



MEETING THE CHALLENGES FOR AN AFRICAN MARITIME ECONOMY

SEMINAR CHAIRMAN'S REPORT

Two-day seminar held in Cape Town on 4/5th April 2013 under the auspices of

- The Nautical Institute
- The Institute of Chartered Shipbrokers
- The Maritime Law Association of SA
- The SA Institute of Marine Engineers and Naval Architects and
- The Society of Master Mariners

CHAIR'S NOTE:

This seminar is the first occasion at which all five of the associations of maritime professionals were represented. It will hopefully not be the last.

It is not the purpose of this report to attempt to summarise the papers presented by the various speakers at the seminar. Its purpose is to serve more as a concise executive summary, looking at the seminar in overview, and then attempting to distill pointers towards a way forward.

The report does not necessarily reflect the views of the participating professional bodies. Delegates are referred to the presentations of the various speakers now posted to the website of the Nautical Institute at www.nautinst.co.za.

The seminar was, to an extent, a follow up to the successful SA Maritime Industry Conference (SAMIC) convened by SAMSA in Cape Town last year.

Perhaps its most positive aspect was that the broad representation of professional bodies participating allowed reflection not only of where SA needs to go to take full advantage of opportunities waiting for the maritime industry yet to embrace, but also to reflect with some satisfaction on the current state of the industry.

It was remarked in closing that, contrary to the current more pessimistic views expressed about the industry, SA indeed has a vibrant and successful maritime community most of whom are doing their best to build business in the current difficult world economic market.

Delegates were encouraged to celebrate their successes rather than lament shortcomings. To look forward rather than to look back - in the knowledge that many difficulties now encountered in maritime business result not from the misperception that the industry was sold off post-1994, nor that opportunities have been ignored, nor that there be any lack of enthusiasm or ability - but rather that SA has suffered enormous economic setbacks along with most of the rest of the world.

And the seminar pointed to many significant successes, many in the field of maritime education and training.

The Keynote speaker was Mr **Sobantu Tilayi**, Chief Operating Officer of SAMSA. Passionate about the promotion of the maritime industry, Mr Tilayi stressed the need to partner with industry to keep the development initiative fired up. This is best achieved through projects designed to nurture employment - such as the building of a new tug to replace the ageing Smit Amandla. He sees two areas of development: first the provision of training of local seafarers for employment both on SA ships (as a future project) and to supply foreign vessels. And second, grasping all opportunities SA's geographical and economic position offers. One such is the oil and gas industry which is one of the keys to our maritime future. Another is the indiginisation of at least some of the trade into and out of our ports: coastal and regional cabotage needs proper evaluation and can present real opportunities especially regarding bringing home freights and insurances and providing berths for SA cadets. It is all a question of building capacity.

Particular areas mentioned are re-introduction of learnerships (apprenticeships) for the trades; encouraging the qualification of support experts such as naval architects and draftsmen; ensuring STCW compliance to ensure the acceptability of our seamen and also of those mariners trained by the navy.

Mr Tilayi concluded with remarks about the BRICS summit and its maritime agenda. It was possible that the envisaged BRICS finance banking facilities may provide capital to support South Africa's developmental projects.

CHAIR'S NOTE:

Perhaps the most important undertaking given by Mr Tilayi on behalf of SAMSA was to attend and envisaged meeting between those representing the SA ship repairs industry (especially in relation to oil and gas) and broker the attendance of representatives from Trade and Industry, Finance and Public Enterprises. This because of a lack of proper communication that was clearly identified by Mr Chris Sparg, representing the ship repairers. See comments on Mr Sparg's presentation below.

If the opening of these doors is achieved as envisaged, then the seminar would have been worthwhile.

The organiser of the seminar was the next speaker: Capt **Rob Whitehead** identified three main issues for going forward: maritime training and education; maintaining SA's White List IMO status for crewing; and the criminalisation of seafarers. Mr Whitehead outlined crew training initiatives in SA and the challenges we face in recruiting and accommodating cadets, and in ensuring that our qualifications conform to the highest world standards – STCW included. Regarding the reservation of certain trades to South Africans, Capt Whitehead made the point that that one way bulk export cargoes (e.g. coal and iron ore as well as tugs and rig support vessels) may be most suitable for limited cargo reservation and for South African flagging. This is apart from any potential coastal cabotage regime.

The economics of the industry were then analysed by **Prof Trevor Jones**. As mention had been made of cabotage being one possible key to maritime economic growth, Prof Jones cautioned that he remains a cabotage skeptic, preferring to allow market forces to determine what is or is not economically sustainable. Cabotage may well increase SA seafarer berths, but it could also drive costs up and make us less competitive. This is especially relevant in the bulk trades where mining exporters remain reluctant to ship CIF.

What was clear from the floor is that there remains considerable support for the introduction of cabotage. Yet cabotage needs SA flagged ships, so the two issues are interlinked: the re-establishment of an indigenous fleet which would be required if freight cabotage were introduced.

CHAIR'S NOTE:

There is more to cabotage than freight cabotage: broadly and imaginatively constructed, it can be a focused local content programme.

We should also not lose sight of the fact that SA has a very significant 'beneficially owned' bulk export fleet. Perhaps the industry needs to have a change of mindset and embrace the likes of Grindrod/Island View as "home" fleets, notwithstanding their foreign flags. Such is the practice of other strong maritime players. If freight cabotage is to come, this fleet would be an essential part of easing it in as policy. Dialogue needs to be opened with these home fleet operators. They could be the key to success in implementing a staged cabotage policy.

The seminar was fortunate to have Capt **Steven Gosling**, of the Nautical Institute parent body in London, in attendance and on the podium to talk to us on the NI's "Generation Y" Project - which he loosely defined as applying to those under 40. The reality is that the under-30's and to an extent the under-40's grew up in a world very different from that of most of the delegates present. They are the electronic generation who respond to different stimuli and who need teaching and mentoring in ways distinct from those of a generation ago.

To that end, the NI is seeking to involve younger people in all aspects of its work, and to listen to their views. Younger people need the education and mentoring of older players, who in turn need the enthusiasm and energy their elders perhaps lack. But to help each other properly, they need to speak the same 'language' - which is not necessarily limited to linguistics. Social media plays a vital role and provides the link between the generations.

CHAIR'S NOTE:

All the bodies represented at the conference are encouraged to look at ways to improve younger members' representation on and participation in their sectors. And to explore fully the wonders of the electronic communications age.

The next speaker was Admiral **Kevin Watson**, SAN, wearing his SAIMENA cap. Adm Watson lamented the fact that the shipbuilding and repair industries in SA were served by only some 10 qualified naval architects, all trained abroad. He suggested that this should be addressed both from the point of view of trying to encourage black naval architects and draftsmen, and from the standpoint of pure shortage. He pointed out that naval architects are needed not only to design newbuildings, but also for the preparation and implementation of technical regulations, for ship operation such as stability calculations, and also for the oil and gas industries. His suggestion was to encourage institutions to develop post graduate programmes, and to stimulate interest early in learners' school careers to enable proper subject choices. The professional status of the naval architect in SA could also be improved. Stellenbosch University was identified as the most suitable because it still has facilities such as testing tanks.

CHAIR'S NOTE:

We should not be put off this initiative by a perceived lack of either candidates or job positions for graduate naval architects available in SA. We should follow the example of UCT's shipping law programme of which foreign students make up at least half of each annual intake of 20 students. Teaching foreign students is an excellent export initiative, and enhances SA's standing in the maritime industry abroad - not to mention the goodwill which often comes back to roost in business opportunities brought back to SA by its alumni from all over the world.

Admiral Watson was followed by Mr **Keith Mackie**, drydock doyen of South Africa. Mr Mackie gave insight into the drydock as an essential cog in the marine industry wheel, requiring inputs from naval architects, and civil and mechanical engineers. The drydock is the key to the provision of proper and competitive repair and building facilities, and as such is potentially an enormous generator of jobs in the maritime industry.

Yet there are serious shortcomings in the drydock situation in SA, sounding especially in the near stranglehold that Transnet and the Port Authority has on drydocking in this country, and in the prerogative that they should make a profit from the operation of the country's drydocks.

Mr Mackie gave fascinating insight into the history and construction and operation of graving docks and floating drydocks. He and the floor expressed concern that SA has missed the opportunity of increasing the number of floating drydocks in the Cape (available during the past two decades from Russia and the east at knockdown prices) - and effectively handed this business to Namibia which is shortly to receive its third large dock.

He pointed out that only shiprepairers can operate a drydock profitably, and then only by building the cost of the dock into repair costing. Essentially, drydock costs are subsidized by repair and building costs. Thus, if the state seeks to operate the docks at a profit, then ship repairers having to pay this cost + profit for the use of the dock, become uncompetitive.

CHAIR'S NOTE:

There seems to be no cogent reason given by central government for the apparent bureaucratic blocking, over many decades, of the provision of adequate graving and floating drydocking facilities in the Cape and KZN. This, compounded by the priority booking given for existing docks to state ships, has been a serious inhibitor to the growth of the maritime industry. The state should re-think its approach to drydocks, and move towards subsidised docking fees or hand docks over to the shiprepair industry. It should, as a matter of great urgency, procure small docks capable of taking the port tugs and service vessels to ensure that the bigger docks give priority to commercial bookings. It should NOT seek to make a profit from docks, but should consider docks as loss leaders, worthy of state subsidy and incentive. Herein lies one of our greatest opportunities for job creation and skills development, thus far constricted by bureaucratic torpor and obstructed by ignorance of the needs and workings of maritime business.

The immense potential of the ship repair industry and especially the burgeoning oil and gas sector was starkly highlighted by Mr **Chris Sparg**, speaking for The SA Association of Shipbuilders and Repairers. His was a presentation brimming with enthusiastic

optimism. Mr Sparg gave some exciting figures outlining that we have some 17 000 vessels passing our coasts each year. Many require servicing. Most go elsewhere. There is, estimates Mr Sparg, a 15 fold demand for drydocks exceeding our capacity. As far as rigs are concerned, in 2012 134 rigs passed our coasts, yet only 4 were repaired in Cape Town. He also drew attention to the lack of adequate cranes on repair quays, and the required 20m depth required to accommodate the bigger rigs. Mr Sparg showed a collection of AIS reports of shipping around Africa. These slides are on the seminar site and are illuminating.

CHAIR'S NOTE:

In the light of the enormous strides clearly taken by his company (DORMAC) in building their business in oil and gas ship repairs, and the impressive manhours it has generated in the process, the Chair asked Mr Sparg what approaches if any DORMAC had had over the past year from the relevant departments of central government: Transport, Public Enterprises, Finance and Labour. Or from SAMSA. Though he reported close ties with SAMSA and from local government in the Cape through a positive attitude from Minister Alan Winde, Mr Sparg was able to confirm that there had been little or no contact or support from central government departments, but that he had recently asked for a meeting with Transnet and the Port Authority to take place soon. Mr Tilayi intervened to confirm SAMSA's undertaking to attend that meeting and to use his best offices to ensure the presence of relevant central and local government representatives. This is a most positive development that needs the full encouragement of the whole industry. Delegates and others reading this report are encouraged to browse through Mr Sparg's slides on the Nautical Institute's site at www.nautinst.co.za.

Next on the podium was Mr **Brian Ingpen** who gave a perspective on education and training of young seafarers. He is the founder and principal of the successful Lawhill Centre at Simon's Town High School. The record of Lawhill is world renowned.

He outlined the criteria for identifying potential scholars to come to maritime studies, and showed some of the success stories. It is a heartening example of the cutting of red tape and the building of something from nothing, with limited means and unlimited enthusiasm and dedication.

Mr Ingpen mentioned other initiatives, some driven by SAMSA and the education and transport departments to set up similar schools especially in KZN. He cautioned that teaching maritime studies is costly, and requires specialist professional teachers. He is of the view that the industry may well be better served by expanding the existing facility at Simon's Town than by a proliferation of other schools which may well face insurmountable obstacles. Yet he remains passionate about the potential in expanding maritime studies and improving the steady yet still small flow of graduates coming out of the Lawhill school system.

CHAIR'S NOTE:

It was surprising to note that there seem to be initiatives to promote further maritime schools in SA without meaningful consultation with Mr Ingpen who has done it all before. It was also perhaps surprising that there similarly seems to be little cooperation between the ICS (see Mr Gardner's paper below) and Lawhill? It may well be that a steering committee should be set up by SAMSA comprising these and other players already involved in the provision of maritime education to school level learners? Some rationalization will

be necessary in the future, and all can surely learn from each other's considerable experience.

The maritime education theme was taken further by Capt **Andy Macleannan**, head of SAMTRA, also in Simon's Town. SAMTRA operates the ship simulators (the zenith perhaps of the electronic educational gaming to which Steven Gosling referred as a must for teaching Generation Y).

Capt Macleannan gave insight into the operation and aims of SAMTRA and how it is serving not only SA interests but the many foreign seamen who come to SAMTTRA for simulator training. Again this was recognised as a valuable export initiative, funded as it is largely by foreign donor capital.

And the Further Education theme was then carried on by Ms **Theresa Mareko**, a lecturer at the host CPUT. Ms Mareko's CV is a wonderful pointer to how open the doors of the maritime industry now are: she was the first woman pilot and tugmaster. She has sea and commercial experience with Safmarine and Unicorn, and admin experience with the TPNA. She is a shining light of enthusiasm and pointed to the wonderful opportunities our industry provides. Her paper gave insight of the academic structure of higher education in maritime studies in SA, and how it fits in with internationalised SAQA grading and STCW standardisation, essential to the international White List recognition of our qualifications.

Rob Gardner, of the Institute of Chartered Shipbrokers, outlined the considerable successes achieved by the Institute in providing higher education to South Africans in the ship service industry. The extent of the influence of the ICS, especially in KZN, came as a surprise to many in the audience. The ICS's operations extend not only to distance learning by those working in the industry, but also extensively to interventions at high school level.

CHAIR'S NOTE:

Delegates are referred to Mr Gardner's presentation for details of the broad scope of what the ICS is doing in this country. This is a superb example of an industry education initiative, but sadly one that is relatively unknown to a broader maritime audience, and almost entirely unsupported by government. One spin-off of this seminar should surely be that SAMSA should establish closer ties with the ICS designed to help the initiative in any way possible.

The last speaker was submariner **Malcolm Alexander** who left the audience on a high note of enthusiasm and optimism: for Mr Alexander represents the central government, oft chided for its lack of both these qualities. Through the Transport Education & Training Authority (TETA) of SETA, Mr Alexander administers an education subsidisation scheme, especially for smaller businesses. He outlined successes and challenges and came through with a message as strong as that always projected by SAMSA: we are there to help you.

CHAIR'S SUMMATION:

This was a most positive and optimistic seminar. Though not making any industry-changing decisions, it re-established lines of communication between industry players. The following were seen by the Chair as highlights:

- Many sectors of the maritime industry are not fully familiar with what other sectors are doing, and particularly how much they have achieved;
- These achievements have lacked any significant central (and to a lesser extent, regional) government support;
- There remains too little communication between government departments (especially central government) and the maritime industry; Here it is appropriate perhaps to take note that convening working sessions with the maritime industry by summoning attendance at very short notice (at times as little as a few days) is not the way forward. Meaningful working dialogue between government and the industry should be a continuous 'open door' policy. On both sides. Government is there to help and not to hinder industry;
- To this end, less red tape and bureaucracy would benefit business and therefore the state. The state is not in the maritime industry to make a profit: it is there to provide support and where necessary incentives and concessions to allow and enable maritime business to compete internationally and thereby generate employment and skills. The no-nonsense approach of SETA and its maritime TETA may give a lead;
- The notable and commendable exception to government indifference is SAMSA which in its short existence has made huge strides in building industry confidence and in supporting the maritime sector;
- SAMSA has the trust of the industry and it is considered to deliver on its promises - and more. Of particular importance is the brave initiative of the SA Agulhas which has had huge spin-offs for the industry;
- There remains much interest in (and the floor expressed much support for) the possibility of cabotage - coastal, and/or regional. Many feel it is the panacea. Some caution otherwise. But such is the passion expressed for cabotage that it needs to be fully investigated in the context of the possibility of bringing a limited number of ships back onto the SA flag. This may be a suitable initiative to bring under the BRICS agenda;
- Existing beneficially owned fleets, especially bulk, should be regarded as home fleets and not pariahs, for they are only doing what the rest of the world does in order to survive competition and make a profit for the benefit of SA. They should be actively drawn into the fold by the government, not shunned as has been the practice in the past. There is much to be learned from these fleet operators;
- The proposed Directorate of Maritime Affairs for the African Union is could have great potential for growing the maritime industry locally, regionally and on a Pan-African basis;
- Other forms of non-freight cabotage protection for the local maritime industry, such as imposing local content preconditions on the granting of offshore prospecting and exploitation licences, and fishing licences, should similarly be addressed;
- Bureaucratic intransigence, ignorance of the industry and indifference must be educated away, completely. An ideal example is the Department of Home Affairs

that has no conception of the fact that seamen are our customers. The seamen of today who suffer indignities and obstructions at the hands of indifferent immigration officers enforcing impractical regulations are the ship managers of tomorrow who will then make strategic decisions of where to send their ships for repairs;

And most importantly

- The main benefit of the Nautical Institute Seminar under review was that the various professional bodies representing a very broad spectrum of the maritime industry got together and talked and listened. Therein lies the success of future coordination, stimulation and growth of our industry;
- SA has a vibrant maritime industry that has survived the travails of a collapsed world economy. We should rejoice in the positive more than lament the negative. Much has been achieved and much awaits the enthusiastic and the able.

It is to Mr Alexander that the Chair is indebted for what is surely the best summing up of a worthwhile two days:

*Our maritime industry has all the bits -
we just need the gel to pull it all together.*

That gel must come collectively from central and local governments; from NGOs, especially from SAMSA; from the various professional and trade bodies representing the different sectors of the industry; from visionaries and those with experience; and in partnership with the maritime industry and the dedicated men and women who work in it and serve it.

Only then will South Africa be world renowned for its ***Ports of Convenience***.

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SEMINAR CHAIR
