

■ OPINION

SIYABONGA MTHEMBU and LANCE PETERSEN: Port and rail inefficiencies to cost SA R1bn a day

Action is urgently needed as the collective cost of port and rail failures in SA over the past 18 months is R150bn

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Durban, SA's busiest port, has been grappling with congestion issues for years. Picture: MFUNDO MKHIZE

It has been estimated that the collective cost of port and rail failures in SA over the past 18 months is R150bn. From another perspective, the collapse of Transnet is set to cost the country R1bn a day in economic output, the equivalent of 4.9% of our country's annual GDP, or R353bn. Take a moment to let those numbers sink in.

Recognising the gravity of the situation, after an urgent appeal by the business sector President Cyril Ramaphosa has agreed to establish a national logistics crisis committee. While this promise of an intervention gives the economy some hope, is it a case of too little too late?

One of the main areas that requires immediate attention from all sectors is rail. The numbers of locomotives and rail movements are far below the capacity of the south corridor running between the Eastern Cape and Gauteng.

Among the challenges is a lack of locomotives, as has been reported in detail by the media. The quickest solution to getting more much-needed locomotives would be the Chinese suppliers. However, this route has been plagued by obstacles, and even the visit by public enterprises minister Pravin Gordhan and his delegation to China does not seem to have resolved all the issues. Finding alternative suppliers to service the locomotives would increase the timeline to 18 months minimum.

Another problem is cable theft. While this scourge seems to have infiltrated all areas of society, the effect on rail has been immense as electrified rail locomotives obviously cannot run if the supply of electricity to the line is interrupted. The automotive industry alone is now spending millions on armed escorts for manufacturers' cargo as it is transported by road, when it should be on rail. This added cost is inevitably passed on to the end consumer.

The case to move cargo from road to rail is strong. Immediate benefits would include a reduction in the number of trucks on public roads, reducing accidents as well as the need for the rehabilitation of roads; a reduction in carbon emissions, since rail is far less carbon intensive than thousands of trucks on the road every day; and a reduced cost of transport, with rail being far more economical than long-distance road transport. However, this move cannot even be considered with our country's rail infrastructure in a state of disrepair.

In terms of shipping, we have seen a marked reduction in the number of vessels calling at the two Nelson Mandela Bay ports over the past few years as a result of the Covid pandemic. With SA, and the Eastern Cape specifically, home to automotive, perishable and wool industries, all of which are export focused, the ability to ship on a regular basis and on a reliable schedule is imperative to meet the contractual obligations producers have entered into with customers around the globe.

Durban, SA's busiest port, has been grappling with congestion issues for years. Inefficient handling of cargo, long waiting times for vessels and the inability to adapt to increased demand have led to extensive delays and financial losses for businesses. These delays ripple through supply chains, causing companies to incur additional costs and miss out on lucrative opportunities.

For Coega, one of the country's poorest regions in terms of unemployment, the fallout from port inefficiencies is palpable, as we see the region taking a huge financial knock. The citrus industry, for example, has had an extremely trying three years. The 2022 season saw 5.7-million fewer cartons exported than was predicted at the start of the season. This is despite a strong end to the production season in early 2023 that saw volumes exceeding the previous year. With about 30% of exports having to load out of other ports, the financial effect was an additional R250m spent on transport.

Our country, and in turn our economy, needs a functioning logistics network. But as the nation grapples to recover from the failure of yet another parastatal, those bearing the brunt of the port and rail inefficiencies are facing an increasingly tough time. A collaborative, co-ordinated and focused approach from business and the government is essential if we are to see movement in the right direction. We cannot afford to ignore these problems any longer; the cost of inaction is simply too high.

- *Mthembu is audit Partner at BDO, and Petersen chair of the Nelson Mandela Bay Business Chamber's transport and logistics task team.*

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