

# Independent Ports Authority a step in the right direction

By [Chris Hattingh](#)

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President Ramaphosa recently announced that the Transnet National Ports Authority will become an independent subsidiary of Transnet, and will be wholly owned by it. But more still needs to be done.



Image source: [Gallo/Getty](#)

The President said that making the Authority independent "will create a clear separation between the roles of the infrastructure owner, which is the Transnet National Ports Authority, and the terminal operator, which is Transnet Port Terminals."

The announcement comes in the context of South African ports' appalling performance on the latest Container Port Performance Index (CPPI): Of 351 total facilities on the CPPI, Cape Town ranked 347th; Port Elizabeth 348th; Durban 349th; and Ngqura 315th. Those ports that performed better on the CPPI are predominantly from the East Asia region. Their operations are so efficient that cargo ships are able to spend less time loading and unloading, in turn encouraging the flow of goods.

This move with the Ports Authority could be precisely the type of macro policy step needed to set South Africa's ports on a path of much-needed improvement. Whether actual improvement takes place depends on what happens next.

The President indicated that "revenues generated by the ports could be invested in port infrastructure, both for the replacement of old equipment and for the upgrading and expansion of our ports." Of course, simply collecting more revenue does not mean the allocation thereof will be done in the most efficient way – more government revenue may well act as a signal, attracting corrupt interests.



## Ports Authority announced as independent subsidiary of Transnet

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The setting up of the Ports Authority appears to be similar to the idea of 'unbundling' Eskom: First, corporatise the Authority, ensure it operates independently (in practice, not just in theory), and then further down the line separate it completely from Transnet itself. The Authority's ability and independence to make the necessary investment in capacity and efficiency upgrades will probably be the best way to judge whether the reform is successful.

It has also come to light that Transnet Port Terminals, a division of Transnet, is seeking to partner with an international terminal operator, both for the purposes of growing its revenues and to improve its efficiency.

This move will mean very little if the tough decisions necessary for the 'independent' Ports Authority are simply overridden by interests within Transnet, the Department of Trade, Industry, and Competition, or indeed Cabinet. The Ports Authority will have its own board of directors, to be appointed not by Transnet but by the Minister of Public Enterprises.

At this point in time, that position is occupied by Pravin Gordhan, a man famous for refusing to allow the 'independence' of state-owned entities (ever more questions and doubts around events at South African Airways have surfaced). It remains to be seen just how much autonomy he will afford the new Ports Authority board.

## Improving port performance

Private sector expertise must be brought in, both to improve the Ports Authority, and improve the actual performance of the ports. Their work must not be interfered with, even if they step on the toes of bigger players and vested interests. One hopes that an environment for proper competition can be created, where those companies that provide inefficient facilities feel the pain in their bottom-line. For too long have South Africa's state companies been protected – ultimately by the taxpayer – from consequences for their wasteful and corrupt operational and management decisions.

Over the last few years, there has been much talk of the pressing need for the government to implement structural reform, to boost South Africa's economic growth. While the push for reform is to be applauded, the bulk of the effort should be focused on obtaining the right kind of reform.

The preference must be for policies that limit state involvement – which by implication opens opportunities for corruption and inefficiency – and policies that encourage a greater role for private sector expertise and competition.

The CCPI states, "how a maritime port performs is a crucial element in the cost of international trade for a country." The South African economy will not be able to sufficiently recover, and grow, from the devastation of Covid-19-induced government lockdowns if our ports' performance remains at such low levels as the CCPI indicates, and if we don't attract the flow of more goods into and out of the country.

Setting up the Ports Authority as independent comes after a 15 year-long delay – much potential trade, and downstream benefits, would have been lost in the interim. It is encouraging to see that at least some measure of reform is taking place, however small that first step might be. It is also not just a case of improving ports – the country's rail network forms a crucial part of getting goods through and out of ports, and that network is currently in various states of disrepair.

If port efficiency across the board can be improved it will ensure the flow of more goods, more downstream investment, and most importantly in the South African context, the creation of desperately needed job opportunities.

## ABOUT THE AUTHOR

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