

# Transnet dumps coal terminal for now

By [Andiswa Maqutu](#)

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Transnet has decided to put off its plans to build a R15bn new terminal to complement the Richards Bay Coal Terminal (RBCT).



Transnet's Brian Molefe says plans to build an additional coal terminal at Richards Bay do not make sense as the existing RBCT terminal is not working at full capacity and can accommodate additional exports from other mining companies. Image: Transnet

The announcement came after an industry agreement with major mining companies was reached after they promised to provide extra capacity to junior miners, Transnet Group's Chief Executive CEO Brian Molefe said.

Speaking on the sidelines of the group's interim results presentation, Molefe said the coal export capacity of Quattro, the black economic empowerment (BEE) scheme, would be doubled to benefit small black junior miners.

About 15m tons a year of coal export capacity had been made available to BEE-compliant companies through RBCT's phase-five expansion giving it a total capacity of 91m tons.

Transnet had sought to build a new coal terminal at Richards Bay to enable junior miners to export from the port.

Molefe said the construction of the new coal terminal was "not as urgent as before" now that the industry had agreed to include junior miners in its quotas.

## Two terminals at Richards Bay

"The Richards Bay port will continue with two terminals and Transnet would sign take-or-pay contracts with big and small mining companies," Molefe said. The other terminal is the RBT-Grindrod, which had been looking to partner with Transnet in the new terminal.

Under take-or-pay contracts, Transnet commits to providing trains and the customer is obliged to pay, whether it has products to rail or not. Last month, Transnet signed a 10-year take-or-pay contract with BHP Billiton for R24bn. "Similar contracts would be concluded with 30 other companies by the end of this month," Molefe said.

RBCT Corporate Affairs Manager Gcina Nhleko said talks about raising the capacity for junior miners were still confidential and would be informed by demand for the added capacity. She said currently the 4-million-ton export capacity available to junior miners was under-utilised because of currently low prices on overseas coal markets.

XMP Consulting's Xavier Prevost said building a new terminal at Richards Bay would not have made commercial sense as the main terminal was operating below capacity because of low global coal prices.

Meanwhile Transnet reported a 6.4% increase in revenue to R30.3bn, for the first six months of the financial year.

However, net profit was down 24.9% to R2.1bn from last year's interim results mainly as a result of an increase in depreciation and finance costs because of increased capital investments. Transnet's capital investment had increased



RBCT is undergoing further expansion but is not operating at full capacity and has allocated additional export quotas to junior mining companies. Image: RBCT

66.8% to R18.7bn as the group sought to implement its R300bn market demand strategy.

Source: BDPro via I-Net Bridge

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