



**Western Cape
Government**

Department of Economic Development
and Tourism

Port of Cape Town Stakeholder Dialogue

13 FEBRUARY 2024

Workshop Report

Welcome and Introduction

The program director, Glen Steyn welcomed the Premier, all dignitaries, and all delegates. He indicated that the purpose of the dialogue was to identify and work on touch points between the Transnet recovery plans, the logistics component of the Western Cape Growth for Jobs strategy; and the business plans of every stakeholder in the room who uses the Port of Cape Town. This will produce a win-win outcome for economic growth, job creation, investment, and ease of doing business.

Glen invited Premier Winde to the podium.

Opening Remarks by Premier Winde

Premier Winde emphasized the three elements of the provincial growth for jobs strategy that he focuses on every day, which are safety, energy security and logistics. He mentioned a recent visit to the Port of Busan in South Korea, with its automated container terminal equipment. Container terminal capacity and efficiency enabled significant economic growth stimulation and job creation within the port logistics chain, which is what Western Cape Government also wishes to achieve. Job creation is the most effective approach to deal with the challenges of safety and security. Partnerships between government and the private sector are essential for accelerated job creation.

The Premier expressed his best wishes to all delegates for a successful port logistics dialogue.

Competitive Logistics for Efficient Exports and Economic Growth

Minister Wenger expressed her delight at hosting the fifth annual Port of Cape Town stakeholder dialogue. She recognized that some progress is being made to improve port and container terminal efficiencies, but noted from key performance indicators that much work is needed to unlock the full potential of the Port as a key economic, job sustaining and creating-hub of this city, this province and of South Africa.

Research results were shared, which indicate that an efficient Port of Cape Town with sufficient capacity and, significant investment in key infrastructure, has the potential to contribute:

- an additional R6bn in exports,
- roughly 20 000 direct and indirect jobs,
- over R1.6 billion in additional taxes by 2026,
- and an additional 0.7% contribution to the Western Cape Gross Domestic Product, by 2026.

Minister Wenger expressed her appreciation for recent constructive engagements with Transnet executives, including discussions about leveraging private sector participation to optimize the value chain at the Port of Cape Town in particular.

Ensuring that the Port of Cape Town reaches its full potential is a priority for the Western Cape Government because logistics, mobility, and export facilitation are critical elements to achieve the break-out economic growth that is needed to reach a new trajectory of prosperity and hope. Minister Wenger stressed the urgency of collaborative interventions to make the high-growth scenario happen for the Port of Cape Town logistics chain.



The National Logistics Crisis Committee

Mr Irindra Naidoo, head of the project management unit of the National Logistics Crisis Committee (NLCC), gave an overview of the three primary components of the challenges that they are dealing with. The first relates to structural inefficiencies, including limited public-private sector collaboration. The second and third challenges are associated with the operational and financial crises within Transnet.

The mandate of the NLCC is to co-ordinate interventions across government and mobilize private sector resources to accelerate operational recovery and implement reforms as contained in the Freight Logistics Roadmap.

The focus of the NLCC is on freight corridors, which includes the container corridor that encompasses refrigerated containers. This represents a prominent component of the Port of Cape Town logistics chain. The approach is to improve diagnostics, facilitate dialogue between government, labour and business; and then improve the efficiency and fluidity of cargo movements on the priority corridors.

He concluded that significant partnership opportunities exist in port terminals, back of port facilities, as well as in inland terminals for ports. Freight rail presents significant opportunities as well.

Global Trends in Port Container Terminals

Mervin Chetty, regional business development director for MTBS in the Netherlands, gave a brief overview on global trends towards private sector participation in port container terminals.

MTBS and Port Finance International (PFI) present short courses on Port & Terminal Concessions, as well as on Port Investment & PPP.

Mervin drew attention to the global drive towards increased efficiency in port logistics, the management of efficiency as a revenue generator and automation/digitization as drivers of port efficiency.

A significant increase in private sector participation projects on the African continent was shown, including Namibia, Angola, Republic of Congo, Egypt, Tanzania and Mozambique. The two primary drivers of this approach are risk sharing and reducing the financial burden on the fiscus.

Various port management models were discussed and calibrated according to levels of public-private participation, risk and financial benefits for the Ports Authority. The advantages and disadvantages of each model were presented. The landlord model is widely regarded as best practice, but each port is different and different models might be preferred given the context.

MTBS facilitated private sector participation in Rijeka Container Terminal in Croatia in 2009.

Lessons learnt are that each country requires a customized framework for promoting private sector participation in ports and terminals, that is tailored according to market dynamics and risk. An experienced team is needed to manage PPP transactions (with essential technical support). Processes need to be streamlined and transaction preparation must be done in advance.



First Discussion Session

John Lawson from the Cape Chamber enquired whether Transnet will consider a private operator for Cape Town Container Terminal. Transnet executives responded that this is not being considered.

Zarina Moosa from Moosa's Transport commented on delays for transporters at the port and terminal gates that are making it too expensive for them to remain economically viable. She asked about the best global practice to provide business support to transporters.

Basil Hanival from SAAFF asked why organized labour was not present in the stakeholder dialogue. Glen responded that SATAWU and UNTU were invited to the dialogue. He agreed that any dialogue about improvements in port logistics should include organized labour.

Container Terminal Concessions in Africa

Emer Keegan and Yussuf Aboobaker from DP World provided information about their company presence across the supply chain from factory floor to customer door. Technology-led solutions were offered to reduce inefficiencies in the logistics chain. Within Sub-Saharan Africa, DP World moves 2 million TEU's per year. Their global network manages 90 million TEU's per year.

Container terminal development is currently underway in the ports of Maputo and Dar Es Salaam. Dry ports are managed in Komatipoort (South Africa) and in Kigali (Rwanda).

The World Logistics Passport is a global initiative by the government of Dubai, which incorporates private and public stakeholders to facilitate faster and more cost-effective international trade through its network of global trading mega-hubs. Technology is used to provide end to end network visibility, integrated freight management, network planning, inventory management and analytics. A data-integration approach is used to optimize transportation and warehouse management operations.

The Belcon Concession

Stuart Duncan from Maersk shared the progress that has been achieved to date with the Belcon Inland Terminal concession, located 26km from the port. It has good connectivity with N1, N2 and R300, as well as with CTIA. The initial focus was refrigerated containers. However, the value proposition has evolved to an industry solution is to keep the container logistics chain moving or plugged in, even during seasonal peaks or adverse weather conditions. Belcon does not go windbound. Rail is a key enabler with 3 daily services and a transit time of 2 hours. This could remove 80,000 truck trips to the port in a year and will reduce truck waiting time in the port.

The first phase was completed in November 2023 in time to support the deciduous fruit export season. It included the container depot and the rail connection. Capability will ultimately comprise 17,500m² of cold store space, 29,000m² of warehousing, 480 reefer plug points and a 58,500m² container depot. The cold store will be integrated into an end to end multi-carrier network of facilities on a digital platform. This will stretch from growers to destination distribution centres. It will also comply with sterilization protocols. Completion date for the cold store is the second quarter of 2025 and first quarter 2026 for the warehouse.



Transnet and Container Terminal Recovery Plan for Port of Cape Town

Ms Michelle Phillips, the Acting GCE of Transnet, invited port stakeholders to have a conversation about turning Transnet around. This is essential to rebuild trust in Transnet. Focus areas include a productivity mindset among staff, digital technology improvements and collaborative engagements with provinces and the country about economic growth and job creation. Her objective is to berth vessels within 24 hours. Michelle invited Mr Oscar Borchards, the TPT Managing Executive for the Western Region, to share the Transnet and container terminal recovery plan for Port of Cape Town.

Oscar emphasized the importance of conversations and collaboration among all stakeholders in the container terminal logistics chain. He explained that the first element of the recovery plan entailed operationally focused initiatives aimed at protecting current revenue sources, improving the way in which Transnet does business, and saving costs. The second element is to develop a new way of doing business with a fundamental change to operating models that embrace rail and regulatory reform towards longer term repositioning of the business. Lastly, various initiatives are being taken to reposition Transnet as a conduit for economic growth through the repositioning of freight value chains. This will enhance competition and capacity and improve efficiency through industry collaboration in line with the National Freight Logistics Roadmap. Included in these initiatives are accelerated private sector participation and strategic transactions for recovery, such as a review of assets for disposal to cover shortfalls. Digital transformation for efficiency, cost reduction, and stakeholder-driven innovation, are among the initiatives.

The recent reality for Cape Town Container Terminal has been a downward trend in containers handled, from 784,000 TEU's in 2019, to 692,000 in 2023. Capital expenditure dropped from R256m in 2011, to R73m in 2023. Under-investment has impacted on equipment reliability and has contributed towards the decline in operational efficiencies. Ship working hours (productivity) has dropped from 45 containers per hour in 2019 to 25 in 2024. Some of the adverse events include the change to a centralized incentive scheme in 2018/19 that had a negative impact on employee morale. The voluntary severance package that was offered in 2021 resulted in the loss of skills linked to operations, support, planning and capital projects. Employee morale has become a challenge.

The target going forward is to improve the containers moved per ship working hour from 27 in February 2024, to 33 in June 2024 (citrus export season); and further to 42 in December 2024 when the next deciduous fruit export season starts. Key interventions include planner training on Navis and replacement of 47 haulers in June 2024. The target for truck turnaround time is 50 minutes by June 2024 and 46 minutes by December 2024.

Additional targets are to keep vessels at anchor at 3 or less and to ramp up container moves per day to 1,500 and then to 1,700. The optimal fleet plan is 9 operational quay cranes, 40 RTG's and 90 haulers, doing 4 moves per hour each.

An order for 27 new RTG's was placed on 6 December 2023.

The chairperson of Transnet, Mr Andile Sanqu, ended the formal presentation session by confirming the alignment between Transnet and Western Cape Government strategies to grow the economy and create jobs through fluid and efficient logistics. He confirmed the Transnet values of transparency and honesty. In his view, stakeholder dialogues in Port of Cape Town require a higher frequency than once a year. Mr Sanqu offered an open line of communication to his office for all port stakeholders.



Second Discussion Session

A wide range of concerns were raised by stakeholders, including protracted tendering processes that often contain insufficient value for business to invest in. Container terminal inefficiencies and delays impact negatively on contractual relationships that port users have with the customers.

New RTGs being procured should be capable of working in wind speeds between 85 to 90 kms/hr to mitigate downtime.

Container handling at the multi-purpose terminal can and should be considerably improved by adequate resourcing of staff and equipment. The empty shed adjacent to the G berth at CTMPT is a limitation for container stacking. Approximately 5500 square meters of container stacking space could be added by demolishing it.

Yard and stack planning are core to container terminal operations, but seem to be neglected by TPT, resulting in unproductive moves and time lost to re-handle containers with equipment that is inadequate for current cargo volumes. Yard and stack management should be central to the container terminal recovery strategy. Planning tools, such as NAVIS, can assist in this regard, but is underutilized by TPT.

Strategies to accommodate larger vessels at CTCT should be considered, including the viability of widening access to the terminal at the inner breakwater.

A helicopter will facilitate embarkation of pilots when the pilot boat cannot function during adverse weather.

Transporters requested a review of the truck booking system, which is a contributing factor to the delays and inefficiencies that they experience at the port. The time taken for shift changes, union meetings, lunch and tea breaks, are considered to be excessive. It drives up the cost of doing business for transporters.

Fruit exporters expressed appreciation for the impact that Ms Phillips has made since becoming Acting CGE. However, December was a disastrous month, especially for stone fruit exporters. Fruit that was loaded during that time, especially on the MSC Matina, exceeded their USA sterilization protocol of 22 days even before leaving CTMPT. The penalties and costs that exporters are likely to incur from that could drive many fruit farmers out of business. It has also put development in that lucrative market at risk for Western Cape exporters.

The Way Forward

Mr Velile Dube, HOD for the Western Cape Department of Economic Development and Tourism, thanked all stakeholders for their participation. He confirmed the important role of a fluid port logistics chain for achieving the growth and job creation objectives of the country and the Western Cape. Attractive markets, such as the USA were opening for South African exports. However, this potential can only be developed with competitive logistics. He appreciated the offer from the Chairperson of the Transnet Board for more frequent dialogue and committed to that. He also urged Transnet to view logistics as an integrated economic value chain from farm to fork.

He confirmed the priorities going forward as follows:



1. Mobilise industry and public sector support for the Port of Cape Town container development plans by way of efficiency improvements, including interventions to pro-actively manage peaks in cargo volumes and recovery after adverse terminal events,
2. Develop a viable digital technology platform to facilitate cargo planning along the entire container logistics chain,
3. Reduce transporter congestion by way of appropriate and viable joint interventions,
4. Encourage viable partnerships to contribute the resources and skills required to achieve and maintain fluid freight logistics,
5. Promote integration of the Transnet strategy in the Western Region and the Western Cape Growth for Jobs strategy to achieve best case outcomes for sustainable economic growth and employment, and
6. Establish a logistics development joint action team to implement the five objectives above.

Stakeholders were invited to continue networking during lunch.

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28 March 2024



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