Highlights

- Revenue grew by 11% to R12.4 billion
- Container and automotive volumes performed well and exceeded their budgets by 4%
- EBITDA increased by 10% to R4.2 billion
- R1.4 billion was spent on capacity creation and maintenance projects during the 2018 financial year
- The Durban Container Terminal (DCT) Pier 2 received 23 replacement straddle carriers to improve reliability of the fleet and operational efficiencies
- The container terminals maintained their train turnaround times below the targeted four hours in 2018 while the bulk terminals maintained their train turnaround times below the targeted 109 minutes at Saldanha, 11 hours at Richards Bay and 12 hours at Port Elizabeth
- A total of 1,589 employees were trained on Lean Six Sigma to improve operational efficiencies and safety in the workplace

Business overview

Transnet Port Terminals (Port Terminals) is South Africa’s leading operator of container, dry bulk, break-bulk and automotive terminals. Through its strategic role in the management of these key trading hubs, Port Terminals ensures year-round connectivity of the South African economy with other major global economic powerhouses. As a vital facilitator of trade between the South African and global markets, Port Terminals continuously strives to improve the reliability and efficiency of its operations through holistic business innovation in order to reduce business costs.

Port Terminals operates container terminals at the ports of Durban, Ngqura, Port Elizabeth and Cape Town. 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 in these regions.

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 at the ports of Richards Bay, Port Elizabeth and Saldanha, and handles agricultural bulk commodities at the ports of Durban and East London.

Port Terminals handles steel, timber, granite, project cargo, abnormal and other commodities through its break-bulk operations in multi-purpose terminals at all seven ports. In some instances, traditional bulk cargo can be handled at break-bulk terminals utilising a skip operation.

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 will become one of the top five global port terminal operators by 2022. This will be achieved through a strong, unifying vision supported by a high-performance culture 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 and financial growth.
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, as well as 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, finance, SHEQ and competition to Transnet National Ports Authority, which then conducts mandatory annual audits on all the terminals.

Performance context

During the year under review, most sectors experienced a slow start to the year, however, market conditions picked up in the middle of the year, ending the year on a high. Manganese performed well throughout the year due to increased international demand, while magnetite and automotive volumes declined in the second half of the year.

During the 2018 financial year there was a deterioration in weather conditions with heavy winds and storms having a significant impact on operations.

Revenue for the year was R12.4 billion against a target of R12.2 billion, and EBITDA met its target of R4.2 billion.

Operational performance

Core initiatives for 2018

- Target EBITDA of R4.15 billion in 2018
- Investment of R1.6 billion in new and existing port infrastructure
- Volume targets for the 2018 financial year:
  - Containers: 4.5 million TEUs
  - Bulk cargo: 92.1 million tons
  - Break-bulk cargo: 12 million tons
  - Automotive units: 677 572 units
## Overview of key performance indicators

### Key performance area and indicator

<table>
<thead>
<tr>
<th>Key performance area and indicator</th>
<th>Unit of measure</th>
<th>2017 Actual</th>
<th>2018 Target</th>
<th>2018 Actual</th>
<th>2019 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial sustainability</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>R million</td>
<td>11 150</td>
<td>12 190</td>
<td>12 393</td>
<td>13 439</td>
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<tr>
<td>EBITDA</td>
<td>R million</td>
<td>3 794</td>
<td>4 153</td>
<td>4 172</td>
<td>4 637</td>
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<td>Operating profit margin</td>
<td>%</td>
<td>20.7</td>
<td>18.1</td>
<td>19.9</td>
<td>20.7</td>
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<tr>
<td>Return on average total assets</td>
<td>%</td>
<td>13.3</td>
<td>12.4</td>
<td>15.5</td>
<td>16.5</td>
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<td>Revenue per employee (permanent)</td>
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<td>1.5</td>
<td>1.7</td>
<td>1.7</td>
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<td>Average tariff increase</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>- Containers</td>
<td>%</td>
<td>7.63</td>
<td>6.4</td>
<td>5.4</td>
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<tr>
<td>- Automotive</td>
<td>%</td>
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<td>6.4</td>
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<td>6.0</td>
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<tr>
<td><strong>Capacity creation and maintenance</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Capital expenditure ¹</td>
<td>R million</td>
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<td>1 582</td>
<td>1 365</td>
<td>2 722</td>
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<td><strong>Operational excellence</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Volume growth</strong></td>
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<td></td>
<td></td>
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<tr>
<td>Containers</td>
<td>'000 TEUs</td>
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<td>4 496</td>
<td>4 664</td>
<td>4 625</td>
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<td>Break-bulk</td>
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<td>12.0</td>
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<td>Bulk</td>
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<td>92.1</td>
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<td>Vehicles</td>
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<td>677 572</td>
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<td>725 401</td>
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<td><strong>Container dwell time</strong></td>
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<tr>
<td>DCT – Pier 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Imports</td>
<td>days</td>
<td>2.7</td>
<td>≤ 3</td>
<td>3.1</td>
<td>≤ 3</td>
</tr>
<tr>
<td>Exports</td>
<td>days</td>
<td>4.7</td>
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<td>5.3</td>
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<tr>
<td>Transhipments</td>
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<td>6.6</td>
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<td>DCT – Pier 2</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Imports</td>
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<td>2.2</td>
<td>≤ 3</td>
<td>2.5</td>
<td>≤ 3</td>
</tr>
<tr>
<td>Exports</td>
<td>days</td>
<td>5.5</td>
<td>≤ 5</td>
<td>6.1</td>
<td>≤ 5</td>
</tr>
<tr>
<td>Transhipments</td>
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<td>≤ 10</td>
<td>7.8</td>
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<td>Cape Town Container Terminal (CTCT)</td>
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<tr>
<td>Imports</td>
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<td>≤ 3</td>
<td>2.7</td>
<td>≤ 3</td>
</tr>
<tr>
<td>Exports</td>
<td>days</td>
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<td>≤ 5</td>
<td>5.8</td>
<td>≤ 5</td>
</tr>
<tr>
<td>Transhipments</td>
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<td><strong>Moves per gross crane hour</strong></td>
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<tr>
<td>DCT – Pier 1</td>
<td>number</td>
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<td>26</td>
<td>25</td>
<td>26</td>
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<td>DCT – Pier 2 (prime berths – 108, 203, 204)</td>
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<td>24</td>
<td>32</td>
<td>23</td>
<td>32</td>
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<tr>
<td>CTCT</td>
<td>number</td>
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<td>33</td>
<td>30</td>
<td>33</td>
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<tr>
<td>Port Elizabeth</td>
<td>number</td>
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<td>25</td>
<td>23</td>
<td>25</td>
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<tr>
<td>Ngqura Container Terminal (NCT)</td>
<td>number</td>
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<td>32</td>
<td>25</td>
<td>32</td>
</tr>
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<td>Key performance area and indicator</td>
<td>Unit of measure</td>
<td>2017 Actual</td>
<td>2018 Target</td>
<td>2018 Actual</td>
<td>2019 Target</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>----------------</td>
<td>-------------</td>
<td>-------------</td>
<td>-------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Container moves per ship working hour</td>
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<td>53</td>
<td>46</td>
<td>50</td>
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<td>70</td>
<td>53</td>
<td>65</td>
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<td>number</td>
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<td>56</td>
<td>45</td>
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<td>Port Elizabeth</td>
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<td>36</td>
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<tr>
<td>NCT</td>
<td>number</td>
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<td>50</td>
<td>66</td>
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<td>Train turnaround time</td>
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<td>2.4</td>
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<tr>
<td>DCT - Pier 1</td>
<td>hours</td>
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<td>≤4</td>
<td>2.2</td>
<td>4</td>
</tr>
<tr>
<td>CTCT</td>
<td>hours</td>
<td>1.0</td>
<td>≤4</td>
<td>1.1</td>
<td>4</td>
</tr>
<tr>
<td>NCT</td>
<td>hours</td>
<td>3.8</td>
<td>≤4</td>
<td>3.9</td>
<td>4</td>
</tr>
<tr>
<td>Saldanha</td>
<td>minutes</td>
<td>11.2</td>
<td>≤109</td>
<td>105</td>
<td>109</td>
</tr>
<tr>
<td>Richards Bay</td>
<td>hours</td>
<td>8.4</td>
<td>≤11</td>
<td>8.4</td>
<td>11</td>
</tr>
<tr>
<td>Port Elizabeth</td>
<td>hours</td>
<td>9.8</td>
<td>≤12</td>
<td>7.9</td>
<td>12</td>
</tr>
<tr>
<td>Truck turnaround time</td>
<td>minutes</td>
<td>37</td>
<td>≤35</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>DCT - Pier 1</td>
<td>minutes</td>
<td>79</td>
<td>≤35</td>
<td>72</td>
<td>35</td>
</tr>
<tr>
<td>CTCT</td>
<td>minutes</td>
<td>21</td>
<td>≤35</td>
<td>36</td>
<td>35</td>
</tr>
<tr>
<td>NCT</td>
<td>minutes</td>
<td>32</td>
<td>≤35</td>
<td>36</td>
<td>35</td>
</tr>
<tr>
<td>Richards Bay Multi-Purpose Terminal (Bulk)</td>
<td>minutes</td>
<td>25</td>
<td>≤35</td>
<td>22</td>
<td>35</td>
</tr>
<tr>
<td>Loading rate (per hour)</td>
<td>tons</td>
<td>8 564</td>
<td>8 094</td>
<td>8 576</td>
<td>8 100</td>
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<tr>
<td>Saldanha Iron Ore Terminal²</td>
<td>tons</td>
<td>752</td>
<td>900</td>
<td>785</td>
<td>n/a</td>
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<tr>
<td>Richards Bay Dry Bulk Terminal (RB DBT) – Loading</td>
<td>tons</td>
<td>405</td>
<td>500</td>
<td>391</td>
<td>n/a</td>
</tr>
<tr>
<td>RB DBT – Unloading</td>
<td>tons</td>
<td>8 891</td>
<td>8 194</td>
<td>8 816</td>
<td>8 132</td>
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<tr>
<td>Sustainable developmental outcomes</td>
<td>rate</td>
<td>0.71</td>
<td>≤0.71</td>
<td>0.67</td>
<td>0.70</td>
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<tr>
<td>Employment</td>
<td>rate</td>
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<td>8.194</td>
<td>8.816</td>
<td>8.132</td>
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<tr>
<td>Health and safety</td>
<td>rate</td>
<td>0.71</td>
<td>≤0.71</td>
<td>0.67</td>
<td>0.70</td>
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</tbody>
</table>

1. Capital expenditure excludes capitalised borrowing costs.
2. Dual loading rate.
3. Total employee headcount includes fixed-term contract employees.
## Financial performance review

<table>
<thead>
<tr>
<th>Salient features</th>
<th>Year ended 31 March 2018</th>
<th>Year ended 31 March 2017</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Containers</td>
<td>6 287</td>
<td>5 722</td>
<td>9.9</td>
</tr>
<tr>
<td>- Dry bulk</td>
<td>3 522</td>
<td>3 315</td>
<td>6.2</td>
</tr>
<tr>
<td>- Break–bulk</td>
<td>1 816</td>
<td>1 455</td>
<td>24.8</td>
</tr>
<tr>
<td>- Automotive</td>
<td>768</td>
<td>658</td>
<td>16.7</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Energy costs</td>
<td>(617)</td>
<td>(522)</td>
<td>18.2</td>
</tr>
<tr>
<td>- Maintenance</td>
<td>(379)</td>
<td>(332)</td>
<td>14.2</td>
</tr>
<tr>
<td>- Materials</td>
<td>(481)</td>
<td>(419)</td>
<td>14.8</td>
</tr>
<tr>
<td>- Personnel costs</td>
<td>(4 412)</td>
<td>(3 924)</td>
<td>12.4</td>
</tr>
<tr>
<td>- Other</td>
<td>(2 332)</td>
<td>(2 159)</td>
<td>8.0</td>
</tr>
<tr>
<td><strong>Profit from operations before depreciation, derecognition, amortisation and items listed below (EBITDA)</strong></td>
<td>4 172</td>
<td>3 794</td>
<td>10.0</td>
</tr>
<tr>
<td>Depreciation, derecognition and amortisation</td>
<td>(1 705)</td>
<td>(1 481)</td>
<td>15.1</td>
</tr>
<tr>
<td>Profit from operations before items listed below</td>
<td>2 467</td>
<td>2 313</td>
<td>6.7</td>
</tr>
<tr>
<td>Impairments and fair value adjustments</td>
<td>(249)</td>
<td>(684)</td>
<td>(63.6)</td>
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<tr>
<td>Net finance costs</td>
<td>(252)</td>
<td>(396)</td>
<td>(36.4)</td>
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<tr>
<td><strong>Profit before taxation</strong></td>
<td>1 966</td>
<td>1 234</td>
<td>59.3</td>
</tr>
<tr>
<td><strong>Total assets (excluding CWIP)</strong></td>
<td>15 396</td>
<td>16 638</td>
<td>(7.5)</td>
</tr>
</tbody>
</table>

### Profitability measures

- **EBITDA margin**\(^1\) % 33.7 34.0 (0.1)
- **Operating margin**\(^2\) % 19.9 20.7 (0.4)
- **Return on average total assets (excluding CWIP)**\(^3\) % 15.5 13.3 16.5
- **Asset turnover (excluding CWIP)**\(^4\) times 0.8 0.64 25.0
- **Capital investments**\(^5\) R million 1 365 1 208 13.0

### Employees

- **Number of employees (permanent)**
  - 7 096
- **Revenue per employee**
  - 1.75

---

### Performance commentary

#### Financial sustainability

- **Revenue**: Increased by 11% to R12,4 billion (2017: R11.2 billion), exceeding the budget by 1.7%. This was due to good volume performance and higher revenue achieved in the automotive and break-bulk sectors.
- **Net operating expenses**: Grew by 11.9% to R8.2 billion from the prior year (2017: R7.4 billion). While costs have been tightly managed, some of the key drivers of the higher costs were:
  - Energy, which increased by 22% on the back of above-inflation price increases as well as significant volume growth across all sectors; and
  - Additional repairs and maintenance spend of 14% on ageing bulk and other operating equipment as well as equipment that was damaged during the October storm in Durban.
- **EBITDA margin**: Increased from 34.0% to 33.7% in 2018.

#### Looking ahead

- **Port Terminals** anticipates an increase in revenue of 8.4% to R13.4 billion in the 2019 financial year.
- **Service delivery**: Promote additional export channels for manganese and optimise service delivery within the Durban Container precinct.
Capacity creation and maintenance

- Capital expenditure for the year was R1.4 billion – 13% below the budget of R1.6 billion due to underspend in the Port Elizabeth manganese plant refurbishment as well as a delay in award for the execution of the C01 conveyor at Richards Bay.
- The Port Elizabeth Bulk Terminal plant conveyors and stacker reclaimers underwent a partial refurbishment to enable continued operations until 2022.
- DCT Pier 2 received 23 replacement straddle carriers to improve the fleet reliability and operational efficiencies.
- DCT also received 29 hauler and trailer combinations to enable indirect operations at the terminal.

Looking ahead

The planned seven-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 introduction of mobile ship loaders at the Saldanha Multi-Purpose Terminal will increase its capacity from 8.7 million tons per annum (mtpa) to 10 mtpa.
- The development of a dedicated bulk export terminal at Ngqura will create capacity to handle 12 mtpa of manganese.
- The berth deepening and lengthening at the North Quay of DCT Pier 2 will restore berth capacity to 2.9 million TEUs.
- Capacity in East London’s automotive terminal will be increased by 25,000 units per year.
- Berth 702 at the Richards Bay Dry Bulk Terminal (RB DBT) will be converted from an import to an export berth in order to cater for higher export volumes.
- A combination of a third tippler and a multi-purpose ship loader at the RB DBT will boost dry bulk exports by an additional 4 mtpa.

Market segment competitiveness

Containers

- Container volumes performed well, exceeding the budget for the year under review by 4% and increasing by 6.1% year on year.
- Imports, exports and transshipments were 2%, 6% and 4% above budget respectively.
- The global economic upswing boosted volumes, resulting in increased demand for containerised goods.
- The Durban terminals had a slow start to the year and suffered a temporary reduction in capacity following the storm that hit the port in October 2017 but the terminals recovered well in the final quarter of the year to exceed the budgeted volumes.
- The Port Elizabeth and Ngqura container terminals have significantly outperformed their expected volumes as a result of increased transshipment volumes.
- CTCT has been severely impacted by deteriorating weather conditions, with some customers opting to bypass the terminal, which resulted in the terminal’s volumes falling 11% below the budget.

Bulk

- Volumes in the bulk sector performed 1% below budget for the year. Bulk export commodities were negatively impacted by changing market conditions due to changes in demand.
- Manganese volumes performed well, exceeding expected volume throughput by 19%. This was primarily driven by increased international demand for the commodity and significant volumes being exported through Saldanha.
• Iron ore volumes were 1% below budget as a result of adverse weather conditions, derailments and supply challenges.
• Coal volumes were 12% below budget due to unfavourable demand at the beginning of the year despite markets picking up in the latter part of the year.
• Magnetite volumes were 31% below budget having been negatively affected by unfavourable commodity prices and high freight costs. Limited demand and adverse weather conditions further impacted volumes.
• Chrome volumes were 2% below budget. Volumes were negatively impacted by unfavourable market conditions and lower commodity prices in the first half of the year. Chrome has, however, shown some improvement in the second half of the year.
• The agricultural terminals transitioned back from net imports to net exports during the year as the South African agricultural sector recovered from the drought.

Break-bulk
• Break-bulk volumes were 7% below budget for the year primarily due to increased competition from other terminal operators and changes in commodity prices.
• Ferronickel, rock phosphate and coal at the Richards Bay Multi-Purpose Terminal (MPT) performed well due to favourable market conditions and higher commodity prices.
• Chrome ore and ferrochrome volumes were below budget as China looked to influence prices by lowering demand.
• Steel and general cargo performed well at the Durban MPT, however, due to heightened competition from other terminal operators this terminal did not meet its expected volumes.
• Volumes at the Cape Town MPT were significantly below budget as a result of fierce competition among the terminal operators.

Automotive
• Automotive volumes exceeded the budget by 4% due to an increase in international demand as the global automotive economy recovers.
• Volumes at the Durban Car Terminal were 3% above budget due to higher import and transshipment volumes.
• East London Car Terminal volumes were also 3% above budget due to higher export volumes and increased consumer demand.
• Port Elizabeth Car Terminal exceeded expected volumes by 8% despite the withdrawal of General Motors from South Africa.

Looking ahead
Volume targets for the 2019 financial year:
• Containers: 4.6 million TEUs
• Bulk cargo: 86.5 million tons
• Break-bulk cargo: 19.5 million tons
• Automotive units: 725,401 units

Port Terminals will:
• Continue to market its complementary network of ports to grow volumes, counter new entrants to the market and increase maritime connectivity.
• Aggressively market transshipments at local, regional and global levels, while marketing Ngqura and Port Elizabeth as container and automotive transshipment hubs respectively.
• Increase the volume (moves/tons/units) per ship working hour (SWH) to turn vessels around faster and attract shipping lines to South African ports.
• Collaborate closely with Freight Rail and National Ports Authority to improve operational efficiencies and strengthen Port Terminals’ position as a gateway terminal to serve both local and regional economies.
• Provide integrated and competitive pricing structures to attract and maintain market share.
• Develop competitive value propositions to provide customers with complete logistics solutions through supply chain integration.
• Commence the project to deepen and lengthen the North Quay at DCT Pier 2 in conjunction with the National Ports Authority. The terminal will have three deep water berths and a capacity of 2.9 million TEUs upon completion in 2025.
• Explore opportunities to partner with the private sector to increase maize and wheat volumes in Durban and East London.
• Continue to drive volume growth through new business opportunities and optimise existing capacity through improved operational efficiency and reliability.
• Focus on volume growth and increasing market share in the bulk and break-bulk segments by exploring new market opportunities.

Operational excellence
• Port Terminals’ primary measure of operational efficiency is average moves per SWH. Port Terminals did not achieve the 2018 target and the average SWH has declined across most container terminals compared to the same period last year.
• DCT’s Pier 1 marginally improved its SWH performance from 45 to 46 moves despite the impact of the October storm on equipment and operations. The SWH at DCT’s Pier 2 declined from 55 in the prior year to 52 moves in 2018. This was primarily due to low availability and reliability of key equipment as well as congestion during to the bumber reefer season in the first half of the year. In the latter half of the year, operations were impacted by the severe storm which saw a significant amount of equipment being damaged and a temporary reduction in the terminal’s operational capacity. The terminal recovered from this incident and performance in the last quarter significantly improved.
• The Ngqura Container Terminal’s SWH decreased from 63 to 50 moves due to limitations in people resources, which is being addressed. The terminal has also experienced a significant deterioration in weather conditions, which has had a negative impact on operations. The SWH at CTCT declined from 53 to 45 moves in 2018, primarily due to poor weather conditions as well as equipment reliability challenges. Port Terminals will focus on weather mitigation strategies to improve and sustain operating performance at Ngqura and Cape Town in 2019.
• The average moves per Gross Crane Hour (GCH) declined by 12% to 25 moves (2017: 28 moves), falling short of the 2018 targets across the container terminals. Some of the key reasons include the poor reliability and availability of key operating equipment, the impact of the October storm on the Durban terminals’ operations and a significant deterioration in weather conditions.
• The container terminals maintained their train turnaround time below the targeted four hours in 2018 while the bulk terminals maintained their train turnaround times below the targeted 109 minutes at Saldanha, 11 hours at Richards Bay and 12 hours at Port Elizabeth.
• The average truck turnaround time was 40 minutes against a target of 35 minutes. This adverse variance was attributable to truck turnaround time at DCT Pier 2 which was negatively impacted by equipment challenges. The terminal has, however, shown signs of improvement in the last quarter. Poor weather conditions also impacted the Cape Town and Ngqura terminals.
Looking ahead
Port Terminals will:
• Seek to increase SHW to 55 moves in the 2019 financial year by focusing on the following efficiency improvements:
  - Resourcing gangs and supporting equipment to maximise crane deployment across vessels;
  - Rolling out Lean Six Sigma principles to improve productivity in key operational areas;
  - 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 below the target of 35 minutes;
• Continue engaging customers in an effort to reduce container dwell times and increase capacity.
• 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 Dry Bulk Terminal and below 109 minutes at the Saldanha Iron Ore Terminal;
• 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 leveraging technology, such as the Internet of Things for asset management;
• Work collaboratively with the 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; and
• Focus on enhancing leadership skills at all employee levels to improve accountability and create a high-performance culture.

Human capital
• Black employees represented 87% of the total employee base (target: 89%);
• Female employees represented 28% of the total employee base (target: 29.7%);
• People with disabilities represented 1.3% of the total employee base (target: 3.1%);
• Port Terminals achieved its objective of being rated a Level 2 B-BBEE contributor.

Organisational readiness
Skills development
• Port Terminals spent 2.5% (direct, indirect and skills levies cost) of its total labour bill on employee training and skills development.
• A total of 925 employees underwent sector-specific training, such as Operator Lifting Equipment, Operator Bulk Handling Equipment, Cargo Co-ordinators and Planners (an additional 1 828 employees completed refresher and re-certification training).
• A total of 442 managers and supervisors underwent various leadership programmes.
• In all, 190 artisans were assessed on outcomes-based modular learning.
• A total of 1 589 employees trained on Lean Six Sigma.
• Youth programmes:
  - 146 apprentices in training;
  - 27 young professionals in training, and
  - 15 engineers in training.

Health and safety
• Port Terminals achieved a DIFR of 0.67 against a target of 0.71.
• Due to Transnet’s decision to implement the Transnet Integrated Management Approach (TIMA), aimed at ensuring consistency and integration of process for the entire group, NOSA audits have been discontinued in most terminals and have only been conducted in the Eastern Cape.
• The Eastern Cape performed as follows:
  - Nqura Container Terminal received a NOSCAR with an effort score of 95.66%;
  - East London Car Terminal received a NOSCAR with an effort score of 97.2%;
  - East London Multi-Purpose Terminal received a five-star rating with an effort score of 92.73%;
  - Port Elizabeth Car Terminal received a NOSCAR with an effort score of 95.49%;
  - Port Elizabeth Container Terminal received a five-star rating with an effort score of 91.05%; and
  - Port Elizabeth Multi-Purpose Terminal received a five-star rating with an effort score of 91.38%.
• Port Terminals performed exceedingly well at the Transnet Group Annual Safety Competition. The Richards Bay Fire Fighting Team took the third spot in the Fire Fighting Category, the Nqura First Aid team took the number two spot in the First Aid category and Shantal Chetty, a Safety Health and Environment Representative, took the third spot in the SHE Rep category.

Governance and ethics
Social accountability
• Port Terminals’ employees donated hundreds of pairs of new school shoes to disadvantaged schools. The Shoes on Feet campaign, which was started in 2014 as a tribute to Nelson Mandela, has made a difference in the lives of thousands of students across the country.
• Port Terminals’ employees also donated 5-litre bottles of water to drought stricken areas across Cape Town.
• The Sustainability Team donated vegetables harvested from the head office vegetable gardens to St Martin’s Children’s Home in February 2018.
• The Sustainability Team and employee volunteers spent Arbor Day at St Monica’s Children and Youth Care Centre in Bluff, south of Durban, in order to revive the home’s wilted food garden. The team planted a variety of vegetable seeds and saplings at the home, which will produce fresh vegetables for the children.
• Port Terminals marked 16 Days of Activism against women and child abuse with head office employees participating in a march to create awareness.
The following table details Port Terminals' top five risks and the key mitigation activities.

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<th>Key risks</th>
<th>Mitigating activities</th>
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| 1. Adverse sustainability events leading to business discontinuity | • Delkor plant refurbishment project  
• FEL 1 business case for Richards Bay desalination plant  
• Increase the reverse osmosis plant capacity at Saldanha |
| 2. Labour instability leading to business discontinuity events | • Collaborate with financial institutions to offer financial wellness programmes for employees affected by new shift patterns and the new short-term incentive scheme  
• Sign off agreement with labour for new shift patterns |
| 3. Changes in regulatory environment with regard to the mandatory weighing of cargo with compliant weighing instruments, this has required additional capital funding | • Richards Bay road weighbridge verification project  
• Richards Bay belt scales upgrade project  
• Allocate a budget for compliance with the Radio Frequency Spectrum Plan  
• Installation of weighbridges at the container terminals |
| 4. Poor governance leading to financial losses and reputational damage | • Update all outdated standard operating procedures  
• Implement a follow-up system for line managers to review and act upon declared information  
• Implement the Ethics Management Plan |
| 5. Non-compliance with safety policies and procedures leading to injuries and fatalities | • Close out legal compliance and occupational survey findings  
• Appoint a resource per shift to monitor compliance with operator relicensing  
• Undertake a signage survey  
• Fire risk assessment execution (all terminals)  
• Implement Transnet Integrated Management Approach (TIMA) procedures  
• Internal audits  
• Roll out new risk assessment procedure  
• Railway safety audits planning  
• Audit safety critical controls  
• Monitoring the compliance of standard operating procedures training  
• Implement the fire prevention strategy for Richards Bay  
• Implement behaviour-based system training and awareness campaigns  
• Conduct random quarterly compliance monitoring of safety, health and environment file requirements |

**Opportunities**

- Port Terminals is exploring opportunities to expand its service offerings across the transport value chain. Back of port opportunities are being explored to create inland terminals and offer warehousing and value-add services in the container, mineral bulk and automotive segments.
- Port Terminals supports Transnet’s international strategy by applying cargo handling and logistics strengths and capabilities to countries in Africa.
- Port Terminals is also exploring opportunities to partner with the private sector.
- Port Terminals continues to grow volumes as the South African economy recovers and commodity prices improve.
- The Transnet Value Chain Coordinator strategy continues to facilitate improvements in operational efficiencies and logistics integration between port and rail. This 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.