
Arend du Preez

TRANSNET MUST 'GET OUT OF THE WAY'

Transnet must own the Durban port crisis and let its private sector partner get on with fixing it, says freight association chair Arend du Preez

by Chris Barron

South African Freight & Logistics Association chair Arend du Preez says it is "sad and very unfair" of Transnet to leave its private sector partner to shoulder the blame for the recent chaos at the Durban port container terminal.

"Transnet has been quiet. We haven't heard a response from them since this disaster happened, but they need to take ownership for the bad maintenance and state of the port as it is now."

Philippines-based International Container Terminal Services (ICTSI), which was appointed to run the terminal three years ago, could get started only in January after a challenge to the appointment process by losing bidder Maersk was dismissed by the Durban high court last October. Hopes of a rapid turnaround foundered when a long-overdue upgrade to a new operating system, Navis N4, caused vessel delays of up to 400 hours.

"The Navis system had been used by Transnet and ICTSI decided to upgrade it to a more modern and relevant system. It should have been quite straightforward, but there were some glitches which created a massive backlog," Du Preez says.

In August and September, cargo volumes handled by the terminal fell by a drastic 30%, he explains. "This is going to cripple our economy. We're all going to feel the effect."

Durban port has already lost its status as the busiest port in Africa and because of the latest delays, the fear is that shipping lines won't call on the city any more.

"Many have scaled down their activities. It's definitely not the focus it used to be before in terms of feeding Africa, the hinterland. They're using alternative ports. We've seen a big uptake in Walvis Bay. What's saving us at the moment is that the Kenyan port of Mombasa and Dar es Salaam in Tanzania are also congested. Otherwise we would have seen a lot more volumes going to those ports."

A "big concern" is that shipping lines will give up on Durban. The delays are costing them a lot of money; they're passing this on to the freight forwarders, which in turn will pass on the cost to the end user.

"We're all very angry about what happened, but I think we need to give the Philippines company a fair chance because they're our only hope. Transnet can't fix it, let's be blunt."

Du Preez blames Transnet's ineptitude for the current crisis. The Navis N4 operating system should have been brought in much earlier, he says.

"If you look at the competitor ports all over the world, they're operating with state-of-the-art IT systems, but we have a port operating on an old system. You need to keep up with technology and they didn't."

Transnet should have upgraded the system long ago. The board should have relied on

Image: Supplied/FM collage

information from people operating the system daily. It should have known about the state of the equipment and should have been warned that if nothing was done it would collapse.

"Any board doing its proper fiduciary duty would have inquired and asked these sorts of questions. One would hope they have people visiting other ports and coming back with state-of-the-art [systems] and best practice. That's what most companies do. They look at what's best practice all over the world and they implement it to stay up to date. That's the duty of the board."

As he tells it, there ought to have been a proper maintenance programme and questions about why the port was operating with old cranes and patched-up straddle carriers essential for lifting, transporting and stacking containers.

"There should have been those reports before the board. That's what a port does. It's supposed to move containers from ships and put them on trucks so they get to their destination. It's a funnel, and you need working equipment for that funnel to operate. That's your core business."

Transnet in control

Even if ICTSI manages to improve things, Transnet, with 51%, is in the driving seat. That's going to be a problem, he says.

"The way Transnet structured this, I don't think it's true privatisation. ICTSI has a 49% stake. They only bought 49% of the operations. Transnet is still in control and I believe that until very recently at least all the procurement and those things went through the Transnet system.

"We need clarity on exactly what the agreement between ICTSI and Transnet is and whether Transnet will allow them to operate and introduce best practice. If they're not going to do that, they will kill the economy."

He thinks ICTSI can do the job, but it must be allowed to do whatever it takes. And he's not sure whether the agreement with Transnet will allow it to do that.

"Why would Transnet keep a 51% stake if they didn't want control?"

Noting that ICTSI paid Transnet R10.5bn, Du Preez says he hopes it's "got protection for the fact that they've already paid but they're not in control. We don't know what the agreement between them says. We can only hope they [Transnet] are going to give the Philippines a mandate to run with this, that they will be allowed to turn it around, because I really believe they can."

He's been encouraged by the interaction his organisation has had; for the first time information is shared "on an honest basis" and it can see small improvements week to week.

"But we've been told we'll have to be patient. They [ICTSI] need new equipment and there's a waiting time of between 18 and 24 months for these things."

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This is likely to be even longer if it's dealing with an antiquated and almost certainly corrupt procurement system.

The fact that Transnet will be in charge of procurement scares him, he says.

"I just can't see how that can work. How can you use your private partner's money but you ultimately decide how to spend it? It's a recipe for corruption and delay, and we can't afford delays. We need the equipment to come in so they can make Durban Gateway Terminal competitive."

Not only does he not know exactly what ICTSI agreed to, he also doesn't know how the due diligence was done.

"If you had done a proper due diligence, you would have seen that the equipment is out of date."

This doesn't speak very highly of ICTSI, "unless they had a plan. And we're obviously not privy to that plan," he says.

"If you go into something like this knowing that the equipment is not up to date, surely you must have a plan, because you're handing over money and you need a return on that money. The only way they can get a return is to put volumes through the port."

Assuming ICTSI knew the state of the equipment, there must have been a plan to overcome that, he says.

"But for us to be told now that it's 18 or 24 months, to me it says that they didn't know."

'Strangling the economy'

Isn't it gullible for such experienced players to put themselves in a position where they're answerable to Transnet?

Not just to Transnet, he says.

"They're answerable to the whole industry because everybody's up in arms. I think they're in a very difficult position. I can tell you the patience has run out. People don't understand why we had this problem of bottlenecks and delays in 2023 and now we're having the problem again.

"Our clients don't understand that. We need to explain to them daily what's going on because they can't understand the delays and why there are delays again three years after we had government and everybody involved in trying to turn it around."

The attitude of the freight forwarding industry is that Transnet must get out of the way and allow the company it selected to fix Durban Gateway Terminal to do whatever it takes.

"Transnet must tell us who's going to maintain the pier. There's a rumour that it's no longer stable because it hasn't been maintained. Even if the Philippines fix the moving assets, the cranes, if the pier collapses we've got a big problem.

"We need to monitor and manage that and all the other infrastructure. We can't allow them to strangle the economy any longer. Because our ports are a very critical part of our economy." **x**

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