THE ROLE OF PORTS IN STIMULATING ECONOMIC GROWTH IN CITIES

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“Ninety percent of everything”
Rose George, 2013

...and the “just about everything” passes through the world’s ports (global port traffic ~1.79 billion tons, 2013)
### SOUTH AFRICAN PORT TRAFFIC – 2012 & 2013
(million metric tons)

<table>
<thead>
<tr>
<th>PORT</th>
<th>2012 mt</th>
<th>2013 mt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Richards Bay</td>
<td>90.295</td>
<td>94.902</td>
</tr>
<tr>
<td>Durban</td>
<td>77.900</td>
<td>80.369</td>
</tr>
<tr>
<td>Saldanha Bay</td>
<td>61.274</td>
<td>58.956</td>
</tr>
<tr>
<td>Cape Town</td>
<td>15.627</td>
<td>16.106</td>
</tr>
<tr>
<td>Port Elizabeth</td>
<td>11.212</td>
<td>12.335</td>
</tr>
<tr>
<td>Ngqura</td>
<td>7.572</td>
<td>10.538</td>
</tr>
<tr>
<td>Mossel Bay</td>
<td>2.294</td>
<td>2.322</td>
</tr>
<tr>
<td>East London</td>
<td>2.478</td>
<td>2.255</td>
</tr>
</tbody>
</table>

**Total all ports**  
268.652 mt  
277.783 mt
Outline & way forward

• Context of the discussion
  – The “economic value” of a port
  – The Port of Durban in a regional context

• The Port of Durban and the Ethekweni economy
  – Employment impacts
  – Expenditure impacts

• Port users and the trading community
  – Port costs and productivity/competitiveness
  – Port capacity and congestion

• The future size & shape of the Port of Durban
  – Capacity expansion & the DIA “dig out” option
  – Who will pay and how much?
  – Who will manage/operate and how well?
The economic value of a port

Value to whom?

- Value to the host city/region, in terms of economic activity, employment, investment, & spending
- Value to the community of port users, in terms of trade facilitation, driven by user costs, productivity, time etc..

“The economic function of a port is to lower the generalised cost of through transport” (Goss)
Value of Durban port to the eThekwini economy?

- What does handling 80 million tons of cargo annually do economically for the city’s economy?
- …or handling 2.6 million teus annually?

… not a simple relationship, because..

1 ton crude oil ≠ 1 ton anthracite ≠ 1 ton fruit in pallets ≠ 1 ton containerised computer components ≠ 1 ton bagged rice
Different ports have different impacts on their host port economies (sensitive to traffic base)

- Durban – 1 direct port job for each ~17,000 tons of cargo handled
- Richards Bay – 1 direct port job for each ~47,000 tons of cargo handled

Oil terminals, Transhipment ports (Salalah, Algeciras, Ngqura…) less rich impact
Port Activities generate employment and spending in:

- Direct Port Ancillary establishments
- Service providers to port ancillary firms (indirect relationship)
- Port-using cargo Owners (importers and exporters) linked to the port in varying degrees of intensity

Plus INDUCED or MULTIPLIER Effects on EMPLOYMENT & EXPENDITURE
Direct port-ancillary activity

Vessel-related

Port infrastructure  Marine Services  Security

Ships’ Agency

Chandling, Stores

Crew transfers

Personal spending

Bunkering

Ship Repair

Medical

Financial
Cargo-related “daisy chain”

Container Terminals

Stevedoring

Rail Transport

Pipelines (liquid bulks)

Clearing & Forwarding

Bulk Terminals

Warehousing

Road Haulage

Cargo Logistics

Customs Services
All generate jobs and generate expenditure, but not all “captive” to port cities, and port-city relationships may change:

SHIP REPAIR:

- Extensive economic linkages (steel, engineering, outfitting, paint etc..); and
- Rich multipliers; but
- Potential mismatch between repair facilities and vessel callers; and therefore
- Potentially fragile industry
Location of cargo “platform”: ports may “unravel” along landside axes in response to push and pull forces

- Congestion
- Environmental concerns
- Labour practices
- COSTS!

- Lower real estate costs
- Quality of life
- Multi-modal opportunities

Applicability? Rotterdam
Melbourne
Durban?
What attributes of a winning multi-purpose port? (…and what role for the host port city in maintaining its winning ways?)

A dominant regional Mainport will:

- Possess and maintain genuine TERMINAL PORT status (an on-going reason for vessels to call) – Santos, Durban, Melbourne;
- Be well located relative to international sea trade routes (low deviation cost);
- Be able to accommodate the most efficient vessels (16 metres of water depth? – a challenge for Durban);
• Enjoy good landside intermodal connectivity (ideally by rail);
• Articulate well with back-of-port space;
• Be supported by a full array of functional port-ancillary activities (a “full service” port);
• Manage well areas of (substantial) environmental, residential and recreational contestation; and
• Achieve a level of productivity and cost efficiency that is trade enhancing, not trade destroying (major challenge for the South African ports sector)
What role for cities and city structures in port performance?

Most comprehensive would be:
Direct administration of ports through MUNICIPAL PORT AUTHORITIES

- Rotterdam
- Antwerp
- Hamburg, Bremen (effectively)

Generally act as LANDLORD authorities; rarely serve as OPERATORS
Key port investment, capacity, planning, and development decisions taken by LOCAL decision-makers

Advantages:

• Easy articulation with the local economy
• Easy to establish a community of interests with local port-ancillary and port users (the port “Cluster”, such as EMC)
• Port marketing easy
• Port performance, profit not subsumed with larger structures
Less advantageous is:

- Not so easy to articulate with national transport needs, corridors
- A limited “pot” of investible funds? (not a problem for Rotterdam)

Not an option in South Africa, which has a NATIONAL PORT AUTHORITY structure (Transnet home problematic)

… so no Municipal 2nd “dig out” port in Durban!
for developing economies....

NATIONAL port authorities sensible, especially in a context of COMPLEMENTARY ports, as:

• National planning “fit” with corridors
• Deepen & densify comparative advantages of ports...

…but most effective with serious devolution to and engagement from port cities
so always a pivotal role for port cities

*CAN* strengthen terminal port status, through cluster organisations and beyond;

*CANNOT* greatly influence marine location;

*CAN* influence heavy marine infrastructure decisions somewhat;

*CAN* facilitate intermodal connections;

*CAN* (best) articulate port/back-of-port linkage;

*CAN* (best) mitigate contestation over city space; and

*CAN* influence port productivity & efficiency
In overall terms:

Ports act as MAJOR economic drivers for port cities; often as their definitive drivers, but ports and host cities perform best as GROWTH PARTNERS in this developmental process.

Thank you