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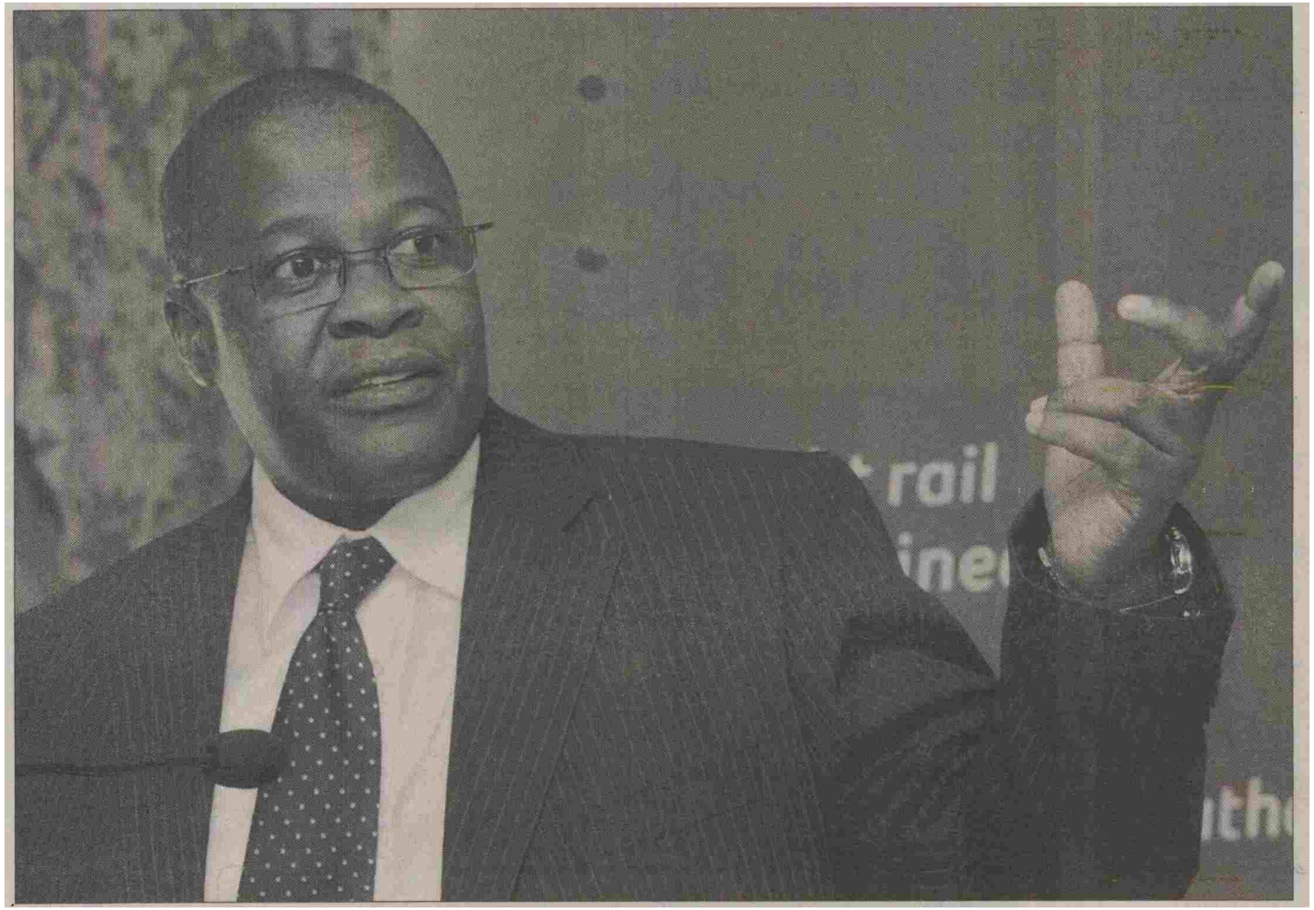
Depreciation of assets knocks Transnet's profit

Utility not running at a loss, assures Molefe



Transnet chief executive Brian Molefe presents the utility's interim results at the Westcliff Hotel in Johannesburg. He says the downward trend is set to continue for the next few years. PHOTO: SIMPHIWE MBOKAZI

Nompumelelo Magwaza

TRANSNET'S interim profits fell 24.5 percent to R1.8 billion from R2.3bn due to costs to write down the value of some of its assets.

Speaking at the company's results presentation in Johannesburg yesterday, chief executive Brain Molefe said that the decrease in profit was as a result of the jump of 25.2 percent in costs to R4.9bn in depreciation and amortisation, and the significant ramp up in capital investments over five years.

He added that this trend was expected to continue in line with the execution of the capital investment programme.

However, the company's earnings before interest, depreciation and amortisation increased by 7.1 percent to R10.1bn. In the six months to September, Transnet's revenue increased by 11 percent to R24.9bn as a result of a 7.5 percent increase to 103.3 million tons in rail volumes.

Molefe said the 7.5 percent increase was more than three times gross domestic product (GDP) growth. Transnet's finance costs for the year jumped 30.7 percent to R2.5bn due to increased long-term borrowings. In the period under review, capital investments jumped 34.5 percent to R12.8bn.

The parastatal was able to raise R14.7bn through various funding sources, including the second global medium-term note bond issuance totalling $1bn (R8.2bn) to international investors.

Operating expenses rose to R14.8bn from R13bn in the previous period, in line with soaring energy costs as a result of higher electricity tariffs, as well as high fuel prices experienced during the period.

Molefe said Transnet's cash generated from operations after working capital changes, jumped by an impressive 18.1 percent to R9.8bn.

Transnet Freight Rail, (TFR) which is one of the biggest operating divisions, increased its automotive and container segment by 19 percent.

"This is the sign that we are growing market share in this division and it shows success of the division's new operating model," Molefe said.

The utility group's manganese and iron ore volumes increased by 11.2 percent to 31.7 million tons, achieving record-breaking weekly performances along the way.

Coal volumes increased by 7.8 percent to 41.6 million tons.

Transnet said these volumes were achieved despite the protracted dispute between mining giants and key customers, Kumba Iron Ore and ArcelorMittal South Africa, over pricing.

TFR chief executive Siyabonga Gama said the dispute between the two had affected normal volumes in rail.

"We operate about 19 trains a week from Sishen to Vanderbijl and these were reduced to eight trains per week as a result of the dispute," said Gama.

He said this was nothing to worry about because "things were slowly picking up, especially since the dispute was sorted out".

He, however, indicated that Transnet would like to increase the number of trains for these companies to 22 a week. Container and automotive volumes were slightly lower with the unit posting an increase of 19 percent to 5 million tons.

However, maritime container volumes showed a 1.3 percent slide to 2.1 million 20-foot equivalent units. Pipeline volumes recorded a 1.1 percent decrease to 8.4 million litres.