

RESEARCH NOTE | MARCH 2024

Navigating the bottlenecks of South Africa's rail network and ports

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The authors also thank Prof Stephan Krygsman for his valuable feedback on this report.

Publication date: 20 March 2024

Please refer to the glossary on the BER's [website](#) for explanations of technical terms.

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Introduction

“The biggest brakes on the economy have been load-shedding, the poor speed and quality of ports and rail, and the weakness of public services”
– Minister Enoch Godongwana, Budget Speech 2024

South Africa’s freight rail network, operated by Transnet Freight Rail (TFR), is a crucial part of the country’s economic infrastructure. However, the network faces severe challenges brought about by a lack of maintenance and investment, poor coordination between stakeholders, inadequate planning, and security concerns, to name a few. Logistical failures of this scale affect confidence, disrupt supply chains, and increase the cost of doing business, suppressing South Africa’s economic growth trajectory – as Minister Godongwana emphasised in the recent Budget Speech. After an official visit in March last year, the International Monetary Fund (IMF) identified Transnet’s “operational and financial weaknesses” as one of the country’s most significant domestic risks.¹

Through Operation Vulindlela, the National Logistics Crisis Committee (chaired by the President) and the Freight Logistics Roadmap (approved by Cabinet in December 2023), the state has made common cause with South Africans to improve the situation at Transnet.

This research note adds to the discourse by presenting and analysing data trends to watch as TFR tries to correct its course.

South Africa’s rail network

Initially built under colonial rule and later nationalised, South Africa’s railways once served as a vital artery for the movement of minerals and agricultural goods.

Box: Brief historical context

South Africa’s rail network was established in the 19th century, with the first rail line between Durban and The Point in 1860.² A second line was opened between Cape Town and Eerste River in 1862 and extended to Stellenbosch in 1863. These lines were privately owned and focused on exporting bulk commodities in mining, agriculture and forestry.³ In the late 1870s, private railways in Natal and the Cape, and the Transvaal and Orange Free State were taken over by their respective governments to coordinate infrastructure delivery and prevent monopolisation by private firms. In

¹ IMF (2023). <https://www.imf.org/en/News/Articles/2023/03/21/mcs032223-south-africa-2023-article-iv-mission>

² Department of Transport (2015). *National Rail Policy – Green Paper*. Available at: <https://www.transport.gov.za/documents/11623/21629/NationalRailPolicyGreenPaper.pdf/ea72ecab-2990-41cd-a0dd-f5e7a2c3e82a>

³ Development Bank of Southern Africa (2012). *The State of South Africa’s Economic Infrastructure: Opportunities and challenges*. Available at: <https://www.gov.za/sites/default/files/State%20of%20SAs%20Economic%20Infrastructure%20Report%202012a.pdf>

addition, as production areas expanded inland and moved away from the core lines, new rail links became too expensive for private firms to provide.

The 1910 Union unified the railway network to establish South African Railways and Harbours (SAR&H).⁴ The transport of agriculture and mining products was prioritised and was charged lower tariffs than industrial goods, which caused higher-value goods to divert from rail to road.

In the late 1920s, the introduction of cars further stalled the Union's railway expansion as trucks became a preferred mode for transporting high-value goods. Recognising the risks to their business mode, SAR&H lobbied for and secured the Motor Car Transportation Act of 1930, restricting road freight to farmers, local authorities, and government departments. The aim was to ensure that most cargo would remain on trains (although permits could be obtained for products such as perishables).⁵ For most of this period, the national rail network had cutting-edge technology and well-maintained infrastructure, allowing it to serve the agriculture and mining sectors efficiently.⁶

Sanctions imposed on South Africa between 1986 and 1994 severely restricted access to capital. Investment in rail infrastructure and rolling stock dried up, leaving trains gathering dust and tracks deteriorating. In addition, in 1989, the Transport Deregulation Act abolished road freight regulations⁷. The intention was to grow opportunities for economic development. It created an opportunity for road transport to capture more market share, but dealt a blow to the rail network.⁸

Today, South Africa's rail network still struggles with underinvestment. The majority of the network is owned by Transnet SOC Ltd, of which Transnet Freight Rail (TFR) is a division and the largest railroad and heavy haulier in Southern Africa. South Africa has one of the longest rail networks in the world: 22 298 route-km, of which 20 911 route-km are freight lines.⁹

⁴ Department of Transport (2022). *National Rail Policy – White Paper*. Available at: National Land Transport Act: White Paper on the National Rail Policy March 2022 | South African Government (www.gov.za)

⁵ Havenga, J. & Pienaar, W.J. (2012). QUANTIFYING FREIGHT TRANSPORT VOLUMES IN DEVELOPING REGIONS: LESSONS LEARNT FROM SOUTH AFRICA'S EXPERIENCE DURING THE 20th CENTURY. *Economic History of Developing Regions*, 27(2): 87-113. Available at: <http://dx.doi.org/10.1080/20780389.2012.745666>

⁶ Department of Transport (2009). *National Transport Master Plan (NATMAP 2050) - Rail gauge study report*. Available online: http://www.kzntransport.gov.za/reading_room/reports/natmap/NATMAP%20Rail%20Gauge%20Report%20-%20Final.pdf

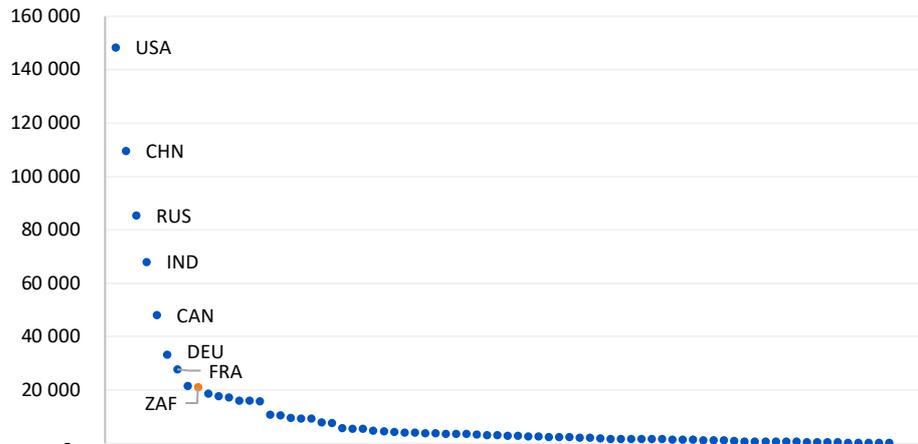
⁷ South African Government (1988). *Transport Deregulation Act No. 80 of 1988*. Available at: https://www.gov.za/sites/default/files/gcis_document/201505/act-80-1988_1.pdf

⁸ Department of Transport (2015). *National Rail Policy – Green Paper*. Available at: <https://www.transport.gov.za/documents/11623/21629/NationalRailPolicyGreenPaper.pdf/ea72ecab-2990-41cd-a0dd-f5e7a2c3e82a>

⁹ Route-km measures distance irrespective of the number of parallel tracks. In other words, if there are multiple rails running side-by-side, it would be counted as 1 route-km.

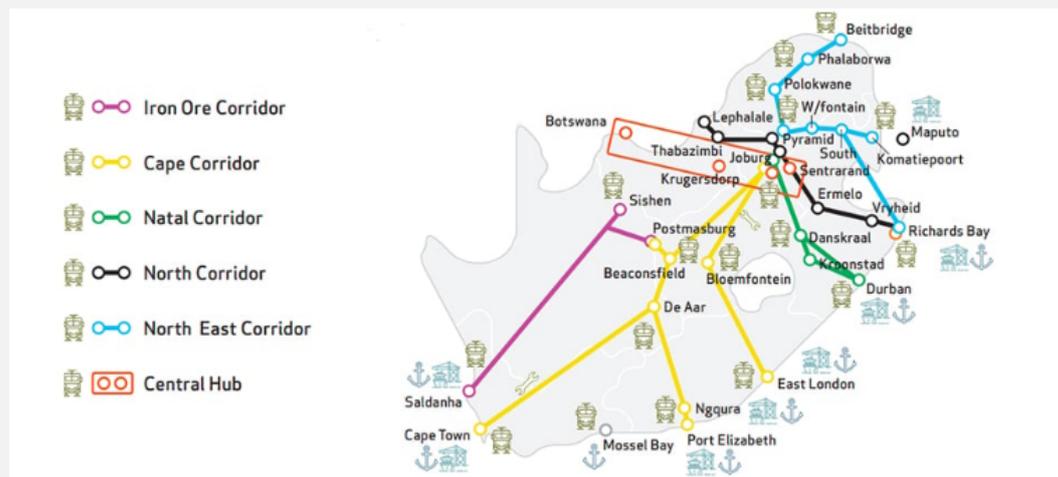
Figure 1: Countries according to the length of their rail networks

TOTAL ROUTE-KM, X-AXIS SORTS COUNTRIES BY THE LENGTH OF THEIR RAIL NETWORK



Source: The World Bank

Box: Transnet's primary rail corridors¹⁰



Source: Transnet Freight Rail (2022)

- The **North Corridor** transports 40% of total TFR volumes. It includes the 26-tonne-per-axle heavy-haul line between Ermelo and Richards Bay. The North Corridor predominantly transports export coal, domestic coal, Eskom coal, chrome, ferrochrome, bulk chemicals, agricultural products, and cement to the port from Mpumalanga and the Waterberge.
- The **Ore Corridor** is the second of two heavy-haul lines (30 tonnes per axle) in South Africa, stretching from Sishen (Northern Cape) to Saldanha Bay. The corridor mainly transports iron ore, manganese, cement, and lime.
- The **North-East Corridor** runs from the Beitbridge border post in Limpopo, through Komatipoort to Richards Bay, and from Emalaheni to Komatipoort. It transports 14% of rail freight volumes and is a strategic link between South Africa's rail freight network and other SADC countries.
- The **Cape Corridor** covers the largest area, stretching from Warrenton in the North-East to Cape Town. It connects key mining areas in the Northern Cape to the ports of Gqeberha and Ngqura

¹⁰ Transnet (2022). Freight Rail Report 2022. Available online: <https://www.transnet.net/InvestorRelations/AR2022/Freight%20Rail%202022.pdf>

and is the primary channel for manganese exports. This corridor provides opportunities for transporting motor vehicles, cement, lime, fruit, maize, and wheat.

- The **Container Corridor (or Natal Corridor)** links Gauteng and Durban and extends to Port Shepstone, Kroonstad, and Stanger. It also has branch lines to service the grain and timber sectors. It primarily conveys containers, automotive vehicles, grain, fuel, and general freight.
- The **Central Hub** enables cross-network traffic between the corridors. It runs from Pretoria to Vereeniging, eastwards towards Warrenton and westward towards the Botswana border.

An expansive rail network is insufficient to ensure effective and efficient freight transport: critical factors like track quality, maintenance and the number of trains operating are crucial in determining overall performance.

Cable theft and vandalism have made maintaining the rail network more difficult. Transnet's interim financial results for September 2021 reported the cancellation of 1 190 trains resulting from "security-related incidents". A snapshot of Transnet's Cable Theft Stats¹¹ shows that 1 200km of railway cables were lost between August 2021¹² and September 2023. Assuming it costs R1 million to fix each kilometre of railway line¹³, this amounts to nearly R1.2bn of repairs.

If the network is not adequately maintained (for whatever reason), rail speed and transport frequencies decrease, resulting in lower volumes. As a result, vessels need to stay in the ports for longer, leading to higher costs and ultimately affecting the competitiveness of South African produce abroad.

Road and rail freight trends

Stats SA's Land Transport Survey reveals the current unpopularity of South Africa's freight rail transport system.

By its nature, a rail network is fixed and thrives on constant throughput. As shown in Figure 2, since around the beginning of 2019, there has been a steady decline in rail payload.¹⁴

¹¹ Transnet's Cable Theft Stats. Available at: <https://www.transnet.net/Media/Pages/Cable-Theft-Stats.aspx>

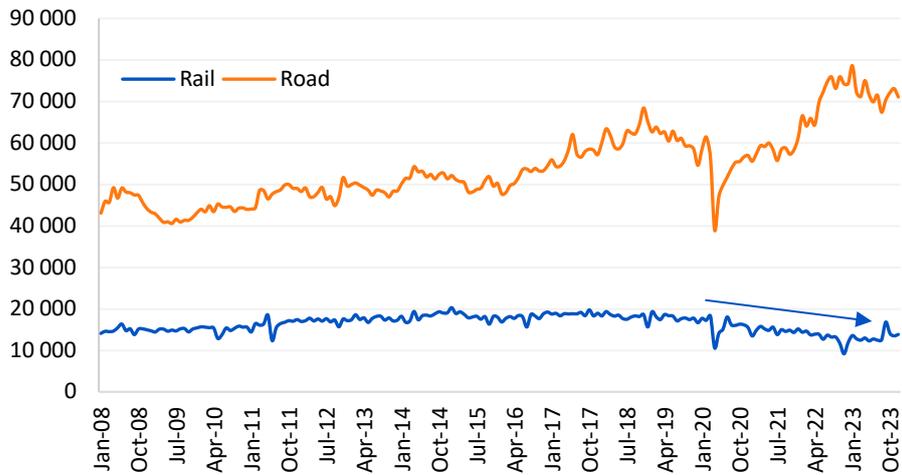
¹² The first available date is 31 August 2021.

¹³ An estimate provided by engineers in Crisis24 article: <https://crisis24.garda.com/insights-intelligence/insights/articles/disruptions-in-south-africas-rail-network-supply-chain>

¹⁴ Payload is the weight of freight carried by a vehicle, excluding what is needed for its own operation. In other words, it reflects the weight of the cargo from which an income is derived.

Figure 2: Total monthly payload

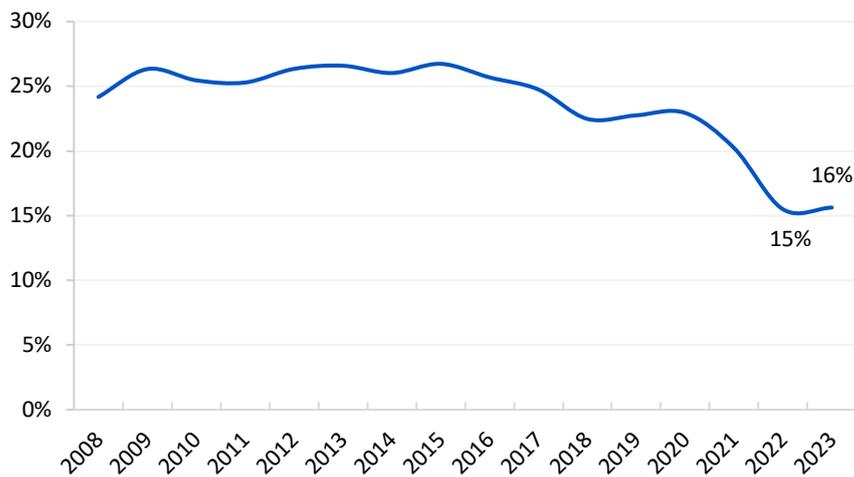
'000 TONNES, SEASONALLY ADJUSTED



Source: Stats SA Land Transport Survey

Between 2009 and 2016, rail accounted for approximately 26-27% of total road and rail payload. This percentage has been in steady decline, reaching a low of 15% in 2022 and 16% last year. Rail freight typically accounts for between 15-40% of total payload in Europe. South Africa's performance earlier in the decade was comparable, but there is a critical difference in the type of freight transported. In South Africa, freight rail has predominantly focused on bulk commodities like coal and iron ore and some manufacturing payload. In Europe, the freight rail network is more focused on transporting containers.

Figure 3: Rail as a share of the total annual payload transported via road and rail



Source: Stats SA Land Transport Survey

Box: Would changing to a standard gauge network solve our problems?

South Africa's rail network has a narrow- or Cape gauge (1 067mm). It forms part of the meter gauge group, accounting for less than 17% of the world's railways.¹⁵ The narrow rail gauge was chosen during the 19th century primarily due to South Africa's unique geography, with the rationale that it would allow the network to follow the contours of the mountains¹⁶.

South Africa's narrow-gauge rail network restricts speed and axle load compared to standard gauge networks¹⁷. However, axle load is not only determined by gauge size; factors like rail wear and deterioration, accidents, and bridge capacity also influence it. The narrow-gauge system, for instance, doesn't accommodate double-stacking, yet this limitation isn't solely due to gauge size but also to constraints like bridge heights and transfer capabilities.

It would be wrong to assume that changing to a standard gauge railway would resolve South Africa's freight challenges. Vale – a Brazilian metals and mining multinational – has become one of Brazil's largest logistics operators despite most of its network having a 1 000mm gauge. Part of its success is private ownership (concessions) of the railways that run between its mines and the ports.

There has been a marked shift in freight from South Africa's rail network to the road. The Stats SA's Land Transport Survey shows that, in 2023, South African roads transported 217.5 million tonnes *more* freight than they did on average between 2012 and 2019, while the rail network transported 56.2 million tonnes *less*. These trends have translated into R12 908 million more road freight transportation income being generated in 2023 than between 2012 and 2019 on average, and R14 295 million less income from rail.

Figure 4: Payload volume in 2023 compared to 2012-2019 average

MILLION TONNES

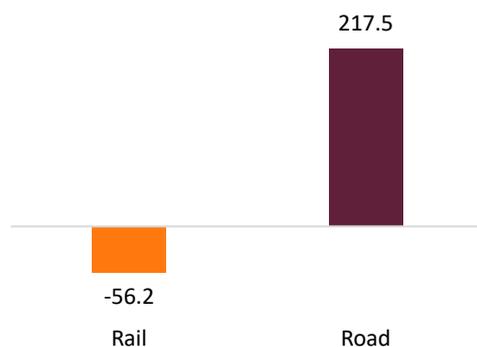
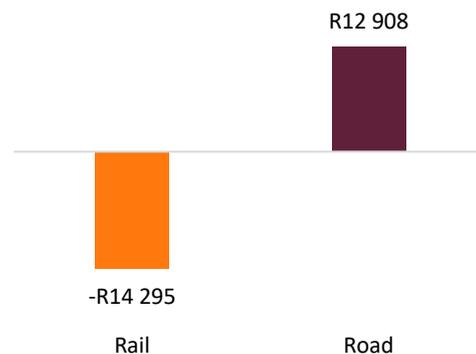


Figure 5: Income from freight transportation in 2023 compared to 2012-2019 average

RAND MILLION, CONSTANT PRICES



Source: Stats SA Land Transport Survey

¹⁵ Department of Transport (2009). National Transport Master Plan (NATMAP 2050) - Rail gauge study report. Available online: http://www.kzntransport.gov.za/reading_room/reports/natmap/NATMAP%20Rail%20Gauge%20Report%20-%20Final.pdf

¹⁶ Transnet (2022). 150 years of Rail in South Africa. Available at: <https://www.transnetfreightrail-tfr.net/Heritage/150years/150YearsRail.pdf>

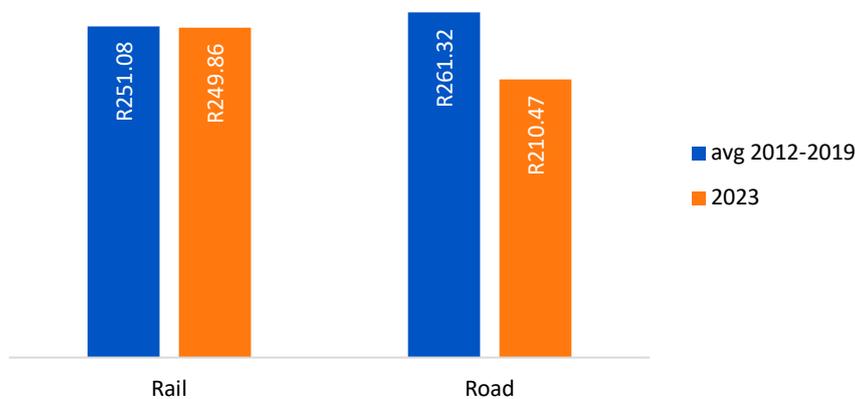
¹⁷ Standard gauges (1 435mm) dominate the global railway scene, comprising over 60% of the world's network. Demmerez de Charmoy, C.P. & Gräbe, P.J. (2020). Quantifying the economic benefits of gauge changes on the South African core railway network. *Journal of the South African Institution of Civil Engineering*, 62(3):23-35. Available at: <http://hdl.handle.net/2263/82191>

Ironically, the sharp increase in road freight volumes without a proportional increase in income has caused income per tonne from road freight to decrease. For road freight, the largest cost components are staff, fuel and maintenance – in that order. With higher competition in this market, prices have not kept pace with inflation despite cost pressures.

The fact that the average income per tonne from rail freight transportation is now higher than that of road freight highlights the implicit cost of TFR’s inefficiencies. In theory, average income from rail freight should be lower than road freight: a rail network has more significant economies of scale and is less sensitive to fluctuations in fuel price. Its cost-effectiveness, however, critically depends on utilisation.

Figure 6: Average income from freight transportation

RAND PER TONNE



The increase in road freight cannot wholly be attributed to Transnet’s operational issues. The rail network is much like it was in the 1920s, but the road network has expanded significantly. South Africa has roughly 750 000 km of roads, compared to roughly 22 000 km of rail. In addition, the location of mining and manufacturing activity has changed since the initial construction of the railways, leaving many without easy access to the network. Spatial economic development must be central to planning how a rail network can be used effectively.

Of particular concern are the markets that South Africa’s current rail network should be able to serve: primary mining and quarrying products (specifically coal and iron ore) and containers.

COAL AND IRON ORE FREIGHT

Logistical hurdles in the freight network severely impact export revenue and the fiscus. Coal and iron ore are among South Africa’s largest export commodities. These bulk commodities depend on the TFR rail network for transport from the mines to the ports. Most coal exports flow through the North corridor to the Richards Bay Coal Terminal (RBCT) in Kwazulu-Natal¹⁸ – a 24-hour terminal with a capacity of 91 million tons per annum (Mt/a).¹⁹ Iron ore is railed on the Ore Corridor, which runs from the Northern Cape to Saldanha Bay in the Western Cape. This is the only iron ore export facility in

¹⁸ <https://www.transnetfreightrail-tfr.net/BU/Coal/Pages/Overview.aspx>

¹⁹ Thungela: Integrated Annual Report, p. 1

South Africa and is operated by TFR.²⁰ The capacity of the vessels that collect these bulk products from our harbours (between 80 000 to 200 000 tonnes) is such that these volumes cannot efficiently be transported by road. Nonetheless, the Minerals Council estimates that in 2023, a third of coal was transported to ports in trucks.²¹ While mines have developed and grown, the rail network has not, leading to increased road freight.

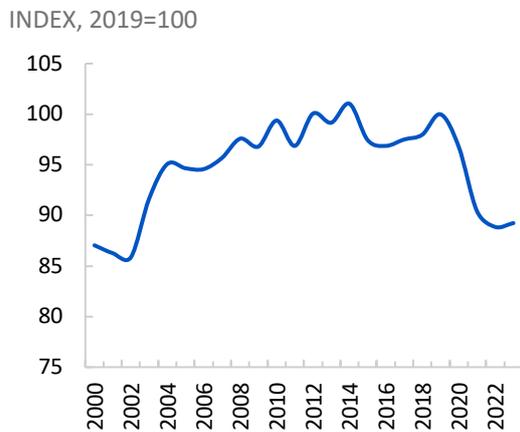
The muted increase in income from primary mining and quarrying products amidst a commodity boom hints at opportunities foregone. Following the COVID-19-induced slump in global demand in 2020, 2021 saw coal and iron ore prices soar by 72% and 31%, respectively. In 2022, an increase in gas prices following Russia’s invasion of Ukraine caused European coal demand to soar, contributing to a staggering 145% increase in the coal price.

One would expect that – subject to freight rail capacity – such extreme price increases would encourage production and export volumes to grow as miners capitalise on this opportunity, but this is not how things transpired. While Transnet is partly to blame, South Africa’s distance from major coal export markets also sets us back and makes it difficult to respond to rapid changes in demand. This emphasises the importance of having a reliable and efficient domestic supply chain.

Coal production and exports

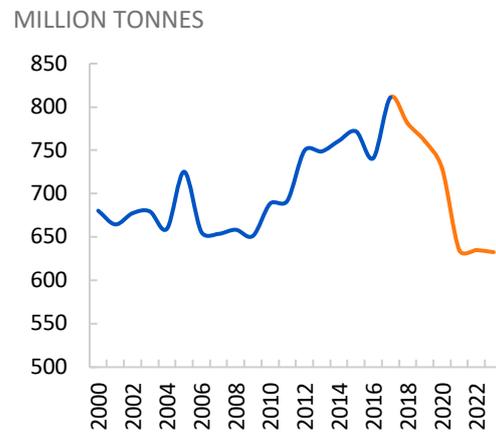
In 2021, the volume of coal production and exports shrunk by 6.7% and 12.8%, respectively. This was aggravated by reduced domestic demand due to load-shedding. Coal production in 2022 decreased by 1.4%, and exports barely grew (up by 0.1%) – 21.5% lower than the 2017 peak. There was sideways movement in both these measures in 2023.

Figure 11: Coal production declined significantly after 2019



Source: Stats SA

Figure 12: Coal exports have been on the decline since 2017



Source: SARS

²⁰ <https://www.transnetfreightrail-tfr.net/BU/IOM/Pages/Overview.aspx>

²¹ <https://www.dailymaverick.co.za/article/2024-02-06-transnet-to-open-up-third-party-rail-network-access-from-april/>

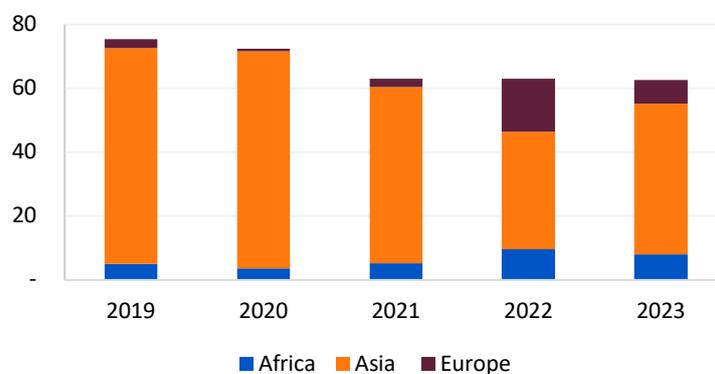
Box: Select examples where companies have detailed their losses due to poor TFR rail performance

- Thungela reported a decline in exports to 12.2 Mt in 2022 from 13.9 Mt in 2021 and 16.6 Mt in 2020.^{22,23} Their actual exports for 2022 fell well short of their forecast, which had initially projected sales between 14 Mt and 15 Mt. Despite accounting for TFR disruptions in their initial guidance, ongoing inefficiencies have led Thungela to drastically scale down their export forecast for 2023 to between 10.5 Mt and 12.5 Mt²⁴.
- Glencore's export sales dropped by 13.6% to 12.7 Mt in 2022 compared to 14.7 Mt in 2021 and 14.8 Mt in 2020.^{25,26} Their 2022 annual report directly attributes the decline in exports to issues within the rail network. Glencore's 2023 half-year results indicate stagnant export sales of 6.6 Mt, suggesting minimal improvement in TFR rail performance.²⁷
- Exxaro experienced a substantial decline in export sales, from 12 Mt in 2020 to 7.6 Mt in 2021 and further to 5.2 Mt in 2022, entirely attributing the drop to TFR's underperformance.²⁸ Their export guidance for 2023 has been significantly revised downwards, from an initial forecast of 12.1 Mt²⁹ to a projected sales figure of just 4.8 Mt as outlined in their half-year report for 2023.³⁰
- Despite a welcomed increase in 2021, Sasol's export sales decreased by 11.5% to 2.3 Mt in 2022, reflecting a trend of declining export volumes among South Africa's largest coal miners.

Of course, production and export volumes are affected by what happens in the global economy and cannot wholly be blamed on TFR's woes, but there is evidence that logistical failures are holding us back. In 2022, when European coal demand soared, South African producers diverted sales to Europe that would otherwise have gone to Asia. One would instead have wanted to see overall production increase.

Figure 13: Coal exports from South Africa

MILLION TONNES



Source: SARS

²² Thungela Integrated Annual Report 2022, pp. 62, 69.

²³ Thungela Integrated Annual Report 2021, pp 75, 80, 80.

²⁴ Thungela 2023 Interim Results, p. 4.

²⁵ Glencore Annual report 2022, p. 87

²⁶ Glencore Annual report 2021, p. 66

²⁷ Glencore Half-Year production report 2023, p. 5

²⁸ Exxaro Annual Financial Results presentation 2021, p. 32

²⁹ Exxaro Annual Financial Results presentation 2020, p. 34

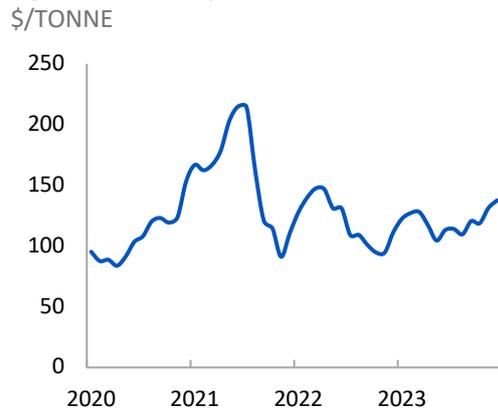
³⁰ Exxaro Interim Financial Results 2023, p. 37

South Africa has also been sending more coal to Africa. Our neighbour, Mozambique, received 1.6% of South Africa’s total coal exports in 2019, but this share increased to 7.8% in 2022 and 6.9% in 2023. Inefficiencies at South African harbours have caused the Maputo port to increase in popularity.

Iron ore production and exports

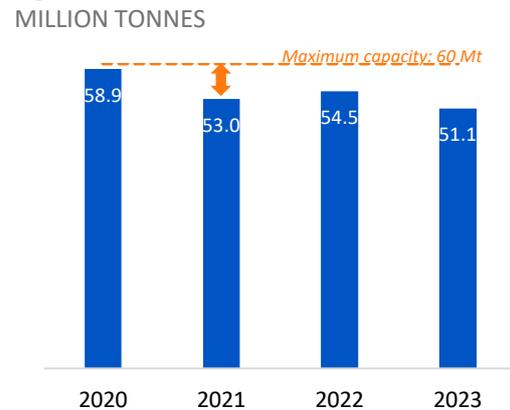
Although the iron ore corridor performed somewhat better than the North corridor to Richards Bay (the coal line), iron ore production and exports have also been affected by poor rail performance. In 2023, 51.1 Mt of iron ore was railed to Saldanha Bay compared to 54.5 Mt in 2022.³¹ The line has a capacity of 60 Mt. Poor performance in 2021 was particularly costly when iron ore prices peaked (Figure 7).

Figure 7: Iron ore price and railed amounts



Source: Refinitiv

Figure 8: Railed amount of iron ore



Source: Transnet Freight Rail Annual Reports

Kumba Iron Ore, the largest iron ore mining company in South Africa, has detailed its frustrations with the rail network. Its 2022 Annual Report refers to train cancellations, infrastructure breakdowns, locomotive failures, derailments, speed restrictions, and a Transnet strike in October 2022 as the key reasons for the decline in their exports. Kumba’s 2023 Annual Report highlights how logistical constraints directly impact production: production decreased from 37.7 Mt in 2022 to 35.7 Mt in 2023 to alleviate pressure on on-mine stockpiles.

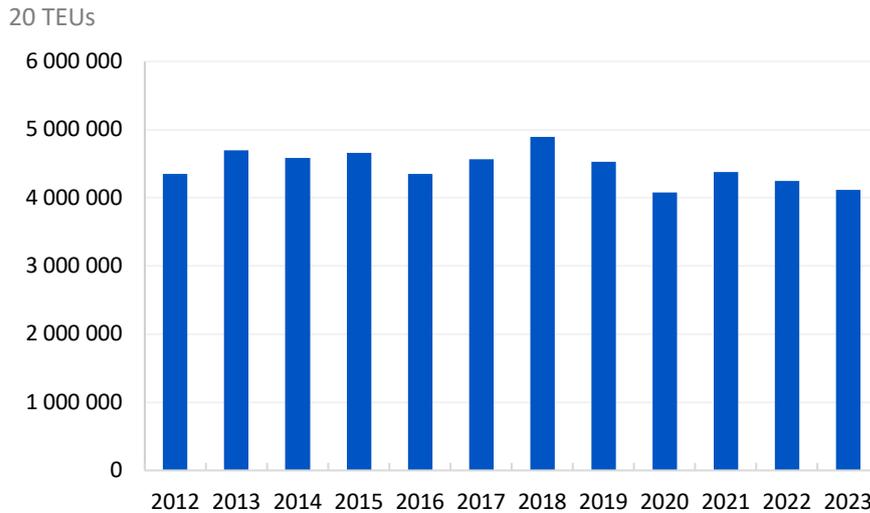
CONTAINER FREIGHT

Container transport on South Africa’s rail network should play a crucial role in the country’s logistics landscape. This is especially true for the Container Corridor, which links Durban to the economic hub of Gauteng. However, TFR’s significant operational challenges have severely impacted this capacity.

We do not know the split in container freight between rail and road, but the overall number of containers processed by South African ports has shrunk in recent years. This is likely a function of slow economic growth, aggravated by inefficient freight transport systems that lead to increased transport costs and cause delays across supply chains.

³¹ Transnet Freight Rail Annual Reports 2022 and 2023.

Figure 9: Total containers invoiced at South African ports

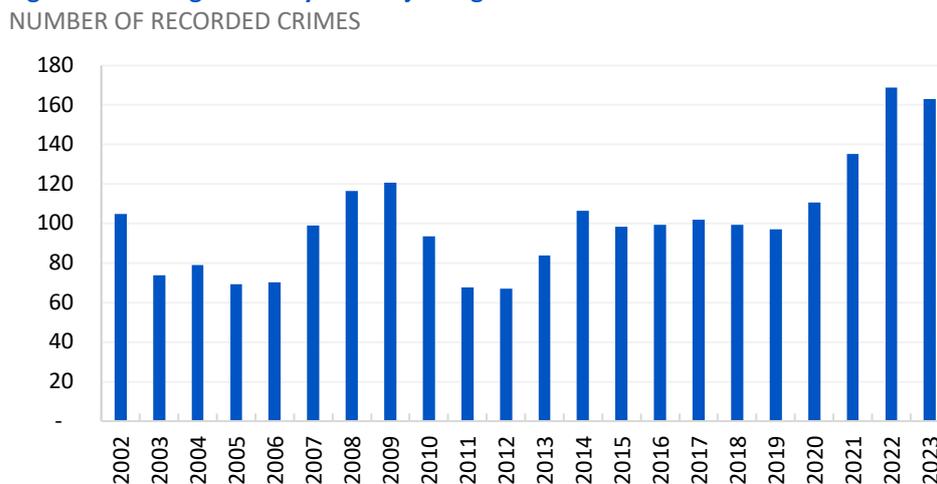


Source: The World Bank; Transnet National Ports Authority

Moving container freight from rails to road is, at best, a temporary solution to South Africa’s rail network challenges. It increases road congestion, especially on major routes like the N3 between Durban and Johannesburg. A higher volume of heavy trucks also creates road safety concerns and can cause more severe accidents. In addition, increased heavy vehicle traffic accelerates road deterioration, requiring more frequent road maintenance. It may also increase greenhouse gas emissions, as trucks typically have a larger carbon footprint than trains per cargo unit. A train can transport between 100 and 200 containers, equating to as many trucks on the road.

Truck hijackings have also added to the logistical nightmares. Figure 10 shows the upward trend in truck hijackings since 2020, with an average of 163 truck hijackings per month last year. This translates into roughly five trucks being hijacked each day. Although the increase in the incidence of hijackings does not control for more trucks on the road, it is nevertheless a worrying trend. Last year, several trucks were torched³² on the N3 in KwaZulu-Natal.

Figure 10: Average monthly truck hijackings



Source: SAPS

³² <https://www.businesslive.co.za/bd/national/2023-07-09-torching-of-trucks-on-n3-planned-to-bring-mayhem-and-disruption/>

Constraints at South Africa's ports

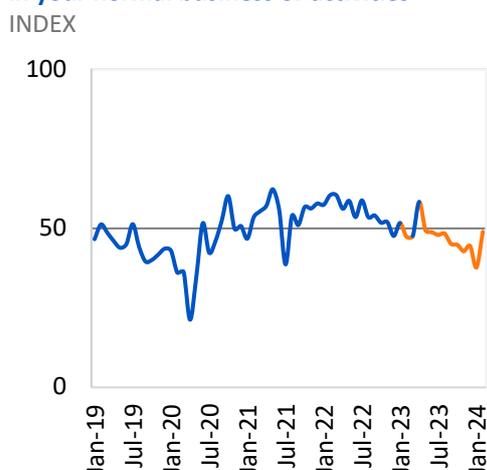
Aside from problems with the rail network, logistical problems at South Africa's container terminals have also caused havoc to the economy. These problems not only hamper exports but also constrain manufacturers that rely on imports as input into production.

The container terminals in Durban and Cape Town have been primary sources of concern, although there has been some progress since the end of last year.

The BER collects data on two series that can help us understand the economic impact of these constraints and give momentum to current turnaround initiatives. The Absa Purchasing Managers' Index (PMI) survey ask respondents to indicate the direction of change in overall purchased inventory quantities (not finished goods unless purchased). It creates an index that tracks the level/ volume of overall purchased stock of materials and goods used in normal business or activities (Figure 11). Aside from a momentary uptick in April 2023, the index has been in contractionary territory (below 50 points) since the start of last year. Coupled with comments from respondents bemoaning import delays, the low stock levels likely reflect the difficulty of getting goods in and out of South Africa's harbours.

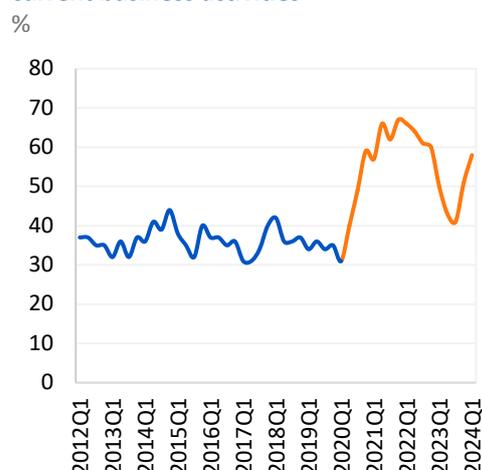
The Absa/BER Manufacturing Survey tracks the share of respondents that cite raw material shortages as a constraint on current business activities (Figure 12). While the steep uptick at the start of the pandemic was mainly because of lockdowns on global supply chains, the index has remained high even though the global flow of goods has normalised. Much of this trend is likely due to problems at our harbours. Respondents' comments to the Absa/BER PMI and the Manufacturing Survey highlight the direct cost of these logistical inefficiencies.

Figure 11: 'The level/volume of overall purchased stock of materials and goods used in your normal business or activities'



Source: Absa PMI

Figure 12: Share of respondents citing 'raw material shortages' as a constraint on current business activities



Source: Absa/BER Manufacturing survey

Box: Verbatim comments received in response to the Absa Purchasing Managers' Index (PMI) survey and the BER's quarterly business surveys

Comments from the Absa PMI (February 2024)

- *"Slower demand from mining as operations wind down for year-end and manage stockpiles created by TFR rail logistics constraints"*
- *"We have a shortage of fabric to convert due to the delays from Transnet ports"*
- *"Port congestion negatively impacting on performance and driving costs up"*
- *"Christmas orders. However the port problem of congestion is constricting the flow of supplies"*

Comments from the BER's quarterly business surveys (2024Q1)

- *"Struggling to get goods out of Durban port."* [Durable goods retailer]
- *"[x] imports foods directly from Euro and UK. We have about 12 food import agents that import from around the world and wholesale their products for us to retail to Johannesburg market. The hold up at customs and ports is atrocious. There appears to be purposeful disruption to imported foods and the state vet attitude is shocking in attending. This has precipitated a loss in import trade for the year and at least half of the food importers to seek business amalgamation to alleviate the challenge. General conditions in retail are very weak. Suppliers are struggling to distribute fairly."* [Durable goods retailer]
- *"vraghouers kom nie gou genoeg uit die Hawens nie."* [Durable goods retailer]
- *"The issue in the Durban harbour is going to soon become an issue to us all"* [Durable goods retailer]
- *"Businesses only purchase what they need. Certain suppliers also carry low stocks due to many variables. Stocks held up at customs etc. Economy also at a low."* [Non-durable goods retailer]
- *"Ports remain a concern. And likewise the election."* [Wholesale goods retailer]
- *"Port congestion is making it extremely difficult to export. Lack of rail infrastructure severely hampers our logistics."* [manufacturer]
- *"Electricity/Fuel price/ Exchange Rate/Port Congestion"* [Transport, storage and communication service provider]
- *"Local & international transport is affecting our business. Locally due to the petrol prices and internationally, due to the ports problems we have."* [Transport, storage and communication service provider]

Port of Cape Town delays have severely impacted the start of South Africa's 2023/24 deciduous fruit season, which depends heavily on the international market. Given South Africa's distance from its export markets, a cost-effective and efficient supply chain is vital to the competitiveness of our exports. Hortgro (a deciduous fruit industry organisation) reported that its producer members sent 2 052 containers from Cape Town to Gqeberha/ Coega in 2023/24, compared to 935 in 2022/23. This was an emergency measure to overcome the Port of Cape Town bottlenecks. At R35 000 per container, fruit producers paid R39 million *more* in transport costs due to the difficulty of shipping out of Cape Town port. Producers also sent more containers to Durban – 650 in 2023/24, compared to 523 in 2022/23. At a cost of R50 000 per container, this increased its costs by a further R6 million. However, a counterfactual scenario in which freight is ruined carries an even greater cost. Hortgro estimates that the deciduous fruit industry lost close to R 1 billion due to the problems at Cape Town Port. The lost revenue might otherwise have been invested back in the agricultural sector. Sending freight by road across the country also causes unnecessary infrastructure damage and increases producers' carbon footprints.

The logistical problems at the ports are being addressed as part of the government's focus on network industries. Transnet Ports Terminals (TPT) recently reported that the backlog at Durban Container Terminal (DCT) has been substantially alleviated. By the end of January, the number of ships waiting to berth had been reduced from 60 in mid-November to 12.³³ Another encouraging development is a partnership between the DCT and the University of Pretoria to upskill employees to improve operational performance outcomes.³⁴ The Port of Cape Town backlog is reportedly also being addressed: towards the end of February, a high of 8 000 standard containers per week against a target of 5 000 were moved.³⁵

Final remarks: Recent developments

Over the years, the government has provided significant financial support to Transnet through bailouts, guarantees and special allocations. The latest plans are set out in the Freight Logistics Roadmap.

The Freight Logistics Roadmap provides a reform path to address the immediate operational challenges driving the decline of rail and ports, and to develop interventions. It proposes three areas of intervention: (1) operations and rolling stock improvements, (2) security and safety of the rail network (in collaboration with law enforcement agencies), and (3) capital investment for expansion and to sustain operations.

As part of its recovery plan, Transnet has announced that it will be split into two entities by April 2024: Transnet Rail Infrastructure Manager (TRIM) and Transnet Freight Rail Operating Company (TFROC). TFROC will take responsibility for rail freight operations, train safety, and ownership and management of the rolling stock.

These structural changes should make the network more accessible to third parties and encourage private-sector participation.³⁶ One example that this is bearing fruit is a recent five-year agreement between Transnet and Sasol: through a dedicated fleet of 128 tankers, TFR will deliver ammonia to Sasol's customers, and in return, Sasol will fund the maintenance and repair programme for the fleet.³⁷ Another promising development is the recent release of a tariff discussion document for public comment to provide a framework for third-party train operators to access the network. Although there is apprehension regarding the pricing model,³⁸ it marks a step in the right direction.

The government's appetite for taking hands with the private sector seems to be slowly increasing, with reform plans in place to address the problems of South Africa's freight sector. The proof will lie in their implementation.

³³ <https://www.polity.org.za/article/we-are-turning-ports-around-but-it-will-take-time-ramaphosa-2024-02-05>

³⁴ <https://www.engineeringnews.co.za/article/durban-container-terminal-advances-various-operational-improvement-initiatives-2024-02-29>

³⁵ <https://www.news24.com/fin24/economy/port-chaos-transnet-says-cape-town-turnaround-beat-targets-but-cold-comfort-for-fruit-exporters-20240228>

³⁶ <https://www.dailymaverick.co.za/article/2024-02-06-transnet-to-open-up-third-party-rail-network-access-from-april/>

³⁷ <https://www.businesslive.co.za/bd/opinion/columnists/2024-03-04-michael-avery-reform-momentum-is-gathering-steam/>

³⁸ <https://www.businesslive.co.za/bd/national/2024-03-19-transnet-tariffs-seen-as-predatory/>