CHALLENGES OF EASTERN AND SOUTHERN AFRICA PORTS / INVESTMENT OPPORTUNITIES AND PRODUCTIVITY

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OVERVIEW

• Introduction
• Traffic Trends in PMAESA Region
• Factors driving traffic growth
• Challenges facing Regional Shipping
• Strategies to address challenges
• Investment Opportunities
• Success Factors for attracting investments
• Conclusion
Who we are?

Port Management Association of Eastern & Southern Africa (PMAESA) is a regional grouping of ports in the eastern and southern Africa, established in 1973 under the auspices of the UNECA. Its membership is composed of state representatives and private sector from:

- Port Authorities
- Maritime transport departments
- Port Operators
- Maritime regulators
What we do

- Offer platform to exchange ideas and information where members can interface with one another in transport and trade facilitation;

- Assist port development by enhancing productivity and service delivery and trade facilitation;

- Establish linkages from ports to transport Corridors;

- Assist our ports /maritime members to implement IMO conventions;

- Establish and maintain relations with other development partners and transport authorities for the study of matters beneficial to members.
PMAESA member states

- Angola
- Burundi
- Djibouti
- Ethiopia
- Eritrea
- Kenya
- Madagascar
- Malawi
- Mauritius
- Mozambique
- Namibia
- Rwanda
- Seychelles
- South Africa
- Sudan
- Tanzania
- Zambia
- Zimbabwe
### Port performance (DWT “000”)

#### SELECTED PMAESA TOTAL PORT TRAFFIC (DWT "000")

<table>
<thead>
<tr>
<th>Country</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>ANNUAL %</th>
</tr>
</thead>
<tbody>
<tr>
<td>DJIBOUTI</td>
<td>5,435</td>
<td>5,489</td>
<td>7,470</td>
<td>9,379</td>
<td>10,310</td>
<td>9.9%</td>
</tr>
<tr>
<td>KENYA</td>
<td>13,281</td>
<td>14,419</td>
<td>15,962</td>
<td>16,415</td>
<td>19,062</td>
<td>16.1%</td>
</tr>
<tr>
<td>MAURITIUS</td>
<td>5,602</td>
<td>5,686</td>
<td>7,040</td>
<td>7,420</td>
<td>8,162</td>
<td>10.0%</td>
</tr>
<tr>
<td>REUNION</td>
<td>3,765</td>
<td>3,947</td>
<td>4,214</td>
<td>4,286</td>
<td>4,457</td>
<td>4.0%</td>
</tr>
<tr>
<td>SOUTH AFRICA</td>
<td>173,555</td>
<td>179,984</td>
<td>183,353</td>
<td>185,079</td>
<td>182,735</td>
<td>-1.3%</td>
</tr>
<tr>
<td>TANZANIA</td>
<td>6,864</td>
<td>7,291</td>
<td>7,427</td>
<td>7,421</td>
<td>8,103</td>
<td>9.2%</td>
</tr>
</tbody>
</table>

**NOTE:** Data for Djibouti, Mauritius and Reunion is not yet available for 2009. Therefore an acceptable rate of projection has been applied for 2009.
## Container Traffic

<table>
<thead>
<tr>
<th>Port</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>Annual % Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>DURBAN</td>
<td>1,899,065</td>
<td>2,198,600</td>
<td>2,479,232</td>
<td>2,642,165</td>
<td>2,395,084</td>
<td>-9.4%</td>
</tr>
<tr>
<td>CAPETOWN</td>
<td>690,895</td>
<td>782,868</td>
<td>764,005</td>
<td>767,501</td>
<td>759,951</td>
<td>-1.0%</td>
</tr>
<tr>
<td>MOMBASA</td>
<td>436,671</td>
<td>479,355</td>
<td>585,367</td>
<td>615,733</td>
<td>618,816</td>
<td>0.5%</td>
</tr>
<tr>
<td>PORT ELIZABETH</td>
<td>369,759</td>
<td>392,813</td>
<td>422,846</td>
<td>423,885</td>
<td>309,018</td>
<td>-27.1%</td>
</tr>
<tr>
<td>DAR ES SALAAM</td>
<td>287,948</td>
<td>256,391</td>
<td>333,980</td>
<td>373,548</td>
<td>473,705</td>
<td>26.8%</td>
</tr>
<tr>
<td>DJIBOUTI</td>
<td>195,250</td>
<td>224,896</td>
<td>294,902</td>
<td>356,462</td>
<td>392,108</td>
<td>10.0%</td>
</tr>
<tr>
<td>EAST LONDON</td>
<td>49,338</td>
<td>38,308</td>
<td>41,986</td>
<td>57,418</td>
<td>42,224</td>
<td>-26.5%</td>
</tr>
<tr>
<td>RICHARD BAY</td>
<td>5,179</td>
<td>4,191</td>
<td>4,021</td>
<td>9,350</td>
<td>6,273</td>
<td>-32.9%</td>
</tr>
</tbody>
</table>
Factors driving traffic growth in the PMAESA region

**External Factors:**
- Strong GDP expansion
- Integration of regional economies with Asian suppliers
- Political stability

**Internal factors:**
- Privatization of ports sector - increased investment
- Improved shipping links with Asia
- Increased ship size and transshipment
- Improved terminal productivity
Key Challenges in PMAESA Ports

- Insufficient container storage space
- Long container dwell time
- Rapid increase in container traffic
- Low performance of inland modes of transport especially the rail lines with very low availability of wagons and locomotives.
- Acquiring more space for port activities
Key Challenges Cont’

- Infrastructure development: Purchasing new equipments
- The use of ICDs
- Developing IT systems and free port activities
- Restructuring the management model
- Improving safety, security and environment protection to meet international standards
Strategies to address challenges

- More investment to increase container terminals capacity and Inland Depot
- Improve efficiency and productivity within the existing port infrastructure and equipment
- Continue to involve private sector in port operations and concessioning which will improve port development
Investment Opportunities

• Development of Free Zones activities
• Private sector Participation in port development activities
• Restructuring towards Landlord Port with Private sector participation
• Improvement of operational practices by concession of commercial and operational activities.
• Railway sector as the less expensive, safer and secure mode of transport than road haulage
Challenges with Growing Demand: Key ports in the region

Key ports in the Eastern and Southern Region:

- Kenya Ports Authority
- Tanzania Ports Authority
- South Africa, Transet NPA
- Djibouti port, DP World
- Sudan port Cooperation
Challenges with Kenya Ports Authority

- *The rapid increase of traffic is likely to continue*
- The container Dwell time is yet to be reduced
- *The hinterland rail connections remain inefficient*
- More dependence on road mode of transport with 3 axle road rule constraint for hauliers
- Long documentation procedures
- Inadequate capacity to handle the forecasted cargo volumes;
Challenges with Kenya Ports Authority (Cont)

- The exploration of Oil in Lamu District
- The Regional Integration expectations: EAC/COMESA Customs Union expected positive results
- The Transport Sector Reforms: Concession of RVR, Rehabilitation of major roads links to other countries
Challenges with Djibouti Ports

- The throughput in TEU has grown by 31% in 2007 while the General Cargo grew by 44%
- The stripping operations by Freight Forwarders remain very slow
- The yard is occupied at 95%
- There is a high level of stacking (up to 5 high)
- The number of full and empty containers is very high
- The port is facing many difficulties linked with Ethiopian bureaucracy as 85% of the total handled cargo is for Ethiopia
Challenges with Tanzania
Ports Authority

- The insufficient container storage space
- The long container dwell time (has reached 25 days in Aug. 2008)
- The rapid increase of container traffic and
- The low performance of inland modes of transport especially the rail lines with very low availability of wagons and locomotives.
Challenges with Tanzania Ports Authority (Cont)

- More investment to increase container terminals capacity and Inland Depot
- Improve efficiency and productivity within the existing port infrastructure and equipment
- Continue to involve private sector in port operations and concessioning which will improve port development
Responding to the opportunities presented by:

1. Growth in global economic activity - increase inter/intra African trade
   - Link industrial and mining sector activity to markets
   - Alternate logistic & hub – South S trade
   - Regional economic integration – Transport corridor development
   - Intermodal harmonisation to improve regional supply chain and reduce logistics costs
Challenges with Sea Port Corporation – Sudan

- To cope with technological advances in maritime industries
- To face the political and economical challenges internally and externally: Requirements of WTO, COMESA agenda
- Exploration of Sudanese Oil,
- *To handle economic activities logistics after Peace Agreements in Sudan.*
Key Success Factors for attracting investments

- A real political will
- Good governance: Transparency in adjudication criteria and in decision making in case of concession and/or privatization process
- Move all “Bottlenecks” relating to policy, regulatory, bureaucracy etc…
- Fiscal and non fiscal incentives
Proposed series of fiscal and non fiscal incentives

• A simplified legal framework
• A range of tax and non tax incentives
• Exemption of income taxes, customs duties
• Free access and transfer of the foreign currencies
• Repatriation of profits and dividends
• Guarantee of property right
• Dispute resolution by International Arbitration etc…
Conclusion

Promotion of foreign Investment in PMAESA Region will require:

1. A Real Political will (flexibility in decision making)
2. A Number of elements to guarantee Return on Investment (ROI)
Thank you for your attention

Do You Have Any Questions?