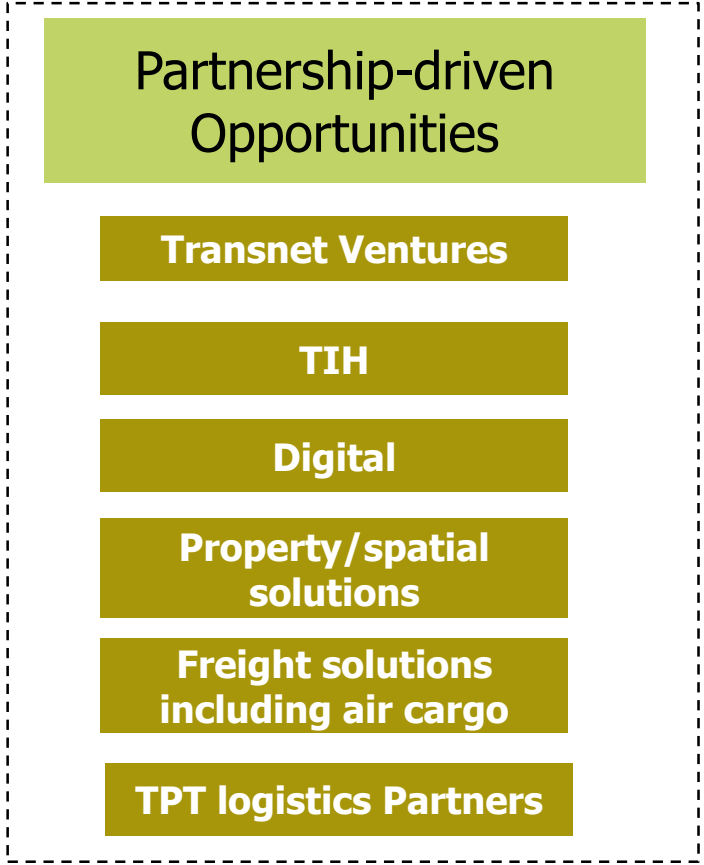
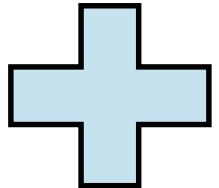
What does 4.0 mean for Transnet OD units like TPT and how does this translate into business opportunities for potential partners?

Transnet SOC Ltd

TFR

TPT

TNPA



Custodial assets



Complementary Ventures

Incorporate in-house Ventures such as Road-Railer

