

TRANSPORT EVENTS - WEBINAR



CURRENT CHALLENGES AND FUTURE
OPPORTUNITIES FOR PORTS AND
LOGISTICS

08-05-2020

Turbulent times ahead

Back in January, Africa's economic outlook for the year was bright.

African Development Bank projections predicted 3.9% growth in 2020 and 4.1% in 2021.

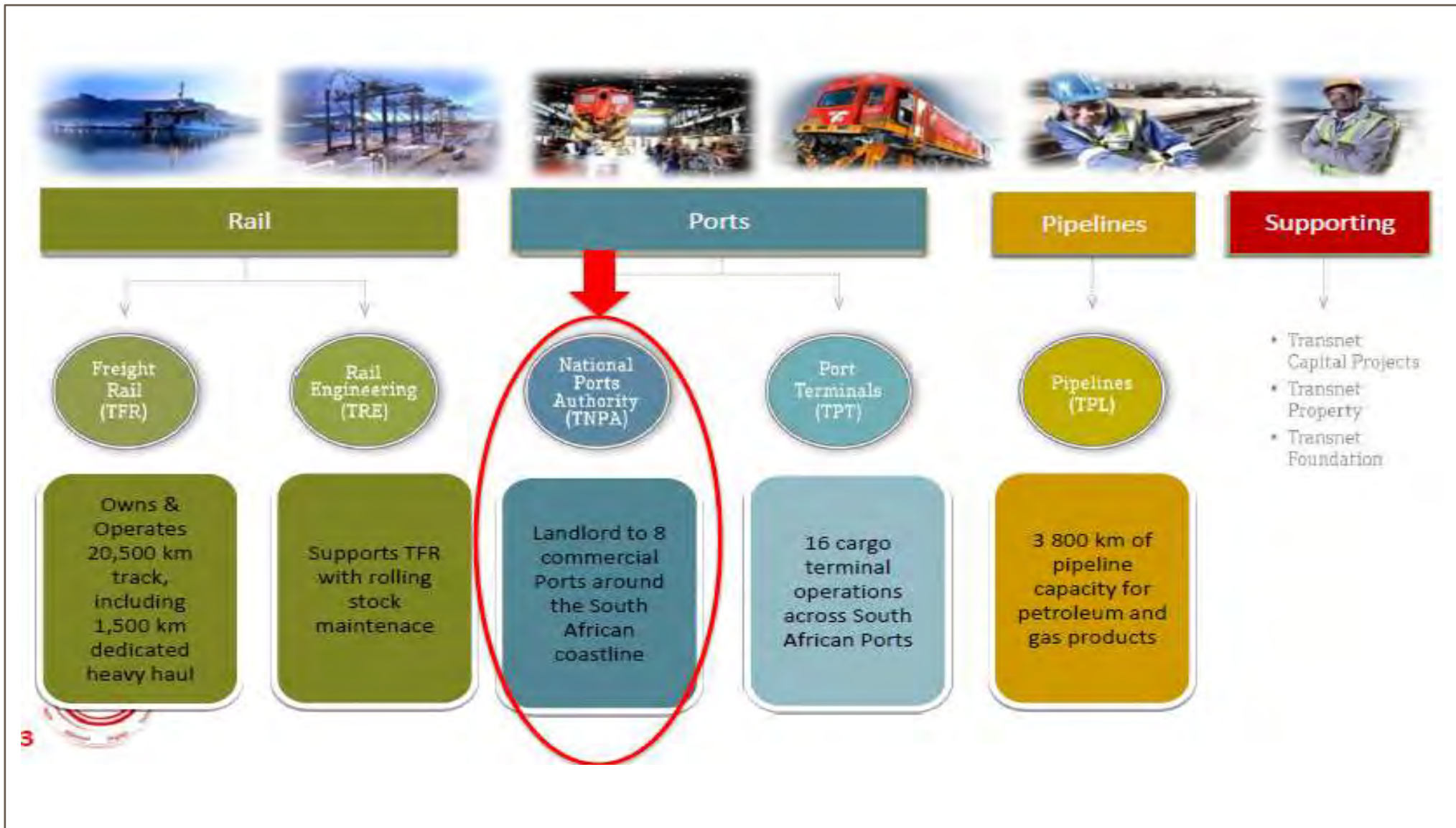
Tourism was also on the rise in January and February, with 1.7% more travellers (3,091,233 individuals) passing through SA's ports of entry and exit compared to the same period last year

But then, coronavirus upended the global economy.

- Less than two months later,) revised **the continent's growth** projections downwards to 2%.
- Last week, The World Bank said that Africa is headed towards its first recession in 25 years..
- These gloomy figures can largely be attributed to disrupted value chains, reduction in FDI and remittances, and direct hits to sectors such as tourism and oil.



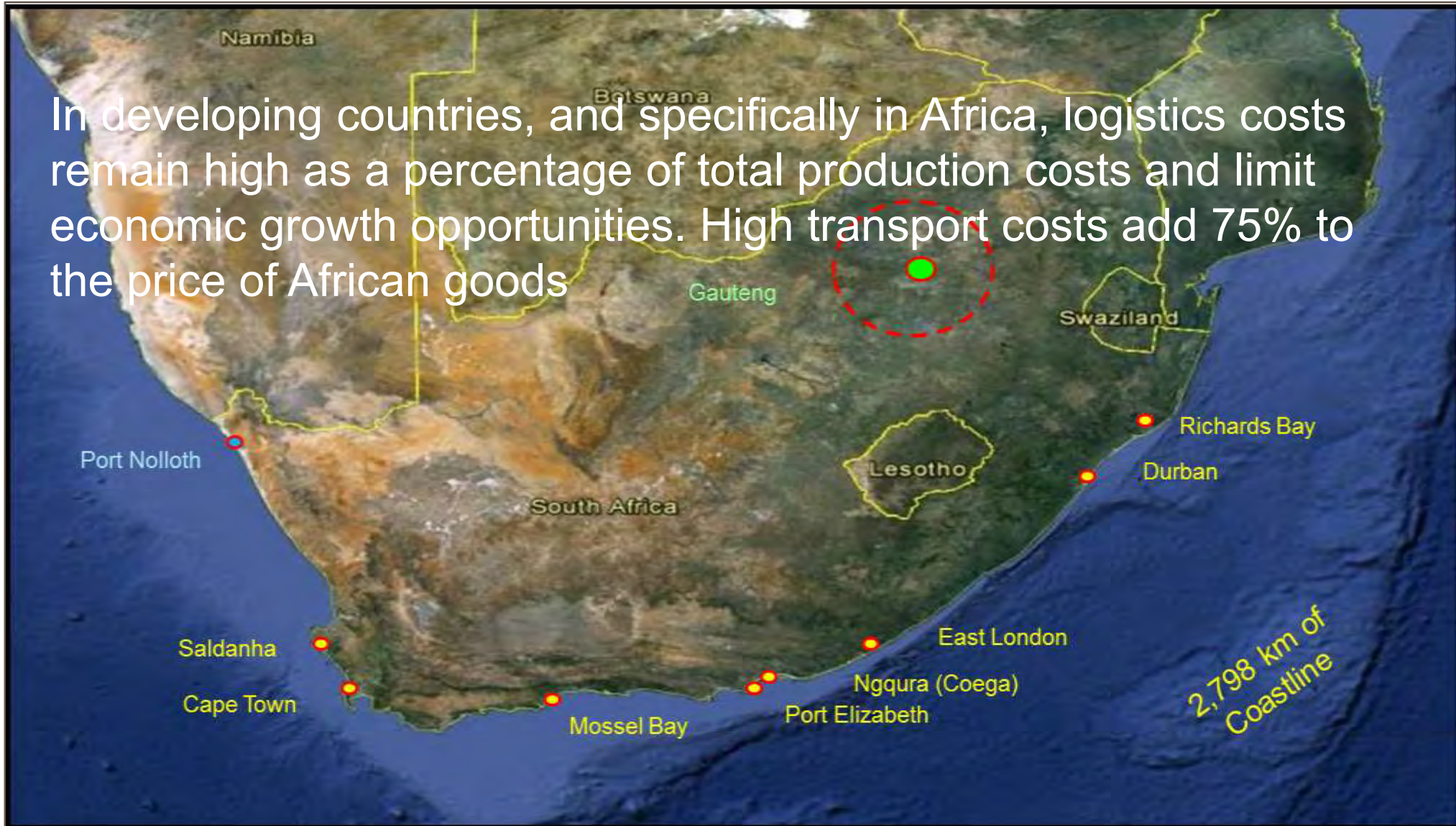
TNPA IS AN INTEGRAL OPERATING DIVISION OF TRANSNET SOC LTD





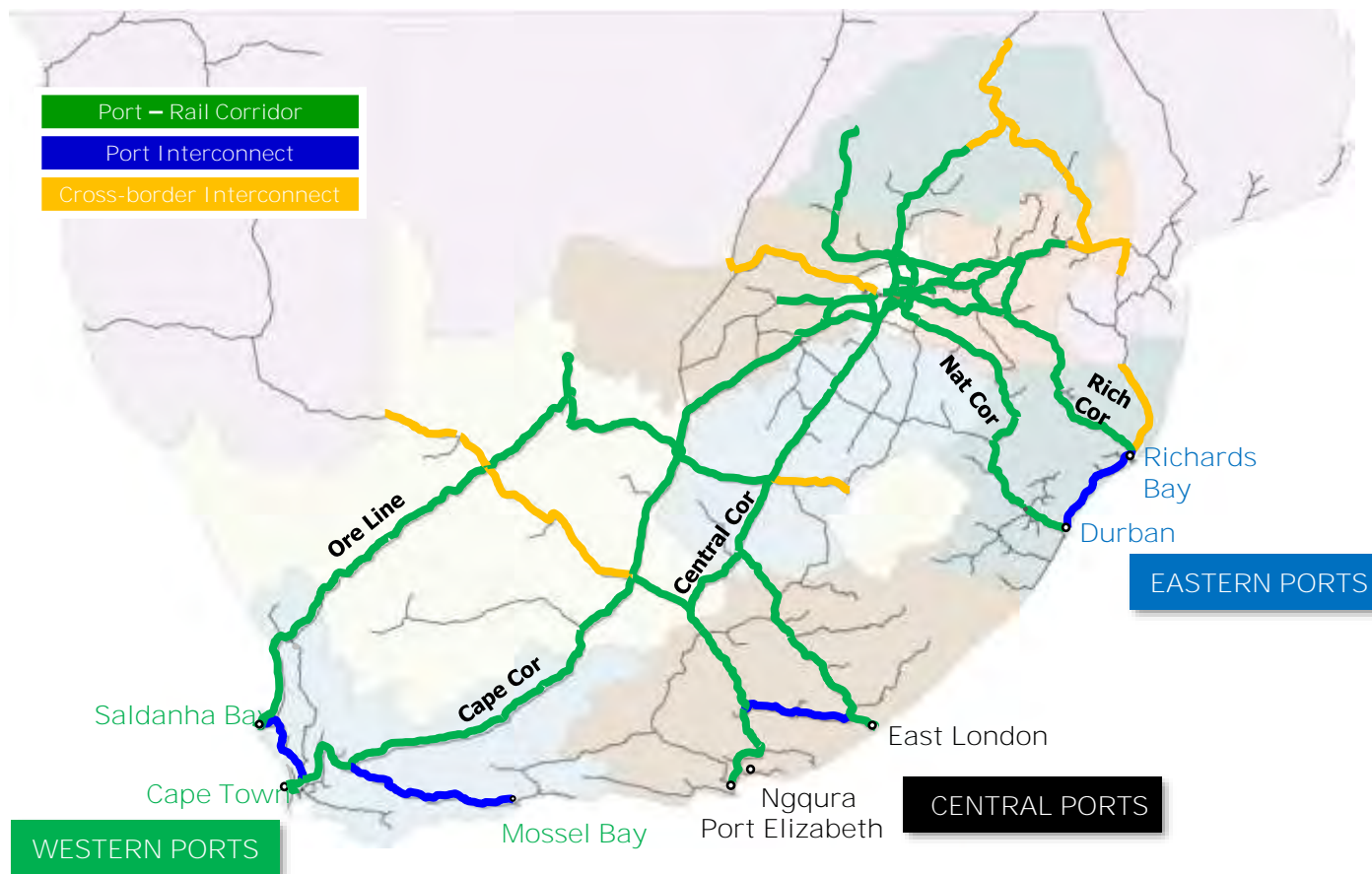
THE SOUTH AFRICAN PORTS

In developing countries, and specifically in Africa, logistics costs remain high as a percentage of total production costs and limit economic growth opportunities. High transport costs add 75% to the price of African goods





SOUTH AFRICA'S COMMERCIAL PORTS : AN INTEGRATED SYSTEM OF COMPLEMENTARY REGIONAL PORTS AND RAIL CORRIDORS



TNPA owns and manages all commercial ports in the South African Port System

CURRENT CHALLENGES – Covid-19

Primary Impact	Aviation	Construction	Transportation and logistics industry
<p>The pandemic has damaged almost all sectors of the region's biggest economy.</p> <ul style="list-style-type: none"> • Agriculture, which accounts for about a third of overall output, has been hit hard with a plunge in the export of cut flowers, fruits and vegetables. • Tourism, the third-biggest foreign-exchange earner after remittances and farm shipments, has dried up. 	<p>A number of airlines are considering mechanisms such as business rescue, restructuring and/or liquidation, South African Airways is currently in business rescue and South African Express Airways SOC Limited has just been placed into provisional liquidation</p>	<ol style="list-style-type: none"> 1. A contracting economy and decreased government spending were factors already affecting the local construction industry prior to the pandemic. 2. Now, the nationwide lockdown has forced many businesses to temporarily shut down. 3. Contractors has estimated that the construction sector will decline by 8.7% this year, from an initial forecast decline of only 1.5%. 	<ol style="list-style-type: none"> 1. For the transportation and logistics industry, the economic outlook is slightly more layered than others. 2. For manufacturers, this has meant that all factories, warehouses and modes of transport have been forced to shut down. 3. Vehicle manufacturing has also been put under immense pressure, with new vehicle sales statistics for March 2020 reflecting a substantial decline of 29,7% compared to March 2019 while export sales demonstrated a decrease of 21,5% compared to March 2019. 4. The South African automotive industry is export-oriented.



PIER 1 SALISBURY ISLAND INFILL & DCT BERTH DEEPENING

P1 Ph2 Salisbury Is Infill Milestones	
Feasibility Completion	2020
Contract Award	2023
Completion	2027

DCT Berth Deepening Milestones	
DPE Approval	31 March 2016
Completion of Berth 205	November 2020
Completion of Berth 204	April 2022
Completion of Berth 203	December 2023

The contraction of other industries during the pandemic has had a knock-on effect on this sector, as capacity will surely exceed demand at the current rate of activity. The movement of goods has continued in relation to the support of essential services, as well as the associated supply chains therein.

Salisbury Infill

- Increase capacity from 700,000 TEU's to 2.4m TEU's

Berth Deepening

- Deepen berths 203 to 205 by 3.7m from -12.8m CD to -16.5m CD
- Extend length of existing quay wall from 914m to 1210m to accommodate x 350 m vessels

Artist Impression on Completion

CURRENT CHALLENGES – COVID-19

Secondary Impact	Hospitality and tourism	Entertainment	Textile
<ol style="list-style-type: none"> The pandemic has damaged almost all sectors of the region's biggest economy. Agriculture, which accounts for about a third of overall output, has been hit hard with a plunge in the export of cut flowers, fruits and vegetables. Tourism, the third-biggest foreign-exchange earner after remittances and farm shipments, has dried up. 	<p>The hospitality industry has also been hard hit by the COVID-19 pandemic, forcing many hotels, guest houses and tourism sites.</p> <p>To suddenly shift from this growth to complete inactivity has resulted in many companies in the industry considering and implementing measures such as restructuring, pay-cuts, retrenchments and the possibility of winding-up</p>	<p>The COVID-19 pandemic has had a wide-ranging impact on the entertainment industry. Social distancing and travel restrictions mean that events, concerts, weddings, world tours and film sets are no longer viable activities for the foreseeable future.</p> <p>Due to the pandemic, about 23% of the market has evaporated.</p> <p>entertainment companies or individuals who have had to cancel productions due to the pandemic.</p>	<ol style="list-style-type: none"> The textile industry has had to shut down almost all operations during the five-week lockdown period. A number of retail outlets that were struggling prior to the onset of the pandemic might now be forced to winddown operations or restructure and sell-off certain departments. In order to save costs, several major clothing retailers have also reached an agreement with landlords to pay 20% of their rental during this lockdown period. A few companies will see a spike in activity due to the need to produce Personal Protective Equipment, particularly cloth masks at an estimated demand of 100 million per month.



FUTURE OPPORTUNITIES in the Changed World

Developmental imperatives	Building resilience	Emerging trends	Sustaining development
<p>Countries should mobilize more domestic resources, aggressively</p> <ul style="list-style-type: none"> • diversify economies, • accelerate infrastructure development, • deepen regional integration, • create tomorrow's talent, and ensure healthy urbanization. 	<p>Enterprises in many sectors could be in a great position to thrive</p> <p>They should be nimble, innovative and quicker to adapt to the new normal and have a low cost base [compared to corporates]."</p>	<ol style="list-style-type: none"> 1. The adoption of digital technologies and demand for basic services and infrastructure as the region's biggest opportunities 2. These value chains offer significant growth potential for developing countries, particularly in the context of rising Chinese wages. 3. Sub-Saharan Africa is expected to be the main beneficiary of up to 85 million manufacturing jobs. 	<ol style="list-style-type: none"> 1. Infrastructure is one. Look at the continent today, we are spending \$80 billion a year on infrastructure. We used to spend \$40 billion but we need to spend \$150 billion. 2. Infrastructure gets in the way, whether it's power, or it's roads, or it's airports, ports, across any asset class.

FUTURE OPPORTUNITIES

Short term priorities	The role of ports	Evolution of exports	Ports becoming mainstream
<p>The immediate challenge will be to ensure that the health and well-being of people in the Developing countries is preserved.</p> <p>The necessary life-saving medical supplies and equipment are available to help those who will eventually fall ill.</p>	<p>Ports are a vital part of the supply chain in Africa with each port having a far-reaching hinterland often spanning a number of countries.</p>	<ol style="list-style-type: none"> Exports are largely commodity based and include oil, coal, iron ore, ferrochrome, precious metals, cocoa, palm oil and timber. Yet, Africa is growing and many of its larger economies are beginning to diversify away from a traditional commodity focus 	<ol style="list-style-type: none"> Ports represent the gateways for these commodity exports, but as countries grow and develop, ports are also essential for sustaining and improving more robust and diverse growth in African economies through the import and export of manufactured goods and other products.

INNOVATION OPPORTUNITIES

Africa is bigger than you think—it dwarfs China, Europe, the United States, and India.

Africa's size is difficult to comprehend without comparisons



- Across the continent, many businesses are in the process of learning a lot about their supply chains, their products, their workforce and perhaps most of all, just how crucial it can be to have infrastructure in place for remote work
- While the above discussion may arguably paint a picture of distress and uncertainty, it is important to remain hopeful and optimistic.
 - A reimagining of society is required, and it will be vital to capitalise on the new commercial opportunities that arise from this.
- Navigating this new normal can at times be a daunting process, especially in light of the current international economic strain and uncertainty surrounding the COVID-19 pandemic.

INVESTMENT OPPORTUNITIES

Africa is bigger than you think—it dwarfs China, Europe, the United States, and India.

Africa's size is difficult to comprehend without comparisons



- Pursuing business model innovation, unleashing local talent, building long-term resilience, and promoting local development **also are “must dos” in Africa**
- They also expect that rising investment in both [digital technologies](#) and natural resources—the new and old economies—will boost development.
- **Africa’s vast unmet needs and unfulfilled demand make it a continent ripe for entrepreneurship and innovation at scale.**



ACTIVITY	DATE
Announcement of Preferred bidder	30 May 2017
TOA Signing	16 April 2018
Design Phase	April – Dec 2018
Construction Phase	2019/2020
Commissioning	2021

Long-term fundamentals are strong, and there are substantial market and investment opportunities on the table.

Final Thoughts

- Accelerating technological change is helping to unlock new opportunities for consumers and businesses, and Africa still has abundant resources.
- Africa imports one-third of the food, beverages, and other similar processed goods it consumes
- Yet poverty remains widespread, as do infrastructure gaps, fragmented markets, and regulatory complexity. By recasting challenges as a spur for innovation, and unmet market demand as room for growth,
- Efficient Ports and Terminals can help their countries, and the continent, to thrive.

Despite the COVID-19 setback Port and terminal Investment remains crucial

- Attracting private-sector investment is therefore increasingly important in developing large port projects
- There is a slow upward trend in commodity prices and the forecast economic outlook for most African economies remains strong
- Port authorities would benefit by driving a stronger agenda towards private-sector involvement in new port investments and in port operations at these ports
- Systems and skills improvements should therefore accompany investment to make the most of port enhancements.
- Port investment should therefore also take account of investment in landside transportation



THANK YOU.

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