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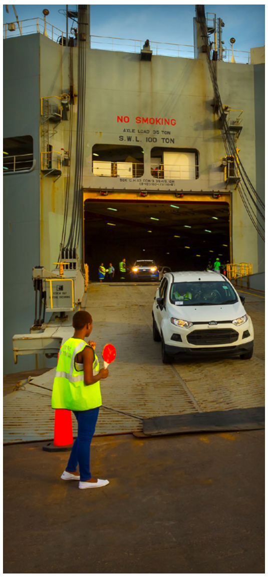
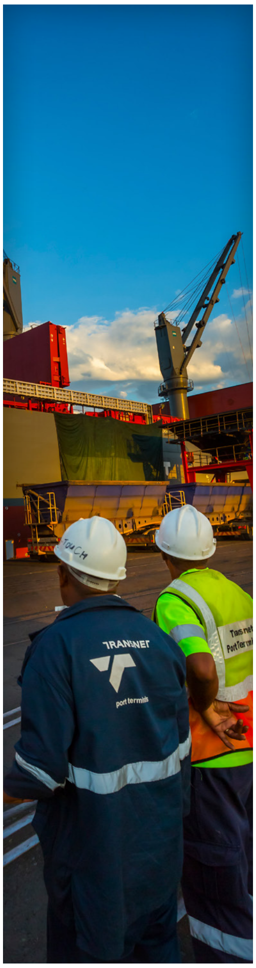
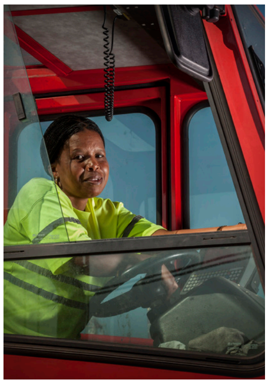
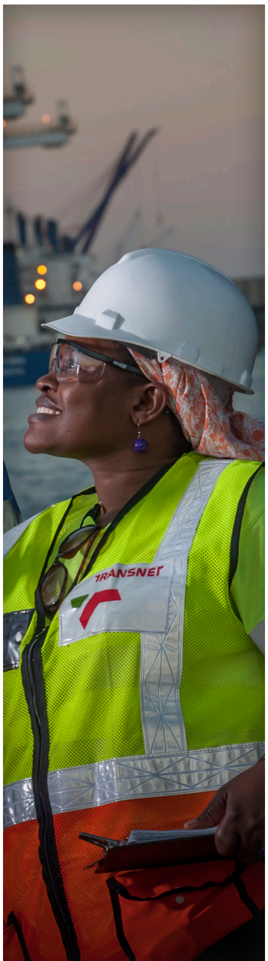
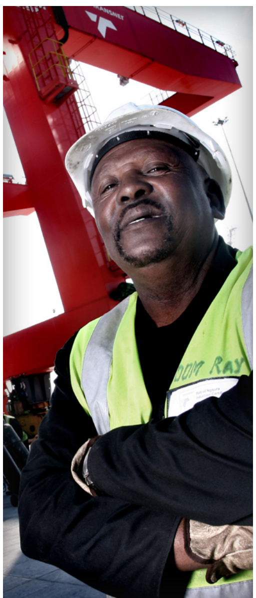






TRANSNET PORT TERMINALS 2020





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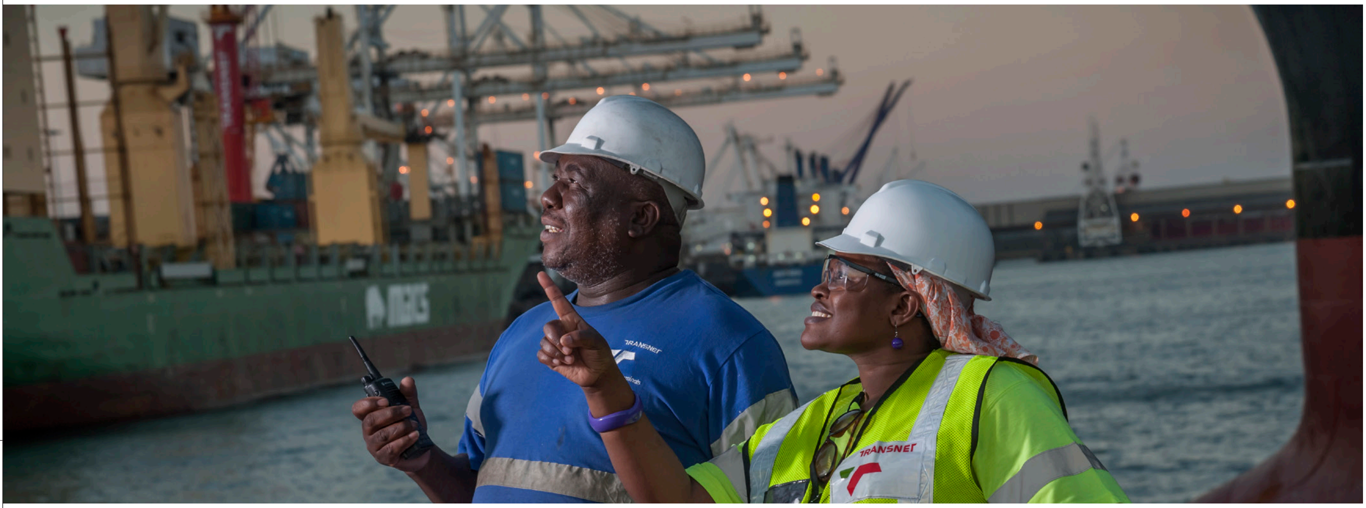


Highlights

Revenue for the year under review increased by **5,5%** to **R13,8 billion.**

Automotive and break-bulk volumes performed well in 2020, increasing by **6,5%** and **5,9%** respectively.

R2,2 billion was spent on Port Terminals' capital expenditure programme to **improve** the **reliability** of the fleet of equipment across all terminals.

Business overview

Transnet Port Terminals (Port Terminals or TPT), an Operating Division of Transnet SOC Ltd, plays a strategic role in the South African economy by enabling the efficient flow of imports, exports and transshipments through its cargo terminal operations. Through its strategic role in the management of these key trading hubs, Port Terminals ensures year-round connectivity of the South African economy with its key trading partners in the region and the rest of the world. As a vital enabler of trade between South Africa and the global market, Port Terminals continuously strives to improve the reliability and efficiency of its operations to reduce business costs.

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

Containers

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

Dry bulk

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

Break-bulk

Port Terminals handles steel, timber, granite, abnormal and project cargo, and other commodities through its break-bulk operations in multi-purpose terminals in Richards Bay, Durban, East London, Port Elizabeth, Cape Town and Saldanha. In some instances, traditional bulk cargo can be handled at break-bulk facilities utilising a skip operation.

Automotive

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

Port Terminals' strategy is to expand beyond its core capabilities as a port terminal operator to include a range of logistics services for goods moving through the global supply chains. A key enabler of this transition to a logistics service provider is to develop a high-performance culture, which will enable Port Terminals to achieve:

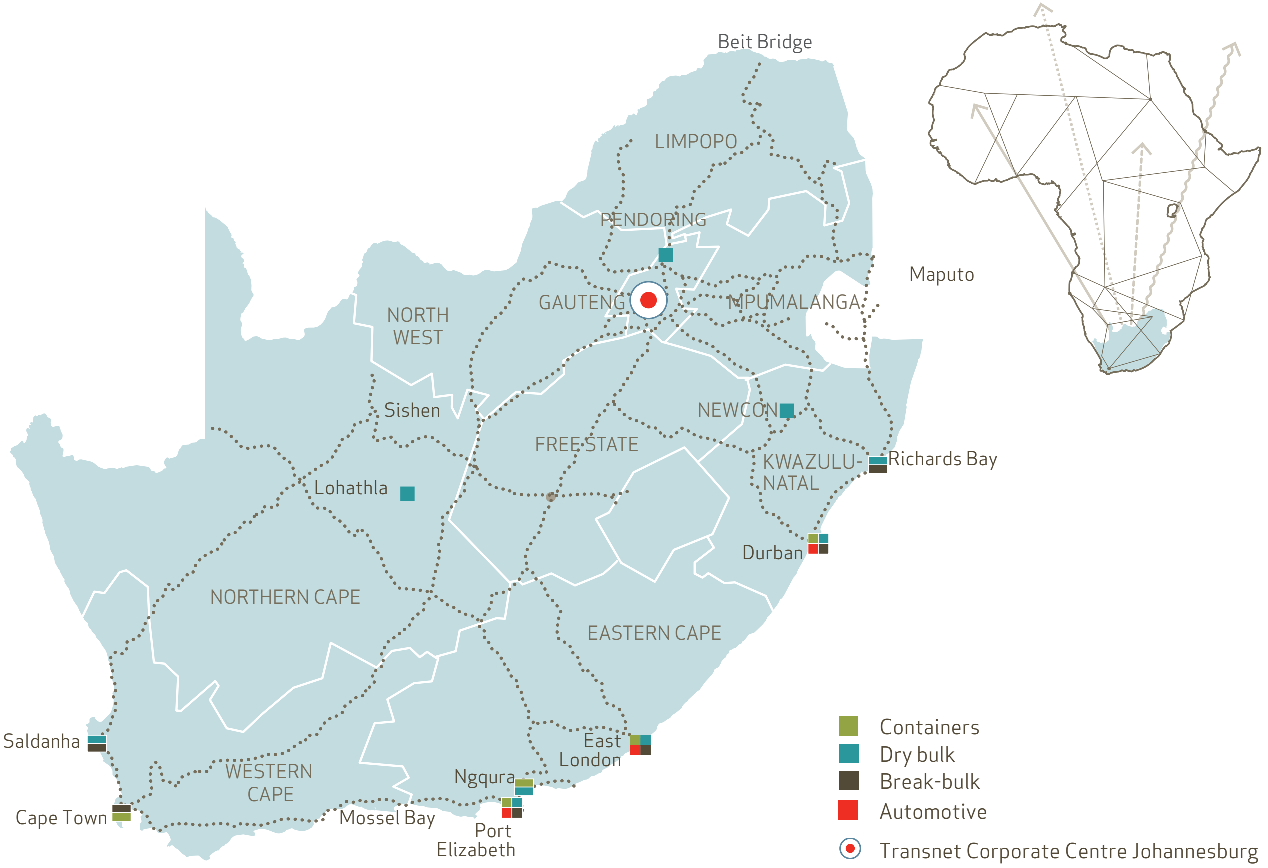
- Financial sustainability and growth;
- Operational excellence supported by predictable, reliable and efficient terminal handling services;
- A cohesive port ecosystem that is integrated, efficient, sustainable and customer focused; and
- Proactive planning across the ecosystem to achieve operational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

To realise its ambition to become a globally recognised logistics service provider, Port Terminals' operations will not be limited to quayside activities and will include:

- A range of logistics and value-added services;
- Service innovation;
- An expanded delivery network including hinterland terminals and back-of-port operations (depots and warehousing);
- Partnerships with other African countries; and
- Digital services and solutions.

Where we operate

Figure 1: Port Terminals' operates 16 terminals across seven ports as well as three inland terminals.



Regulatory environment

The National Ports Act, No 12 of 2005 (Ports Act) is the enabling legislation for Transnet Port Terminals, and promulgates the parameters within which terminals operate in South Africa. With 21 terminal operator licences across South Africa, Port Terminals has developed a Compliance Risk Management Plan, a Critical Control Framework and Control Self Assessments (CSAs) for the Ports Act. The CSAs are rolled out across the business biannually and ensure compliance with the Ports Act and terminal operator licences. Port Terminals submits annual reports on operations, performance, finances and SHEQ[1] to the Transnet National Ports Authority, which then conducts mandatory annual audits on all the terminals.

[1] *Safety, Health, Environment and Quality.*

Operational performance

The 2020 financial year was a challenging one for Port Terminals. It was plagued by rapidly deteriorating equipment reliability, adverse weather conditions, labour unrest and challenging global market conditions. Following the go-slow at the Ngqura Container Terminal (NCT), Port Terminals embarked on a turnaround strategy to improve the reliability of the current fleet of equipment across all terminals by replacing equipment that had passed its useful life, recruiting additional gangs, filling existing vacancies and addressing employee concerns to improve staff morale. While the benefits of these projects are likely to be realised in 2021, significant progress was made in terms of addressing longstanding challenges regarding equipment and people.

The Covid-19 pandemic had an impact on the last two months of the financial year as South Africa's major trading partners in Europe and China went into lockdown in an effort to curb the spread of the virus. Global supply chains were disrupted, which hindered Port Terminals' ability to procure and receive equipment spares. This in turn significantly affected the availability of equipment and had a knock-on effect on the division's operational performance.

Core initiatives

- Increase revenue by 13% during the financial year
- Focus on operations and supply chain efficiency to unlock capacity in the bulk sector, promote additional export channels for manganese, and optimise service delivery within the Durban Container precinct
- Volume targets for the 2020 financial year were as follows:
  - Containers: 4,86 million TEUs
  - Bulk cargo: 85,6 million tonnes
  - Break-bulk cargo: 21,7 million tonnes
  - Automotive units: 724 141 units
- Increase the volume (moves/tons/units) per ship working hour (SWH) to turn vessels around faster and attract shipping lines to South Africa's ports
- Facilitate operational efficiencies across all sectors by improving the reliability and availability of equipment through the implementation of a preventative maintenance strategy as well as the investment of R2,8 billion in new and existing equipment

Overview of key performance indicators

Key performance area and indicator	Unit of measure	2019 Actual	2020 Target	**2020 Actual**	2021 Target
Financial sustainability					
Revenue	R million	13 086	14 797	**13 809**	14 701
EBITDA	R million	4 541	5 237	**4 788**	4 962
Operating profit margin	%	23,9	22,7	**24,1**	21,6
Return on total average assets	%	20,5	17,6	**23,2**	15,5
Revenue per employee (permanent)	R million	1,8	1,8	**1,7**	1,7
Average tariff increase					
– Containers	%	5,3	6,0	**5,4**	3,5
– Automotive	%	5,5	6,0	**5,4**	4,8
Capacity creation and maintenance					
Capital expenditure[1]	R million	1 515	2 877	**2 224**	2 601
Operational performance					
Volume growth					
Containers	'000 TEUs	4 534	4 863	**4 424**	4 625
Bulk	mt	82,4	85,6	**79,1**	82,2
Break-bulk	mt	19,8	21,7	**21,0**	21,4
Vehicles	units	743 350	724 141	**791 647**	781 904
Operational efficiency and productivity					
Container dwell time					
DCT – Pier 1					
Imports	days	2,9	3,0	**3,2**	3,0
Exports	days	5,0	5,0	**5,5**	5,0
Transshipment	days	5,6	10,0	**6,2**	10,0
DCT – Pier 2					
Imports	days	2,3	3,0	**2,9**	3,0
Exports	days	5,9	5,0	**6,0**	5,0
Transshipment	days	6,7	10,0	**7,4**	10,0
CTCT					
Imports	days	2,3	3,0	**2,7**	3,0
Exports	days	5,1	5,0	**6,1**	5,0
Transshipment	days	7,0	15,0	**7,0**	15,0

Key performance area and indicator	Unit of measure	2019 Actual	2020 Target	**2020 Actual**	2021 Target
Moves per gross crane hour					
DCT – Pier 1	moves per hour	24	26	**24**	25
DCT – Pier 2 (prime berths[2])	moves per hour	21	28	**18**	26
CTCT	moves per hour	22	28	**17**	24
PE	moves per hour	21	25	**21**	22
NCT	moves per hour	21	28	**18**	26
Container moves per ship working hour					
DCT – Pier 1	moves per hour	47	50	**41**	48
DCT – Pier 2 (prime berths[2])	moves per hour	54	65	**46**	60
CTCT	moves per hour	45	56	**38**	50
PE	moves per hour	33	36	**24**	36
NCT	moves per hour	46	56	**37**	50
Train turnaround time[3]					
DCT – Pier 1	hours	2,3	4,0	**2,7**	4,0
DCT – Pier 2	hours	2,0	4,0	**2,3**	4,0
CTCT	hours	1,3	4,0	**2,6**	4,0
NCT	hours	3,8	4,0	**5,9**	4,0
Saldanha[4]	minutes	109	109	**110**	109
Richards Bay	hours	9,1	11,0	**8,5**	11,0
Port Elizabeth	hours	7,5	12,0	**7,6**	12,0
Truck turnaround time					
DCT – Pier 1	minutes	41	35	**49**	40
DCT – Pier 2[5]	minutes	70	65	**102**	65
CTCT	minutes	35	35	**52**	35
NCT	minutes	36	35	**41**	35
Richards Bay MPT	minutes	27	35	**34**	35
Loading rate					
Saldanha Iron Ore Terminal	tons per hour	8 657	8 100	**8 277**	8 100
RB DBT - Loading - Magnetite	tons per hour	1 237	1 100	**1 081**	1 100
RB DBT – Loading – Chrome	tons per hour	893	950	**866**	950
RB DBT – Loading – Coal	tons per hour	691	800	**703**	800
RB DBT – Offloading – Coking Coal	tons per hour	533	650	**630**	650
Sustainable developmental outcomes					
Employment					
Employee headcount (permanent)	number	7 392	8 355	**8 063**	8 355
Health and safety					
DIFR	rate	0,52	0,70	**0,50**	0,70

1 *Capital expenditure excludes capitalised borrowing costs.*
2 *Prime berths for 2018/19 are berths 108, 203 and 204.*
3 *Based on 50 wagon trains for all container terminals except CTCT which is based on 40 wagon trains.*
4 *Rake process time inside tippler – subject to service design review.*
5 *Targets based on historical operational methodology.*

Financial performance review

Salient features		Year ended 31 March 2020 R million	Year ended 31 March 2019 R million	% change
Revenue		**13 809**	13 086	5,5
– Containers		**6 860**	5 845	17,4
– Dry bulk		**3 894**	3 645	6,8
– Break-bulk		**2 123**	1 913	11,0
– Automotive		**925**	626	47,8
– Other		**7**	1 057	(99,3)
Operating expenses		**9 021**	8 545	5,6
– Energy costs		**734**	668	9,9
– Maintenance		**413**	434	(4,8)
– Materials		**562**	522	7,7
– Personnel costs		**4 842**	4 492	7,8
– Other		**2 470**	2 429	1,7
Profit from operations before depreciation, derecognition, amortisation , short-term incentives and items listed below (EBITDA)		**4 788**	4 541	5,4
Depreciation, derecognition and amortisation		**1 465**	1 524	(3,9)
Profit from operations before items listed below		**3 323**	3 017	10,1
Impairments and fair value adjustments		**(354)**	768	(146,1)
Net finance costs		**(185)**	62	(398,4)
Profit before taxation		**3 862**	2 187	76,6
Total assets (excluding CWIP)	R million	**15 638**	14 142	10,6
Profitability measures				
EBITDA margin[1]	%	**34,7**	34,7	0
Operating margin[2]	%	**24,1**	23,1	1
Return on total average assets (excluding CWIP)[3]	%	**23,2**	20,5	2,7
Asset turnover (excluding CWIP)[4]	times	**0,88**	0,93	(5,4)
Capital investments^	R million	**2 224**	1 515	46,8
Employees				
Permanent employees	number	**8 063**	7 392	9,1
Revenue per employee	R million	**1,71**	1,77	(3,4)

1 *EBITDA expressed as a percentage of revenue.*

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

3 *Profit from operations before impairment of assets, fair value adjustments, net finance costs and taxation expressed as a percentage of average total assets, excluding capital work-in-progress (CWIP).*

4 *Revenue divided by average total assets, excluding CWIP.*

^ *Actual capital expenditure (replacement plus expansion), excluding borrowing costs and including capitalised decommissioning liabilities.*

Performance commentary

Financial sustainability

- Revenue for the year under review increased by 5,5% to R13,8 billion (2019: R13,1 billion). The revenue budget was not achieved for the year as a result of adverse weather conditions, unfavourable market conditions, equipment challenges, poor rail supply and the impact of Covid-19 on the last two months of the financial year.
- Savings on energy, materials, repairs and maintenance, and discretionary and other costs were reduced by overspend on:
  - Labour and contract payments; and
  - Unbudgeted costs relating to Covid-19 as Port Terminals attempts to harness the spread of this virus within the division and ensure business continuity remotely for support employees.
- Despite this, TPT achieved 5,9% savings on operating costs.
- As a result of the above, EBITDA is 4,8% below budget for the year.
- Return on invested capital is above budget as a result of higher than budgeted net profit after tax, reflecting Port Terminals' continued efforts to generate returns from capital invested in the division.

Looking ahead

- Port Terminals has budgeted for an increase in revenue of 6,5% to R14,7 billion in the 2020/21 financial year, however, actual achievement of this revenue may be severely impacted by the impact of Covid-19 on both the local and global economies.
- Volumes and revenue for the 2020/21 financial year are expected to trail budgeted values by circa 15%.
- The Covid-19 pandemic has given rise to a number of unforeseen costs required to manage the risk of infection within the division. These include personal protective equipment such as masks, gloves, sanitisers, thermometers, and the provision of additional medical personnel, such as nurses, on site.
- To partially mitigate the Covid-19 impact, there is a strong focus on operational efficiency and unlocking new business initiatives while cultivating a high-performance culture across the division.
- There is also a renewed focus on cost control to reduce the overall impact on Port Terminals' bottom line.

Capacity creation and maintenance

- Capital expenditure for 2020 was R2,2 billion, exceeding the revised target of R1,85 billion.
- As part of the Saldanha refurbishment programme, ship loaders 1 and 2 as well as stacker reclaimers 2 and 4 were refurbished during the year. The scope of the refurbishment focused on electrical, mechanical and structural work.
- New equipment was acquired to improve the reliability of the fleet and operational efficiencies, including:
  - Two mobile ship loaders for the Saldanha Multi-Purpose Terminal (MPT), which will increase its capacity from 8,7 million tonnes per annum (mtpa) to 10 mtpa.
  - Two mobile harbour cranes for the Port Elizabeth Container Terminal (PECT) to support the fresh fruit industry export season.
- Programmes have commenced to refurbish the mobile harbour cranes in Durban's MPT, the ship loader in Durban's Maydon Wharf Bulk Terminal, ship-to-shore (STS) cranes at the Durban Container Terminal (DCT) Pier 1 and rubber-tyred gantry (RTG) cranes at the Cape Town Container Terminal (CTCT). These refurbishments are expected to improve the fleet reliability and operational efficiencies at these terminals.
- The refurbishment of the Port Elizabeth Bulk Plant also continued during the year.
- Design and fabrication work for the upgrade to the tipplers at the Richards Bay Dry Bulk Terminal (DBT) commenced in the latter part of the financial year.

Looking ahead

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

- The Cape Town phase 2B project, which involves resurfacing work and the creation of a truck staging area and ancillary works, will increase the terminal's capacity by 0,4 million TEUs, from 1,0 million TEUs to 1,4 million TEUs.
- The start of the berth deepening and lengthening at the North Quay of DCT Pier 2 which will restore berth capacity to 2,9 million TEUs when completed.
- The acquisition of two STS cranes for the North Quay at DCT Pier 2 to support the lengthened and deepened berth post at the berth deepening project.
- Forty-five new straddle carriers have been acquired and will be delivered to DCT Pier 2.
- Four new straddle carriers have been acquired and will be delivered to CTCT.
- Four RTG cranes have been acquired and will be delivered to CTCT.
- Two RTG cranes have been acquired and will be delivered to DCT Pier 1.
- Container-handling equipment at Durban's MPT to support the diversion of volume from DCT Pier 1 and Pier 2 during the berth deepening project, includes seven reach stackers; two forklifts; 15 haulers and trailers; and two empty container handlers.
- Replacement equipment deliveries for various container terminals to support the sector's turnaround strategy.
- Completion of the feasibility study to increase the capacity of East London's Automotive Terminal to match the volume forecast.
- Completion of the feasibility study to convert Berth 702 at Richards Bay's DBT from an import to an export facility to cater for higher export volumes.

Operational performance

Volume performance has varied across the sectors with the container and bulk sectors showing a decline year on year. Performance across all sectors in the last two months of the financial year was negatively impacted by Covid-19. Container volumes decreased by 2,4% to 4 423 894 TEUs (2019: 4 534 341 TEUs). The container sector has been impacted by adverse weather conditions, poor reliability of ageing equipment, human resource limitations and low productivity. Bulk volumes decreased by 4% to 79,1 million tonnes (2019: 82,4 million tonnes). Bulk performance was negatively impacted by dismal market conditions, poor commodity prices for coal, woodchips and other commodities coupled with maize and wheat volumes not materialising as anticipated. Break-bulk volumes increased by 5,9% to 21,0 million tonnes (2019: 19,8 million tonnes) mainly due to higher manganese volumes and livestock exports. The automotive sector increased by 6,5% to 791 647 units (2019: 743 350 units) due to higher export volumes.

Containers

- Volumes in the container sector were 9% below budget for 2020, declining 2,4% from the prior year.
- Export containers were 10,2% below budget, imports were 6% below budget and transshipments were 13,1% below budget.
- Volume performance was impacted by a number of operational challenges, including poor reliability and availability of equipment; low productivity and staff morale; and berthing delays due to adverse weather conditions.
- The storm in Durban at the end of April 2019 had an adverse impact on productivity at Durban terminals due to equipment damages. This resulted in numerous vessels bypassing the terminal due to berthing delays.
- PECT lost Crane 4 in 2018 due to an extreme storm, while Crane 2 was taken out for safety reasons due to rust on the walkway structure. This resulted in PECT operating with a single crane for a large portion of the year. A crane was relocated from Durban to Port Elizabeth, but this only improved the situation marginally as the crane was not as reliable as cranes 2 and 4.
- The go-slow at NCT in July 2019 resulted in major transshipment volumes being lost to other ports, such as Port Louis in Mauritius. Exporters of fresh produce experienced significant challenges as they battled to export out of the NCT due to the congestion caused by both the go-slow and the equipment constraints in the PECT.
- The CTCT experienced a significant amount of adverse weather conditions, which resulted in vessel delays and some vessels opting to bypass the terminal.
- Weather delays in Europe and Asia also had a negative impact on vessel schedules and resulted in vessels cancelling their calls at some terminals.
- Further cancellations were caused by port congestion in West Africa and the Far East.
- In February 2020, TPT experienced the expected Chinese New Year downturn, which resulted in reduced volumes and vessel cancellations. This was then followed by an unexpected decline in volume due to the Covid-19 outbreak, which resulted in a disruption to global supply chains as countries entered various stages of lockdown.

Bulk

- Volumes in the bulk sector ended the year 7,9% below budget, representing a 4% decline from the previous year.
- Manganese performed well across all channels and exceeded the budget by 3%.
- The Saldanha Iron Ore Terminal ended the year 4,3% below budget due to significant weather delays, equipment breakdowns and challenges with blocked chutes due to the high moisture content of cargo.
- Magnetite was adversely impacted by wet cargo and rail line deterioration, which resulted in reduced trains out of Phalaborwa.
- Chrome volumes at the Richards Bay's DBT was impacted by security and theft disruptions in the Central Rand area, which resulted in a reduced number of trains being delivered to the port.
- Woodchips were impacted by poor market conditions.
- Steam coal and anthracite were impacted by community unrests in the first half of the year, which disrupted supply and resulted in force majeure events. Lower demand in the last quarter is linked to China closing earlier than expected due to Covid-19 and the Chinese New Year holidays.
- Coking coal was impacted by floods in Mozambique and the restructuring and rationalisation of operations by a key customer
- The Durban Agriport was 57,9% below budget as the terminal did not handle any import volumes due to equipment challenges (upgrade of the substation, a dust extraction unit, the Vigans and hoppers).

Break-bulk

- Break-bulk volumes were marginally under budget by 3,2%, growing by 5,9% from the prior year.
- Saldanha's MPT exceeded its budget due to good iron ore and manganese performance while East London's MPT significantly exceeded budget due to an increase in livestock exports.
- Port Elizabeth's MPT exceeded its budget as a result of new initiatives to handle manganese through the finger jetty and berth D103.
- The Durban MPT exceeded its budget by 42% due to an increase in steel imports as a result of the relaxation of import duty introduced by Government as well as an increase in project cargo imports.

- The Richards Bay's MPT was 7,7% below budget due to:
  - A significant decrease in ferrochrome and ferromanganese commodity prices, which resulted in some customers shutting down their furnaces for maintenance until market prices stabilised;
  - Some customers opting not to nominate vessels due to unfavourable market prices, despite the high demand for coal;
  - Less demand for chrome ore in the last quarter with the Covid-19 outbreak in China; and
  - Community unrest in November and December 2019 impacting mining production.
- The Cape Town MPT was 53,7% below budget due to low wheat demand, fertiliser vessel cancellations, challenges with the supply of wagons for manganese and loss of container stuffing business. In addition, no manganese was handled in March due to the Covid-19 outbreak.

Automotive

- Automotive volumes performed well and ended the year 9,3% ahead of budget, with a 6,5% growth from the prior year.
- The Durban Car Terminal was 8% above budget due to an increase in imports for the rental market, additional production at original equipment manufacturers (OEMs) to build up stock to mitigate a looming industry strike, favourable export markets, and an increase in transshipments.
- The Port Elizabeth Car Terminal was 27,7% above budget as a result of the OEMs exceeding export volumes that were lost at the beginning of the year due to emissions restrictions, very favourable export markets and new transshipment volumes handled.
- The East London Car Terminal was 7,3% below budget due to lowered volume forecast from OEMs due to production issues, emissions restrictions, plant reconfiguration and shutdowns.

Looking ahead

- The Covid-19 pandemic will have a significant impact on the volumes handled by Port Terminals in 2021. In addition to reduced manning levels at the ports, there is a significant reduction in production and demand across the world. This has a severe impact on the raw materials exported out of South Africa, such as chrome, magnetite and coal. The automotive industry is likely to incur the most losses as global demand for vehicles has fallen substantially.
- Transnet's Corporate Plan volume targets for the 2020/21 financial year are as follows:
  - Containers: 4,6 million TEUs
  - Bulk cargo: 82,2 million tonnes
  - Break-bulk cargo: 21,4 million tonnes
  - Automotive units: 781 904 units

However, it is unlikely that these volumes will be achieved. There are opportunities for recovery as sectors and countries begin to lift lockdown measures and demand starts to increase, but this is unlikely to mitigate the entire volume lost.

Early indications are that container volumes will be 12% to 15% below expectation. Bulk commodities such as iron ore and manganese are expected to reach in excess of 90% of plan. However, the forecast on automotive volumes is bleak. Automotives are considered a luxury commodity at this time and the expectation is that automotive volumes will trail budget by approximately 30%.

Port Terminals will pursue opportunities to expand its service offering, such as the implementation of the private sector partnership for its agricultural terminals, leveraging similar partnerships to grow other volumes and introducing liquid bulk operations.

Operational excellence

Container moves per ship working hour

- Port Terminals' primary measure of operational efficiency (i.e. average moves per SWH) has declined across all container terminals compared to the same period last year.
- The average SWH performance of DCT Pier 1 decreased from 47 to 41 moves in 2020 while Pier 2 decreased from 54 to 46 moves.
- The CTCT's SWH declined to 38 moves from 45 moves in the prior year.
- The NCT's SWH decreased from 46 to 37 moves in this financial year.
- The performance across the terminals has declined due to a significant deterioration in weather conditions as well as limitations in people resources and equipment uptime, which was exacerbated by the go-slow in July 2019..

Moves per gross crane hour

- The average moves per gross crane hour (GCH) declined to 20 moves (2019: 22 moves), falling short of the 2020 targets across the container terminals. Some of the key reasons include the significant adverse weather conditions over the past year, the poor reliability and availability of key operating equipment, and limitations in people resources.

Train turnaround time

- All container terminals, except NCT, maintained their train turnaround time below the targeted four hours in 2020 while the bulk terminals maintained their train turnaround times at the targeted 109 minutes at Saldanha and below the targeted 11 and 12 hour thresholds at Richards Bay and Port Elizabeth respectively.
- The NCT exceeded the targeted train turnaround time due to high absenteeism and poor reliability of one of its rail-mounted gantry (RMG) cranes, meaning that only one RMG could be deployed to service trains for most of the year.

Truck turnaround time

The average truck turnaround time was 56 minutes against a target of 41 minutes. The terminals were impacted by equipment challenges and weather delays, which resulted in delays in turning around trucks inside the terminals.

Looking ahead

The Covid-19 virus has the potential to adversely impact operational performance. Social distancing measures and the various levels of lockdown, which dictate the number of employees that may be deployed into operations, will impact the overall productivity and efficiency levels within terminals. Furthermore, positive cases and the need for contacts to be quarantined will have an adverse impact on the number of resources available for deployment.

Despite this, Port Terminals will:

- Seek to increase SWH to 49 moves on average in the 2020/21 financial year by focusing on the following efficiency improvements:
  - Resourcing gangs and supporting equipment to maximise crane deployment across vessels by replacing or refurbing key equipment;
  - Employing wind mitigation strategies such as anti-sway technology on cranes as well as new technology to address vessel ranging;
  - Working collaboratively with shipping lines to optimise stowage, thus enabling higher productivity;
  - Leveraging technology to enable more efficient planning of vessels; and
  - Creating a base layer of business intelligence and prescriptive analysis of operational statistics.
- Maintain truck turnaround time (TTT) below the target of 42 minutes. The implementation of a mandatory truck booking system at the DCT will go a long way to improve TTT.
- Maintain train turnaround times below four hours at the container terminals, 12 hours at the Port Elizabeth Bulk Terminal, 11 hours at the Richards Bay Bulk Terminal and 109 minutes at the Saldanha Iron Ore Terminal.
- Work collaboratively with Transnet National Ports Authority to minimise the impact of infrastructure projects on operations.
- Focus on cultivating an innovative culture and establishing partnerships with other organisations for research and development.

Sustainable developmental outcomes

Human capital (employment and transformation)

- Port Terminals achieved a permanent employee headcount of 8 063.
- Black employees represented 90% of the total employee base against a target of 90%.
- Female employees represented 30% of the total employee base against a target of 35%.
- People with disabilities represented 1,18% of the total employee base against a target of 3,3%.
- Port Terminals achieved its objective of obtaining a B-BBEE scorecard rating of level 3.

Skills development

- Port Terminals spent 3% (direct, indirect and skills levies cost) of its total labour bill on employee training and skills development.
- A total of 910 employees underwent sector-specific training, such as Operator Lifting Equipment, Operator Bulk Handling Equipment and Cargo Co-ordinators and Planners. An additional 1 528 employees completed refresher and recertification training.
- A total of 318 managers and supervisors underwent various leadership programmes.
- In total, 180 artisans were assessed on outcomes-based modular learning.
- A total of 299 employees trained on Six Sigma.
- Youth programmes:
  - 113 apprentices are in training
  - 40 young professionals are in training
  - 7 engineers are in training

Health and safety

- Port Terminals achieved a disabling injury frequency rate (DIFR) of 0,5 against a target of 0,7.

Community development (social accountability)

- Port Terminals sponsored the KZN Exporter of the Year awards hosted by the Durban Chamber of Commerce and Industry (DCCI).
- Port Terminals and the DCCI launched the Exporters Development Programme. A major gap identified was that small manufacturers, who are predominantly black, sell their products to established individuals to export. This is mainly due to a lack of export business know-how and access to markets. This has impacted the competition's inability to attract black entrants.
- Port Terminals' employees donated clothes to various non-governmental organisations across the country as part of the Hanging with Mandela initiative.

- Port Terminals launched its own exposure programme for learners called AIM. This programme is targeting first and second year students from institutions of higher learning. The students will spend three days during the school holidays at Port Terminals until the end of their study programme. It is structured to offer both practical and theoretical competencies.
- Port Terminals marked 16 days of activism against women and child abuse with head office's employees participating in a march to create awareness.

Key risks and mitigating activities

The following top five risks were identified during the year under review, with appropriate plans to mitigate these.

Key risks	Mitigating activities
Inability to retain and to attract volumes leading to revenue and EBITDA deficit	• Implemented a productivity improvement plan to address poor service delivery • Value propositions are offered to customers to attract volumes • Implemented the transshipment strategy to attract volumes • Completed the outstanding environmental projects in support of the Air Emissions Licence application for Saldanha • Finalised the manganese multi-channel strategy • Implemented monthly Transnet Value Chain Coordination (TVCC) channel meetings for the Richards Bay corridor (chrome and magnetite) • Implemented the new multi-purpose terminal strategy for the Cape Town terminals • Implemented the multi-purpose terminal conversion strategy which will create capacity for the Durban Car Terminal • Expansion project of the East London Car Terminal – Trench 1 (power station)
Deterioration of the macroeconomic environment leading to loss of investment returns	• Performance auditing on waste elimination and cost-saving initiatives to assess sustainability of cost savings • A Project Factory Committee meets regularly to review the financial performance and initiatives aimed at diversifying revenue streams • Identification of new revenue streams are tracked and presented to the Project Factory Committee while risks are escalated • The Sales and New Business Committee reviews economic factors which may affect revenue growth • Hedging is done for foreign currency transactions • Performance auditing reviews are conducted on business turnaround strategies to ensure sustainability
Operational inefficiencies: There might be poor service delivery leading to customer dissatisfaction	• Implemented Port Terminals' productivity improvement plan • Implemented the Durban Port's decongestion project • Implemented the operations critical control framework • Implemented the asset and maintenance control framework • TVCC meetings take place on a regular basis to address supply chain inefficiencies • Adherence to wind standard operating procedures
Ageing of critical equipment leading to business discontinuity	• Implemented Port Terminals' 10-year capital/equipment project replacement plan • Ongoing planned maintenance at all terminals • Regional Steering Committees for capital projects monitor progress on completion dates
Outbreak of pandemics leading to business disruptions, fatalities and financial losses	• Develop lessons learnt post Covid-19 pandemic and ensure that the business is ready to deal with future pandemics • There are emergency preparedness/response plans • There is a crises communications policy • There are business continuity plans for critical processes, supplies, etc. • National task teams and command centres are activated when there is a crisis

Opportunities

- There is growing demand for Port Terminals' current services as well as opportunities to expand service offerings across the transport value chain. Opportunities are being explored back-of-port to offer warehousing and value-add services in the container, mineral bulk and automotive segments.
- Support of Transnet's International Strategy by applying strengths and capabilities to countries in Africa.
- Private sector participation opportunities may reduce funding and operational requirements and present opportunities for leveraging the capabilities of partners for mutual benefit.
- TVCC integration with Freight Rail creates opportunities to shift more cargo from road to rail, which will ease congestion on the roads and reduce carbon emissions for a more sustainable future.
- Offering tailor-made solutions to OEMs in the automotive industry.
- Partnering with Government departments, e.g. Department of Trade and Industry in order to attract new OEMs.

Abbreviations and acronyms

B-BBEE	Broad-Based Black Economic Empowerment
CTCT	Cape Town Container Terminal
CWIP	Capital work in progress
DBT	Dry Bulk Terminal
DCT	Durban Container Terminal
DIFR	Disabling injury frequency rate
MPT	Multi-Purpose Terminal
NCT	Ngqura Container Terminal
OEM	Original equipment manufacturer
SWH	Ship working hour
TEUs	Twenty-foot equivalent units
TVCC	Transnet Value Chain Coordination