

# Trade Facilitation of Containerised Ports And Operations In South Africa

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- Trade developments in Africa and Southern Africa
- Africa's port challenges
- The role of ports in trade facilitation
- Conclusion

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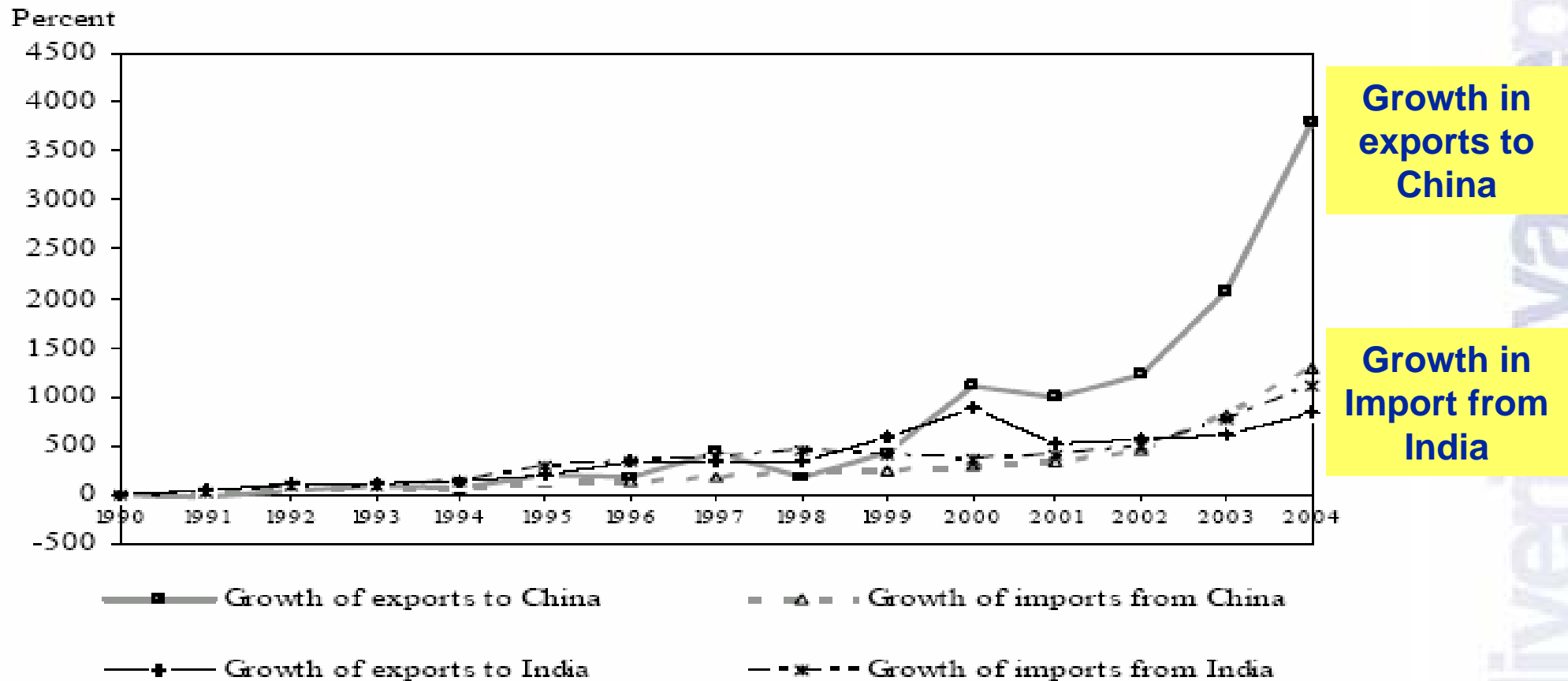
## Trade development in Africa

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- **Africa is benefiting from growth in the developing economies, especially China and India**
  - Real GDP in Africa grew at an average of 4.2% p.a between 2001 and 2004 and reached 5.4% in 2004
  - The major export commodities are crude oil, metals, woods and cotton
  - 4.6% of South Africa's commodity exports went to China and 4.2% went to India in 2004
- **South-South trade is growing rapidly**
  - Trade has grown from 222 billion dollars in 1995 to 562 billion dollars in 2004
  - South-South trade is growing at around 11 percent a year
  - South-South foreign direct investments (FDI) have increased, from about 14 billion dollars in 1995 to 55 billion dollars in 2006

# Trade between Africa and China and India has grown

a) Cumulative Growth Relative to 1990



## Container traffic growth by region

	2001	2002	2003	2004	2005	2006
North America	1.3%	9.6%	9.5%	8.9%	8.5%	8.5%
West Europe	2.1%	9.3%	9.9%	11.6%	8.2%	7.5%
Far East	5.7%	16.6%	20.3%	18.3%	12.4%	13.0%
South East Asia	7.5%	11.4%	11.2%	12.9%	5.7%	6.6%
Mid-East	11.1%	10.8%	17.4%	23.6%	14.1%	10.9%
Latin America	5.4%	2.5%	11.2%	15.5%	9.9%	10.1%
Oceania	5.9%	13.0%	8.3%	12.0%	3.0%	5.0%
South Asia	6.9%	12.8%	10.2%	17.0%	10.6%	13.3%
Africa	10.0%	13.0%	14.0%	15.0%	16.0%	17.0%
Eastern Europe	34.9%	25.0%	26.0%	31.0%	36.0%	18.9%
<b>World</b>	<b>5.0%</b>	<b>11.7%</b>	<b>14.3%</b>	<b>14.8%</b>	<b>10.1%</b>	<b>10.3%</b>

- Africa's growth in the last 2 years has been higher than the world average

# Industry development trends

## Regulatory

- Liberalisation
- Environment
- Competition

## Global

- Growth
- Global Sourcing
- Infrastructure



## Industry

- Efficiency
- Consolidation
- Port privatisation

## Trends

- Congestion
- Technology
- Partnerships

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# Challenges for African ports

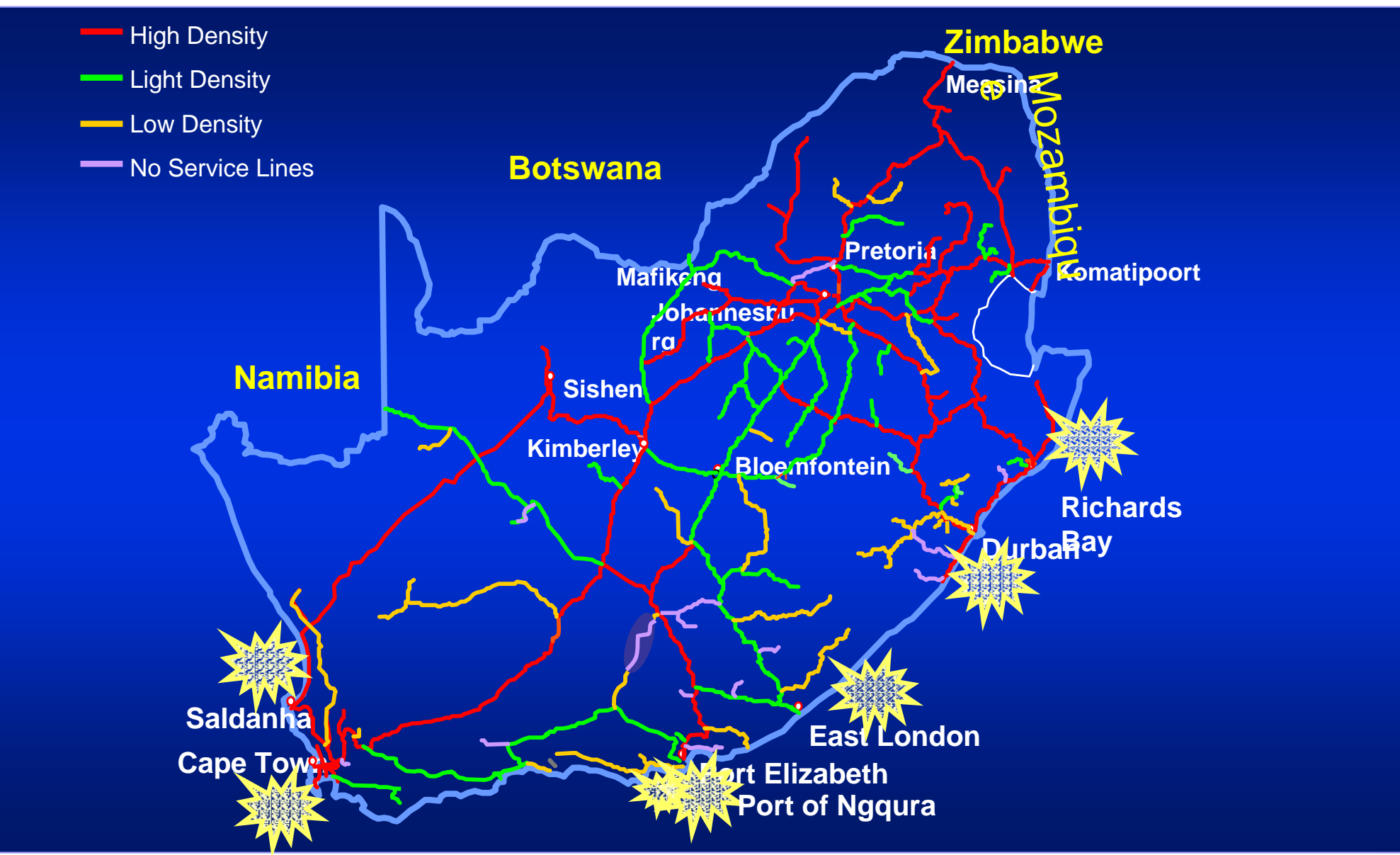
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- Lack of port capacity to handle increased demand
- Productivity levels do not compare favourably with many ports on the main East – West trades
- Productivity demands are increasing as vessel schedules get tighter, call sizes increase and port stays shorten
- Developing ports have an investment backlog to address
- Skills development remains an urgent need
- Infrastructure constraints extend beyond ports to road and rail networks, systems, etc.

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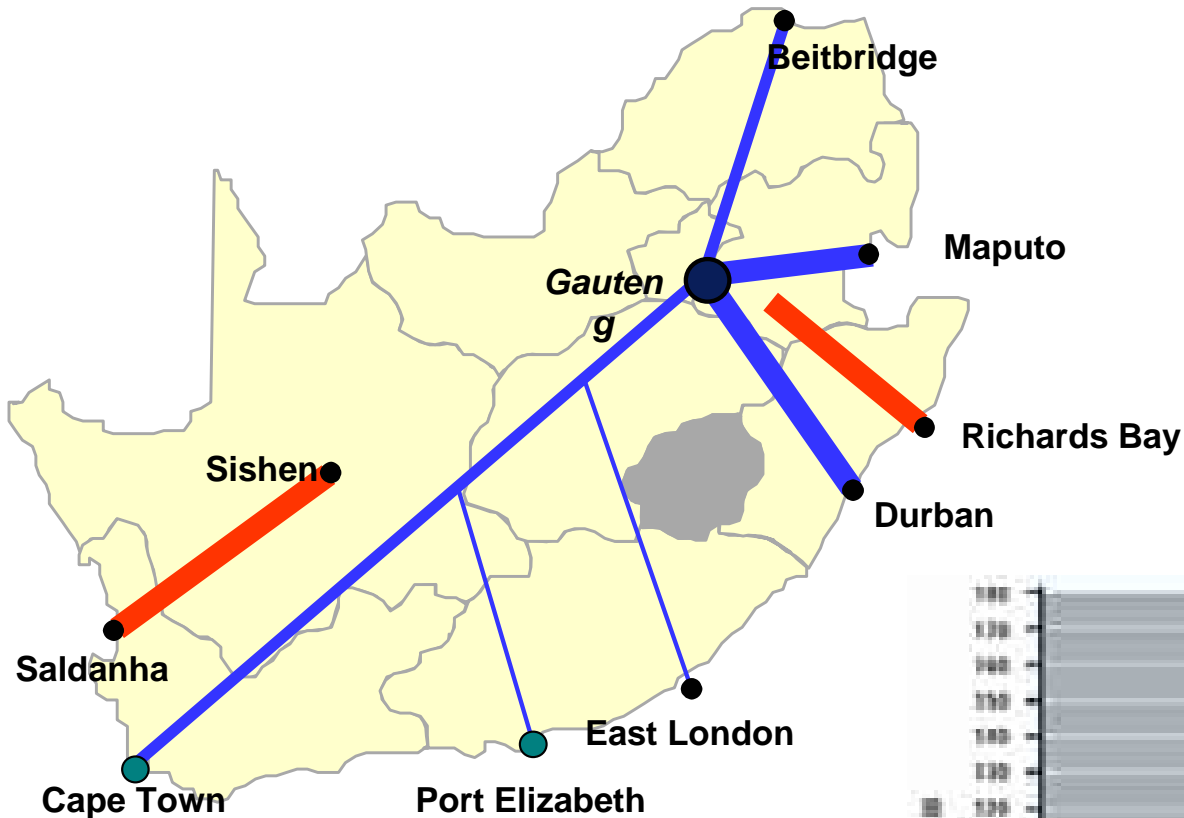
# South Africa's logistics network

- High Density
- Light Density
- Low Density
- No Service Lines

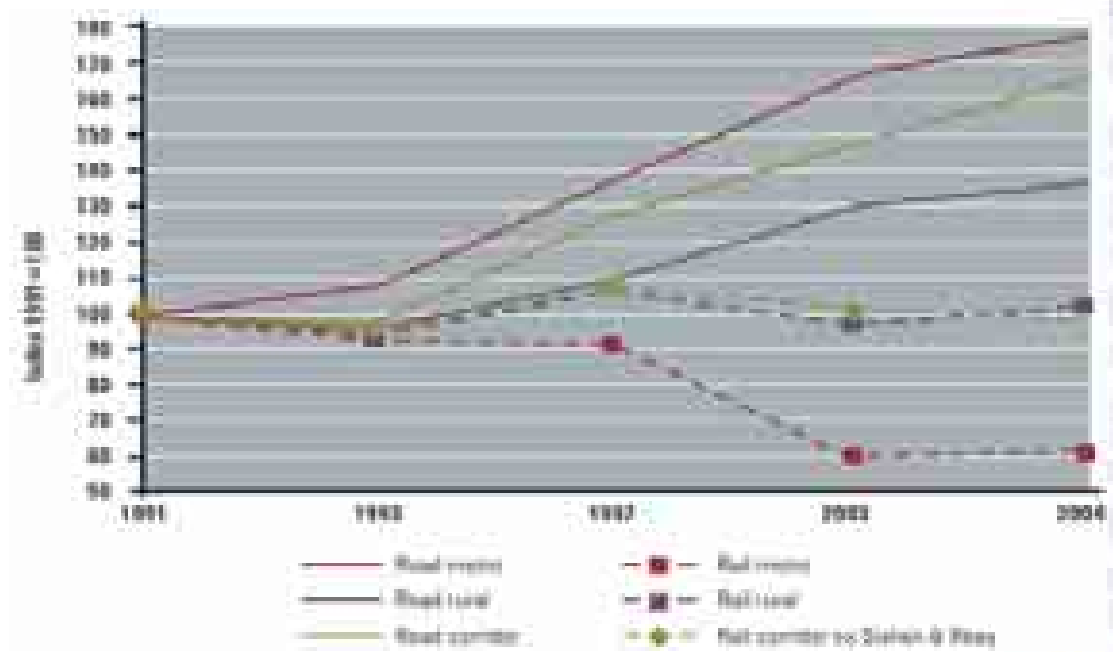


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# South Africa's freight challenge



- Reducing transport cost as a percentage of GDP
- Attracting more shipping lines to make freight rates more competitive
- Creating capacity ahead of demand



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## Bulk commodities exported Through SA Ports

Port	Major Bulk Commodities	Volume million tons	Source	Approx. distance from source
Richards Bay	• Coal	74	KZN/Mpumulanga	400 - 600km
	• Wood Chips	4.1	Nelspruit	585km
	• Rock Phosphate	0.3	Phalaborwa	806km
	• Chrome ore	0.8	Rustenburg	721km
Durban	Steel	2.2	Middleburg	856km
	Chemicals	0.6	Secunda	569km
Port Elizabeth	Manganese ore	1.7	Meyerton	952km
Cape Town	Prepared Fruit	0.4	Ceres	110km
Saldaha	Iron ore	27	Sishen	993km

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## The nature of port terminals

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- **Ports are stimulators of economic growth**
- **Ports can inhibit a countries growth if there is not sufficient capacity or if productivity is low**
- **They require significant investment to cater for growth, especially in containers and bulk**
- **Ports need to serve broader national interests as well as operating as commercially viable entities**
- **Ports often work within complex environments**
  - Port regulatory legislation
  - Environmental needs
  - Demands for tourist development etc. place demands on limited port space

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# Ports as stimulators of economic growth

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- **Ports are the only public agencies whose primary purpose is economic development**
  - infrastructure is often indivisible and, as a result, increases in infrastructure capacity can only be realized in "quantum chunks."
  - The life span of port infrastructure projects often exceeds the time horizon acceptable for private investors and commercial banks
- **Ports create jobs and stimulate economic growth in many ways**
  - By owning and operating port terminals and other port related facilities
  - Support industries provide skilled and unskilled jobs
- **Investments in infrastructure, often in situations where returns may not be seen for many years.**

# Looking at South Africa's major port projects

Project Description	Impact
<p><b>Durban Container Terminal</b></p>	<ul style="list-style-type: none"> <li>• Additional &amp; replacement of container cranes</li> <li>• Additional &amp; replacement of straddle carriers</li> <li>• Increase in capacity to 2m TEU's</li> <li>• International best practice – 1 crane per 100m of quay and 5 straddle carriers per crane</li> </ul>
<p><b>Pier 1 Container Terminal Durban</b></p>	<ul style="list-style-type: none"> <li>• Additional container capacity of 720,000 TEU's</li> <li>• Caters for growth until 2010</li> </ul>
<p><b>Cape Town Container Terminal Equipment Renewal &amp; Expansion Program</b></p>	<ul style="list-style-type: none"> <li>• 6 new container cranes</li> <li>• 26 four high straddle carriers</li> <li>• Higher stacking density achieved</li> <li>• Increases throughput capacity by 44% to 0.8 mill TEU's</li> </ul>
<p><b>Iron Ore Expansion Saldanha</b></p>	<ul style="list-style-type: none"> <li>• Meet export growth requirements</li> <li>• Tonnage up to 45 million tons p.a.</li> </ul>
<p><b>Richards Bay MPT Equipment Replacement</b></p>	<ul style="list-style-type: none"> <li>• Increase terminal productivity through efficiency improvement and additional equipment acquisition</li> <li>• Improve service offering through customer centric culture</li> </ul>
<p><b>Salisbury Island Terminal</b></p>	<ul style="list-style-type: none"> <li>• Additional capacity for export growth</li> </ul>

## Conclusions

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- **South Africa's dependence on commodity exports with little diversification incurs considerable development risk**
- **South Africa must continually improve its connections to main international sea routes to reduce the impact of rising shipping costs**
- **Ports must meet the challenges of creating capacity ahead of demand, enhancing skills and the use of technology to improve efficiencies**
- **Long-sighted development plans are needed to cater for increased demand in freight traffic**