



**Address to Walvis Bay Port Users by Mr Andrew Kanime on the  
proposed concessioning Walvis Bay New Container Terminal**

**14 April 2022, Protea Hotel, Walvis Bay**

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- Esteemed clients
- Namport colleagues
- Members of the media
- Ladies and gentlemen

Good morning to you all

The Easter break is on our doorsteps and, with the long overdue relief from the Covid-19 pandemic which has kept us locked indoors over the past two Easter breaks, I am sure most of us cannot wait for the breakaway to get the much needed breathe of different air and in different environments.

I am therefore deeply grateful that you positively responded to our invitation and moreso, at such a fairly short notice.

I will hence exercise brevity in my communication and engagement with you today as I address the very important matter of the proposed concessioning of the New Container Terminal at the Port of Walvis Bay.

Most of us here today were part of the momentous occasion when we inaugurated the flagship new container terminal at the Port of Walvis Bay. This investment comprised of a new quay wall providing for two additional berths, a container stacking and interchange yard, additional turning basin, four post

Panamax ship to shore cranes, upgrade of utilities and ancillary equipment and systems amounted to a total cost of N\$4.2 billion.

The decision to embark on this watershed project followed various studies which pointed at the capacity of the old container terminal, which then stood at an annual throughput of 350,000 TEU's, nearing full utilization. In fact, so realistic were these forecasts that in 2012, the old container terminal handled a total of 330,000 TEU's, representing 94% utilization.

The situation was thus untenable from a capacity perspective, suffice to say it created serious efficiency challenges as containers had to be dug from the nearly full terminal.

This hence gave impetus to the need to develop the new container terminal project whose construction then commenced in May 2013 and was subsequently commissioned in August 2019.

In the meantime and unfortunately, the dynamics in the shipping industry have significantly shifted. On the back of depressed macro-economic conditions which negatively impacted industries across all sectors with attendant decreases in imports and exports handled through Namibian, and other, ports across the region, shipping lines have moved to larger size vessel deployment as part of their own drive towards cost rationalization.

The cumulative effect of these unforeseen and unfortunate developments has been a significant decrease in the volumes throughput through the new container terminal.

Hence, given the need to earn a return on this very strategic investment we have been compelled to explore means and ways we can drive the utilization of the terminal and amongst the outcomes from our considerations has been the decision to consider concessioning the new terminal to an independent operator.

In layman's terms, ladies and gentlemen, concessioning is the process whereby an asset, owned by the public sector, is availed for operation and management by the private sector, for a defined period of time at a fee and undertakings of mutually set investment upgrades.

I must underline that concessioning does not entail selling off the asset, or the terminal in this case, but rather a specialized lease arrangement where the operator runs the terminal and handles the containers in lieu of an upfront payment to the concession grantor, being Namport in this case, making volume related payments during the tenure of the concession, introducing additional capital for investments and driving operational efficiencies in the business.

To therefore summarize, the decision to concession is premised on the following:

*1. Generate sustainable volumes*

- Operator should consolidate and help facilitate organic growth of transshipment and domestic volumes
- As the primary driver of high growth, transshipment volumes should be the main source of growth
- As the secondary driver of growth, operator should increase corridor volumes leveraging off increased vessel calls at the NCT

Dear clients, esteemed port users, you would all agree that the matter of shortage of vessels, blank sailings and lack of sufficient containers is lately of grave concern to our industry, with no immediate end in sight. The proposed concession therefore graciously represents a bold step by Namport and Namibia towards increase the vessel calls through the port of Walvis Bay. While operators may initially focus on attracting transshipments to the terminal, the increased vessel calls will provide stability, certainty and capacity for growth of both local and regional cargo.

## *2. Improve the NCT's operational efficiencies*

- Operator should improve efficiencies in line with the standards of a transshipment terminal

## *3. Attract investment to the NCT*

- Operator should be prepared to bring investments to a combination of three (3) fronts:
  - purchase new cargo handling equipment to improve operations efficiencies;
  - deepen the channel to accommodate larger vessels and drive transshipment volumes growth; and
  - expansion of the quay wall to allow for the simultaneous docking of 300 – 350 LOA sized vessels and yard expansion to accommodate additional volumes.

## *4. Protect employment*

- Protect the employment of the current personnel at the NCT based on expected high growth in transshipment volumes.

## *5. Generate sufficient income to service financial obligations including the AfDB loan*

- As a primary objective, generate sufficient income to service the loan due to the AfDB;
- As a secondary objective, generate sufficient income to finance all expenses and other operational requirements of the NCT; and
- As a tertiary objective, generate sufficient income to distribute dividends and returns to the Shareholder.

While Namport had taken an in-principle decision to consider the possible concessioning of the New Container Terminal, the Government, being the shareholder of the business, decided in March 2021 that consideration should be given to combining this envisaged concessioning of the terminal with the sourcing of an investor to develop the National Single Window and a Special Economic Zone at Walvis Bay. It was the considered position that there were synergies amongst these three projects if they were rolled out concurrently and possibly simultaneously.

The Government through the Namibia Investment Promotion and Development Board (NIPDB) then issued a market invitation for potential investors to express interest to invest in and manage, the three projects, either jointly or separately. The EOI was issued in August 2021 and was christened the Walvis Bay Industrial Development Initiative (or WIDI). The EOI process closed in October 2021 and based on the adjudication of the submissions received which was carried out jointly by representatives from NIPDB, Namport, MIT, Ministry of Finance and Ministry of Public Enterprises, it was concluded that:

- i. There is market interest in the three projects to varying degrees; and
- ii. The market interest was more in favor of in fact rolling out the three projects separately.

The Government subsequently further decided that Namport would take over the process from the NIPDB and directly oversee the second stage of the procurement for an operator for the NCT and the NSW (following the initial stage of the EOI).

Namport has since, appointed Maritime Business and Transport Solutions (or MTBS), an international consultancy firm as transactional advisors in the envisaged concessioning exercise, drawn up, and issued, a request for proposal (RFP)'s to participants who expressed interest to manage and operate the NCT from the WIDI process which was carried out under the auspices of the NIPDB.

This RFP was issued on the 8<sup>th</sup> of April 2022 and is expected to close on the 5<sup>th</sup> of May 2022. As part of the documentation to be availed to the participants will be a draft concession that the preferred bidder will then enter into and sign with Namport and amongst the very important and salient terms are the following:

- i. Upfront payment – commitment by the participant to pay a take on fee on signing of concessioning agreement;
- ii. Volume commitments – one of the fundamental reasons why the process is being embarked upon is to drive the growth of cargo throughput through the terminal hence participants will be required to stipulate and commit to volumes for transshipments, gateway and corridor containers that they will move through the terminal. Provision is made for penalties chargeable in the case where the volume commitments are not met;
- iii. Multi-user facility – the concessionaire/operator will undertake that the terminal will be available for use on a common user and equitable basis;
- iv. Exclusivity – there will be no exclusive handling of containers in the port by the concessionaire/operator at this stage;
- v. Terminal services – concessionaire will only be permitted to handle containers and limited project cargo and not non-containerized cargo;
- vi. Key Performance Indicators – to drive operational performance and enhance efficiencies, SMART (Specific, Measureable, Achievable, Realistic and Time-bound) performance standards will be set for the operator;

- vii. Concession term - twenty five years in line with international benchmarks and consistent with the need to allow for recoupment of investments to be made by the operator;
- viii. Extension of terminal – option to expand the terminal (quay and yard) to increase throughput capacity from the current 750,000TEU's; and
- ix. Labour – very importantly and consistent with our overarching goal to protect and grow employment, the operator will be required to maintain or better the current terms and conditions of employment who are directly or substantially deployed to container handling operations. They will be further required to provide an undertaking to guarantee employment of the personnel taken over for a minimum period and the finer details are still the subject of deliberations between Namport and our recognized Employees' bargaining partner.

We will also extend this requirement to protect employment to direct service providers, the Stevedores who are currently operating at the NCT.

I must however underline that this would be subject to the relevant Stevedoring companies complying with the productivity requirements of the operator otherwise this may run contrary to the SMART KPI's we are setting for the Concessionaire so as to enhance overall terminal productivity and drive competitiveness.

I further reiterate that the disposal of the terminal is absolutely not part of the considerations of this process and ownership will remain vested in Namport until the end of the concession period where after the container handling operations will revert back to Namport.

Lastly and in closing Ladies and gentlemen, may I therefore please take this opportunity to reassure you that the proposed concessioning of the Walvis Bay New Container Terminal is a culmination of detailed studies and considerations which are all aimed at enhancing the value accruing to Namport and the Namibian nation, from this strategic and flagship investment. We are certain that the concession, if successfully taken up and effectively implemented, will deliver a great return on investment in the

medium to long term for the benefit of all of us as employees of Namport, port users and citizens of Namibians.

I thank you for your consistent and dependable support, which continues to undoubtedly put us in a very strong stead to continue to consider and implement the various possible opportunities available to take our industry and businesses to the next level. Rest assured that we will continue to provide further updates as this momentous process continues to roll out.

I wish you all a pleasant and safe Easter Break.

I thank you