

WEBINAR - CHALLENGES AND FUTURE OPPORTUNITIES FOR PORTS AND SHIPPING IN THE SADC REGION - 12 JANUARY 2021

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Dear Participants

Ladies and Gentlemen

On the occasion of the opening of this Webinar organised in collaboration with Transport Events Management, representatives from ports within SADC region are presenting online the strategies and new prospects for port development in Africa in the 21st century.

The COVID-19 pandemic has affected millions of people worldwide and to contain the spread of the virus governments the world over have imposed various measures which have restricted movement of people and goods across borders. Some ports of entry were closed and only limited types of goods were initially allowed across the few open borders, skeleton staff reported for duty, more controls for COVID-19 protective equipment and medical supplies were introduced, health checks for cross border crews are now mandatory and many other measures which vary from one country to the other have been adopted. All Southern Africa Development Community (SADC) members also introduced some measures to minimise the spread of the COVID-19 virus. However, the introduction of these measures have had negative effects on trade facilitation in the SADC Region.

The World Trade Organisation has predicted a decline in consumer spending due to COVID-19 that will decrease international trade **by up to 30%**. This will have far-reaching effects on export-dependent African economies. However, in the wake of COVID-19, ports will become the core of Africa's economic recovery and growth.

Even before the global COVID-19 crisis, ports authorities worldwide were under pressure to increase efficiencies, reduce environmental impacts and enhance their facilities' security. However, the pandemic has now made the effective functioning of ports a matter of national security.

With rapid and more accessible technological advances and innovation has come the development of smart ports. A smart port is one that uses automation and new technologies such as artificial intelligence, big data, internet of things and block chain to improve its performance.

What is holding back our sea trade success?

The primary challenges shared by most African ports are long cargo clearance times, under-developed basic port and hinterland infrastructure, usage of outdated equipment, low levels of automation and container and cargo theft.

To help address some of these challenges, global donor organizations are funding the development of various African trade corridors. This is witnessed in the significant investments that are going into port infrastructure capacity expansion, including deepening of access channels and the widening of basins. Infrastructure investment is however only one piece of the puzzle required for the handling of more cargo in a more efficient manner.

The key to efficiency is for ports to do more with their existing resources, particularly those focused on moving cargo. By optimizing the utilization of these resources, ports will not only improve their cargo throughput but also become more profitable. According to SAP global performance benchmarking, ports that leverage technology to drive productivity improvements have a **36 percent higher** operating margin than their peers. As an example, in Asia where ports are largely automated, the turnaround time for vessels **can be as little as seven hours compared to the five-day average for an African port**. Cargo vessels can also spend a full month longer in an African port than they would in an Asian equivalent.

One of the key differentiating factors of leading global ports is the extent to which they have adopted emerging technologies. For example, internet-of-things driven smart logistics platforms and advanced analytics solutions that manage container theft predict the failure of key equipment and reduce downtime, in real-time, thereby increasing port throughput and protecting profit margins. By contrast, outdated technology and manual processes remain a burden for African ports with most operators still relying on ageing equipment, disparate systems and a siloed approach to handling core processes and operations.

Moving forward for Africa's ports

To address the challenges and overcome some of the prevailing inhibitors to their success and growth, African ports must embrace various technologies to achieve performance improvements realized by their counterparts in other geographies. In pursuit of such performance excellence, African port authorities have identified two top-level goals: increasing port throughput and improving terminal operations.

To increase port throughput, port authorities are considering ways to accelerate the flow of goods through their port by reducing congestion in the value chain. By leveraging hub logistics, transportation management solutions and connected warehouse offerings, port authorities can accelerate the rate of information exchange across the multiple stakeholders in the port value chain and unlock the ability to conduct real-time performance monitoring of key assets. This enables them to track profitability at an asset level, enabling them to identify potential new business opportunities.

To improve terminal operations, African ports need to adopt automation as a means of standardizing and simplifying port operations. In addition, these ports require a centralized approach to managing processes, enabled by a single platform for all automation efforts. This will allow them to handle unusual circumstances by pre-empting potential business disruption, recommending remediation actions and facilitating communication between stakeholders across the port value chain, with no duplication of efforts or messaging.

Port Louis Harbour meeting the urgency of the challenge

Port Louis Harbour lies at the very core of the national logistical system handling about 98% of the country's trade volumes. Since the onset of COVID-19, the MPA has been working closely with its stakeholders and government agencies in taking all necessary precautionary measures to protect the port and maritime workforce, including crewmembers.

Building resilience through transshipment

Despite the challenges, the MPA is managing the COVID-19 impact in the face of external shocks with some key strengths, which should help it weather the worst of the storm. In line with the economic recovery plan of the Government, the MPA is gearing itself to explore all opportunities to bounce back as a vibrant port-centric logistics cluster.

Given that Mauritius is heavily dependent on imports and exports, the resulting slowdown in economic activities worldwide has induced a decreasing pattern in captive traffic; hence, the need is felt to consolidate Port Louis' position as a container transshipment hub.

The container shipping industry will have a hard time recovering from the global pandemic crisis and earnings would be extremely volatile. Looking forward, the next two years would be full of challenges and opportunities. The pandemic has caused uncertainty and congestion around the world. However, forward-thinking measures aimed at improving port productivity can help us to improve our overall adaptive capacity in boosting transshipment and engender growth in the container sector.

Port Louis as a transshipment hub has boosted port trade performance over the last five years and there is no doubt that we still stand as one of the best-connected ports offering frequent and regular shipping services to the Indian Ocean and Eastern African regions at minimal transport costs. The MPA will continue to leverage on its competitive advantage and entice shipping lines to use Mauritius as a transshipment platform, linking supply chains and supporting international trade in Africa

Consolidating the seafood sector

The MPA is playing an important part in consolidating the seafood sector by helping to attract investors and creating additional employment in that sector. Seafood activities have significant potential for growth and development, particularly considering that available port infrastructure is generally sufficient to support such further growth. Port Louis Harbour has modern logistics facilities including state-of-the-art cold rooms and processing units as well as fishing quays and other port related services. There is a window of opportunity to reposition Port Louis as a new frontier for seafood development projects through more flexible and attractive public private partnership programmes.

Against this background and in line with the recommendations of the Port Masterplan 2016, the MPA is proceeding with the construction of a fishing port and breakwater structures at Fort William with a view to providing a tranquil basin to ensure a sheltered and safe mooring place for approximately 120 fishing vessels. The MPA would be investing in the project using its own funds for the development of the sheltered mooring basin and service quay of 50 metres. Tenders for the construction of the fishing port estimated at Rs 1.5 million would be launched under the aegis of the Central Procurement Board around March 2021.

Navigating the cruise challenge

The performance of the cruise segment at Port Louis Harbour has not been really affected as the present cruise season ended just at the beginning of the pandemic outbreak. However, the future of this sector remains uncertain and much will depend on the sanitary measures that will be taken by the World Health Organisation and the World Tourism Organisation.

Current indications suggest that cruise ships will continue to have demand for their services. According to latest forecasts, some cruise liners are upbeat about the future. The general easing of coronavirus-related restrictions will enable many cruise ships to end their forced hibernation soon.

The promotion of the Indian Ocean region is at the heart of the mission of the Ports Association of the Indian Ocean Islands (PAIOI), of which I am the current Chairperson. We want to make the Indian Ocean region an attractive zone, while enhancing the uniqueness of the Indian Ocean islands as a preferred cruise destination. The PAIOI's projects revolve around the themes of training, safety and security within ports, but also cruise tourism, which is an important field of cooperation between the various port authorities.

In this perspective, we are leveraging on the attractions of our islands to make of the Indian Ocean region a preferred and safe cruise destination and the regional port authorities are encouraged to harmonise their infrastructure and services provided to cruise vessels. To achieve this objective, the Ports Association of Indian Ocean Islands (PAIOI) has initiated a prefeasibility study for the development of cruise in the islands of the Indian Ocean.

The study is co-financed by the INTERREG programme of the European Union and the Agence Française de Développement to the tune of €350,000. The purpose of this study is to assess the potential of the cruise market in the Indian Ocean, to identify the marketing positioning of the islands in the cruise sector, and to standardise the reception of cruises by identifying the infrastructure needs of each port in the region.

Inchcape Shipping Services (Mauritius) Ltd with the support of Inchcape, Dubai, are carrying out this study, which is done in partnership with the Vanilla Islands Association. A steering committee under my chair is monitoring the progress of the study. Other members of the steering committee comprise representatives of the PAIOI, the Vanilla Islands Association, the Indian Ocean Commission and the funding agencies, namely the AFD and INTERREG.

After a first phase of the study on 28 January 2020, the second phase of the cruise study began on 12 February 2020. At a meeting of the steering committee on 12 October 2020, the Consultants presented the three possible scenarios for the development of cruises in the Indian Ocean:

- **Investment model:** Full embracing of the cruise industry with higher investment for rapid growth
- **Essential model:** Essential and surgical works in line with the new approach mainly towards niche vessels

- **Maintenance model:** Maintain the status quo, but repair what is broken or not functioning properly

Now the Consultants are focussing on the third phase of the project, which will also comprise a section on the unprecedented impact of the global COVID-19 pandemic on the cruise industry in the Indian Ocean region. Messrs. Inchcape would soon submit the recommendations for the third phase.

Heralding the Green Port Initiative

Recognising the importance to reduce or neutralise the negative impact of port operations on the environment and the surrounding port community, the MPA is gearing itself to adopt measures under the green port concept. In this context, the MPA has recently held bilateral talks with the Agence Française de développement to find green solutions to a wide-range of environmental challenges at Port Louis Harbour including:

- Reducing fossil energy consumption and associated greenhouse gas (GHG) emissions
- Adopting a low-impact use of resources, fuel and electricity consumption
- Establishing consistency in measurement and reporting from all points in the logistics and transport supply chain in line with the environmental requirements of national, and regional governments and international bodies such as the International Maritime Organisation

The MPA has implemented the ISO 14001 Environmental Management System that has identified the significant environmental aspects, defined the energy and environmental targets to be met, monitor performance and ensures that best environmental management practices are in place.

The Green Port initiative demonstrates our capacity to involve all development sectors in contributing to a regional framework for a resilient development and particularly to continue to develop innovative proposals to make low-carbon development a reality.

The MPA is collaborating with the Indian Ocean Commission (IOC) and the CEB (Green Energy) Co. Ltd to establish a single shore-based power system. Through this collaboration, the MPA's goal is to set up a single shore-based power system for ships visiting Port Louis Harbour.

In fact, this will contribute to the user-friendliness of this facility, which will be used to provide moored vessels with electric power. These common objectives have led to a joint approach geared towards supporting the development of shore-based power and making this facility as user-friendly and reliable as possible.

In this context, a meeting was held in July 2020 at the MPA with the representatives of the IOC, the CEB (Green Energy) Co Ltd, the Ministry of Foreign Affairs, the Ministry of Blue Economy, Marine Resources, Fisheries and Shipping. At the meeting, it was unanimously concluded on the need to pursue the Renewable Energy for Ships at Port (RESP) initiative, which aims at supplying ships with clean energy at berth. The vision is to make Port Louis Harbour an eco-friendly port. If the study is conclusive, it may constitute an example in the region and for replication worldwide. The first phase of the project can focus on the cruise terminal currently being built. What is more, the key focus of this project is sustainability. Another point that is high on the port agenda is reducing the volumes of carbon dioxide, nitrogen oxide and particulates released into the atmosphere.

An amount of USD 50,000 has been earmarked by the IOC under the AIODIS Project funded by the World Bank for the recruitment of an expert to prepare the project document. Once the project document is finalised, the IOC will assist in the mobilisation of funding for project implementation.

Port Louis's Maritime Single Window System to improve port efficiency

International trade is still truly the engine of the global economy. Its growth follows the trends of economic indicators. Behind this quasi-linear alignment, there is a thorough change giving an increasingly predominant role to emerging economies. The emergence of new international trade hubs is mainly explained by the cost cutting rationale. However, the SADC countries are experiencing exponential growth in demand and are characterized by an increasingly effective capacity for technological ownership and innovation. The concept of Single Window at Port Louis finds its importance in the search for optimization of the port and maritime logistics and formalities.

In November 2018, the MPA awarded a contract to Global Maritime and Port Services (GMAPS) of Singapore for a Smart Port Study. Following an assessment of the existing procedures and legal regulations, GMAPS recommended the implementation of a Maritime Single Window at Port Louis Harbour to address the issue of numerous, non-harmonised reporting obligations by linking the existing national maritime single windows together in a coordinated and harmonised way. This digital reform will improve interoperability between various systems, making it much easier to share and reuse data.

The contract would be awarded soon and the project is expected to be completed within eight months.

Digital Port Industry Platform

The MPA retained the services of Vistacom Communication Limited to launch a Digital Port Industry Platform equipped with interactive features. This Platform would boost opportunities for the port and business community while transforming the port industry with enhanced communication services. In addition, this Digital Platform would no doubt unfold new opportunities fostering the visibility, audibility, readability, connectivity, interactivity and interoperability of Port Louis Harbour.

This Project would revolutionise the port, shipping and maritime sector in Mauritius and in the region. It would be an excellent gateway to promote the flow of information and enhance operational efficiency among the various port stakeholders thus creating opportunities to improve productivity, performance, growth and profitability.

This Platform would serve as an effective communication tool highlighting amongst others, the current development initiatives and potential investment opportunities in the port sector, and would no doubt be a “Value Resource” to port users, international agencies and businessmen, both local and foreign.

The Platform with interactive features would help to boost vital stakeholder communications as well as rally all the private and public sector players in our industry and will become operational around March 2021.

Realizing Africa's economic potential

With 30 percent of the world's remaining mineral resources and approximately 60 percent of the world's uncultivated arable land on the continent, Africa's relevance in the global food and resource transportation value chain is significant. The success of Africa's ports and associated transport networks is critical to Africa's conversion of economic potential to economic success.

To adequately facilitate greater trade with the world, African ports need to embrace innovation, automation and simplification. By investing in the right business solutions that offer end to end transportation management, connected warehouse management, vessel and container track-and-trace, and inter alia, improved hub logistics, African ports can take a step closer toward enriching the continent.

Becoming Future Ready

Ultimately, with exemplary planning and adaptive solutions, we must ensure that our port operations remain efficient and the facility will become more resilient. Demonstrated experience during this time period will be useful for future scenario planning, especially with the onset of more frequent extreme weather events, such as high wind speeds, swells and flooding. Preparedness, good organisation, and robust governance with flexible future-ready systems will prove to our stakeholders that we have in-built adaptive capacity and can demonstrate tangible resilience. One thing is certain: COVID-19 is going to make the SADC more resilient, and if the next level of planning we can address climate change concerns in a sustainable manner, we will be making great strides toward becoming future ready.

To help support and restore the local economy, it is essential for African ports to continue their port projects, to develop more capacity for long-term growth and to respond to changing shipping dynamics. Demand is assessed over 25 years or more. So, preparing for a successful future means looking beyond 2020 while considering the short-term impacts of COVID-19. Our capital investment projects in the consolidation, modernisation and transformation of our ports augur well for our expansion programme in the next five years.

However, SADC ports have to invest “**wisely to end the vicious cycle of operational inefficiencies**”. It suggests investing in modernising existing infrastructure and the use of new technologies and task automation to streamline operations.

Shipping and ports hold the world economy together. They connect countries, markets, businesses and people. A vast array of goods and commodities is transported by sea to meet the demands of industrial and manufacturing sectors, energy needs, as well as business and consumer requirements. These range from raw materials such as coal and iron ore, oil, gas to manufactured goods of intermediate and finished products carried in containers.

The sanitary crisis, because of the COVID-19 pandemic, has put the international supply chains and logistics industry in an unprecedented situation. What has become abundantly clear since the outbreak of COVID-19 is that the global economic situation changes from week to week and even from day to day. There is currently a high uncertainty around the global growth forecast.

Ambitious governance reform is needed to attract public-private partnerships for financing. Clear roadmaps must be established explicitly defining the role of stakeholders and, above all, setting up stable, transparent legal frameworks.

Streamlining port-city interactions and improving connectivity with the hinterlands are essential to boosting port sector competitiveness. The rapid urbanisation of Africa’s cities has resulted in congestion around various ports. One of the solutions is to develop multimodal logistics corridors, as they would better connect ports to inland areas while also reducing operating costs.

I am confident that the issues to be discussed during this Webinar would shed light on many issues facing ports in SADC region and I am sure that all the participants will find the presentations and mutual discussions both interesting and illuminating.

I sincerely hope that you will use this opportunity to deliberate on the challenges in African Ports and come up with valuable suggestions.

Thank you for your kind attention!

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