



**TRANSPORT MINISTRY
REPUBLIC OF SOUTH AFRICA**

Programme Director

Director-General of the Department of Transport, Adv, James Mlawu

Transnet executives

Members of the Media

Ladies and Gentlemen

I wish to thank the Transnet executives for making the time today to engage with us on this critical state-owned company's operations, including the improvements unfolding to bring about necessary efficiencies in the sector and thus applying effort to raise South Africa's competitiveness in the transportation of goods.

This is particularly important given the context of the much-needed changes we are required to make as government to bring about lasting improvements in the movement of freight, and to this effect to apply sustainable changes in the operations of ports and the rail network.

As the custodian of South Africa's key network and transportation systems, Transnet is the backbone of the country's logistics infrastructure. As the primary provider of rail, port and pipeline services, Transnet is critical for the country's economic growth.

However, Transnet has faced significant headwinds in recent years, and these have hindered the organisation's operations and performance. These include infrastructure

decay due to years of underinvestment, rampant cable theft and vandalism, high debt levels and a weak financial position.

Collectively, these challenges have contributed to the decline of South Africa's logistics sector. An underperforming freight logistics system is a constraint on the country's economic growth and job creation. It also undermines Transnet's ability to fulfil its mandate of reducing the cost of doing business, ensuring security of supply, and enabling economic growth.

About a year ago, Transnet launched the Transnet Recovery Plan in response to these operational and financial challenges, specifically the declining port and rail performance. The Plan proposes a range of interventions over six, 12 and 18 months to address these challenges through operationally focused initiatives to mainly drive volume recovery.

In the short-term, Transnet is implementing various initiatives to improve operational and financial performance. These include improving availability and reliability of rolling stock, improving the availability and reliability of the rail network, ensuring availability of critical spares, and improving maintenance of rail and port infrastructure.

Since the launch of the Recovery Plan, Transnet is taking steps to stabilise port container volumes. This includes the implementation of a fleet plan in the short, medium, and long term which entails the replacement and refurbishment of key equipment such as ship-to-shore cranes (STS) , rubber-tyred gantry cranes (RTGs) , rail-mounted gantry cranes at various ports.

Long-term collaboration with Original Equipment Manufacturers (OEMs) drives significant benefits for Transnet. These include enhanced equipment performance and reliability, spares support, asset life cycle management, innovation as well as equipment, spares and component standardisation.

Investment in critical equipment is crucial to maintain operational efficiency and competitiveness. Transnet Port Terminals (TPT) has placed an order for 28 RTGs for the Cape Town Container Terminal, with the first batch of nine of these cranes due for delivery by May 2025 to be in service by end June 2025.

There is also an order for 16 RTGs for the Durban Container Terminal (DCT) Pier 1, with the first batch of nine RTGs scheduled for delivery by November 2024 to be in service by end February 2025.

Transnet continues to make long-term investments in the Eastern Cape, through Project Ukuvuselela as an example, where Transnet is collaborating with government and strategic funders to expand the southern corridor rail network to provide additional rail capacity to run three additional daily 50-wagon sets between the Port of Port Elizabeth and Gauteng for automotive logistics. Through the NMET project, which is the construction of the and development of the Port of Ngqura Manganese Export Terminal, Transnet National Ports Authority aims to migrate manganese to the Port of Ngqura, which is currently planned for 2028/29, to meet export demand.

In support of the Recovery Plan, Transnet National Ports Authority (TNPA) has also been making significant investments to improve its infrastructure and operations. The TNPA recently took delivery of seven tugboats, of which five were delivered to the Ports of Durban and two for East London. These investments, which are part of a R1billion investment towards the Marine Fleet Renewal Programme to boost tugboat availability and enhancing shipping operations, are crucial because the TNPA is an important gateway for international trade. State-of-the-art equipment positions our ports as more competitive destinations for international trade.

The TNPA's Marine Fleet Renewal Programme, which is a key element of the Transnet Recovery Plan is critical in driving shipping efficiencies and reliability, whilst positioning the ports as competitive and a catalyst for economic growth. Tugs are designed to provide

marine services including safe navigation of vessels, pilotage, towage and waterside pollution combat.

The N-Berth construction project is in execution and will be completed in November 2024. Within this project, the Ports Authority seeks to increase the berth capacity of the automotive terminal of the Port of East London and allow for berthing of modern automotive carriers. Once completed, the port will be able to simultaneously berth two larger vessels with ripple effect on increased volume throughput.

The TNPA has initiated a process to procure two Jib Cranes for the port's dry dock facility to increase the ship repair facility's capacity and volume throughout in the 2024/24.

One of the key projects in the Port of Ngqura is the procurement and installation of 52 hydraulic shore tension mooring units (shore tension units). A shore tension unit is a system placed on the quayside to ensure the safety of docked vessels by mitigating the severity of long-wave effects on vessels. The benefits include minimised operational downtime by reducing shipping delays caused by inclement weather conditions and avoidance of safety incidents during operations.

From this acquisition, the Port of Ngqura took delivery of six shore tension units this year. The port now boasts a total of eight installed units whilst the two delivered in September are en route from Cape Town.

The development of a Liquefied Natural Gas (LNG) Terminal in the Port of Ngqura is gaining momentum. The TNPA, in collaboration with Infrastructure South Africa and the Industrial Development Corporation (IDC) has issued a Request for Proposals for an environmental impact assessment. This process is carried out in tandem with negotiations of the Terminal Operator Agreement between the TNPA and the Strategic Fuel Fund to build and operate an offshore LNG regasification facility at the Port of Ngqura for 30 years. The Port of Ngqura LNG Terminal is one of 12 priority infrastructure projects announced in March 2024 by the President and hold a Strategic Integrated Project (SIP) status.

In line with its focus on enabling the local fishing industry in Nelson Mandela Bay, the TNPA is busy with the refurbishment of the fish quay at the Port of Port Elizabeth. An investment of approximately R99 million has been injected towards the upgrading of this Quay (Dom Pedro) to meet fishing demands in the Bay.

Currently, the quay is a docking and cargo handling facility for the fishing industry. It also serves as the port's infrastructure for bunkering purposes. The refurbished quay will boost fishing operations by enabling vessels to dock on upgraded infrastructure, as the old quay has reached the end of its 60-year lifespan.

The TNPA is expediting the maintenance of the Northern Seawall along the N2 in Gqeberha to prevent water and debris from flowing into the N2. The TNPA's immediate plan in response to recent disruptions is to accelerate the implementation of Phase 3, which was planned to commence in January 2025, to run concurrently w Phase 2.

This phase includes the replacement of damaged dolosse and adding more dolosse to increase the height of the remaining section of the Northern Seawall (N2). To date, the TNPA has received delivery of approximately 780 dolosse to be placed along the N2 and is prioritizing the placement thereof.

Central to the successful implementation of the Recovery Plan is improved collaboration between transport and logistics stakeholders to drive efficiency, skills sharing and innovation.

The National Logistics Crisis Committee (NLCC) is the main implementation mechanism of a number of interventions meant to stabilise and improve the operational performance of the freight logistics network. The NLCC supports Transnet's efforts to improve operational and financial performance by, among others, mobilising resources, and technical expertise, as well as providing enabling conditions to support Transnet in addressing its challenges.

Transnet is implementing the Recovery Plan amid an evolving policy environment. The business has embraced rail and regulatory reforms towards its longer-term repositioning as necessitated by several policies that seek to drive change within the transport and logistics environment to stimulate economic growth. These transformative interventions seek to modernise Transnet's infrastructure, improve operational efficiency, increase capacity, promote sustainable practices and drive sustainable growth.

The White Paper on the National Rail Policy outlines government's vision to modernise and revitalise the rail sector by, among others, providing fair and transparent access to third party train operating companies.

The vertical separation of Transnet Freight Rail (TFR) into rail operations and infrastructure marks concrete steps in enabling rail reform and introducing competition on the railway network.

In December 2023, the Cabinet approved the Roadmap for the Freight Logistics System in South Africa outlining a series of reforms and interventions to stabilise and improve the performance of the logistics sector. As far as Transnet is concerned, the Roadmap proposes the stabilisation of the entity's performance by addressing challenges such as equipment maintenance, locomotive availability and reliability and security.

The Freight Logistics Roadmap's focus is on increased efficiency and competitiveness of South Africa's rail and port supply chains. It proposes far reaching reforms that will fundamentally change the structure of the freight logistics system in the long term through the introduction of partnerships and competition.

These reforms are not tantamount to a change in the ownership of port and rail infrastructure. While we introduce competition in operations to enable efficiency, crowd in private sector capital and enhance financial sustainability, the infrastructure will remain state-owned. Through these reforms, we want to significantly increase the volume of goods moved via rail and through our ports.

This event happens therefore within this broad context of protracted improvements that are being implemented across the freight logistics industries as well as improvements made simultaneously to improve rail passenger transport. All our efforts respond to the urgent need to improve people's lives by growing the economy on which the expansion of job opportunities and the development of sector enterprises depends. Improved, safe, and efficient transport infrastructure, like efficient, cost-effective, responsive and reliable services keeps our national aspirations for inclusive and sustainable economic growth alive.

Thank you.