

PORTS SA

TRANSNET



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FOREWORD: ACTING CHIEF EXECUTIVE

Dear Valued Stakeholders,

Thank you for your support during 2018/19. It was a challenging year during which the number of vessel calls was 11% lower than the target we had set, due to the economic downturn.

South African economic growth is expected to remain at low levels recovering gradually by 1.2% in 2019, 1.5% in 2020 and 1.7% in 2021. Liquid Bulk and Break-Bulk volumes are expected to remain at low growth levels, while some improvement is expected in the other commodities.

CUSTOMER CENTRICITY is key to our success as a business. We are continually engaging with terminal operators to find ways of meeting your expectations in terms of our efficiency.

We recognise that delivering OPERATIONAL EXCELLENCE requires ongoing investment in SMARTport systems that streamline processes and improve efficiency, as well as modern infrastructure to enable us to handle bigger

vessels, as shipping lines consolidate cargo to save costs. While systems have improved, the delay of the ambitious Berth Deepening and Lengthening Project at the Durban Container Terminal Pier 2 is unfortunate.

We thank you for your willingness to embrace new systems introduced in our pursuit of SMARTports, and for your patience regarding delays on projects.

Our Operation Phakisa ship repair facility upgrades are progressing well after a slow start in the planning phases.

On a positive note, I am pleased to report that the new helicopters for the Ports of Durban and Richards Bay have just arrived in the country. We are delighted that we will soon be able to deliver a more efficient and reliable marine service in these ports.

Dredging Services has also acquired a new survey craft, a critical tool for ensuring our ports are to the correct depths for safe navigation.

Lastly, TNPA once again enjoyed growth in the cruise sector. Some 24 cruise liners operated by 17 international cruise lines visited South Africa during the 2018/19 cruise season, validating our decision to invest in a new cruise terminal at the Port of Durban.



Nozipho Mdawe,
Acting Chief Executive.

HELICOPTER SERVICE FOR CAPE TOWN

TNPA has taken the decision to introduce a helicopter service at the Port of Cape Town to transfer marine pilots onto and off visiting vessels, as offered by the Ports of Durban and Richards Bay.

TNPA expects to commission the helicopter in Cape Town in 2021, according to TNPA General Manager: Infrastructure and Port Planning, Hamilton Nxumalo.

In 2018 TNPA began exploring the introduction of a helicopter service

in Cape Town, where pilot boats are currently used to transfer marine pilots. This consideration was made after ongoing weather-related disruptions and high swell conditions negatively impacted on port operations and service.

The decision follows successful pilot testing of the service at the Port of Cape Town in 2018, as well as a fully-fledged feasibility study and engagements with customers to assess its financial viability.



PLANNING TO MEET THE GROWING MARKET FOR CRUISE TOURISM



The Port of Durban's 2018/19 cruise season figures paint a promising picture for the future of the local cruise sector. In this interview Durban Port Manager, Nokuzola Nkowane, provides feedback on growth expectations and future plans for this sector.

Durban passenger numbers in 2018/19 reflect 29% growth over the previous season. How did the port cope with the growth in passenger numbers?

The port coped well with the growth, no major challenges were experienced during the past cruise season. Below are the initiatives deployed by the terminal in order to process passengers efficiently:

- An online scanning system for immigration services which has assisted in processing the increased number of passengers at the terminal
- Introduction of an additional lane for priority boarding passengers
- Collection of cruise cards is now done on board the ship in order to fast-track the boarding the process

Do you think this growth will continue?

The numbers for the next Durban cruise season are expected to decline as the Durban Home Port Vessel (MSC Vessel) has reduced the number of vessel calls in Durban from 42 to 34; however those vessels will be diverted to Cape Town and Port Elizabeth.

Does TNPA have the infra-structure and resources in all its ports to cater for sustained growth in a) passenger numbers and b) bigger cruise vessels calling regularly at our ports?

TNPA does have infrastructure and resources in all ports. TNPA has positioned Durban and Cape Town as stimulus cruise home ports whilst Richards Bay, Mossel Bay, Port

Elizabeth and East London are ports of call in order to sustain growth.

What plans are in place to meet these needs?

TNPA's strategic position is to offer new and modern cruise terminals that will provide an ideal gateway to a unique South African experience through the Ports of Durban and Cape Town in support of the tourism industry. TNPA has concluded an agreement that will see KwaZulu Cruise Terminal Pty Ltd (KCT) finance, construct, operate, maintain and transfer a new Cruise Terminal Facility in the Port of Durban by October 2020. TNPA's aim is to provide modern reception facilities with safe, reliable and efficient marine services to enhance the experience into the wonders of South Africa and the African Continent. The cruise terminal operator agreement with V&A in Cape Town is in its fourth year of operation.

What can the cruise industry and cruise tourists look forward to in future years?

Cruise industry and tourists can look forward to a new green and energy efficient terminal in the Port of Durban which will boast a host of new features and facilities, allowing for simultaneous handling of multiple vessels. The facility will serve as a multi-purpose training, conferencing and events venue with adequate space for other ancillary services. During the off-peak season the terminal will remain active as it has been designed to serve as a multipurpose facility including a Cruise and Hospitality Training Academy and office space for maritime tenants.

Are we ready for the new Durban Cruise Terminal?

Yes, the construction is set to begin in 2019 and the terminal to be commissioned by 2020.



DURBAN DRY DOCK REFURBISHMENT IN FULL SWING

The rehabilitation of the inner caisson, which divides the Port of Durban's Prince Edward Graving Dock into two compartments, enabling two smaller vessels to be docked simultaneously, is in full swing.

It is among 11 large-scale projects earmarked for the Durban Dry Dock complex, which began with the R48 million refurbishment of the dry dock's 35-metre-long, 900ton outer caisson, completed in 2016.

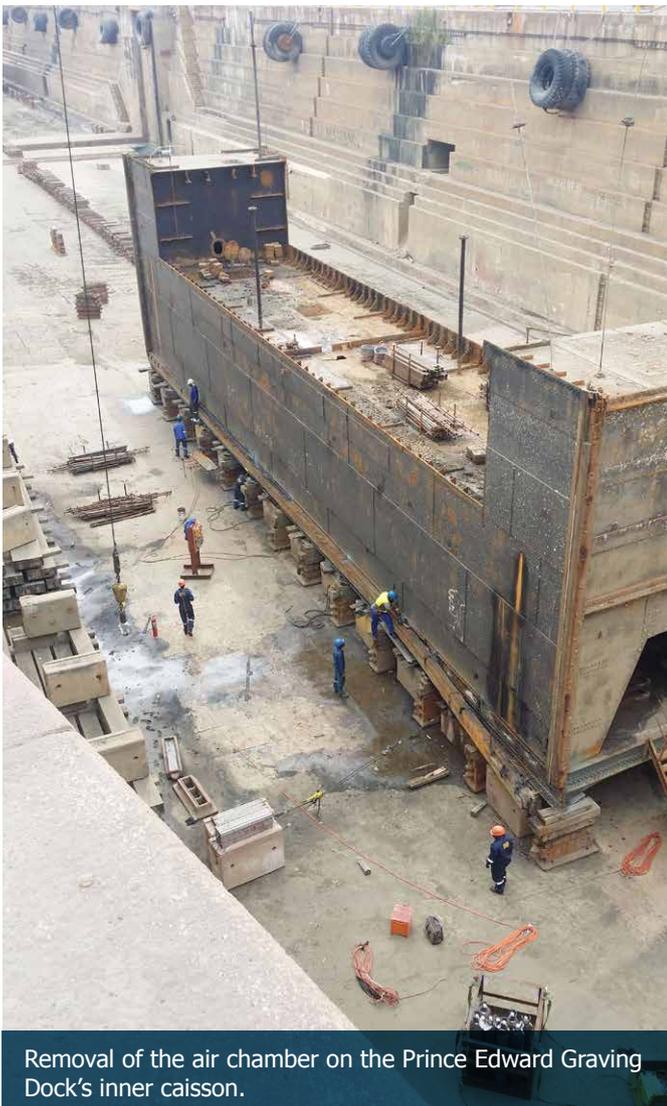
The R 61 500 700 project to repair the inner caisson and upgrade the drive system has been undertaken to ensure the safety of the dry dock, improve operational efficiency and reinstate it to its full capacity.

Following extensive technical studies and having explored various options with professional input, it

was decided to repair the inner caisson to the original design. However, the rehabilitation includes major structural design improvements on re-built decks and compartments. These are being built in a controlled environment in an off-site engineering workshop where they will also be pre-trial fitted. Design and fabrication of the new steel sections has already been completed.

"The caisson has been taken apart at C and D deck levels and the A and B deck steel structures have been cut up for scrap. The next big milestone will be bringing new sections of C and D decks for installation on top of the rehabilitated DE section," said Dumisani Mkhize, Deputy Port Engineer at the Port of Durban, who is managing the project.

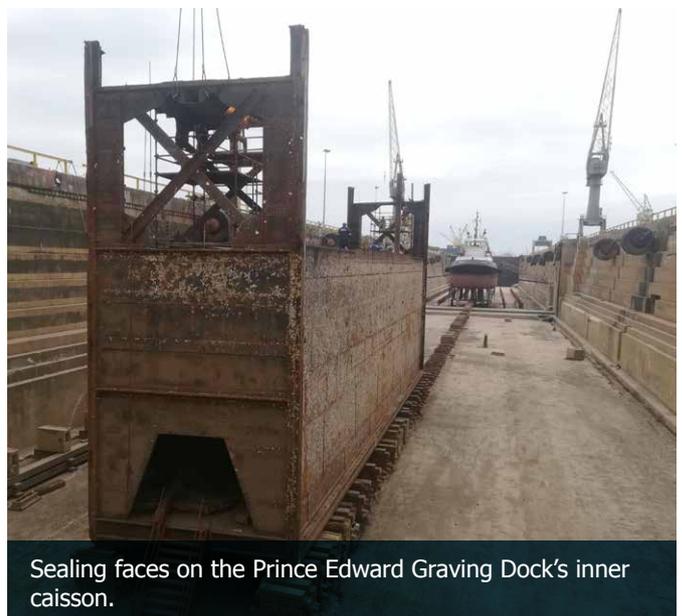
The project, which is being carried out by two Durban-based companies, Lodemann (Managing Contractor) and Channel Construction (Design and Build) – both of which were appointed in May 2018, is expected to be completed by November 2019.



Removal of the air chamber on the Prince Edward Graving Dock's inner caisson.



The Prince Edward Graving Dock's inner caisson had deck A and B removed and cut up for scrap



Sealing faces on the Prince Edward Graving Dock's inner caisson.

NEW SURVEY CRAFT BOOSTS TRANSNET DREDGING FLEET

TNPA's Dredging Services division has taken delivery of a new survey craft, SS Sonar, for measuring the physical environment underwater to ensure the ports are at the correct depths for safe navigation.

SS Sonar replaces an existing survey craft, Swift, which is 32 years old and has reached the end of its operational life.

Valued at approximately R1.5 million, SS Sonar is the latest acquisition in Dredging Services R2.2 billion ongoing fleet replacement programme.

"TNPA's dredging fleet plays a vital role in facilitating the country's economic growth by ensuring our ports' entrance channels, basins and berths are well maintained. Demand for berth dredging has trebled as the ports continue to welcome container vessels larger than 10 000 TEUs, requiring ongoing investment in world-class dredging vessels," explained Carl Gabriel, Executive Manager: TNPA Dredging Services.

"Although the SS Sonar survey craft is one of the smaller vessels in our fleet, it is a critical tool for keeping our ports at the correct depths. We use the survey craft to conduct single beam hydrographic surveys around the ports, measuring the physical environment underwater for any potential impact on marine activities.

SS Sonar, was designed, manufactured, assembled, commissioned and delivered by Durban-based Dams Maintenance and Industrial Supplies cc, on time and



From left: Operations Director, Danny Ramsaroop, Dams Maintenance and Industrial Supplies, Trinesh Govender, Project Manager, TNPA Dredging Services and Ryan Hansen, Durban Yamaha.

within budget. The order was received from TNPA in November 2018 and the craft was completed five days ahead of schedule on 26 March 2019.

The Black owned family company based in Woodview, Durban, has a Broad-Based Black Economic Empowerment (B-BBEE) Level 1 status and scooped the contract through a competitive tender process in which the contractor satisfied all technical, B-BBEE and price evaluation criteria.



PORT OF PE TRAILBLAZES ISO 45001 IN SA

The Port of Port Elizabeth has become the first port to achieve the International Organisation for Standardisation's 45001 certification.

ISO 45001 is an international standard that specifies requirements for an occupational health and safety (OH&S) management system to enable an organisation to proactively improve its OH&S performance in preventing injury and ill-health. ISO 45001 - the new ISO standard for OH&S - has become one of the most eagerly awaited standards in the world, and is set to drastically improve levels of workplace safety.

There are many differences between the previously required OHSAS

18001 and ISO 45001, however the main change is the focus on the interaction between the organisation

and its business environment as opposed to OH&S hazards and other internal issues.



(From left): Captain Brynn Adamson, Harbour Master, Dion Quantoi, Acting SHE Manager, Hazel Watson, Occupational Sister and Rajesh Dana, Port Manager show off their ISO45001 certificate.

BERTH DEEPENING REMAINS PRIORITY

Transnet is continuing its investigations into allegations of irregularities in procurement processes for the berth deepening project at Durban Container Terminal Pier 2's north quay.

The contract for the berth deepening of the Durban Container Terminal's north quay was initially awarded to CMI Emtateni Joint Venture.

A stop work order was issued on 20 November 2018 after Transnet received an unsolicited report from "Forensics for Justice" alleging that there were irregularities in the procurement processes for the project.

Although no findings of wrongdoing have been made against CMI, as the investigation is still ongoing, CMI on 20 February issued Transnet a notice to terminate its services to the entity.

In the best interest of both parties, Transnet accepted the contractor's notice of termination and issued CMI Emtateni JV a termination certificate on 16 April 2019.

Transnet is currently reassessing a way forward on the main marine contract scope of works in order to minimise any further delays in realising the benefits of the project.

UPCOMING EVENTS

2019 CUSTOMER ENGAGEMENT SESSIONS

Durban:	Friday, 26 July
Cape Town/Saldanha:	Wednesday, 21 August
Richards Bay:	Friday, 30 August
PE/Ngqura:	Friday, 6 September
Mossel Bay:	Thursday, 19 September
East London:	Friday, 25 October

SA TRANSPORT CONFERENCE: 8-11 July

SOUTH AFRICAN ECONOMY LIKELY TO REMAIN AT LOWEST LEVELS IN SHORT TO MEDIUM TERM

By Vukani Nkasa, Economic Analyst

World economic growth is expected to weaken further in 2019 after growing by 3,6 per cent in 2018, at 0,3 percentage points below what was initially projected in October last year. Slow economic activity is expected to persist throughout the first half of 2019 as the global economic outlook continues to remain uncertain. Global economic growth is projected to grow by 3,3 per cent in 2019. One of the major factors for this projected slow economic growth is the escalation of US-China trade tensions due to the current dead-lock in negotiations. The 'no-deal' withdrawal by the United Kingdom from the European Union (EU) forms part of major risks for global economic expansion and is causing further delays for new trade settlement deals.

The current world economic situation is likely to affect the South African economic outlook further, with our economy already having been disconnected from global developments for almost a decade. Domestic economic growth has weakened progressively from the 3,3 per cent seen in 2011, with a combination of contributing factors, such as domestic structural constraints as dominated by policy uncertainties in key economic sectors.

Despite narrowly escaping recession in 2018, South Africa's economic outlook is expected to remain at low levels in the short-medium term. Domestic economic performance has been revised downwards to 1,2 per cent in 2019 and there is a strong possibility we will see a repeat of last year's economic performance which only saw some recovery during the last half of the year.

The recent election outcomes are unlikely to have an immediate impact on economic developments and socio-economic challenges. The main focus area for the new administration should be to re-build solid and sustainable economic institutions, ensuring policy certainties particularly in key sectors and to ease the means of doing business and trade.

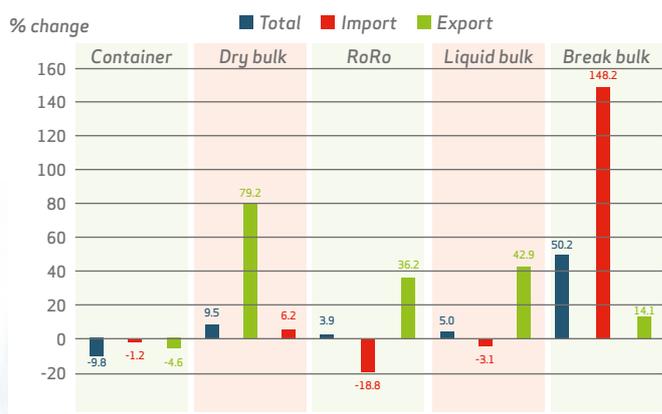
Despite the anticipation of low economic growth in the first half of 2019, South Africa's trade sector has performed well so far compared with the corresponding period in the previous year. This performance translated into positive volume growth in a number of commodities passing through our ports. The volume of goods traded through the port system started FY2019/20 on a positive note with the exception of container movement

(see figure 2). The overall volume performance shows growth compared to April of the previous financial year. However, due to the anticipated persistent slow domestic economic growth, coupled with global trade related uncertainties, it remains unlikely we will see any significant growth in our volumes for FY2019/20. Both break bulk and liquid bulk volumes are likely to remain at low growth levels, while other commodities are expected to gain some momentum during the second half of the year. Any significant volume recovery across all commodities passing through our port system can be only be achieved when a decent and sustainable growth rate in the domestic economy is achieved.

Figure 1: SA's economic growth and outlook



Figure 2: TNP commodity performance in April (y-o-y)



Source: IMF, Treasury and TNPA