



**ANNOUNCEMENT BY PRESIDENT CYRIL RAMAPHOSA ON
ESTABLISHMENT OF TRANSNET NATIONAL PORTS AUTHORITY (TNPA)
AS AN INDEPENDENT SUBSIDIARY OF TRANSNET**

22 JUNE 2021

Minister of Public Enterprises, Mr Pravin Gordhan,
Minister of Transport, Mr Fikile Mbalula,
Premier of the Western Cape, Mr Alan Winde,
Transnet Group CEO, Ms Portia Derby,
Various Executives of Transnet
Ladies and Gentlemen,

Good morning.

During the past several weeks, our efforts to accelerate the implementation of structural economic reforms have gained momentum.

These reforms are crucial to enabling a strong economic recovery, and to placing our economy on a faster and more sustainable growth trajectory.

The reforms are necessary to modernise and transform our network industries to increase efficiency, reduce costs and make our exports more competitive.

Most importantly, these reforms are necessary to accelerate the creation of jobs.

It is for this reason that we have focused on reforms in electricity, water, digital communications and transport, as well as reforms to our visa regime.

Today, we are announcing another major step forward in our reform agenda, which will have a significant impact on our ports system.

South Africa's ports are vital to our trade with the rest of the world and play a crucial role both in our own economy and that of the wider Southern African region.

There are therefore massive benefits to be realised from reliable, efficient and competitive ports.

The Port of Cape Town is strategically located on one of the busiest international shipping routes and is our second-largest container port by volume.

It is particularly important for the export of our fresh fruit and wine.

If the port functions efficiently, the economy of the Western Cape and indeed the entire country benefits.

If port services are inefficient and costly or if imports and exports are delayed, the economy suffers.

In recent years, the performance of our ports has declined in comparison with other ports on the continent and around the world.

This has had a significant impact on our exports, rendering South African products less competitive and increasing the cost of goods for every South African.

We have set out to reverse this decline in performance and to position our ports as world-class facilities that can enable economic growth.

The Board of Transnet and the new management team have done well to stabilise Transnet, develop a world-class strategy and undertake actions to promote investment and improve performance at our ports.

This is an important part of the Economic Reconstruction and Recovery Plan that we developed together with our social partners in business, labour and the community.

The weak performance of our ports is the result of structural challenges in our logistics system and operational inefficiencies.

It is for this reason that we are today announcing the establishment of the Transnet National Ports Authority as an independent subsidiary of Transnet, in line with the National Ports Act of 2005.

This will mean the establishment of an independent National Ports Authority as a wholly-owned subsidiary of Transnet, with its own board appointed by the Minister of Public Enterprises.

An essential part of addressing the challenges in our ports is to create a clear separation between the roles of the infrastructure owner, which is the Transnet National Ports Authority, and the terminal operator, which is Transnet Port Terminals.

The functional and legal separation of these roles, which are currently operating divisions of the same company, will enable each to be fulfilled more independently and with greater efficiency.

In particular, it will mean that revenues generated by the ports can be invested in port infrastructure, both for the replacement of old equipment and for the upgrading and expansion of our ports.

The creation of a separate subsidiary will allow the ports authority to make its own investment decisions and will ensure that it treats all terminal operators fairly and equally in the interests of port users.

At the same time, Transnet will remain the sole shareholder of the subsidiary to prevent any negative impact on the group's balance sheet, and to ensure that the ports authority remains an important part of the Transnet group.

This is a significant development because this reform has been delayed for more than fifteen years since the National Ports Act was promulgated.

As part of our Economic Reconstruction and Recovery Plan, we are making progress in overcoming long-standing obstacles and bringing an end to delays in the implementation of reforms.

Together with the restructuring of Eskom, this is part of our ongoing effort to reposition and transform our state-owned enterprises so that they can be profitable, sustainable and competitive and can play a developmental role in our economy.

This reform will have a direct impact on port users and our export industries.

They will benefit from increased efficiency, lower costs and new investment in port infrastructure.

It will also have an impact on the lives of ordinary South Africans, who will benefit from lower prices of goods and more jobs throughout the export value chain.

It may not be obvious to us, but almost every single product that we purchase is affected in one way or another by our ports.

That is why every South African should celebrate the steps that we are now taking to turn our ports around.

The changes that we are announcing today cannot be separated from the ongoing work to improve efficiency and invest in infrastructure at our ports.

The implementation of this measure is a crucial part of Transnet's broader strategy to revitalise our logistics infrastructure, including by developing strategic partnerships with the private sector to attract new investment and enhance terminal operations.

Transnet has put in place an ambitious plan to invest R100 billion over the next five years in upgrading its infrastructure across the ports system.

Achieving this target will rely on leveraging private capital to shore up the contributions of the state and establish world-class infrastructure at our ports.

I wish to make it clear that state ownership of the ports remains our policy and we will not compromise on it.

All of our ports, as well as our rail infrastructure, are strategic national assets that belong to the people of South Africa.

That is why the National Ports Authority and its assets will remain in the ownership of the state.

Where the private sector can and should play a role is in partnering with the state to improve terminal operations and to invest in new infrastructure, as is already the case in several of our bulk cargo terminals.

There will be no jobs lost as a result of the creation of the new subsidiary; only greater efficiency and more investment.

To implement this reform, the Minister of Public Enterprises will appoint an interim board by the 30th of June to oversee the establishment of the new subsidiary, ensuring that this process is concluded as quickly as possible.

We will ensure that an inclusive consultative process is undertaken throughout this process, so that all key stakeholders are involved.

Transnet will continue its work to improve operational performance by introducing new technology, maintaining and replacing old equipment, up-skilling its workforce and ensuring that it has the right expertise in place.

I have been impressed by the dedication and effectiveness of the new management team at Transnet, which has worked tirelessly to reverse the damage done by state capture and to put the company on a new footing.

I am confident that this team, with the support of the Department of Public Enterprises, has the necessary experience and skill to accomplish this task.

And I am convinced that the establishment of an independent National Ports Authority will mark the beginning of a new era for South Africa's ports.

Like each of the structural reforms that we are implementing, this announcement was preceded by many months of intensive work by the Department of Public Enterprises, the Department of Transport and Transnet, with the support of Operation Vulindlela.

I would like to thank Minister Pravin Gordhan, Minister Fikile Mbalula, Transnet CEO Ms Portia Derby and their teams for taking this bold step forward in establishing a world-class, modern and competitive logistics system.

South Africa is on the move.

We are moving forward with speed and determination to accelerate structural reforms and achieve a swift and lasting economic recovery.

At this point, I would like to hand over to the Minister of Public Enterprises to elaborate on the steps we are taking to implement this reform and other measures to improve the performance of our ports.

I thank you.

ISSUED BY THE PRESIDENCY OF THE REPUBLIC OF SOUTH AFRICA