

## Briefing Note: Transnet National Ports Authority

Operational Vulindlela has targeted key structural reforms in South Africa's economic infrastructure to strengthen performance, thereby improving the efficiency of the economy and lowering the cost of doing business. One such reform is the establishment of Transnet National Ports Authority (TNPA) as a separate entity within the Transnet Group. But what does this mean and how does it help?

Restructuring TNPA into a new entity has been in the making since the early 2000s when the port operations of Transnet were separated into two parts – the landlord (which became TNPA) and the ports operator (Transnet Port Terminals or TPT), both divisions of Transnet. TNPA is the manager of the port infrastructure and also provides some port services such as pilotage and towage, as well as services for terminal operators such as security, fire-fighting and environmental protection. The government recognised at the time that having the same company own both the landlord and main tenant would constrain investment in infrastructure, opportunity for new players and efficiency. The National Ports Act of 2005 therefore provided for the establishment of the National Ports Authority.

Despite this decision, the National Ports Authority was never established as an independent entity, instead remaining a division of Transnet. While TNPA is overseen by the Ports Regulator, which has been able to resolve some of the issues of pricing, the concern has remained that TNPA has not facilitated the entry of private players into port operations, at the cost of ports customers and has benefited TPT. Further, the use of profits from TNPA for infrastructure in the broader Transnet group has resulted in underinvestment in port infrastructure. These factors ultimately led to South Africa's main ports being ranked in the bottom five in the 2020 Global Container Port Performance Index by the World Bank. Cape Town ranked 347, Durban 349 and Ngqura was bottom of the list at 351.

These poor rankings highlight what industry has been saying for decades and what the government wanted to change back in 2005. The failure to invest, except where unavoidable, has resulted in costly delays and massive inefficiencies, and held back the emergence of port-associated industries. Previous TIPS work has highlighted the potential of the ship repair industry in creating economic opportunities and employment in a range of different areas, as well as the opportunities for expanding back-of-port operations, and new infrastructure around the ports including expanding the tourism opportunities.

The corporatisation of TNPA offers a neat option as a way forward. On the one hand, it allows TNPA to continue to contribute to the balance sheet of Transnet (which remains important for the financial stability of the group). On the other hand, TNPA will be sufficiently independent to undertake the investments and decisions required to fulfil its mandate, open up space for new players and opportunities, and operate in the best interest of its clients.

For South Africa to achieve its industrial policy objectives it needs to support its export industry through more effective and competitive port operations, as well as unlocking industrial activities and value added service industries link to the ports. Ensuring the independence of the corporatized TNPA is therefore critical to the success of this plan.