TRANSNET PORT TERMINALS
The role of TPT in the export-led growth strategy in the Eastern Cape
- Challenges and opportunities

- Karl Socikwa - CEO of Transnet Port Terminals
29 May 2013
# Table of Contents

<table>
<thead>
<tr>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>NGQURA/COEGA</td>
</tr>
<tr>
<td>WHITE ELEPHANT OR CROWN JEWEL?</td>
</tr>
<tr>
<td>EASTERN CAPE ECONOMY</td>
</tr>
<tr>
<td>NGQURA’s ROLE IN BRICS</td>
</tr>
<tr>
<td>AFRICAN RENAISSANCE</td>
</tr>
</tbody>
</table>
TRANSNET OPERATES AN INTEGRATED PORT, RAIL AND PIPELINE NETWORK

20,500 Km Rail Network
182 Million Tons of Cargo pa
4.3 Million Containers pa
18 Billion litres of fuel, oil

WESTERN CAPE PORTS

1. Richards Bay
   Bulk (Export coal, magnetite, Chrome),
   Breakbulk

2. Durban
   Containers, Breakbulk,
   Agri-Bulk, Automotives

3. East London
   Containers, Breakbulk,
   Agri-Bulk, Automotives

4. Ngqura
   Containers

5. Port Elizabeth
   Containers, Breakbulk,
   Bulk, Automotives

6. Cape Town
   Containers, Breakbulk

7. Saldanha
   Bulk (Export iron ore),
   Breakbulk

KZN PORTS

1. Richards Bay
   Bulk (Export coal, magnetite, Chrome),
   Breakbulk

3. East London
   Containers, Breakbulk,
   Agri-Bulk, Automotives

4. Ngqura
   Containers

EASTERN CAPE PORTS
Coega, Kuga, Coecha, Cougha, Kowsha, iNgqurha or Ngqura

• All variants of the same word which, in the Khoekhoe language, means 'groundwater', the Khoekhoe being the earliest known inhabitants of the districts adjacent to the river.

• At the turn of the century the Eastern Cape Region was facing basic infrastructure capacity constraints which had not only limited regional economic growth, but have failed to address our supply side constraints and productive competitiveness, and the core issues of unemployment, inequality and poverty.

• Transnet is faced with the ever present dilemma of efficiently and effectively utilising limited financial and natural resources to fulfill the economic and social obligations of the primary shareholder, the Department of Public Enterprises of the South African Government.

• After examining the economic benefits, costs, non-financial benefits, risks their impact on the investment as well as other qualitative supporting information Transnet decided that South Africa needs a third deepwater port. From 2002 to 2009 the Port of Ngqura was developed to alleviate the economic constraints in the Eastern Cape.

• In October 2009 the Container Terminal started operating and new 'water' started flowing into the economy of the region.

Source: http://www.engineeringnews.co.za/article/ngqura
Ngqura – Fastest Growing Terminal in the World

• According to Drewry, February year on year figures puts Ngqura as the fastest growing port in the world.

• Ngqura more than doubled its container volumes (up 129% year-on-year) thanks to an upsurge in transhipment.

<table>
<thead>
<tr>
<th>Position</th>
<th>Port</th>
<th>Country</th>
<th>2013 YTD Growth (Y-o-Y)</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Coega</td>
<td>S Africa</td>
<td>84.5%</td>
</tr>
<tr>
<td>2</td>
<td>Gdansk</td>
<td>Poland</td>
<td>62.1%</td>
</tr>
<tr>
<td>3</td>
<td>Tacoma</td>
<td>Usa</td>
<td>41.2%</td>
</tr>
<tr>
<td>4</td>
<td>Sines</td>
<td>Portugal</td>
<td>39.6%</td>
</tr>
<tr>
<td>5</td>
<td>Taipei</td>
<td>Taiwan</td>
<td>36.2%</td>
</tr>
<tr>
<td>6</td>
<td>Wenzhou</td>
<td>China</td>
<td>32.2%</td>
</tr>
<tr>
<td>7</td>
<td>Prince Rupert</td>
<td>Canada</td>
<td>31.9%</td>
</tr>
<tr>
<td>8</td>
<td>Haikou (Hainan Island)</td>
<td>China</td>
<td>31.5%</td>
</tr>
<tr>
<td>9</td>
<td>San Antonio</td>
<td>Chile</td>
<td>30.7%</td>
</tr>
<tr>
<td>10</td>
<td>Long Beach</td>
<td>Usa</td>
<td>26.3%</td>
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</table>

Source: Drewry report April 2013 (for period ending Feb 2013)
MAERSK RANKS PECT FIRST

The world’s largest ocean carrier and container shipping company Maersk has ranked Transnet Port Terminals Port Elizabeth Container Terminal the highest in Africa for most moves per hour between January and March 2013, averaging 40.2 moves per hour consistently since the calendar year began.

Also featured in the Maersk study is the TPT’s Durban Container Terminal Pier 2 which ranked fifth of the seven ports, averaging 33.2 moves per hour. Dakar ranked second at 36.4 moves per hour, the Meridian Port Services in Tema, Ghana third at 34.8 moves per hour and Lome in Togo ranked last at 30.7 moves per hour.

Well done to the entire PECT Team. This is a true reflection of dedication and hard work.
PORT ELIZABETH

- AUTOMOTIVE LOGISTICS PLATFORM
EAST LONDON
- THE MERCEDES OF PORTS
KEY CHALLENGES MUST BE OVERCOME TO ACHIEVE A RESPONSIVE INFRASTRUCTURE

Strategic Challenges

1. Road - Rail market share is highly imbalanced and leads to high costs, high carbon intensity and vulnerability to the international oil price.
2. Global and regional maritime connectivity is poor.
3. The regional freight system is weakly integrated and displays poor performance.
4. Demand for transport infrastructure across all modes will rise significantly based on forecasted freight demand.
5. There is a shortage of skills across most areas of the freight system.
6. Supplier industries for all transport modes are underdeveloped.

Future Requirements

1. A large scale modal shift from road to rail to address costs, congestion and carbon emissions.
2. A regionally integrated transport network incorporating coastal transshipment that will contribute to lowering supply chain costs for containerised goods, and increasing regional overland and global maritime connectivity.
3. An integrated and aligned infrastructure network that provides capacity ahead of demand and allows for supply chain optimisation at the network and industry level.
4. A low carbon freight system that will reduce vulnerability to the fluctuating international oil price and ensure the long-term competitiveness and sustainability of the system.
5. The ability of the state to retain strategic control of the network in order to lead and direct infrastructure investment and the development of the supplier industry.
MARKET DEMAND STRATEGY (MDS)
Total Transnet ZAR300bn, TPT ZAR33bn
2012/13 - 2018/19, peaking to ZAR9.5bn in 2016/17

**Market Demand Strategy**

**TPT R33bn 7yr Investment Plan**

- **Sishen - Saldanha**
  - Export iron ore ZAR25.4bn
  - Port Terminals: ZAR5.82bn

- **Cape Town**
  - Port Terminals: ZAR465ml

- **Eastern Cape**
  - Port Terminals: ZAR6.7bn

- **Richards Bay corridor**
  - Export coal line ZAR32.1bn
  - Port Terminals: ZAR12.4bn

**Boom-time Ends**
Global recession

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**Yearly Data**

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<tbody>
<tr>
<td>Sales</td>
<td>3200</td>
<td>2337</td>
<td>913</td>
<td>1137</td>
<td>2551</td>
<td>4138</td>
<td>3492</td>
<td>7670</td>
<td>9545</td>
<td>2812</td>
<td>2670</td>
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**Global Recessions**

- Global recession ends

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MAJOR CAPITAL INVESTMENT OVER THE LAST FIVE YEARS IN THE EASTERN CAPE

2009 - R1,246m, with major spend of 898m on Ngqura Container Terminal (NCT) expansion phase 1, and R310m on PE Manganese expansion.

2010 - R93.1m with R76m major spend on PE Manganese

2011 - R374.8m with R332m on PE Manganese and R40m on NCT expansion phase 1

2012 - R59m with R17m major spend on East London grain elevator and R14m on NCT phase 1 and R21m on 10 haulers and trailers

2013 - R370m with R292m on NCT phase 2 and R44m on a mobile harbour crane at East London
R6.7bn investment by Transnet in the Eastern Cape

Manganese throughput will increase to 5.5 million tons in 2013/14 from the current 4.8mt.

The manganese facility will be relocated to the Port of Ngqura in 2016/17 with 12mtpa of capacity.

A coal handling facility will be developed at the East London Terminal at a cost of R300m, which will handle 2mtpa of coal from 2017/18.

A Public Private Partnership is considered for the East London Grain Elevator and Silo’s.

The Ngqura Container Terminal will expand from its current 800,000 TEU capacity to 1.5m TEU by 2015/16 at a cost of R1.1bn. This include five (5) additional RTGs to complement the seven (7) crane operation over 3 berths.

The straddle Carriers in PE will be replaced at a cost of R343m (2014/15-2016/17)

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<tbody>
<tr>
<td>Port Elizabeth</td>
<td>7</td>
<td>28</td>
<td>115</td>
<td>139</td>
<td>90</td>
</tr>
<tr>
<td>Ngqura</td>
<td>169</td>
<td>528</td>
<td>185</td>
<td>234</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Terminal</th>
<th>Spent</th>
<th>Budget</th>
<th>Projection</th>
<th>Projection</th>
<th>Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Port Elizabeth / Ngqura</td>
<td>10</td>
<td>4</td>
<td>30</td>
<td>1,440</td>
<td>1,960</td>
</tr>
<tr>
<td>Bulk investments (R million)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3,792</td>
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</table>
The Market Demand Strategy (MDS) provides an opportunity to accelerate national growth and transformation through Supplier Development

MDS is a R300bn CAPEX programme that will increase capabilities and capacity to meet market demand and TPT has R33bn.

- Enable Transnet to continue its financial stability and strength
- Result in significant productivity and operational-efficiency improvements
- Stimulate economic growth
- Increase capacity to meet market demand
- Promote a modal shift from road to rail, reducing the cost of doing business and carbon emissions
- Expanding rail, port and pipeline infrastructure
- Influence SADC regional integration
- Substantially increase Transnet’s on-going MRO spend (~R328 bn)

MDS will also provide an opportunity to accelerate economic growth and transformation

- Transnet will leverage procurement spend to drive industrialisation and transformation of the local supplier base
- Become the main thermal coal supplier for India as well as key supplier to china
- Capture its rightful place as a leading manganese exporter globally by providing additional freight capacity and by lowering the cost of doing business
- Maintain its position as credible supplier of iron ore for both the domestic and export market
- Create a reputation of world-class operational efficiencies
- Become the port of call for global container lines
- Position itself as the leading logistics hub in the region
BBBEE—PERCENTAGE SPENT IN EASTERN CAPE

- BBBEE % 2010/11
- BBBEE % 2011/12
- Target %

April, May, June, July, Aug, Sept, Oct, Nov, Dec, Jan, Feb, Mar, YTD
• TPT supports local suppliers to bolster their global competitiveness through capacity creation and building local competence;

• TPT believe in the increase of national value-add in terms of promoting industrialisation, local manufacturing and job creation.

<table>
<thead>
<tr>
<th>BEE Spend</th>
<th>2011 - 2012</th>
<th>2012 - 2013</th>
</tr>
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<tbody>
<tr>
<td>TPT PE Total Procurement Spend</td>
<td>R179,981,941</td>
<td>R410,125,758</td>
</tr>
<tr>
<td>TPT PE Total Spend - BBBEE</td>
<td>R137,234,866</td>
<td>R364,854,447</td>
</tr>
<tr>
<td>BEE Procurement Spend from Qualifying Small Enterprises</td>
<td>R22,381,308</td>
<td>R52,676,098</td>
</tr>
<tr>
<td>BEE Procurement Spend from Exempted Micro Enterprises</td>
<td>R23,093,941</td>
<td>R20,094,441</td>
</tr>
<tr>
<td>BEE Procurement Spend from Suppliers that are more than 50% Black owned</td>
<td>R22,697,286</td>
<td>R28,287,394</td>
</tr>
<tr>
<td>BEE Procurement Spend from Suppliers that are more than 30% Black women owned</td>
<td>R5,363,136</td>
<td>R4,756,134</td>
</tr>
</tbody>
</table>
Area and Service Required

- **Construction** – Civil work and Building
- **Engineering** – New equipment
- **Engineering** – Installation and upgrades
- **Operations/maintenance** – Equipment, Labour, Outsourced services, Trucks with drivers, Maintenance
- **General** – Transportation, Training and Development, Catering, Clothing, Cleaning, SHEQ, Communication, General consumables, Refreshments

Opportunity

- Warehouse, technical workshops and staff facilities
- Competitive Supplier Development Programme, Localisation and supplier development
- Installation of new cranes, Upgrade and refurbishment of building, Plumbing, Stacking area repairs and painting
- Supply of electrical and mechanical spares, Supply of steel and rigging services,
- Casual, fixed contract and permanent labour,
- Stevedoring, Security, Repairs and Maintenance
- Transportation of agricultural products
- Maintenance of mobile equipment, maintenance of equipment at Pier 1 Terminal
- Staff transportation (home to work)
- Provision of functional training
- Canteen and catering services
- Uniform Clothing and Protective Clothing
- Cleaning of office, mess and ablution facility
- Gardening and housekeeping services
- Various SHEQ services – Dust monitoring, Effluent monitoring, Underground water monitoring
- Events management and coordination, Audio visual
- Paper towel, rags etcetera
- Tea, coffee, sugar and milk
The position of South Africa’s ports system enables it to access to South-South trade, Far East trade, Europe & USA, East & West Africa and Middle East.

Shortest Trade Route between Shanghai and Santos is via South Africa 11,270nm = **22 days** @ 21 knots
via Panama Canal 13,130nm = 26 days + transit fee
via Suez Canal 13,590nm = 27 days + transit fee
AFRICA

- NGQURA ROLE AS A HUB PORT FOR TRANSSHIPMENT TRAFFIC IS TO ENABLE REGIONAL INTEGRATION
AFRICA
- THE AU HAS IDENTIFIED 14 CORRIDORS AS THE MAIN AFRICAN CORRIDORS THAT NEEDS DEVELOPMENT

1. Kenitra-Casablanca Corridor
2. Greater Cairo Region
3. The Dakar-Touba corridor (Touba-Mbackè)
4. The Greater Ibadan-Lagos-Accra (GILA) urban corridor
5. The great Haoussa-Yoruba-Anshanti city triangle (GHAYA-CT)
6. The Emerging Luanda-N’Djamena corridor
7. The Kampala-Entebbe corridor
8. Nairobi metropolitan region
9. Walvis Bay corridor
11. The Maputo-Gauteng development corridor
12. Durban development corridor
13. Beira corridor
14. Maputo-Limpopo corridor

Source: E&Y Report – Time for Africa