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OPINION

JUSTIN CHADWICK: A true citrus and rail renaissance could boost export economy

The overhaul of SA's rail system could spark an economywide turnaround

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by JUSTIN CHADWICK

Because it is so much more cost effective, freight rail usage can spark a real turnaround in the citrus industry that will be felt throughout the entire the economy, the writer says. Picture: 123RF

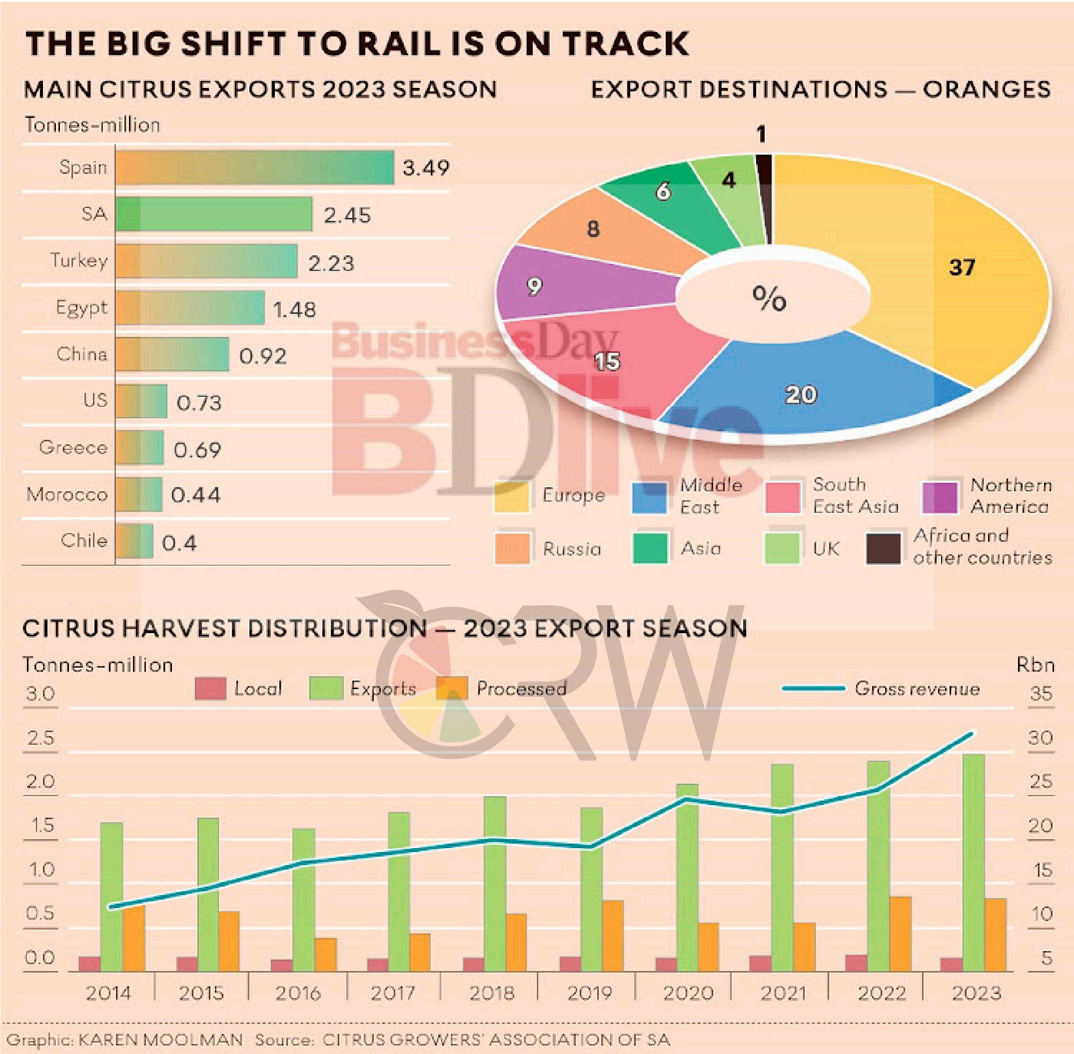
The citrus export season has just passed its halfway mark. Current estimates are that SA will export just under 165.3-million 15kg cartons of citrus to overseas markets.

That would make this another record year of increased volumes of citrus for export. The citrus industry contributes just over R30bn a year in foreign revenue to the economy.

More than 90% of citrus is moved to ports on our roads, which are already under pressure in terms of congestion, quality and general safety. The road works on the N3, for instance, have a significant effect on the movement of citrus from Limpopo to the Port of Durban, from where half the citrus is shipped out of SA.

Over the past few years citrus growers have invested heavily in new plantings, which are now starting to bear fruit. This is a moment of great opportunity. If all role players come together and create a conducive environment, we could export 260-million cartons by 2032 and create an additional 100,000 jobs.

Citrus Growers Association of Southern Africa logistics development manager Mitchell Brooke has modelled the growth and calculated that by 2027 the citrus industry alone will require 1,552 additional truck trips a week to take citrus to the ports. This is a staggering figure that our existing road infrastructure simply cannot sustain.



However, it is a source of great hope that the potential of citrus for growth coincides with a moment of significant change in rail policy. That this policy will translate into workable systems that create employment and increase foreign revenue is our industry's sincere wish.

Transnet finds itself operating within the structure of the new unity government. There is no longer a separate public enterprises department, and the responsibilities of the new transport minister, Barbara Creecy, as they relate to Transnet are essential in this regard. She could well oversee a true rail renaissance in SA.

This isn't idle optimism. There have been many indicators that a big shift in rail is on track. The white paper on rail reform was adopted by the cabinet in 2022, followed by the adoption of the freight logistics road map in 2023. The Economic Regulation of Transport Bill was adopted by parliament in February and signed by the president in June.

In her recent budget vote speech, Creecy highlighted the creation of a private sector participation unit dedicated to the design, negotiation and contracting of private sector involvement. She also stated that migrating "rail-friendly cargo back to rail and [alleviating] the pressure on our roads" is a key priority. The entire fruit industry welcomes and is galvanised by this vision.

However, it is not all optimism and hope. In March, Transnet published its draft network statement, which sets out the conditions through which the private sector can gain access to the rail network. It describes the infrastructure, capacity allocation, services and charges of private sector involvement. While being a significant step forward, the proposed minimum access fee of 19.79c per gross tonne per kilometre has drawn sharp criticism as being unaffordable.

A fine balancing act is needed. Private sector involvement is a way for Transnet to reduce its considerable debt and contribute to the economy, but fees and tariffs make sense only if they add to the competitiveness of private companies. Proposed additional charges in the statement include application fees, overloading and underloading charges, marshalling costs and a wide range of penalties. Cost of access is an area where a new governmental structure and new ministerial leadership could be significant.

Another concern is that the draft statement does not adequately address issues surrounding the security requirements of Transnet's infrastructure. Safe and largely theft-free infrastructure is essential.

Over the past few months the Interim Rail Economic Regulatory Capacity (IRERC) has received written responses to the draft network statement and it has held information-gathering sessions in Johannesburg, eThekwini and Cape Town. The process ahead will be closely watched. After consolidating all comments, the IRERC will send them to Transnet for a response, and then incorporate Transnet's response into the recommendations.

Thereafter there will be input on ministerial level, and a final network statement will be published. This final statement has the potential to be a true game-changer that kick-starts a rail renaissance.

The creation of freight logistics parks from which fruit can be moved will consolidate fruit freight in specific areas, increase density and prove cost effective. Plans for such parks have been suggested by many role players in the fruit export economy.

Volumes moved by Transnet Freight Rail have fallen from 226-million tonnes in 2017/18 to just 149.5-million in 2022/23. This trajectory can be reversed.

It must be acknowledged that Transnet under the leadership of Michelle Phillips has done much to address inefficiency, especially its handling of the ports crisis since the recent deciduous fruit season, and this has been appreciated.

The national logistics crisis committee has also achieved a lot. One hopes the general sense of urgency and change in the transport sector will culminate in big private players entering the market. Allowing the private sector onto the network will increase competition, reliability and efficiency, and, ultimately, reduce costs for all consumers at the end of the value chain.

The underuse of rail is not only a missed opportunity of significant proportions, it also puts the brakes on meaningful job creation in the export economy. Because it is so much more cost effective, freight rail usage can spark a real turnaround that is felt throughout the economy. As a country we should not waste the opportunity Transnet's network statement represents.

• *Chadwick is CEO of the Citrus Growers Association of Southern Africa.*

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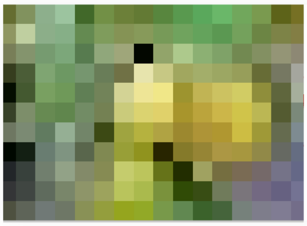

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