Transnet's profits up 11.5% to R21.1bn

As a result of a strong operational performance and a cost saving of R2.2bn, transport parastatal Transnet's earnings before interest, taxation, depreciation, and amortisation (Ebitda) - it's key measure of profitability - rose by 11.5% to R21.1bn for the year to March.

Transnet said the performance was driven by steady growth in rail volumes and improving operational efficiency at the ports, while the parastatal moved ahead with its infrastructure investment enabiling job creation. It says the results were achieved in spite of the challenging economic conditions.

Revenue for the period increased to R50.2bn from R45.9bn in the previous year as Transnet Freight Rail's (TFR) road-to-rail programme continued to take containers and automotive traffic off the country's roads. Importantly, TFR's containers and automotive segment recorded a 21.6% growth to 10.7m tons (mt). This takes Transnet's rail volumes for the period to an unprecedented 207.7mt.

During the year, TFR revised its business model into customer-facing business units to support the execution of the market demand strategy. The focus is on pursuing opportunities for volume growth; enhancing service levels, productivity and efficiency gains.

Elsewhere, the company increased its iron ore and manganese rail volumes by 7.3% to 64.3mt thanks to rising demand for manganese and improved efficiencies in the iron ore channel, especially locomotive use which improved by 12.8%. However, coal volumes disappointed with a 1.9% growth due to the prevailing market conditions in the sector in spite of a 22% increase in demand from Eskom and higher levels of operational efficiency.

Opportunities identified

"We have identified certain opportunities for further efficiency improvements including introducing our 200 wagon trains on the coal line to run directly from the mine to the port, instead of going via Ermelo. Our projections are that the project, which is currently being tested, will cut cycle times from the current 65 hours to about 41 hours and add about 5mt to our volumes," Transnet's chief executive Brian Molefe said.

"Despite poor economic conditions, a marginal improvement in volumes through our ports and a decline in petroleum volumes through our pipeline network, Transnet met 91.8% of the volume targets it had set itself," he added.

Profitability was aided by an aggressive cost management which yielded a R2.2bn saving for the year despite rising operating costs. Costs increased by 7.9% to R29.1bn driven by higher staff costs, higher employment and greater spending on training as well as an average 8.4% wage hike for unionised employees. Other factors included increased energy costs because of higher fuel and electricity prices and materials costs which were driven by steel prices.

Transnet spent a record R27.5bn on its infrastructure programme, a 23.4% increase from last year's R22.3bn. This takes the total investment over the last seven years to R136.5bn.

Transnet revised is capital investment programme to R307.5bn from R300bn in the previous year, confirming the company's commitment to its 'counter-cyclical' investment strategy to create capacity ahead of demand.

Transnet signed a contract with Chinese manufacturer China South Railways for the supply of 95 electric locomotives, following a competitive tender process. The company is currently adjudicating bids for the acquisition of 465 diesel locomotives and 599 electric ones for TFR's business.