On the horns of an African dilemma

Steve Camerson reports with breaking news on the hard-fought concessions over the Luanda and Douala port privatisations

The successful bidders for the general cargo & container terminal concessions were announced in the middle of June. Bids were reviewed using a points scoring system.

The general cargo concession has been awarded to Nile Dutch, the liner ro-ro specialist and operator at the Unicargas terminal. Given that they are a comparatively small and solo player the operating standards achieved at this terminal, have been impressive and they certainly deserve the concession.

Leading the chase for the container terminal concession, believed to be for 20 years, following the review of the bids, was APM terminals, sister company to Maersk Sealand, who are believed to have scored well with 80 points. Its not clear if this concession includes other partners.

TECON Luanda, another group in which International Container Terminal Services Inc (ICTSI) is a partner, is also in the hunt.

Conversely, Intertransit, one of the local leading operators has significant connections at governmental level and were expected to be one of the favourites but it appears that it may have submitted one of the less acceptable bids, if this is correct then they are unlikely to make further progress unless they can mount a credible objection.

On announcement of the results the bidders had five days to lodge protests and the port then had one week to reply. The final position was technically supposed to be clear by June 30th but as is usual in such matters the process has run on longer than expected.

This may in part be due to the number of objections lodged. TECON Luanda for example, is known to be surprised at the fact that APM Terminals was announced to be in pole position. It is understood from informed sources that TECON Luanda came top in three of the four categories and second in the fourth against which points were applied to assess the various bids. This apparently also included a much higher investment figure for the terminal facilities than all the other bids. A large part of this investment is required to put in place a suitable quay line for container vessels and hence it is not optional but essential. The same source also pointed out that TECON Luanda, out of all the bidders, was the only one with real common user container terminal operating experience at an international level – APM Terminals really only serve Maersk Sealand and this company's consortia partners plus interfacing feeder vessels – and out of the international bidders had no conflict of interest. The underlying thought here is that if APM Terminals were to be awarded the concession then the container terminal operation would effectively be used to help Maersk Sealand to gain market share and as part of this to cross-subsidise the Maersk Sealand operations in Angola.

The latter is a not unknown concern as is currently visible in Douala.

Meanwhile, up in Douala...

Privatisation is being thrust at all the public sectors in the Africa as the solution to many of their problems. Although globally there is only limited funding available and Africa's proportion has been tiny, it seems to have been enough to stimulate the scramble all round Africa to climb on the privatisation bandwagon. Clearly, it has its merits, but is it always the right solution and how will the man in the street benefit? Experience in the maritime ports sector in Douala, Cameroon tells us that its potential is only fully and properly realised if it facilitates a "level playing field." If a fair and open competitive base is not offered by the privatised entity then all sorts of problems can ensue.

There is no doubt that ports that have suffered a lack of investment for many years and a lack of competition to stimulate improving service levels and generally to benefit from the improvements that; private investment and healthy competition bring.

The larger francophone ports in West Africa have operated for many years with the port authority acting as landlord and granting a number of stevedoring licences to local & international operators. This has worked up to a point as the competition stimulated investment in

Port of Luanda

handling equipment to ensure suitable service levels were provided. But over time the range of options reduced as the stevedoring business consolidated and fell into the hands mainly of the two largest operators in the region; Maersk APM terminals and the Bollore Delmas group. This has left less choice for those lines that do not want to suffer the conflict of interest of having a major competitor as its local agent or stevedore and many lines have had to invest in their own local operations to maintain their market share.

In Douala, despite the process of consolidation, there is still competition as stevedoring licences have been granted allowing regional specialists like Messina line & local operators such as Transimar, to invest in improved service levels for their clients.

The container terminal has seen significant investment with a new paved surface & two gantry cranes. The facility is operated by a consortium of the major container carriers with this handling 95% of the total container traffic. On the face of it, with the combination of the competition that exists, the investment and a consortium that represents most of the container operators' interests, the situation appears reasonably healthy.

All this is, however, is due to change as a privatisation process for the container terminal is in full swing.

The three bidders that have made it to the second round are understood to be:

- APM Terminals with Bollore (Delmas) & Getma
- Dragados the Spanish construction company
- Port of Hamburg & Camship

As APM Terminals, Bollore & Getma are already involved in running the container terminal local observers expect them to be front runners to win the bid, as their existing involvement must give them an advantage with respect to knowing the operating costs and margins of the business.

This is concerning the other operators that are not involved and have to compete with Maersk & Delmas for the Douala container traffic that is then handled at the container terminal. Put bluntly by one Rotterdam-based operator, they believe that if APM Bollore wins the concession it could lead to the stevedoring rates being raised to the maximum stipulated within the concession and the use of this increased margin to effectively subsidise reduced sea freight rates and thus enable Maersk Sealand to increase its market share. Maersk Sealand, like APM Terminals, is of course part of the Danish A P Moller Group.

As the tariff ceiling in the contract is believed to have been set at about Euros 300 for a full 20 ft container, there does appear to be some logic to this concern. The practise of using revenue from profitable land side operations to subsidise a freight rate war in the West African trade, is also not without precedent. It was this process that was one of the factors that stimulated the sale of leading independent, O.T. Africa Line, with its 20 year track record of success, into the hands of its competitor Delmas.

It's understandable that the Port Authority wishes to realise a return on the significant investments that have been made to improve services at the Douala container terminal. However, three major independent operators were so concerned at the potential exposure they faced, they sent a delegation to the Ministry of Transport. For a while the process appeared to have been halted. Now that it seems to be back on track, the independent lines of Grimaldi, Messina Lines and Nile Dutch have written to those experienced in these matters such as the World Bank underling the need for a privatisation process that protects the requirements of the trades centred on Douala as a whole. They have also been lobbying to be allowed to be able to select which stevedore handles their vessels.

As privatisation is supposed to promote the freedom of choice and healthy competition, the latter requests seems very reasonable. Certainly, it is unlikely that the Cameroonian traders will still be smiling if the container terminal privatisation process leads to increased charges being placed on the goods they need to trade to maintain their existence.

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