

TRANSNET



NATIONAL PORTS AUTHORITY REPORT 2022



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Highlights

Revenue grew by **8,6%** to **R12,5 billion**

EBITDA increased by **12.1%** to **R7,5 billion**

Achieved a LTIFR of **0,62** against a tolerance level of **0,75**

Business overview

Transnet National Ports Authority (National Ports Authority or TNPA) is an Operating Division (OD) of Transnet. The National Ports Authority is prescribed in the National Ports Act, No 12 of 2005 (Ports Act) to be a landlord port responsible for the safe, efficient, effective 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 participation of historically disadvantaged people in port operations
- 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

TNPA occupies a strategic position in the country's transport logistics chain, managing nine ports in South Africa. Eight are commercial seaports, namely Saldanha, Cape Town, Mossel Bay, Port Elizabeth, Ngqura, East London, Durban and Richards Bay. The ninth, Port Nolloth, 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 TNPA span the South African coastline, which measures approximately 2 800km.

Operating within the port industry, the National Ports Authority provides its services to port users which include terminal operators, shipping lines, shipping agents, cargo owners, and the clearing and forwarding services. TNPA 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.

In 2021/22, TNPA introduced a new operating model which is driven by a three-tier structure. The Executive Committee level oversees the strategic direction; the regional structure focuses on the operations; and port management attends to the day-to-day operations in the ports and the enablers supporting and monitoring controls across all operational activities.

TNPA's strategic focus is driven by economic transformation, customer centricity and people, and is anchored in Transnet's five levers, namely customer service, people, asset utilisation, safety and cost control.

The TNPA's strategic focus areas covered the following:

- **Systems:** Aimed at streamlining operational systems
- **People and assets:** Creating a motivated, empowered and skilled workforce with the requisite tools of trade, plant and equipment
- **Subsidiarisation:** Adapting to a final determination of the regulatory issues pertaining to subsidiarisation
- **Cost of doing business:** Lowering the cost of doing business and diversifying into non-tariff-based income streams
- **Centre of Excellence:** Developing a centre of excellence for asset creation and maintenance
- **Capital programme:** Focused and efficient delivery of the priority capital programme
- **Terminal oversight:** Effective monitoring of all terminal operators
- **Strategic partnership:** Secure strategic partnerships locally, continentally and globally

TNPA has developed a five-year Desired End-State (DES) as part of its strategic reframing. The DES is captured in TNPA's vision of "Enablement of a transformed and sustainable world-class port system" through "a financially sustainable, least-cost, smart port system enabled by an empowered workforce and a seamless value chain strategically positioned to unlock economic growth in an environmentally sustainable manner". The seven themes of the DES include landlord port authority; operationally excellent port authority; world-class port infrastructure; smart port system; environmentally sustainable port system; people-centric employer; and a financially sustainable, least-cost port system.

Where we operate

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

Figure 1: National Ports Authority geographic locations: Eight operational ports; the ninth port, Port Nolloth, does not handle any commercial cargo



Regulatory environment

The regulatory environment pertaining to the business of the National Ports Authority is complex, with a plethora of legislation applicable to its everyday activities. Based on risk assessments, the National Ports Act and the Competition Act will be focused on during 2022/23.

The Ports Act is the core piece of legislation that dictates the functions and concomitant obligations of the TNPA, and in this regard, the OD's oversight obligations are emerging as its key focus. This supervision of port users encompasses both commercial and regulatory oversight of their activities, and, more particularly, oversight of the efficiency of port terminals, especially within the context of the penalty and incentive model and framework that is being developed and implemented, pursuant to the unfolding of the Ports Regulator's weighted efficiency gain from the operations framework.

In addition, and within the ambit of the oversight mandate, considerable focus will be placed on the Competition Act and the related considerations, and even more so within the context of the Competition Commission investigation and section 62(a)(2)(iii) of the Ports Act where licensed operators must advise the TNPA on the steps they have taken to eliminate anti-competitive and discriminatory practices.

Operational performance

The Transnet segment strategies are designed to protect and grow the key industrial supply chains whose performance is critical to the sustenance of our economy. The key performance indicators (KPIs) concentrate on commodity categories, such as containers and autos, fuels and gas, coal, manganese, iron ore and agriculture. These are the strategic commodities generally transported by Transnet Freight Rail and handled by Transnet Port Terminals, except for coal and liquid bulk cargoes.

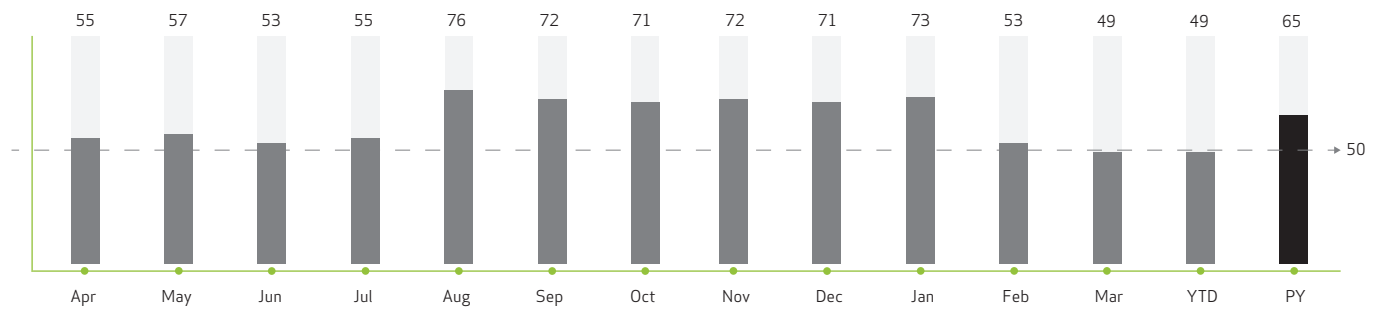
The chronic underperformance of terminals across the port system has been an ongoing challenge for years. This has resulted in decline of shared value and non-delivery of key strategic initiatives. The new TNPA Operating Model, through Terminal Oversight, Infrastructure, Property, People, Supply chain Management and System (TIPPSS) to Terminal Oversight, Infrastructure, Property, People, Supply chain Management, System, Environment, Strategic Partnerships and Cost (TIPPSESC) program rollout the Terminal Efficiencies and Oversight War Room Stream was set up to come up with initiatives to deal with the inefficiencies of terminals. TNPA through The Capacity Enablement is embarking on a benchmark exercise to assist TNPA as the port authority to determine best practice for terminal management and performance. A service provider will be appointed, timelines will be set, and the project will commence. The Performance and Monitoring Department was tasked to conduct a thorough research across all our Ports, analyse and develop standardised Key Performance Indicators (KPI's).

Ship turnaround times (hours)

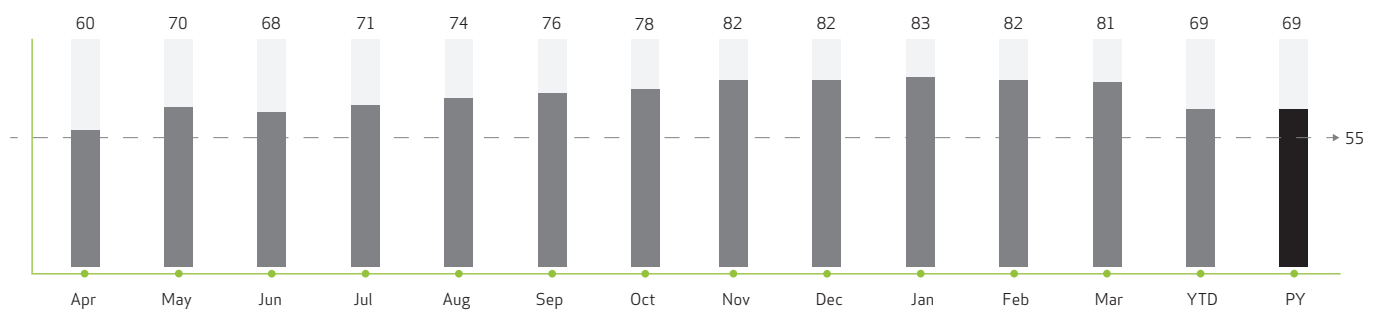
Ship turnaround time (STAT) is defined as the time the vessel takes from the breakwater point on its inbound (arriving leg) to the time that same vessel passes the breakwater point on its outbound from the port (excludes weather delays and laytime).

The graphs below have prioritised the performances within the Durban Container Terminal (DCT), Cape Town Container Terminal (CTCT) and Ngqura Container Terminal (NCT).

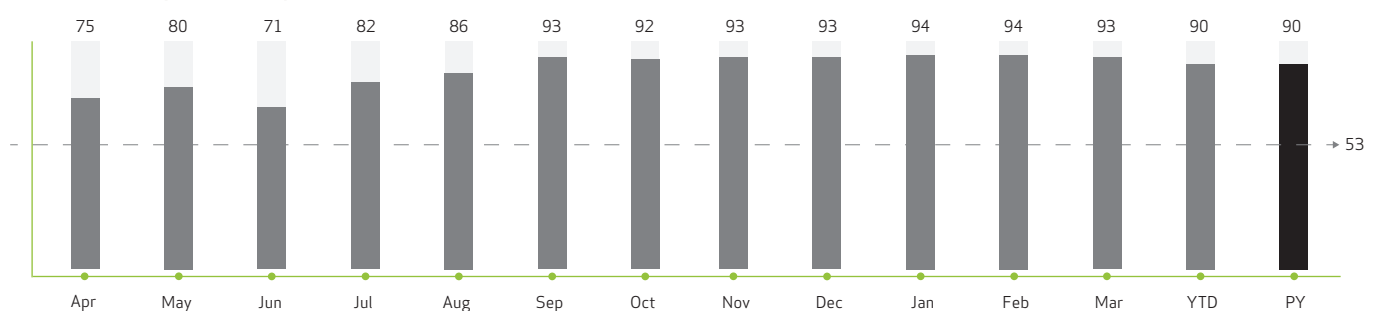
Cape Town (CTCT)



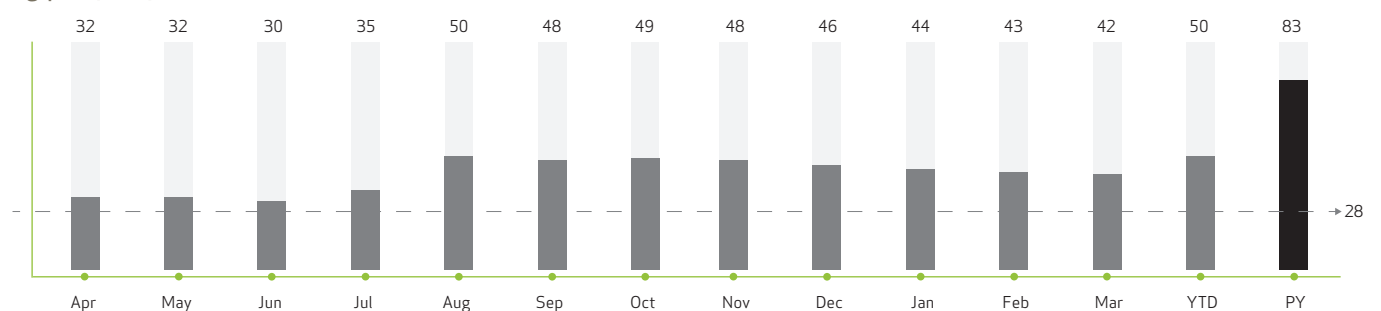
Durban Pier 1 (CTCT)



Durban Pier 2 (DCT Pier 2)



Ngqura (NCT)



Ship turnaround time - hours (continued)

The performance of DCT Pier 1 was affected by inclement weather (wind and rain) that resulted in vessels working slowly. Straddle carrier reliability challenges, equipment maintenance and breakdowns, the impact of VSP on human capital shortages and marine service also affected its performance.

The performance of DCT Pier 2 was affected by inclement weather (wind and rain), resulting in vessels working slowly. Straddle carrier reliability challenges, the impact of VSP on human capital shortages, and marine service delays also affected its performance.

CTCT's performance was affected by inclement weather that resulted in slow cargo operations, which prolonged the productivity of the cargo working times. Port Terminals has been riddled by equipment breakdowns and maintenance that affected cargo operations. TNPA's marine services also had challenges as a result of craft-related breakdowns which affected the vessel arrivals and departures.

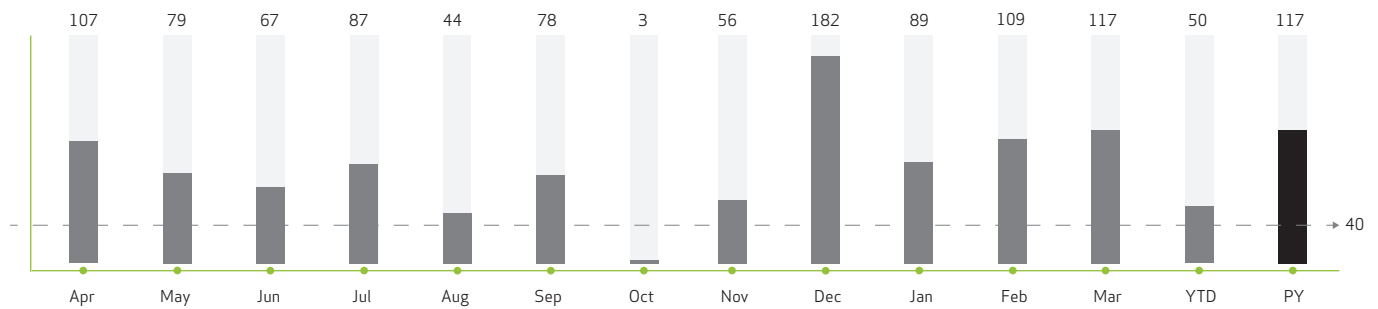
NCT's performance was affected by the weather conditions (surge), equipment maintenance and breakdowns, and marine service issues. Increased parcel sizes (budget = 1 520 TEUs vs actual = 1 606 TEUs) also contributed to the increased STAT.

Anchorage waiting time - hours

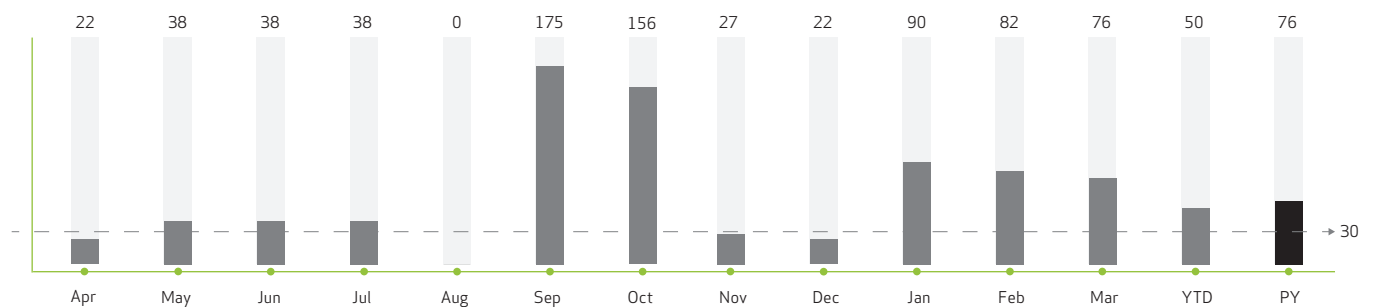
This is defined as the time a vessel is waiting at anchorage for services at the port (including weather delays and excludes vessels waiting for orders). The operations department regularly measured and monitored the performance regarding this KPI on all commodities.

The graphs below have prioritised the container port performance at DCT Pier 1 and Pier 2, CTCT and NCT.

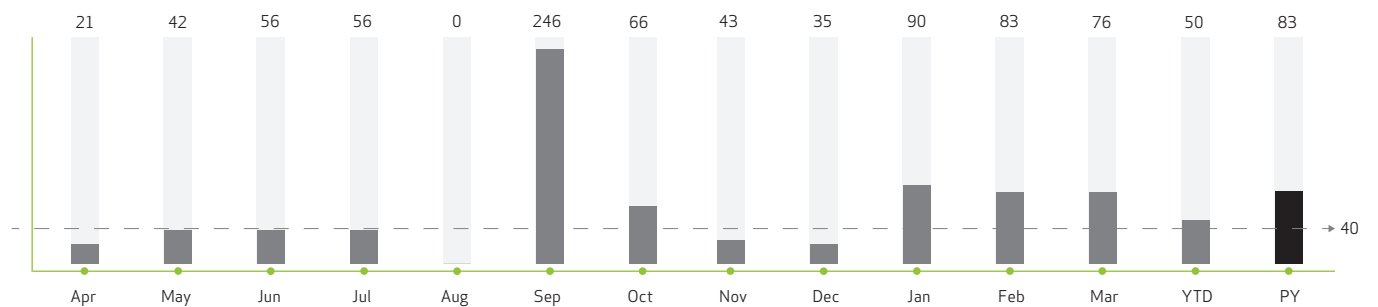
Cape Town (CTCT)



Durban Pier 1 (DCT Pier 1)

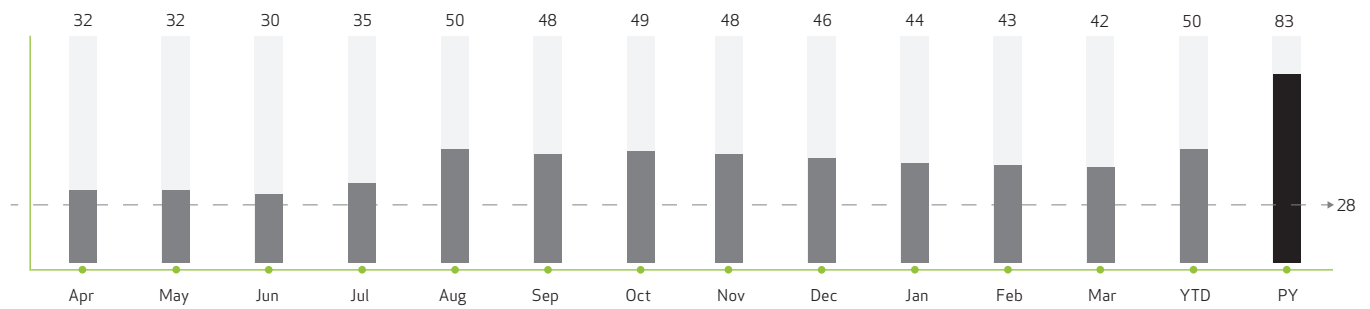


Durban Pier 2 (DCT Pier 2)



Anchorage waiting time - hours (continued)

Ngqura (NCT)



The anchorage performances at DCT Pier 1 and Pier 2 were impacted by the operational delays experienced by vessels alongside spending longer times at berth and therefore causing delays to the incoming vessels hence the long hours at anchorage.

CTCT's anchorage performance was affected by inclement weather, which created a backlog at the terminals for vessels waiting for berth availability. IPMS downtime has affected access to information. Clients resorted to manually booking slots, which created a challenge for pilotage and service time. Most vessels experienced surge during operations hence long hours at berth and anchorage.

NCT was affected by inclement weather, which negatively impacted operational performance causing delays across the system. Most vessels experienced surge during operations hence the long hours at berth and anchorage

Opportunities

- Increase availability of marine service resources
- Improve productivity at the terminals
- Manage berth arrival waiting time, efficient cargo operations and berth departure waiting times
- TNPA to install a mooring system to address the surge during inclement weather at NCT and CTCT

Core initiatives

The implementation of TNPA's new operating model requires an operating structure that is fit for purpose and that capacitates the relevant teams to build a reimagined TNPA. Our structure acknowledges that the ports and operations are the drivers of the strategy and need to be resourced accordingly.

The performance of the operating model is largely driven by legislative objectives, a proposed strategic framework, the enablement of a desired end state, and monitoring of performance dashboards. Hence the reframing of TNPA is dictated by a multi-faceted approach:

- To effectively fulfil TNPA's mandate, we need to understand the current challenges within the organisation and their root causes before any substantial change can occur
- The proposed strategic framework provides a direction for TNPA to move away from its status quo to a reimagined TNPA
- The seven focal areas of TNPA's desired end state act as enablers for the successful implementation of the new operating model and provide rationale for the revision of terminal oversight, infrastructure, property, people, supply chain management and system (TIPPSS) to terminal oversight, infrastructure, property, people, supply chain management, system, environment, strategic partnerships and cost (TIPPSESC).
- Performance monitoring of TIPPSS is critical as it allows for real-time monitoring such that interventions can be made timeously, ultimately resulting in the overall improvement of business performance

Overview of key performance indicators

Key performance area and indicator	Unit of measure	2020 Actual	2021 Actual	2022 Target	2022 Actual	2023 Target
Financial sustainability						
Revenue	R million	12 172	11 558	11 956	12 548	13 094
EBITDA	R million	7 866	6 701	6 880	7 514	7 029
Return on invested capital	%	7,1	4,3	5,8	13,5	4,2
Revenue per employee	R million	2,93	2,7	2,7	3,3	3,0
EBITDA margin	%	65	58,0	57,5	59,9	53,7
Operating profit margin	%	47	38,5	36,8	39,1	29,1
Gearing	%	16	10,3	2,5	2,7	4,4
Net debt to EBITDA	times	1,2	1,0	0,2	0,3	0,4
Return on total average assets - excluding capital work in progress (CWIP)	%	8	6,4	5,8	5,3	4,3
Asset turnover - excluding CWIP	times	17	0,16	0,17	0,17	0,16
Cash interest cover	times	6,0	5,8	6,4	10,3	9,5
Capacity investment						
Capital expenditure	R million	1 598	648	2 081	1 124	2 454
Operational performance						
Productivity						
Anchorage waiting time						
Durban Pier 1	average hours	64,0	56,0	30,0	76,0	30,0
Durban Pier 2	average hours	80,0	83,0	40,0	76,0	40,0
Cape Town	average hours	49,0	107,0	40,0	117,0	40,0
Port Elizabeth	average hours	47,0	33,0	35,0	34,0	35,0
Ngqura	average hours	53,0	56,0	28,0	42,0	28,0
Richards Bay	average hours	1,0	96,0	60,0	-	60,0
Average ship turnaround time						
Durban Pier 1	container STAT hour	74,0	69,0	55,0	81,0	55,0
Durban Pier 2	container STAT hour	79,0	90,0	53,0	93,0	53,0
Cape Town	container STAT hour	37,0	65,0	50,0	49,0	50,0
Port Elizabeth	container STAT hour	32,2	43,8	30,0	35,6	30,0
Ngqura	container STAT hour	37,0	32,0	30,0	39,0	30,0
Dry bulk						
Coal (RBCT)	hours	148,0	40,0	45,0	40,0	48,0
Iron ore (Saldanha)	hours	49,0	51,0	50,0	53,6	50,0
Manganese (Port Elizabeth)	hours	70,3	75,0	78,0	81,9	78,0
Berth occupancy						
Durban Pier 1	%	40,0	70,0	65 - 75	86,0	65 - 75
Durban Pier 2	%	53,0	33,0	65 - 75	70,0	65 - 75
Cape Town	%	68,0	59,0	60 - 70	77,0	60 - 70
Port Elizabeth	%	42,5	52,0	45 - 55	50,3	45 - 55
Ngqura	%	37,1	66,0	70 - 80	64,6	70 - 80

Overview of key performance indicators (continued)

Key performance area and indicator	Unit of measure	2020 Actual	2021 Actual	2022 Target	2022 Actual	2023 Target
Human capital						
Berth utilisation						
Durban Pier 1	%	88,0	91,0	85 - 95	93,0	85 - 95
Durban Pier 2	%	92,0	92,0	85 - 95	93,0	85 - 95
Cape Town	%	90,0	81,0	70 - 80	71,0	70 - 80
Port Elizabeth	%	73,3	83,0	75 - 85	82,0	85 - 95
Ngqura	%	83,7	86,0	80 - 90	87,0	80 - 90
Market segment competitiveness						
Volume and revenue growth						
Containers	000 TEUs	4 538	4 033	4 219	4 442	4 310
Break bulk	million tonnes	4,7	3,7	3,3	5,6	3,4
Liquid bulk	million kilolitres	41,9	41,8	39,6	38,1	36,8
Dry bulk	million tonnes	182,6	174,7	188,4	173,0	189,1
Vehicles	units	776 762	481 149	535 530	700 561	737 476
Tariffs						
Average tariff increase	%	(6,27)	0,32	0,00	0,00	4,80
Sustainable developmental outcomes						
Human capital						
Training spend	% of personnel cost	3,0	0,4	3,9	2,2	3,9
Employee turnover	%	5,0	6,0	4,2	10,0	5,0
Employee headcount	permanent	4 155	4 239	4 503	3 852	4 369
Revenue per employee	R million	2,9	2,7	2,7	3,3	3,0
Risk, safety and health						
Cost of risk	% of revenue	2,85	3,55	3,20	3,39	3,20
DIFR	rate	0,25	0,21	0,75	0,62	0,75

Financial performance review

Salient features	Year ended 31 March 2022	Year ended 31 March 2021	% change
	R million	R million	
Revenue	12 547,8	11 558,2	8,6
- Containers	3 389,2	3 168,2	7,0
- Break bulk	154,5	130,6	18,3
- Dry bulk	1 323,4	1 272,2	4,0
- Liquid bulk	750,2	644,9	16,3
- Automotive	342,3	229,8	49,0
- Other	6 588,3	6 112,5	7,8
Operating expenses	5 034,7	4 857,3	3,7
- Personnel costs	2 840,6	2 589,3	9,7
- Energy costs	645,1	549,1	17,5
- Maintenance	359,8	294,2	22,3
- Materials	67,3	52,3	28,5
- Other	1 122,0	1 372,4	(18,2)

Financial performance review (continued)

		Year ended 31 March 2022 R million	Year ended 31 March 2021 R million	% change
Salient features				
Profit from operations before depreciation, derecognition, amortisation and items listed below (EBITDA)		7 514,1	6 700,9	12,1
Depreciation, derecognition and amortisation		2 602,0	2 245,2	15,9
Profit from operations before items listed below		4 911,1	4 455,6	10,2
Impairments and fair value adjustments		7 958,4	(817,6)	(1 073,4)
Net finance costs		778,1	1 000,0	(22,2)
Profit before taxation		12 091,4	2 638,0	>100
Total assets (excluding CWIP)	R million	97 275,6	86 404,0	12,6
Profitability measures				
EBITDA margin ¹	%	59,9	58,0	1,9
Operating margin ²	%	39,1	38,5	0,6
Return on average total assets (excluding CWIP) ³	%	5,3	6,4	(1,1)
Asset turnover (excluding CWIP) ⁴	times	0,17	0,16	8,9
Capital investments [^]	R million	1 124,0	684,0	64,3
Employees				
Number of employees (permanent)	number	3 851	4 239	(9,2)
Revenue per employee	R million	3,3	2,7	19,5

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 grew by 8,6% to R12,5 billion (2021: R11,6 billion). The high performance was mainly due to the recovery of port activity from the COVID-19 lockdown. The higher performance is explained by the increase in:

- Cargo Dues Revenue increasing by 9,4% to R6,0 billion with the Weighted Average Volume Growth being higher by 1,8%;
- Real Estate Revenue increasing by 11,7% to R4,3 billion (2021: R3,9 billion) compared to previous year.

Net operating expenses rose by 3,7% to R5,0 billion (2021: R4,9 billion). This is mostly attributable to the VSP, relocation of TNPA head office to Port of Ngqura and increase in environmental provisions.

EBITDA and operating margins increased to 59,9% (2021: 58,0%) and 39,1% (2021: 38,5%).

Return on invested capital (ROIC) escalated to 13,5% (2021: 4,3%), mainly as a result of an increase in operating profit to R4,9 billion (2021: R4,5 billion).

Looking ahead

- During FY2021/22, the National Ports Authority plans to finalise and implement its new operating model to position the entity towards achieving the status of being an integrated and competitive world-class port system. Financial sustainability of the organisation together with reducing the cost of doing business will underpin the successful delivery of the new operating model. Port operational efficiencies and improved real estate financial management are being prioritised.
- In addition, TNPA is exploring revenue diversification opportunities, increasing asset utilisation and developing a utilities management strategy to improve its efficiencies around cost and usage of water and electricity in the port system.

Capacity creation and maintenance

TNPA's capital expenditure was 54% below budget at R1,1 billion (2021: R684 million), before accounting for land acquired from Transnet Property of R936 million. This is due to underspending on the bulk electrical power supply for a third tippler at Saldanha; the tank farm to equip berth B100 in Ngqura; the acquisition of helicopters for Richards Bay, Durban, and Cape Town; and the acquisition of a second grab hopper dredger and additional rail facility for the Duine area in the Richards Bay project.

Looking ahead

TNPA plans to invest R2,5 billion during FY2022/23 and R27,5 billion over the next four years to 2027 in capacity creation, infrastructure sustenance and modernisation projects:

- **Capacity creation in 2022/23**
 - The Tank farm to equip berth B100 in Ngqura
 - The additional rail facility for Duine area in Richards Bay
 - The Manganese project
- **Helicopters in 2022/23**
 - Replacement of Richards Bay and Durban helicopters as well as the procurement of a helicopter for Cape Town to start a new service
- **Fleet replacement in 2022/23**
 - The 2nd Grab hopper dredger
 - The restoration of 4 tugboats
 - The restoration of 4 pilot boats

Operational performance

Operations performance is evaluated according to the approved targets in the Corporate Plan which focuses on all commodity categories across the port system. The KPIs that are evaluated cover delays in the marine services, ship turnaround time (STAT), anchorage waiting time (AWT), including berth utilisation (BU). The targets are set following a Corporate Plan Policy and the process clearly captured in a manual that is signed by the TNPA Strategy function. 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 KPIs, namely:

- Marine services delays;
- Anchorage waiting time (AWT);
- Ship turnaround time (STAT); and
- Berth occupancy (BU).

The table below covers the three different ports terminals handling container vessels:

- Durban (DCT) on Pier 1 & Pier 2;
- Port of Cape Town (CTCT); and
- Port of Ngqura (NCT).

AWT and STAT (container terminals)

KPI	Port		Target	YTD
Average Anchorage Waiting Time (AWT), container terminals	DCT Pier 1	Hours	30	76
	DCT Pier 2		40	76
	CTCT		40	117
	NCT		28	42

KPI	Port		Target	YTD
Ship Turnaround Time (STAT), container terminals	DCT Pier 1	Hours	55	81
	DCT Pier 2		53	93
	CTCT		50	49
	NCT		30	39

Looking ahead

TNPA introduced a new operating model which is driven by a three-tier structure with the Executive Committee overseeing the strategic direction; the Regional Structure focusing on operational sectors closer to the operations; and port management focusing on the day-to-day operations in the ports and enablers, supporting and monitoring controls across all operational activities.

Sustainable developmental outcomes

Human capital (employment and transformation)

- The permanent headcount decreased to 3 852 employees (2021: 4 239)
- Black employees represented 92,6% of the total employee base (2021: 91,0%)
- Female employees represented 38% of the total employee base (2021: 38%)
- People with disabilities represented 1,8% of the total employee base (2021: 2,2%)
- The employee turnover rate is 10% compared to a target of 4,2%
- The absenteeism index of 2,4% is lower than the tolerance level of 3,0%.

Skills development

In total, **100** learners were exposed to the business to create awareness of the port environment among the youth. TNPA provided the following training in terms of critical skills:

- 12 engineers in training
- 1 technician in training
- 7 marine pilots in training
- 76 marine cadets were trained
- 4 young professionals in training

Health and safety

- TNPA's safety performance remained positive in FY2021/22 at a LTIFR of 0,62 was recorded against a tolerance level of 0,75
- A total of 29 lost time injuries (LTI) were recorded during 2021/22. TNPA reported 10 LTIs from one occurrence at Marine at the Port of Durban; and four LTIs were reported in another single occurrence at Marine at the Port of Ngqura. These two occurrences led to a significant increase in the LTIFR
- TNPA's LTIFR remains positive by 17% from the Transnet threshold (actual 0,62 vs 0,75)
- TNPA is committed to improving its safety performance as we strive for zero harm

Environmental stewardship

Control and clearance of alien and invasive plants

- In compliance with the NEM: Biodiversity Act, No 10 of 2004 and its regulations (Alien and Invasive Species Regulations, 2014), several ports embarked on the eradication of alien invasive vegetation as required by the Act. The Port of Richards Bay cleared 1 980 hectares of alien and invasive plants and spent R519 000 in 12 months. The Port of Ngqura cleared 30 hectares and spent R319 304. The Port of Port Elizabeth cleared 20 hectares and spent R227 500.
- In FY2021/22, a total of 2 030 hectares of alien invasive plants were removed from TNPA land across three ports costing a total of R1 065 804. This is 0,7% more land than in the previous financial year and 46% more budget spent compared to the previous year, which is a positive investment to biodiversity enrichment resulting in indigenous vegetation flourishing, more indigenous fruits and food for the wild animals, and contributing to the catchments water balance. This counteracts the drought challenges facing the country.

Estuarine management

- The complexity of estuaries requires coordinated and effective management to ensure that ecosystem goods and services do not deteriorate but improve. This is done collaboratively with other government departments, state institutions, municipalities and in line with the National Estuarine Management Protocol in terms of the National Environmental Management: Integrated Coastal Management Act, No 24 of 2008. TNPA has three ports with gazetted Estuarine Management Plans, namely Durban Bay Estuary for the Port of Durban; uMhlathuze/ Richards Bay Estuary for the Port of Richards Bay; and Buffalo River Estuary for the Port of East London. These Estuarine Management Plans are legal documents requiring the following actions from TNPA:
 - Maintenance of ecological functioning and improvement of the estuarine health
 - Implementation of water quality monitoring programmes within the estuary
 - Monitoring and facilitating responsible commercial and infrastructure development within the Estuarine Zone of Influence
 - Provision of reasonable safe public access to the estuary
 - Promoting local economic development through commercial, tourism and recreational activities
 - Promoting ecological conservation education and awareness
 - Strengthening compliance monitoring and enforcement of activities within the Estuarine Zone of Influence

Management of sensitive habitats

TNPA's long-term ecological monitoring contract was only concluded in November 2021. Therefore, in FY2021/22 only the sediment quality monitoring was conducted for the Disposal at Sea Permits (for maintenance dredging) for the ports of Richards Bay, Durban, East London, Ngqura, Port Elizabeth, Mossel Bay and Cape Town. The Port of Saldanha continually monitors environmental parameters such as groundwater, water quality, sediment quality, benthic macrofauna, birds, rocky intertidal fish populations.

IMO annex VI – Compliance with low sulphur fuels by shipping

- The University of the Western Cape's three-year research study covering the ports of PE, Cape Town and Saldanha is now in its second year, and is focusing on the potential impacts of discharging from open loop scrubbers before it is made acceptable in South Africa. This will ensure that the country's policy on the use of open loop scrubbers is informed by science. This exercise was informed by the IMO Marpol Annex VI that came into effect in January 2020. Regulation 14 of Annex VI requires vessels that call into South Africa to use low sulphur fuel oil as specified in the regulation. Regulations further allow the use of alternative compliance methods that are approved by the Port State (i.e. SAMSA).

Social accountability

TNPA's corporate social investment (CSI) strategy is focused on education in alignment with business while the philanthropic contributions are intended to cultivate collaborative relations with stakeholder communities within port precincts.

TNPA has a strategic partnership with the prestigious Lawhill Maritime Centre in Simon's Town, which allows TNPA to annually register 12 to 15 learners from disadvantaged homes to study at the centre from Grade 10 to Grade 12. This partnership with Lawhill Maritime Centre started with ad hoc donations in 2006 and was streamlined in 2012 in line with the CSI strategy of improving and promoting maritime education in previously disadvantaged communities.

To date, TNPA has contributed approximately R6,5 million benefiting a total of 195 students. A significant number of these students are already working in the maritime industry, and some are in the employment of TNPA.

2021/22 CSI activities

TNPA supported 12 learners at Lawhill Maritime Centre with boarding and tuition fees amounting to **R0,9 million**.

The balance of **R1,3 million** was divided among eight ports and head office for the following community initiatives which are still in progress:

- Food relief programmes
- Environmental clean-ups of the coastal line
- Support to maritime schools within port precincts

Key risks and mitigating activities

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

Top risks	Risk ranking	Mitigating activities
Inadequate port infrastructure maintenance inclusive of the marine fleet and landside infrastructure resulting in the unavailability of assets due to breakdowns, long lead times while repairs are undertaken, equipment failure and potential safety incidents		<ul style="list-style-type: none"> • Ensure ports budgets are zero-based and are aligned to asset condition-based budgeting to timeously and proactively allocate and prioritise funding towards scheduled maintenance • Capacitate the technical and support departments to ensure the delivery of maintenance plans • Timeously secure contracts for specialists, original equipment manufacturers (OEMs) and repetitive services where required to avoid maintenance delays • Fast-track outstanding dredging fleet procurement projects to maintain chart datum levels that are fit for purpose in relation to the vessels that the National Ports Authority services • Align maintenance strategies with asset maintenance inspections to ensure that the correct assets are prioritised for maintenance
Challenges with introducing new entrants and industries into the port system leading to a lack of transformation and diversification of revenue streams		<ul style="list-style-type: none"> • Align strategic collaboration initiatives and implementation plans utilising strategic partners like special economic zones to fast-track transformation and the establishment of new industries • Collaborate/undertake research to understand the special economic zones and provincial economic initiatives that could grow cargo volumes in the medium to long term • Engage strategic stakeholders and Regulators such as the Department of Transport, the South African Petroleum Industry Association and others more effectively with regard to transformation in the port industry to encourage and support broad-based Black economic empowerment initiatives • Impose and enforce lease compliance issues that are geared towards transformation to broaden economic participation in the port system • Identify and create a value proposition for players inside and outside port boundaries inclusive of value-added logistics facilities such as warehousing, packaging and storage
Complexities in effectively navigating the regulatory environment within which the National Ports Authority operates resulting in limitations in commercial autonomy		<ul style="list-style-type: none"> • Introduce continuous improvement initiatives in how the division implements and responds to regulated compliance obligations, and conduct regular internal awareness sessions to ensure that employees are aware of the existing and pending statutory obligations • Formally and timeously engage key stakeholders to mitigate against unintended consequences of new and existing legislation within which the National Ports Authority operates
Exposure to cyber risks resulting in disruption to operations		<ul style="list-style-type: none"> • Ensure that all existing systems and newly implemented systems are regularly tested against cyberthreats and ensure that the appropriate mitigation plans are in place and effective • Test and improve disaster recovery abilities • Digitise business processes to minimise manual processes and enhance performance and security

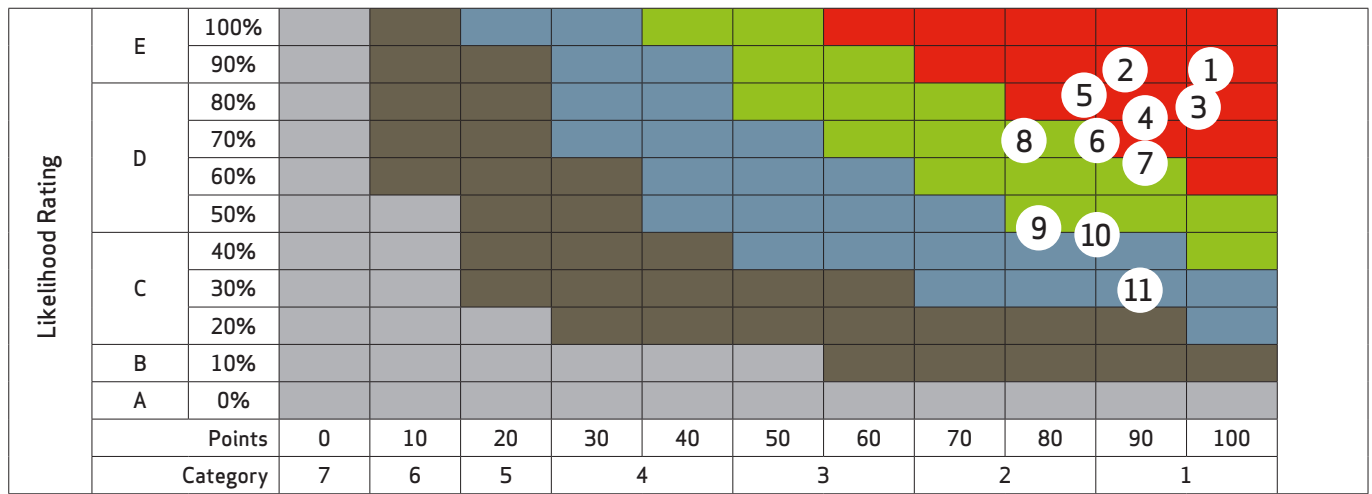
Key risks and mitigating activities (continued)

Top risks	Risk ranking	Mitigating activities
Inefficient and prolonged execution of capital expenditure programmes resulting in delays in benefit realisation	Priority I	<ul style="list-style-type: none"> Recalibrate and implement the revised capital delivery model which includes business cases, capital approvals and procurement processes to streamline and improve execution Appoint implementing agents to assist with the capital delivery, develop systems, processes and build internal capability
Ineffective port oversight and poor operational efficiencies resulting in customer dissatisfaction and poor customer ratings	Priority I	<ul style="list-style-type: none"> Enhance and introduce new water and landside operational processes to enable effective compliance monitoring of road, rail and terminal operator performance standards across all ports to improve customer satisfaction Influence operational efficiencies in the transport and logistics value chain for all cargo segments by facilitating transport stakeholder collaboration forums to influence performance targets and desired outcomes of the transport and logistics systems using identified key performance indicators
Extreme weather events and failure of climate change mitigations	Priority I	<ul style="list-style-type: none"> Develop a climate change adaptation model aligned to the climate change study to cater for adverse weather conditions and other climate change events Improve the management and sustainability of port environments to limit and better manage extreme weather events Engage port users and relevant stakeholders to develop integrated business continuity plans to share and optimise resources and co-ordinate efforts Commission independent port risk and vulnerability assessments to quantify risks associated with climate change and develop mitigating action plans
Unrealised targeted volumes resulting in lower revenues	Priority I	<ul style="list-style-type: none"> Improve service offerings by improving efficiencies, accessibility and safety Develop and implement a cost-efficiency strategy by reducing operating costs per ton Review the Port Regulator's benchmark findings and recommendations and factor these into the tariff strategy and methodology to improve tariff application submissions
Inability to attract and retain critical skills to meet the demands of an evolving port environment	Priority II	<ul style="list-style-type: none"> Review the organisational structure and align to the execution of the strategy Review and refocus training pipelines to meet the demands of the business model in line with the strategy Develop a recruitment and retention plan to attract the required critical skills and retain employees who have critical skills Conduct international benchmarks to meet and favourably compare with international counterparts
Ineffective management of safety risk resulting in an increase in the number of safety incidents	Priority II	<ul style="list-style-type: none"> Train supervisors and managers on interactive behaviour to capacitate them to be proactive and provide a conducive safe environment for employees Extend the roll-out of supervisory safety behavioural training across the port system to improve supervisory oversight Enhance the zero-harm safety culture programme across the organisation to promote a safety culture and reduce the number of safety incidents

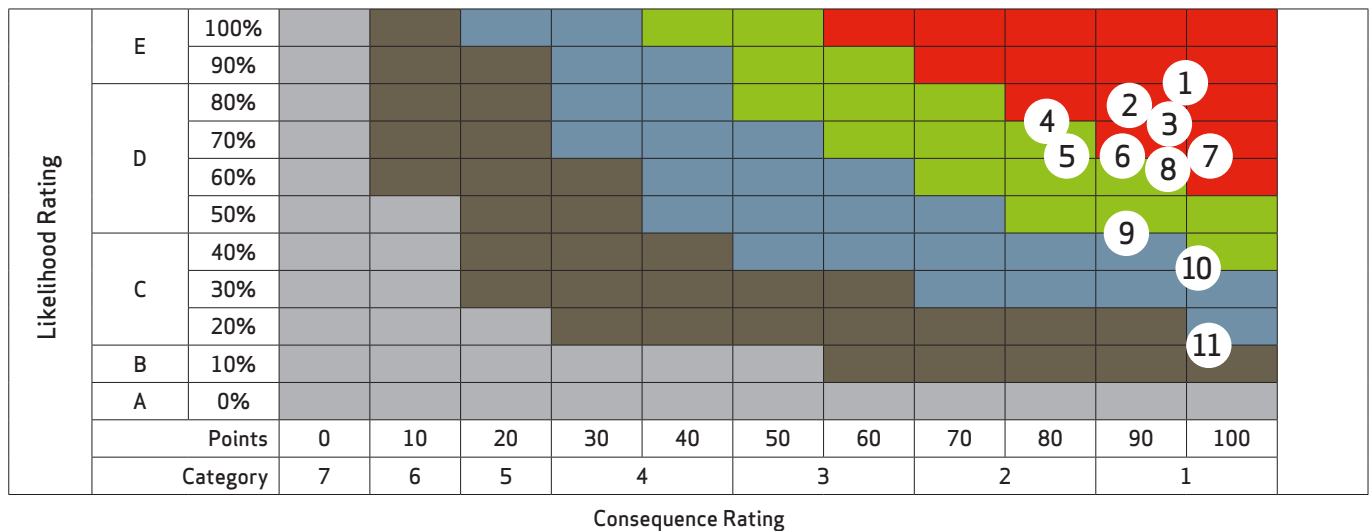
Legend: Risk ranking

Priority I ■ Priority II ■ Priority III ■ Priority IV ■

Risk Heat Map - Inherent Risk Rating



Risk Heat Map - Residual Risk Rating



Most material climate change risks	Root causes	How they impact operations	How we will address these
Extreme weather events and failure of climate change mitigations	<ul style="list-style-type: none"> Global increase in GHGs and lack of mitigation thereof Lack of robust adaptation strategies for ports Organisational misalignment on climate change issues Budget constraints Lack of strategic support from leadership Lack of awareness Lack of current policies and legislation for climate change and poor implementation thereof 		<ul style="list-style-type: none"> Develop climate change adaptation model aligned to climate change study at all ports Improve management and sustainability of the environment Risk and vulnerability assessment studies for ports to quantify risks

Opportunities

- Positioning TNPA as an integrated and competitive world-class port system.
- Explore opportunities to diversify revenue
- Develop a utilities management strategy to improve cost efficiencies for water and electricity usage in the port system.
- Reconfiguration of ports to accommodate new-generation vessels and lowering the cost of doing business through economies of scale
- Unlocking volume growth through supply chain efficiencies and competitive pricing
- Development of a regional hub port to improve maritime connectivity
- Improving port competitiveness through the provision of value-added logistics facilities
- Growing port capacity aligned to demand for automotive, dry bulk, liquid bulk and gas
- Demand for liquefied natural gas product and infrastructure
- Growing the port of Ngqura transshipment services through competitive pricing and liner contracting
- Collaborate with Five focus areas

Customer service

Relationship building with key customers, information gathering and processing to align with customer requirements and understand organisational shortcomings in optimising customer satisfaction. Provide an efficient avenue for issue and dispute escalation to improve service levels for all types of customers.

- Structure timely resolution of customer issues
- Conduct regular customer engagements
- Build customer portfolio
- Resolve expired leases

People

Create a conducive, productive and skilled work environment.

- Improve organisational culture built on values, leadership and effective performance management
- Create a skilled and high-performing workforce
- Increase youth development within the division through structured programmes

Asset utilisation

Improving utilisation of assets through well-maintained assets and efficient operations.

- Improve port efficiencies
- Improve quality of port infrastructure and fleet assets
- Dredge ports to promulgated depths for effective vessel navigation

Safety

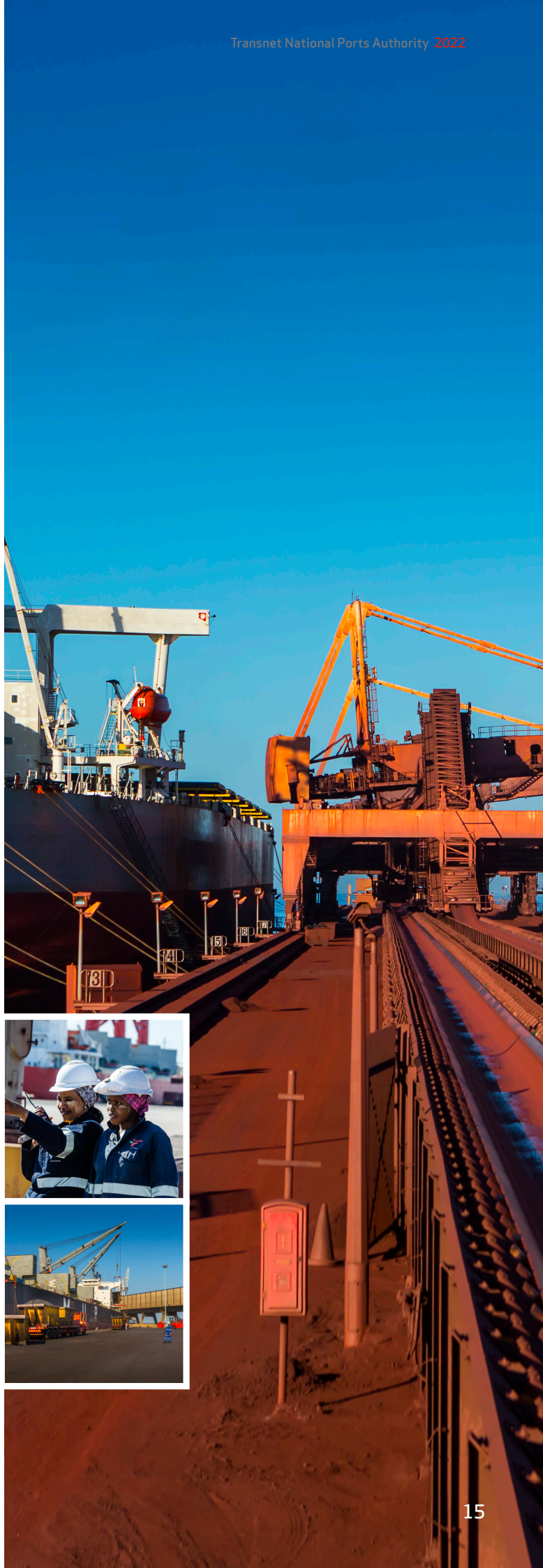
Ensure that the port environment is safe and secure for trade facilitation.

- Improve the safety of people
- Improve the security of the port system

Cost optimisation

Promote and develop a cost-efficient and financially prudent business environment for sustainability and growth stimulation

- Improve cost efficiencies through effective management of the division's operating cost per unit, cost structures and competitive pricing



Abbreviations and acronyms

CRM	Customer Relationship Management System
CSIR	Council for Scientific and Industrial Research
CTCT	Cape Town Container Terminal
DIFR	Disabling Incident Frequency Rate
DCT	Durban Container Terminals
DoT	Department of Transport
JOC	Joint Operations Centre
LPG	Liquefied petroleum gas
STAT	Ship turnaround time
SWH	Ship Working Hour
TEU	Twenty-foot equivalent unit

