

**TRANSNET**



delivering freight reliably



**Richards Bay B2B**  
**MDS, Ports Act Implementation & Phakisa**  
14 April 2016



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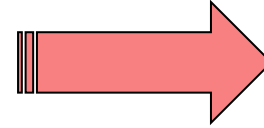




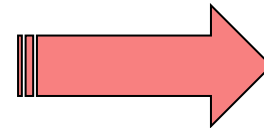
# The National Commercial Ports Policy

## *A new Vision for South African Ports*

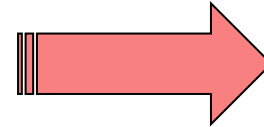
“A **system of ports**, seamlessly **integrated** in the **logistics network** that is jointly and individually **self-sustainable** through delivery of high levels of service and **increasing efficiency** for a **growing customer base**, **enhancing** South Africa’s global **competitiveness** and facilitating the **expansion** of the South African **economy** through socially and environmentally **sustainable port development**”



Integrated Port System



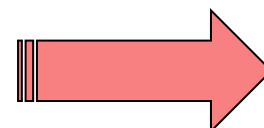
Self-sustainable Port System



Efficient and Competitive Ports



Growing (expanding) Port System



Economic Growth

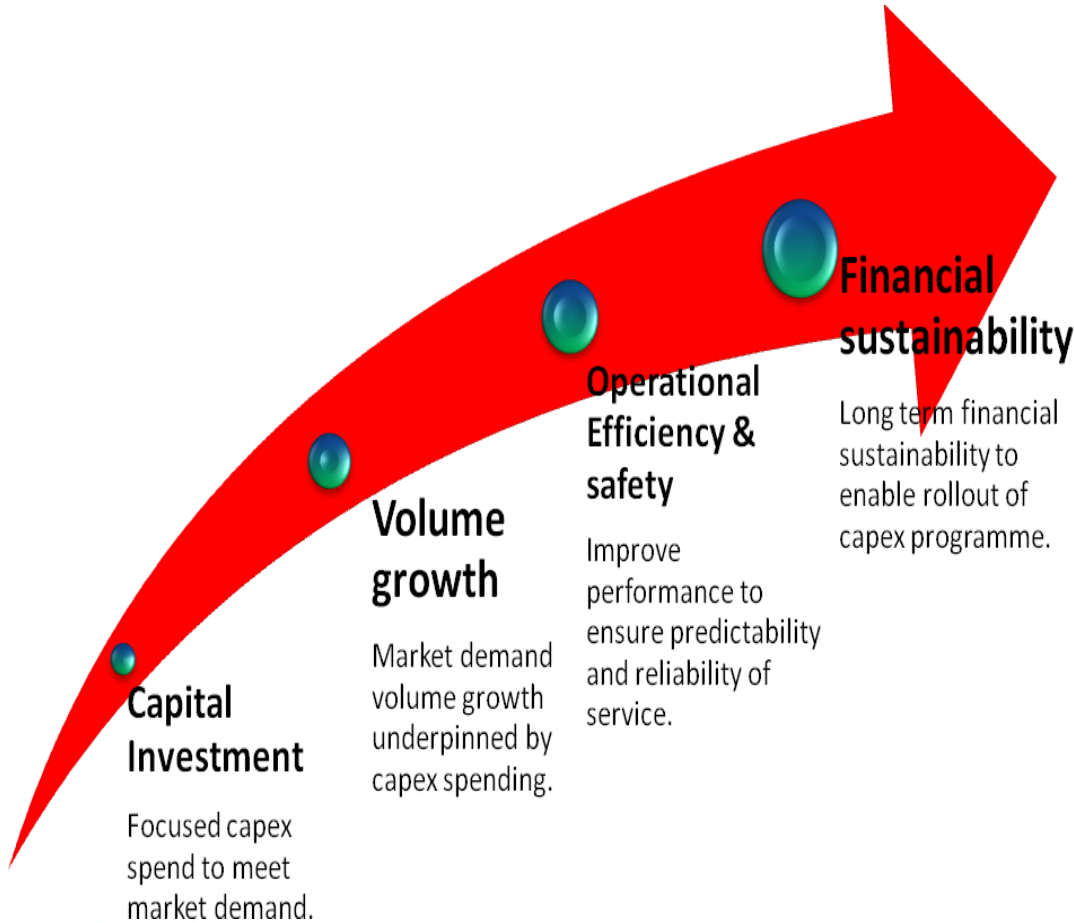
Port Development : Infrastructure Provision





# Transnet's Market Demand Strategy (MDS)

MDS was launched in 2012 :



**Create/expanding port infrastructure to create capacity ahead of demand**

**Grow volume through capacity created and new business opportunities**

**Increase port efficiency**

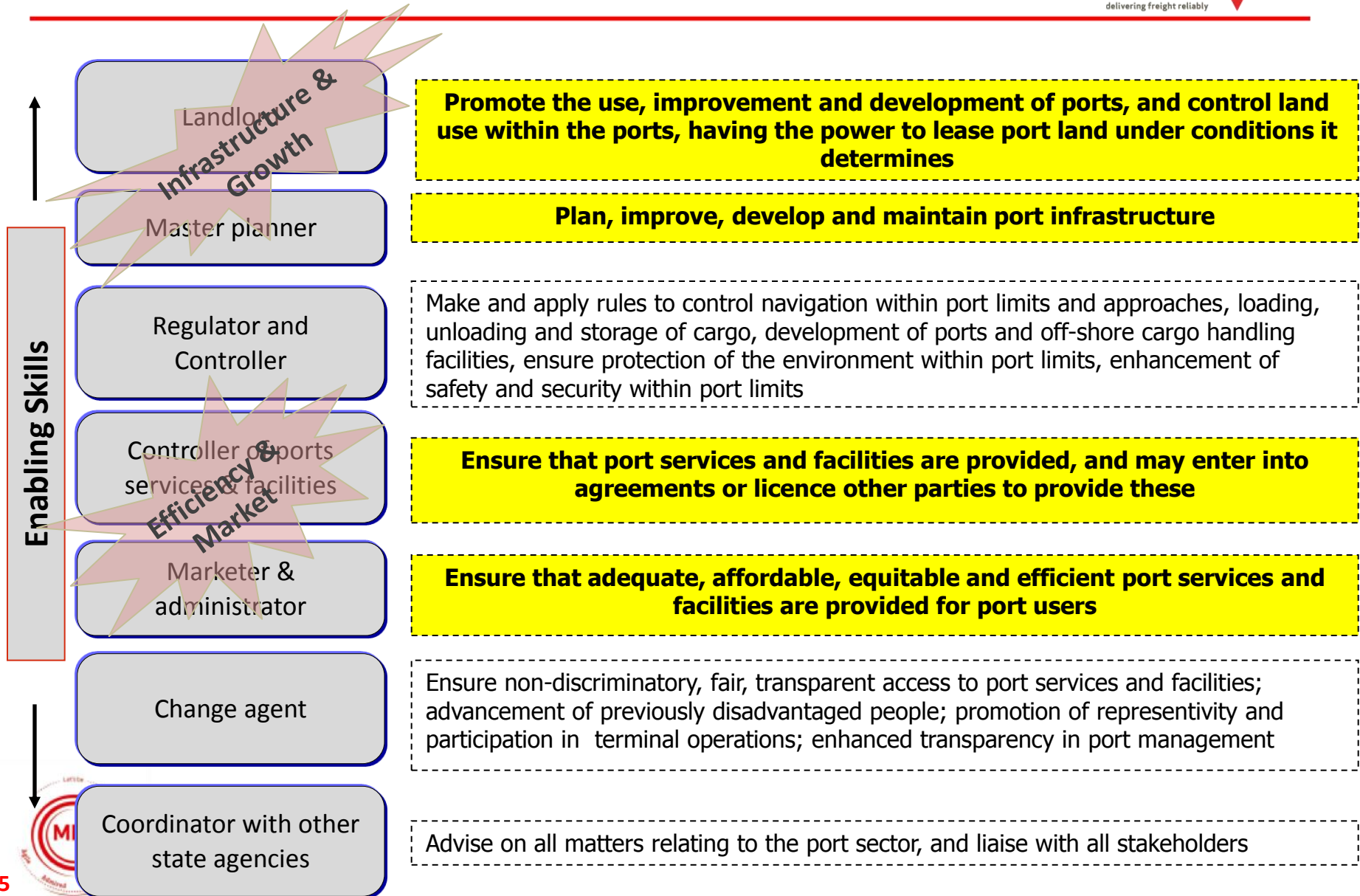
**Self-sustainable port system**

**Economic growth and job creation**





# Core functions (National Ports Act Section 11)





## TNPA's Strategic Focus

**“A Landlord Port Authority that manages, controls and administers the South African Port System on behalf of the State”**

### Driven by a 3-tier strategy

#### Infrastructure

Create and Manage Infrastructure capacity ahead of demand

#### Operations

Improving port efficiency through increased productivity and operations oversight

#### Integrated Port System

To facilitate an integrated logistics chain that will establish the port system as an integrated gateway for trade

**In support of meeting Shareholder's objectives of improving operating efficiencies, regional integration and optimising investment in the port system**





## MDS Pillars : Infrastructure

### Infrastructure

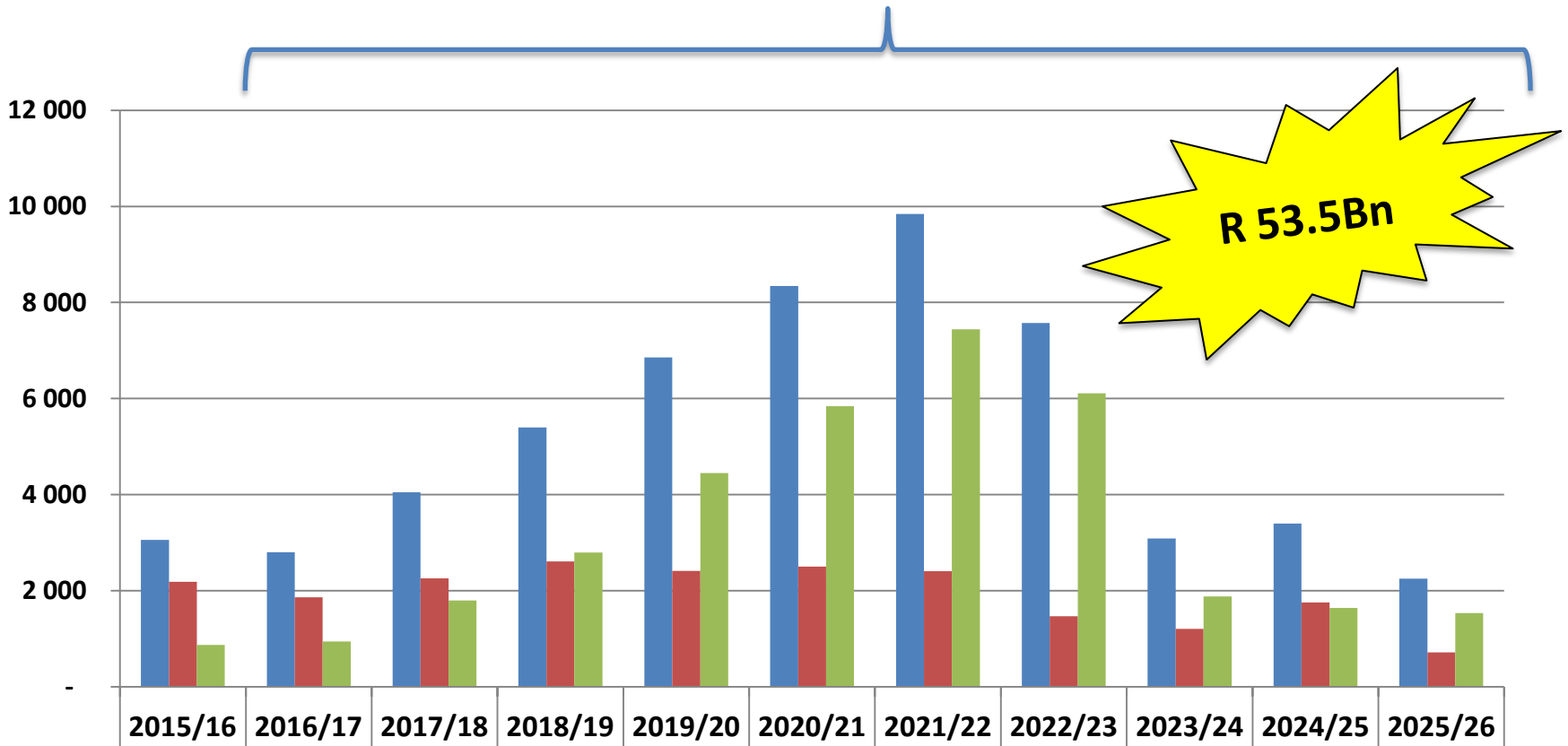
Create and Manage Infrastructure capacity ahead of demand

- **Transnet in the 3<sup>rd</sup> year of MDS implementation**
  - Port investments over this period has been R 5.78Bn;
  - TNPA's estimated investment over the next 10 years of R 53.5Bn;
  - Continued focus on infrastructure creation and maintenance;
- **Oceans Economy will be a major driver to invest in the port system**
  - Investment of R 272m in 2015/16 and estimated R 2.1Bn (2016-2021) to refurbish existing ship repair facilities across all ports;
  - Investment of estimated R 13-15Bn in creating new repair facilities at the SA ports – Saldanha, Richards Bay, East London;
- **Fleet Replacement Programme**
  - Tug Build : 8 tugs - first tug operational in Port Elizabeth;
  - Dredgers : TSHD Ilembe operational, Plough Tug and Cutter Suction planned Q1 2017;





# Capital Programme 2015/16 – 2025/26



TNPA Capital Investment Programme : 2015/16 - 2025/26

■ Total Capital ■ Sustaining ■ Expansion

**R 3.05Bn**

**R 53.5Bn**

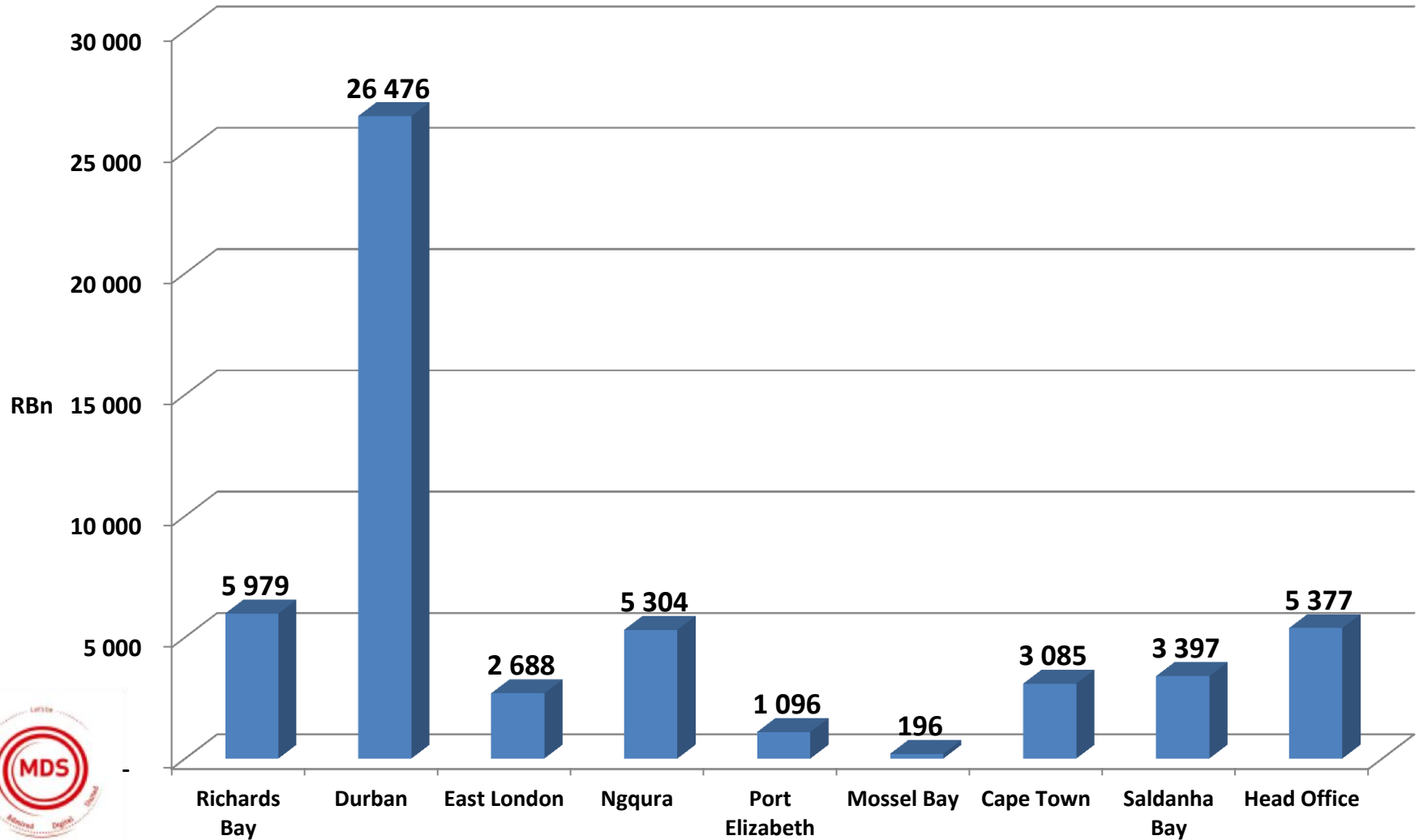
**Estimated R 53.5Bn : 2016/17 – 2025/26**





# Capital Programme 2016/17 – 2025/26

TNPA Capital Investment per Port : 2016/17 - 2025/26





## Major Infrastructure Projects

### Durban Container Terminal



- Berth Deepening and Lengthening Pier 2 (Berth 203 - 205)
- Salisbury Island Infill (Pier 1 Phase 2)

### Port of Ngqura



- Operationalisation of the Port

### Bulk



- 16mtpa Manganese Terminal at the Port of Ngqura
- Tank Farm Berth A100, roads, port entrance and services at Ngqura
- LNG Terminal and additional Bulk Liquid at RCB (envisaged completion FY 2022/2023)

### Break Bulk



- Reconstruct sheet pile quay walls at DBN Maydon Wharf (Berths 1,2, 13 & 14)

### Fleet Management



- Acquisition of tug boats, pilot boats, launches, dredgers (all ports)

### Helicopters



- Acquisition of replacement helicopters for DBN & RCB

### Operation Phakisa



- Operation Phakisa Initiatives at DBN, EL, PLZ, SLD, CPT



## MDS Pillars : Efficiency

### Operations

Improving port efficiency through increased productivity and operations oversight

- **Compliance to Terminal Operator Standards (TOPS) and Marine Operations Standards (MOPS) at all ports;**
- **Implement Rail Operator Performance Standards (ROPS) and Haulier Operator Standards (HOPS);**
- **Fully operationalize Joint Operations Centre (JOC) at Ports and HQ;**
- **Commission automated mooring system at Port of Ngqura;**
- **Execute Port Dredging Programme and monitor port depths;**
- **Embed Operations Oversight management (ISPS and SHE audits);**
- **Continuous Improvement training and business process modeling;**





## MDS Pillars : Trade Gateway

### Integrated Port System

To facilitate an integrated logistics chain that will establish the port system as an integrated gateway for trade

- Implement Customer Interaction Platforms for key market segments;
- Market port system and capacity at various exhibitions, conferences, seminars, customer functions;
- Transformation of the Port System
  - Section 56 projects;
  - Roll-out of precinct strategies, e.g. Island View;





## MDS Pillars : Trade Gateway

### Integrated Port System

To facilitate an integrated logistics chain that will establish the port system as an integrated gateway for trade

- **Cruise Facilities**
  - Bidder appointed in Cape Town;
  - Durban RFP to follow;
- **Liquid Bulk**
  - Bidders appointed for facilities in Cape Town, Ngqura and Saldanha;
  - Future LNG at ports of Saldanha Bay, Richards Bay, Ngqura;
  - Liquid Bulk opportunities in Durban;
- **Manganese and General Cargo : Ngqura;**
- **Containers : Salisbury Island;**





# The TNPA Ports Act Journey : 2016 +

## A World Class Complementary Port System Focused on Port Development

### MDS

- Marketing port capacities and attract new business opportunities;
- Efficient port operations and logistics chain visibility;
- Ports as gateways for trade;

### Capital Commitments

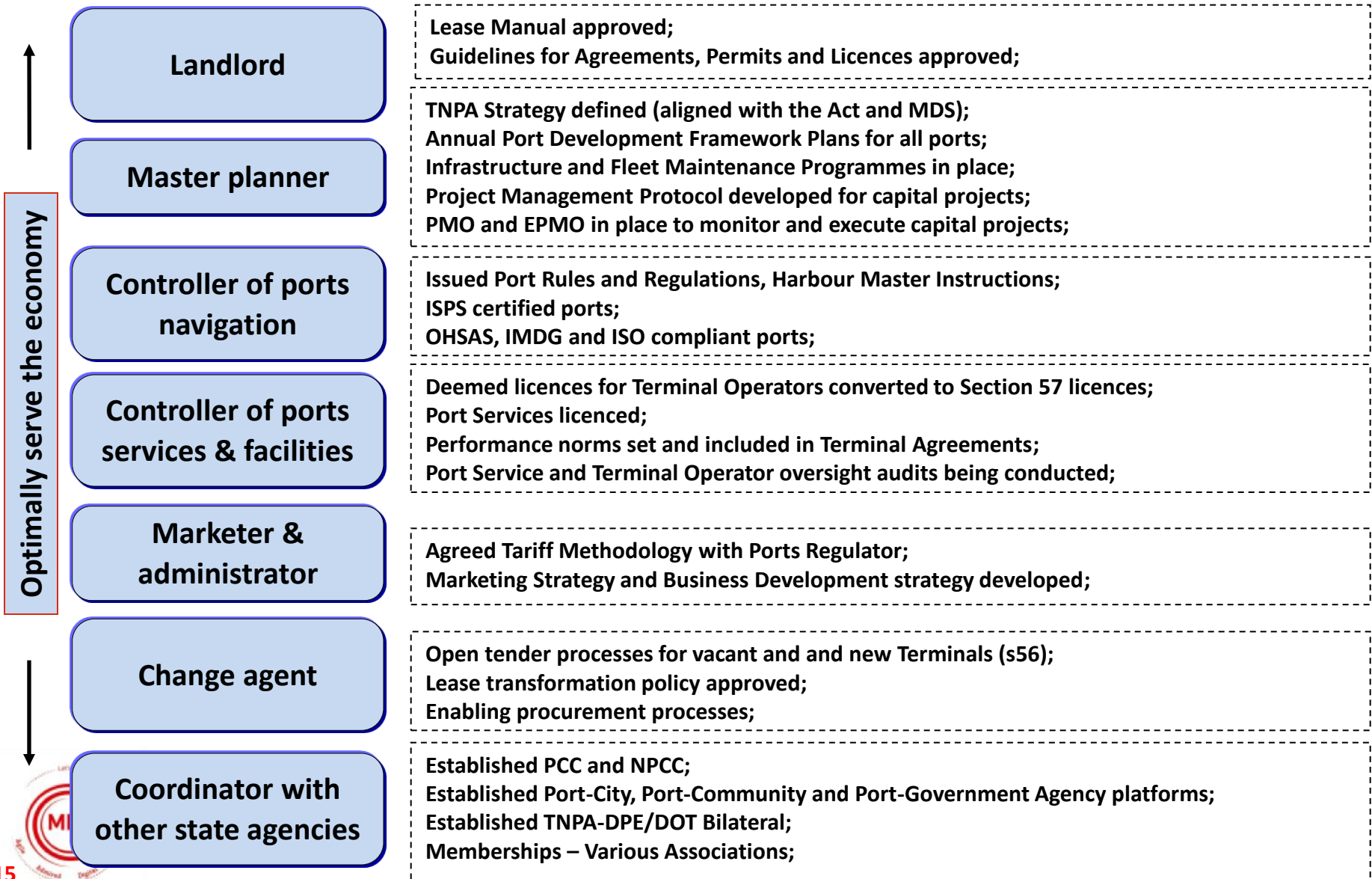
- Deliver capacity creating and sustaining port infrastructure aligned with port development plans;
- 7-year investment of R 53Bn;

### TNPA as a Landlord Authority and integral Division within Transnet

- Integrated port-city planning and delivery of port infrastructure;
  - Deliver capacity creating and sustaining port infrastructure - aligned with port development plans;
  - Smart-People-Ports;
- TNPA as a self-regulating authority – executing operational oversight and monitoring compliance;
  - Licencing services and facilities;
  - Transformation in port operations (precinct strategies and s56 projects);
  - Embedded Tariff Methodology and Implemented Tariff Strategy;
- Efficient and technologically advanced port operations;
  - Supply chain visibility through Joint Operations Centres;
  - Marketing port capacity to attract new business;
  - Technologically enabled ports and systems;
- Embedding the 5-year Port Safety, security and environmental oversight strategy;
  - Ports characterised as safe, secure and preserving the environment;
- Skilled employees;





# TNPA : Achievements to Date





# Operation Phakisa : GDP contribution and job creation in Marine Transport and Manufacturing (MTM) Sector

	Initial lab vision	Baseline (2010)	Target for interventions
 <p><b>GDP Contribution</b></p>	<ul style="list-style-type: none"> <li>Accelerate the GDP contribution of the sector</li> </ul>	<ul style="list-style-type: none"> <li>~R15bn</li> </ul>	<ul style="list-style-type: none"> <li>Increase the contribution to GDP by R14-23bn by 2019</li> </ul>
 <p><b>Job Creation</b></p>	<ul style="list-style-type: none"> <li>Increase total employment</li> </ul>	<ul style="list-style-type: none"> <li>~15,000 jobs</li> </ul>	<ul style="list-style-type: none"> <li>Increase the number of total jobs created by 40,000-50,000 jobs by 2019</li> </ul>





# The Lab recommended the following initiatives for Marine Transport and Manufacturing

## A Infrastructure and operations

1 Create supportive funding and revenue model

2 Establish purpose-built oil and gas port infrastructure by appointing Facility Operators – **Saldanha Bay** ★

3 Align on Implementation of government policy

4 Prioritise Transnet and TNPA funding allocation towards marine manufacturing

5 Maintain and refurbish **existing facilities** ★

6 Unlock investment in new and existing port facilities

7 Implement Strategic Prioritised Project – **Richards Bay** ★

8 Implement Strategic Prioritised Projects – **East London** ★

## B Skills and capacity building

9 Train 2,550 TVET College graduates on an 18-month Workplace-based Experiential Learner Programme in scarce and critical trades over the 5 year period

10 Create dedicated Occupational Teams for MTM Sector (professional, trades, operators and seafarers)

11 Establish trade RPL, CBMT or Centres of Specialisation in Saldanha Bay and Richards Bay

12 Train 18,172 learners as artisans, semi-skilled workers and professionals over the next 5 years

13 Increase usage of ESSA system and targeted career awareness services as a high value recruitment tool for MTM

14 Increase capacity to develop skills for ~1,200 ratings and ~720 officers per year

## C Market growth

15 Create and implement a public procurement and localisation programme

16 Develop a strategic marketing campaign and value proposition for target markets

17 Propose inclusion of preferential procurement clause in the African Maritime Charter

18 Support local registry of vessels through incentives and legislation of using SA-flagged ships for cargo and coastal operations (based on United Nations Conference on Trade and Development and African Maritime Charter guidelines)

2 5 These initiatives require capital investment over the next 5 years and will provide supplier development opportunities.  
7 8

i. TNPA – Transnet National Ports Authority

ii. ESSA – Employment Services of South Africa

iii. TVET – Technical and Vocational Education and Training

iv. RPL – Recognition of Prior Learning

v. CBMT – Competency-based Modular Training

# There is an opportunity for South Africa to leverage its infrastructure, location, expertise and existing downstream industry to service the Oil and Gas Industry



Figures represent approximate distances.



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## Existing Facilities

### Ports of Cape Town, Saldanha Bay, East London, Port Elizabeth and Port of Durban



# Progress on Operation Phakisa Projects: Existing Facilities

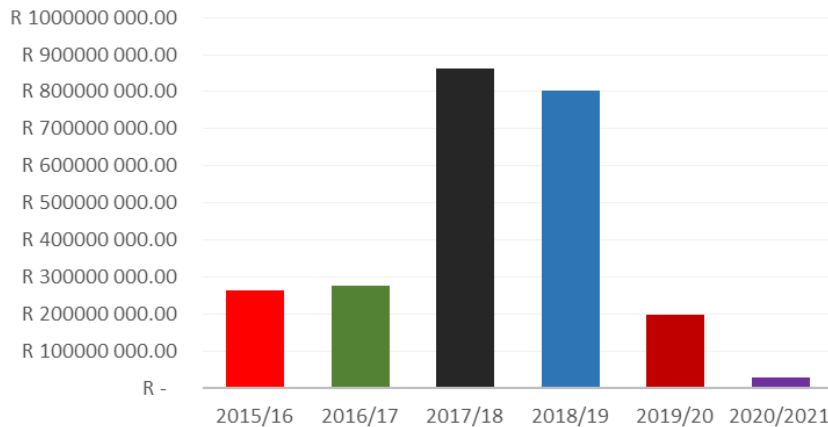
## 5-year annual Cash flows



**TOTAL CASHFLOW FOR THE NEXT 5 YEARS = R 2,169bn**

**36 PROJECTS**

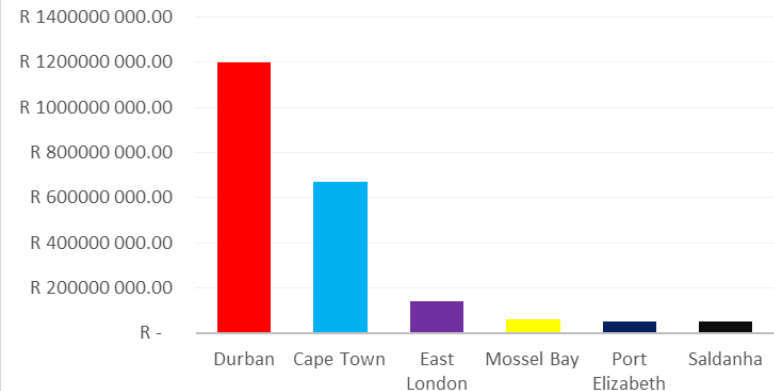
**Annual Cash Flows**



Year 1: 2015/16	R 264 168 125.34
Year 2: 2016/17	R 276 488 790.98
Year 3: 2017/18	R 861 528 692.86
Year 4: 2018/19	R 803 628 273.00
Year 5: 2019/20	R 198 000 000.00
Year 6: 2020/2021	R 30 000 000.00

**TOTAL =R 2 433 813 882**

**Cash Flows per Port**



**Cash flows Port from Year 2**

Durban	R 1 197 683 397.85
Cape Town	R 671 580 520.00
East London	R 141 658 188.99
Mossel Bay	R 60 800 000.00
Port Elizabeth	R 49 350 000.00
Saldanha	R 48 573 650.00





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**Private Sector Projects**  
**Port of Saldanha**  
**Port of East London**  
**Port of Richards Bay**





## Initiative 2 - Flagship Development : Establish purpose-built oil and gas port infrastructure and appoint Facility Operators – Saldanha Bay

Initiative 2 of Operation Phakisa aims at forming a cluster of services to support the Oil and Gas industry off the coast of South Africa and the West Coast of Africa where existing and new exploration/production take place;

Initiative 2 comprises of the following projects at Saldanha :

- Offshore supply base (OSSB), Quay 294m, 6.5m draft;
- Rig repair facility, Quay 380m, 21m draft; and
- Ship repair facility, Jetty 1000m, 8m draft.

The construction and operation of the following facilities will be offered to a private operator under a concession arrangement:

- OSSB : Terminal and landside superstructure;
- Rig repair facility : Berth 205, including related landside superstructure investments; and
- Ship repair facility : Mossgas Quay.

**Required investment**

- Investment: R13.2bn (estimated);





## Timeline : Port of Saldanha Phakisa Projects

### OSSB Facility :

Start: 2015

Completion: 2019

RFP to Market: April 2016

Bid Closing : October 2016

### Mossgas quay (ship repair):

Start: 2016

Completion: 2018

### Berth 205 (rig repair):

Start: 2016

Completion: 2018/2019

### Mossgass & Berth 205 :

EOI to Market: May 2016

EOI Closing Date : June 2016

RFP to Market : Sep 2016

Bid Closing : April 2017





## Initiative 7: Implement Strategic Prioritised Projects – Richards Bay

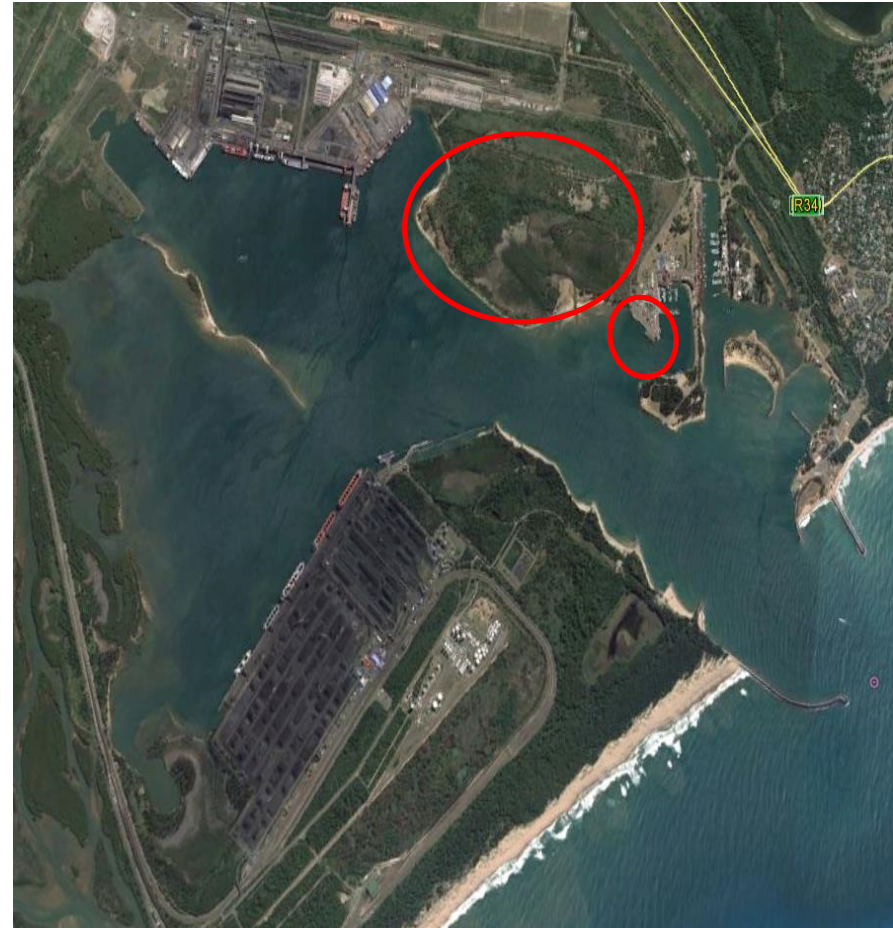
Initiative 7 envisages the procurement of a ship repair facility by the private sector in the Port of Richards Bay;

TNPA wants to adopt a flexible and exploratory approach to allow private sector to grow the market :

- Allow private sector to consider opportunities in oil and gas, ship/rig repair and maritime vessel building to meet market requirements at Richards Bay;
- A low risk risk, flexible capacity facility for ship/rig repair at Richards Bay :
  - Floating Dock type; and/or
  - Fixed Dock Repair Facility
- Sites identified : Causarina, repair quay;

Required resources

- Investment: R900m (estimated);





## Initiative 8: Implement Strategic Prioritised Projects : East London

- **Unlocking boat building in East London with a focus on potential niche markets of tug boats and navy vessels;**
- **The upgrade and refurbishment of the existing drydock infrastructure is being undertaken at the moment;**
- **Opportunity to refurbish the existing slipway facility;**
- **Investment and incentive combination to the boat or ship building industry, linked to developmental commitments (e.g. investment, job creation, skills development, supplier development);**
- **Sites identified : Dry Dock, Slipway;**

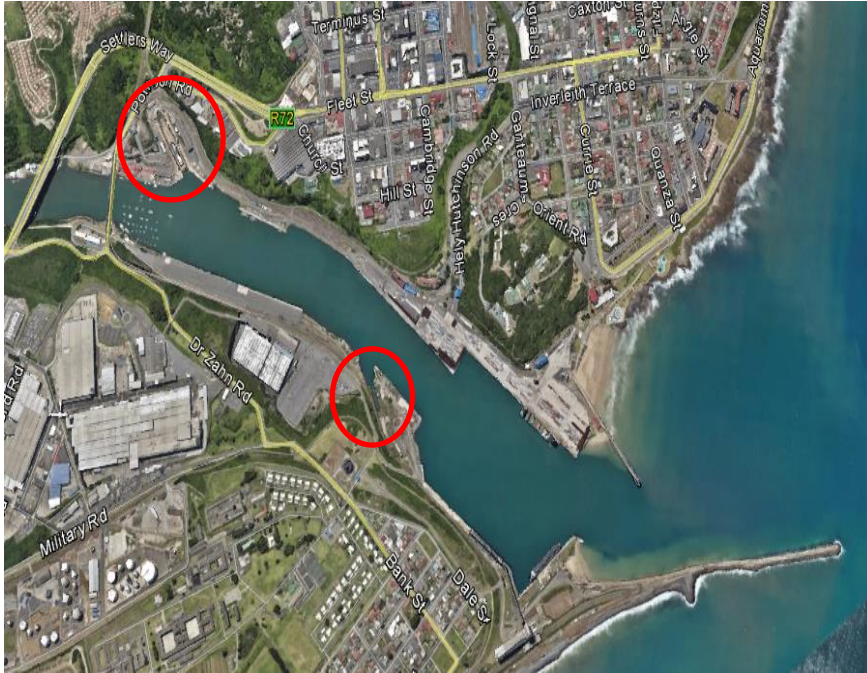
### Required resources

- **Investment: R 515m (estimated);**





# Timeline : Port of Richards Bay & East London



## Ship/Rig Repair and Boat Building :

**EOI to Market: May 2016 and EOI Closing Date : June 2016**

**RFP to Market : Sep 2016 and Bid Closing : April 2017;**

**Planned Facilities estimated by 2019;**





# Saldanha : Moss gas Jetty (Artist Impression)





# Saldanha : Oil and Gas Supply Base (Artist Impression)





# Saldanha : Rig Repair Berth 205 (Artist Impression)





# Richards Bay : Ship Repair Sites





# Richards Bay : Ship Repair (Artist Impression)





## Closing Remarks

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- **MDS is about growing the economy;**
- **The key driver to growth remains the creation of port capacity :**
  - **Oceans economy as a “new” driver for economic growth and job creation;**
  - **Continued investment in the port system to create capacity for growth;**
- **Oceans economy and TNPA’s capital programme :**
  - **Private sector Investment opportunities;**
  - **Supplier Development opportunities;**
- **Our focus remain on the development of an integrated port system to grow the economy and create visibility of the supply chain;**



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THANK YOU