

PARLIAMENT OF THE PROVINCE OF THE WESTERN CAPE

ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

MONDAY, 16 AUGUST 2021

COMMITTEE REPORT

Report of the Standing Committee on Finance, Economic Opportunities and Tourism on its oversight visit to Transnet's Port of Cape Town, 23 June 2021, as follows:

Delegation

Members

Baartman, DM (DA) (Chairperson)
Maseko, LM (DA)
Nkondlo, ND (ANC)
Van der Westhuizen, AP (DA)

Apologies

Makamba-Botya, N (EFF)
Bosman, G (DA) (Additional Member)

Staff Members

Adams, Z (Procedural Officer)
Cloete, L (Senior Procedural Officer)
Naidoo, W (COVID Compliance Officer)

1. Introduction

The Standing Committee on Finance, Economic Opportunities and Tourism (SCFEOT) embarked on an oversight visit to Transnet's Cape Town Port on 23 June 2021. The engagement came about as a result of a letter sent to the Chairperson from the Provincial Minister of Agriculture, Mr I Meyer, who requested that the Committee meet with the Citrus Growers Association (CGA) on the challenges experienced at the Port of Cape Town (the Port).

The CGA, the Department of Economic Development and Tourism, and Transnet briefed the Committee on the challenges experienced at the Port and its impact on the various industries. CGA elaborated on the impact of the Port challenges on the export of citrus products to foreign markets.

The Provincial Minister of Finance and Economic Opportunities, Mr D Maynier, attended the first portion of the briefing and provided opening remarks and context for the engagement during the introductory session. Minister Maynier indicated that despite the challenges and port inefficiencies, he was optimistic about the future of the Port as the heart of the economy in the Western Cape. The Port has shown significant improvement since 2020. Additionally, an announcement had been made [by President Cyril Ramaphosa] the previous day that government would be corporatising the Transnet National Ports Authority (TNPA). The Minister indicated that this was important for attracting private sector investment for port operations.

The briefing was held in the Chamber of the Provincial Legislature Building (7 Wale Street, Cape Town), as Transnet did not have a venue large enough to accommodate all the guests during the Level 3 Lockdown, which reduced the capacity for in-person engagements. Once the briefings were concluded, the delegation embarked on a guided drive-about of the Port. Transnet provided a number of shuttles and guides, which allowed for some social distancing during the drive-about of the Port premises.

This report highlights the Committee's findings and recommendations stemming from the briefing and visit.

2. Briefing by the Citrus Growers Association

2.1 Overview

The day commenced with a briefing from the Citrus Growers Association (CGA) on the challenges they have experienced at the Port of Cape Town, and the impact on the exporting of citrus products to overseas markets.

The CGA represents industries in Southern Africa, although 96% of the products came from South Africa. The CGA was involved in many research investment projects focusing on pests and diseases, especially in the citrus industry, and biological solutions for crop productions. The CGA also has a cultivar company and two companies that focuses on transformation in the industry. The CGA Grower Development Company focuses on new entrants into the industry.

The CGA delegation consisted of the Chief Executive Officer, Mr Justin Chadwick, the Logistics Manager, Mr Mitchell Brooke, and the Manager for the Fresh Produce Exporters Forum, Mr Werner van Rooyen.

2.2 Observations

- 2.2.1 The CGA indicated that blockages or challenges at one port affected all ports in the country, as it is a complementary port system. The CGA relied on ports in Cape Town, Durban, Gqeberha and Coega. Inefficiencies at ports resulted in vessels skipping the ports and exporters had to "truck" their produce from one port to another.
- 2.2.2 The CGA is involved in the Citrusdal and Boland areas in the Western Cape. There were approximately 18,3 million, 15 kilogram (kg), cartons produced in the Citrusdal area. There were approximately 8,2 million cartons exported from the Boland area.
- 2.2.3 The citrus production and export season lasts approximately 160 days. On average, there are approximately one million 15 kg cartons that come through the supply chain system every day. Therefore, if there is any mishap or stoppage in the supply chain system, then

there is an immediate backlog of fruit because farmers do not stop harvesting and packers do not stop packaging the produce. This was why the CGA was so concerned about the Port inefficiencies.

- 2.2.4 Citrus was first shipped from the Port of Cape Town in 1906. It took 64 years for citrus exports to move from 0 to 500 000 tons. It took another 31 years to increase the exports to one million tons, then another 12 years to increase exports to 1,5 million tons. Following that, it took another six years for exports to increase to two million tons. If the industry reached the target in 2021, then it would have taken another four years to export 2,5 million tons of citrus. The information shows that the citrus industry has been growing at a faster pace. This growth was led by the soft citrus and lemon export volumes growing at exponential rates.
- 2.2.5 In five years, by 2026, the citrus exports are projected to be at approximately 200 million cartons, and in ten years, the exports are projected to be at approximately 260 million cartons. Therefore, it is important that the logistics facilities keep pace with this growth, otherwise there will be bottlenecks and challenges. It was important to plan ahead in terms of port infrastructure.
- 2.2.6 Besides logistical issues, another challenge was market access. It was no use having 260 million cartons to export, but no access to consumers. The strategy was to gain new markets and to optimise current market conditions. Recently, the Philippines has opened its market to South Africa, and the citrus industry will also be able to export lemons to China. The CGA hopes for better access to India, Japan (for mandarins), Vietnam, and wider access to the United States of America.
- 2.2.7 Another challenge, not only for the citrus industry, but for the fruit industry overall, will be the radical growth in demand for refrigerated containers (reefer containers). The CGA predicted that this demand was going to be higher than the supply abilities of the shipping lines to local shores. For example, because of the congestion at Chinese ports because of the movement of freight between China, North America and Europe, shipping lines were not bringing empty containers to South Africa to align with the deciduous exports. This was seen with the table grape season between December 2020 and February 2021, which impacted severely on the exports of table grapes. The CGA then met with shipping lines in March 2021 and indicated that they are obligated to bring empty containers so that citrus growers are able to move their produce. Fortunately, the shipping lines have started to supply a large number of containers through the port systems. It was projected that the citrus industry will be using approximately 92 000 containers in 2021. It was also projected that the country would require an additional 6 000 containers per year for the next five years, just for the citrus season.
- 2.2.8 In respect of logistical constraints at the Cape Town Container Terminal and Multi-Purpose Terminal, there was a backlog of equipment procurement and maintenance, productivity levels were not up to international standards, landside bottlenecks occurred frequently and there were frequent delays in vessel operations due to wind, fog, and surging (sea swells) and ranging movements. However, since early 2021, there has been much improvement at the Port. There has been significant uptake in the number of containers that are moved through the port terminal each day.
- 2.2.9 The CGA measured how quickly vessels were moving through the port system, as it was important for fruit exporters to have access to vessels that moved through the ports as fast as possible, with continuity where they are supplying to markets on a weekly, continuous basis. This is so buyers and overseas markets can have confidence in the South African market. As soon as South Africa loses the confidence, it loses its competitive advantage. This is the situation that the country is in at the moment, particularly because of COVID-19 regulation implementation across the port system in 2020. Going into the table grape season, this was a particularly challenging period. Challenges such as this can cause buyers to change from suppliers in South Africa to suppliers in competing countries, like those in South America. However, there has been some improvement at the Port of Cape Town.

- 2.2.10 In some instances, Western Cape suppliers have had problems transporting products directly to markets with ships that come into the Port of Cape Town. Some suppliers have had to “truck” products to other ports in order to have them shipped. Western Cape growers have called on the CGA to interject and find out why vessels are bypassing South Africa. This has caused a massive disruption in the supply of fruit to the global market. According to the CGA, approximately 300 000 vessels bypassed the Port of Cape Town in 2020 because of productivity issues.

3. Briefing by Transnet

3.1 Overview

Transnet briefed the Committee on the challenges experienced at the Port of Cape Town and the impact this has had on various industries.

Transnet’s delegation consisted of the Cape Town Port Manager, Ms Mpumi Dweba Kwetana; Terminal Manager, Ms Wandisa Vasi; Corporate Affairs Manager, Ms Lipuo Lebakeng; Terminal Manager, Andiswa Dlanga; Operations Manager, Mr Louis Eland; Parliamentary Liaison Officer, Ms Vuyiswa Mangcu; Terminal Manager, Mr Sibuthe Mdala; Harbour Master, Captain Alex Miya; Communications Specialist, Mr Yonela Ketyana; Key Accounts Manager, Ms Lorraine Mabindisa; Senior Operations Manager, Mr Tshepo Ramonyalue; Port Engineer, Mr B Isaacs; and Acting Terminal Manager, Mr Nqobile Ndlovu.

3.2 Observations

- 3.2.1 In order for the entire value chain to operate efficiently and for more fruit to be exported from South Africa, it was important to bring all the relevant role-players together. Exporting more containers and/or increasing productivity was a balance that Transnet was struggling to find, especially in the Western Cape.
- 3.2.2 There was no reason for shipping lines to bypass the key ports in South Africa, especially in the Eastern Cape, with all the work that Transnet has done to capacitate the port. However, shipping lines made their own decisions, with profits in mind. Vessels were also bypassing Cape Town because of berthing delays due to the COVID-19 pandemic. In June 2020, Transnet lost approximately 341 hours due to berthing delays. However, in June 2021, Transnet was averaging a delay of 36 hours.
- 3.2.3 The Western Cape was extremely impacted by the COVID-19 pandemic. At some point, the Container Terminal was only operating at one vessel at a time. Transnet was able to divert a lot of the export volume from the Western Cape to the Eastern Cape during that time because COVID-19 did not impact the Eastern Cape as much as the Western Cape. Transnet has been operating three berths at the Port of Cape Town since January 2021 and has learnt more about how the COVID-19 pandemic can impact the Port, so it will not experience the same challenges as it did last year. The Container Terminal at the Port of Cape Town used to be the best operating terminal in South Africa; however, COVID-19 really changed the perception of the Port. Transnet has been working to change this perception.
- 3.2.4 At 20 June 2021, there were eight out of eight ship-to-shore cranes that were operational; 54 out of 61 internal movement vehicles that were operational; 20 out of 31 rubber tyred gantries that were operational; 50 out of 72 trailers that were operational; four out of eight empty container handlers that were operational; and eight out of eight straddle carriers that were operational at the Cape Town Container Terminal. Transnet is already in the process of refurbishing its equipment at the Container Terminal and ensuring there are enough rubber tyred gantries to prepare for the peak season in the Western Cape, which is the table grape season.

- 3.2.5 At 23 June 2021, Transnet was already handling 32% above what they had estimated for citrus products. The peak for citrus products was slightly delayed and would probably take place around July/August 2021. Transnet has prepared for this peak in the Cape Town Container Terminal by commissioning four new rubber tyred gantries and four new straddle carriers. The new rubber tyred gantries are able to work in adverse weather conditions, with anti-sway abilities, so they are able to operate when the wind is high.
- 3.2.6 Transnet meets with stakeholders on a weekly basis in Cape Town to discuss decongestion initiatives. The Port of Cape Town was even able to do night runs for the first time. The Terminal is operational 24 hours a day, however, the industry predominantly works between 11:00 and 17:00. This is a man-made congestion because industries do not utilise the entire 24 hours available to them. Transnet hopes to continue night runs for the citrus season and into the table grape season.
- 3.2.7 Transnet is currently exploring rail options between the Eastern Cape and Western Cape, and is hoping to utilise this method for the windy season and well as in the peak season for table grapes. Cape Town is badly impacted by wind between January and March. Using rail would assist with berthing delays due to the wind in Cape Town.
- 3.2.8 Transnet's Multi-Purpose Terminal in Cape Town (CTMPT) handles different commodities. Most citrus products were handled in the Cape Town Container Terminal (CTCT), not the CTMPT. However, the CTMPT also serves as a mitigation measure for the CTCT during the windy season. Some vessels are diverted to the CTMPT to allow for vessel operations to continue.
- 3.2.9 Transnet plans to improve the flow of containers through the CTMPT via a truck appointment system by September 2021. The rail road refurbishment through the CTMPT is estimated to be completed by March 2022. The last time there were any failures with mobile harbour cranes was in early May 2021. The engineers were working tirelessly to keep them running. The CTMPT did not have any vessels waiting to come in to the terminal, as there were no delays due to congestion or breakages. Transnet would ensure that there were two berths available for the citrus season.
- 3.2.10 An additional challenge was that most of the equipment at the CTMPT has reached; or has gone beyond its design life. There are plans to replace some of the equipment in the 2023/24 and 2027/28 financial years.
- 3.2.11 In terms of Transnet Freight Rail, the Belcon Terminal has become the preferred back of port facility to decongest the Port of Cape Town. Transnet's freight rail plan includes upgrading key branch lines to enable the "road to rail" focus for the corridor, optimising train lengths to maximize the slot capacity utilisation on the Cape mainline, increasing container services between Cape Town and the Reef, increasing reefer capacity for citrus and grapes, prioritising end-to-end collaborative supply chain planning and introducing customer-led solutions and investments.

4. Briefing by the Department of Economic Development and Tourism

4.1 Overview

The Department of Economic Development and Tourism (the Department) briefed the Committee on the inefficiencies experienced at the Port of Cape Town and the impact on various industries.

The Department was represented by Mr Glen Steyn, the Ease of Doing Business Project Manager for the Port of Cape Town.

4.2 Observations

- 4.2.1 There was rapid growth in agriculture production since 2019, which brought export channels at the Port of Cape Town into focus. Exporters, and even importers, became increasingly

concerned about the Port's capacity to convey the growing amount of cargo that needed to be moved. The Western Cape Government's concern was about promoting economic growth in the Province and it understood that the challenges experienced at the Port would be a critical constraint on that growth.

- 4.2.2 The Western Cape Government's approach was to draw on the collective wisdom and experiences of all port stakeholders to identify and address root causes of congestion. Minister Maynier held the first Port of Cape Town Stakeholder workshop in December 2019 and an Ease of Doing Business Task Team was established to reduce congestion in the Cape Town Container Terminal and extend the focus to the entire Port.
- 4.2.3 During the first meeting in December 2019, aggression levels were very high, there was great tension and very little trust in the logistics chain. However, at the end of the workshop, there was a willingness to work together and to create a global world class competitive port in Cape Town.
- 4.2.4 There were seven priorities that came from the workshop in 2019, which focused on data integration and management, synchronization of working hours, facilitating improvements in truck flow, improved communication, port equipment augmentation to meet service level demand, expediting upgrades to the local network hardware, and estimating the cost of doing business in the Port. At the conclusion of the workshop, all stakeholders agreed that this discussion should be an annual event. Another workshop was held in 2020, where priorities were reviewed and additional priorities were established, such as strategy alignment, unlocking the economic growth potential of ship repair and yacht building, optimising the utilisation of commercial property in the Port, Belcon integration and improving the truck booking system, advanced skills development, and introducing best practice performance indicator measurements across the entire logistics chain.
- 4.2.5 The major causes of congestion within the Cape Town Container Terminal were attributed to the lack of institutional integration and optimisation of the logistics chain, disequilibrium between the supply and demand of port services, and problematic traffic flow for transporters.
- 4.2.6 Additional challenges for the Port of Cape Town included volumes of cargo and vessel carrying capacity being set by the private sector when terminal service levels were set by Transnet, the growth of fruit export volumes, non-alignment of agency strategies, concerns from the Port Regulator about the Transnet National Port Authority and Transnet Port Terminal being governed by the same board of directors, and the concern about the exodus of senior management at the Cape Town Container Terminal.

5. Observations from the drive-about of the Port of Cape Town

- 5.1.1 The Cape Town Multi-Purpose Terminal (CTMPT) has two buildings that store manganese, which gets stock-piled and then offloaded on to the ship, a facility to store sugar, as well as a fish operation area where frozen fish is handled and stored. The two manganese storage facilities contain approximately 20 000 tons of manganese each. One of the manganese storage sheds requires refurbishment as there is a problem with one of the walls. Currently, only half the capacity of the shed is being used. Transnet has already requested the assistance of qualified structural engineers to fix the building, however, it is a heritage building. Once the building is fixed and in full use, it can store up to 45 000 tons of manganese.
- 5.1.2 The berth in the CTMPT, which is also used for offloading manganese, is being revamped because it is in a poor state. This is the deepest berth, which can also be used for importation and exportation of other products as it is made for bigger vessels.
- 5.1.3 Following the revamp, the entire CTMPT will be resurfaced to fix the pot holes that have been damaging equipment and vehicles. Transnet is working on an interim solution to fix the pot holes, but this is also a bigger project that will require capital investment.
- 5.1.4 The Rail Refurbishment Construction project is underway at the CTMPT, which will result in a newly revamped rail line. This is due to be completed in March 2022. This rail system

would allow CGA to use the rail facility to transport their citrus products, instead of trucks. Belcon in Bellville could be an overflow area for the CTCT and the CGA could even drop their produce there. This would allow Transnet to transport more volume of products, and would reduce congestion of trucks coming in to the Cape Town Container Terminal (CTCT). Most citrus fruit comes from Stellenbosch and the Drakenstein area, which was close to Belcon. The trains could run all day depending on the number of boxes that are being stacked in the CTCT.

- 5.1.5 The reefer/refrigerated containers, used for cold storage, are set to certain temperatures and monitored, as well as plugged in. When the container is being loaded on to the vessel, there is a process to unplug the reefer containers so that they maintain their correct temperatures for exporting.
- 5.1.6 The CTMPT has two mobile harbour cranes that are used to load the vessels. One of the cranes was beyond its life already. The cranes can move up to 90 knots per hour. Transnet has an agreement whereby it may use spares from Port Elizabeth if it needs additional equipment. Transnet was also exploring the option of leasing equipment while they wait for the relocation of equipment from Port Elizabeth to Cape Town. There are two new harbour cranes that will move from Port Elizabeth to Cape Town. There were four new straddle carriers that were just received from Durban. These new straddle carriers will help the Port of Cape Town immensely as the older ones were giving the Port problems, resulting in many inefficiencies for customers.
- 5.1.7 On the way to the CTCT, there was a noticeable queue of trucks trying to enter the Port of Cape Town. There were much shorter queues on Mondays and Tuesdays compared with Wednesdays, Thursdays and Fridays. Most suppliers/transporters avoided weekends as it required overtime pay. There were also many reefer containers coming through as citrus exports had started.
- 5.1.8 At the water side of the CTCT, there was anti-sway technology installed in the water-side machinery that was being used. However, operations at the water side of the CTCT had stopped due to unfavourable weather conditions and strong underwater currents that were forcing vessels to move, which meant that it was difficult to move the containers. The CTCT was expecting another vessel, however, it was delayed due to the weather.

6. Resolutions/Actions

- 6.1 The Committee REQUESTED that Transnet provide the Committee with monthly reports on its short term operational plans, quarterly reports on its medium term operational plans, and bi-annual reports on its operational plans (as mentioned in Transnet's Turnaround Operation Plan). The reports should also include the costing associated with these short term, medium term and long term plans (for example, the refurbishment or replacement of cranes), as well as the costing for the equipment investment needs, such as the cost to maintain and replace equipment. Monthly reports will be due on the last working day of each calendar month; Quarterly reports will be due on the last working day of each calendar quarter (I.e. End of March, June, September and December of each year); and Bi-Annual reports will be due on the last working day of June and December of each calendar year, respectively.
- 6.2 The Committee REQUESTED that the Citrus Growers Association provide the Committee with the following:
 - 6.2.1 A report on which concerns and challenges were addressed by TNPA by 1 September 2021, to what extent they have been addressed, and which concerns have not been addressed; and
 - 6.2.2 A list of needs and requirements to improve the efficiencies at the Port of Cape Town, from the perspective of the citrus industry.

- 6.3 The Committee RECOMMENDED that the Citrus Growers Association, the Department of Economic Development and Tourism and Transnet speak with the various industry stakeholders to determine what agreement all role players can come to so that all 24 hours of the day may be utilised at the Port of Cape Town. There is a clear under-utilisation of night hours at the Port (after 17:00). Feedback is to be provided to the Committee by 1 September 2021.
- 6.4 The Committee FURTHER RECOMMENDED that the Citrus Growers Association invite Transnet, the Department of Economic Development and the Committee to see the entire value chain of the packaging and exporting of the citrus process. Feedback to be provided to the Committee by 1 September 2021.

7. Acknowledgements

The Chairperson thanked the Citrus Growers Association and the officials from Transnet and the Department of Economic Development and Tourism for their willingness to meet with the Committee and to share information with the Committee and each other.