



9th National Maritime Conference

15 to 17 March 2005

Cape Town

**SAPO's future role in the growth and
development of port terminals**

Tau Morwe – CEO South African Port Operations

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Government's Mandate: May 2004

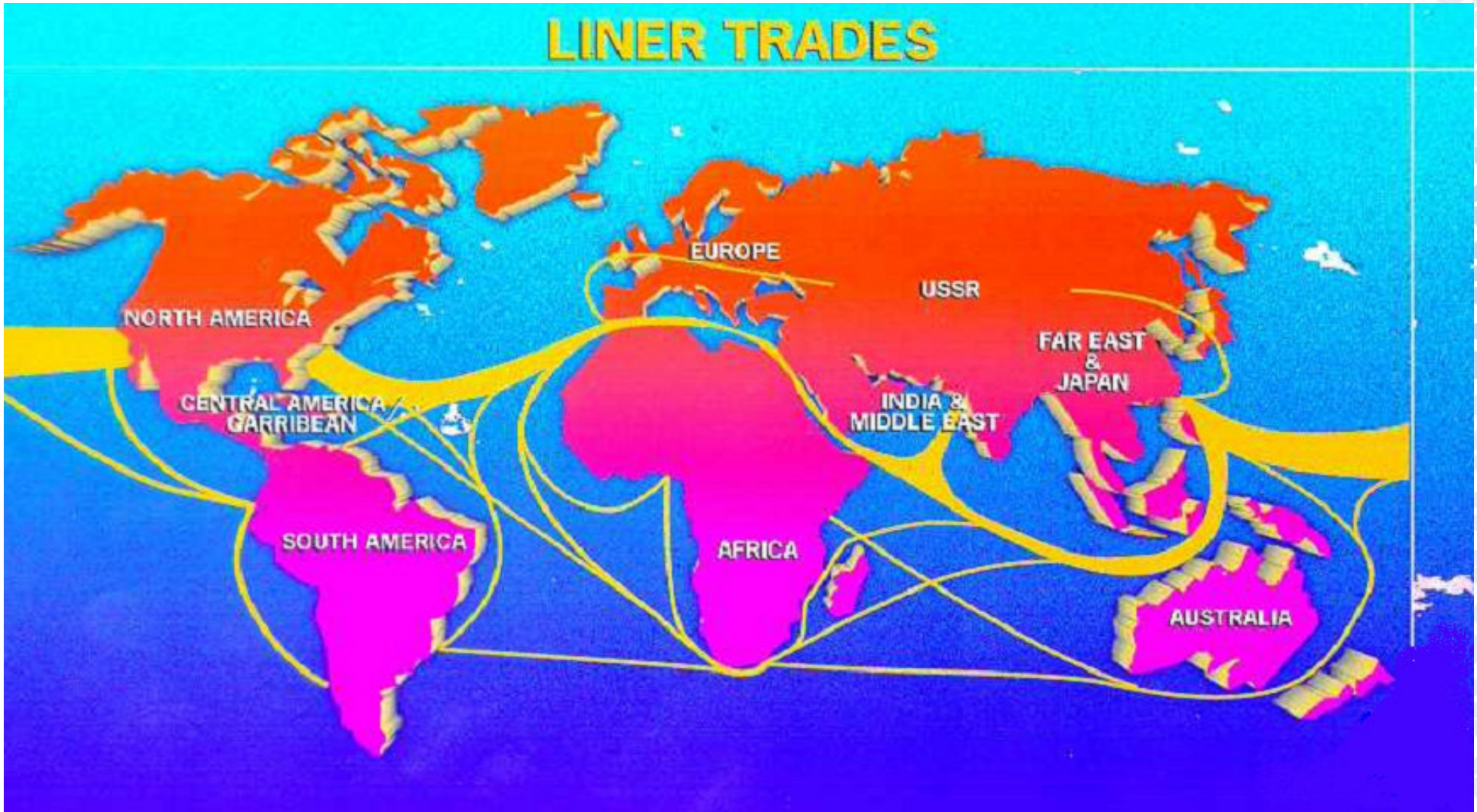
- "Continue to reduce the cost of doing business in our country
- Implement the plans announced in the past concerning our national logistics system organised in Transnet.
- Seek to work with Parliament to expedite the process of the restructuring of our ports to bring in new investment and lower the costs of moving imports and exports.
- Coega Industrial Development Zone is already open and the first ship will be able to dock at the new Coega/Ngqura port by September next year
- Spoornet will increase its freight capacity by 30% over the next five years
- Rail Commuter Corporation is investing R220 million this financial year to improve commuter transport and safety."

Pres. Mbeki : State of the Nation Address 21 May 2004

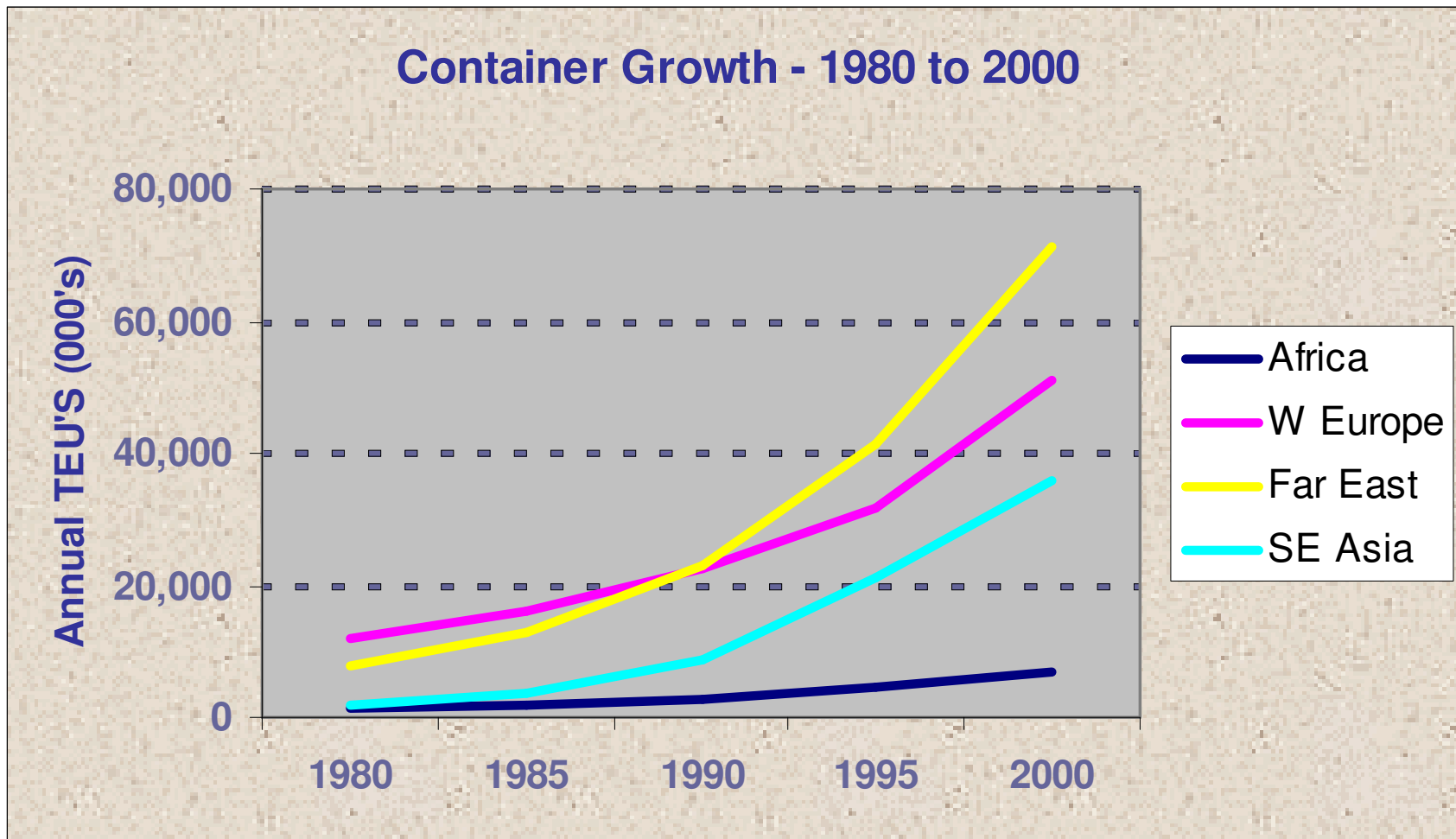
International trends & developments

- Containerisation has in the past two decades surpassed breakbulk cargo as the dominant means of sea transport for non-bulk cargo
- Consolidation in the container shipping industry where 5 global companies have emerged as the top port container operators and 20 shipping lines now control over 52% of global cargo
- Ships are getting bigger and are making fewer stops, which implies greater negotiating power
- Both break bulk/general cargo and dry bulk cargo are declining trades as more and more global ports gear toward containerisation
- Four major international shipping routes with major hub ports situated on east / west trade band
- World shortage of port capacity as a result of higher than expected growth from China

The South African Container Terminals are NOT situated on the major East / West container liner trade routes thus limiting the opportunities for large volume growth but are however strategically positioned on trunk routes serving the Southern hemisphere



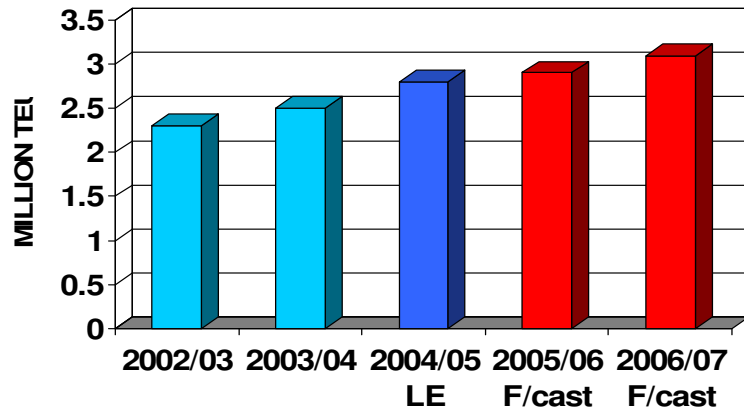
Container growth - African ports comparison



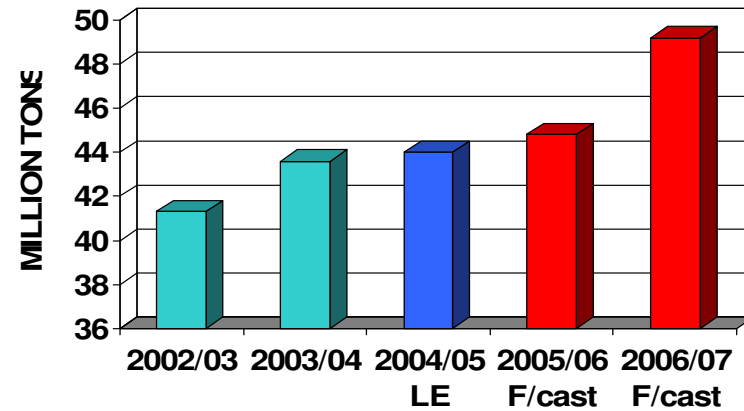
Source: Drewrey

SAPO SECTOR GROWTH

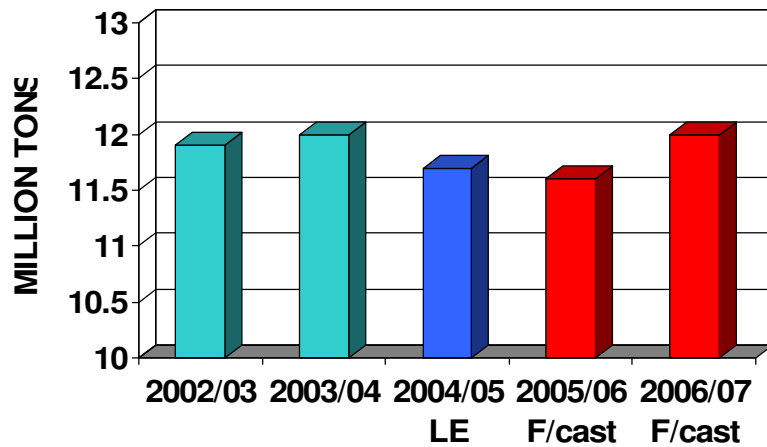
SAPO CONTAINER GROWTH



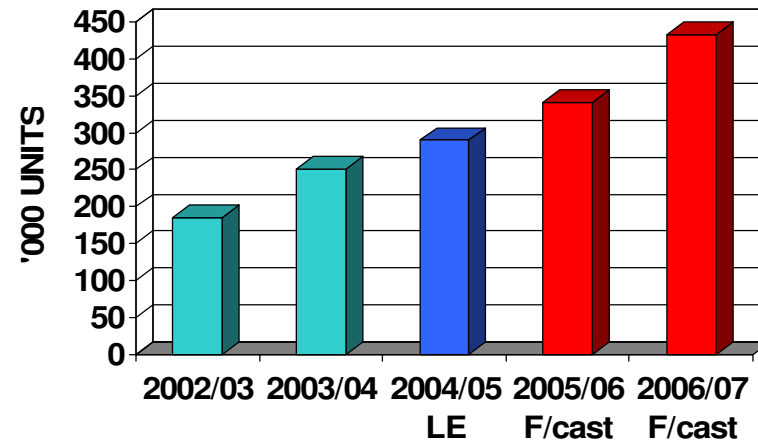
SAPO BULK GROWTH



SAPO BREAKBULK GROWTH



SAPO VEHICLE GROWTH



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Challenges facing SAPO

- **Capacity shortfalls as a result of delayed investment**
 - Solution: Coordinated long term capacity planning to develop capacity in time to meet demand
- **Need to increase efficiency and productivity**
 - Solution: Programmes to develop people, technology partnerships and investments in technology and information systems
- **Need for better integration between modes, especially between ports and rail**
 - Solution: Integrated capital and operational planning, joint efficiency projects between ports and rail
- **The requirement that SAPO contribute to reducing the cost of doing business in South Africa**
 - Solution: Focus on improving efficiency and controlling cost

SAPO Current Business Portfolio

SAPO

**Container
Operations**
100%
Market share

**Durban
Port Elizabeth
Cape Town**

**Bulk
Operations**
32%
Market share

**RICHARDS BAY
SALDANHA**

**Break-bulk
Operations**
83%
Market share

**RICHARDS BAY
DURBAN MPT
MAYDON WHARF
CAPE TOWN MPT
SALDANHA
EAST LONDON**

**Automotive
Sector**
100%
Market share

**Durban
East London
Port Elizabeth**

Transport Regulator (NDOT)

LANDLORD is NPA

SAPO market share

Volumes for 2003/04			
Sector	SAPO	Other	Total
Containers (million teu) 4 Terminals	2.5	-	2.5
Bulk Exports (million tons) 2 Terminals	43,5	91,6	135,1
Automotive (thousand units) 3 Terminals	261	-	261
Break Bulk (million tons) 7 Terminals	10.8	4.7	15.5

Source: SAPO and NPA statistics

Factors affecting the success of private participation

- **Economies of size and scale**
 - Minimal size for viable container terminal is around 300,000 teu p.a
 - Large scale operations required for dedicated bulk channels such as Saldanha to reduce unit costs
 - Large scale under cover on-dock facilities are required for automobiles
- **There are minimum volumes required to support inter and intra port competition**
 - With a second container terminal in Durban and Coega, there will be 5 container terminals in South Africa
 - Current volumes will not sustain additional facilities in the automotive and bulk sectors
- **Public monopolies must not be replaced by private monopolies**
- **Increased competition must result in a reduction of total logistics costs**
 - Cost reductions from increased efficiencies must be passed on

Opportunities for private sector participation

- **Participation in port operations where it is most needed**
 - Management skills
 - Technology partnerships
 - Market and service integration synergies
- **Driven by the need to improve efficiency, build capacity and meet service needs**
- **Corridors focused strategies**
 - City Deep / DCT container corridor
 - Export corridors for bulk commodities (iron ore, magnetite)

Investing in capacity – some key projects

- **Containers**
 - Gantry cranes in Durban to increase capacity
 - New container terminal development in Durban
 - Straddle carriers and gantry cranes to increase capacity and ongoing replacement in Cape Town
 - Straddle carriers and gantry crane upgrades in Port Elizabeth
 - Total investment in containers of over R2.5bn over the next 5 years
 - Implementation of SACTAB's initiatives
- **Bulk**
 - Refurbishment and expansion projects at Richards Bay DBT
 - Refurbishment and expansion at Saldanha BTS
 - Total investment in bulk sector is over R1.2bn over the next 5 years
- **Other**
 - Equipment replacement programmes at Richards Bay and Durban MPT's
 - Car terminal expansion projects in Durban and East London

SAPO's current focus

- **Extensive capacity development and upgrades**
 - New container cranes for Durban and Cape Town
 - New container terminal in Durban
 - Expansion of bulk facilities at Saldanha and Richards Bay
- **Develop competition in areas where it makes economic sense**
- **Exploit opportunities to capitalise on international shortage of port capacity**
- **Engage in different types of private sector participation e.g.**
 - PPP
 - Strategic equity partnerships where appropriate (eg. containers)
 - Also technology, management and other types of partnerships
 - Joint ventures
 - Partnerships to improve supply chain performance

Private sector participation - next steps

- **Enabling environment & legislation being promulgated**
 - National Ports Policy
 - Revised NPA Bill
 - Guidelines for private partnership have been developed
 - Manual by National Treasury on Public Private Partnerships
- **Private partnership framework being developed at Transnet**
 - Overall framework & guiding principles to steer this process
 - Separation of rail infrastructure and operations
 - Business model for private participation in port operations