

TRANSNET



TRANSNET PRESENTATION TO THE SELECT COMMITTEE ON PUBLIC ENTERPRISES

**MEASURES TO IMPROVE OPERATIONS ON
RAIL AND AT THE PORTS**

Date: 2 June 2022
Venue: Virtual (Zoom)



Transnet National Ports Authority

Mr. Pepi Silinga
Chief Executive, TNPA

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TNPA Overview

2.

Interventions to Improve Marine Services

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4.

TNPA Key Initiatives – Game-changing projects

1. TNPA OVERVIEW

Core Functions



Marine Services

Pilotage, towage and berthing

Authority and Regulatory

Port Authority, licensing, compliance and regulatory









Landlord and Infrastructure

Property portfolio and provision of port infrastructure

1. TNPA OVERVIEW

Performance Targets

KEY PERFORMANCE INDICATORS

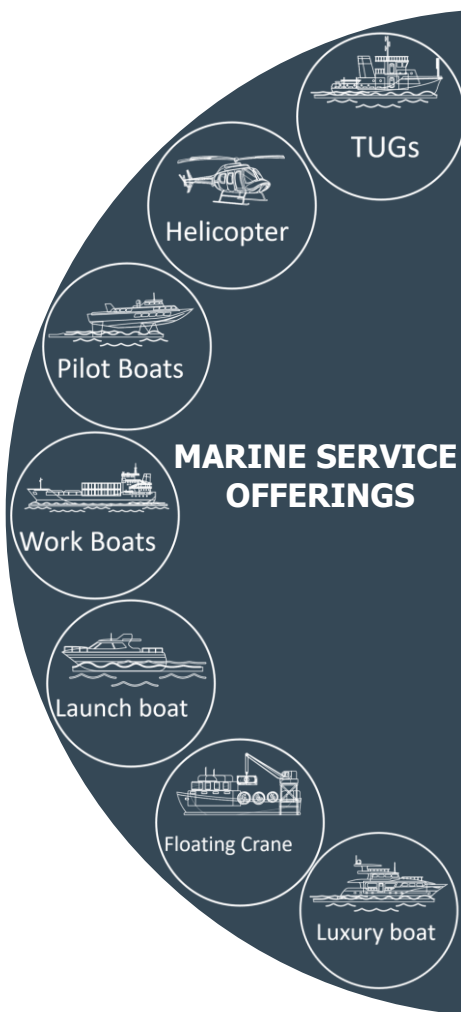
Functional Area	Measure	FY 22/23 Target	FY 22/23 Actual	FY 23/24 Target
Marine Services	Marine Service Delays (hours: minutes)			
	• DBN	3:14	3:04 	2:00
	• NGQ	3:03	1:30 	
	• CPT	4:18	0:19 	
Authority and Regulatory	Ship Turnaround Time (hours)			
	• DCT Pier 1	55	75 	55
	• DCT Pier 2	53	93 	53
Infrastructure	CAPEX	R 2 454 m	R 2 087 m 	R 2 475 m
Landlord	Real Estate Revenue	R 4 321 m	R 4 568 m 	R 5 000 m
	"Operation Badala" (reduction in debtor's arrears)	R 572 m	R 518 m 	R 470 m

Note:

Results based on unaudited performance

2. MARINE SERVICES UPDATE

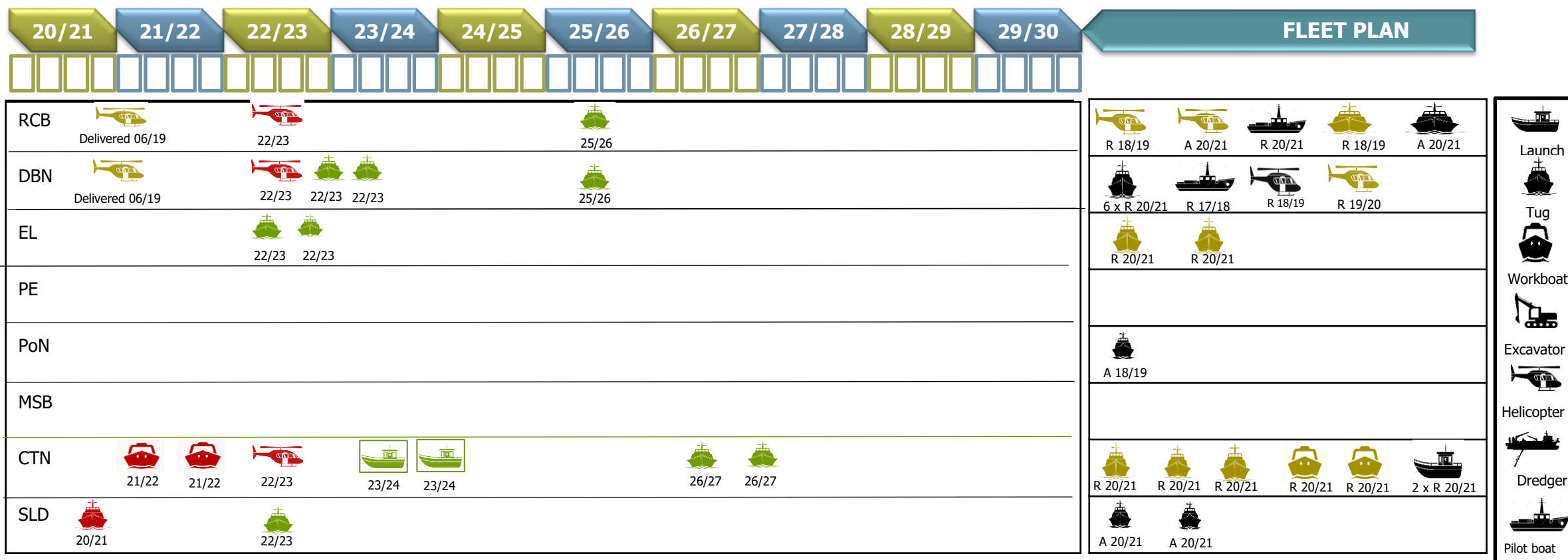
Marine Fleet Requirements

 MARINE SERVICE OFFERINGS	FLEET TYPE	MARINE NATIONAL TOTAL	
	CRAFT	REQUIRED	ACTUAL
Tugs		36	24 (67%)
Helicopter		5	3 (60%)
Pilot Boats		14	8 (57%)
Work Boat		7	7 (100%)
Launch Boat		14	8 (57%)
Floating Crane		2	2 (100%)
Luxury Boats		1	1 (100%)
Total		77	53
MAINTENANCE INTERVENTIONS			
<ul style="list-style-type: none"> • 10 tugs • 1 helicopter • 3 pilot boats • 2 work boats 			



2. INTERVENTIONS TO IMPROVE MARINE SERVICES

10-Year Fleet Plan



- 4 tug boats that will be restored, timeline is 14 months (2022/23/24)
- 4 pilot boats that will be restored, timeline is 18 months (2022/23/24)
- Acquisition of 5 second hand tugs (2022/23/24)


- Acquisition of three tugs (2x 50 t & 1 x 70 t BP – expected 2026)
- Acquisition of two launches (FY 2023/24)
- Acquisition of three helicopters (est. FY 2024/25)

Disclaimer: Fleet resources will be deployed to various ports subject to needs once available.









Legend	Still on track	Missed delivery	Both on Fleet & Corporate Plan	On the Fleet Plan but Not on Corporate Plan	R - Refurbish	A - Acquire
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2. INTERVENTIONS TO IMPROVE MARINE SERVICES

Transversal Initiatives

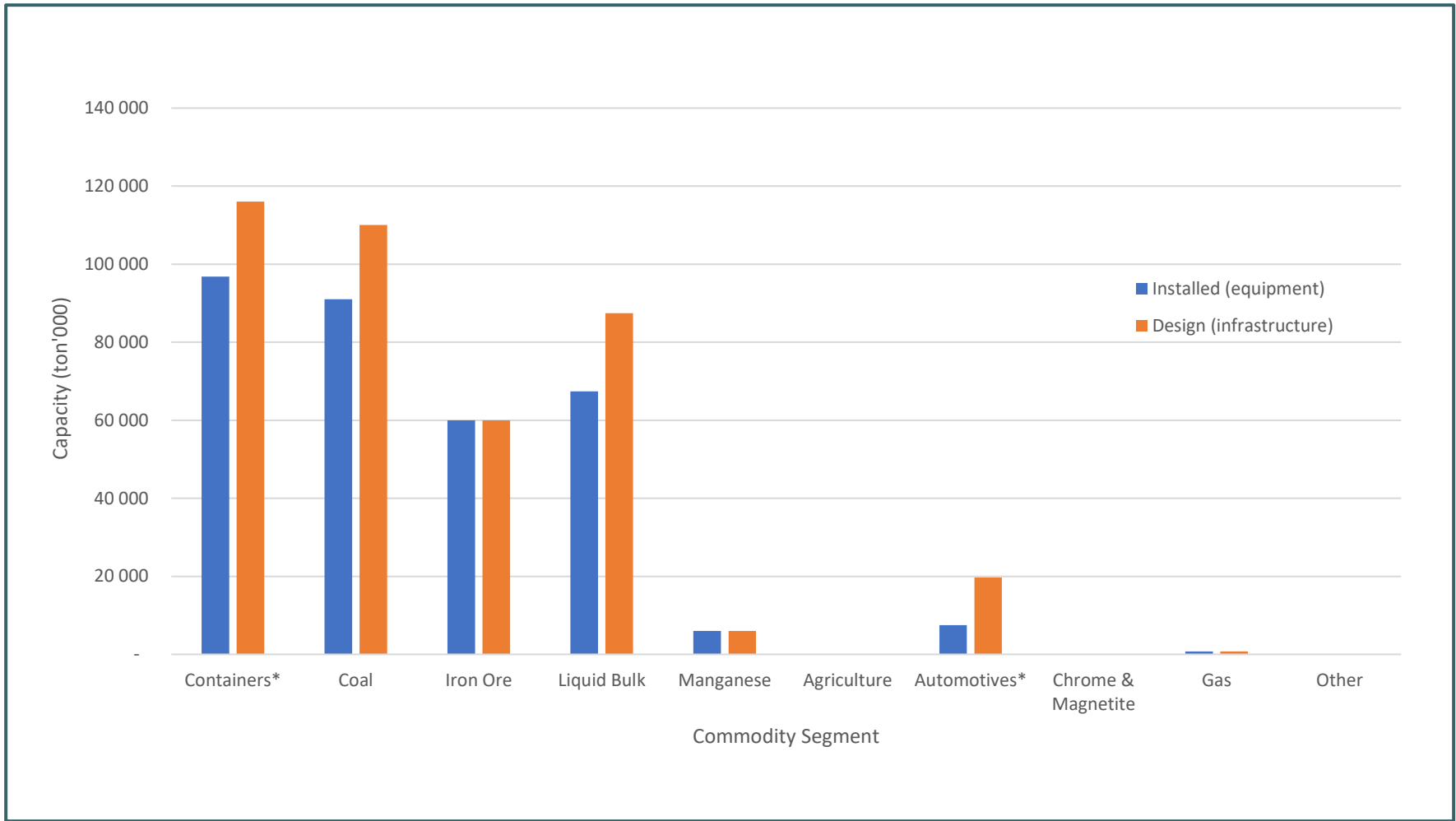
 In progress

 Complete

Challenge	Intervention	Status
Tugs out of commission	Monitoring maintenance schedule compliance	
	Capability to execute in-house maintenance	
Unavailability of tugs	Improve communication between departments (e.g., Vessel Traffic Services and Marine)	
	Improve planning (optimal slot utilisation)	
Procurement delays	Long-term maintenance contracts to reduce the procurement cycle time	
Dry Dock delays	Proactive dry docking scheduling maintenance	
Constrained human resources	Marine pipeline training (General Purpose Ratings, Second Engineers, Pilot Boat Masters and Tug masters) and active recruitment	
	Revised specialised skills remuneration dispensation (Marine, Aviation and Dredging)	

3. PORTS INFRASTRUCTURE CAPACITY

Cargo Type and Infrastructure Capacity



Notes:

* All volumes are converted into tons [TEU = 16 Tons and Unit of Auto = 9 Tons]

3. PORTS INFRASTRUCTURE CAPACITY

Cargo Type and Infrastructure Capacity

No.	Cargo Type	Actual Volumes: 2022/23		Actual Volumes: 2021/22			Best Year Volume		% change [FY2022/23 vs. Best Year]***		Infra. Capacity				
		Ton ['000]	% share**	Ton ['000] 2021/22	Variance		Year	Ton ['000]		Installed [Tons '000]	Design [Ton '000]	Spare Capacity [Tons ' 000]	Max Operating Capacity at 90% [Tons	Trigger Point at 80% of Max Operating Capacity	
1.	Containers*	65 685	24%	71 065.0	-8%	↓	2017/18	76 440	-14%	↓	96 800	116 000	31 115	104 400	63%
2.	Coal	63 726	23%	65 950.0	-3%	↓	2017/18	80 366	-21%	↓	91 000	110 000	27 274	99 000	64%
3.	Iron Ore	50 704	18%	56 165.0	-11%	↓	2016/17	59 004	-14%	↓	60 000	60 000	9 296	54 000	94%
4.	Liquid Bulk	34 405	12%	37 185.0	-8%	↓	2017/18	44 550	-23%	↓	67 400	87 400	32 995	78 660	44%
5.	Manganese	20 335	7%	21 431.0	-5%	↓	2021/22	21 431	-5%	↓	6 000	6 000	-14335	5 400	377%
6.	Agriculture	8 064	3%	8 244.0	-2%	↓	2021/22	8 244	-2%	↓				-	-
7.	Automotives*	7 853	3%	6 305.0	20%	↑	2019/20	6 991	12%	↑	7 499	19 710	-354	17 739	44%
8.	Chrome & Magnetite	6 117	2%	11 308.0	-85%	↓	2019/20	12 769	-52%	↓	-	-		-	-
9.	Gas	1 136	0%	955.0	16%	↑	2021/22	955	19%	↑	720	720	-416	648	175%
10.	Other	21 436	8%	14 792.0	31%	↑	-	-	-				-	-	
Total		279 462	100%												

Notes:

* All volumes are converted into tons [TEU = 16 Tons and Unit of Auto = 9 Tons]

** % share refers to the segment as % of the total volumes of listed segments

Legend:

Between 0% - 60% of Max Operating Capacity: Below Trigger Point

Between 61% - 79% of Max Operating Capacity: Close to Trigger Point

=>80% of Max Operating Capacity: Exceeded Trigger Point

4. TNPA KEY INITIATIVES

Game-Changing Projects (R13.4bn CAPEX Investment over 5 Years)

Eastern Region		Central Region			Western Region		
Richards Bay	Durban	East London	Ngqura	Port Elizabeth	Mossel Bay	Cape Town	Saldanha
<ol style="list-style-type: none"> 1. LNG Berth 207 & Terminal 2. Relocation of SA Navy to Naval Island & Pelican Island 3. Additional Capacity for MPT Mega Chrome Berths (802 & 803) and Terminal 	<ol style="list-style-type: none"> 1. Container Hub Development 2. Entrance Channel Widening & Deepening 3. Maydon Wharf Channel Deepening 4. Automotive Terminal Expansion 5. Upgrade of Bayhead and Langeberg Roads 	<ol style="list-style-type: none"> 1. Deepening of N-Berth 2. Increase Automotive Terminal capacity 3. Buffalo Bridge Refurbishment 	<ol style="list-style-type: none"> 1. Liquid Bulk Terminal Berth construction 2. Ngqura Manganese Terminal 3. Conveyor Belt 4. LNG terminal & breakwater 	<ol style="list-style-type: none"> 1. Relocation and Rehabilitation of Liquid Bulk and Manganese 2. Expansion of Automotive Terminal 3. Waterfront development 	<ol style="list-style-type: none"> 1. Development of Cruise Terminal 2. Liquid Bulk Terminal 3. Expansion of MPT Maritime Engineering Precinct 4. Deeper water SPM 	<ol style="list-style-type: none"> 1. Expansion of CTCT 2. Refurbishment of Dry Docks 3. Truck Staging area & Automation 4. Development of Culemborg logistics park 	<ol style="list-style-type: none"> 1. Ore Expansion Berth 2. Oil Jetty Reconfiguration 3. Marine Manufacturing Facility 4. LNG Floating Ship Regasification Unit 5. MPT Extension, New Berth 205

Transversal/National Projects

- Renewable Energy
- Desalination
- Hydraulic Mooring System
- Stormwater Management System, Traffic Management System, Pavement Management System
- Acquisition of Marine Fleet and Equipment (Tugs, Helicopters, Workboats, Pilot Boats, Launches)
- Boegoebaai Port development

Transnet Port Terminals

Mr. Jabu Mdaki

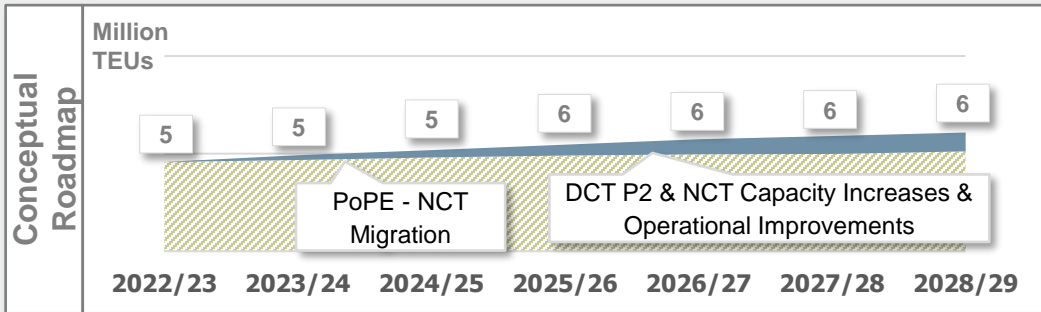
Chief Executive, Transnet Port Terminals



CONTAINER SEGMENT STRATEGY

Transformation of the Container Logistics System

The Container Freight System is a **critical component** of the National Freight System and directly impacts SA trade and export competitiveness. The Container Segment Strategy is designed to foster improved **maritime connectivity** through the establishment of an internationally competitive **hub port system**, leveraging partnerships to **rejuvenate** the **port terminal** businesses, and **reform** the container **rail business**.



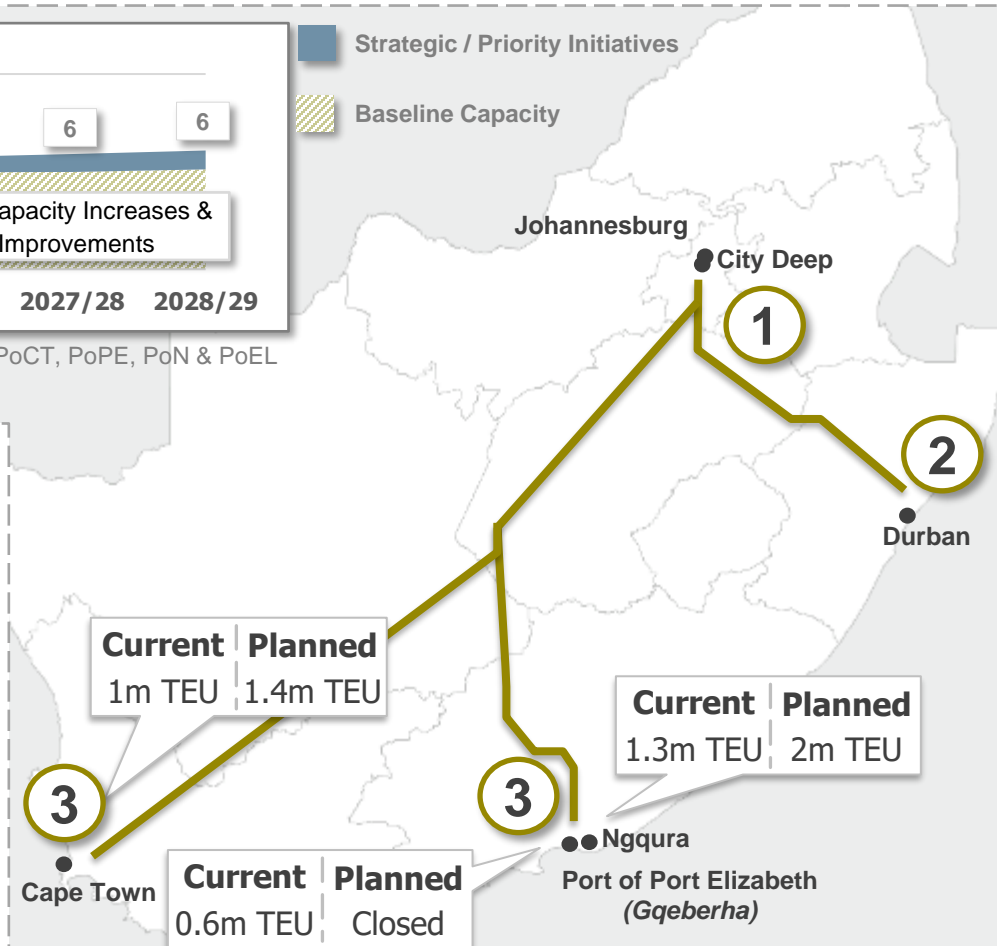
Consolidated port container capacity including: PoD, PoRB, PoCT, PoPE, PoN & PoEL
Includes transshipment volumes

1 Rail Revitalisation & 3rd Party Access

Supported by **tactical initiatives** to address container corridor challenges, this involves an **open access operating model** for the rail-based supply chain. **Network design improvements** and **partnerships** for rail freight density will be driven, including branch line concessions and **inland terminal** PSPs.

Capacity Benefit	
Current	Planned
0.3m TEU	TBC

Status
Planning underway



2 Port of Durban Hub Port

Transnet will position the **Port of Durban** as a **Southern Hemisphere** and **Indian Ocean maritime hub**, the centre of a system aimed to drive reduction of international shipping costs by 20-30%.

Capacity Benefit		Status
Current	Planned	
3.3m TEU	~11m TEU	DCT Pier 2 PSP in Progress

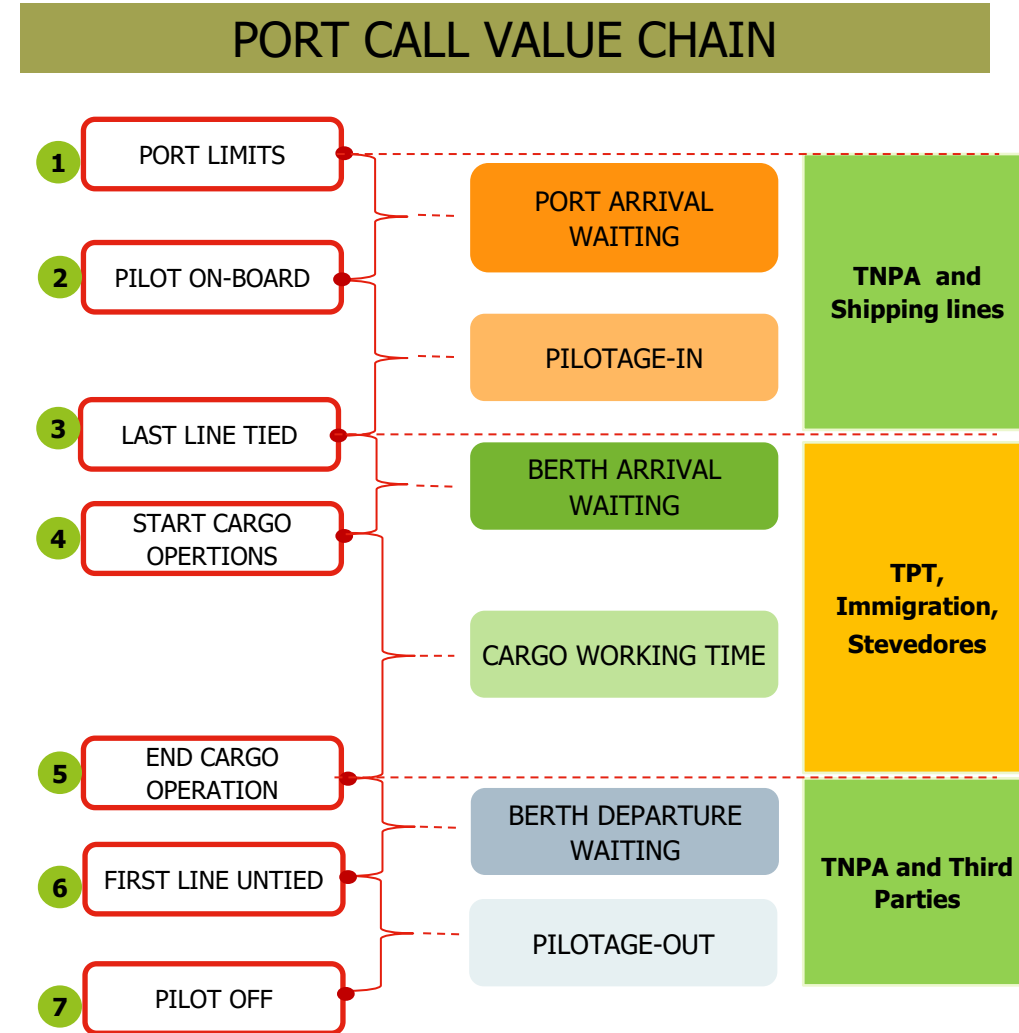
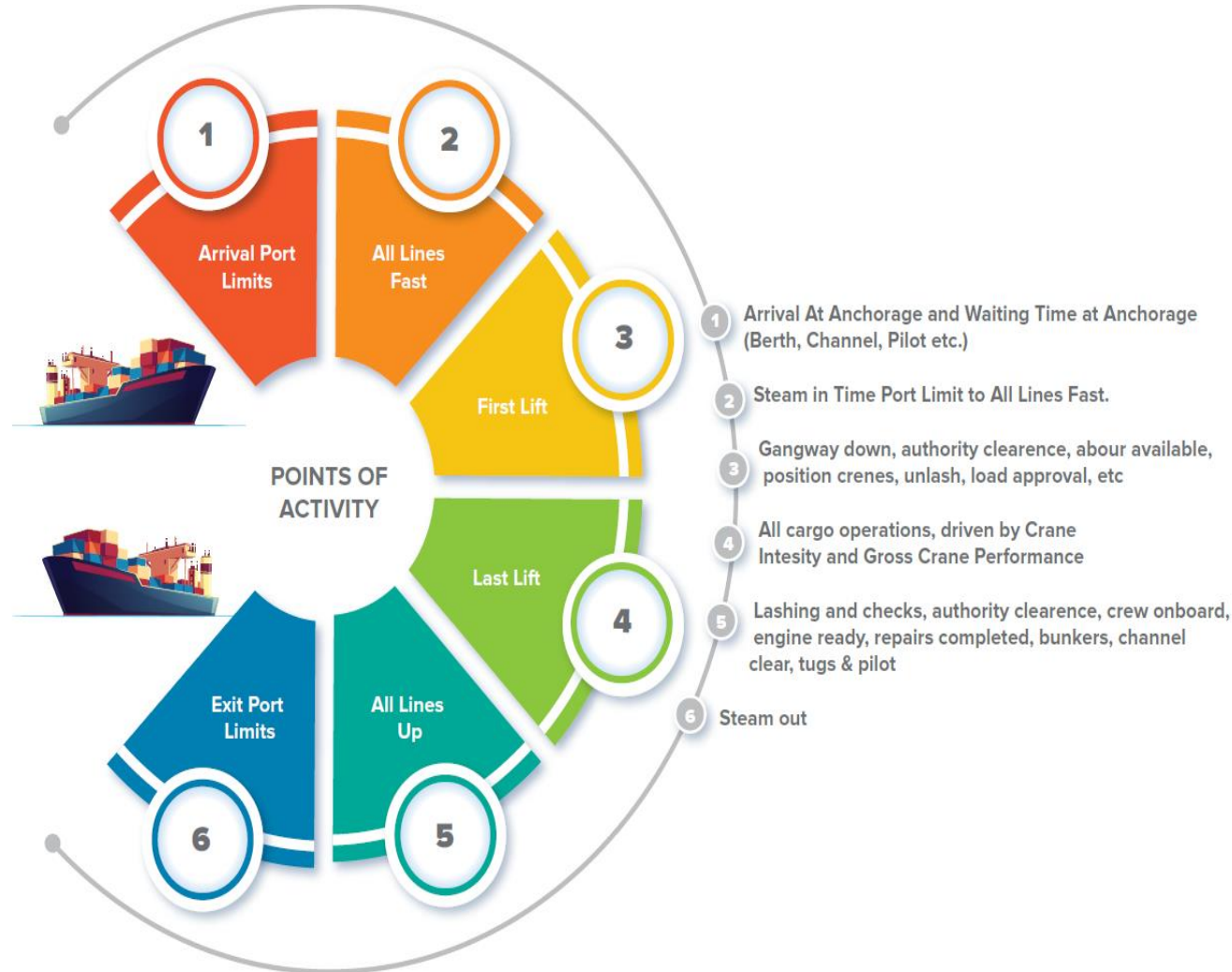
3 Transshipment & System Ports

Supporting Port of Durban, the **Port of Ngqura** will absorb PE CT volumes and be positioned as a **transshipment** hub to target Southeast Asia shipping. **Port of Cape Town** land side **capacity** will be expanded and operationally improved.

Capacity Benefit		Status
Current	Planned	
On map	On map	NCT PSP in Progress

PORT CALL ROLES: TNPA, TPT, SHIPPING LINES & OTHER PARTIES

Anatomy of a Port Call





KEY OPERATIONAL CHALLENGES & MITIGATIONS

Equipment		People	
<p>Issue:</p> <ol style="list-style-type: none"> 1. Availability and Reliability of operational equipment (Cranes, Straddle Carriers, Rubber Tyred Gantries) 2. Material handling solution for Richards Bay 		<p>Issue:</p> <ol style="list-style-type: none"> 1. Shortage of people and critical skills in Operations, Planning and Technical 2. Low employee morale and fatigue 	
<p>Root Cause:</p> <ol style="list-style-type: none"> 1. Aged equipment, deferred replacement and unavailability of Spares 2. Court case by unsuccessful bidder 		<p>Root Cause:</p> <ol style="list-style-type: none"> 1. Staff turnover and Inability to keep pace with recruitment and training requirements 2. Long shifts and reduced incentives 	
<p>Key Actions</p> <ol style="list-style-type: none"> 1. Equipment: <ul style="list-style-type: none"> • Ongoing Capital Replacement Projects and Refurbishment Programme as per CAPEX plan • Implementation of long-term spares contracts, National supply contracts and management contracts 2. Implement lease contract as a precursor to acquire own fleet 		<p>Time</p> <p>6 – 12 Months</p>	<p>Key Actions</p> <ol style="list-style-type: none"> 1. Shortage of People & skills: <ul style="list-style-type: none"> • Acceleration of recruitment to fill critical technical vacancies across all terminals • OEM Partnership exchange programmes aimed at upskilling of technical skills, coaching and mentoring by shipping lines (Maersk in the Durban Terminals and MSC in CTCT and NCT) • NAVIS Training recertification in 2023/24FY 2. Review of existing incentive scheme & implementation of 4th shift

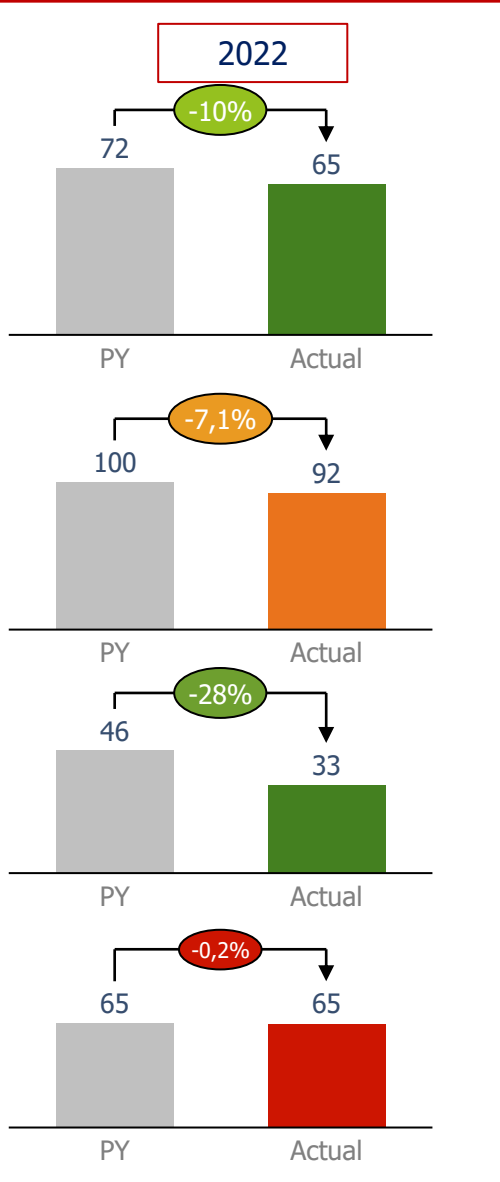
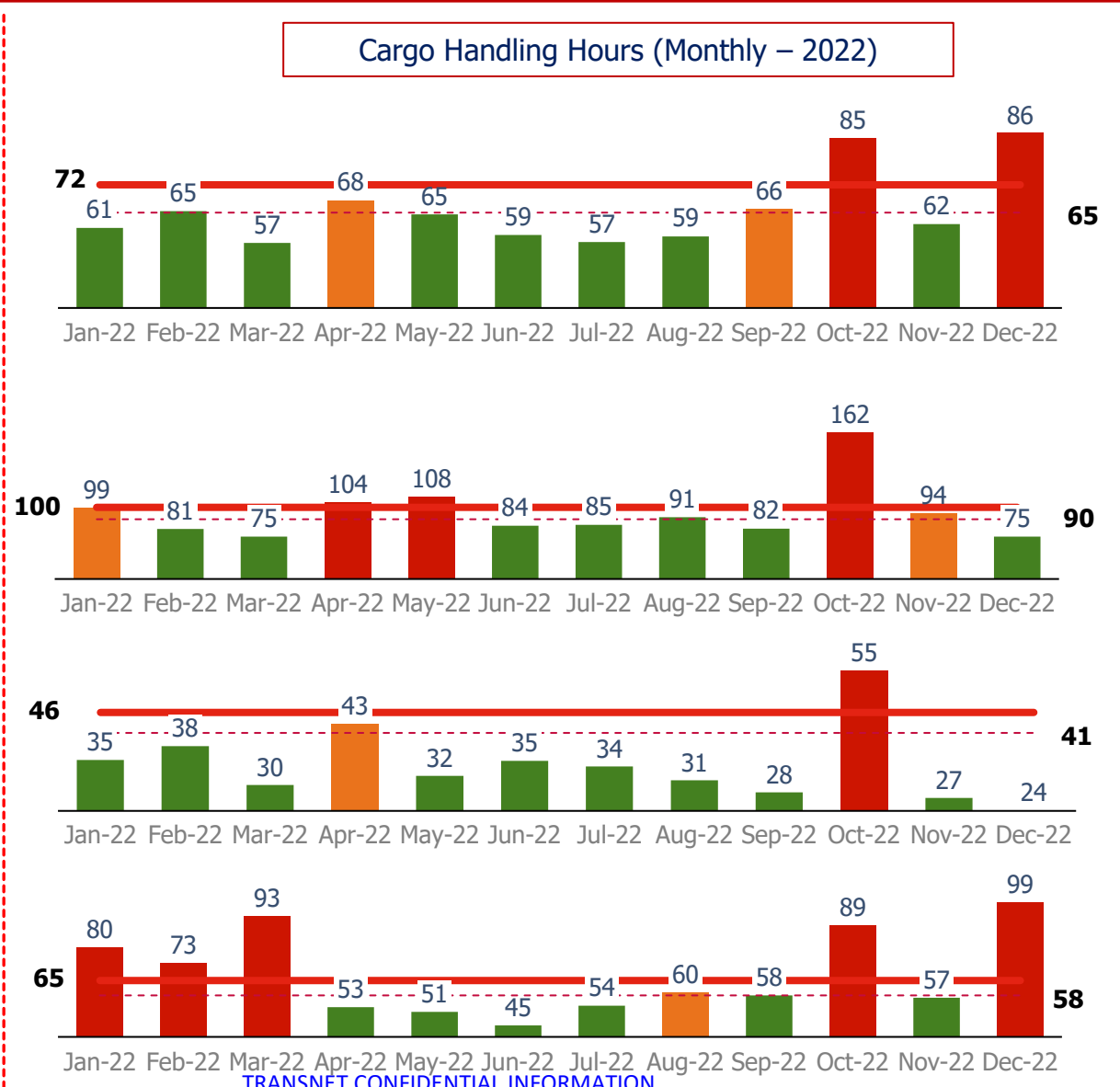
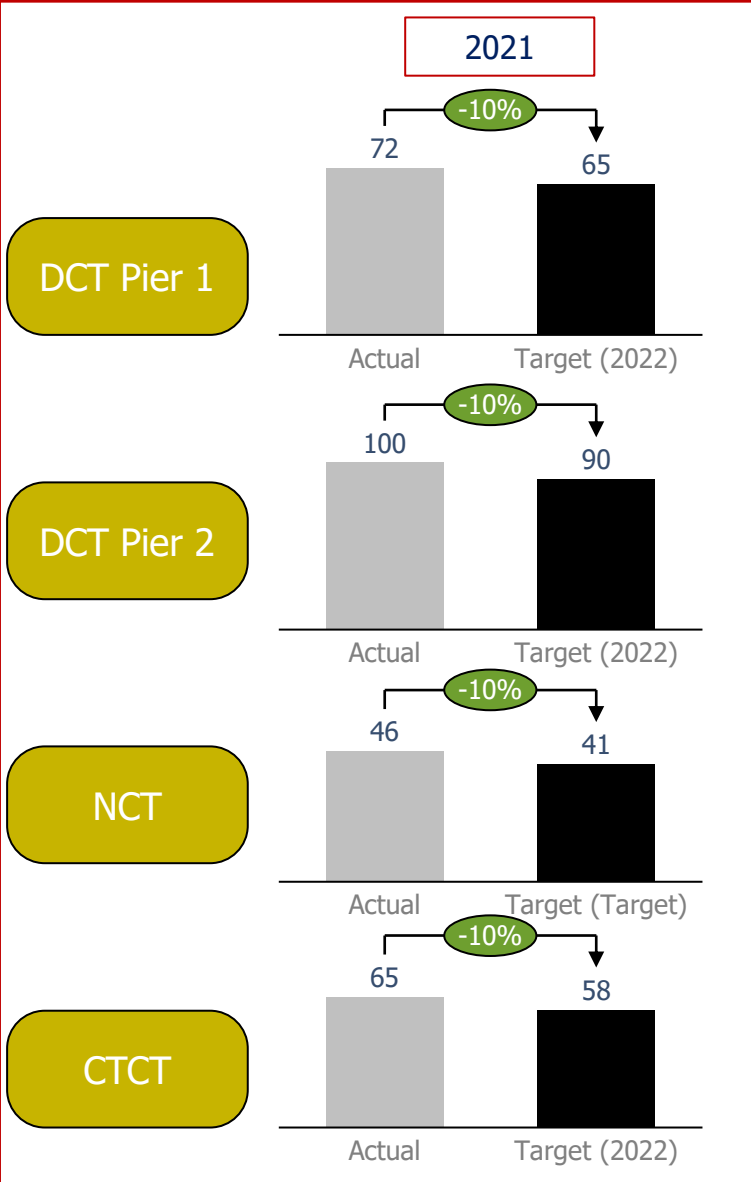
KEY OPERATIONAL CHALLENGES & MITIGATIONS CONTINUED

Operations		Other	
<p>Issue:</p> <ol style="list-style-type: none"> Weather Delays in Cape Town container terminal Automotive - Vehicle Stack congestion ICT Network outages – impacting operational systems 		<p>Issue:</p> <ol style="list-style-type: none"> PFMA Legislation and stringent SCM Escalating energy costs 	
<p>Root Cause:</p> <ol style="list-style-type: none"> Increasing trend of wind delays and vessel swells Bulging of vessel in the Durban automotive terminal Power Outages and Fibre Breaks 		<p>Root Cause:</p> <ol style="list-style-type: none"> Long lead times to procure critical equipment, spares and other goods and services compared with our competitors (Grindrod and Bidvest) Over usage of fuel due to loadshedding 	
<p>Key Actions:</p> <ol style="list-style-type: none"> Introducing of remote operation – Appointed specialist to assist with feasibility assessment and execution plan. Introduce CTOC slot similar to container sector (engagements with NAMSA has started). <ul style="list-style-type: none"> Implemented integrated planning session with OEM since October 2022 to align on stack and ETAs for vessels New tariffs introduced to incentivise the reduction of dwell from 16 to 10 days New Network Service Management Contract being entered into to (1) Manage network and (2) provide insights on modernisation of the network 	<p>Time</p> <p>12 Months</p> <p>6 Months</p> <p>6 Months</p>	<p>Key Actions</p> <ol style="list-style-type: none"> Medium to Long Term Contracts - Confinement of spares and services to OEMs and Original Components Manufacturers with emphasis on standardisation and localisation. Implement cost reflective tariffs. 	<p>Time</p> <p>12 months</p> <p>6 Months</p>



WORLD BANK CONTAINER PORT PRODUCTIVITY INDEX (CPPI) VESSEL

Progress against TPT Commitment (reduce cargo operations time by 10%)



WORLD BANK CONTAINER PORT PRODUCTIVITY INDEX (CPPI) VESSEL

Key Initiatives and status (Durban Container Terminals)

- Not started
- In Progress
- On track



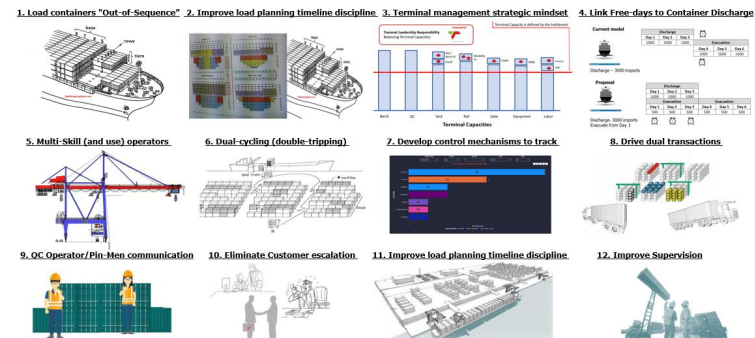
Operations - Actions	Stat
1. Load Containers out of sequence <i>Only being done on MTs. Risk associated with Fulls at the next Port of Call</i>	●
2. Strategic Mindset –Housekeeping/ Yard Prep – Full gangs, Min of 5 Straddles per shift <i>Manage shortage of Human Capital and Equipment</i>	●
3. Link free days to container discharge <i>Conducted a simulation. 3 Day Free Storage reduce to collection from day 1 of Container Landing</i>	●
4. Implement Dual Cycle Operations <i>First two Pilot Vessels Completed, Learnings being adopted on new vessels</i>	●
5. Track OLE/CHE-reporting (Power BI)	●
6. Drive dual transactions on all truck visits	●
7. Improve QC/Pin –men communication	●
8. Hot Seat change-over <i>Reduce Shift Change and driver change time</i>	●
9. Supervision	●

People	People - Actions	Stat
	1. Strategic Mindset <i>Recruitment and training in progress for additional Gangs Pier 1 (6th), Pier 2 (14th) and 4th shift implementation</i>	●
	2. Multi-skilling of Operators Lifting Equipment <i>Operators currently undergoing going multi-skilling in NCT (X 8)</i>	●
	3. Incentive scheme <i>Approved by the Board, implementation in progress, employees' morale has improved and will be monitoring productivity on monthly basis.</i>	●
	4. Filling of Vacant Terminal Manager posts <i>Terminal Manager positions all filled with the exception of 2 terminals (Durban MPT and Cape Town Containers – 2 managers acting)</i>	●
	5. Conversion of FTH employees to permanent (Container Sector) <i>Conversion of FTH in-progress</i>	●
	6. Reduce Absenteeism, Light Duty and Sick	●

Planning	Planning - Actions	Stat
	1. National and Terminal Planning Alignment <i>Daily Berthing Telecon</i>	●
	2. Finalisation of Berthing Pro-Forma <i>Alignment with Terminals on CTOC Vessel Line and committed volumes Engagement with Shipping Lines</i>	●
	3. Improvement in Equipment Reliability and Availability <i>ME engagement with OEMs on plans to improve Reliability of ZPMCs and Kalmar's. ZPMC provided a plan with timelines to resolve</i>	●
	4. NAVIS Upgrade 3.7 <i>All relevant users trained on the system upgrade.</i>	●
	5. Navis Planner Training – Sponsorship Agreement <i>Engagements with shipping lines to provide training in-progress e.g. MSC and Maersk.</i>	●
	6. Formal Navis Planner Training. Currently training being conducted	●

Technical	Technical - Actions	Stat
	1. Strategic Mindset –Housekeeping/Yard Prep – Min of 5 Straddles per shift <i>Maintenance to ensure no shortage of Equipment</i>	●
	2. Equipment standardization across TPT <i>Huge benefits with regards to reduction in stock levels, less diversified skills requirement , etc..</i>	●
	3. Enter into long term agreement with OEM's <i>Liebherr has already made a proposal that they will consider putting up a manufacturing facility in SA</i>	●

Commercial Customers	Commercial - Actions	Stat
	1. Reefer Season Preparation <i>Engagement with Industry – Creating Priority Truck Groups</i>	●
	2. Mandatory Pre-Planning for all vessel transactions	●
	3. Planner Training <i>Approached Shipping Lines for Planner Assistance</i>	●
	4. Link free days to container discharge <i>Commercial Agreement Amendment. 3 Day Free Storage reduce to collection from day 1 of Container Landing</i>	●

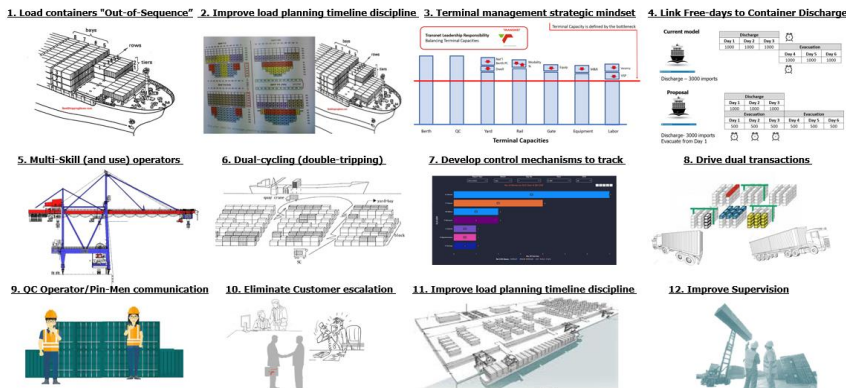


WORLD BANK CONTAINER PORT PRODUCTIVITY INDEX (CPPI) VESSEL

Key Initiatives and status (Nggura Container Terminal)

- Not started
- In Progress
- On track

Operations - Actions	Stat
1. Amending's ex Line Service to be completed at least 24 hours prior to vessel berthing to allow for any housekeeping.	●
2. On carrier to berth after pre-carrier and to show on berth plan.	●
3. Improve housekeeping measures in Yard	●
4. Plan, sequence and execute discharge and load same bay to avoid unnecessary and time-consuming hatch lid movements	●



People - Actions	Stat
1. Incentive scheme <i>Approved by the Board, implementation in progress, employees' morale has improved and will be monitoring productivity on monthly basis.</i>	●
2. Improve changeover discipline	●

Planning - Actions	Stat
1. National and Terminal Planning Alignment <i>Daily Berthing Telecon</i>	●
2. Implement Pre-Planning – Focus vessel approach	●
3. NAVIS Upgrade 3.7 <i>All relevant users trained on the system upgrade.</i>	●

Technical - Actions	Stat
1. Equipment standardization across TPT <i>Huge benefits with regards to reduction in stock levels, less diversified skills requirement, etc.</i>	●
2. Enter into long term agreement with OEM's	●
3. STS 1 – 6 Energy Chain replacement <i>Business cases are approved</i>	●
4. Spreader Refurbishment (x9)	●
5. RTG Midlife upgrade <i>Estimated start date Q3 2023/24.</i>	●
6. Hauler replacement x 50 <i>Approved (ETD Q4 2023/24)</i>	●
7. Kalmar RTG Drive upgrade	●

WORLD BANK CONTAINER PORT PRODUCTIVITY INDEX (CPPI) VESSEL

Key Initiatives and status (Cape Town Container Terminal)

- Not started
- In Progress
- On track



Infra	Infrastructure - Actions	Stat
1.	Resurfacing of J-Berth at CT MPT: Feasibility is underway	●
2.	Increased number of plug points by 200, to a grand total of 3 200	●
3.	Increased landside capacity from 1m TEU to 1,4 mt TEU: landside & rail expansion (Feasibility study and project engineering development is underway,)	●

People	People - Actions	Stat
1.	4th Shift - Implementation to address fatigue & absenteeism & improve productivity	●
2.	Multiskilling of staff	●
3.	Incentive in place to motivates high performance	●
4.	Permanent 7 x gangs	●

People	Equipment	Stat
1.	9 th Crane - was repositioned from Durban, to assist in redundancy during maintenance & refurbishment of cranes, starting this year	●
2.	RTGs - Increased availability from 15 to 22 machines	●
3.	Haulers - Obtained 5 x units from Ngqura Container Terminal, still 2 short of 40 required	●
4.	Mobile Crane - Transferred 1 x crane from Eastern Cape Terminal, increasing the fleet to 3.	●
5.	Spare Parts Contracts - in place: RTGs, Haulers & Reach Stackers	●
6.	OEM Partnership: <ul style="list-style-type: none"> • Contracts in place for technical support of STS cranes and the OEM of mobile crane at CT MPT is on site on a permanent basis • Long terms contracts : RFP issued, expects implementation in Sep 2023 	●
7.	Shore Tensioners <ul style="list-style-type: none"> • Two x sets were installed to mitigate excessive vessel movements • 1 additional set requested from TNPA in Feb 2023 	●

Systems & Process	Systems & Processes - Actions	Stat
1.	Changed from a 2-berth to a 3-Berths to improve efficiencies & volume throughput	●
2.	Remote Working: To improve efficiencies, working in high winds: Finalizing Business case & feasibility study	●
3.	Truck Staging Area: <ul style="list-style-type: none"> • Phase 1 @ CT MPT : Capacity to stage 28 trucks • Phase 2 @ CTCT : Capacity to stage 37 trucks 	●

SH Colab	Stakeholder collaboration - Actions	Stat
1.	Truck Booking System:	●
2.	Night runs Fully resourced to service trucks at night, to decongest the terminal. Currently limited uptake	●
3.	Maersk Belocn Logistics Hub: Integrated working group (TPT, TFR, TNPA, Maersk)	●

TPT EQUIPMENT INVESTMENT PLAN

OEM and OPM Collaboration Strategy

CURRENT STATUS

Low reliability and availability over the life of our assets

High maintenance costs, use of non-OEM parts and non-approved service providers

Long lead times for critical components and OEM support

Limited interactions with OEMS for the life of the equipment

There is no incentive for OEMs to invest in developing local product support because of the piecemeal award of equipment acquisitions and supporting works

CHANGE IN MODEL – What the Collaboration intends to achieve.....

Local footprint

- National and Regional Presence

Training Capabilities

- Capability to be established locally via Transnet Academy

Simulators

- Acquisition, maintenance and life cycle support

Spares Support

- Consumables locally manufactured
- Spares availability, 24 & 48 hrs. local supply

Local Vendor Development

- Locally manufactured consumables
- Distribution centers and stockholding

Technical Support

- Online within 2hrs
- On-site with 24 hrs.

Maintenance Management Systems

- Fully integrated SAP support

Obsolescence Management

- Generation, Change-out and Schedule Management

Life Cycle Management

- Annual Audits, condition assessments and detailed structural assessments

Intellectual Property

- Engineering drawings, Material specifications, welding and NDT requirements

Technology Management

- Latest designs and technology
- TPT Equipment Specification updates
- Automation and Semi-Automation

Transnet Engineering Collaboration

- OEM's to partner with TE for local manufacturing and assembly of specified components.

Transnet Freight Rail

Ms. Sizakele Mzimela,
Chief Executive, Transnet Freight Rail



TFR'S TURNAROUND STRATEGY IS ANCHORED ON:

Stabilizing Rail Performance and Growing Volumes Across All Critical Corridors



01

Stop the Bleeding

- Return to service of long-standing locomotives (Northcor + NorthEastcor)
- Negotiate and Implement MRSA and MTSA
- Leasing out Container Corridor
- Tariff Rebasing
- Termination of unprofitable flows

02

Restore and Stabilize Corridor Operations

- Security Improvement Plan (Outcomes Based Security contracts)
- **Procurement Process Overhaul**
- Operations Optimisation initiatives
- Back of Port facilities for Iron Ore

03

Immediate implementation of Digitalisation

- Improve planning
- Reduce derailments (Safety)
- Improve efficiencies
- Reduce costs
- Fatigue Management

04

Fast Track Key Infrastructure Programs

- Ngqura Manganese Export Terminal – Rail Project (R10bn).
- Implement Rail Renewal Programme to restore network capacity on North-EastCor route to Maputo & Richardsbay
- Customer-led investments (partnerships) – both infra and rolling stock

05

Increase Profitability

- Market selection
- Rebasing historically underpriced services
- Reallocation of resources based on viability of services.
- Accelerating consolidation strategies to improve efficiencies and asset utilization.

TRANSNET FREIGHT RAIL



TFR Core Operations are Anchored in Corridors

The Transnet Freight Rail Corridor Model is designed to improve decision-making, responsiveness to customer needs and integrated problem-solving in the rapidly changing business, market and policy environments.

	<i>Volume mt</i>	<i>Volume %</i>	<i>% Revenue Contribution</i>
North Corridor	74.7	41%	38%
North-East Corridor	20	11%	14%
Ore Corridor	65	35%	26%
Cape Corridor	20	11%	20%
Container Corridor	2.5	1.4%	2%
Central Corridor	1.5	0.8%	1%
Total	183.8		

} **52%**

KEY BINDING CONSTRAINTS



Locomotives

- 1064 contract suspension
- Decreased locomotive availability
- Increased non-operating
- Decreased loco reliability



Infrastructure

- Systemic underinvestment
- Decreased reliability
- Increase in derailments/incidents



Security

- Crippling theft & vandalism of key infrastructure resulting in operational disruption

ADDITIONAL CONSTRAINT - MANUALLY DRIVEN OPERATIONS THROUGHOUT THE VALUE CHAIN

STABILIZING CORRIDOR OPERATIONS ~ RETURN LONG-STANDING LOCOMOTIVES TO SERVICE



Confinement to 2 OEMs (99 Locos – WABTEC and Bombardier) ; CRRC engagements underway, alternate OEM RFP already issued to market. Negotiations underway, expecting 79 locos in FY 2023/24

PROJECT	DESCRIPTION	IMPACT	TIMELINE
Alstom new locomotives	Receive 9 x Alstom 23E locomotives: Redeploy the 9x 22E's currently used on flow to the coal line	1,3mtpa volume upside	2 /3 received - April 2023 3/3 received and in acceptance testing - May 2023 3 expected – June 2023
*Improved locomotive availability	Receive 28 x long standing and new locomotives (4x D45s, 11x23Es, 18xD43s/D44s, 1x15E 4x23E's from Alstom, Wabtec	4 mtpa volume upside	4 x D45 by June 2023 4 x 23E – July 2023 Negotiations underway
Improved locomotive availability	Receive 38 x long standing and new locomotives (Wabtec, Alstom) for deployment in various flows	5,4 mtpa volume upside	Negotiations underway
Additional diesel locomotives	Ramp up manganese solution by increasing the number of locomotives assigned by 4 x D45's	0,2 mtpa volume upside	4 x D45 - Oct
Alstom new locomotives and return of long standing	Receive 47 x new Alstom 23E locomotives, and 74 long standing locomotives (Wabtec – 46x 43/44Ds; CNR – 3 X 45Ds; - 25 x 15E/19E)	30 mtpa volume upside	By March 2025

*Please note that there two batches of locomotives

Source: Transnet Freight Rail, 2023



CONTAINER CORRIDOR OPERATING LEASE

Scope encompasses the Rail Network, Rail Operations from City Deep to the Port of Durban and Personnel for a period of 20 years.

The lease of the corridor through a private-sector partnership primarily seeks to leverage capital and capabilities for a limited period for the loss-making operations, **Transnet's value for money is the avoidance of losses.**

1) Container Corridor Investment Gap

2) Revenue Limitations:

80% of the Corridor revenue is from commodities that have Rate of Cost Recovery (RCR) that is between 20% and 45% of cost.

Commodities on the corridor have inherent characteristics that limit full revenue recovery, such as:

2.1 Low margins and highly contested with road transportation

2.2 Uneven Playing Fields - Transnet must **incur infrastructure costs**, whereas road is subsidised

The **unreliability of the service** further limits the ability to increase tariffs to achieve revenue levels for full cost recovery.



Customer Benefits

1. Improvement in service reliability with the **investment in rail infrastructure and security**
2. Access to **end-to-end service offerings**
3. Growth in rail volumes will reduce the cost of logistics in the **supply chain leveraging off the value of mass evacuation** on rail.



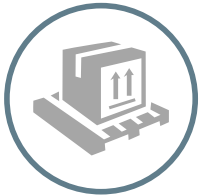
Benefits for the South African Economy

1. Reduction in cost of logistics to **support manufacturing industry**
2. Greenhouse Gas (GHG) **emissions savings**
3. Reduction in **road congestion and degradation of infrastructure**
4. Reduction in the cost of **externalities including road accidents**

BENEFITS OF TRANSFORMING TFR INTO A DIGITALLY-ENABLED BUSINESS THROUGH A DIGITAL PARTNER

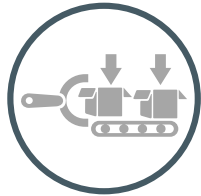


1. Train Planning & Scheduling



- ✓ Generation of Train and Yard Plans will be optimised i.e. realistic and executable plans
- ✓ Real-Time visibility of assets including condition, location and performance
- ✓ Reduce unplanned crew overtime through optimisation of rostering by at least 5%
- ✓ Better management of inventory of auxiliary assets.

2. Yard Planning, Loading siding



- ✓ Real time management of loading and off-loading activities
- ✓ Linking of siding activities with mainline Integrated Train Planning Tool (ITP).

3. Train Execution



- ✓ Reduce train cancellations by at least 15%
- ✓ Reduce waste by detecting sub-optimal operations and giving new insights on process opportunities
- ✓ Visibility of train tracking
- ✓ Faster reaction time
- ✓ Realtime rescheduling abilities

4. Track & Rolling Stock Maintenance



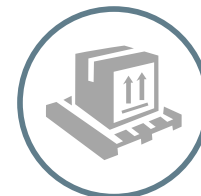
- ✓ Reduce unnecessary maintenance costs
- ✓ Move from Time based maintenance to condition based and predictive maintenance.

5. Train Offloading



- ✓ Better matching of offloading capacity with Train schedules.

6. Transaction Reconciliation and Billing



- ✓ Reduce claim disputes
- ✓ Maximize revenue
- ✓ Wagon and Consignment Track & Trace.



TFR QUICK WINS: MANGANESE

COMMODITY

DESCRIPTION

OVERALL BENEFIT

TIMELINE

East London Manganese

In a historic move, Transnet launches new service to export manganese ore through the port of East London.

The project will enable:

- 4 additional manganese trains per week equivalent to 0,5 mtpa of export capacity for the industry
- Removal of 13 500 trucks off the roads p/a
- Optimal usage of the underutilized Port of East London
- Economic spinoffs include job creation and a major boost for the economy.

- 0,5 mtpa volumes
- ~ R1,1 bn in foreign earnings for the RSA fiscus

30 June 2023

Mamathwane Loop

Transnet creates additional 1,5mtpa of export capacity by extending the Mamathwane passing loop.

The project will enable:

- 4 additional trains/ week equivalent to 1,5mtpa of export capacity for the industry
- Removal of 40 540 trucks off the road p/a
- Improved efficiencies through longer trains (125 wagons vs 104) to Saldanha

- 1,5 mtpa volumes
- ~ R4,4 bn in foreign earnings for the RSA fiscus

31 July 2023

Cape Town Manganese

Transnet joins forces with Tshipi 'e Ntle Manganese to enable a multi million Rand investment in state-of-the-art security technology on the Cape Town channel.

The project will enable:

- Reduced cable theft and infrastructure vandalism
- Increased capacity by an additional 0,5mtpa
- Increased throughput through the Port of Cape Town

- 0,5 mtpa volumes
- ~ R1,1 bn in foreign earnings for the RSA fiscus

31 August 2023



TFR QUICK WINS: CHROME & MAGNETITE

COMMODITY

DESCRIPTION

OVERALL BENEFIT

TIMELINE

Borderless Trains To Maputo

TFR and CFM implement a new borderless train service that will see to improved regional integration and economic development.

The project will enable:

- Efficient operation of trains through reduced cycle times by eliminating border administrative delays
- Improved efficiencies by reducing cycle times by 3 hours per train, which is equivalent to 23% improvement.
- Increase of rail slots from 6 to 12 per day

- Improved regional integration
- Better asset utilisation

01 May 2023

Longer trains to RCB and Maputo

TFR embarked on rail renewal, extension of loops and resignaling on the Selati line which increases magnetite and rock phosphate volumes by an additional 6,4mtpa.

The project will enable:

- the increase of train length to 160 wagons

- 6.4 mtpa volumes
- ~ R12,9 bn in foreign earnings

31 April 2023

TFR QUICK WINS: RBCT EXPORT COAL

COMMODITY

DESCRIPTION

OVERALL BENEFIT

TIMELINE

Restore eroded Infrastructure Capacity

Restored slot capacity previously eroded by deteriorated geotechnical conditions on the heavy haul export coal routes March – April 2023

The Ballast Tamping project has enabled:

- Improved efficiency and reduced cycle times by removing 17 speed restrictions over 253kms on the line
- Unlocked 1 additional slot per day, 2,8 million tons per annum
- The removal of 240 truck loads from the road per day (80 000 truck loads per annum)

- 2,8 mtpa volumes
 - ~ R6,2bn in additional revenue to Industry

13 April 2023
(Completed)

Restore slot capacity by reducing processing times of loaded trains in Ermelo yard by replacing the Tubular track with conventional ballast line

The Replacement of Tubular Track in Ermelo yard will enable:

- Increased capacity by reducing processing time of loaded trains by 2 hours per train
- Unlocked 1 additional slot per day, 2,8 million tons per annum
- Remove 240 truck loads from the road per day (80 000 truck loads per annum)

- 3,0 mtpa volumes
 - ~ R6,63bn in additional revenue to Industry

31 July 2023



TFR QUICK WINS: OTHER COMMODITIES

COMMODITY

DESCRIPTION

OVERALL BENEFIT

TIMELINE

CONTAINER

TFR is ramping up the number of slots from 15 to 42 between Johannesburg to Durban line for movement of containers and automotive after the refurbishment post the floods and the replacement of the stolen overhead traction electricity cables in the Ladysmith area.

The project will enable:

- The restoration of 27 (from 15 to 42) rail slots by 02 July 2023
- Improvement of volumes from the current annual tempo of 2,8m tons to 5,3m tons

- 2,4mtpa volumes
- Enablement of multiple industries through imports and exports

02 July 2023

IRON ORE

Increasing Iron Ore capacity via Saldanha by 4mtpa through rerouting iron ore emerging miner slots to higher axle loading sites.

The project will enable:

- Increase in volume capacity by the equivalent of 2 additional trains per day for exports
- The freeing up additional slots for manganese reallocation
- The delivery of 60mtpa Iron Ore export volumes

- 4 mtpa volumes
- ~ R11 bn in additional revenue to Industry

30 June 2023

Wrap-up

Ms. Portia Derby

Group Chief Executive, Transnet Soc Ltd



REINVENTED TRANSNET



The Old Transnet



TFR
Monopoly Rail Operator



TE
Cost Centre of TFR (95% of TE revenue is from TFR)



TNPA
Last time they had a construction of significance = Ngqura



TPT
Monopoly in autos and containers



TPL
Multi- Product Pipeline from Durban to Gauteng
Lease gas pipeline to Sasol



TP
Second largest properties as a cost centre



A New, Modern Enterprise

1. Infrastructure Manager
2. 3rd Party Access
3. Competitive, Dynamic

1. Component Manufacturer
2. Leasing Company
3. Operating in Competitive Space

Massive Construction Programme

- | | |
|-----------------------|-----------------------|
| 1. Auto Terminal | 4. Boegoebaai Port |
| 2. LNG Terminal | 5. Dredging of Durban |
| 3. Container Terminal | 6. Point Terminal |

1. Competition in Container Terminals
2. Partners in DCT and NCT

1. LNG Pipeline
2. Accumulator Tanks in Durban

1. Property portfolio revalued to enable value based partnerships
2. Modernisation of own buildings
3. Property Developments in Partnership



TRANSNET – WHAT'S KEEPING ME AWAKE?



SUSTAINABILITY

1. Liquidity – When are we paid?
2. Agile and empowered staff – Delegation of Authority has been cascaded within the organisation
3. Cost Reflective Tariffs – Leads to a sustainable company
4. Getting the investments done – Project implementation
5. Are we optimising our impact on the SA economy?
 - a) Inclusion
 - b) Jobs
 - c) Growth

TRANSNET



delivering freight reliably

THANK YOU, ROLIVHUWA

