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# Transshipment Tariff Request to the Ports Regulator December 2012

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To obtain approval for the implementation of a  
**special tariff dispensation for**  
**transshipment** of containers through the Ports of  
**Ngqura and Port Elizabeth**, in support of the TNPA Transshipment Strategy.



- **Shipping lines worldwide are confronted with financial challenges and are on cost cutting drives.**
- **World Trade volumes are also expected to be slow in 2012 up to 2014 due to:**
  - the economic slowdown in major consumer markets of Europe and the US.
  - China's lower GDP growth in 2012 of 7.6% as compared to 8.9% in 2011 and 9.8% in 2010.
  - The European debt crisis (Greece, Spain, Portugal and Italy)
- **As a result of the above situations, global container port throughput projections indicate full year growth of 4.7% as compared to 10.8% budgeted for SA ports.**
- **Despite existing capacity, more capacity is being created as mega vessels are expected online with a capacity of 1.61 million TEUs due in 2012.**
- **As a result of new capacity, the container industry continues to experience oversupply of vessels leading to liners coming with strategies to tackle the situation e.g.**
  - forming alliances,
  - introducing rate increases
  - slow steaming
  - laying up of vessels
  - route cuts
  - scrapping off old vessels and
  - cancelling vessels.

# Container Trade Situational Analysis

## Liner Developments in South Africa impacting on Trade Volumes



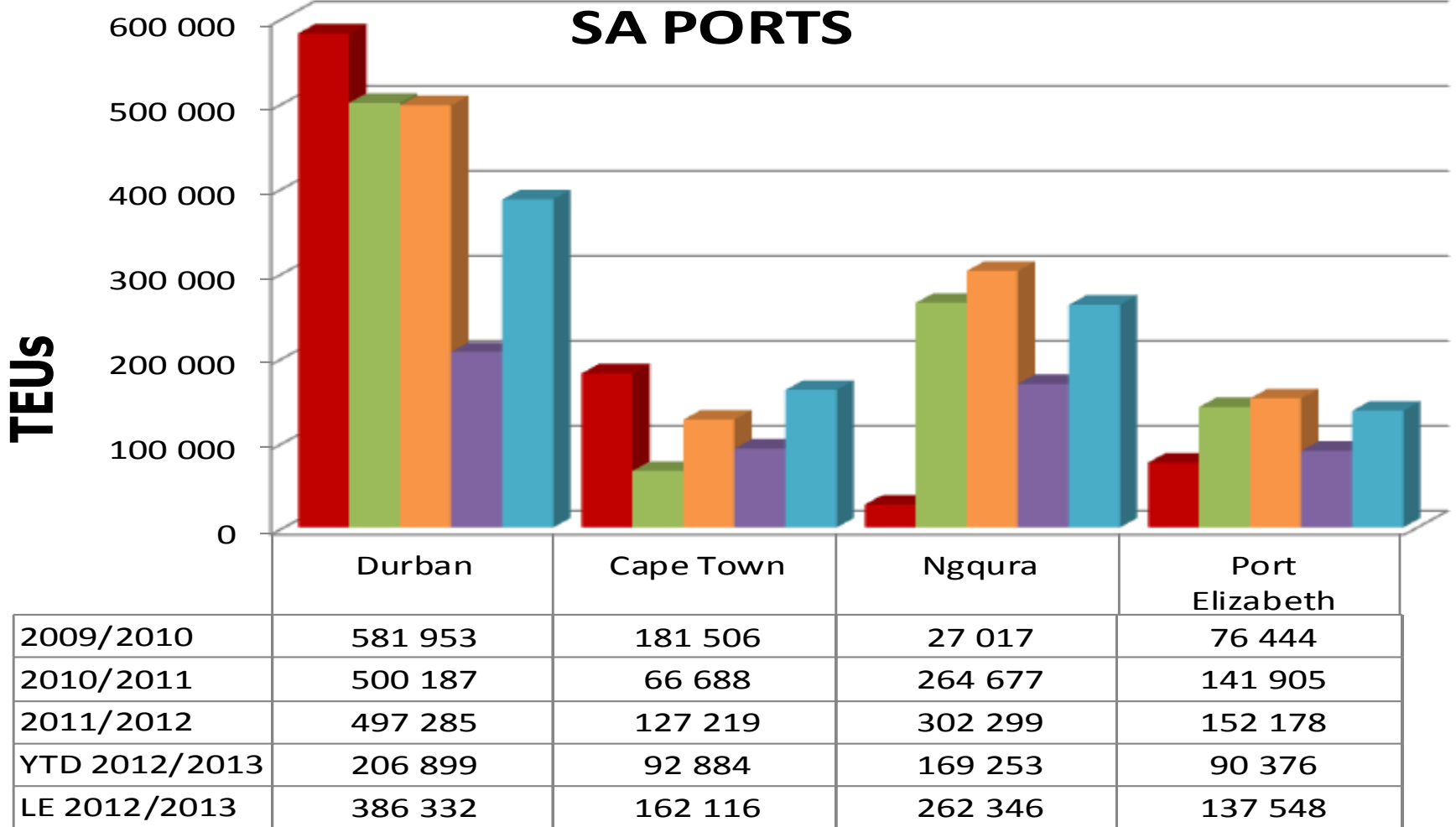
- **MSC suspended its services to Ngqura, that is, East Africa Service, and West Africa Service which impacted volumes at NCT at the beginning of the financial year. They have however returned the East Africa and India/Pakistan service to NCT as of September 2012.**
- **MSC introduced the pendulum service in March between North West Continent – South Africa – Far East resulting in reduced transshipments in South Africa.**
- **Durban has lost CSAV transshipments due to global rationalisation of services. Three of 7 CSAV services have been suspended and as a result CSAV is no longer transshipping cargo from South America to the Middle East through Durban.**
- **K Line used to tranship in Cape Town to West Africa but stopped due to delays in West Africa ports.**
- **Maersk has reduced their transshipments (49,000) in SA ports and their strategy is to call directly to East African ports using Mauritius as a hub.**
- **Liner Alliances as a result of overcapacity**
  - CSAV co-loading with MSC
  - CMA co-loading with MSC & subsequently Maersk
  - MOL joining K Line/PIL on Asia/SA trade
  - CMA, CSG & CSAV joining MSK/HSD on SAM/SA/FE trades

## Container Trade Situational Analysis Request from the Lines



- To make transshipments attractive , the economic and operational benefits must outweigh added economic and operational costs such as additional handling costs, port dues and possible extra voyage distances or deviations.
- Some of the container lines have already requested discounts from the Port Authority on both the marine side and cargo dues side.
- The lower costs for attracting transshipments are supported by various findings of studies which were conducted on transshipments.

# Container Trade Flows (Transshipments)



# Container Trade Flows (Overall Containers)



- Ports of Ngqura and Port Elizabeth have the highest % incidence of transshipments accounting for 62% and 51% respectively with respect to the overall container volumes.

Number of moves (TEU)	Deepsea	Coastal	Transshipment	Total	Market	Transshipment	Deepsea Incidence
	(import/export)	(cabotage*)			Share Per Port	Market Per Port	
Cape Town	632 471	31 681	127 219	791 371	18%	16%	79%
Durban	2 169 279	32 092	497 285	2 698 656	62%	18%	80%
East London	53 096	1	293	53 390	1%	1%	99%
Ngqura	188 596	547	302 299	491 442	11%	62%	38%
Port Elizabeth	145 345	2 533	152 178	300 056	7%	51%	48%
Richards Bay	23 506	117	-6 260**	17 363	1%	--	--
Total	3 212 293	66 971	1 073 014	4 352 278	100%		





TNPA is positioning its container ports as complementary ports to exploit the competitive advantage. The positioning is as indicated below:

- Positioning Durban, Cape Town, and Port Elizabeth as preferred and premier Gateways for Sub Saharan Africa for handling of containerized cargo.
- Positioning Ngqura as a preferred transshipment hub for Sub Saharan Africa and for BRICS Countries with PE and Cape Town serving as complementary ports.
- To discourage transshipments through Durban except for transshipments for Mozambique.

# Strategic Drive TNPA Transshipment Strategy Link with Transnet Market Demand Strategy



## Capital Investment

Focused capex spend to meet market demand.

## Volume growth

Market demand volume growth underpinned by capex spending.

## Operational Efficiency & safety

Improve performance to ensure predictability and reliability of service.

## Financial sustainability

Long term financial sustainability to enable rollout of capex programme.

- Transnet's Market Demand Strategy is also to position South Africa as a regional transshipment hub for Sub-Saharan Africa.
- Ngqura has been positioned as a preferred transshipment hub for Sub Saharan Africa and for BRICS Countries with PE and Cape Town serving as complementary ports.
- TNPA has recently completed dredging of two additional berths resulting in 2m TEUs berthing capacity.
- TNPA must therefore ensure **Sustainable Volume Growth at Ngqura** .
- The findings of the transshipment study by DOT supports the development of a transshipment hub at Ngqura as indicated in the next slide.



- **The Port of Ngqura can compete for transshipment traffic** for East Africa from the Far East presently shipped on direct services via Salalah or other hubs on the main East - West routes and feasibly for container traffic for West Africa from the Far East presently transhipped at hubs in the Mediterranean and at Walvis Bay.
- The vested interests in transshipment at Ngqura as well as the ship and container handling efficiency, infrastructure and superstructure and **the pricing of services would need to conform to those of competing hubs** in order to acquire transshipments presently undertaken outside of the South African port range.
- The Port of Ngqura could also serve as the transshipment hub for South Africa's containerised imports and exports provided efficient inland transport and **coastal shipping feeder services** are established, which would enable **economies of scale to be achieved as well as savings in the investment and operating costs** at other ports.



- Durban is the largest container port in South Africa (SA), handling 62% (2.6M TEU) of the nation's total container traffic, followed by Cape Town (18%) and recently Ngqura (11%).
- ¼ of SA's container traffic or 1.1M TEU is transshipment with Durban handling almost half (46%) of the traffic.
- Durban as a port currently serving as a gateway and a hub is running out of capacity and most lines have complained about delays.
- Delays at anchorage average 60 hours per vessel.



**Durban Container Terminal**

- Empty boxes and transshipments contribute to the congestion in Durban thereby reducing the efficiency in the container terminal.
- This result in crowding of full import and export boxes that makes a much greater contribution to the economy, the port and the maritime industry.



- Durban is also currently undergoing refurbishments and has lost the use of at least one berth for extended periods of time over the next few years up to 2019 in order to:
  - Install New Crane Beams
  - Deepen Berths
  - Rectify Scour Protection
- Loss of berth at Pier 2 requires approximately 400,000 TEU to be handled elsewhere including Point, Maydon Wharf and other ports.
- Displacement Volumes split as follows:

Point	:	150,000 TEU
Maydon Wharf	:	60,000 TEU
Port Elizabeth	:	60,000 TEU
Ngqura	:	100,000 TEU
Pier 1 and Pier 2	:	30,000 TEU
- 19,287 TEUs have been diverted as from 09/2012 and 45,003 TEUs is expected to be diverted by the end of FY2012/2013.



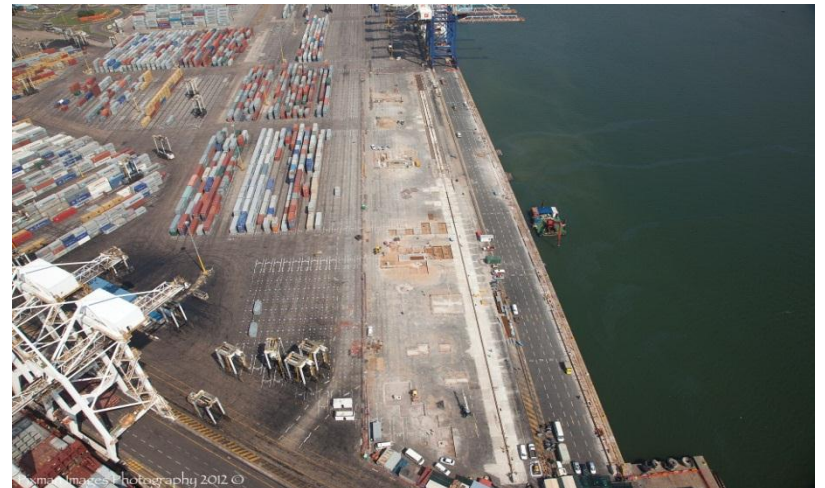
**New Crane Beams**



- As a result of developments in Durban, there is a strategic drive within the Port Authority to redirect container cargo from congested terminals to terminals that have unused capacity and therefore recommend redirection of container transshipment from the Port of Durban to the Ports of Ngqura and Port Elizabeth.
- The capacity constraints will continue over the next few years up to 2019, hence a need for cargo to be diverted to other ports with excess capacity.



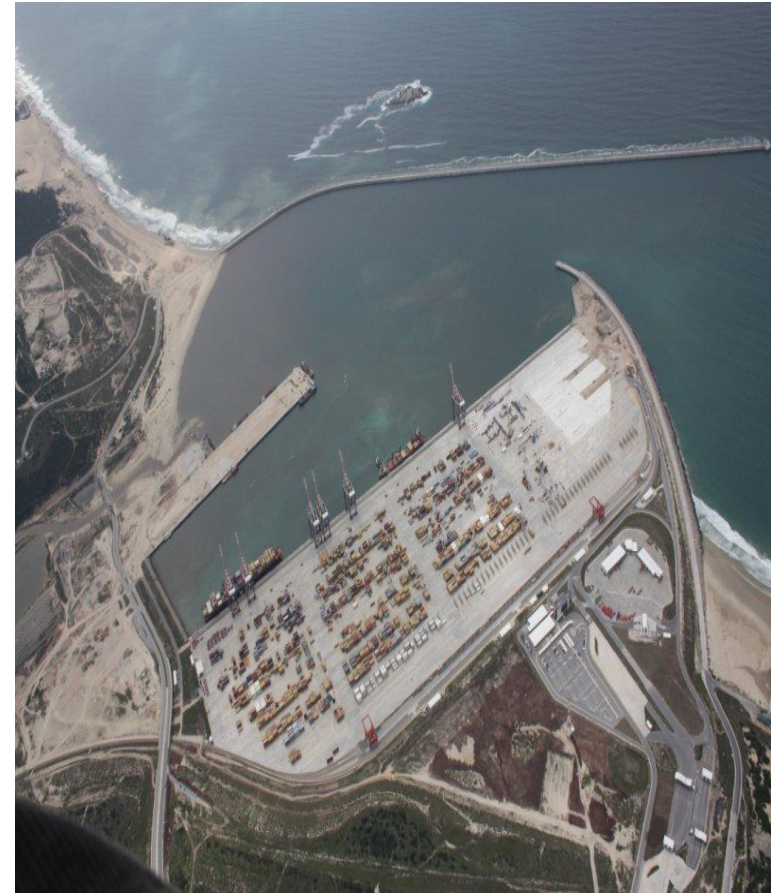
## Scour Protection







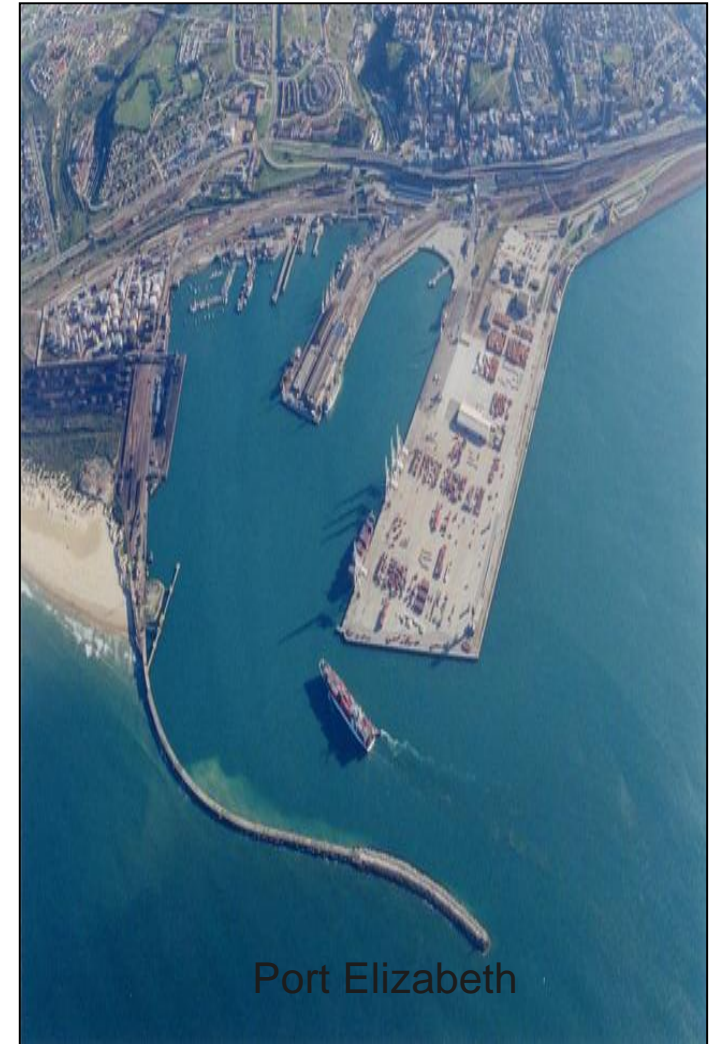
- TNPA has recently completed dredging of two additional berths resulting in 2m TEUs berthing capacity.
- The two berths have been handed over to TPT to operate and will revamp capacity in 2 phases:
  - Phase 2a: will ramp up to 1.5 million TEU's with 4 additional STS gantries & 18 RTG's
  - Phase 2b: will ramp up to 2million TEU's (pending on volumes) 8 gantries (using 6 gangs).
- The Port of Ngqura is currently the only South African port that can handle the largest container ships, which is a key requirement for a transshipment hub.



Ngqura



- The ports of Ngqura and Port Elizabeth with a current combined total operational capacity of 1.2m TEUs affords TPT the opportunity to offer extended free storage periods as a lever to attract additional transshipment volumes.
- Taking cognizance of the unutilized capacity in the Ports of Ngqura and Port Elizabeth and lower projected volumes, it would be advisable to discount the transshipment cargo dues for the two ports in order to attract new business volumes .

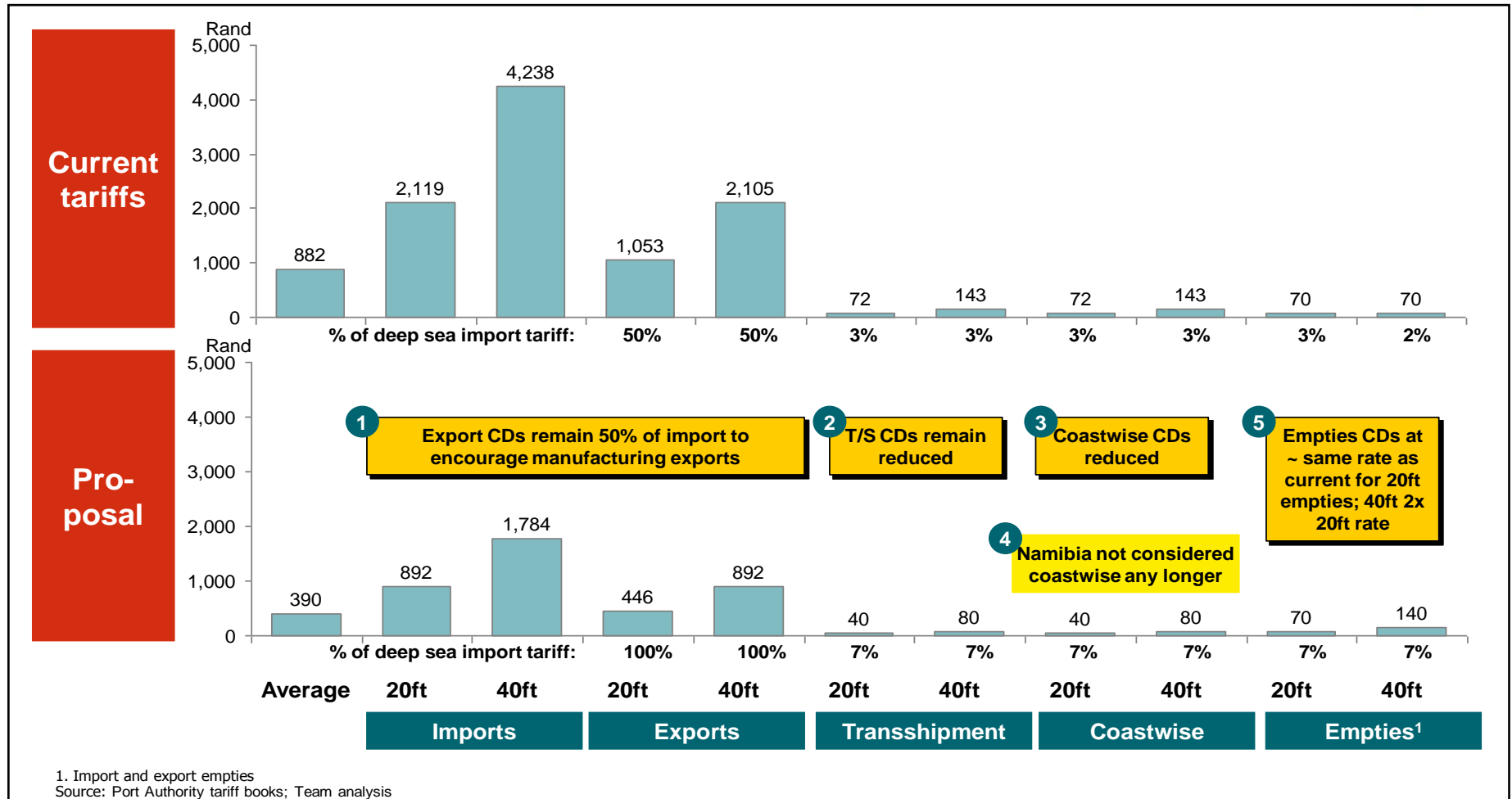




# Proposed Discounts



The diagram below is from the Pricing Strategy document and the discount that we're proposing is aligned to the same end goal of a reduced tariff for transshipment cargo dues.



1. Import and export empties  
Source: Port Authority tariff books; Team analysis



## Special Tariff Dispensation to support TNPA Transshipment Strategy is as follows;

- **Discounted rates for Transshipment Cargo Dues at Port Elizabeth & Ngqura;**
  - 10% on full transshipment containers for 12/13 FY
  - 25% on full transshipment containers for 13/14 FY
  - 50% on empty transshipment containers for 12/13 FY and 13/14 FY
  - Effective from 1<sup>st</sup> of September 2012
- **Premium rates for Transshipment Cargo Dues at Port of Durban;**
  - 100% increase on Transshipment Cargo Dues (Full & Empty) effective from 1<sup>st</sup> of April 2013
  - An additional 100% increase effective from 1<sup>st</sup> of April 2014

**THE END**



**THANK YOU**

