African sun spot

West Africa's ports are setting the commissioning pace for the continent as private operators prove their worth. **Steve Cameron** reports

APM Terminals' successful revival of Apapa might leave West Africa's traditional hub, Abidjan (pictured) high and dry

West African ports are raising pulses in commissioning terms at the moment, whether that be through real activity or issues.

In Nigeria, after taking over the Apapa container terminal concession just a few months ago, APM Terminals is already producing clearly measurable improvements.

A.B. Sarumi, managing director of the Nigerian Ports Authority (NPA), said in May that privatisation of the countries ports is expected to provide initial bench marks for other sectors; encourage capacity development; enable the restructuring of the government maritime agencies; and provide a hub for West Africa.

Historically, Abidjan has always been the major hub port for the region as a deviation is required to steam to Lagos within the Bight of Benin, high cargo volumes normally make Lagos a direct port call and the Nigerian Customs procedures make transhipment almost an impossibility and berthing delays of 30 days plus have caused lines to suffer either a drop in sailings of 33% or increased costs of 25%. However with the rate of progress APM Terminals has made since commencing its concession this might all be about to change.

Since APM Terminals commenced at Apapa, berthing delays have reduced from 30 days to 9 days in just 10 weeks. The number of moves per day has increased from an average of 600 in June to between 750 - 850 in July and August. Deliveries (gate moves) have improved and are up from 250 to more than 450 per day.

Part of this can be attributed to the investments already made in equipment. APM has taken delivery of 10 reachstackers from Kalmar and Linde. Four empty handlers were due to arrive in August, 26 trucks and trailers by mid-October and two ship-to-shore cranes by November.

A few customers who have returned to Apapa have expressed extreme satisfaction with the levels of efficiency achieved so far while, for its part, APM Terminals says it still has much more to do.

Further down the coast in Angola, it is rumoured that APM Terminals' long-running legal battle over the legality of the concessioning process in Luanda may be about to draw to a close. Local observers believe APMT will win the court case and start operating the terminal imminently. Currently, the government is operating it.

After long running civil wars in Sierra Leone and Liberia progress is also being made here.

Expressions of interest (EOI) for the container yard in Monrovia, Liberia (a five-year concession with an option for another five years) went in on May 24 and feedback is expected from the Government from the middle of September.

At Freetown, Sierra Leone, EOI for the container terminal are expected to be issued during the first half of 2007, after elections planned for early next year. Similarly for Dakar in Senegal, which is an important hub in North West Africa, the government is expected to privatise the container terminal early next year. PS

Liquid gold keeps money pouring in

Oil and gas revenues continue to stimulate investment up and down Africa's western coast with Nigeria and Angola being the main beneficiaries.

Nigeria currently has 33.7bn barrels of recoverable oil with a 40bn target by 2010 and the region is on course to become the biggest supplier of liquefied natural gas in the Atlantic Basin.

Further down the coast, Angola continues to be a major player with companies such as Chevron investing vast sums in multi-stream cracking plants and massive investments in offshore LNG plants.

Given these statistics there has and will continue to be big growth in local oil companies and support services, including ports. However, given all the problems of unrest in the Delta region with kidnappings and oil pipeline sabotage, the future focus will likely be on safer offshore supply.

Room for improvement: Durban has little scope for expansion and container handling rates are 'embarrassing'

Hub potential yet to be realised

With some joined up thinking and probably some outside help, Coega and Durban have all the ingredients to make it as South Africa's core ports

It is perhaps not surprising that South Africa, with its abundant supply of natural resources, well-developed financial, legal and communications structures, and a stock exchange that ranks among the 10 largest in the world, is experiencing growth that continues to pressurise its ports.

While its gross domestic product per capita of $12,000 may appear low by western standards, it is still more that 10 times greater than the majority of the other African countries. Its success in Africa is something its inhabitants should be proud of, yet despite a recent shake up at the top and continued large scale infrastructure investment there is a vein of frustration at the lack of progress on privatisation.

Speaking to *Port Strategy*, Dr Andrew Shaw from the Southern African Development Bank believes that "South Africa has still to capitalise on its Southern Hemisphere trade position".

This is borne out from discussions with some of the larger shipping lines. They are frustrated with African ports in general and although South Africa is performing better than many other African ports, container moves per hour are still somewhere in the region of 19, compared with higher figures for other African ports.

The natural hub port for South Africa is Durban and the higher economic growth rates of Gauteng and KZN imply that increasing volumes will continue to be an important driver of growth for this port. But Durban, like many other large emerging hub ports, has little scope for expansion in a city that considers that the port generates high levels of heavy vehicle traffic on an already congested road network. In other city-ports, such as Hamburg and Rotterdam, there is a realisation that the ports need to capitalise on their hub status to generate further traffic and economic growth for their regions.

A local agent and freight forwarder, with a hands-on involvement that puts him in daily contact with front line operations, takes a more direct approach.

"Cargo handling and marine operations remain poor," he says. "Whilst there is money being spent on upgrading equipment and infrastructure in certain sectors, unless the workforce is productive, nothing much changes. Container handling rates per hour at Durban, the premier African port are embarrassing, stoppages are rife, transport into and out of the container terminal is at times so seriously congested due to trucks that the queue can be 2km-5km outside the port gate".

Another local observer notes that for Southern Africa to match the European handing rates required by the major operators, the authority needs to 'go private'.

"The simple answer is that a privatised terminal operator at Durban's DCT would quickly increase port

Dead weight: Local operators believe that the National Ports Authority does not 'naturally sit' in Transnet, calling for South Africa Ports Operations to become the nation's freight transport operator

productivity," he says. "There are however operational challenges such as the age of equipment, the Z shape of the terminal which means longer moves from stack to vessel and even the new Pier One is constrained by a lack of adequate storage space."

On a more positive note, he continues: "The age of equipment is being addressed and new Liebherr container cranes and straddle carriers are in the process of being delivered. This must have a positive impact on productivity as the existing port equipment is old and unreliable."

No let up in investment

Despite concerns that South Africa's port developments are being dragged out, large capital investments are planned for 2006 and 2007.

The National Ports Authority (NPA) has earmarked $106m and $265m respectively, while South Africa Port Operations has set $105m and $192m, at current exchange rates.

In 2005 those figures were $145m from the NPA and $102m from SAPO at average exchange rates for that year.

Meanwhile, Transnet's five-year capital investment plan earmarks some $3.4bn for ports, under an investment programme that focuses on the replacement of old assets, additional capacity creation and efficiency improvements.

In terms of hardware, terminals are well equipped. Productivity has slightly improved lately but is still far from the productivity in Europe.

Durban currently handles some 1.9m teu, some 1.65m in DCT and the rest in Pier 1 terminal. The latter is currently being revamped into a new terminal which will have a capacity of 700,000 teu.

Dr Shaw adds that Transnet, the government-run organisation controlling the nation's ports, is being turned around.

"Its new chief executive, Maria Ramos, has already substantially improved financial performance and has been clear that productivity is a central challenge facing Transnet and that this is being addressed and in a number of areas has improved significantly."

But even with this continued progress, Dr Shaw believes that another challenge is that the port sector in South Africa is designed for multiple operators based on the landlord model and provided for by the Ports Act. Under that set up, he believes that the National Ports Authority (NPA) does not naturally sit in Transnet and, in terms of the legislation, it should be moved out as a direct agency of Government.

"South Africa Ports Operations (SAPO) is more aligned to the role of Transnet as freight transport operator. Transnet sees the link between ports and rail as a strategic benefit. However, as has been found around the world, the synergies between rail and ports particularly in respect of the container market are very weak (rail carries approx 5% of total domestic container traffic). The synergies between ports and shippers are much stronger. It is possibly for this reason the Department of Public Enterprises (DPE) has been clear that a private sector operator will be used for the Coega Container terminal."

It would seem that Transnet may agree with this issue. Local sources believe that Transnet may begin to incrementally open up the market to multiple operators. However, it has stated that it first needs the revenue earning contribution of the ports in the short term to sustain the turnaround of its business, primarily the rail component which faces significant financial constraints. While there might be some logic to this, it must come at quite a price: continuing poor ports performance has a dramatic affect on any economy.

PPP decision marks the start of new era

After years of debate on privatisation, the South Africa Treasury has finally laid down some principles for proposed public/private partnerships.

Of course, this will not provide a way forward for everyone – unless the private partner has at least 51% of the shareholding it is unlikely that private operators will be interested.

But in terms of productivity, introducing a private partner will certainly improve efficiency. South Africa has its different socio-economic factors, but is not a great deal different in some respects to Nigeria where private concessionaires have started to make big inroads into the berthing delays, thus increasing productivity.

When the terminals in Durban, Cape Town and Port Elizabeth opened in 1977, their productivity was better than those in Rotterdam, Hamburg and Le Havre. The theory is if it was done before then it can be done again. All the ingredients needed for success exist and there are signs that the government may at last be looking in the right direction.

The PPP principles can be found on www.treasury.gov.za

Can South Africa's ports return to their 1970s heydays?

Exactly how private sector operators will become involved in South Africa's ports is not yet clear. Transnet seem to be in talks with some operators already, although the DPE makes it clear in its most recent Strategic Plan that it will go through a request for proposal process and award a principal support provider contract.

This process will not be new to Coega: after years of work and considerable investment by TCI Infrastructure and P&O Nedlloyd the Coega concession came to a grinding halt. Today, there is more pressure for terminal space and this time Coega may choose to develop a hub based on an efficient private sector operator model, probably owned by one of the dominant shipping lines. Coega as a port, however, continues to face the challenge of having a very small hinterland market and so, unlike Durban, has no natural geographic traffic volume advantage.

So it should come as little surprise to hear that it is apparently on top of the list for public/private partnership. Originally, it was planned to be operated solely by SAPO, with its 550m quay and 15m depth becoming operational by 2008. With these credentials it certainly has the potential to become South Africa's transport hub. PS

Front of the queue: Coega is said to be top of the list for public/private partnership in South Africa

A year to remember

Still with two months to go, it has already been quite a year for African concessions.

In Nigeria, the successful bidders for the first round of terminal operating concessions have commenced operations and are already making their mark in reducing berthing delays and improving productivity. A second round of Nigerian concessions is underway and has highlighted the importance of the bulk sector in Nigeria.

On the contrary, in South Africa, there is a strong sense of frustration at the lack of progress on the privatisation issue, despite the earmarking of considerable funding for investment in the ports sector.

East Africa, however, appears more settled with steady activity. But eyebrows have been raised at the halting of a tender process at Dar es Salaam, despite a request for expressions of interest for the general cargo concession.

Dar es Salaam's decision to withdraw its privatisation offer has come as a surprise

A calmer pace

East Africa's less frantic approach to port development belies the undercurrent of activity taking place

Compared with neighbouring regions, port activity in East Africa is positively becalmed. But that's not to say that port development has stagnated.

In Kenya, Parliament is said to be considering ideas for the port of Lamu, located towards the border with Somalia. Local sources report that these considerations appear to involve the Al Bader Group from Kuwait who wants to build a commercial port, free trade zone, resort city, regional airport, railway, highway, pipeline network and an oil refinery.

Given the investment involved, it is not surprising that the quid pro quo is exclusive, unfettered rights and the site must be exempt from any taxes and duties. The build-operate-transfer project is said to be for at least 20 years.

Elsewhere, at the existing container terminal in Mombassa current handling volumes of some 440,000 teu appear reasonable with very few berthing delays. The terminal, which is still operated by the port authority, has four new ZMPC ship-to-shore cranes and the Kenya Port Authority (KPA) is going out to tender for a further two new ones. They have 12 relatively new RTGs, from ZMPC and Kalmar, and have gone to tender for an additional eight. For future expansion considerations, this terminal is in the enviable situation of being able to extend on both sides at a much lower cost than building a new one.

A Japanese Development Institution is undertaking studies for a second container terminal almost opposite the existing one. When complete, the KPA will study the findings and if viable, and after Government approval, will go out on tender for a private operator to build and operate on a BOT basis.

While some KPA officials are somewhat sceptical about this project, the KPA has received instructions from the Government to privatise the existing terminal, and has appointed a committee to spearhead this. The managing director and general manager corporate affairs of the KPA serve on this committee together with a representative of the Treasury. The timetable for this for this process is believed to be about two years.

In Tanzania, container terminal operator Hutchison Port Holdings has been operating at in excess of 100% of the terminal's design capacity and has been granted a significant increase to its terminal area. Its licence has also increased by a further 10 years.

Elsewhere, as privatisation of the terminal at Dar es Salaam is often heralded as one of Africa's early successes, it was expected that gathering expressions of interest (EOI) for the general cargo operations would be relatively straight forward. And that proved to be the case, with EOI being submitted from well known local and international players including ICTSI, DSM Corridor Group/Kuwait & Gulf Link Stevedoring Co. Ltd, Sharaf Shipping Agency of Dubai with B/V Rotterdam Steinweg and also the African experts Bollore.

So it was something of a surprise that having attracted interest from 12 players that the government has since withdrawn its offer. All that has been left are a number of confused parties, that have wasted time and money on EOI that are now, it seems, unnecessary. PS