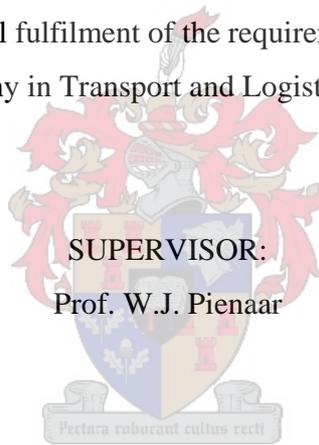


**THE FUTURE OF WALVISBAY
AS A HUB PORT FOR SOUTH CENTRAL AFRICA:
POTENTIALS AND CONSTRAINTS**

By

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Assignment presented in partial fulfilment of the requirements of the degree of Master of
Philosophy in Transport and Logistics Studies



STELLENBOSCH

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OPSOMMING

Die doel van hierdie studiestuk is om te bepaal of die Hawe van Walvisbaai oor die vermoë beskik om 'n sentrale hawe vir die suidelike en weskus van Afrika te wees.

'n Belangrike aspek van die studie is om Walvisbaai te bevorder as 'n ekonomiese alternatief vir handel na en vanaf Sentraal en Suidelike Afrika, en om die verhouding van verkeer te bepaal wat gewen kan word vanaf kompeterende hawens in die streek, veral die Durbanse en Kaapse Hawens.

Die resultate bewys dat die moontlikhede om Walvisbaai te omskep in 'n toekomstige sentrale hawe, alleenlik deur die deelname en samewerking van die privaatsektor, politieke goeie wil, die industriële stabiliteit van die land en integrasie met buurstate bewerkstellig kan word. Walvisbaai hou geen kompeterende bedreiging in vir die hawens van Kaapstad en Durban nie, en kan slegs 'n komplementerende rol speel.

SUMMARY

This study is aimed at determining whether the Port of Walvis Bay has what it takes to become a future hub port on the south-western coast of Africa.

An equally important aspect of this study is to promote Walvis Bay as an economically viable option for trade in and out of Central and Southern Africa, and what proportion of traffic Walvis Bay could expect to capture from competing regional ports, especially the ports of Durban and Cape Town.

The conclusions arrived at in this study indicate that the prospects for transforming Walvis Bay into a future hub port will depend on the increased involvement of the private sector, political and industrial stability, as well as regional integration to mention just a few. It is clear that Walvis Bay does not pose a competitive threat to the ports of Cape Town and Durban, and can only perform a complementary role.

DECLARATION

I, the undersigned, declare that the work contained in this assignment is my own original work and that I have not previously in its entirety or in part submitted it at any university for a degree.

.....

A. Simana

1 November 2000

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List of Abbreviations

1. SIDA Sweden International Development Agency
2. NamPort Namibian Ports Authority
3. UNCTAD United Nations Conference on Trade and Development
4. WBCG Walvis Bay Corridor Group
5. W/B Walvis Bay
6. SDI Spatial Development Initiative
7. NDP-1 First Namibia National Development Plan
8. SADC Southern African Development Community
9. SMMEs Small, Medium and Micro Enterprises
10. FDI Foreign Direct Investment
11. Ro-Ro Roll-on-Roll off
12. TCH Trans-Caprivi Highway
13. TKH Trans-Kalahari Highway
14. EPZ Export-Processing Zone

15. TEU Twenty-foot Equivalent Units
16. ICAO International Civil Aviation Organization
17. IMO International Maritime Organization
18. MTOs Multimodal Transport Operators
19. SATCC Southern African Transport and Communications Commission
20. IDD International Direct Dialling
21. EDI Electronic Data Interchange
22. GRN Government of the Republic of Namibia
23. BMB Botswana Meat Board
24. SACU Southern African Customs Union
25. ACR Africa Competitiveness Report
26. COMESA Common Market for Eastern and Southern Africa
27. WTO World Trade Organisation
28. EEZ Exclusive Economic Zone
29. MACS Maritime Carrier Ship

30. GDP Gross Domestic Product

31. EU European Union

32. CD Chart Datum

33. ODC Offshore Development Company

34. WBEPZMC Walvis Bay Export Processing Zone Management Company

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1. Introduction

1.1 General

The last forty years of the 20th century witnessed a radical change in the manner in which ports conduct their business. For example, where ports previously functioned as a mere passive point of interface between sea and land transport, used by ships and cargo, as a natural point of intermodal interface, today's dynamic and changing environment requires ports to play a more active role in the world transportation system. This entails playing an active role in the marketing sense, in encouraging ships and cargo to use the port concerned, in developing shipping and inland transport interests as part of a through-transport chain, or helping to stimulate trade (e.g. developments such as free ports and free trade zones). Transport, especially maritime transport, by means of which even today more than 90 percent of the world trade volume is moved, has also changed greatly in organisation and techniques to meet the ever-growing requirements of trade (UNCTAD, 1990:1.).

This is the new challenge that the port of Walvis Bay, like any other port, is facing today. The port of Walvis Bay, situated along the coast of Namibia on the Atlantic ocean, has direct access to the principal north-south shipping routes, and is a natural gateway for international trade with regional markets and areas of production in central and Southern Africa. The port has not only gained recognition as an efficient and economically viable option for cargo to world-trade corridors, but is also viewed as Namibia's potential trade capital centre, due to its strategic geographical location in Southern Africa. Further port development and investment in port facilities in order to allow the port to adapt to its ever-growing natural role, within a region where political conditions have normalised to a large extent, and the development of the port driven only by market forces, are thus imperative and inevitable undertakings.

The respective differences in land travel distances between Walvis Bay/Durban or Walvis Bay/Cape Town and the various markets; imbalances in the utilisation of seaboard given the distribution of major international markets; and the likelihood of attracting new cargo to Walvis Bay favour these developments at Walvis Bay. The potential trade and traffic that could be captured by Walvis Bay port, for example, comprises cargo originating in and/or destined for Namibia, Namibia's landlocked neighbours Botswana, Zimbabwe, Zambia and Malawi, as well as the Gauteng, Northern and North-West Provinces of South Africa. At the moment this potential segment of the total port traffic is being served by the South African ports of Cape Town, Port Elizabeth and Durban, as well as the ports of Maputo and Beira in Mozambique, Nacala in Malawi and Dar es Salaam in Tanzania (East Africa).

Regarding international co-operation, Namibia is a signatory to the SADC Protocol on Transport, Communications and Meteorology, the SACU Memorandum of Understanding on Cross-Border Transport, and several ICAO and IMO conventions regarding civil aviation and maritime affairs, respectively. In the field of air transport, bilateral air services agreements have been concluded with several countries, and several more are being processed. The main regional organisations in the region are SACU and the Common Market for Eastern and Southern Africa (COMESA). In August 1996 the SADC Trade Protocol, which establishes a framework for the elimination of trade barriers among States was signed in Lesotho. The Protocol aims at liberalising trade in services, protecting intellectual property rights in accordance with World Trade Organisation (WTO) agreements. The Protocol also commits members to prohibiting unfair business practices and to promoting competition (SATCC, 1997:31-33).

Primarily, this study will thus pay considerable attention to the current efforts by NamPort's management and the Namibian government to promote Walvis Bay as an economically viable option to be used by cargo owners, port users, suppliers, etc. The economic importance and significance of Walvis Bay to Namibia, its current contribution to the

Namibian GDP; the new and potential role Walvis Bay can play as a hub port along the west coast of Africa and the whole of Central-Southern Africa; the potential constraints of developing into a fully fledged hub port for Southern Africa; not to mention accelerated and further industrial developments will all be reviewed. Attempts will also be made to answer the following key questions:

- (a) Does Walvis Bay have what it takes to develop into a hub port for Southern Africa?
- (b) What potential proportion of trade and traffic can Walvis Bay expect to capture from Durban and Cape Town and other ports serving the Southern African region?

1.2. Historical Overview

In 1878 the Walvis Bay enclave was annexed by Great Britain on behalf of the Cape Colony, and then subsequently transferred to the Union of South Africa in 1910. After 1910 the enclave was administered as part of the Union of South Africa until the outbreak of the First World War and the German defeat, after which South Africa took over the rest of Namibia in terms of a C class Mandate of the League of Nations. The South African government then undertook to administer the enclave as part of greater Namibia. However, in 1966 the mandate was ended and South African presence declared illegal by the international community. From this point onwards South African assertions of sovereignty over the enclave took on a renewed urgency.

The proclamation annexing Walvis Bay to South Africa took effect on 1 September 1977. After two years of routine administration, direct cabinet control was suddenly imposed in 1979/80 through the medium of an appointed Director. This was part of a special dispensation envisaged for the future of the enclave after Namibia's independence, which was considered a *fait accompli* in certain respects. It would appear that the intention was to give Walvis Bay a competitive advantage over the rest of Namibia, in case the inevitable happened. The fact that the local economy could not be integrated functionally into the South African economy led to the idea of declaring the enclave a free port. In that way South Africa would continue to have a stranglehold over an independent Namibia by controlling its only deep-water port, allowing South African companies to continue evading economic sanctions (Moorsom, 1984:47-50).

That strategy was never to be implemented, however, as political developments, which led to the independence of Namibia and the demise of the apartheid state, effectively ended any long-term South African plans for the enclave. Instead, independent Namibia inherited a seriously depleted fish stock and a run-down, under-capitalised and foreign-dominated processing industry, as well as a modern, but inadequate infrastructure at Walvis Bay.

Despite the progressive business and economic pronouncements by the South Africans, Walvis Bay was in fact a political question of the utmost strategic importance, and much of the development was of a military nature. Since the attainment of independence Namibia has been forging important new trading links with many of its landlocked neighbours. The re-integration of Walvis Bay and the offshore islands gave a new impetus to plans to develop a high-volume alternative trade route to the overland rail and road links/route, used by the countries in the region including Namibia itself, through South Africa.

Crucial to this process is the port of Walvis Bay, which has been run by the Namibian Ports Authority (NamPort) since the 1 March 1994. With all political impediments cleared, the time had come to put maximum effort into the creation of new east-west transport routes linking Namibia and its seaports with land-locked countries and potential trading partners to the east, namely, Zambia, Zimbabwe, Botswana and, through Zambia, the Democratic Republic of Congo, formerly Zaire. Since 1994 Walvis Bay has, once again, emerged as the definitive terminus and gateway to central and southern Africa.

In 1979 both the Botswana and Zambian governments expressed interest in a railway that would link them to Namibian ports in order to reduce dependence on apartheid South Africa. An SADCC country study of Namibia noted in addition its importance for the development of mineral deposits and agriculture in central, western and northern Botswana (Moorsom, 1984:69). The Trans-Capriivi and the Trans-Kalahari routes are a realisation of that aspiration.

1.3. Research Methodology

The research method proposed for the purpose of this project will consist primarily of face-to-face interviews with NamPort's senior management, personnel, shipping companies, freight forwarders, the municipality of Walvis Bay and other concerned stakeholders, and will take on the following structured form:

1. Preliminary discussions with NamPort management.
2. Study of NamPort and Namibian government publications and studies pertaining to Walvis Bay and the maritime industry.
3. Spend two months at the port while volunteering my services to acquaint myself with:
 - a) The practical day-to-day port activities;
 - b) Other stakeholders, officials within the Ministry of Trade and Industry, and the Department Transport and Communication;
 - c) The level of skilled labour and the types of people who work in this industry;
 - d) The analysis of research data at the Trade and Investment Centre;
 - e) Conclusions of NamPort management (i.e. the ports position in Southern Central Africa and the way forward).

1.4 Study Objectives

1. To promote Walvis Bay as a gateway for trade in and out of central and southern Africa.
2. To ascertain the role intermodalism can play in the corridor transport logistical chain.
3. To determine the status of Walvis Bay as a future hub port or niche port in the future.

2. The Economic Significance of Walvis Bay to Namibia

In the colonial past Namibia's infrastructure was developed along the North/South axis, enabling movement between Namibia and South Africa, but limiting the flow of traffic between Namibia and other neighbouring countries such as Zambia, Zimbabwe and Botswana. The potential of Walvis Bay as a regional port could thus never be fully realised. In order to capitalise on the full capabilities and capacities of the port, transport corridors had to be developed linking Namibia and, in particular, Walvis Bay to the region.

This initiative gained prominence after 1990 and since then substantial investments have been made in what is now known as the Walvis Bay Corridor. Namibia's First National Development Plan (NDP-1) aimed to boost average GDP growth to 5% per annum to the year 2000. As a priority this forecasted growth demanded that Namibian infrastructure, including that of its main commercial port at Walvis Bay, should be sufficiently developed to handle the additional growth requirements of Namibia.

A major priority for Namibia would be to develop transit and direct trade opportunities with its landlocked regional neighbouring countries (see Annexure 1). Now the town's potential as a gateway for south-central Africa is beginning to be realised with the completion of the Trans-Capriivi and Trans-Kalahari Highway, and the recent launch of a donor-backed deepening of the port. This decision represent a major success and step forward for NamPort, the Walvis Bay Corridor Group and the Government of Namibia, as it is directly related to the deepened Port of Walvis Bay.

Walvis Bay has long been served by feeder services to and from Cape Town, Port Elizabeth and Durban; now, as a result of the dredging, the first European shipping line Maritime Carrier Ship (MACS), the Green Cape, has decided to provide a direct call from Europe to the Port of Walvis Bay every two weeks. It called at Walvis Bay harbour on 28 May 2000 for the first time. The decision by MACS completes the logistical chain

of the Walvis Bay Corridor and will contribute to the provision of a viable and efficient logistical option along the route.

For Walvis Bay the main emphasis was on increasing the port's container-handling capacity and catering for the increased number of refrigerated 12 m containers. This included the relocation of the container terminal to an area of the port which could be dredged to a depth of 12.8 m below chart datum. Further investment opportunities in the harbour area entail the development of warehousing, a free port and distribution facilities to complement the corridor development.

Walvis Bay, Namibia's Atlantic-coast harbour town, is fast emerging as the country's most dynamic growth point. As Namibia's largest population centre after the capital, Windhoek, and the main base of its fishing industry, it is already attracting significant inflows of foreign private investment in new manufacturing enterprises. Without the port of Walvis Bay, Namibia is virtually of a landlocked country. As the country's only deep-water port, it handles nearly all Namibia's sea-borne trade and is the only viable base for fisheries operations and processing, as well as control. In other words, a free and independent Namibia would be inconceivable without this port, and long-term alternatives to Walvis Bay would be very expensive to develop.

Traditionally the economy of Walvis Bay has been based on the fishing industry, which is still the largest employer, but the town is rapidly diversifying its economy, into a range of new activities such as engineering, energy and tourism. Fisheries' contribution to growth has been extremely important within the economy and has helped offset a poor performance in mining caused to some extent by the decline in world mineral markets.

Future growth in the economy will continue to depend on a strong fisheries contribution. According to the Planning in Action 1999-2000, Strategic Plan of the Ministry of Fisheries, based on projected fishing activity, the forecast for the fisheries sector is to achieve a production value of N\$4 billion by the year 2003. Forecasts assuming current

market patterns will continue, with no allowance for development of higher value added effects except in onshore processing of hake.

Market prices outside SACU are generally assumed to rise at the average rate achieved by fisheries products between 1991 and 1997. The growth of fishing activity has brought with it a steady increase in jobs since independence. By the year 2002 the number of jobs will have doubled and more than 85% will be held by Namibians (Republic of Namibia, 1999:3).

Around 1.6 million tonnes are fished each year by countries of the region, of which about 1.4 million tonnes are caught by Angola, Namibia and South Africa. That is close to 90% of the total catch! The total population of SADC coastal member states is estimated to be about 153 million people. As a rough estimation one can assume that there are at least 200 000 SADC citizens directly employed by the marine fisheries sector, which is co-ordinated by Namibia, and about 1million dependent on it. The latest export figures available indicate that marine fisheries fish export earnings exceed 800 million US\$ for the entire region, of which Namibia and South Africa are the major contributors (SADC 2000:1).

One cannot over-emphasise the growing importance of maritime transport and trade, and the new risks and opportunities which they present to ports today. The dredging and deepening of the port of Walvis Bay is a recognition of this situation and a deliberate attempt to establish all the conditions for competitiveness in the international economy. Walvis Bay is the largest commercial port in Namibia, and receives 808 vessel calls each year and handles some two million tonnes of cargo. It is a sheltered deep-water harbour benefiting from a temperate climate; no delays are caused by bad weather. In order to deal with the high levels of throughput, NamPort is steadily improving cargo-handling facilities, and remains committed to infrastructure development, in line with the Ports Authority's mission to provide efficient and effective port and related services.

Table 1: No. of Vessel visits to the Port of Walvis Bay, by type of vessels

Year	1993/94	1994/95	1995/96	1996/97	1997/98
Container	56	55	66	74	99
Reefer	87	116	89	84	76
Foreign fishing vessels	441	286	252	305	319
Local fishing vessels	---	135	119	136	96
Petroleum	23	24	27	32	35
Other cargo vessels	101	126	124	94	112
Other	115	68	101	119	71
Total	823	810	778	844	808

Source: Ports of Southern Africa 1999, 50th Edition

Even excluding all the subsidiary industries that have grown up around it, the contribution made by this industry to the national economy continuous to grow at a steady pace. At independence the industry was responsible for a mere 4% of the gross domestic product (GDP), and 10% of the GDP in 1998.

Figure 1. Industry's Contribution to GDP

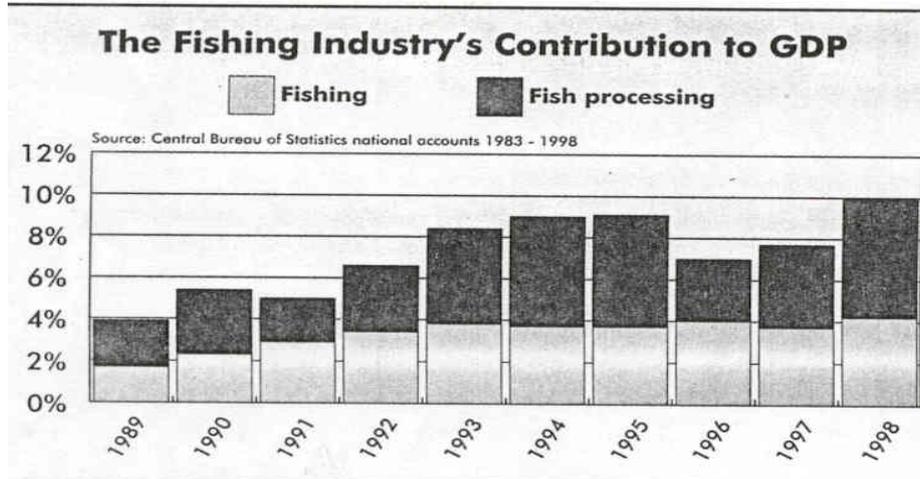
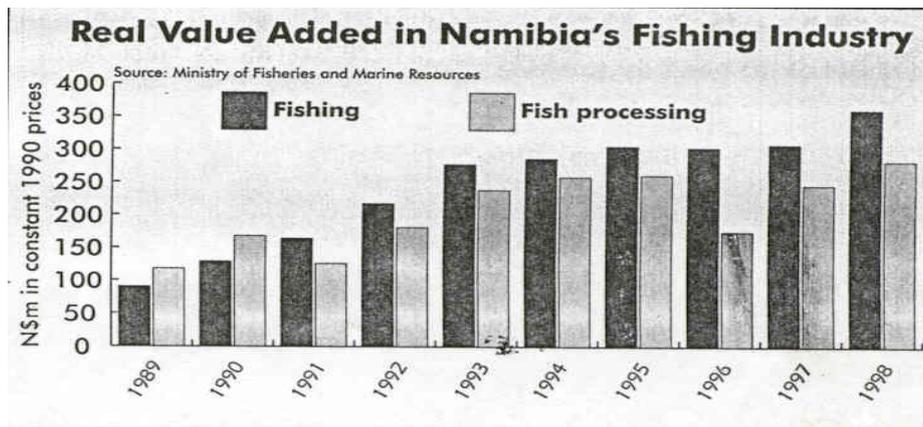


Figure 1.1. Real value added



Source: Growth Namibia

Namibia established the 200 nautical miles Exclusive Economic Zone (EEZ) and has

successfully managed to eliminate illegal fishing activities by foreign fleets. Special incentives for fisheries' industrial development have attracted foreign and local interest, and shore-based processing plants have grown both in number and in diversity. The annual cargo throughput in the commercial port of Walvis Bay is about 2 million tonnes, of which one third consists of general cargo, including frozen fish, slightly more than one third is dry bulk and slightly less than one third is liquid bulk, including petroleum products.

Cargo handled at the Port of Walvis Bay (freight tonnes)

Figure 2: Total Dry Cargo

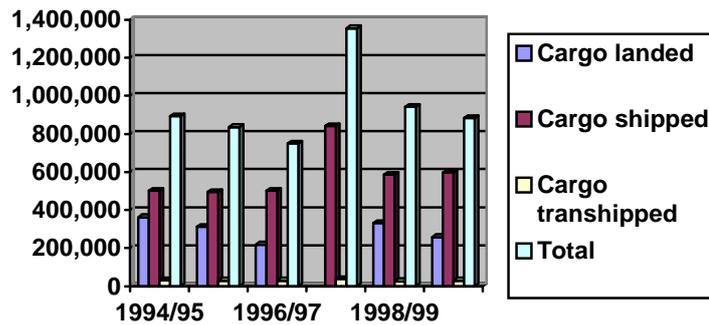


Figure 2.1: Total Liquid Cargo

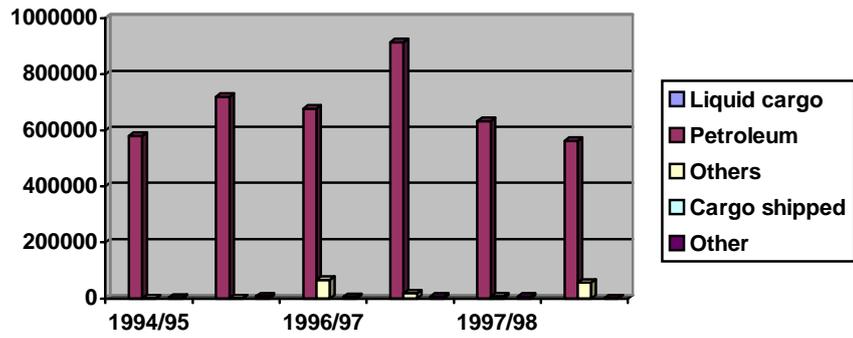
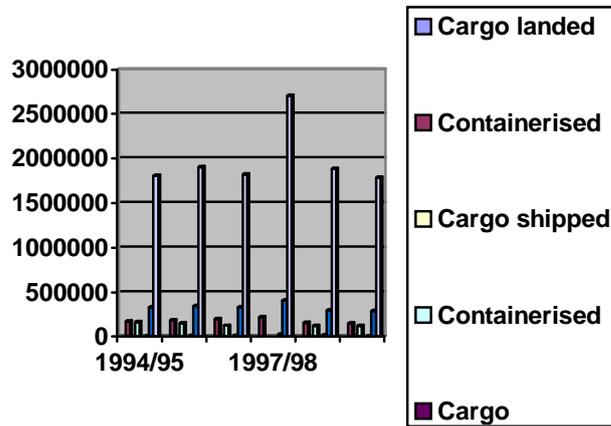


Figure 2.3: Containerised Cargo



Of the total tonnage handled 27% accounts for exports and 63% by imports. The

Namibian export trade consists of five major commodity groups: crops, livestock and meat, fish and fishmeal, mining products and manufactured goods. Total imports for Namibia of about 2 million tonnes are contributed by sea, representing 52% of total imports. Road transportation accounts for 27% of imports and rail 21%. About 54% of total cargo throughput is trade with South African ports and 44% with ports overseas. The remainder of about 2% consists of transshipment cargo (Lackner & Partners, 1995).

3. Regional status of the Maritime Industry

According to the Transport and Communications Integration Study for Southern Africa, 1997, Durban, with 12,900 m of quays is the largest of the 15 SADC regional ports, particularly in terms of container facilities, followed by the Port of Cape Town with 5000 m. Among non-South African ports, the three considered the most important are Dar es Salaam, Luanda and Port Louis. Walvis Bay can also be considered as important due to its positioning in a spatial economy with the port of Dar es Salaam.

Operationally, the bulk port of Richards Bay is easily the largest, handling 49% of the region's total throughput in 1995, followed by Durban (17%) and Saldanha Bay (15%), which is also predominantly bulk. Of non-South African ports, the most important are Dar es Salaam, with 3% of the total and Port Louis with 2%. The current capacity of each of the ports and its relation to throughput is shown in Table 2. These figures indicate a generally higher level of utilisation in the southern ports than those in the north for both containerised and dry cargo, with the exception of Port Elizabeth (SATCC, 1997:2.17).

Table 2. Capacity Utilisation. SADC Ports (1995)

Ports	Dry Cargo Capacity 1,000 tons			Container Handling		
Dar es Salaam	4,200	2,109	50.2	129	99	78.6

Nacala	1,300	371	28.5	30	12	40.0
Beira	2,950	1,308	44.3	60	27	45.0
Maputo	6,250	1,909	30.5	28	13	46.4
Port Louis	3,500	2,472	70.6	100	93	93.0
Richards Bay	78,200	76,112	97.3	...	10	...
Durban	38,270	20,404	53.3	1,000	869	86.9
East London	4,768	986	20.7	28	32	114.3
Port Elizabeth	10,128	3,408	33.6	390	156	40.0
Cape Town	10,346	7,487	72.3	483	308	63.1
Saldanha Bay	30,900	22,961	74.3	...	...	...
Walvis Bay	...	...	...	...	23	...
Namibe	...	43	...	...	2	...

Lobito	1,800	207	11.5	...	...	...
Luanda	...	1,018	...	...	65	...
Total/ Average	192,615	139,734	72.5	2,245	1,609	71.7

...Not available

Source: SADC Port Authorities

From the above it is quite clear that there tends to be a surplus capacity in the northern ports, i.e. Beira, Nacala and to a lesser extent Dar es Salaam, and a shortage in the south, i.e. Durban, Cape Town and Walvis Bay. Improvements and investment are required in the Angolan ports and in Maputo, including infrastructure rehabilitation and new equipment to bring their installations up to standard, and to meet the requirements to increase container trade to these ports. There are also joint ventures to meet the requirements for specialised cargo, i.e. the rehabilitation of the cold storage in Beira and various terminals in Maputo, both relating to their respective corridor development programmes.

Most of the ports in SADC member states are to a certain extent under government control, though the need to restructure has generally been accepted. There is a heavy involvement of the private sector and ownership base, mostly in the operation of dedicated facilities, and further involvement is contemplated. Administration of shipping comes under the Ministry of Works, Transport and Communication in Namibia (or its equivalent) in other SADC member states. Given the financial difficulties of the national shipping lines, there are changes toward more liberal policies and greater private/public partnership ventures.

There is a minimum of over 100 shipping companies active in the SADC liner services

market and details of these are set out in Table 3. The region is served by at least 200 container ships with an annual carrying capacity of more than 1.6 million TEU units, the largest proportion trading with the Far East and Northern Europe. Some 40% of the container vessels are fully cellular (with an average capacity of 1,300 TEU each) while 60% are multi-purpose (averaging 600 TEU each).

International cargo moving by sea to and from Southern Africa comprises about 85% bulk commodities, virtually of which all are carried by tramp services on vessels of foreign register. Overall, all SADC countries benefit from the competitive market situation and the present oversupply of shipping services through low freight rates which filter down to smaller markets (SATCC, 1997:2.19).

Table 3. SADC Regional Ports (Container Liner Services, August 1996)

Country	No. of Vessels Employed	Fleet Size TEU	Annual Capacity TEU
Tanzania	50	39,000	275,000
Mauritius	49	39,000	270,000
Mozambique	5	1,500	43,000
South Africa	227	196,000	1,254,000
Namibia	5	3,100	70,000
Angola	41	13,000	113,000
Total	(377)	(292,200)	(2,025,000)

Note: Totals appear in brackets, as liner services generally serve more than one country;

that is why total figures contain double counting.

In institutional terms, the key constraint facing the sector overall is the organisational

structure of ports and maritime bodies. Although there are signs of change, they are or have been characterised typically as being highly centralised and bureaucratic, resulting in poor operational or financial performance, lack of maintenance, deterioration in the condition of port facilities and a high incidence of pilferage and corruption in some of the regional ports (SATCC, 1997:2.19).

All these problems have been recognised by SATCC and members states agreed to adopt the Protocol that the region will be best served by ports and shipping lines operating on more independent and commercial terms and with greater private participation. This process of change has begun in many countries and it is evident that the institutional set-up presents clear options for improvements in terms of separating statutory functions, public services (safety and quality regulation) from private services (economic regulation).

Thus the future market for port and shipping services will largely depend upon the attitudes and reaction of port authorities towards port development and the development of regional trade. That is why the appointment of men/women of executive and administrative ability and of vision, as well as the co-operation of the labour force, will be crucial to making our ports cope with their changing roles productively.

4. Inter-Port Competition in the SADC Region

The SADC Protocol on Transport, Communications and Meteorology identifies development, both national and regional, as a fundamental priority. For such development to occur there must be increased private investment in transport assets and mobility services (SATCC, 1998:vii). It is against this background that I will examine inter-port competition in the SADC region and its implications for Namibia, even though such competition may not yet pose a threat to South African ports.

International trade has become a major vehicle for accelerating economic growth in developing countries, linking up all national economies into what is referred to as the global economic system. This vital link between nations is maintained through the world trade transportation system. However, great changes are occurring in this system in terms of the volume and variety of trade and the speed at which traded goods are moved. Ports are at the forefront of all the changes taking place (UNCTAD, 1990:1).

Port services are not an isolated and independent activity; they are a vital part, an integral element in the foreign trade and the economy of the country or the region. Whether the port is in a competitive market or not, the nation's foreign trade is always involved in it. Port performance directly affects the competitiveness of a country's foreign trade (UNCTAD, 1990:31).

Increasing competition between ports on both the national and the international level, and the enormous financial investment required for improvements, are sufficient evidence of the value that is placed on all traffic that can be encouraged to move from one port to another. Of the 12 mainland Southern African Development Community (SADC) countries, only five are maritime nations.

Landlocked countries depend overwhelmingly upon the seaports and transport systems of their neighbours for their overseas trade. Unlike in the past, nowadays even if trade remains stable, port business can be lost overnight because of inter-port competition. As a consequence of improved inland transport infrastructure and inter-modal transport, ports' "captive hinterlands" are disappearing. Ports share or have begun to share a common hinterland. They have to make every effort to be competitive in the cost and quality of services and to make the port a transport and distribution service centre. For most ports this is not an option but a necessity: an essential requirement for survival in this win or lose situation (UNCTAD, 1990:2).

In the past each port used to have its own group of clients whose activities were just within proximity of the port area and its captive hinterland, whose business was often out of the reach of other ports due to the expensive and under-developed land transport system and sometimes due to political and administrative barriers. Today ports find themselves in the same competitive market, hunting cargoes in the common hinterland. The idea of a "captive hinterland" is fast disappearing as a result of improvements to the inland transport system, thus exposing ports to severe competition.

Also, due to improved information networks port users such as freight forwarders and multimodal transport operators (MTOs) constantly compare different ports, making full use of every difference and advantage and pushing ports into fierce competition. Similarly, the disappearance of political and economic barriers, which once prevented the free movement of cargoes, also serves to enhance the level of competition (UNCTAD, 1990:25-26).

Port conditions vary widely, and the methods adopted for the solution of problems must be correspondingly versatile. Too often the export function is looked upon as primarily a matter of production and selling. The importance of transport and distribution in the total export process is neglected. That process integrates production, selling, transport, distribution, payment and customer servicing. The essence of through movement is the

application of classical bulk transport principles to traditionally fragmented cargo. One of these principles is that maximum efficiency comes from assembling loads as near as possible to ultimate destinations (Fetherston, 1978:1&10).

It is also important to bear in mind that different ports will be attractive to different shipping companies, depending on their priorities. If economic growth continues, and provided that port expansions do not outstrip container movement expansions, there is no reason why all the ports could not be winners. Hinterland connections are one deciding factor in shipping lines' choice of port. Ensuring that inland transport can cope with potentially dramatic increases in throughput from expanded terminals is subsequently an important preoccupation with new logistics areas, railheads and distribution centres springing up (Nunan, 2000:39).

Maritime safety and environmental issues are with some notable exceptions, a major regional problem, involving the lack of enforcement of rules and regulations, inadequate navigational aids and pollution-control facilities, lack of sea/air rescue services and communications facilities. These constraints are reflected in institutional terms by a lack of appropriate national maritime legislation and of ratification/implementation of international conventions (SATCC, 1997:2.21).

4.1. Walvis Bay and the Major Ports in the Region

The development and promotion focus of the Walvis Bay Corridor Group is primarily on traffic to and from Europe and the USA. The main preoccupation or priority would be to concentrate on optimising and utilising the logistical opportunities along this route. That would imply making the Port of Walvis Bay a direct port of call for vessels to and from Europe and the USA trading to South Africa. Such vessels will then call at Walvis Bay as their first call and/or last call on the African continent.

A feasibility study on the deepening of the port of Walvis Bay indicates a market capture

potential of up to 17,000TEU and up to 472,000 tonnes of dry cargo, without the inclusion of the South African market. With the inclusion of the South African market, the figures amount to 53,000TEU 921,000 tonnes of dry cargo. It therefore assumes that approximately 35,000TEU and 600,000 tonnes of cargo per year can be attracted. This compares to 27,000TEU and 880,000 tonnes of cargo handled in 1998/99 and would effectively mean the doubling of output (WBCG, 2000:6).

The start-up in March 1997 of a containerised service direct from Walvis Bay to Europe and the Americas has allowed for speedy delivery of reefer containers to niche markets in Australia, Europe, Hong Kong and the United States of America on a weekly basis. The biggest exchange of containers with 848 TEUs being handled on one vessel took place two years ago, when the first super-freezer containers (which run at a temperature of minus 61 degrees Celsius) were packed and the first fruit exports handled through the port.

Because of the steady growth in exports of frozen fish, meat and other products, NamPort intends to focus its efforts on reefer containers. The completion of the TKH and the TCH are expected to have a dramatic impact on the trade in fresh and frozen produce via Walvis Bay. Potential cargoes will include grapes and citrus from southern Namibia and South Africa, citrus from Zimbabwe and meat from Botswana.

Moreover, a wide range of ships, including many employed in the off-shore sector, are able to save valuable steaming time using Walvis Bay for dry docking and repairs, as well as the painting of vessels, instead of going to Cape Town. Most of the oil industry activity currently takes place off the West African states of Angola, Congo-Brazzaville and Nigeria, so that Walvis Bay has the advantage of saving vessel owners up to three days' steaming time for equivalent repair work in Cape Town, the nearest alternative ship repair centre (NamPort, 2000:33).

Although Namibia has an excellent and efficient transportation infrastructure, rail is at a

disadvantage (dog legs – see Annexure 2) compared with road, and accounts for no more than 13% of outbound regional traffic. Traffic is largely to and from South Africa (SATCC, 1997:4.11). Most of the transport corridors include rail connectivity as an integral aspect of the total system.

The skewed distribution of total cargo movements between the eastern and western seaboard has led to the over-utilisation of the eastern ports, while the western ports are concomitantly under-utilised (see Annexure 3). There is an increasing demand for additional trade and transportation capacities on the West Coast of Southern Africa, and the potential capture market is high in Namibian terms.

Table 4: Forecast of port throughput, 1996-2017 – dry cargo, medium growth scenario

Port	Break-bulk/ Bulk cargo (million freight tons 1996	2002	2007	20017	Container (million TEU) 1996	2002	2007	2017
	Dar es Salaam	2.9	1.4	1.7	2.2	0.13	0.13	0.15	0.19
Nacala	1.1	0.3	0.3	0.5	0.03	0.01	0.02	0.02
Beira	2.3	1.8	2.1	3.2	0.06	0.04	0.04	0.06
Maputo	5.8	3.1	3.7	5.7	0.03	0.02	0.02	0.03
Port Louis	2.6	2.0	2.5	3.6	0.10	0.11	0.14	0.20
Richards Bay	78.2	106.4	129.2	190.0	-	0.01	0.02	0.02
Durban	23.2	11.9	1.4	21.3	1.09	1.22	1.48	2.18
East								

London	4.3	0.9	1.1	1.6	0.03	0.05	0.06	0.08
Port Eliza-beth	4.2	3.7	4.4	6.5	0.39	0.22	0.26	0.39
Cape Town	4.0	5.2	6.4	9.3	0.48	0.43	0.52	0.77
Saldanha Bay	30.9	32.1	39.0	57.4	-	-	-	-
Walvis Bay	4.4	1.2	1.6	2.2	0.05	0.03	0.04	0.06
Namibe	-	0.1	0.1	0.1	-	-	-	-
Lobito	1.8	0.3	0.4	0.6	-	-	-	-
Luanda	-	0.9	1.2	2.0	-	0.09	0.12	0.19
Total	168.9	171.3	208.2	306.2	2.33	2.36	2.87	4.19

Sources: SADC port authorities and Integration Study . Note:* Not including Angola

Presently, South African ports account for approximately 90% of total regional throughput, which in 1996 represented more than 160 million tonnes of cargo. Of these Richards Bay in 1996 accounted for 49% of the total, which consisted mainly of bulk coal; Durban and Saldanha Bay handle 20% and 13% respectively. Ports on the eastern seaboard account for about 80% of the regional total, although the distribution of trade with Southern Africa is approximately 50% from the east and 50% from the west (WBCG, 2000:4). Walvis Bay can be classed with Port Louis and the ports of Dar es Salaam and Maputo, each with some 2-2.5% of total traffic.

Nacala is the best natural harbour on the east coast of Africa and can accommodate the largest vessels. However, it is geographically isolated in relation to major areas of production. By contrast, both Maputo and Beira are estuarine ports with long entrance channels, which require constant dredging to overcome problems of siltation. Maputo has a design depth of only 9,4 metres and cannot accommodate vessels of over 18 000

tonnes.

Dar es Salaam has roughly similar problems, although the channel has been straightened and the harbour dredged to 10,2 metres.

The main regional traffic through Dar es Salaam comes from Zambia, but the port also serves the Democratic Republic of Congo (DRC), Rwanda, Burundi as well as Zambia and Malawi. The ports of Luanda and Lobito feed into Pointe Noire in Congo Brazzaville. Beira serves mainly Zimbabwe and Malawi, while Swaziland uses Maputo. Zimbabwe also uses Maputo and Durban, while Durban serves Botswana, Swaziland, Lesotho, Zambia and the DRC. In this aspect Walvis Bay would appear to play a negligible role (Maasdorp, 2000:32-33).

At present South Africa's seven commercial ports handle the majority of the cargo to and from the sub-region, moving well over 153 million tonnes of import and export products per year. Durban, the biggest and busiest port on the African continent, handles the vast majority of the containerised throughput at more than 1 million TEUs of a national total of 1,7 TEUs. It also moves high volumes of breakbulk and general cargo and, as a busy seaport, Durban offers all the facilities demanded by international shipping.

Although Durban is by far the major general cargo port, its water depth of 12.8 CD, which means that the largest vessels (post-panamax) currently cannot enter the harbour. However, plans for Durban include extending the container terminal and facilities, and providing modern cargo-handling facilities with deep-water berths, constructing a passenger terminal, and widening the harbour entrance for larger and wider container ships (Maasdorp, 2000:29-33). Notwithstanding the expansion plans for Durban, a serious handicap remains the fact that the port is situated inside the city.

Cape Town, the second largest port in South Africa, can also accommodate the needs of

the major lines and is particularly well equipped to deal with the specialist needs of refrigerated cargo. It handles almost 350 000 TEUs per year with a fair portion of this being reefer boxes. Cape Town's major problem is its relatively isolated location, long distances separating it from major production and market centres. However, the concept of waterfront development has firmly taken root in South Africa, following its successful implementation at Cape Town (Maasdorp, 2000:29).

The increased involvement of the private sector is expected to lead to increasing competition within and among the regions' ports. For example, the port of Maputo has already contracted out the operation of customs services. The process of reforming port operations and services needs to be increased to enable customers to benefit from faster clearance of goods and more competitive services (EU-SADC, 1998:111). Significant progress has been made towards the concessioning of port terminals to private sector operators and towards entering into public/private sector joint ventures for ports in Southern Africa.

The South African port operator, Portnet, has launched an ambitious drive to transform and restructure the country's ports that will place them in the world league. This process has been divided into three distinct phases, as follows:

- The splitting of port authority and port operations;
- The formation of viable business units out of the various port operations;
- Concessioning these businesses in a manner most beneficial to the future development of South Africa and regional trade.

This is a clear indication that there exists considerable scope in the next ten to fifteen years for investment in port and port-related projects in South Africa and the region. This will gain impetus once effect is given to SADC Protocol committing port authorities to maximising private participation in financing, management and operation of port terminals and facilities as well as the provision of port services (Maasdorp, 2000:34).

According to Copley, Transport Specialist with the Development Bank of Southern Africa (DBSA), the success of Walvis Bay as a hub port in the sub-region will depend largely on the policies pursued by Portnet, which can be described as highly protective. In the light of the fact that South African ports enjoy an absolute dominance in terms of market share in the region, de-regulation of the industry in South Africa will largely determine what amount of surplus business Walvis Bay can capture from its rival South African ports, especially Cape Town.

However, Walvis Bay can still capitalise on surplus capacity in the South African ports due to its position in the spatial economy of the region. According to Copley, the shipping industry is a very conservative market; one must first gain an international reputation before new clients can be secured. Walvis Bay would also have to offer more competitive tariffs and faster turnaround times than its rivals in South Africa to truly make an impact in the region.

Seafreight costs in Namibia and South Africa are roughly the same, but the cost of road transport from Windhoek to Walvis Bay at about US\$280 per container is lower than the cost of road transport within locations in Cape Town and Durban. Road carriage costs from Gauteng to Durban or from Nairobi to Mombassa are twice as high as the Windhoek-Walvis Bay transfer. These cost savings do not include the time savings achieved by shipping from Namibia to European and American markets or the security problems faced in ports such as Durban and Maputo (Mueller, 1998/99:22).

The main obstacles facing African ports have been identified as high ocean transport freight costs and long transit times for containerised cargo. In South Africa ocean transport freight accounted for up to 65 percent of transport costs while transit took 83 percent of the travel time. Currently over 50 percent of deep-sea container vessels calling at South African ports stop at three ports namely Durban, Port Elizabeth and Cape Town. This increases the costs of the journey to the shipping line, which are passed on to South

African cargo owners (Makhaye, 2000:7).

According to the Government of Namibia White Paper on Transport Policy, shipping will continue to be a competitive business for the foreseeable future. There are no signs that a shortage of tonnage will develop in the coming years, or that the shipping conferences will be able to dominate the market. This assumption is based on (i) the over-tonnage that has characterised container services in the world during the last fifteen years and which continues to characterise the trade; and (ii) the presence of so-called outsiders, i.e. independent operators which are not part of the shipping conferences and which compete with these.

The fact that the nominal price of a tonne of container load in the south-bound trade from Europe to South Africa decreased from US\$ 90 in 1979 to US\$ 87 in 1990 supports this impression, as does the fact that earnings in the liner traffic have been low for many years. The bulk trade is generally held to be even more competitive than the liner trade, as the market is basically global in its structure (Namibia, 1995:8-2). Among the maritime nations, South Africa and Namibia have traditionally placed no constraints on the private sector provision of coastal services, a fact which will certainly give them a competitive edge in the rapidly changing maritime environment in the region.

4.2. The Challenge of Multimodalism

The major objectives of intermodalism are to increase the speed of cargo distribution and reduce the amount of unproductive capital, whether in inflated inventory levels, inactive rail/cars or vessel delays at ports. Since new trade patterns require quicker, cheaper and safer transport of goods than in the past, the main obstacle was found to be at each transport mode interface which caused delays and increased the cost of the entire transport chain rather than “a moving part” of that chain (Portnet, 1994:8).

There are several operators in Namibia which can be characterised as intermodal, i.e.

they assume full legal responsibility for the transport of containers using several modes, including Swakop Line and Namibia Shipping Lines. The Namibian government recognises that the importance of intermodalism will continue to increase in Namibia and the world in the future, and will in time provide the key to low-cost access to world markets. The major reason is the high supply of shipping services, but also the fact that the European Union, among others, is actively supporting a policy of competition in international shipping. Such a development bodes well for ports in developing countries in general.

The greatest change brought about by intermodalism to transport is the emergence of multimodal transport operators (MTOs). The concept of multimodal transport relates to the carriage of goods by at least two different modes of transport on the basis of a single contract document from a place in one country to a designated place of delivery in the same or another country. The perceived advantage of multimodal transport is the reduction in transit times, costs and number of consignment documents and faster cargo throughput at modal interfaces, such as ports and transshipment points.

Multimodal transport promotes trade and increases accessibility and productivity. For Namibia, which relies heavily on imports and exports of products that are increasingly transported in containers, development of multimodal transport is critical for the development of the national transportation system (GRN, 1999:6&7). Multimodal transport operators (MTOs) in Namibia include TransNamib, shipping agents, and freight-forwarding companies. MTO's are not regulated in Namibia and are operating in a competitive environment.

The importance of multimodal transport is envisaged to increase, as the system is increasingly becoming a feature of the country's movement of goods internationally. The Walvis Bay Corridor, which comprises the port of Walvis Bay and Luderitz, TKH and TKH, railway networks, including the northern railway extension, is viewed as a multimodal infrastructure network that progressively combines and integrates the

different modes and national networks.

During the NDP2 period, the Government will pursue a policy framework for the development of multimodal transport to enable the country's domestic and external trade to benefit from improved and efficient door-to-door cargo transport services. In particular, the Government will support the initiative of the Walvis Bay Corridor Group as a transport facilitator and marketing group, which promotes the utilisation of the corridor, as a route for imports and exports for Namibia and neighbouring SADC countries. The Government will facilitate the development of the trade and transport logistics chain on the Walvis Bay Corridor, as well as encourage the development of the other transport corridors.

Freight forwarders in Namibia are of the opinion that the industrialists of Southern-Central Africa have depended for too long on conference lines, suffering from delays caused by congested ports and various other restrictions. It is a known fact that 80% of cargo coming into Namibia either originates in South Africa or is transhipped through South Africa. A new consensus is emerging in support of the independent shipping lines through the Walvis Bay Corridor (Oberholzer, 1995:8).

At present the major players with respect to this trade still favour South African ports either for logistical reasons or for capitalist reasons. One must also recognize that the South African ports, particularly Durban, have become cross-points for flows between America, Europe and Asia-Oceania. Durban thus has a hub status, even if it is highly congested. However, with the introduction of a direct shipping line from Walvis Bay to Europe, the logics of an integrated transport corridor would be in place to launch Walvis Bay on its quest for hub status.

5. Spatial Development Initiatives and Development Corridors in the SADC Region

The Spatial Development Initiative (SDI) Programme is a short-term investment strategy aimed at facilitating economic growth and sustainable job creation in South Africa's globally competitive industries. Notwithstanding the fact that the first SDI was a joint initiative between South Africa and Mozambique (the Maputo Development Corridor), the focus of the SDI programme was primarily on South Africa. It was aimed at unlocking the inherent and under-utilised economic development potential of certain specific spatial locations. From the outset, however, it was made clear that the SDI programme was placed in the context of the new development paradigm adopted by the Government of South Africa.

According to De Beer and Mmatli (1998:1), a key component of this paradigm was to move away from a protected and isolated approach to economic development towards one in which international competitiveness, strong emphasis on regional co-operation and a more diversified ownership through the development of small and medium and micro enterprises (SMMEs) could be achieved. The identification of attractive opportunities ensures development through the use of public resources to leverage private investment, with considerable emphasis given to public/private partnerships. The objectives of the South African SDI programme are, among others:

1. To generate sustainable economic growth and development in relatively under-developed areas, according to the inherent economic potential of the locality;
2. To generate long-term and sustainable employment creation for the local

- inhabitants of the SDI area and for the nation in general;
3. To maximise the extent to which private sector investment and lending can be mobilised in the SDI area;
 4. To exploit the under-utilised locational and economic advantages for export-oriented growth of the SDIs.

The current portfolio of SDIs in South Africa has identified nearly 800 investment opportunities worth US\$ 32,4 billion, with the capacity to generate more than 85 000 new jobs. There is little doubt that the Maputo Development Corridor initiative is widely regarded by the investment community and the governments of Southern Africa as an outstanding success. This has resulted in a strong and growing – but cautious – interest in the notion of regional Southern African SDIs. The Beira Development Corridor (Mozambique – Zimbabwe), which was initiated (outside of the SDI programme) by the two countries, is an existing regional initiative. A number of additional potential, Southern African SDIs have also been identified on a very preliminary basis and are in the very early stages of development. The underlying motivation for these initiatives would appear to be very closely linked to economic trends in terms of regionalisation and, ultimately, world economic trends of globalisation. In terms of the regionalism perspective, it is well known that, from a principled point of view, most of the governments in Southern Africa support the idea of closer economic co-operation as a means of promoting economic development.

This stance has been based on the knowledge that the economies of the region are very small; even with South Africa included, the GNP of SADC is approximately equal to that of Finland and Belgium (NDP-1). Africa, so far, is said to account for only two percent of the US\$ 155 billion global shipping industry (Sungu, 2000:3). Clearly there remains a lot of scope for the expansion of the maritime industry in the region. The key economic benefits to be derived from such a regional approach include:

1. Enhanced economies of scale;
2. Promoting competition and innovation at a regional level;
3. Providing a stimulus to investment and productivity;
4. The institutionalisation of conflict management, and enhanced bargaining in international forums

Against this background, the objectives of the Southern African SDIs are likely to be similar to those of the South African programme, but distinct in the sense that there would be a very significant emphasis placed on the promotion of regional economic integration. Within this context the objectives would be:

1. To increase the rate of regional and sustainable regional and national economic growth and development;
2. To generate long-term and sustainable regional and national employment;
3. To enhance the levels of economic integration of the Southern African economies;
4. To promote greater complementarity in economic strategies between countries in the region as opposed to the existing competitive structures of production;
5. To enhance intra-regional trade;
6. To increase the international competitiveness of southern African export goods;
7. To promote a more equitable spatial location of industries within Southern Africa based on inherent development potential;
8. To mobilise increased flows of Foreign Direct Investment (FDI).

5.1. The Trans-Africa Coast2Coast SDI

The Trans-Africa Coast2Coast initiative is essentially a development corridor from the Port of Maputo in Mozambique to Walvis Bay in Namibia. The initiative is still in the early stage of conceptualisation on the Namibian stretch, with a Project Manager who recently assumed duty in (July 2000). It is a regional initiative aimed at promoting

regional integration, economic growth, employment creation, mobilisation of private sector investment lending, and local economic empowerment of adjacent communities in and between the participating countries of Mozambique, Swaziland, South Africa, Botswana and Namibia.

The SDI stretches approximately 3000 kilometres from Maputo in Mozambique, through the north of Swaziland, the Mpumalanga, Gauteng and the North West provinces of South Africa, Botswana, and through Namibia to Walvis Bay. The route connects some of southern Africa's most economically, politically and financially important cities and towns - Maputo, Nelspruit, Witbank, Middleburg, Pretoria, Rustenburg, Lobatse, Windhoek and Walvis Bay, whilst urban areas of Gaborone, Mbabane and Manzini are also functionally integral parts of this corridor economy.

Collectively these cities account for a huge proportion of the existing southern African economy and the resource base on which they depend still has tremendous further growth and development potential. These cities are also amongst southern Africa's largest and fastest-growing urban centres, and this process, whilst creating a number of development challenges, also offers good opportunities for further economic development and employment creation in the primary, secondary and tertiary sectors. The Coast2Coast SDI route spans an area of great diversity in the natural and socio-economic environments that it traverses.

The route provides an environment that is scenically, ecologically and culturally rich and diverse in a way that is unique on a world scale. The route traverses some of the oldest geological landscapes in the world, is rich in fossils and minerals, and is generally regarded as one of the world's greatest areas of geological, paleontological and archaeological interest. It is widely accepted today that southern Africa is the "cradle of humankind", where the first human hominid ancestors of man evolved, populating the world from this centre. There are internationally renowned archaeological and fossil sites close to the route, especially within the Gauteng and Mpumalanga regions of the route.

5.2. Untapped Economic Potential in the Region

- (a) Mozambique: The Trans-Africa Coast2Coast route is characterised by significant existing economic activity, and under-utilised economic development potential. The extensive, under-utilised natural resource base of Mozambique presents further important development and growth opportunities for tourism, forestry, fisheries and agriculture development, as well as in terms of related downstream processing.
- (b) Swaziland: The country is functionally an integral part of the Maputo Development Corridor and the Coast2Coast SDI. The Swaziland towns of Mbabane and Manzini are functionally integrated into the Coast2Coast economy, and are the commercial, financial and tourist hub of Swaziland. Swaziland has considerable further agricultural, forestry and tourism development potential.

With the development of the Maguga Dam it is anticipated that a further 4 000 hectares of sugar, sub-tropical fruit and citrus development will take place in the northern parts of Swaziland, whilst the development of between 7 000 – 9 000 hectares is underway in the Lower Nkomasi area of South Africa.

- (c) Mpumalanga: The route follows the Maputo Development Corridor through Mpumalanga with its high concentration of economic activity, high economic growth rates and considerable further development potential, particularly in the manufacturing sector and in terms of value adding and processing based on this area's abundant natural resources. The economy of the area between Pretoria and Rustenburg is well diversified, whilst having considerable further development potential. The local economy is underpinned by a very strong mining industry

based on the Bushveld Igneous Complex, which is one of the richest deposits in the world.

A further 16 potential mining projects within the Coast2Coast corridor have already been identified as part of the “Platinum SDI”. Other important economic activities include manufacturing, the automotive and components industry, quarrying, the trade and catering sector as well as the financial sectors. Considerable further tourism development potential has already been identified.

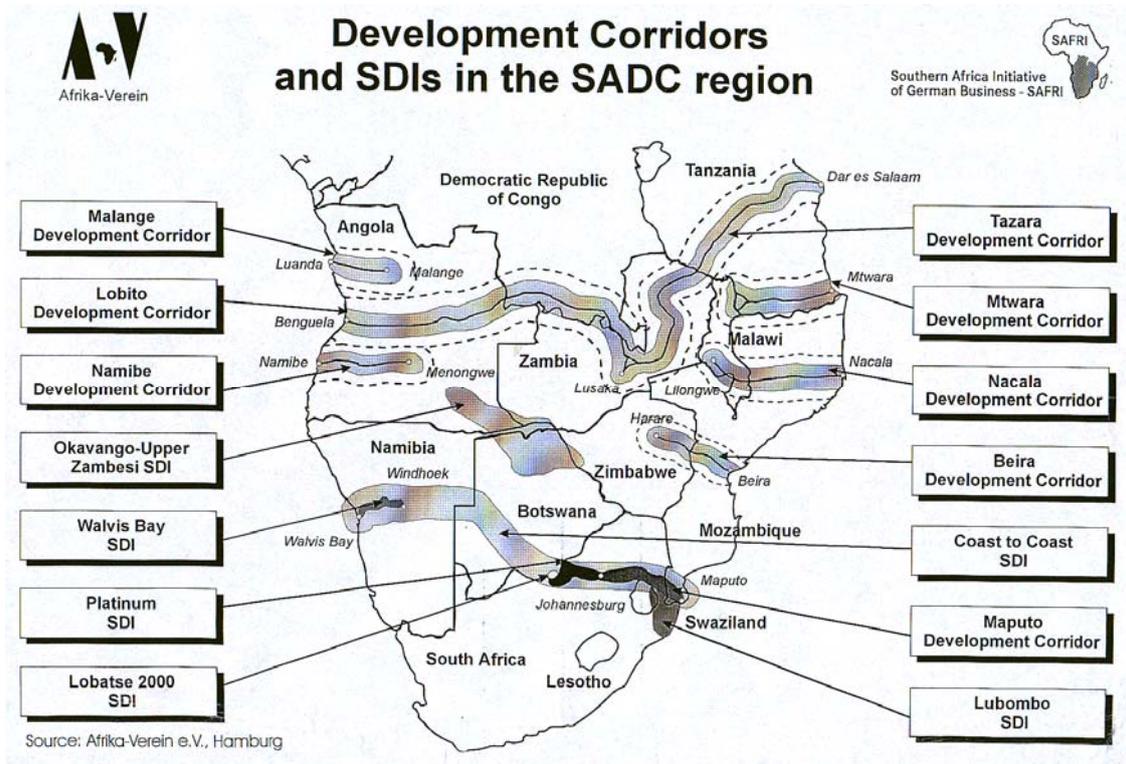
- (d) Botswana: Diamond-rich Botswana is one of Africa’s prime emerging markets, and its achievements of sustained economic and political stability provides a role model for other developing countries. Since the 1970s it has recorded the most rapid growth in the developing world, on a par with the newly industrialising economies of South East Asia. Dominant activities include mining, i.e. diamonds, copper-nickel, soda ash, coal, and agriculture, predominantly cattle ranching beef-processing development. Future growth potential is to be found in the minerals processing, manufacturing, tourist and other services.
- (e) Namibia: The productive capacity of the Namibian economy is also concentrated in primary sector activities – mining large-scale commercial livestock farming and fishing as well as the services industry. The manufacturing base remains small, and meat and fish processing are the largest sub-sector. Processing of local raw materials for both domestic consumption and export is the predominant industrial activity, and the main processing centres – located along the existing development corridor between Windhoek and Walvis Bay are located along the Coast2Coast route. Walvis Bay can potentially offer investors important locational advantages – providing access to both the South African Customs Union, particularly the industrial heartland of South Africa (Gauteng), as well as the European Union markets (through the Lome Convention). Walvis Bay is used extensively by the mining industry to export mineral products, including uranium,

manganese, sodalite, dolomite, granite, marble and salt.

5.3. The Walvis Bay Corridor Group

Namibia is very likely to benefit from regional integration, taking into account the limited national market potential and its strategic geographic positioning on the sub-continent. Corridor development fosters regional integration and the concept is prominent in Namibia. The Walvis Bay Corridor Group, as a Transport Corridor Initiative, is a public/private sector initiative, driven by the private transport industry with NamPort and NamRail as major transport operators. Members of the Corridor group consist predominantly from the private sector and key government ministries responsible for transport and trade.

The business aim of the W/B Corridor Group is to increase the utilisation of the W/B Corridor. It is therefore tasked with the facilitation of a logistic chain for regional imports and exports and the marketing of the Corridor opportunities in the region and abroad. The recent new developments of the dredged and deepened Port of Walvis Bay now completes the Walvis Bay Corridor as the youngest SADC Transport Corridor on the west coast of our continent.



This represents a marked advance in realising the Trans-Africa Coast2Coast Development Initiatives, with Walvis Bay now ready to proudly take its place as the natural gateway for international trade with South and Central Africa. The WBCG aims at creating an efficient logistics chain along the W/B Corridor. Efficient transport and logistics operations are prerequisites for regional development in economic sectors such as manufacturing, fisheries, mining, agriculture and tourism as prime investment sectors.

The corridor facilitates economic growth in Namibia by promoting foreign trade and making the ports of Walvis Bay and Luderitz the preferred gateways for seaborne trade with Namibia's neighbours. The Walvis Bay Corridor is a system of routes which extends across the entire SADC Free Trade Area from sea to sea. From here, on the shores of the Atlantic, northwards through Tsumeb to Angola; and through the Trans-Caprivi (TCH) to Zambia and the DRC, where it links up with the Nacala Corridor in

Malawi, and via the Trans-Kalahari Highway (TKH) through the Lobatse 2000 SDI in Botswana, and the industrial heartland of South Africa (Gauteng), where it finally connects with the Maputo Corridor on the Indian Ocean.

With the Trans-Caprivi and Trans-Kalahari Highways now completed it will become cheaper for many suppliers to consign goods via Walvis Bay, rather than Maputo or Durban. The new bridge to be built across the Zambezi River will improve the connection to Zambia significantly. This holds true particularly for European suppliers, as Walvis Bay is three days shorter in sailing time from Europe than its nearest rival, Cape Town, and 5 to 7 days shorter than Durban and Maputo. These potential savings in time are significant in the trade and commercial world since time equals money (The Namibian Investment Centre, 1998/99:12). Shorter road travel distances and the well-developed infrastructure of Namibia further support the time and cost savings.

According to NamPort, on the northern route cargo owners will use the existing railway line from Walvis Bay to the multi-modal hub town of Grootfontein in northern Namibia; in fact, consideration will be given to a dry port at Grootfontein. This northern railway leg of the Walvis Bay Corridor receives an important extension by the construction of a railway line from Tsumeb to Oshikango/Oshakati. The financing has been approved and construction is supposed to commence this year.

The Trans-Kalahari Highway between the three member states, i.e. Namibia, Botswana and South Africa, will stimulate increased use of Walvis Bay by international shippers and consignors of cargo, once all the bottlenecks have been removed and administrative, custom requirements and border opening hours harmonised, and extended to 24 hrs. In terms of trade, the development of the Trans-Kalahari Highway together with the deepened Port of Walvis Bay could enhance the movement of Botswana's exports to the European Union (EU). More specifically it will save time and operating costs, offer Botswana more choice in terms of transport channels, and improve the mobility of goods produced within Botswana.

Namibia currently exports considerable volumes to Mozambique (US\$ 108 million) and Swaziland (US\$ 96.6 million), and to Gauteng, and it is expected that important time and cost savings will result from the TKH. The total value of goods that could be transported via the TKH as part of trade flows within SADC is estimated to be in excess of US\$ 3 billion annually. The TKH together with the Maputo Development Corridor (toll road already implemented) and the Platinum SDI (toll road from Pretoria to Rustenburg is in the “bidding” process) have the potential to lower transport margins on international trade in the region.

There is, for example, significant potential savings on the flow of Namibian exports to Swaziland and Mozambique. This in turn contributes to more competitively priced and timeously delivered exports, as well as to cheaper and more accessible imports. Estimated potential time savings are difficult to determine with accuracy without undertaking a comprehensive analysis, but based on very initial estimates they could be significant, particularly for imports and exports between the North West and Gauteng provinces of South Africa and the western hemisphere markets.

Savings on vehicle operating costs are also potentially significant. It is estimated (based on very initial analysis) that the shortened and better quality route offered by the TKH could result in vehicle operating cost savings of US\$ 61 million per annum. Adding costs incurred from existing border delays versus the better than average (half the time) border crossing times on the TKH, the total estimated cost savings could be of the order of US\$ 128 million per annum. The Chamber of Mines of Namibia has indicated that the route also offers a lot of potential for the mining industry to source its feedback from South Africa. One can expect that similar opportunities would apply to the rest of the Namibian economy.

Once this entire east-west corridor system is in place, cargo owners in the region will choose between an east or west coast gateway for their shipments. Thus, the Port of

Walvis Bay can now deliver through potential time and cost savings by offering the shortest possible regional destination route on the west coast, which will lead to more affordable imports, increased potential for export production, and increased global competitiveness for our region.

6. Strategic Direction: Towards Hub Port Status

6.1. The New Role of Walvis Bay as a Hub Port

Both Walvis Bay and Luderitz are traditional fishing ports which have expanded to cater to other lines of business. The major commercial port is Walvis Bay, a multi-purpose deep-water harbour that has been geared up for modern cargo handling. The strategic aim is to transform Walvis Bay into a hub port, with feeder services, and to consolidate this port as a regional gateway, serving as a reliable and efficient interface for imports and exports to and from the SADC region, the West Coast of Africa and other sub-Saharan countries (NamPort, 2000:12).

Strategically located halfway along the coast of Namibia, with direct access to principal shipping routes, Walvis Bay is a natural gateway for international trade. Following the re-incorporation of Walvis Bay into Namibia and the taking over of control and management of Walvis Bay by NamPort, a significant amount of investment went into making the port an efficient and successful national and regional asset. A programme of major improvements has already been launched by the Namibian Ports Authority (NamPort), aimed at upgrading Walvis Bay to a hub port for the region.

With tariffs and services equivalent to those at Cape Town, transit cargo could be diverted from Cape Town and Durban to Walvis Bay, with smaller amounts from Port Elizabeth and Richards Bay. According to base forecasts in the Transport and Communications Integration Study for Southern Africa, 1998, the development of the infrastructure at Walvis Bay and the completion of the Trans-Caprivi and Trans-Kalahari Highways will offer further opportunities for the redistribution of trade in the region. Transit traffic in 2007 in the medium-growth scenario would be about 436,000 tonnes, and would increase by more than 50% to 670,000 tonnes under the high-growth scenario.

The general cargo ports of Dar es Salaam, Nacala, Beira, Maputo, Durban and Port Elizabeth handle significant proportions of the 5.2 million freight tonnes of overseas transit trade to

and from the land-locked countries. In the future Lobito, Richards Bay and Walvis Bay could also become important for these countries. The Mozambican ports of Beira and Maputo account for nearly 70% of the region's total transit traffic (SATTC, 1998:61). The Port of Walvis Bay, although not a serious competitor in the region, has what it takes and can significantly increase its share of the regional market, because transshipment activities all over the world account for most inter-port competition.

Developments at Walvis Bay will include upgrading the port's existing facilities for ship/vehicle-related industrial/technical services, environmental protection and the expansion of cargo-related activities. The development of an Export Processing Zone near the port of Walvis Bay has provided foreign investors with an opportunity to manufacture and distribute goods for markets in Europe, North and South America, and in central- Southern Africa.

The geographical location of Walvis Bay is its trump card in its ambition to transform itself into a hub port in conjunction with feeder services to and from South Africa. In addition to its premier location, Walvis Bay has an already existing industrial base, and is well poised to become an export-driven manufacturing centre. Thanks to world-class standards of efficiency backed by a stable labour environment, Walvis Bay has been able to reduce the time spent in the port for container ships to an impressively low level, with an average turnaround time of just 18 hours!

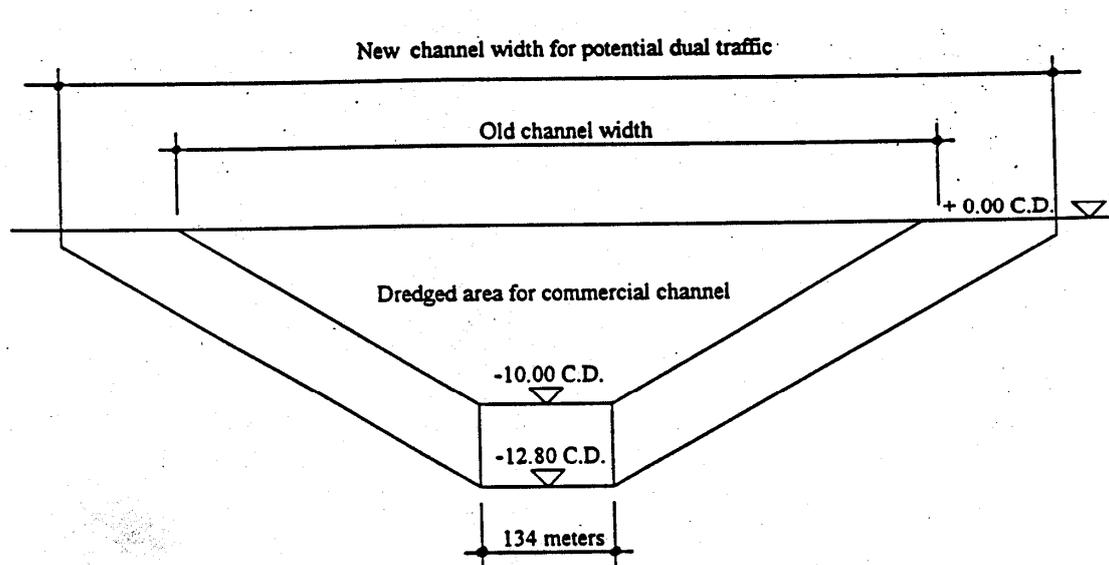
In time, with the realisation of proposed developments, such as the free port and distribution centre, this will open up opportunities for some value-adding activities, which can take different forms such as loading and discharging, providing up-to-date information on the inventory and cargo movements, stuffing and un-stuffing containers, crating, palletising, shrink-wrapping, labelling, weighing, re-packing and other activities.

At the moment a large proportion of the bulk cargo handled in Walvis Bay consists of exports of salt and minerals sourced in Namibia. However, because of the newly

constructed TKH, Walvis Bay now has the potential to be a gateway for mineral exports from a much wider region embracing the whole of central-southern Africa. Most of these minerals are shipped to markets in Europe and North America, while salt is shipped to a range of destinations, including South Africa (NamPort, 2000: 25).

The recent dredging operation by HAM Dredging, a world-renowned dredging operator, was the final step to achieve this strategic aim. With a depth of 12.8 m Chart Datum, the port allows deep-sea container vessels to enter the port, and thus sets the Port of Walvis Bay on par with other major ports in the region. The dredging has been financed out of NamPort's own resources to an amount of N\$50 million. The dredging operations concentrated on the deepening of the main port approach channel and Berth 1 to 3 (see Annexure 4).

Figure 1. Dredging Profile: Walvis Bay Harbour.



Source: Study of the Development of the Port of Walvis Bay

According to the Walvis Bay Corridor Group, cargo owners will now be able to save up

to four days delivery time for their commodities. This significantly expands the harbour's capacity to handle containerised goods, and to attract a greater volume of international shipping traffic to Walvis Bay. The new direct service offers transit times of 16 days from Antwerp, 17 from Rotterdam (Europe's biggest harbour), and 19 from Hamburg. Containers, breakbulk, ro-ro vessels that can be accommodated at berths 3 and 6, as well as project and heavy lift cargo are accepted (Gschwender, 2000:35).

As more than 90 percent of international trade is moved by sea transport, ports today, more than ever before, remain the biggest and most important transport mode interfaces serving as gateway facilities for the world. That is also the reason why the Port of Walvis Bay should be considered, first and foremost, a commercial undertaking like any other industry aiming at satisfying the needs of foreign, national and regional trade.

To that end NamPort has already embarked on a programme of investment in new facilities and necessary refurbishment at Walvis Bay, which include a larger, better equipped and more conveniently located container terminal (located at berths 1 and 2, while the existing terminal at berths 7 and 8 will be used to take care of excess capacity) and an upgraded tanker jetty. Also, a new state-of-the-art cold storage facility will allow high-value Namibian produce such as fish, meat and fresh fruit to be stored for export. A wide range of ships, including many vessels employed in the offshore sector, are able to save valuable time using Walvis Bay for dry-docking and repairs instead of going to Cape Town. The Port has a thriving marine engineering industry centred on a modern ship lift, providing professional dry-docking and repair services for a wide range of vessels. The Synchronlift, on which vessels of up to 2 000 tonnes displacement can be lifted, 70 metres in overall length and 12 metres breadth, has been identified for extension in order to meet the projected increase in demand. The aim is to provide dry-docking facilities for vessels between 2 000 and 5 000 tonnes. At present the utilisation of the Synchronlift is around 80% of total capacity with more than 400 vessels being lifted ashore in a typical year (NamPort, 2000:35).

Walvis Bay currently handles around 22 000TEU per year, a large proportion of which is the handling of reefer containers, which are used mainly to export frozen fish. Because of the steady growth in exports of frozen fish, meat and other products, NamPort intends to focus its efforts on reefer containers. That is why the new container terminal, which covers an area of 3.2 hectares, has 370 ground slots and 210 (reefer points) electric sockets for reefer containers. Containers will be stacked three high, although it is possible to stack them five high. The new facility has also been allocated a dedicated entrance, separate from the main general port entrance, in order to facilitate quicker turnaround times and increased efficiency for vehicle traffic.

Other equipment and facilities include a 104 tonne mobile tower crane for ship-to-shore container handling, with two 45 tonne reach stackers (two more are on order). The tower crane is equipped with automatic 6/12 metre spreaders, turntable and panamax-sized outreach. There are plans to invest in another mobile tower crane with additional reach stackers (NamPort, 2000:24). Terminal operators the world over have come to appreciate the advantages of mobile harbour cranes in terms of their flexibility, versatility and cost, compared with fixed dedicated cranes. For small to medium-sized container terminals, in particular, mobile harbour cranes offer a cost effective and viable way of handling throughputs.

Among the new projects envisaged for the Port of Walvis Bay are a grain storage facility, which will serve both national and regional needs. The silos will most likely be located in the vicinity of the existing bulk terminal so that the conveyor belt can be used for the discharge and loading of vessels. This will include the construction of a flour-mill linked by conveyor belt to the grain silos. An undeveloped site close to the turning basin with 10 m depth of water is still available for development. This particular site is earmarked for the construction of a quay wall 140 m in length, catering for vessels with 10 m draught. The site itself is suited for a large cold store for the Horse Mackerel industry, including good rail and road connection, which would be ideal for transshipment from the cold store to reefer vessels.

Due to the rapid expansion of the multi-national production system, enterprises and governments all search globally for technical capabilities, cheaper inputs and market access advantage. This will require that we pay close attention to raising the general level of knowledge, skills and abilities in Namibia and the region. Researchers have found a strong correlation between competitiveness and human welfare, and this trend is particularly strong amongst the top economic performers in the world (ACR, 1998:19).

The port, it is believed, will diminish gradually as a focal point of international commerce and business activity, and become a mere link in the over-all system of transportation. It is therefore essential that long-term planning and the construction and acquisition of costly equipment should engender projects that are flexible so that modifications, required by changing conditions, can be made promptly, easily and at the least possible cost. Also, productivity should be stressed, while the maximum possible use should be made of already existing facilities (Tarasca, 1969:24).

What follows is a summary of the key advantages offered by the Port of Walvis Bay to cargo owners trading with central and southern Africa:

- Three-day rail service between Walvis Bay and Johannesburg
- Five to seven days' gain in sea time for cargoes originating in the Atlantic region and destined for central and southern Africa
- Three days less sailing time to Europe than from Cape Town
- Fast ship turnaround times with no port congestion
- Excellent logistical support services
- Professional expertise throughout
- Wet and dry transit port facilities
- Numerous entrepreneurial opportunities
- Direct transportation to markets in central and southern Africa offering time and cost savings

- Maximum security with minimal pilferage and low insurance risks
- Dynamic export-processing zone.

3.1. Export-Processing Zone

A key factor in the economic development of Walvis Bay is the Export-Processing Zone (EPZ), set up with the aim to kick-start and boost industrial development in Namibia by attracting foreign investors. EPZ companies have taken advantage of being able to set up their operations anywhere in Namibia, either as a single factory enterprise, or in one of two specially developed industrial parks, namely at Walvis Bay or Oshikango in the north on the border with Angola.

Perhaps the major highlight of the EPZ programme in attracting foreign investment is the planned construction of a zinc refinery in southern Namibia. The Namzinc refinery will produce high-grade zinc for the European, American and Far East markets (Nkuruh and Schimming-Chase, 1998/99:30). Several special incentives which are of unlimited duration and apply equally to Namibian and foreign investors include a zero corporation tax, exemption from import duties, free and guaranteed repatriation of capital and profits, including factory facilities at economic rates.

Another incentive offered to foreign investors is the exclusion of the right to strike for a predetermined period and a 75% contribution towards training costs. Namibia's EPZ opportunities are marketed internationally, with specific attention paid to Germany, the United Kingdom, Canada, India, Malaysia, Taiwan and the United States of America.

The zone consists of a total of 133 hectares of fully serviced land, and more land is expected to become available at the Walvis Bay International Airport at Rooikop in the future. The zone is currently serviced by two specialised organisations: Walvis Bay EPZ Management Company (WBEPZMC), which provides support services to tenants of the zone, and the Offshore Development Company (ODC), which handles international

promotion and marketing. In order to both complement and diversify the EPZ regime, the Namibian government has embarked on the drafting of legislation aimed at establishing an Off-shore Financial Services Industry.

Another prospective development aimed at complementing the EPZ regime is the establishment of a distribution centre in a free port environment. One major advantage of holding goods in such a centre would be that control over stocks would be more cost effective, in that further customs duties and taxes would only be due once such goods have entered the customs area. Shipments to neighbouring countries, outside the Southern African Customs Union (SACU), could take place in bond, i.e. sealed, containers.

Most of the prospective developments outlined above will be initiated with the full participation of private sector partners. The Walvis Bay International Airport at Rooikop, which serves the western region of Namibia, can handle passenger aircraft up to B737 and freight aircraft up to DC8/IL 76. The general consensus, according to the management of the Port Authority, is that these projects could become a reality within 15 years, thus completing the promotion of Walvis Bay into the First Division of world ports, i.e. a third-generation port.

7. Decisive Factors for Port Competitiveness

The overall political and economic stability of Namibia within the Region makes the Namibian Western Corridor an attractive trade alternative to other, traditionally more established trade routes. However, in order to derive a more realistic assessment of the strengths and weaknesses of the Port of Walvis Bay, a close look at the decisive factors of port competitiveness with respect to Walvis Bay is in order. To create a port development strategy and to improve port efficiency, it is essential to analyse all these factors for all ports with or without inter-port competition. The factors themselves operate on one overriding principle, which is to provide the best possible service to all port users.

These factors include geographical location; hinterland transport connections; port services, availability and efficiency; price of port services; socio-economic stability and telecommunications. It should be borne in mind, however, that these factors are not exhaustive, although they are the most decisive. Others may include the existence and development of financial institutions such as banks, insurance companies, etc. (UNCTAD, 1990:29-30).

7.1. Geographical Location

Thanks to its strategic location, the port of Walvis Bay is a natural gateway to Europe, America and West Africa for all landlocked SADC States. Although the volumes and value of cargo throughput currently handled at the port of Walvis Bay is insignificant compared to its closest rival Cape Town, as well the Port of Durban, which is currently the largest container-handling port and the most advanced in Southern Africa, it boasts a prime location on the west coast of Africa. Even though location is not the sole determining factor when ship owners, cargo owners and shippers decide on a specific port for their ship calls, it is an advantage for any port and could be capitalised on. This implies that a port should have at least one of the following three characteristics:

- The port should be situated on the main maritime routes. Walvis Bay offers two days less sailing time to Europe than its nearest rival in South Africa, Cape Town. The new Walvis Bay Corridor provides a direct link between the port and markets in land-locked countries.

- The port should be situated in or near production and/or consumption centres. Situated halfway down the coast of Namibia, with direct access to the principal north- south shipping routes, the port is a natural gateway for international trade with regional markets and areas of production in central and southern Africa.

- It should be a port with natural deep water harbours, natural breakwater and big waterfront and land-side development possibilities. Moreover, Walvis Bay has two priceless natural advantages found together nowhere else on the Namibian coast: a well-sheltered anchorage which makes a protecting break-water unnecessary, and a sandy bottom which allows for easy dredging. These same features would also enable the port's capacity to be easily and inexpensively expanded by running the quays or jetties out into the bay and extending the dredged area. These natural advantages have led to both the South African government and the private transport sector giving Walvis Bay a monopoly over Namibia's sea-borne trade.

While geographic location is a prime factor in port competitiveness, it is worth noting that many ports without such ideal natural endowments have manage to capture significant market share by promoting other competitive factors, while others with good geographical conditions have failed to develop into big ports because of poor port organisation and management.

7.2. Hinterland Transport Connections

Prior to independence, Namibia's national infrastructure was developed along the North-

South axis, allowing easy movement to and from South Africa, but limiting traffic flow between Namibia and other neighbouring countries. Now, through the Trans-Kalahari and the Trans-Caprivi Highway and the deepened port of Walvis Bay, Namibia can offer easy and efficient access to the entire region and global markets through savings in time and money. With a population of only 1.7 million people, Namibia in itself offers a very small market, but it has great potential to act as a gateway to the region through its transport infrastructure and the deepened port of Walvis Bay.

The Namibian market is small and can even be described as a captive market and unable to justify the transformation of Walvis Bay as a hub port. However, the SADC market provides the true hinterland for the port of Walvis Bay. Thanks to the spacious layout of Walvis Bay, the port has built up a strong record of no congestion for many consecutive years, allowing road transport to come and go with minimum delays. In addition, all the main areas of the port are rail-linked, providing a cost-effective solution for cargoes to and from South Africa and other major destinations.

Trade is one of the key aspects of the SADC programme, particularly now, with the ratification of the Free Trade Area Agreement by almost all SADC member states. Namibia's location has prompted substantial investments in regional and national transportation infrastructure, for example, the Trans-Kalahari Highway and the Trans-Caprivi Highway developments. The extension of the northern railway to Angola holds promise for the future, although the security situation in the north-east imposes tremendous constraints.

7.3. Port Services – Availability and Efficiency

The Port of Walvis Bay markets itself as a multi-functional port and offers world-class standards of cargo-handling efficiency and provides dedicated facilities for a range of commodities including containerised cargo, refrigerated cargo, breakbulk, dry bulk and petroleum products. Specialised facilities include a modern container terminal, two

privately operated bulk terminals, a tanker jetty and a state-of-the-art cold store together with a full range of logistical support services.

Several of these facilities are provided by private operators, such as the Walvis Bay Bulk terminal, Walvis Bay Cold Store, Tsumeb Corporation, Rossing Uranium Mine, the Fish Oil Company, the Offshore Oil Exploration industry and other service providers. Vessels calling at Walvis Bay can expect fast and efficient turnaround times and facilities with the help of experienced and reliable stevedores.

7.4. Price of Port Services

The Africa Competitiveness Report 2000, produced by the Geneva-based World Economic Forum in collaboration with Harvard University, rated the Port of Walvis Bay as the leading African port in terms of the cost and quality of its port facilities (see Annexure 5 and 6). Dues and charges for the Port of Walvis Bay are set out in the NamPort Tariff Book and are considered to be competitive, if not the lowest in the region. However, it should be borne in mind that more and more shippers place the quality and efficiency of services before the price of those services.

Priority	Item	Priority	Item
1	On-time delivery	7	Billing accuracy
2	Overall responsiveness	8	Correct equipment
3	Price	9	Degree of control
4	On-time pick-up	10	Claims processing
5	Transit time	11	Tracing capacity
6	Service territory		

Source: 1989 APC Survey – American Shipper, (March 1990)

According to the 1996 National Transport Development Plan for Namibia drawn up by the Ministry of Works, Transport and Communication with the help of consultants, the

port's competitive edge in the sub-continent will increase over the coming years with growing integration and with the full utilisation of inland transport networks and expanded hinterlands.

7.5. Socio-Economic Stability

Namibia enjoys relative peace and stability, and industrial peace has been maintained for the most part. The Africa Competitiveness Report 2000/2001 has ranked Namibia fourth in terms of overall competitiveness. Laws passed to make the country more friendly to business include: foreign investor protection acts, general incentives for manufacturing, the creation of export or industrial processing zones (EPZs, which can be zone or company specific) modelled on Mauritius's success.

A 1995 United Nations Conference on Trade and Development (UNCTAD) report hailed Namibia's open-policy regime; and foreign direct investment (FDI) doubled 1991-96 compared to over the previous five years; and the 1999 update listed Namibia among the frontrunners in reducing trade barriers (ACR 2000/2001). Local and foreign military incursions in the north east, however, are a serious cause for concern, especially because of that area's tremendous agricultural and tourism potential.

7.6. Telecommunications

Walvis Bay is equipped with a high-tech state-of-the-art maritime radio communications system, which was launched at Walvis Bay, providing vessels with direct automatic telephone call services to any number worldwide. The system can also be used for fax and data transmissions. A 24-hour watch on VHF is maintained by Port Control.

Moreover, Walvis Bay Radio keeps a 24-hour radio watch on VHF. It is becoming increasingly difficult for a port to attract cargo, especially container cargo, without a good telecommunication system which includes facsimile machines, International Direct

Dial (IDD) telephones or even a computerised EDI (Electronic Data Interchange) system which is linked to the world network.

Besides the six factors mentioned above, there are in fact other factors, less important perhaps, which have a direct influence on port competitiveness, such as the existence of developed financial institutions, local conditions of life, domestic and international telecommunication connections, low-cost/high-quality utilities, as well as the availability and cost of labour, to mention a few.

8. SWOT Analysis of the Walvis Bay Corridor

The Walvis Bay Corridor is part of an increasingly competitive regional transport market. It particularly competes with highly developed and firmly established logistical opportunities in the Republic of South Africa. Although favoured with key comparative advantages, any targeted marketing approach needs to meet high customer requirements fully. This requires a market-oriented design of the Walvis Bay Corridor product.

The SWOT analysis carried out below was the product of a Planning Workshop organised by the Walvis Bay Corridor Group, and was attended by representatives of the Ministry of Works, Transport and Communication, Namport, NamRail and other private sector partners and stakeholders at the Midgard Resort outside Windhoek during 29-30 May 2000.

STRENGTHS

1. The strategic location of Walvis Bay to world production markets and its transport management expertise (back-up services).
2. Its relatively low crime rate and low levels of industrial protest activity.
3. A well-integrated business network.
4. One of the best infrastructure (road and rail) networks in southern Africa after South Africa.
5. Spare capacity for expansion in and around the harbour area.
6. Stakeholder diversity.
7. Port of international standard rated recently in the Africa Competitiveness 2000 Report.
8. Enormous advantages in time and cost savings.
9. Smart partnership between public/private sector.
10. No congestion.

WEAKNESSES

1. Lack vigorous market awareness.
2. Lack of funding.
3. Lack of harmonised administrative, immigration procedures and levies.
4. Lack of WBCG support staff.
5. No web-site facilities to aggressive market.
6. No regional representative offices.
7. Limited shipping calls (none from USA).
8. No free port zone.
9. No dry port facilities.
10. Lack of support services along the corridor.
11. No customer quality services.
12. Lack of communication facilities (roaming agreements in Botswana).
13. Lack of funds to maintain infrastructure.
14. SADC market relative static, can't bear high cost, lack of high-quality products.
15. Limited choice of transport modes (intermodalism).
16. Lack of a smooth flow of information dissemination and conflict of interests among stakeholders.

OPPORTUNITIES

1. Huge opportunities to penetrate the Botswana export market.
2. Competitive advantage over Cape Town to service the Zambian citrus and sugar markets.
3. Could win over Zimbabwe copper market with ease i.t.o its competitive edge over the traditionally established South African ports.
4. Could develop dry port facilities at Windhoek.
5. Securing larger volumes will, in turn, reduce transportation costs.

6. Automotive parts can be imported into the region with ease through Walvis Bay.
7. High-volume cargo from the US and EU.
8. Water-saving devices imported with ease from external markets.
9. Opportunities for intermodalism.
10. WBCG and ISDs diversification/complimentary roles.

THREATS

1. Developments at Coega could impact directly on Walvis Bay.
2. Security situation in Kavango, Caprivi may affect port operations.
3. South Africa's strong and expert human resources base gives them a competitive edge over Namibian transport operators.
4. Will South African operators be willing to divert business to Walvis Bay?

The design and development of a "Walvis Bay Corridor product" as a complete logistical chain demands, among others, competitiveness in prices, in time, in service quality, as well as safety and security. Service quality requirements include issues of productivity, reliability, handling competency and one-stop logistical packages. These issues usually go beyond the capacities and responsibilities of individual Namibian transport operators. They require particular inter-institutional co-operation and co-ordination.

9. Conclusions

The magnitude of transportation costs in all countries, a fair-sized proportion of which is naturally absorbed by the ports of those countries, indicates the highly significant role which ports play in the world economy. If we recognise the importance of transportation costs in the national economy of most countries, then it will be obvious that the development, administration and operation of a country's ports will be major factors in the ever-increasing competition for world markets. It would appear from developments in the international maritime industry, especially changes in transportation techniques such as containerised and transmodal shipping, that fewer ports and fewer fixed facilities would be required in the future.

The crucial competitive advantage of the Walvis Bay Corridor results from its geographic location: closest to destinations in the west of the continent and the resulting savings in time. Savings in time from Europe to major inland destinations are expected to amount up to one week. Therefore, although not exclusively, the prior target market of the Walvis Bay Corridor is time-sensitive goods and high-value cargo. Although there are ample transport capacities available, the Walvis Bay Corridor caters for a rather specific and limited market segment. As such, the development of this corridor is complementary to other SADC transport corridors.

It must also be recognised that the Port of Walvis Bay does not pose a competitive threat to the ports of Cape Town and Durban in real terms. So if Walvis Bay can attract part of the cargo that is presently channelled through Durban or Cape Town, it would lead to a welcome relief for those ports. In other words, Walvis Bay can only perform a complementary role. Even if Walvis Bay doubled or trebled its capacity, Cape Town and Durban would still operate at maximum capacity. South African ports are plagued with many problems such as congestion, high rates of theft, over-tonnage and other disadvantages that Walvis Bay could capitalise on.

All ports are directly or indirectly in a competitive market. A port can modify its competitive position compared with other ports and with a particular port user by improving one or several of the factors determining port competitiveness. However, improvements should not be done blindly. There is a perception that low port charges denote better competitiveness. Such a simplification will certainly not lead to better results. The problem is more complex. Ports that want to be more competitive for a particular type of cargo must know exactly which factors should be improved and to what extent and what the outcome will be (UNCTAD, 1990:49).

With intermodalism and door-to-door transport, shippers often do not care about, and are often unaware of, the port through which their cargo must pass to reach its final destination. Their only concern is to minimise total distribution costs. Total distribution costs take into account three basic elements, which are money, time and risks. Port users will calculate these three basic elements of possible alternatives, compare the results and select the best one. Ports should therefore make similar calculations when competing or marketing for a definite cargo or shipping line. Glossy publications with attractive photographs are not the most effective way to market port services.

From a regional perspective it is obvious that Walvis Bay's potential can only be realised by efforts to convince regional business on a sustained basis, and political goodwill will be crucial to attaining that objective, especially with neighbouring Botswana. Although the Trans-Kalahari should be an incentive for the Botswana Meat Board (BMB), it should be noted that it has its own cold storage installations in Cape Town. Walvis Bay will also create more internal trade opportunities along the Corridors, while more effective use is made of the regional infrastructure. More port options will also go a long way towards encouraging inter-port competition and the rationalisation of the regional maritime industry.

It must be pointed out that very few transformation and non-handling activities are carried out at present at the Port of Walvis Bay, and hence there is a very low value

added. This must be seen in the light of international trends, where ports tend to develop such activities in order to both increase their value added and generate employment opportunities, and at the same time to secure customer loyalty by offering services that mean the customer has every advantage in using them rather than another (Namibia, 1996:9:8). Exports to the European Union are carried out in reefer containers and transit 80% through Cape Town and 20% through Walvis Bay.

Additional factors that will enhance the competitiveness of the port of Walvis Bay within the region include its vast untapped potential as a tourist destination. For example, the huge natural lagoon in Walvis Bay is one of Africa's most important wetlands, and home to a quarter of a million birds, including some 80 000 flamingos.

Walvis Bay has already started to attract cruise ship calls, which are likely to require a wide range of leisure and entertainment activities, including gambling, safari-style adventure tours, exploring the desert on horse-back, sand-skiing, bird watching, sea fishing and even ballooning. Waterfront development plans will dovetail perfectly with tourism development efforts at Walvis Bay and complement Swakopmund as the prime tourist attraction on the west coast (NamPort, 1998/99:15).

The Port of Walvis Bay has the potential to become an important transshipment port or a hub port on the western seaboard, although this will depend largely on the direction of national and regional economic and political development trends, and that of foreign trade. The fact that only 20% of port business takes place on the western seaboard, and that the most southern west coast ports are situated furthest from the "container super highway" (see Annexure 7), presents a formidable challenge for all instances that stand to gain from using the western corridor. A casual look at the level of availability and development of road/rail infrastructure in the region indicates a bias towards the eastern seaboard, which in fact accounts for 80% of all port business in the sub-region (see Annexure 4).

Moreover, for Walvis Bay to assume its natural role as a gateway to central and southern

Africa would require the generation of heavy national and regional traffic. In a sense this would depend upon the SADC trade pact, the fallout from the Africa Growth and Opportunity Act, the legislative expression of the US government's post-Cold War Africa policy, the South African Free Trade Agreement with the EU, and success in targeting Europe as an attainable export market. The port's progress towards third-generation status is inevitable, and that in itself will ensure a reduction in total costs, as well as maximum value added for the port and port users.

From a regional perspective, closing the gap between projected port volume and optimum performance presents an obvious target for action. The strategic vision for a regional maritime industry should include focusing attention on those ports which are most strategically located in relation to the producing and consuming centres in the SADC region and most accessible to international trade as preferred focal points for development.

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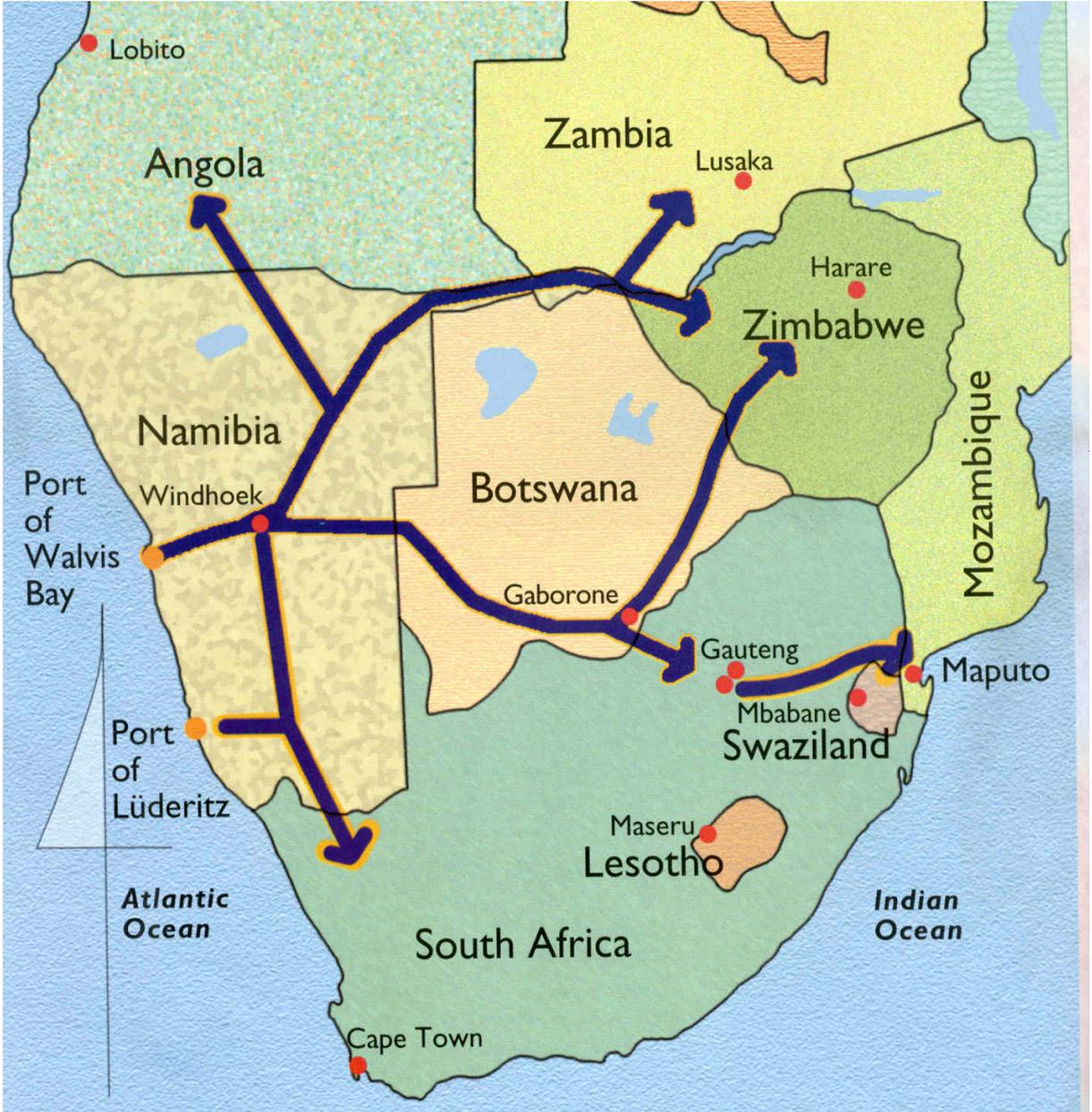
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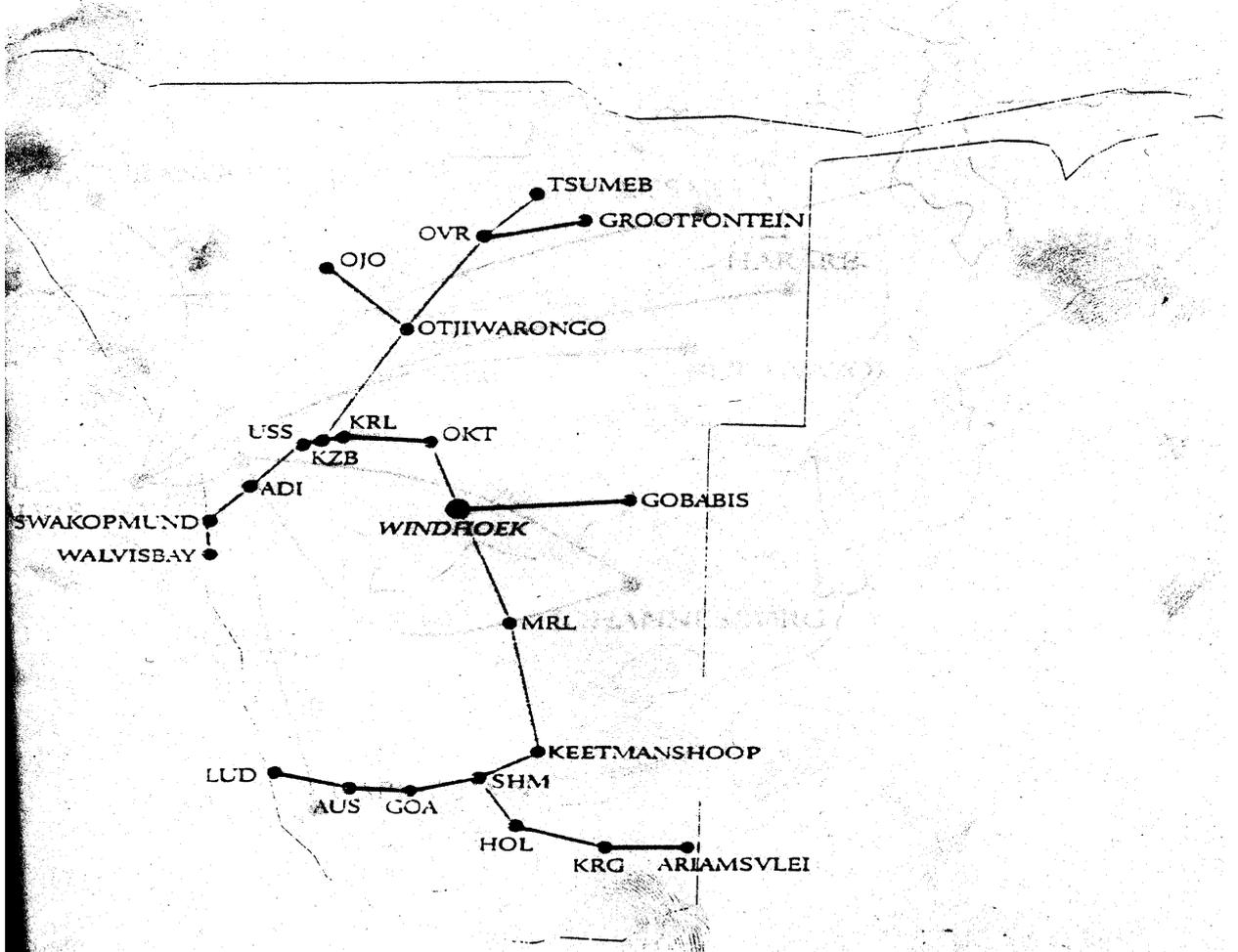
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ANNEXURE 1



ANNEXURE 2

Rail network in Namibia
(Total distance = 2382km)



ANNEXURE 3

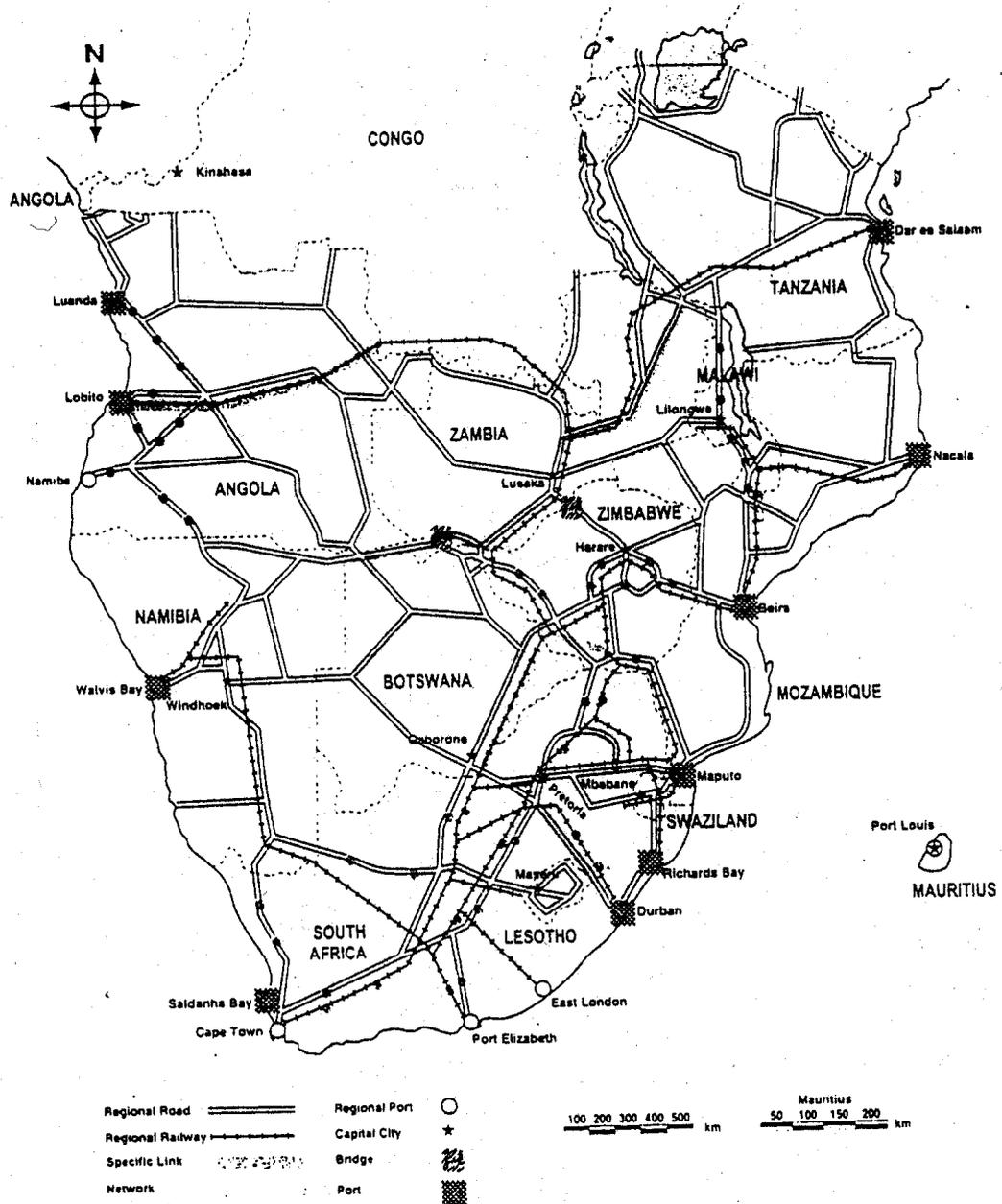
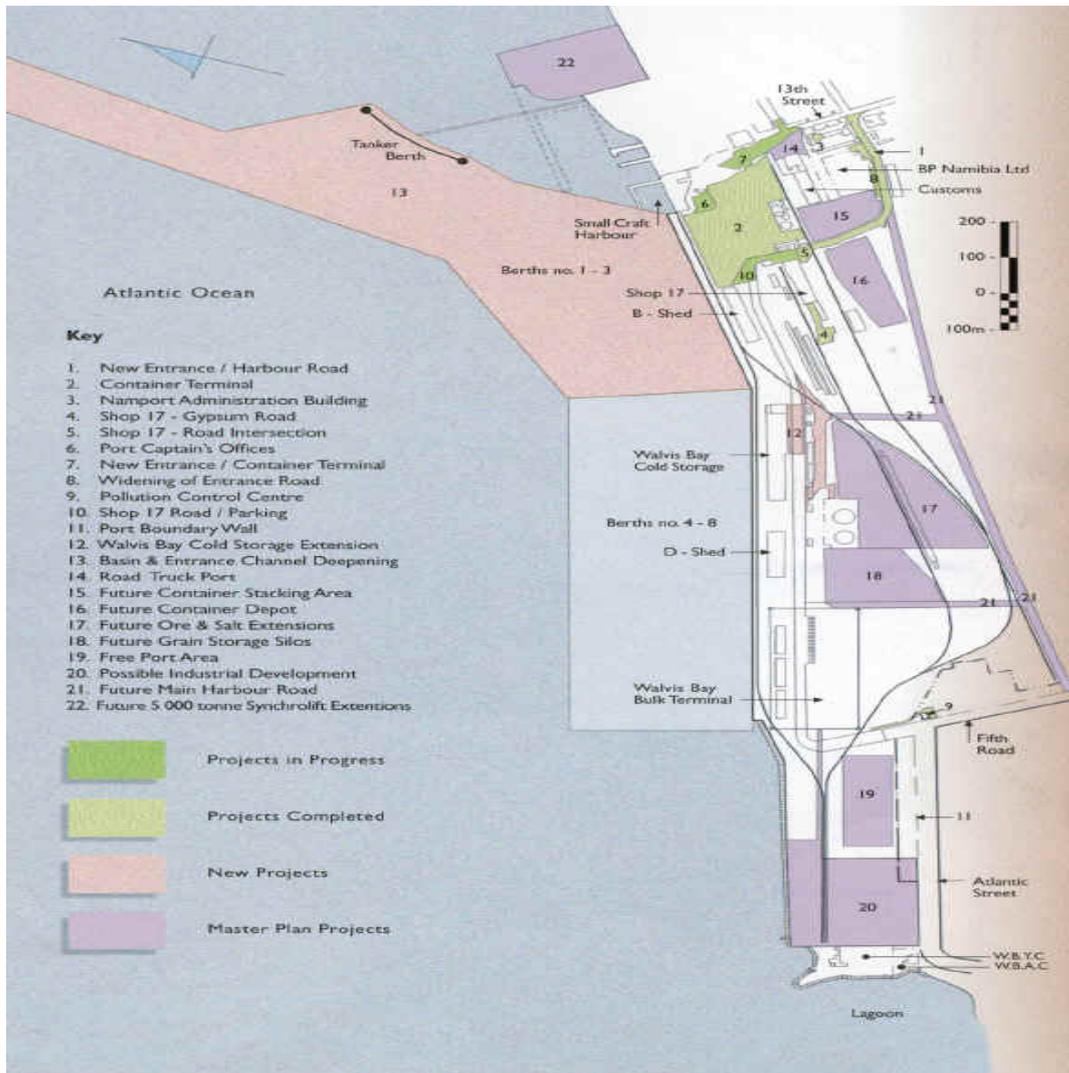


Figure 12.2: Regional Investment Programme 1998-2002 - surface transport

ANNEXURE 4



ANNEXURE 5

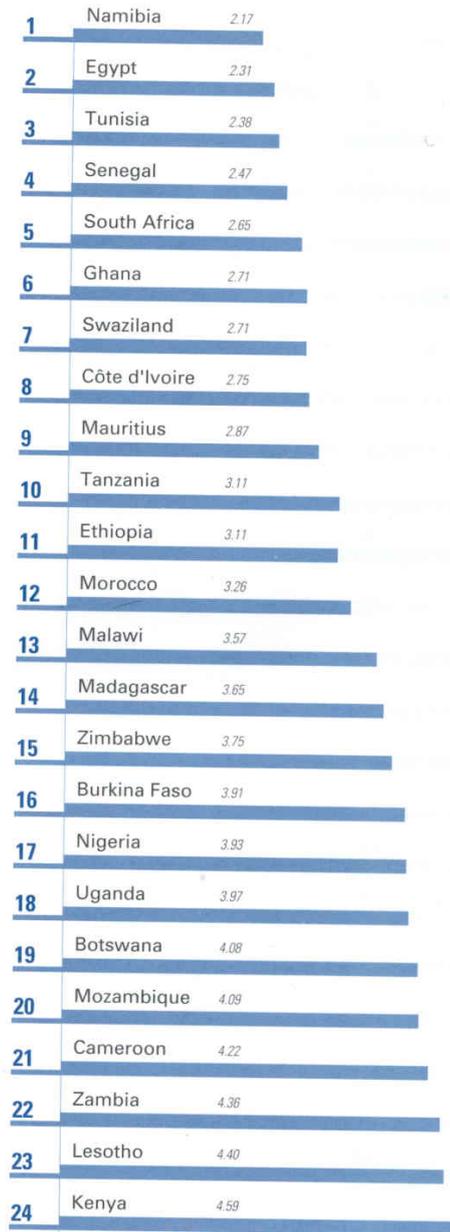
4.14 Port facilities, cost

How would you rate the cost of port facilities and inland waterways in your country?

Rank by Country

1 = very good, 6 = very bad

Average response



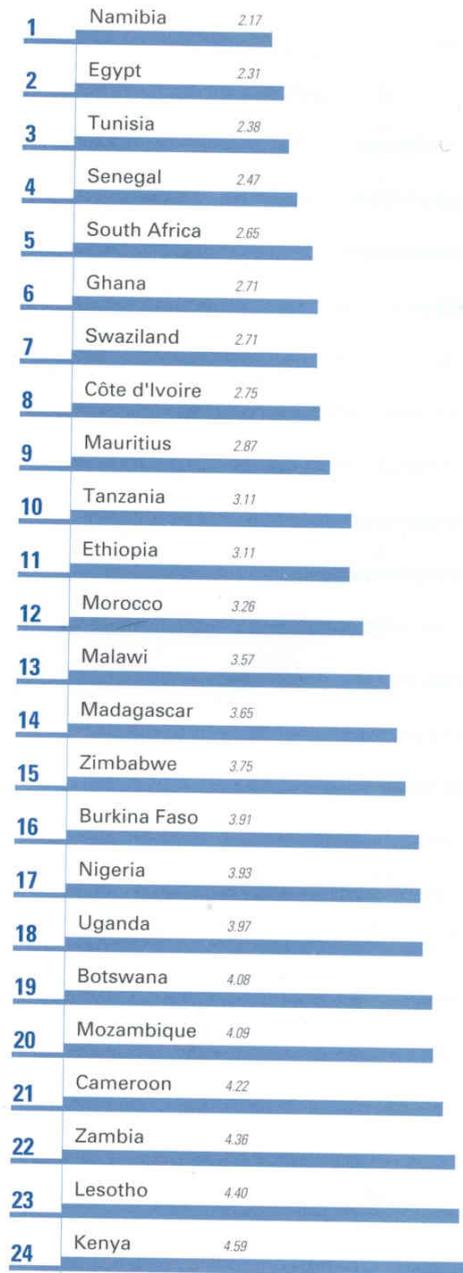
4.14 Port facilities, cost

How would you rate the cost of port facilities and inland waterways in your country?

Rank by Country

1 = very good, 6 = very bad

Average response



ANNEXURE 6

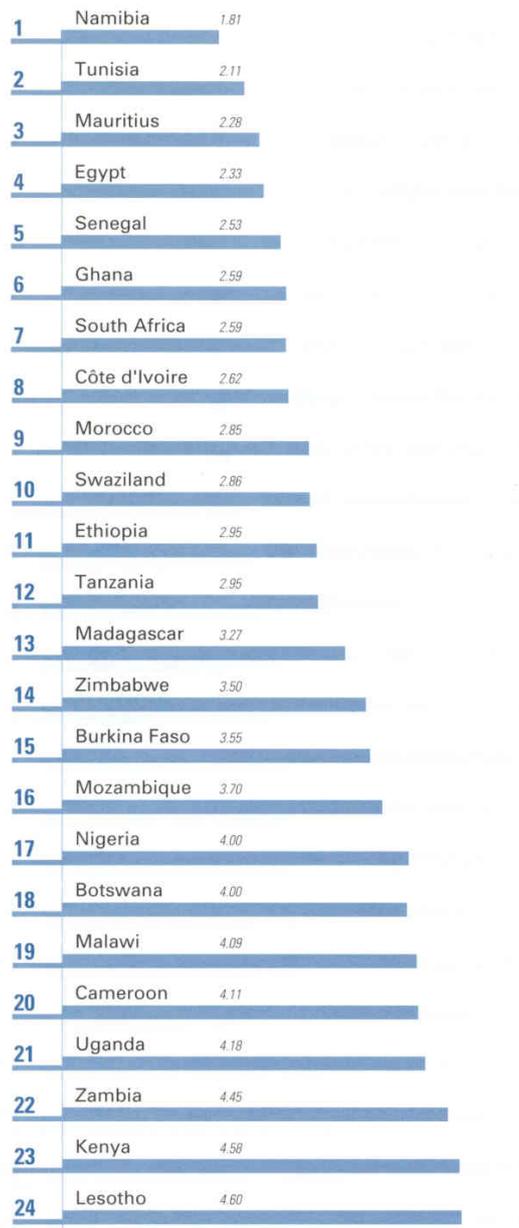
4.15 Port facilities, quality

How would you rate the quality of port facilities and inland waterways in your country?

Rank by Country

1 = very good, 6 = very bad

Average response



ANNEXURE 7



