

Empowerment within the maritime sector in South Africa

I believe it appropriate to commence my address by congratulating the many people and organizations involved in crafting the maritime BEE charter, or to give it its rightful name “The Maritime Transport and Services Industry BEE Strategy”.

This charter is a crucial milestone in the continued development of South Africa, particularly in light of the considerable importance of this sector to the country’s overall economy. Maritime transport and transport in general plays a pivotal and cross-cutting role across all sectors of the economy and needs to be strong and efficient in order that other sectors, particularly the export sector, can leverage a competitive advantage from it. This factor is clearly recognized by Government and was referred to in the President’s State of the Nation address where he committed to delivering on reducing the cost of doing business with South Africa.

Recent trade statistics underline the importance of this sector. In 2004, the country’s total trade turnover was worth some R500 billion with the country’s maritime exports constituting nearly 70 % of the value of our total exports and maritime imports contributing some 85 % of the value of total imports. Currently about 6 % of the world’s sea trade goes around this southern tip of Africa and the phenomenal growth South Africa has seen in maritime exports and imports (by nearly 70 % over the last decade or so) looks set to continue. I have no doubt that the Charter’s vision of developing South Africa into one of the world’s top 35 maritime nations is a highly achievable and realistic one.

The maritime industry is, therefore, certainly a robust and active sector, with South African ports handling some 13 000 vessels which carry 500 million tons of cargo a year. Yet much of the shipping industry is foreign-owned and South African registered ships have a small share of the South African market. While there are a total of 900 ships on the South African register, 80 % of these are fishing vessels. Ship owning is a bigger activity, with the majority of ships that serve South African routes not registered in South Africa and are Flag of Convenience ships. Whilst there may have been many reasons for this trend, this trend would need to be altered if we hope to become one of the top 35 maritime nations in the world.

The fundamental building block of the transformation of the maritime industry therefore lies in the ownership and operation of shipping by South Africans. This in turn will create opportunities for black business to meaningfully enter the sector. In recent years, ship registrations have increasingly moved off-shore to flags of convenience or to the jurisdiction of new owners. Crewing opportunities and berths for training have, at the same time, reduced, especially in the larger ship classes.

While there are a range of interventions by both Government and industry that need to be taken to create a space for transformation of the industry, by far, the growth in the shipping register has the most upside potential. By this I mean that ship owners should partner with BEE companies to build a sustainable register, which ensures that greater components of the maritime value chain fall within South African jurisdiction and therefore fall under our transformation paradigm.

It is just this thinking that is encapsulated in the Maritime Charter which states as its vision a substantial increase in the number of South African flagged vessels and the development of new South African companies that are globally competitive, not only in trade between South Africa and the rest of the world but also on other lucrative international trade routes. It aims to achieve a significant increase in black participation in ownership, management and employment in companies throughout the entire industry value chain, pursuing a growth strategy that promises the retention and creation of quality jobs, most of which are on landside operations.

To make this vision a reality, the Charter puts forward a deliberate strategy to increase access to skills, capital and economic opportunities. All private sector stakeholders who commit themselves to it are required to have their BEE achievements rated in terms of a BEE scorecard. Whilst newspaper headlines generally refer to the equity deals that are taking place within the sector, the long term sustainability of transformation within the sector is likely to be realized by the other equally important measures captured in the Charter scorecard. This scorecard goes beyond just the transfer of ownership and, in line with the spirit of true transformation, provides significant weighting to all the elements above, that is access to management positions, training and development, entrepreneurship development, procurement and corporate social responsibility. It also creates an environment for the private sector to facilitate the creation of new black entrepreneurs and the development of existing ones who can participate in economic opportunities throughout the value chain.

Of course the lofty aspirations of the Charter are only likely to be realized if there is an effective implementation and monitoring mechanism that is recognized and endorsed by the key stakeholders. One therefore welcomes the establishment of the Maritime Charter Council which is being registered as a section 21 company to drive the implementation of the Charter and monitor and evaluate progress in charter implementation and adherence across the industry. Private sector stakeholders who commit themselves to the Charter will be rated by an independent BEE rating company that is accredited by stakeholders, while public sector organizations will be rated in a separate process. These independent BEE ratings will go a long way towards eliminating fronting in the industry.

In parallel with the introduction of the Charter, there are a number of other regulatory changes underway that I believe will also go a long way to achieving successful transformation in the maritime sector.

The current moves within Government to assess the impact of moving to a tonnage tax are to be lauded and supported. The Treasury has undertaken to implement this legislation in 2006 and this fiscal intervention, along with other regulatory and administrative changes, should provide the framework for expanding the country's shipping fleet and allied industries.

I am of the opinion that the tonnage tax implementation must take consideration of the level of BEE in the organization to trigger certain levels of tax relief. This will then have the potential to advance the cause of BEE in the maritime industry overnight. It will serve to bring more revenue into the coffers while driving the transformation agenda of Government.

The NPA Bill, currently before parliament, is also to be supported in setting the framework for potential public participation in the port system. The National Department of Transport's Maritime Agenda 2010 should also see a number of regulatory changes, designed to attract more vessels to the South African flag. Agenda 2010 provides a route map to developing South Africa's maritime industry and creating an International Maritime Centre (IMC) in the country. Similar interventions in Singapore and the Netherlands have greatly expanded the industry.

Looking further afield to the sub-continent, the Maritime Charter also highlights the need for a broader contribution towards sub-regional integration in line with the objectives of NEPAD and the African Maritime Partnership.

Most commentators on shipping will tell you that all great trading nations are built on a merchant shipping fleet. I am, however, of the view that even inland states can be great trading nations if they are within a bloc that includes a partner with a good merchant shipping fleet. Africa needs to develop many great merchant shipping fleets if we are to build ourselves into the great continent we no doubt have the potential to be. We need to use trade with each other to drive the integration of our economies and to allow us to compete for international capital and markets to a greater extent.

One of the critical precursors to this is the need for regional and sub-regional fleets which should be driven by the Governments of the region as a critical programme in NEPAD and the AU. As a case in point, tugging and salvage is dominated by foreign operators in the sub-region. Surely there is space for greater local participation here.

As one of the first building blocks of the regional and sub-regional fleet development strategy, Governments of Africa need to create a space for smaller shippers to ply the coastal routes at profitable levels. These smaller entities will over time transform into multi-national African fleets. This certainly does not mean that we must push out foreign ownership and activity, but the maritime cake should be shared in a more equitable manner.

The labour absorption potential of the maritime industry has not been utilised to the best extent possible. The areas of ship building and repair, as an example, need to be reviewed and appropriately incentivised to the extent that it not only creates a labour demand, but forms a critical component of our skills development in the sub-region. We need to use such opportunities to learn from the best. The skills base developed in such areas are readily transferable to other sectors of our economies.

To conclude, the major possibility for transformation in the short term would probably be in the maritime industry supply chain. I am specifically speaking about the provision of goods and services to foreign companies and operators.

However, in the longer term, one of the strengths of the Charter is its breadth of scope, not only does it encompass all allied service industries, but more importantly recognition has been given to its facilitating role in the global trading environment.

With this Charter, I have no doubt that the maritime industry will achieve its vision of becoming a transformed and world class industry: one that recognizes the essence of

empowerment and transformation, that stimulates economic growth and development, facilitates trade, complies with international safety standards and delivers efficient and quality services to customers. The multifaceted nature of the scorecard lays the foundation for a comprehensive and enduring transformation and growth of this industry; what is required now is the commitment of the public and private sector to truly work together in meeting the ideals of the Charter and for all stakeholders to meet their undertakings stated clearly in the Charter.