CGA WEEKLY PRODUCTION, LOGISTICS & SHIPPING REPORT

Week 17 – 26 April 2024

Compiled by -
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OF SOUTHERN AFRICA

Sources: PPECB / Transnet / CGA VFG's / Agrihub / MarineTraffic.com

OF SOUTHERN AFRICA

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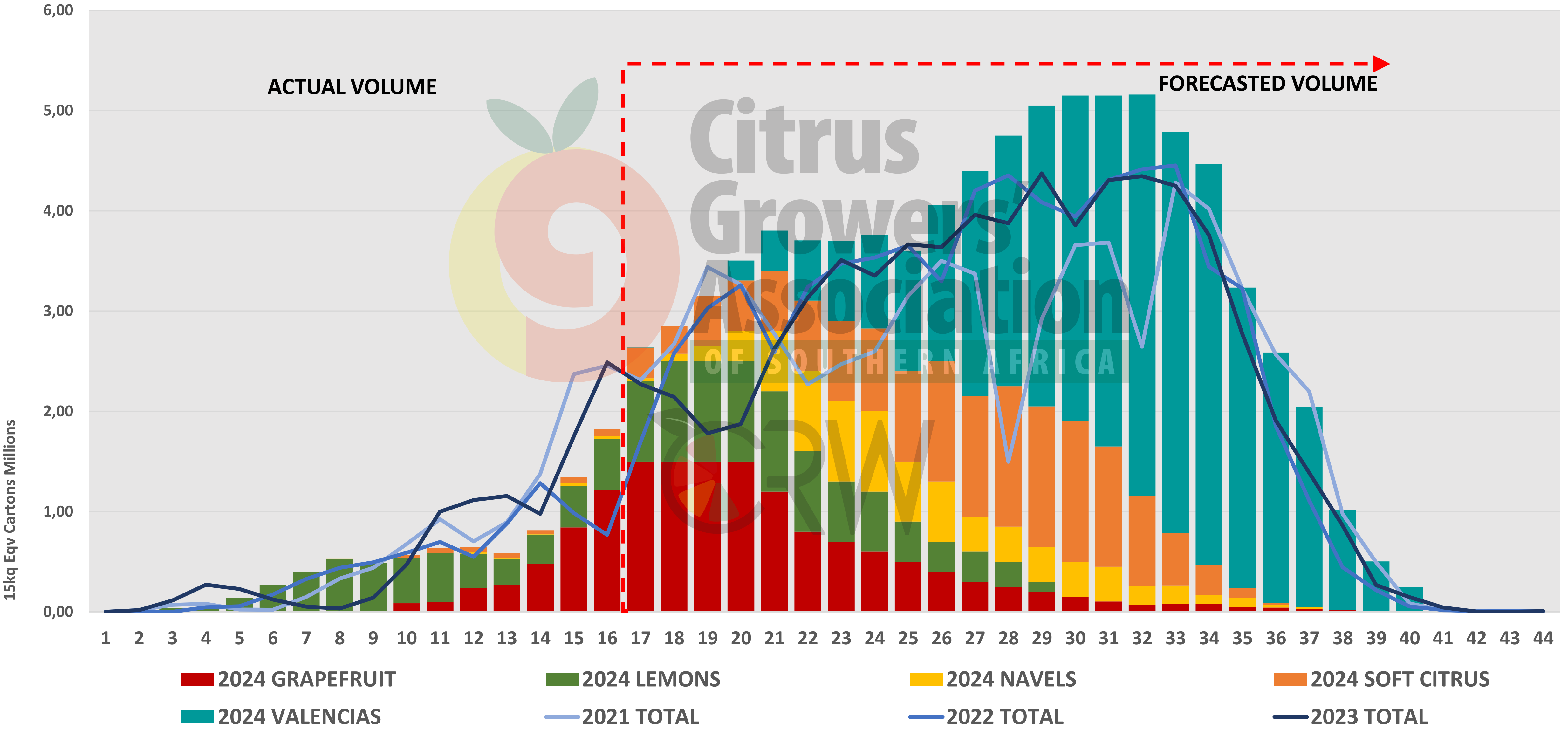
2024 YTD CITRUS PRODUCTION BY CORRIDOR BY COMMODITY

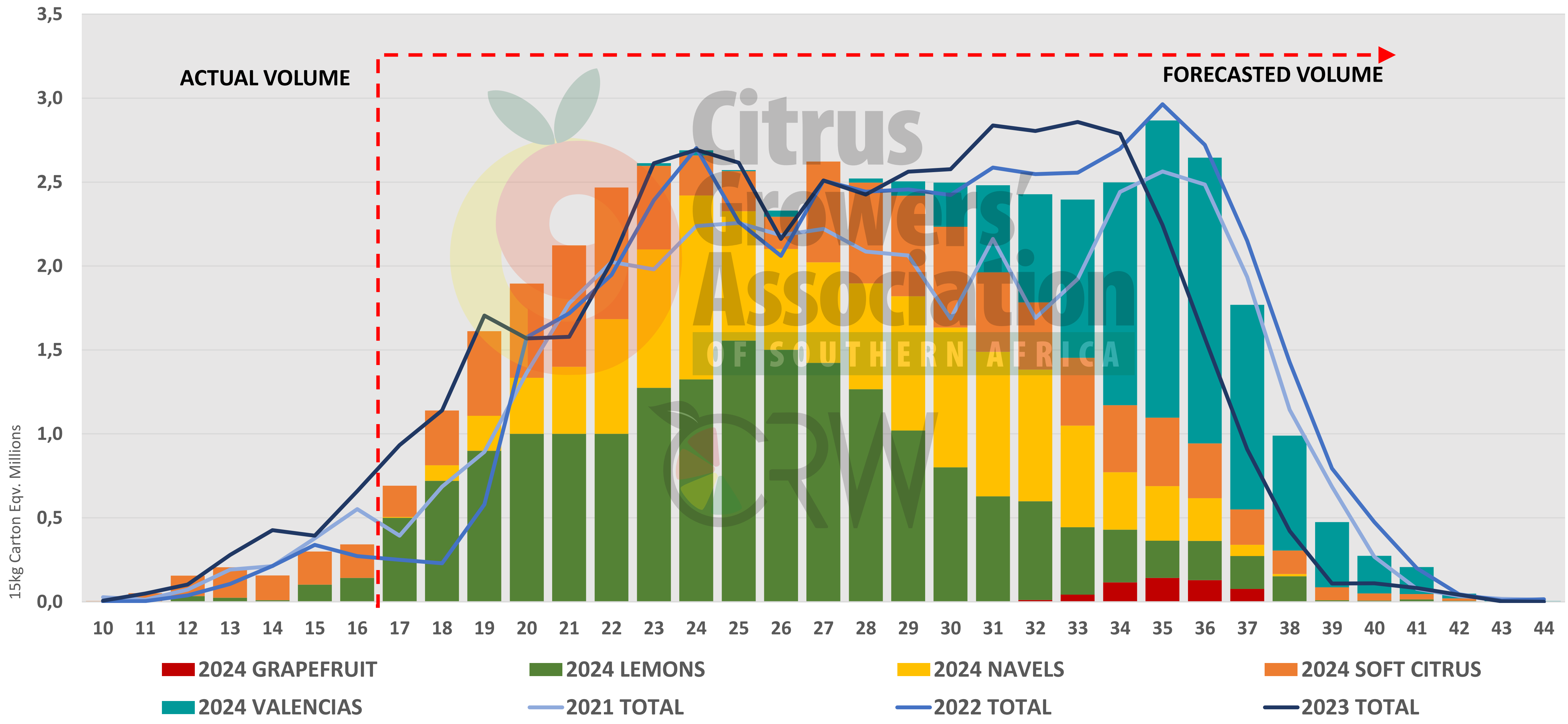
Note: estimates will be updated as per amendments made by the VFG's latest estimates.

Sum of CGA 15kg Eqv. Cartons		Year to Date				2024 Total Estimate
Supplier Region	Product	2021	2022	2023	2024	
Eastern Cape Regions	GRAPEFRUIT	235	339	75	71	538 995
	LEMONS	754 621	384 910	1 124 253	314 618	19 896 329
	NAVELS	4 700	135	2 734		11 064 558
	SOFT CITRUS	705 363	634 522	785 489	798 083	10 542 410
	VALENCIAS		30	5 277		9 951 880
Eastern Cape Regions Total		**1 464 918**	**1 019 936**	**1 917 827**	**1 112 771**	**51 994 172**
Northern Regions	GRAPEFRUIT	3 862 475	2 973 259	3 432 117	3 219 447	14 726 323
	LEMONS	6 423 974	4 331 934	6 086 247	4 658 374	13 106 540
	NAVELS	233 536	52 025	57 283	61 062	7 169 830
	SOFT CITRUS	495 158	252 675	357 352	341 832	15 543 438
	VALENCIAS	10 222	1 204	2 233	865	41 470 681
Northern Regions Total		**11 025 365**	**7 611 096**	**9 935 232**	**8 281 581**	**92 016 811**
Western/Northern Cape Regions	GRAPEFRUIT	70 924	18 811	450	82	1 394 865
	LEMONS	232 780	77 089	188 786	136 898	4 935 001
	NAVELS	19 418	3 350	38 079	11 794	7 158 055
	SOFT CITRUS	670 030	395 966	877 124	961 906	16 939 261
	VALENCIAS	6 921	7 168	11 252	3 828	6 887 201
Western/Northern Cape Regions Total		**1 000 073**	**502 384**	**1 115 690**	**1 114 507**	**37 314 382**
Grand Total		**13 490 356**	**9 133 415**	**12 968 749**	**10 508 859**	**181 325 365**

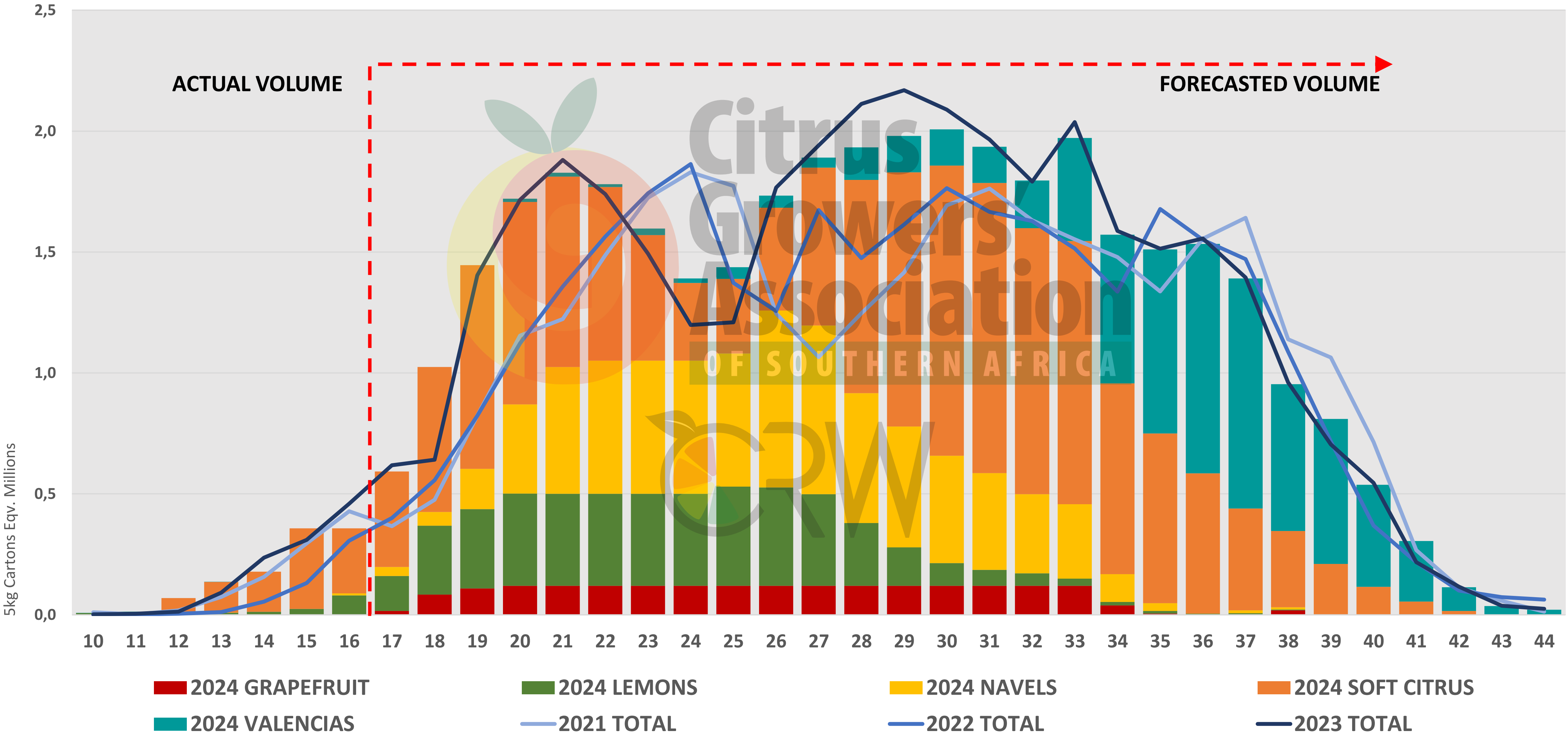
2024 YTD NORTHERN REGIONS CITRUS EXPORT PRODUCTION FORECAST VS. ACTUAL BY WEEK BY COMMODITY



2024 YTD EASTERN CAPE REGIONS CITRUS EXPORT PRODUCTION FORECAST VS. ACTUAL BY WEEK BY COMMODITY



2024 YTD WESTERN & NORTHERN CAPE REGIONS CITRUS EXPORT PRODUCTION FORECAST VS. ACTUAL BY WEEK BY COMMODITY



SNAPSHOT TPT CONTAINER TERMINAL WEEKLY OPERATIONAL STATUS

PORT	TERMINAL	NOTEWORTHY EQUIPMENT ISSUES	STATISTICAL PERFORMANCE	STATUS	NOTES
DURBAN	POINT MULTI PURPOSE TERMINAL	• 1/3 Mobile shore crane under long term repairs	• Ave. MAQ • Ave. Trucks Handled • Peak Reefer Utilization = 40%		• TNPA port operations was affected for a short period on Tue 23/04 due to both helicopter and pilot boat breakdown. Both now back in service. • Harbour master has reduced vessel draft on berth 107, 108 and 109 thus impacting vessels berthing and loading capacity. Dredging is required however TNPA need to occupy the berth space which TPT can ill afford. Monitoring progress. • DCT Pier 2 is affected by shortage of Straddle Carriers, on average <60 are available per shift while said to require >/=85. Straddle fleets are on urgent order.
	DCT PIER 1	• 2/7 Shore cranes under repairs • Shortage of RTG ongoing	• Ave. Daily MAQ = 1,400-1,800 / 5 Gangs • Ave. Daily Trucks Handled = ~1,200 • Peak Reefer Utilization = 51%		
	DCT PIER 2	• 4/14 Shore cranes under repairs • Shortage of Straddle Carriers ongoing	• Ave. Daily MAQ = ~3,800 / 10-11 Gangs • Ave. Daily Trucks Handled = ~2,100 • Peak Reefer Utilization = 46%		
PORT ELIZABETH	PE CONTAINER TERMINAL	• 1/2 Shore cranes under maintenance. 1 Mobile shore crane available • Ongoing repairs to Straddle Carriers	• Ave. MAQ = • Ave. Trucks Handled = • Peak Reefer Utilization =		• 2/8 Shore cranes at NCT will be taken out on a rotational basis to undergo maintenance. All cranes are planned to be back in operation by mid May. NCT will reduce to 2/3 berths during this time. Vessel delays will be monitored. • Vessel surging as a result of wave height despite shore tensioners in place. • Reefer transhipment at NCT unusually high peaking at 350 units. This needs to be investigated and evaluated.
COEGA	NGQURA CONTAINER TERMINAL	• 2/8 Shore cranes under rotational short term maintenance	• Ave. Daily MAQ = 1,200 units / 5-6 Gangs • Ave. Daily Trucks Handled = ~400 • Peak Reefer Utilization =27%		
CAPE TOWN	CAPE TOWN CONTAINER TERMINAL	• 2/9 Shore cranes under maintenance	• Ave. Daily MAQ = TBA / 5-7Gangs • Ave. Daily Reefer Trucks Handled = ~350 • Peak Reefer Utilization = 86%	• High reefer occupancy • Wind delays	• Earlier this week CTCT reefer plug capacity reached close to 90% utilization due to concurrent export reefer intake for MSC Carol and Santa Rita (both being EU high reefer loaders) as well as weather delays (Fog / Wind). Terminal stopped accepting reefers on 24/04 for a day. Terminal ops should return to normal by Sun 28/04.
	CAPE TOWN MULTI PURPOSE TERMINAL	• 1/3 Mobile shore cranes under repairs • Issue with a spreader on 1 crane being sorted out.	• Ave. MAQ • Ave. Daily Reefer Trucks Handled = • Peak Reefer Utilization %		

SNAPSHOT CONTAINER TERMINAL SERVICE LINE UP

Friday, 26 April 2024			Terminal								
Service	Rotation	Trade Lane	CTCT	CTMPT	NCT	PECT	Pier 1	Pier 2	DRT	DPW Maputo	Notes
AIME	DUR	MIDDLE EAST / INDIA					X				
AMEX	PE/DUR/CPT	NORTH AMERICA		X		X	X				
ASA	DUR/CPT	FAR EAST / SE ASIA	X				X				
FAX	DUR	FAR EAST / SE ASIA						X			
MESAE / MIDAS 1	CPT	MIDDLE EAST / INDIA		X							Bypassing DUR due to congestion
MSC EU	NCT/DUR/CPT	EU/UK/MED/RS	X		X			X			
MSC ILANGA	DUR	MIDDLE EAST / INDIA						X			Omitting CPT & ZBA
MSC IAS	NCT	MIDDLE EAST / INDIA			X						
MSC INGWE	DUR	FAR EAST / SE ASIA						X			
MSC AESE	NCT	FAR EAST / SE ASIA			X						
OACNA	PE/DUR	FAR EAST / SE ASIA				X					Transship PE to DUR
PROTEA / MIDAS 2	DUR/PE	MIDDLE EAST / INDIA				X		X	X		Rotating DUR Pier 2 & DRT
SAECS	NCT/DUR/CPT	EU/UK/MED/RS	X		X		X				
SAFARI	DUR	FAR EAST / SE ASIA						X			
SHOSHOLOZA	CPT/NCT	Transship ME/FE VIA COEGA	X		X						Transship ME & FE to NCT
CPTFEEDER	CPT	FAR EAST / SE ASIA	X								Transship CPT to MUPLU
MSC EU Citrus Loader	PECT	EU/UK/MED				X					
HLC EU/UK Citrus Loader	DUR/PECT	EU/UK/MED				X					Transship via MATNG
M-XPRESS / MOZEX (MSK/CMA)	DPW MZMPM	MIDDLE EAST / INDIA / ASIA / FE								X	Transship MUPLU & SGSIN
MIM (HLC/ONE/UNI)	DPW MZMPM	MIDDLE EAST / INDIA								X	
MZS (PIL)	DPW MZMPM	MIDDLE EAST / INDIA / ASIA / FE								X	Transship MUPLU & SGSIN
Notes											
* PECT could become constrained due to excess reefer exports											
* NCT reefer plug capacity could be constrained by CPT transhipments											
* DUR could be short on capacity to ME region at the exclusion of MESAE											
* Monitor vessels routing ex PECT/NCT routing to DUR then CPT for transit times i.e. MSCEM/SEACS/AMEX											

SNAPSHOT OF CONTAINER VESSELS AWAITING BERTHING AT SA PORTS

	26-Apr	CONTAINER VESSELS AWAITING OFF SA PORTS					
	Port	Vessel Name	Service	Terminal	Date Arr	Planned Berthing	Days at Anchorage
1	CAPE TOWN	MAERSK NEWARK	CPTFEEDER	CTCT	23-Apr	23-Apr	0
2	CAPE TOWN	MSC LEO VI	MSCAS	CTCT	24-Apr	26-Apr	2
3	CAPE TOWN	BEAR MOUNTAIN BRIDGE	ASA	CTCT	23-Apr	29-Apr	6
4	CAPE TOWN	MAERSK VISBY	AMEX	CTMPT	20-Apr	26-Apr	6
5	CAPE TOWN	CMA CGM MASAI MARA	MESAE	CTMPT	23-Apr	29-Apr	6
6	DURBAN	MSC SHEFFIELD III	MSCAS	DRT	21-Apr	27-Apr	6
7	DURBAN	MSC MELTEMI III	MSCAS	PIER 1	25-Apr	26-Apr	1
8	DURBAN	NYK PAULA	AIME	PIER 1	25-Apr	30-Apr	5
9	DURBAN	ONE REASSURANCE	SAECS	PIER 1	22-Apr	02-May	10
10	DURBAN	MIRADOR EXPRESS	HLCSAT	PIER 1	24-Apr	05-May	11
11	DURBAN	APL HOUSTON	SAFARI	PIER 2	08-Apr	27-Apr	19
12	DURBAN	CMA CGM SAN ANTONIO	MIDASL2	PIER 2	19-Apr	28-Apr	9
13	DURBAN	MSC YORK VII	MSCING	PIER 2	25-Apr	29-Apr	4
14	DURBAN	MAERSK STADELHORN	SAFARI	PIER 2	19-Apr	03-May	14
15	DURBAN	MSC FLORIANA VI	MSCING	PIER 2	20-Apr	07-May	17
16	PE/COEGA	MSC MARTINA	MSCMZEA	NCT	14-Apr	23-Apr	9
17	PE/COEGA	BORDER	OACEL	NCT	25-Apr	27-Apr	2
18	PE/COEGA	MSC TOKOTA F	MSCINGO	NCT	25-Apr	29-Apr	4
19	PE/COEGA	MSC LOME V	MSCMZEA	NCT	19-Apr	05-May	16
20	PE/COEGA	MSC HOUSTON V	MSCEM	PECT	23-Apr	26-Apr	3
21	PE/COEGA	AS CHRISTIANA	MIDASL2	PECT	25-Apr	03-May	8

CITRUS DEPOT STOCK LEVELS & DWELL TIMES

26 April 2024

Compiled by -
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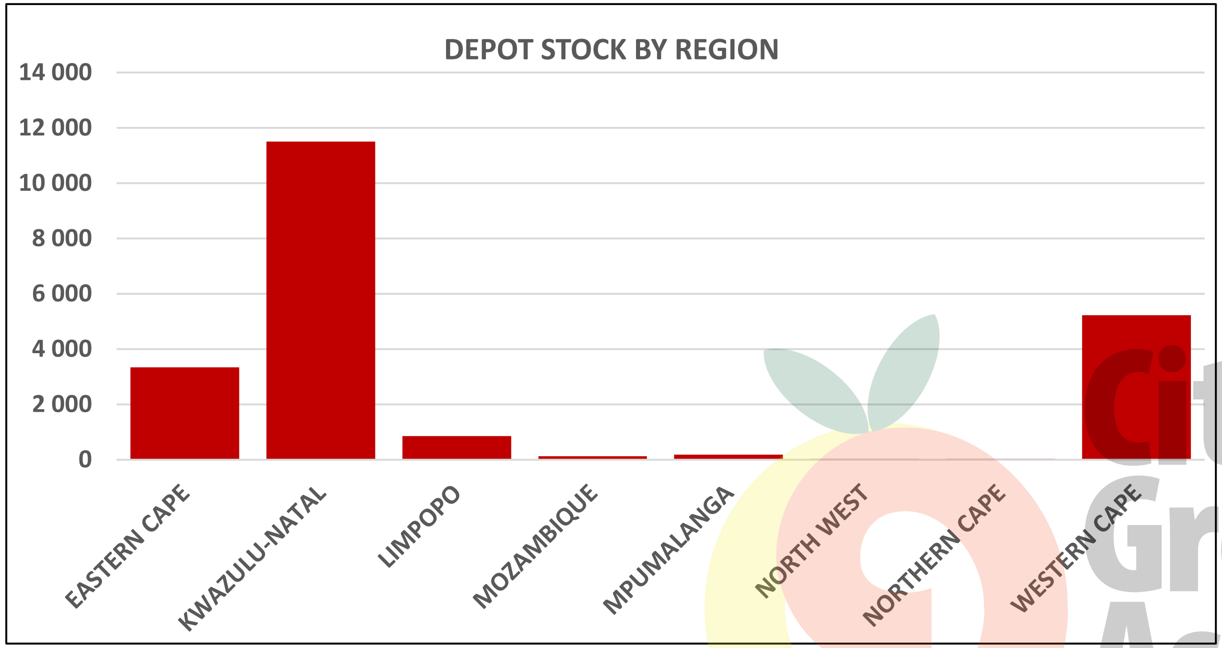
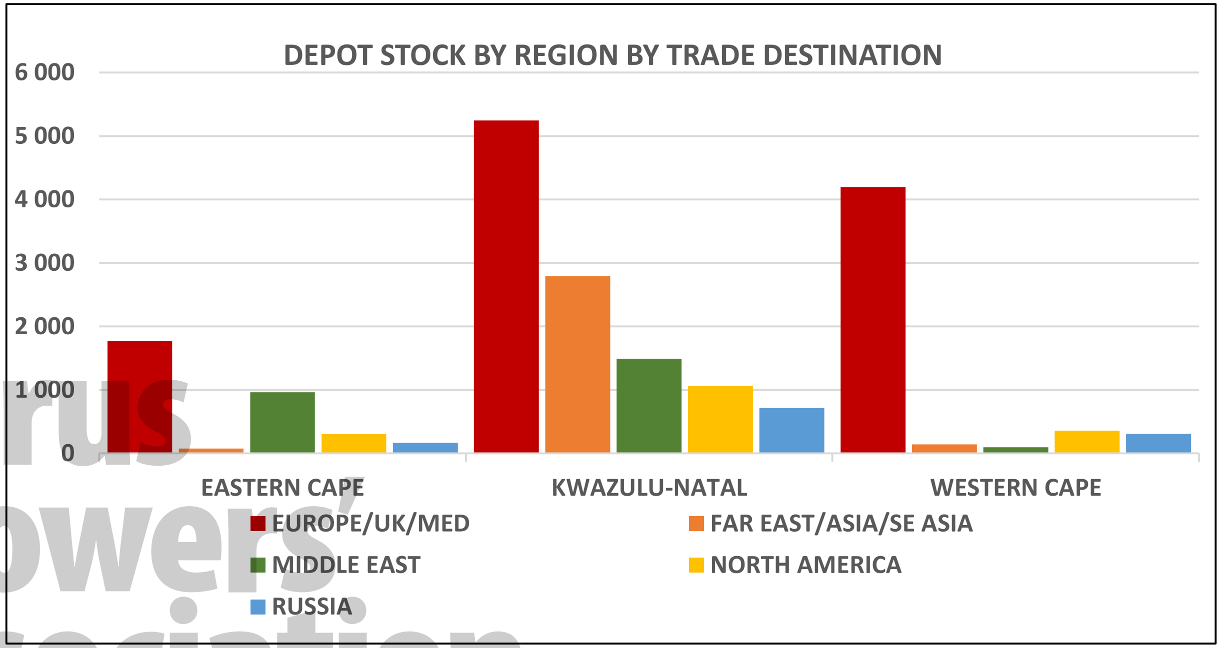
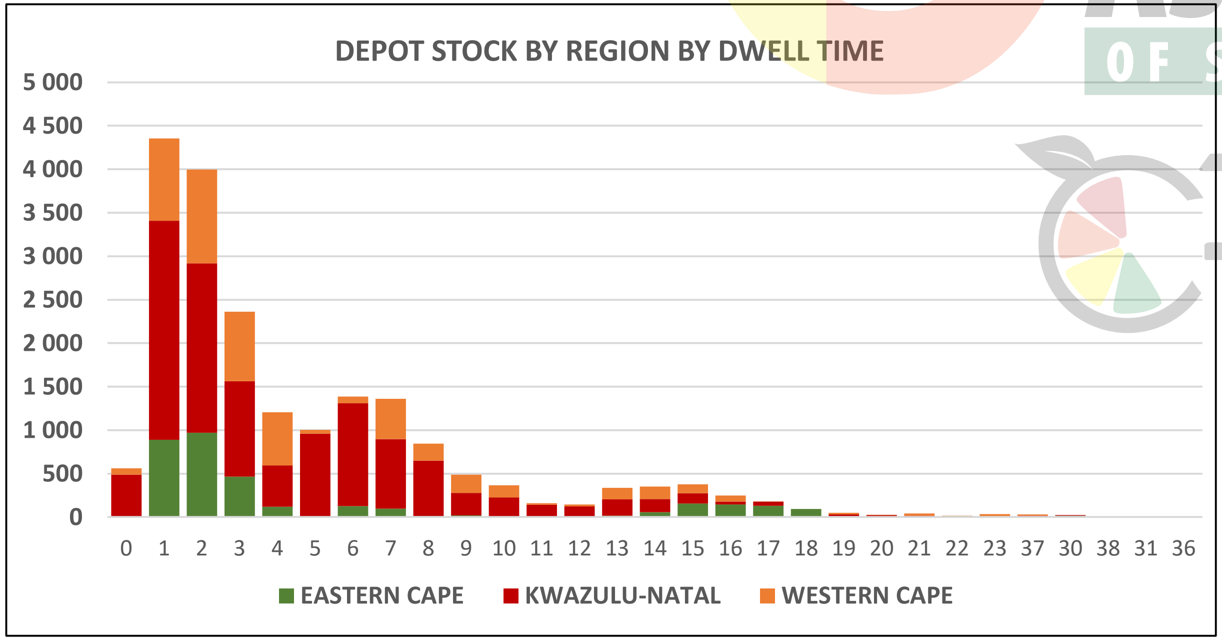
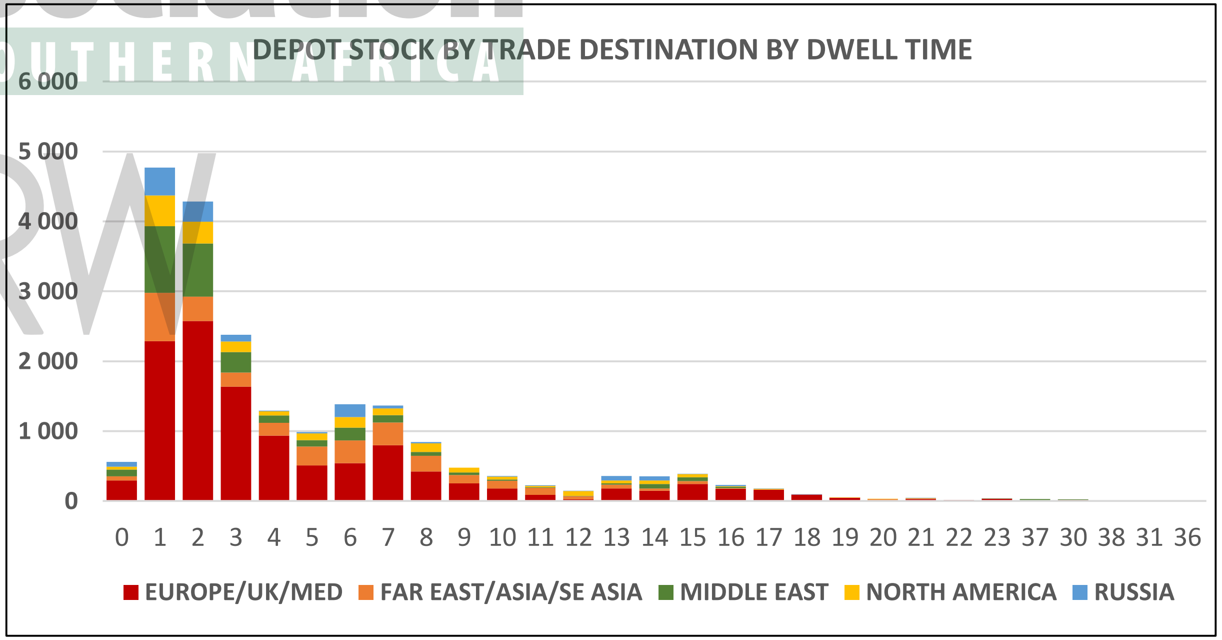
Source: Agrihub


DEPOT STOCK BY REGION
14 000
12 000
10 000
8 000
6 000
4 000
2 000
0
EASTERN CAPE
KWAZULU-NATAL
LIMPOPO
MOZAMBIQUE
MPUMALANGA
NORTH WEST
NORTHERN CAPE
WESTERN CAPE


DEPOT STOCK BY REGION BY TRADE DESTINATION
6 000
5 000
4 000
3 000
2 000
1 000
0
EASTERN CAPE
KWAZULU-NATAL
WESTERN CAPE
EUROPE/UK/MED
FAR EAST/ASIA/SE ASIA
MIDDLE EAST
NORTH AMERICA
RUSSIA


DEPOT STOCK BY REGION BY DWELL TIME
5 000
4 500
4 000
3 500
3 000
2 500
2 000
1 500
1 000
500
0
0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 37 30 38 31 36
EASTERN CAPE
KWAZULU-NATAL
WESTERN CAPE


DEPOT STOCK BY TRADE DESTINATION BY DWELL TIME
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4 000
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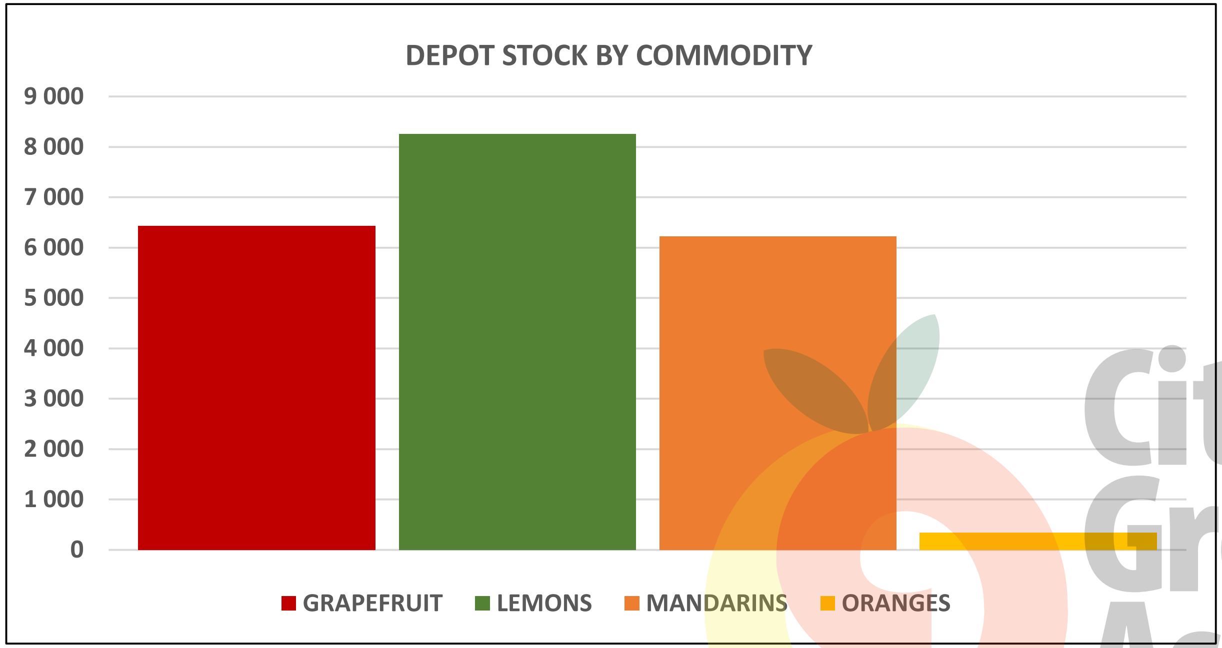
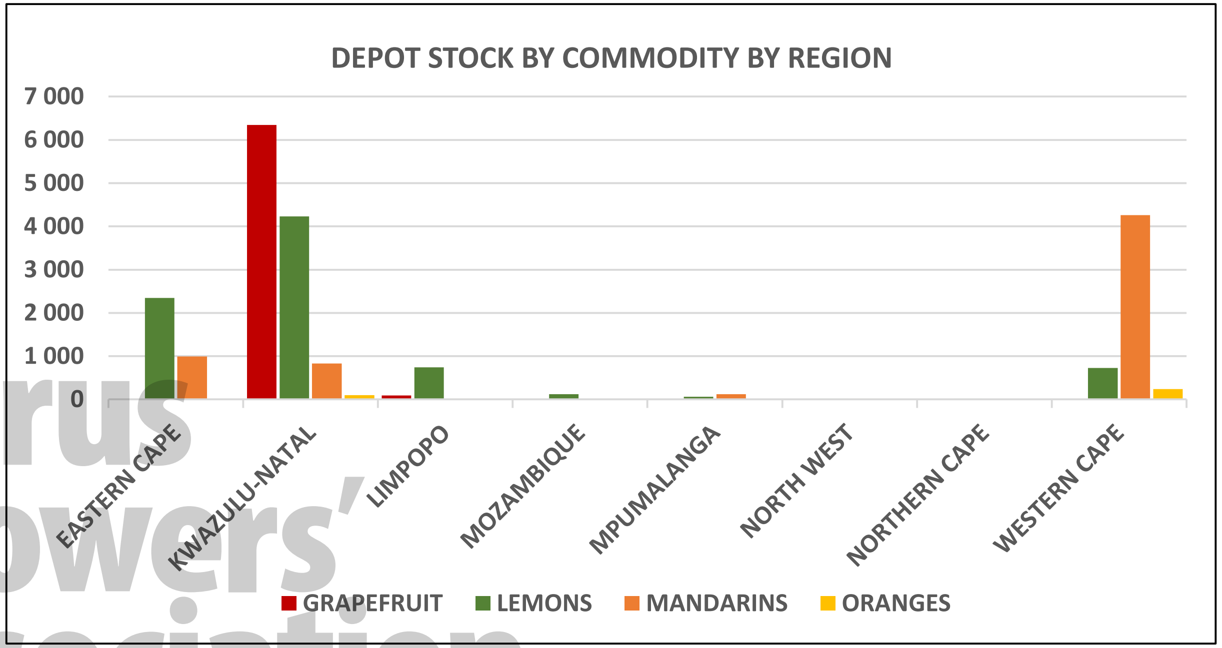
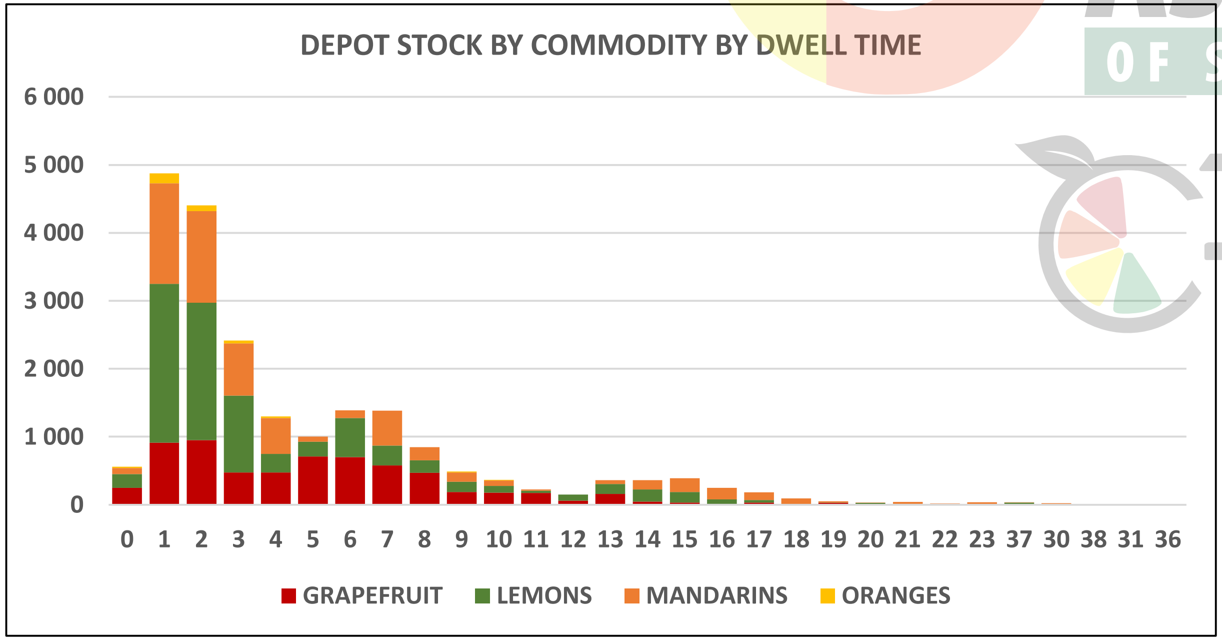
0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 37 30 38 31 36
EUROPE/UK/MED
FAR EAST/ASIA/SE ASIA
MIDDLE EAST
NORTH AMERICA
RUSSIA


DEPOT STOCK BY COMMODITY
9 000
8 000
7 000
6 000
5 000
4 000
3 000
2 000
1 000
0
GRAPEFRUIT
LEMONS
MANDARINS
ORANGES


DEPOT STOCK BY COMMODITY BY REGION
7 000
6 000
5 000
4 000
3 000
2 000
1 000
0
EASTERN CAPE
KWAZULU-NATAL
LIMPOPO
MOZAMBIQUE
MPUMALANGA
NORTH WEST
NORTHERN CAPE
WESTERN CAPE
GRAPEFRUIT
LEMONS
MANDARINS
ORANGES


DEPOT STOCK BY COMMODITY BY DWELL TIME
6 000
5 000
4 000
3 000
2 000
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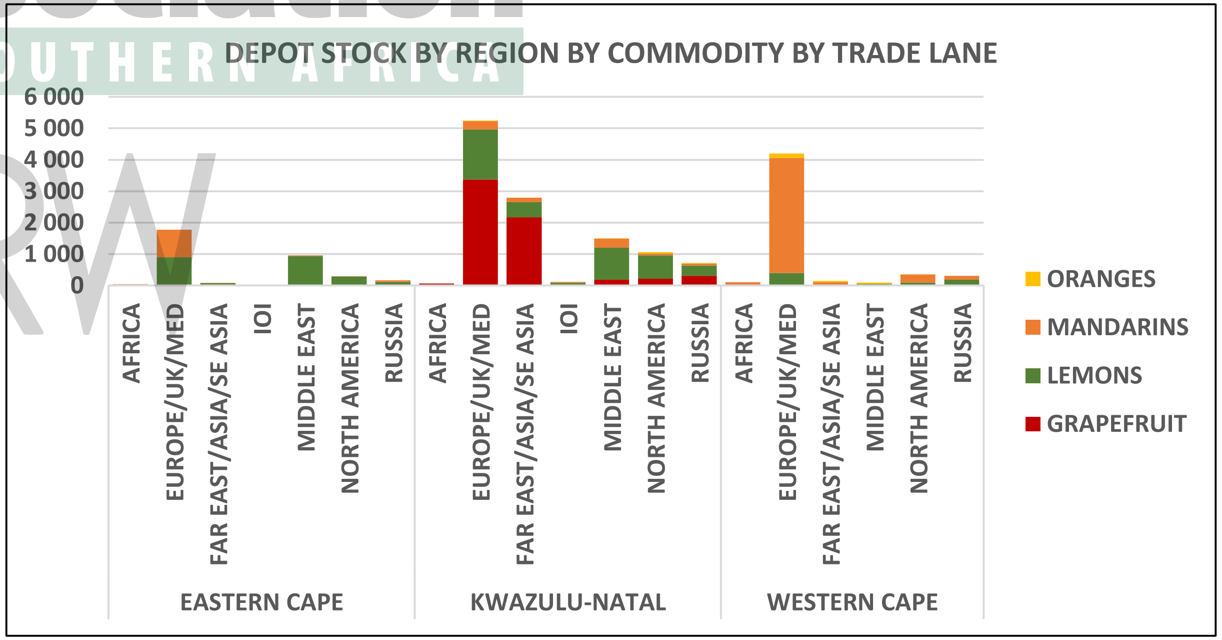
0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 37 30 38 31 36
GRAPEFRUIT
LEMONS
MANDARINS
ORANGES


DEPOT STOCK BY REGION BY COMMODITY BY TRADE LANE
6 000
5 000
4 000
3 000
2 000
1 000
0
AFRICA
EUROPE/UK/MED
FAR EAST/ASIA/SE ASIA
IOI
MIDDLE EAST
NORTH AMERICA
RUSSIA
EASTERN CAPE
AFRICA
EUROPE/UK/MED
FAR EAST/ASIA/SE ASIA
IOI
MIDDLE EAST
NORTH AMERICA
RUSSIA
KWAZULU-NATAL
AFRICA
EUROPE/UK/MED
FAR EAST/ASIA/SE ASIA
MIDDLE EAST
NORTH AMERICA
RUSSIA
WESTERN CAPE
ORANGES
MANDARINS
LEMONS
GRAPEFRUIT

TRANSNET RECOVERY PLAN

OPERATIONAL PERFORMANCE & RAIL REFORM

REINVENT

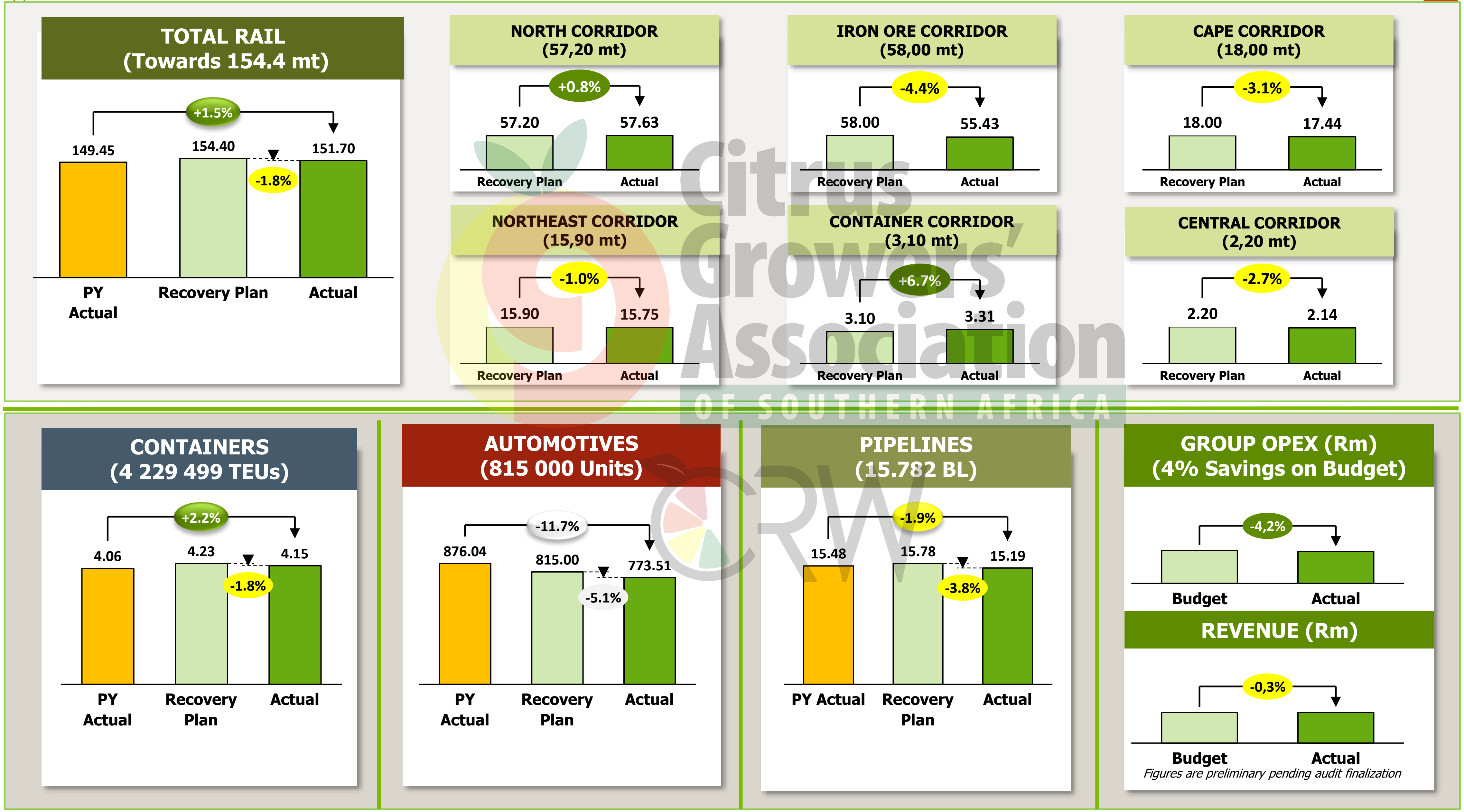
for GROWTH

Media presentation

26 APRIL 2024

RECOVERY PLAN SCORECARD PERFORMANCE
2023/24 FINANCIAL YEAR SUMMARY
FINAL REPORT AS AT 31 MARCH 2024

TRANSNET



PORTS

LIST OF NEW EQUIPMENT SOURCED FROM CUSTOMER - ALLOCATED

Delivered
ETA Confirmed
No ETA

TRANSNET

Terminal	Equipment	Status
Pier 1	10 x Haulers	Delivered
Pier 2	25 x Haulers	Delivered
Pier 2	10 x Haulers	18 May 2024
Pier 1	1 x Reach stackers	Delivered
DBN	3 x Reach stackers	Mid May 2024
	3 x Reach stackers	30 April 2024
	3 x Empty Handlers	30 April 2024
CTCT	4 x Reach Stackers	26 April 2024
	7 x RTG Cranes	Delivered

Source: Transnet Port Terminals, 2024

TRANSNET RAIL REFORM PROGRESS & NETWORK STATEMENT

PROGRESS ON REFORM JOURNEY SET OUT IN FREIGHT LOGISTICS ROADMAP

- Timelines are subject to outcomes of the public consultation process
- Engagements with Government stakeholders (the Presidency via the NLCC, the DPE, the DoT and National Treasury) regarding various aspects of the Freight Logistics Roadmap and Options for funding are underway
- Internal governance processes and consultation on reorganisation proposed in the NRP and Freight Logistics Roadmap are underway

Oct 2023
Establish an interim Infrastructure Manager with its own management and reporting structure

Mar 2024
draft interim Network Statement

Jul 2024
IRERC consultation with key stakeholders and finalise the interim Network Statement & Recommendations to Ministers of DOT & DPE

Sep 2024
Develop and implement a code of conduct for IM staff to establish a "Chinese wall" between the IM and TFR

Aug 2024
Transnet update Network statement and finalise capacity offering

Sep 2024
Advertise Open Applications for Access on available lines

Nov 2024
Release prospectus of low-density lines identified for closure and publish request for offers

Dec 2024
Evaluation of Slot Applications

Jan 2025
Slot allocation and Commencement of operations for successful applicant

April 2025
Infrastructure Manager Established

Source: Transnet Interim Infrastructure Manager, 2024

PUBLICATION OF THE NETWORK STATEMENT

TRANSNET

- The ERT Bill, National Rail Policy,2022 and the Freight Logistics Roadmap,2023**, require that Transnet publish a draft Network Statement for public consultation before the final Network Statement (containing the access regime) can be published to open slots for third party access.**
- The Network Statement **signifies the beginning of a process for Transnet to open access to more operators on the network**. This will assist both Transnet and South Africa to migrate traffic from road to rail and increase density on the network. As more trains run on the network, the overall cost of logistics per unit should reduce and the country can benefit from safer roads.
- It has been noted that in other countries where open access was implemented, **overall rail volumes and employment within the rail sector have increased over time**. Correlation can be drawn between rail sector growth and the enablement of industry sector value chains which has a positive impact on growth in exported volumes.
- Transnet published its draft Network Statement and Proposed Tariff Methodology on **15 March 2024**.

Source: Transnet Interim Infrastructure Manager, 2024

PUBLICATION OF THE NETWORK STATEMENT

- The IRERC, as stated in the Freight Rail Logistics Roadmap, has, via the Department of Transport, **invited comments on the draft Network Statement by a notice in the Government Gazette** in which the public's attention was drawn to Transnet's publication of the draft Network Statement.
- The IRERC has **allowed stakeholders the period from 19 March 2024 to 20 May 2024 to submit their comments**. The IRERC also intends to hold several workshops to provide stakeholders with the opportunity to make representations. Dates are yet to be communicated.
- The interim IM has been invited to make a presentation at the information gathering sessions.
- Transnet will be provided with copies of the comments received. Upon conclusion of the public consultation, **IRERC will consider comments from stakeholders and Transnet and draft its recommendations to the Ministers of Transport and Public Enterprises**.
- **Once the final Network Statement and tariff are finalised and approved** by the Ministers of the DPE and DoT, **Transnet will publish the final Network Statement and open access** on available parts of the network to interested parties.

Source: Transnet Interim Infrastructure Manager, 2024

What informed the Proposed Tariffs?

SOUTH AFRICAN NETWORK OVERVIEW AND KEY CHALLENGES

TRANSNET

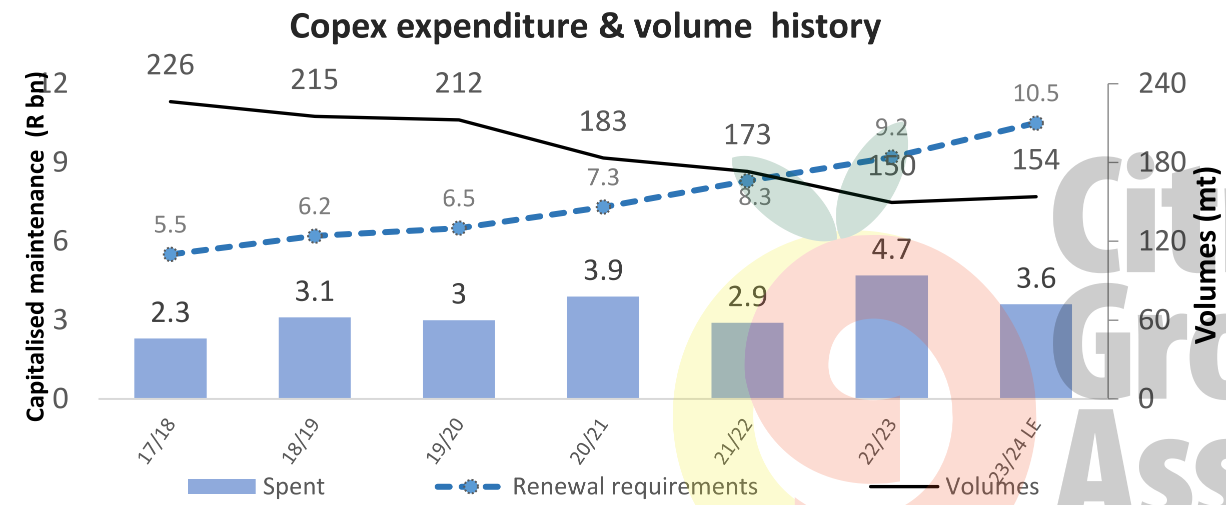
Overview of SA network	Description
1 **Size, scale and complexity**	• Transnet Freight Rail (TFR) operates a **vast** rail **network** that measures approximately 21 200km • System caters to **diverse traffic** ranging from **relatively lighter** passenger and **general freight** trains (20 t/axle) to **heavy haul** operations for **bulk minerals** such as coal and iron ore (26 -30t/axle) • It also uses a mix of diesel and electric tractions systems including 3kv, 25kv & 50kv Electric systems
2 **Deteriorating quality**	• Historic **underinvestment** on infrastructure and **constraints** on **maintenance affordability** have contributed to the **resulting decline** of **network quality** and reduction in slots on some routes (e.g., container corridor)
3 **Negative externalities**	• Negative **externalities** in particular **crime** and **vandalism** (e.g., damage signalling equipment) have also significantly to the contributed decline rail network quality

Challenge and reform required*	Description
4 **Infra maintenance (COPEX) shortfall**	• **Declining performance** of rail system and related **revenue** has limited available **funding** for sustaining maintenance across the vast network • Maintenance priority will be given to key sections of network to protect volumes and system sustainability
5 **Restoration Capex shortfall**	• Funding constraints have limited the ability to undertake required restorative works on the network • **Rehabilitation works** and improvement on **network quality** is a key enabler to successful 3rd access and improving rail system performance for the country
6 **Network rehabilitation***	• Transnet will need to **collaborate** with broader **rail community** and leverage **innovative capital** to resolve maintenance and rehabilitation shortfall • This will enable rail system reform that **draws-in** private sector train operating companies to **increase** and/or **grow** volumes and **densities** across network

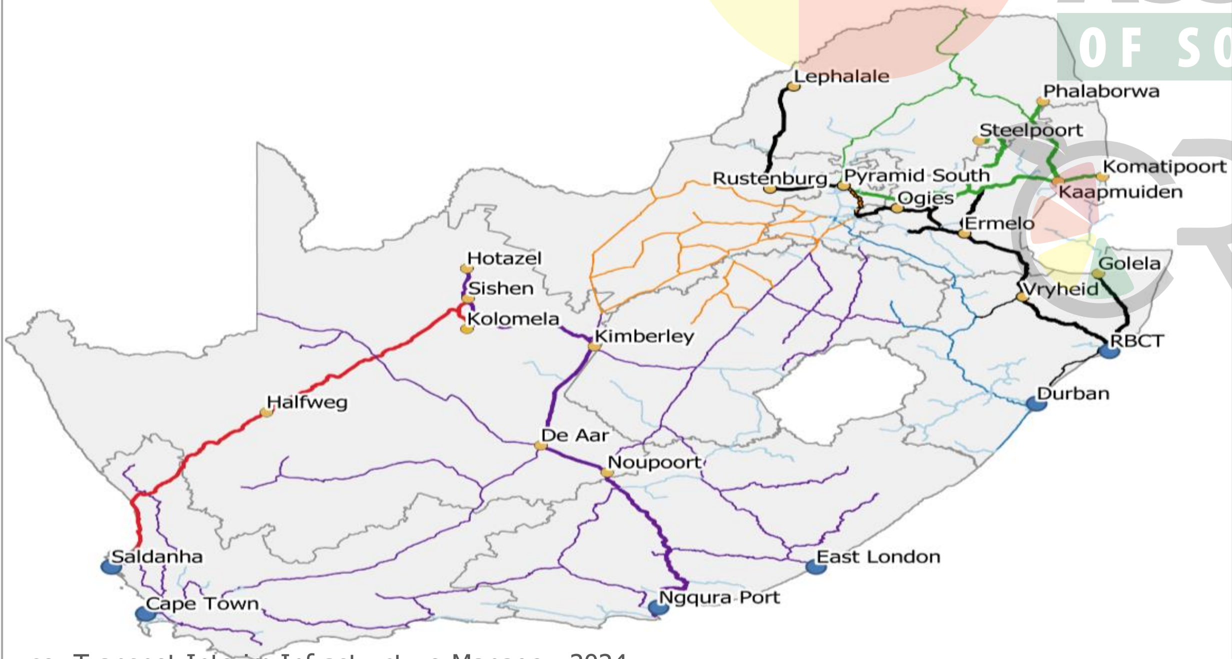
Source: Transnet team analysis, Transnet financials, Transnet Corporate Plan

INADEQUATE NETWORK MAINTENANCE FUNDING IMPACT

VOLUMES HAVE DECLINED AND CAPACITY IS CONSTRAINED



- **NOTE**: Condition categorisation based on the latest Rail Network Condition Reports
- Deteriorating levels of asset reliability & availability result in train delays, cancelled train slots, volume loss and eventual permanent capacity loss;
- Derailments result in loss of assets which in this case may be newly acquired locomotives, wagons and customer product;
- Failure rates of the asset base is increasing. Failure rates increase exponentially at the end of life of the asset, or poorly maintained asset' causing a greater safety risk
- Majority of Train Authorisation Systems are obsolete (some are >60 years old). Train authorisation systems are central to the Train Control interface between the Infrastructure Manager (IM) and Train Operating Companies (TOCs)



Corridor view: Status per Engineering Discipline

Acceptable condition | Condition impaired | Degraded state

CORRIDOR	ORE CORRIDOR	NORTH CORRIDOR		CONTAINER CORRIDOR	CAPE CORRIDOR		CENTRAL	NORTH-EAST CORRIDOR		
Category		Coal Line	Lephalale – Ogies		Hotazel - PE	De Aar – CPT		Pyramid - Beitbridge	PHAL A to RCB	Greenview - Kaapmuiden
Perway	Degraded state	Condition impaired	Condition impaired	Degraded state	Degraded state	Acceptable condition	Condition impaired	Condition impaired	Condition impaired	Degraded state
Structures (Bridges)	Condition impaired	Condition impaired	Condition impaired	Condition impaired	Condition impaired	Condition impaired	Condition impaired	Condition impaired	Condition impaired	Condition impaired
Electrical	Condition impaired	Condition impaired	Condition impaired	Degraded state	Degraded state	Degraded state	Degraded state	De-Electrified (Theft)	De-Electrified	Condition impaired
Train Authorisation	Condition impaired	Degraded state	Degraded state	Degraded state	Degraded state	Degraded state	Degraded state	Degraded state	Condition impaired	Degraded state
Condition Assessment & Protection Systems	Degraded state	Degraded state	Degraded state	Degraded state	Degraded state	Degraded state	Degraded state	Degraded state	Degraded state	Degraded state
Radio networks	Degraded state	Degraded state	Degraded state	Degraded state	Degraded state	Degraded state	Degraded state	Degraded state	Degraded state	Degraded state
Transmission networks	Condition impaired	Condition impaired	Condition impaired	Condition impaired	Acceptable condition	Acceptable condition	Condition impaired	Degraded state	Degraded state	Condition impaired
Offtrack (Service roads, etc.)	Condition impaired	Condition impaired	Condition impaired	Condition impaired	Condition impaired	Condition impaired	Condition impaired	Condition impaired	Degraded state	Condition impaired

Source: Transnet Interim Infrastructure Manager, 2024

GLOBAL BENCHMARKS (EXTRACT FROM FREIGHT RAIL LOGISTICS ROADMAP)

- The European Union recommends that member states should set rail track access charges at marginal cost, to promote efficient use of the infrastructure. Allowances are however made for member states to set prices high enough to cover the fixed costs of infrastructure, as required for financial sustainability.

- The financing gap created by marginal cost access pricing in the EU is typically covered, at least partially, by state subsidization.

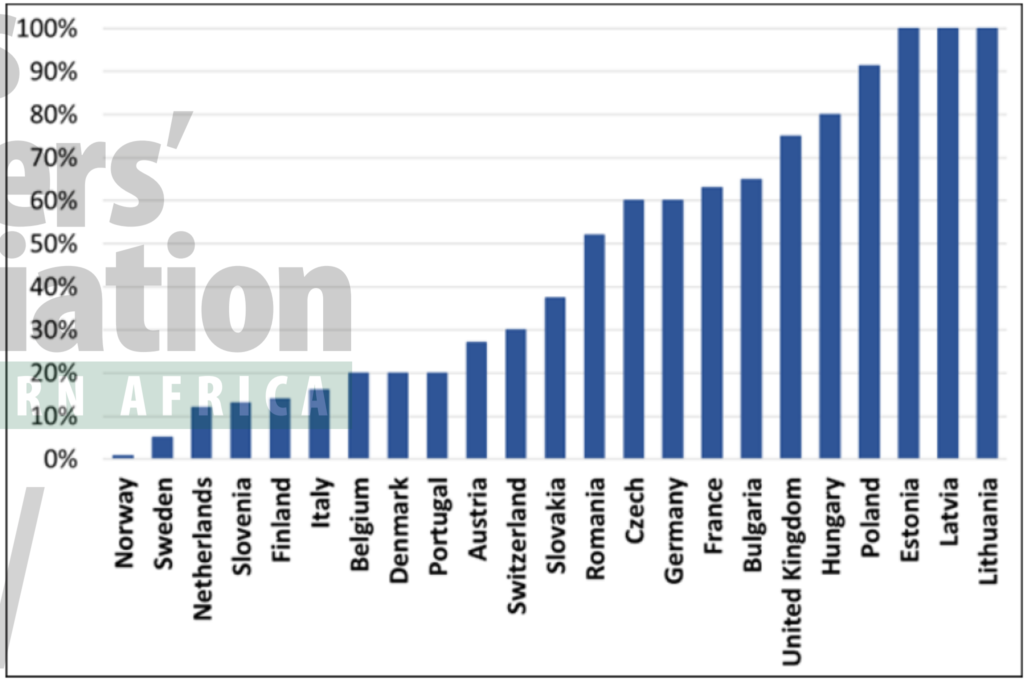
- Figure 30 illustrates the extent of state subsidization of rail in the European Union in 2004, which varies substantially depending to some extent on the ability of each state to afford financing the network.

- As a rule of thumb, the available literature suggests that marginal costs in rail amount to approximately 15–20% of total costs.

- In Norway and Sweden, therefore, subsidization levels in 2004 were such that it is likely that not even the full marginal costs of rail were covered by infrastructure charges. In the Netherlands, Slovenia, Finland, Italy, Belgium, Denmark and Portugal, most or all of fixed costs were covered by the state.

- Only three countries in the sample aimed for total cost recovery from the customer, namely Estonia, Latvia and Lithuania.

Source: an Extract from South Africa's Freight Logistics Roadmap (2023)



Percentage of total cost covered by infrastructure charges in European Union in 2024
Source: (Nash, Matthews, & Thompson, 2005),

PRICING METHODOLOGY TO DETERMINE RAIL ACCESS CHARGES MUST BE PRESCRIBED BY THE REGULATOR

TRANSNET

Transnet proposed the Global Best Practice Required Revenue Methodology which will enable the IM to provide the desired network availability & reliability levels and achieve financial sustainability

- ✓ Recovery of all operating costs incurred in the efficient provision of services to train operating companies (TOC)
- ✓ Provision adequate capital to undertake capital projects (for expansion and asset rehabilitation)
- ✓ Protected customers from paying monopoly prices
- ✓ In line with global and local best practice for adequately funding network infrastructure
- ✓ Examples of industries using the Required Revenue methodology Water, Energy, Ports, Rail and Aviation

The initial starting tariff before discussions with the various stakeholders comprehensively includes:

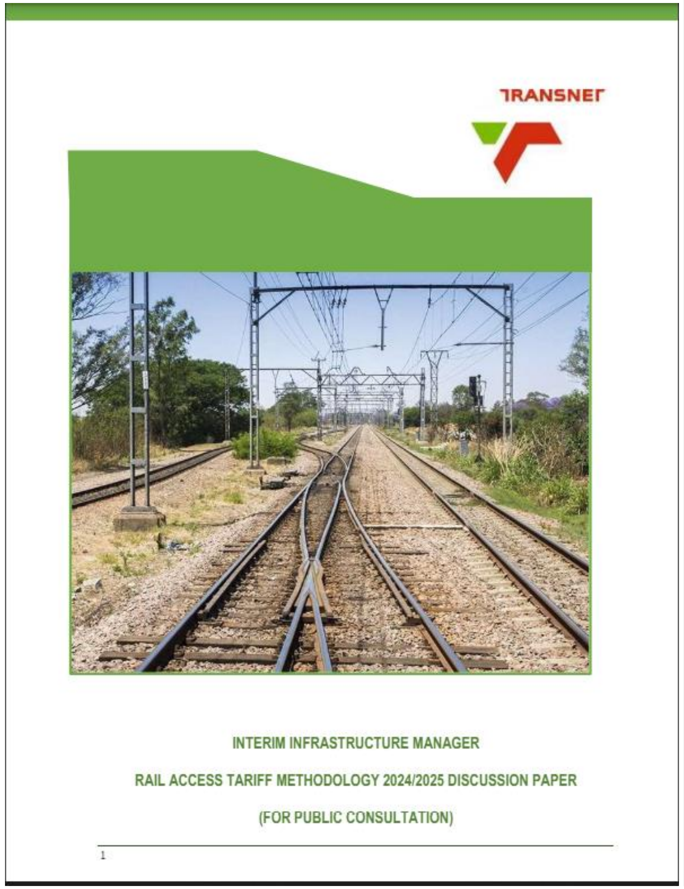
- ✓ Capital required to restore the network (maintenance backlog);
- ✓ Capital required for routine maintenance;
- ✓ Operating Costs (include the cost of managing the processes to provide access and associated information flows)
- ✓ Depreciation;
- ✓ security costs (relatively high due to unprecedented levels of theft and vandalism);
- ✓ Provision for tax and
- ✓ Ability to repay current debt and finance charges.

Consideration

- Transnet is hopeful that consultations which have been initiated with various stakeholders will culminate in a appropriate tariff levels suitable for the South African context.
- Based on Global benchmarks and lessons learnt, there are various options available including:
  - Government support to finance current debt
  - Government support on IM set up costs
  - Government equity for backlog maintenance instead of more loans
  - Government equity injection for the maintenance of low-density lines as stated in the national rail policy
  - Government support for developmental mandate on specific routes
  - The last option which is less preferred, is the reduction of planned capital spend which may have unintended consequences in terms of creation of capacity in future years as we have seen in the case of Eskom.

Source: Transnet Interim Infrastructure Manager, 2024

NEXT STEPS


TRANSNET

INTERIM INFRASTRUCTURE MANAGER

RAIL ACCESS TARIFF METHODOLOGY 2024/2025 DISCUSSION PAPER

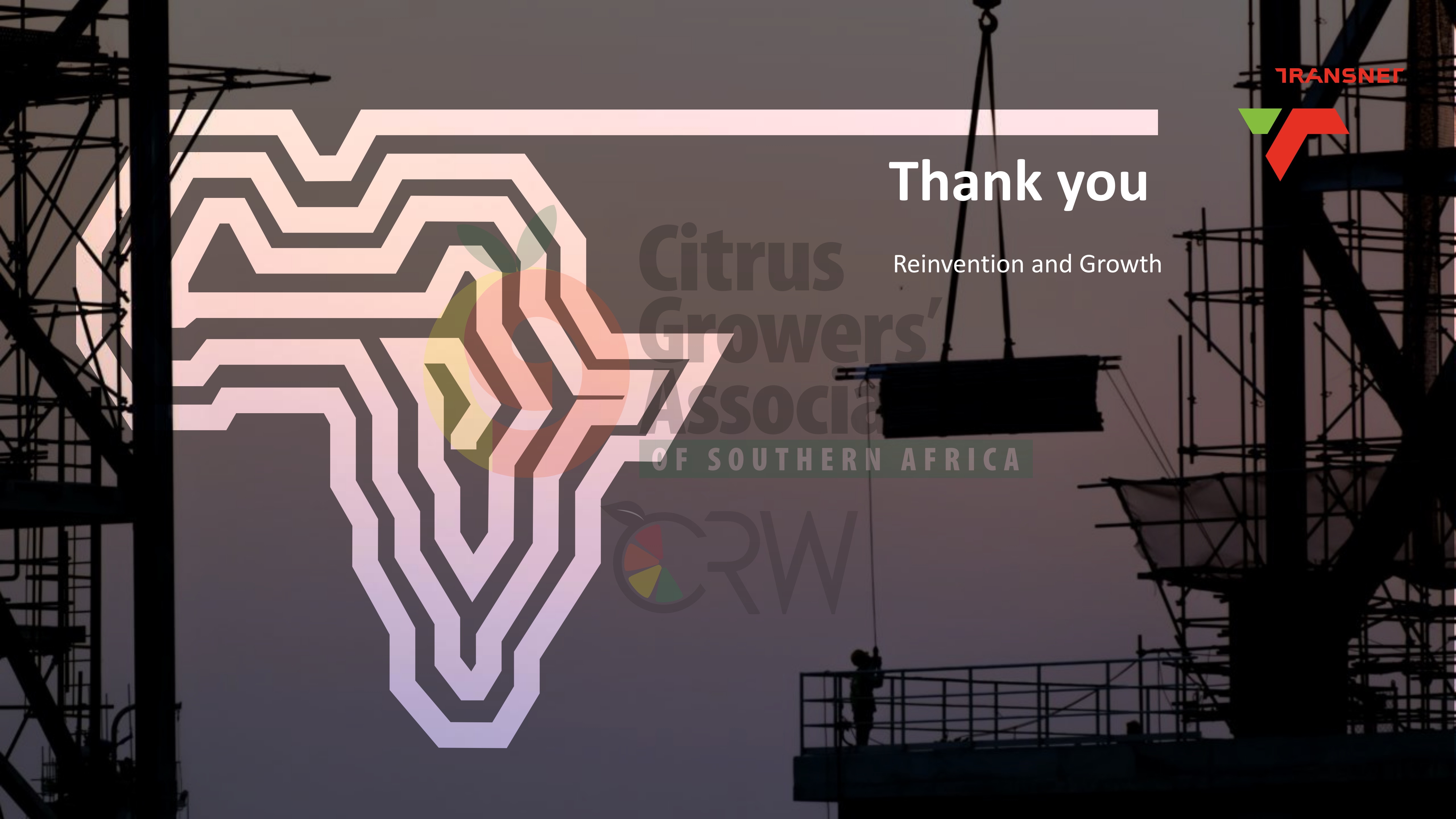
(FOR PUBLIC CONSULTATION)

1

Next Steps

- According to the ERT Bill, the responsibility of the determination of the Tariffs lies with the Regulator.
- The Transport Economic Regulator has not yet been appointed, however the IRERC is fulfilling some of the roles of the Regulator.
- Transnet submitted its proposed tariff methodology and access fee with all its inputs to the IRERC for consideration.
- The final tariff determined must enable the IM to maintain the network to the standard required to ensure availability, reliability and safety as outlined in the NRP and sustain its operations.
- Tariff determination requires careful consideration. Lessons from railways globally and network industries such as ESKOM indicate that lower starting tariffs can result in future funding shortfalls for the network provider which may result in capacity shortages which may force the State to increase the tariffs rapidly to unaffordable levels in the future.
- The IRERC will consult with stakeholders and make determinations on methodology and appropriate price.
- In the absence of an appointed Regulator, the IRERC will make its final recommendations on the tariff to the Ministers of DPE and DoT.
- The tariff determined will inform the final Network Statement access fees to be published by Transnet.

Source: Transnet Interim Infrastructure Manager, 2024



Thank you

Reinvention and Growth

CHAIRPERSON'S REMARKS / MEDIA BRIEFING ON THE STATE OF THE BUSINESS

26 April 2024

Good morning to members of the media, both in the room and online.

We, as Transnet Board, deemed it necessary to have this engagement with you, to provide an update on key issues in the business. The matters we are providing you an update on have been covered extensively in your respective media houses. Having said that, I wish to bring to your attention that, as our financial year ends on 31 March, we are currently in a closed period, and the audit process of our numbers is currently underway. We will, therefore, endeavour to provide as much detail as we can, taking into account this limitation.

Stabilising the executive leadership

This is also the first opportunity many of you have to interact with the newly-appointed executives, and I encourage you to make the most of it. Strong governance structures and rigorous accountability are at the heart of our ability to deliver on our mandate. Now we have a stable leadership team to drive the strategic direction of the business and help us implement our key objectives. In February 2024, we announced the appointment of Michelle Phillips as Group CE, Nosipho Maphumulo as Group CFO and Russell Baatjies as CE for Transnet Freight Rail (TFR). They are here with us and have been introduced. I hope you will continue to engage with them. The recruitment process for the Group COO is currently underway, and we expect to conclude it soon, hopefully by late May or June.

The Recovery Plan

When the Transnet Board was appointed in July last year, the company was grappling with a number of challenges that threatened our operational and financial sustainability. We recognised the urgency to address the numerous constraints on Transnet's operational performance and to stabilise and improve volumes.

This led to the development of the Recovery Plan, which we began implementing in October 2023. The Plan has as its objective the stabilisation of operational performance in the first phase, and significant improvement in operational and financial performance for the year ending March 2025. We are pleased to say Transnet's journey to recovery is on course. We are executing our plans to enhance operational and financial performance for long-term, sustainable growth.

As part of the implementation of the Recovery Plan, we have developed a number of tactical initiatives to drive volume recovery and improve efficiencies across our divisions. As we pursue the objectives of the Recovery Plan, we rely on our employees, labour unions and customers to execute with urgency and efficiency, and on structured collaboration with our trusted partners, especially through the National Logistics Crisis Committee.

Of course, we are not out of the woods yet. But the progress is real, the business is being stabilised, and we are increasingly optimistic about the future.

We would like to take some time today to talk you through our progress – in particular, what is being done and why it is making an impact – and I am joined by some of the executives who have played a crucial role over the past few months, so that they can provide specific insight on the progress.

We believe - particularly in light of the overall state of the South African and global economies - that the progress we have made thus far is significant and meaningful, and should be appreciated by all those who understand the complexity of organisational turnarounds – particularly a logistics business of Transnet's size and complexity, which has dependencies with so many other components of the national and global economy.

Rail Reform

Transnet is implementing its Recovery Plan in the context of fundamental changes in the legislative and regulatory regime in which we operate, as necessitated by the National Rail Policy and the Freight Logistics Roadmap. Transnet fully embraces this policy imperative, and the company is making solid progress in its implementation, in line with the expectations set out by Government.

It is a process we support wholeheartedly because it opens numerous opportunities for Transnet, by ensuring better use of the rail network. We also anticipate that new users may introduce alternative technologies and innovation that will make the system more effective and improve service quality. Access fees will be used to maintain the rail network to a standard required for safe and reliable operations.

Transnet remains committed to meeting the deadlines that have been set for this process and we continue to engage with Government, including on areas where more time may be required, to ensure that implementation does not have any unintended consequences.

We particularly appreciate the positive comments that have come from some private sector rail operators who see the long-term benefits that this move will have on their own business development, and on the economy as a whole. We therefore look forward to the public comments process to be undertaken by the Interim Rail Economic Regulatory Capacity (IRERC), where we will have an opportunity to share our considered views.

Legal update – ICTSI

When we launched the Recovery Plan in October 2023, we had said that we would accelerate private sector participation (PSPs) and strategic transactions, in our quest for recovery.

The infrastructure and design of the Durban Container Terminal (DCT2) has remained the same since 1963. DCT2 manages approximately 65% of container cargo in highly constrained conditions and is operating at critical levels, beyond the original design specifications. Over the past 20 years, congestion at the terminal due to shipping traffic and limited operational capacity has led to well-known and publicised backlogs at the Port of Durban.

The efficiency of the South African ports system affects the country's trade with the rest of the world. Congestion, delay and increased cost of moving goods into and out of the country has had has created serious challenges for the economy.

International comparisons strongly suggest that South African ports are failing to achieve competitive outcomes. According to the World Bank's Container Port Performance Index 2020 published in 2021, all of South Africa's commercial ports cluster at the bottom of the 351 ports evaluated based on objective data from shipping lines, and underperform all other African ports included in the survey such as the Port of Mogadishu in Somalia, the Port of Maputo in Mozambique and the Port of Luanda in Angola.

The introduction of a private sector partner at Pier 2 is a long-standing priority of national government. The recovery of the Port of Durban and the expansion and modernisation of the container capacity at Pier 2 is therefore an imperative of the government and also of Transnet.

We have therefore noted the legal challenge to the selection of International Container Terminal Services, Inc. (ICTSI) as the preferred bidder to enter into contract negotiations for the establishment of a joint partnership to manage the upgrade and development of Pier 2 at the Durban Container Terminal. The process of selecting ICTSI was rigorous, competitive, and fair and complied with our governance standards. Transnet will defend its procurement process and is currently waiting on the allocation of a hearing date.

Let me take this opportunity to once again affirm that Transnet's commitment to attract private sector participation across the business is going to continue, as part of our corporate strategy and in accordance with Government policy.

Balance sheet optimisation

Shifting the focus to our finances, in his Medium-Term Budget, the Minister of Finance announced a government guarantee of R47bn to allow Transnet to meet its debt obligations and free up resources to improve operations. Transnet is critical to the South African economy, and therefore its sustainability remains important. In line with the Government Guarantee Framework and our Recovery Plan, we have initiated a balance sheet optimisation project to present initiatives to "optimise" the Transnet balance sheet. There are legacy issues that need redress, and these are the high levels of debt and the maintenance backlog which we have reported on in the past and these require restructuring and optimisation of the balance sheet. In this regard, during the current financial year, we will be working with Government to determine the optimal solution to improve the financial profile of Transnet to mitigate risks of the execution of the Recovery Plan and to improve the financial ratios. We will also work closely with all the relevant stakeholders such as the ratings agencies and investors and the lenders in finding a sustainable balance sheet model for Transnet - now and for the future. Importantly, Transnet's operational and financial performance as well as its financial constraints will inform the support required by Government.

Transnet is critical to the South African economy. Therefore, its sustainability remains important. We trust that for this reason a structural solution will have to be agreed upon. Transnet will continue to collaborate with all the relevant Ministries and the officials to forge a sustainable solution for Transnet.

Conclusion

As I head towards conclusion, we remain cautiously optimistic about the state of the Transnet ecosystem. We forge ahead with implementation of Phase 2 of the Recovery Plan, which commenced on 1 April 2024.

From our interaction with staff, organised labour, customers and other stakeholders, we are detecting a new energy and a new focus. As the Board, we find this deeply encouraging. The

Presidency and the NLCC continue to play an important role in together identifying and resolving any challenges and implementing sustainable solutions.

On our side, we want to emphasise our commitment to openness, transparency and to understand that we cannot solve all of the problems and challenges on our own. But together with our partners – both internally and externally – we will be able to achieve success. The recovery journey will be long. But we continue to focus on meeting the targets we have set, in spite of the challenging environment in which we carry out this task, because we understand fully the cost of not doing so -- and, conversely, the benefit to our economy when Transnet plays its rightful, catalytic role.