# Appetite for imports fuels deficits

Durban's import capacity will increase sharply once a multi-billion rand project to feed an ever-increasing appetite for goods from overseas gets off the ground.

As the Department of Public Enterprises yesterday (6 December) took ownership of the old Durban International Airport as the first step to redeveloping it into a container port, numbers released by the Reserve Bank show that the deficit on South Africa's current account remains high.

At 6.4% of gross domestic product the deficit is "unsustainably large", according to Nedbank economists and could put the rand under further pressure.

A high current account deficit is an indication that a country consumes more than it produces, and is often cited by ratings agencies as a reason for investors to stay away.

With South Africa hitting a record trade deficit of R21.2bn in October, it could be the prelude to an even bigger deficit on the current account. The domestic manufacturing industry has struggled to compete against cheaper imports from other developing countries, much of which have come in through Durban's port.

Imports through Durban harbour had increased by an average 8% a year between 1985 and 2010, Public Enterprises Minister Malusi Gigaba said last week. Mark Gregg-Macdonald, Transnet's group executive for planning and monitoring, said in a presentation about the plans for the port, that container imports were forecast to grow five-fold in the next 30 years.

In the next seven years, he said, the demand for goods would start outstripping what the ports could handle.

Transnet has embarked on a 25-year project to redevelop the old airport as a Dig-Out Port.

The first phase, said Gregg-Macdonald, would ensure Durban's ports have the combined capacity to import enough goods by 2020.

The ultimate plan is to use the Dig-Out Port in the decades to come as Durban's main port undergoes renovations.

Transport Minister Ben Martins said the deal was part of a plan to develop the "still nascent" maritime industry.

Last week, 645ha of land was transferred from the Airports Company South Africa, under the Department of Transport, to Transnet, under the Public Enterprises Department, for R1.45bn.

Transnet chief executive Brian Molefe said the acquisition of the land was budgeted for in the R300bn infrastructure roll-out of the next seven years. But the Dig-Out Port is expected to cost in excess of R70bn at current prices, an amount that will be raised in conjunction with the private sector.

Source: *The Times* via I-Net Bridge