African BUSINESS

*Ahmad HASSAN/AFP*

Trade & Investment

# Africa's ports shrug off Covid-19 and Suez crisis

*Despite the effects of Covid-19 and the recent blockage of the Suez Canal, Africa's ports are expanding faster than at any time in their history.*

Neil Ford May 6, 2021

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Even as African economies struggle with the economic fallout of the Covid-19 pandemic, the future looks bright for the African port industry. The sector is in the middle of the biggest phase of expansion in its history,

has attracted the world's biggest port operators, and has coped surprisingly well with the downturn in global trade caused by the coronavirus crisis.

Moreover, while the African Continental Free Trade Agreement (AfCFTA) seeks to promote trade between African states, it should also encourage greater trade between the continent and the rest of the world, generating more business for port terminals across Africa.

Although Africa accounts for just 2.7% of global trade by value, that figure increases to 6% for global trade in seaborne cargo, because of the continent's continued reliance on intercontinental trade rather than cross-border trade between neighbouring states.

It is therefore vital that African economies are able to make use of modern ports that are equipped with the latest terminal operating systems, cranes and other cargo handling equipment, while also providing deepwater berths to attract the huge container ships that dominate international trade.

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## Port investment can recast Africa's fortunes

The biggest port in Africa is Tanger-Med in Morocco, which has been developed over the past 15 years on a greenfield site and which has seized market share from ports on the other side of the Mediterranean Sea, including Algeciras in Spain.

It has total handling capacity of 9m TEU (20-foot equivalent units, as standard sized containers are known). Tanger-Med has now overtaken Port Said in Egypt and Durban in South Africa as the continent's biggest container port.

The new generation of giant container ships only call at ports with a draught in excess of 16m, allowing the biggest ports to establish themselves as regional transhipment ports, where containers are unloaded for distribution to other ports in their region via feeder services.

This focus on depth and modern facilities has allowed Djibouti to become a regional hub, although the ongoing legal dispute between the government of Djibouti and former operator DP World has somewhat affected its reputation.

Mombasa and Dar es Salaam have traditionally dominated East Africa but now face competition from Lamu in Kenya. Construction work on the first three berths at the new port was completed in March but plans for the other 29 planned berths are dependent on further private sector investment, which looks unlikely to be forthcoming in the near future.

Competition for the role as regional transhipment port is most intense in West Africa. Although it might be expected that the Lagos ports in Nigeria would dominate, they are hemmed in by the biggest conurbation in sub-Saharan Africa and have maximum berth depths of just 12m. Moreover, progress on developing new ports 50km west and east of Lagos at Badagry and Lekki has been slow.

By contrast, deepwater container terminals have been recently developed at Tema in Ghana, Abidjan in Côte d'Ivoire and Kribi in Cameroon, to provide competition for Lomé in Togo. Operators such as APM Terminals, which owned by Maersk, and France's Bolloré group have poured hundreds of millions of dollars into each facility.

The first phase of the Meridian Port Services terminal at Tema opened last June, increasing port capacity from 1m TEU/year to 2.5m TEU/year, making it the biggest container facility in West Africa.

## Suez crisis

African ports rely on the shipping lanes that connect the continent to the rest of the world. The recent blockage of the Suez Canal by the stranded giant container ship *Ever Given* therefore had a profound effect on cargo transport.

The week-long blockage caused huge delays in the global movement of cargo, with over 400 vessels forced to wait, and was only ended through the combined efforts of a dozen tugs and teams working to dig out the side and bottom of the Canal under the bow of the ship.


A satellite view of the container ship *Ever Given* stuck in the Suez Canal. (Photo: Maxar Technologies / AFP)

Investigations into the incident are ongoing but it seems likely that strong winds and the sheer size of the world's biggest container ships were factors. While oil tankers have traditionally been regarded as the world's longest vessels, that title has now been taken by 20,000 TEU+ container vessels, such as the 400m long *Ever Given.*

Some vessels changed course to travel around the Cape of Good Hope because of the blockage. However, rounding the Cape is not generally a viable option for vessels sailing between Europe and Asia or the Middle East unless they need to stop at ports along the way, as it can lengthen the journey by around two weeks.

As a result, the incident is unlikely to have any long-term impact on shipping routes, although both the government and Suez Canal Authority have pledged to avoid a repetition. Work to widen the Canal completed in 2015 cost $8bn, so further expansion is unlikely, but it has been suggested that very long vessels could be barred from entering the Canal in the dark.

## Bulk development

Most international coverage of the African port sector focuses on container terminals but the bulk sector is also crucial in enabling Africa to trade with the rest of the world.

Richards Bay Coal Terminal (RBCT) in South Africa's KwaZulu-Natal province is the biggest bulk terminal on the continent and handles about the same amount of cargo by weight as the nearby port of Durban.

As might be expected, RBCT, which is owned by a consortium of South African mining companies, saw a fall in volumes in 2020 as a result of lower global demand for coal on the back of the global pandemic. Shipments fell to 70.2m tonnes last year, down from 72.2m tonnes in 2019.

This is a relatively modest fall but continues the downward trend from the 76.5m tonnes recorded in 2017, as the uncertain investment environment in

South Africa continues to deter coal mine development.

The outlook for the Port of Saldanha on the west coast of South Africa looks brighter because of strong demand for the iron ore on which it relies.


Coal is loaded onto a ship in the port of Beira, Mozambique. (Photo: Mark Zannoni / Shutterstock)

In addition, operator Transnet National Ports Authority (TNPA) has said that it will open its new manganese export terminal at the Port of Ngqura in the Eastern Cape by the end of this year, allowing it to close the old manganese export hub at Port Elizabeth, 20km along the coast.

South Africa is by far the world's biggest manganese exporter, with shipments rising from 5m tonnes in 2010 to 11m tonnes last year, but even the new facility's handling capacity of 16m tonnes/year may not be sufficient in the long term.

Ports in the Mano River states of Guinea, Liberia and Sierra Leone already handle substantial bauxite and iron ore exports but now the region looks set to benefit from one of the biggest ports ever built in sub-Saharan Africa.

The government of Guinea has sanctioned the development of the giant Simandou iron ore project by the Société Minière de Boké-Winning (SMB-Winning) consortium. The entire venture currently carries a price tag of $14bn-16bn, of which $1.5bn will be used to develop the deepwater port of Matakong in the far south of Guinea. If Phase 2 is developed as planned, it will become the biggest bulk port in Africa and one of the biggest in the world.

While the prospects for Simandou have never been brighter, they appear distinctly gloomy for Mozambique's bulk port plans. The ports of Nacala and Beira were modernised and expanded to handle coal from Tete province in the far northwest.

Volumes have increased more slowly than expected as a result of rail problems, fragile international prices and the withdrawal of mining companies, but

continued investment by Brazilian mining giant Vale underpinned further development.

However, Vale revealed in February that it plans to sell its assets in the country because of global opposition to coal consumption, particularly of thermal coal. The futures of Nacala and Beira coal terminals now look insecure, while it seems unlikely that the planned port of Macuse, which was to have been Mozambique's biggest port, will ever be built.

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