

2nd Indian Ocean Ports, Logistics & Shipping Conference

*The Scale of Opportunities, Interim Actions And System
Realities*

Thursday 30th March and Friday 31 March 2006

Seychelles

Tau Morwe – CEO South African Port Operations

Speaker context

- At 2:00pm on Thursday 30th March
- Part of section entitled “Transshipment potential and port plans in the region to promote efficiency”
- This talk is after section on Liner System Evolution, Trade Potential and regional Infrastructure
- Next speaker is dealing with Trade & Containerisation in the Indian Ocean Island Region

- **Container growth is continuing**

- Traffic growth slowed to 10.4% in Q2 2005. Africa exceed this with 15.3% and 13.1% growth in Q1 and Q2, 2005
- Africa is expected to grow at over10% in 2006, in line with expected world growth
- Cellular container fleet grew by 11.1% in 12 months to mid 2005
- 303 > 5,000+ TEU vessels and 175 >8,000 TEU vessels on order
- South Africa increased capacity on the North/South trade by 2.6% in Q2, 2005 (E, Coast of S America – 6.6%, West Africa 5.2%)
- Handling of transshipments as a percentage of container port handling has grown from 21.6% in 1994 to 27.6% in 2004

Source: Drewry

Transshipments hub ports (in TEU 000's)

Hub Port	Region	Total Throughput	Transshipment Estimate	Transshipment Incidence
Singapore	SE Asia	21,340	17,315	81.1%
Kaohsiung	Far East	9,714	5,071	52.2%
Busan	Far East	11,442	4,762	41.6%
Dubai	Mid east	6,429	3,222	50.1%
Gioia Tauro	S Europe	3,389	2,725	80.4%
Port Klang	SE Asia	5,244	2,147	40.9%
Colombo	SE Asia	2,200	1,569	71.3%
Bremerhaven	N Eurpoe	3,469	1,056	30.5%
Durban	S Africa	1,974	496	25.1%
Damietta	N Africa	854	739	86.6%
Kingston	Caribbean	1,356	1,158	85.4%

Source: Drewry

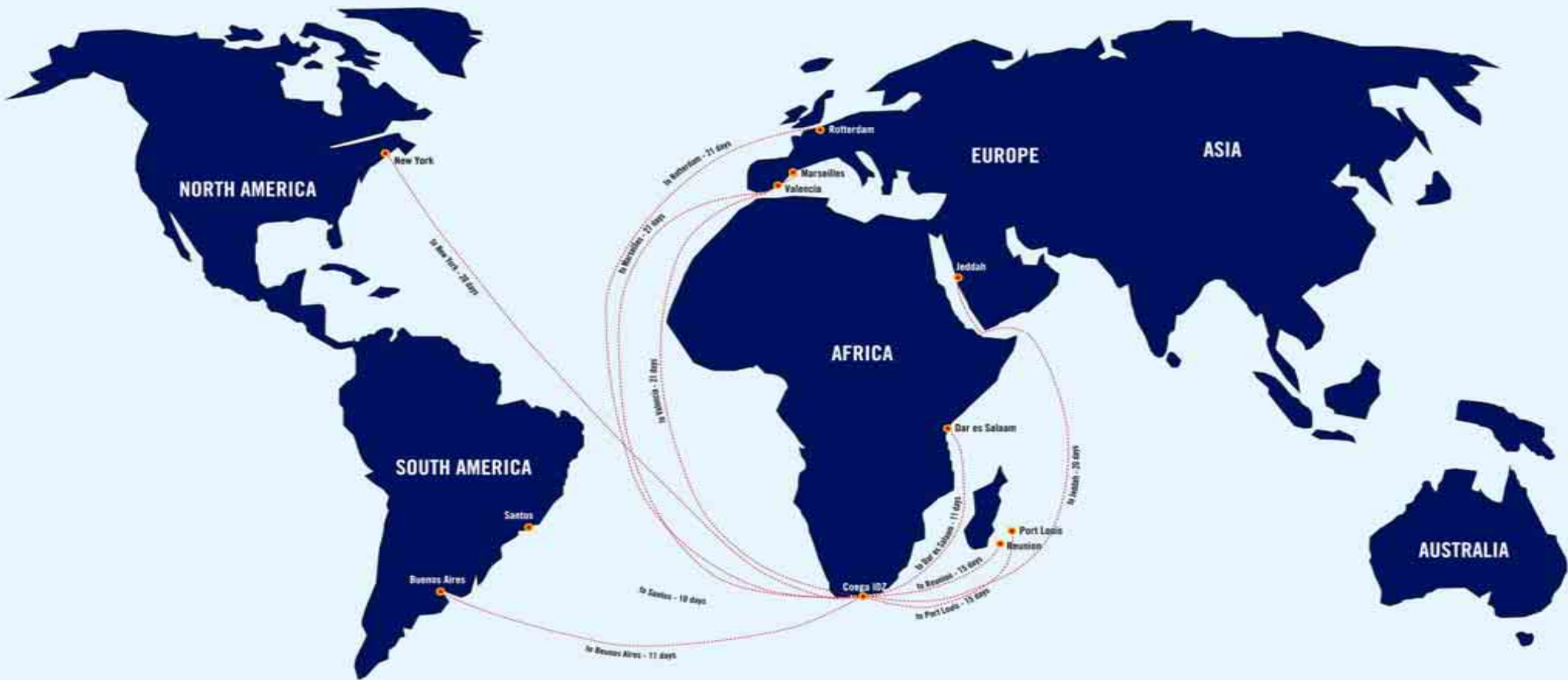
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Where the opportunities exist

- **Create capacity to meet current and anticipated demand**
 - Handle increased volumes (growing North / South trades, pendulum and feeder opportunities for transhipments)
 - Infrastructure and equipment must handle larger vessels
- **Provide high levels of throughput and efficiency**
 - Larger vessels require high productivity to minimise port stay time
- **Provide good hinterland connectivity**
 - Efficient, coordinated supply chains will result in reduced transit times and lower costs
- **Price competitively**
 - Need to reduce total supply chain costs to make South Africa competitive



World Shipping Routes

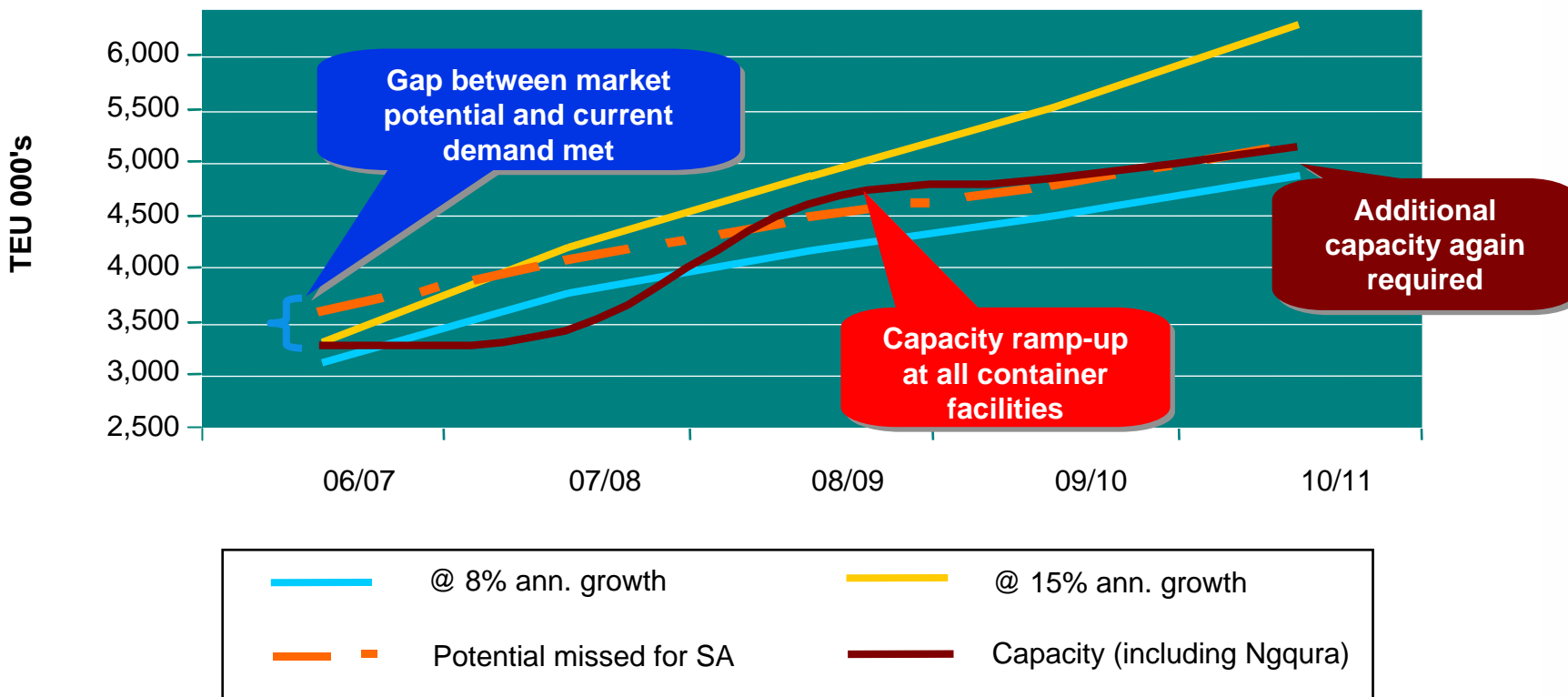


International and Local Markets



- Container trade running from East to West constitutes 39% of the more than 350 million teu global container trade
- Far East to Europe and North America via Suez Canal
- Includes transshipment traffic to and from smaller regions and ports
- World Container Trade is estimated to grow at an average of 9.5% from 2003-2008
- With South America & Africa growing at 8% dominant growth area is the Far East growing at 12.8% accounting for 44% of global container traffic.

Demand & Capacity at South African Container Ports to 2010/11



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- **Developing new capacity**
 - New 1.25m Container facility at Ngqura at a cost of over R6bn
 - New 600k Container facility in Durban at a cost of R1.5bn
 - Developing plans to create additional facilities and expand Ngqura beyond 2015
 - Feasibility study to strengthen port-rail capacity between Durban and Gauteng to support corridor development and integration to lower the cost of doing business
 - Developing an appetite for inland terminals to encourage terminal to terminal efficiencies and corridor ownership for competitive advantage.
- **Adding capacity specifically equipment**
 - Additional cranes and straddles for Durban Container Terminal
 - Additional cranes and straddles for Cape Town Container terminal
 - Additional cranes and straddles for Port Elizabeth Container Terminal
- **Private Sector Participation opportunities for funding and expertise**
 - Transfer of skills
 - Additional capital investment

Increasing productivity

- **Investment in equipment and systems**
 - New, advanced handling equipment
 - Specialized, integrated systems for planning handling and transportation
- **Maintenance program to increase asset productivity**
 - Planned and scheduled maintenance program
 - Unplanned and adhoc maintenance
- **Ongoing skills development and training**
 - Develop operator skills for new and upgraded equipment
 - Upgrade skills on existing equipment
 - Management selection and development program
 - Encouraging technical young graduates to enter the system through training locally and internationally

- **Focus on moving cargo from road to rail**
 - Government committed to moving cargoes off road and onto rail
 - R20bn investment in rail infrastructure and rolling stock over the next 5 years
 - Offer Transnet corridor service packages to encourage rail utilisation
- **Ports part of an integrated supply chain**
 - Integrated Port / rail corridor strategies coordinated at Transnet level
 - New and expansion projects coordinate port and other activities
- **Provide efficient inland transport**
 - Efficiency improvement programme on DCT / City Deep corridor
 - Inland terminal strategy
 - Industry/cluster alignment approach and solutions to corridor development

- **Investment in equipment and systems**
 - New, advanced handling equipment
 - Specialized, integrated systems for planning handling and transportation
 - Corridor service packages with highly integrated systems and information flow
- **Maintenance program to increase asset productivity**
 - Specific contractual arrangements and service level agreements
 - Incentive and penalty programs to encourage productivity
 - Scheduled maintenance for equipment protection

Current realities for developing ports

- Productivity levels do not compare favorably with many ports on traditional East – West trades
- Productivity demands are increasing as vessel schedules get tighter, call sizes increase and port stays shorten
- Developing ports have an investment backlog to address
- Skills development remains an urgent need
- Infrastructure constraints extend beyond ports to road and rail networks, systems, etc.
- Less automated equipment utilized in developing ports

- **Developing ports are faced with opportunities and challenges**
 - Growing markets present opportunities
 - They need to address the challenges of low productivity, insufficient capacity, poor port connectivity and high prices
 - There are considerable rewards for ports that get it right
 - Road and rail capacity investments as back up for ports needs urgent attention
 - Skills shortages in an environment with high levels of unemployment needs creative ways of development