

## **MINISTER GORDHAN SPEAKER NOTES AT THE VIRTUAL MEDIA BRIEFING TO PROVIDE UPDATE ON INTERVENTIONS AND REFORM PROCESSES UNDERWAY AT TRANSNET SOC Ltd.**

Members of the Media

Transnet Board chairperson, Dr Popo Molefe

Transnet GCEO, Ms Portia Derby

Director General of the Department, Mr Kgathatso Tlhakudi

The purpose of the briefing is to bring the public on board in terms of events that have occurred over the last month or so at Transnet.

I start by quoting a paragraph from the President's letter this morning, which says as follows, "the damage done in our country by state capture is deep, its effects will be felt for many years to come back. But working together, we have started to put things right. We have started to rebuild and restore."

And that in many ways, sums up the journey over the last two years or so. That Transnet under the guidance of the board, management, and the shareholder has been going through. As I said the past month, particularly the month of July has been an eventful one for Transnet.

Transnet is a very vital cog in the logistics network of South Africa, and as such it constitutes a key part of what is often referred to as the network industries of South Africa.

Despite the many disruptions Transnet has confronted, those disruptions have not interrupted, to a great degree, the operations of Transnet, as we will share with you.

But it's important to inform the public of the achievements of Transnet, its various partners both within Transnet and outside, whose collaboration has been critical to managing the key ports of Durban and Cape Town in particular, but the rail and other facilities also.

The events at Transnet and the achievements over the last two years must also be placed in the context of the economic recovery and reconstruction plan in which the reform of the network industry plays a critical path.

And those interested in this thing is amongst others being transport for the diversity sector, the water sector amongst others. And each of these sectors in their own right, are critical to the efficiency and the competitiveness of the economy.

In the past two years the Board and management have undertaken activities that have enabled them to largely but not entirely recover from the effects of state capture. And those effects are now much better understood by the public as a result of the evidence that has been presented to the Zondo Commission.

The board and management has repositioned Transnet as a fairly effective operating entity, while still dealing with many of the legacy issues, operationally and in terms of its systems.

It has reoriented its strategy, so that you have now eight key freight corridors, dealing with different commodities and products that are created within the South African market, both from an export point of view and also from an import point of view.

The role of each port in the South African port system, stretching from Richards Bay on the East Coast in Durban to Cape Town and Saldanha Bay on the West Coast, and each of these ports have a designated role, and an important part to play as components of the port system.

A port master plan has been developed for the port of Durban and is undergoing currently consultation processes, but will serve as a basis for investment in the port, both in respect of the port infrastructure, now governed by the Transnet national ports authority, but also in respect of the terminals and freight infrastructure that services these ports as well.

The freight sector has also been receiving attention, notwithstanding the many challenges it faces, particularly in relation to cable theft, and other forms of disruption of the rail sector has been confronted with.

So it's in this context of undertaking recovery, reconstruction but also importantly reforms that we locate what is happening in Transnet at the moment, and what his plans are for the next couple of years.

There are two critical reforms that have come to the fore.

The first is the announcement by the President in June this year, and the establishment of the National Ports Authority as an independent subsidiary of Transnet and significant progress has been made in establishing the infrastructure of the subsidiary. And the kind of role it would play in relation to investments in each of the ports in order to facilitate the efficiency of the ports themselves.

It is hoped that by October this year, a further RFI would be issued by TNPA to establish market appetite for the building of the point Terminal at the Durban port, and that will be a huge infrastructure investment in respect of the Durban Port.

The second key reform area is exploring the potential for investment in the port terminals in Durban and in the Port of Ngqura in the Eastern Cape.

And today two requests for information (RFI) will be issued by Transnet in respect of the second aspect of the reforms.

This reforms are in line with the structural reforms that the President and government have indicated, will be forthcoming from Transnet but from other entities as well. And is a further demonstration of government's commitment to continuing with the structural reforms in improving the efficiency of its logistics infrastructure but thirdly, creating opportunities for partnerships with South African business and international

business as well, in bringing the best of breed to South Africa in relation to both knowledge of the kind of the technology that is required, but also the cash that is required to undertake the upgrading of infrastructure and equipment at these ports as well.

In a short while I will ask Ms Derby to explain further details on these RFIs, but there is a clear and defined process that has been put out by Transnet, which in the first instance, is the issuing of the RFI itself. And this is as of July/August this year.

Secondly, between now and September, there will be further engagements with those that are interested in respect of an RFQ and later in the year, between November and January, a proper RFP, request for proposal will be entertained.

By February next year, the bid evaluation process will be undertaken and between March and June next year there will be the finalization, and approval of the bids that have been received by Transnet.

But to illustrate the importance of these RFIs let me as our colleagues at Transnet just to show you a picture of Durban Port as it is and Durban Port as it could be after these investment processes begin to take off and I'll also ask Ms Derby to explain that to you and I'll be making a few more points to brief you further on one or two other aspects.

Minister continues in second part of his speech.

Thank you very much. So that ladies and gentlemen is a part two or three of the reform process.

The first is the announcement by the President in respect of breaking the national ports authority as an independent subsidiary of Transnet.

Secondly, as I said, it will have its own investment plan, and that will become clearer in October this year, in relation to the point terminal.

Thirdly, are the two RFIs, that we've just talked about now in order to test the market appetite for working with Transnet and working on these projects themselves. And you can see from the plan that was put to you that in about 10 years time, if everything works out well. There will be a massive increase in the capacity of the Durban Port and it would handle almost 60% of the container traffic into and out of South Africa.

So, what is crucial is for the authorities in KwaZulu-Natal and Ethekewini to create the conditions that will be necessary in order for this kind of investment to take place.

I want to cover two or three areas and update the public on them as well. The first is the kind of disruption that was confronting Transnet in the period 12th of July, to the 15th of July Monday to Thursday. When the ports in Durban, Richards Bay and its connection to Gauteng were impacted by what we now call the unrest or the attempted insurrection.

And whilst no property or customer stock, held in Transnet premises were damaged. As you know, there was a huge limitation in terms of staff able to move to work, and both Transnet and various employers within the port facility during that period showed tremendous amount of solidarity with workers in terms of their safety and in terms of feeding them, in terms of actually ensuring that for a while they stayed away from work, and when it was possible they could return to work themselves as well.

Now this did impact for a few days on for example, the export of fresh produce, and fruit in particular, when there was a very rapid recovery from that process. As a result of the efforts of Transnet, various business partners and the law enforcement agencies themselves.

This was then followed, as you now know cyber-attack on the 22nd of July. Once again Transnet demonstrated that it had the skills and capability, both within Transnet and partners that it was able to bring in to identify exactly the target of the attack to very quickly shut down the systems so that all of the operating systems of Transnet like the Navis system that manages the container movement was secured and was safe and was able to actually undertake with tremendous amount of agility, a set of operational measures will show that within 24 to 36 hours the port began to operate with some semblance of movement.

So as we currently stand, on average, about 90% of all of the IT systems at the corporate centre, freight rail port terminals, Transnet engineering, Transnet pipelines and half the Port Authority, which is slightly behind are now fully recovered and the appropriate security measures have in fact been taken.

What is noteworthy during this period was the immediate meetings we convened with the relevant CEOs, all of the participating businesses; whether they are shipping lines freight forwarders. Some of the big companies that use Durban Port to either export or import and all of them were tremendously cooperative, together with the Durban Chamber of Commerce as well in other role-players to ensure that the port operations will return to normality as quickly as possible.

There are some interesting lessons that have been learned during this period, about the different time periods during which different role players work some work, just an eight hour day, others work a 24 hour day. And I think in the current period there's a lot of talking that's going on amongst the role players to synchronize some of those factors so that support efficiency and operations, a lot more effective, and a lot more synchronized, then there might have been prior to this particular experience.

Transnet received lots of positive feedback from amongst others, the most shipping lines, which had its own cyber-attack in 2017. They were very complimentary of the way in which Transnet managed this particular attack, and the recovery of the systems itself, and it showed that the methodology used by Transnet was in line with world class standards to actually apply in this particular instance.

The agricultural industry and more particularly the citrus exporters were also extremely happy and on a recent visit, and when Minister Thoko Didiza (Agriculture) was at Durban port together with her fraternity. They were very commendable of the efforts that the Transnet colleagues, particularly at the terminal operations level had put into

making sure that they exports, got off. Despite the slight interruption, fairly efficiently at the end of the day.

There of course, still going to be challenges as we go forward in terms of investment in equipment, in particular, the investments in the port infrastructure that I indicated earlier on, and in particular in relation to freight rail. A lot more needs to be done by law enforcement agencies to stop the vandalizing of rail infrastructure in particular, the theft of copper cables, which acts as a major disruptive force.

At the same time, these plans as they move to the execution stage will create huge opportunities, both currently and into the future to respond to the increased volumes that need to be exported. Given the increase in demand for commodities from South Africa, and also the increase in prices which is bringing in extra revenue from a tax point of view as well.

We have an opportunity to work as various role players to create an appealing investment climate, notwithstanding the events of July, but also to give small and medium sized businesses in South Africa, who have the professional and technical capability and there are many of them to play a role, and grow through this process of participation as well.

These are also massive investments in the economy, both from Transnet itself and South Africans and overseas investors, which is quite important in order to demonstrate confidence in our economy. But also improve the infrastructure in relation to the logistics system in South Africa.

The direct impact of this will be to boost job creation, particularly for young people to provide training for youth in new maritime skills and to create opportunities for black businesses where there are many professionals who are looking for opportunities to actually make their entrepreneurial spirits, more effective in the kind of climate that we actually find ourselves.

Among the lessons that we've learned as I conclude is that partnerships are absolutely critical Partnerships with unions with business to the shipping fraternity, and the diverse stakeholders that Transnet has to actually deal with and it is sustaining that partnership over a period of time, and nurturing it that has given Transnet the capability, together with these partners to manage the kind of crises that we've actually had.

There's no doubt that the law enforcement agencies did secure the chance that when importing infrastructure, fairly well, and we want to compliment them on the actions that they took during that period.

We want to praise in particular compliment to the leadership in the IT department of Transnet for their agility. Some of them didn't sleep three days in a row, in order to ensure that the systems were secure over that critical weekend, and have demonstrated a huge amount of commitment, both to Transnet itself, but to the national economy in the way in which they have actually approached the issues that they were confronted with. And finally, I want to compliment the board and in particular,

Ms Derby and her management team for boldness and for agile leadership during an extremely difficult period that Transnet actually went through.

So in summary ladies and gentlemen, what we are saying is- firstly that notwithstanding the impact of state capture on Transnet, the recovering process from that and the repositioning of Transnet is well on its way. Whilst the remnants of state capture will still impact for a period of time until it's totally eradicated.

Secondly, that in line with the Government's reform programme, the reforms have indicators which follow on the announcements by the President in relation to the national Ports Authority, sustains the structural reforms in a new form through the issuing of these RFIs. But now, and then in October and there'll be more to follow as we go into the new year as well.

Thirdly, that the operations in all of the ports are more or less normal, and at the same time, we need to work harder at creating the right kind of investment climate in order to ensure that we attract the investment that is required in the infrastructure itself.

And finally, it is quite critical to have the right expertise, but also the bold leadership, that was demonstrated during this period for big institutions, like Transnet to migrate successfully through some of the challenging times that they've had. So this is all very good news for South Africa, and certainly very good news for Transnet itself.

Thank you

Ends