



National Logistics Crisis Committee

Port of Cape Town Stakeholder Dialogue

Framing the Problem

- Infrastructure and Equipment Backlog
- Theft and Vandalism
- Skills gaps

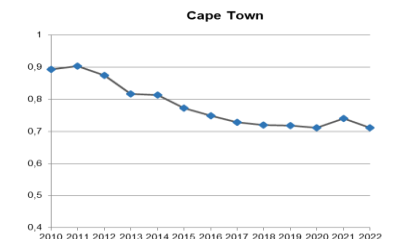
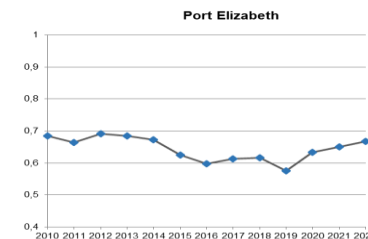
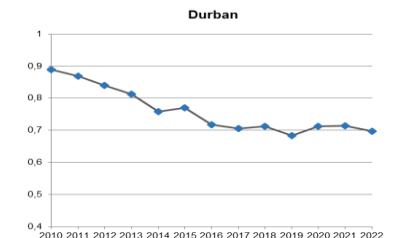
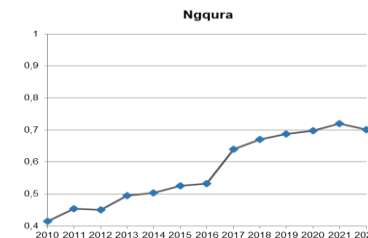
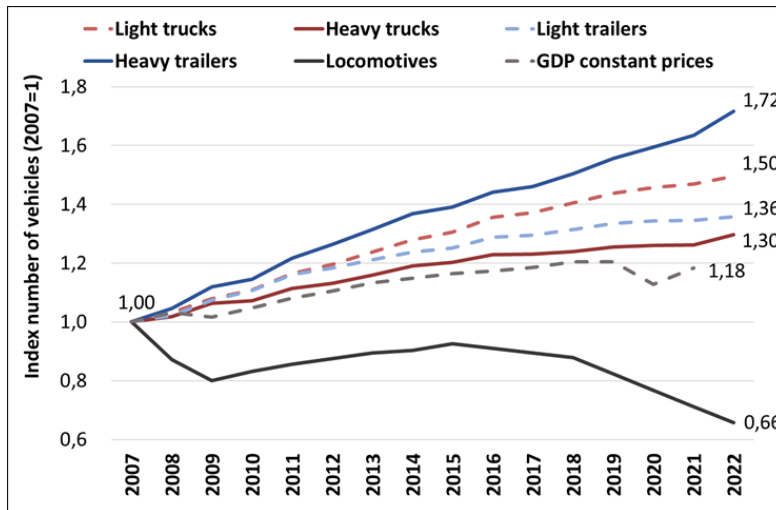
Operational
Crisis

Financial
Crisis

- Declining cash from operations
- High debt
- Limited investment funds

Structural
Inefficiencies

- Weak competitive environment
- Unfunded mandates
- Limited public-private collaboration



Causes of the crisis

Outcomes

Decline in rail volumes

Inefficiency and high cost

Low productivity

Immediate causes

Historical underinvestment in maintenance

Inadequate funding, weak implementation capability, and the diversion of resources to operating requirements



Security issues

The scale and frequency of cable theft has risen sharply in recent years, disrupting operations



Unfunded mandates

Developmental mandates have received insufficient oversight, and the nature of and funding for such mandates has not been clear



Governance

The legacy of state capture and governance issues remains present in the sector, including corruption in procurement, weak oversight, and insufficient economic regulation



Rolling stock

More than 200 locomotives are currently standing idle, and a significant proportion of the current rolling stock fleet is more than 40 years old



Operational inefficiency

Compared to international benchmarks, the South African rail system moves too little traffic, too slowly, and with low productivity



Essential facilities

Under the current structure, competition is not effectively facilitated. In addition, the dominant firm is likely to continue to prioritise rail and ports operations, which bring in external revenues, leaving ports and rail infrastructure as a neglected internal cost centre.

Structural causes

The National Logistics Crisis Committee (NLCC)

- The **mandate of the NLCC** is to coordinate interventions across government and mobilise private sector resources to accelerate the operational recovery and implement reforms in the Freight Logistics Roadmap.
- The NLCC will support stakeholders to execute turnaround interventions **through the following tasks:**

1

Reviewing the underlying data to establish causes and design solutions.

2

Ensuring accountability for delivery against identified interventions and resolving bottlenecks in implementation.

3

Mobilising resources and technical expertise from the private sector as necessary.

4

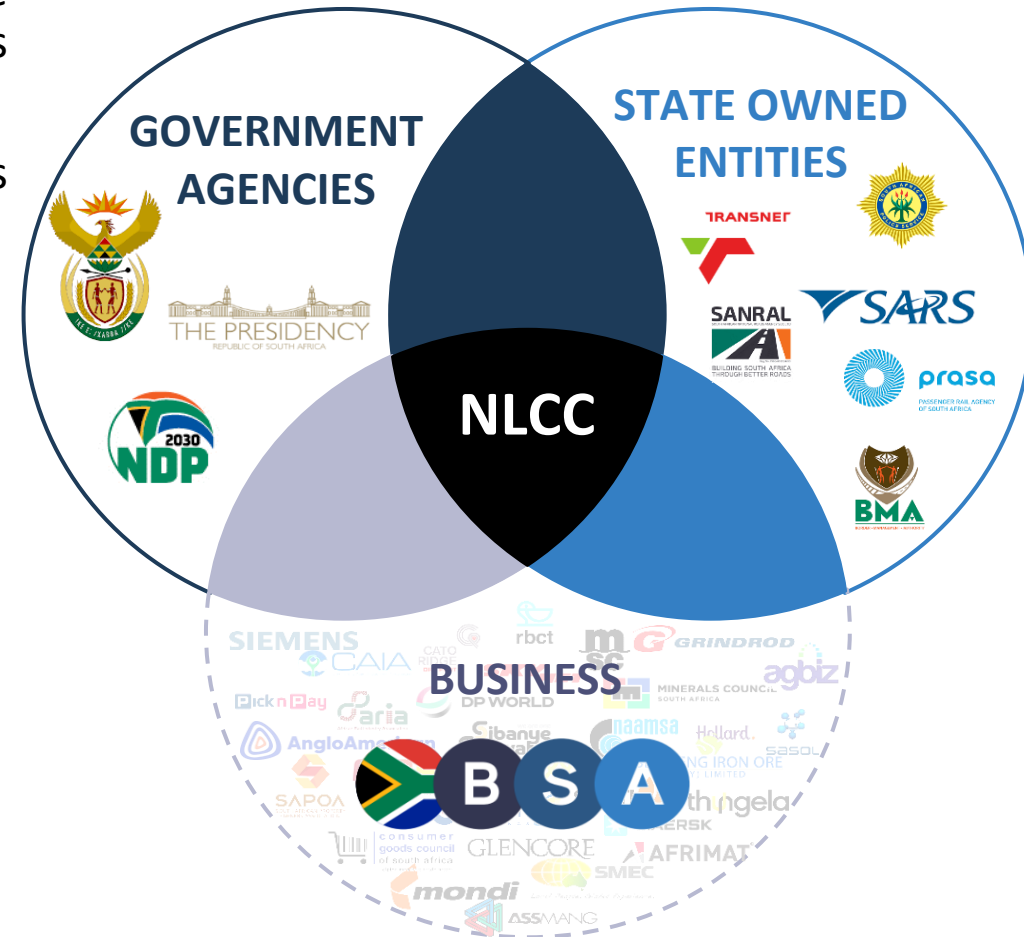
Providing enabling conditions to support implementing agents in addressing current challenges, where external dependencies exist.

5

Ensuring adaptation and responsiveness to circumstances as they change.

6

Where necessary, designing and implement operational interventions.



Key Objectives of the Roadmap

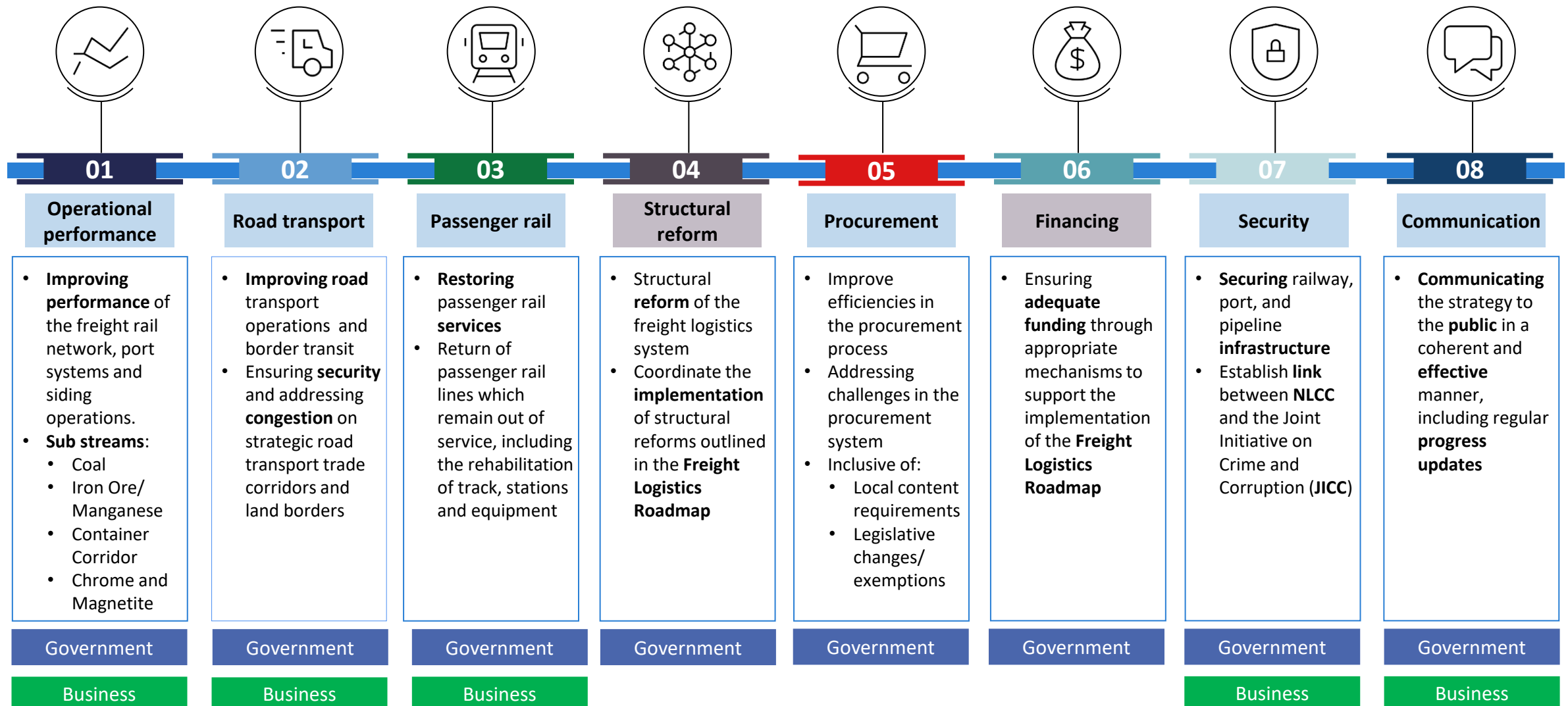
- Corridor Recovery Teams Established
- Operational Excellence Centres Established
- Mutual Collaboration Agreement concluded



- Separation of Rail Infrastructure from Operations
- Corporatisation of the National Ports Authority
- Create a level playing field in ports and rail

- Focus on supply chains needs and levers
- Public-private partnerships to improve competitiveness
- Single Transport Economic Regulator

Work streams of the NLCC



Cape Town Container Terminal Operational Recovery Plan

- **TNPA 8 Point Plan**

- Immediate Crisis Management Interventions
- Improve Information Sharing and Port Operations Visibility
- Combat adverse weather conditions
- Terminal equipment and port infrastructure
- Improve truck operations
- Optimise Marine Services
- People
- Optimise the port as a delivery platform

- **TPT**

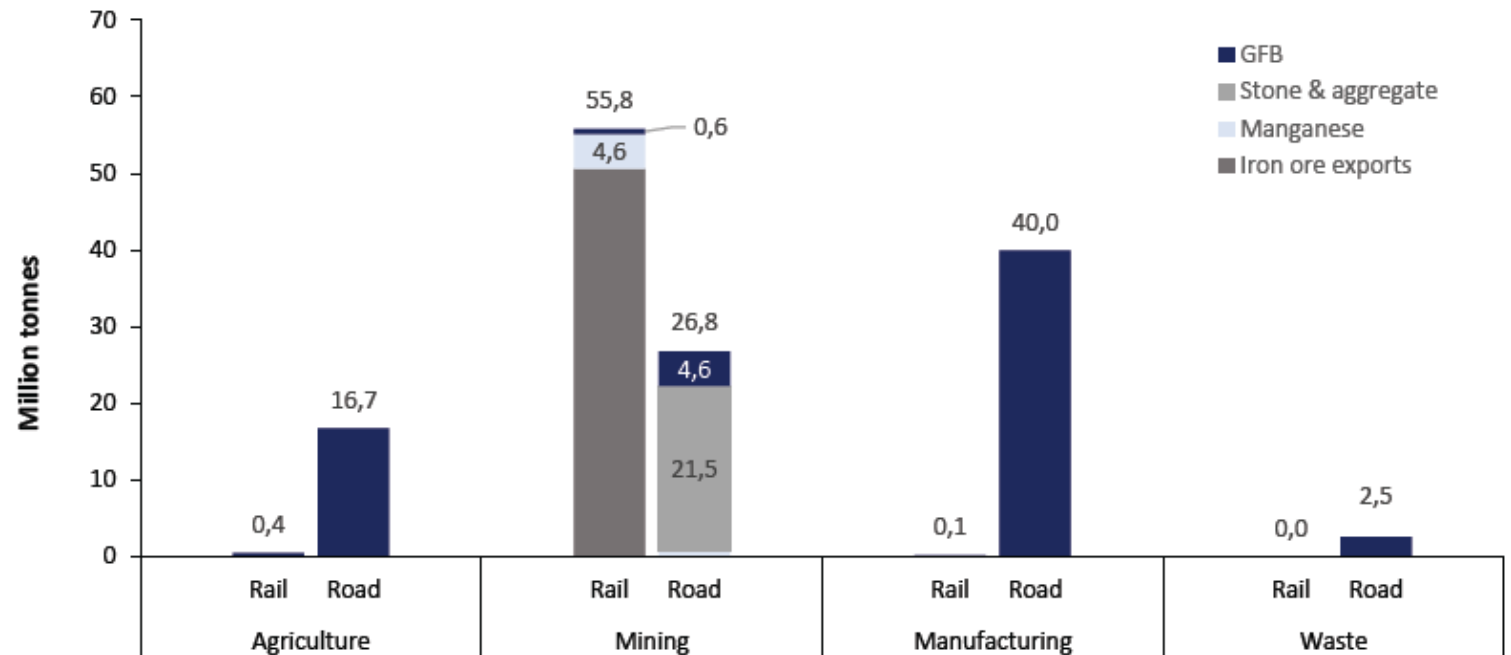
- Operations improvement through continuous improvement initiatives
- Equipment refurbishment and replacement
- New ways of working including 4th shift, additional gangs and new incentive scheme
- Improved visibility and collaborative planning

Structural Reform Plan for 2023/24

- **Create Rail Infrastructure Manager**
- **Relaunch slot sales**
- **Creation of Rolling Stock Leasing Company**
- **Branch line concessions**
- **Execution of Transnet PSP Portfolio**

Implications and Opportunities

- “The new focus must be on how a bold, capable and well-structured state can unleash the full power of markets and the private sector in solving the problems of our time.” – Maria Mazzucato
- The roadmap emphasises the need for problem solving at the supply chain level
- Significant partnership opportunities exist in:
 - Terminals (port and inland)
 - Back of Port Facilities
 - Rolling Stock
 - Branch Line Concessions



Thank You

Framing the problem

South Africa's freight logistics system is significantly underperforming and is a constraint on growth and job creation.

This decline in performance is due to three interrelated factors:

- 1 An operational crisis:** The reliability of South Africa's freight rail network has deteriorated sharply, threatening the competitiveness of our exports. Volumes transported on the rail network as a whole declined from 226 million tonnes (Mt) in 2017/18 to just 149.5 Mt in 2022/23. As a result, more than a quarter of long-distance freight traffic has shifted to road in the past five years.
- 2 A financial crisis:** Operational challenges have created a vicious cycle, as a lack of investment reduces availability, which in turn reduces revenue and investment. Transnet recorded a R5.7 billion loss in 2022/23 driven primarily by the deteriorating performance of Transnet Freight Rail.
- 3 A structural crisis:** At the root of the current crisis are structural problems which have prevented competition and threatened the financial sustainability of the network, with South Africa falling behind global trends.

Principles of structural reform in rail and ports

- ① **The rail network and national ports are national assets that must be managed in order to maximise social benefits**
 - Profit maximisation objectives are not the most appropriate
 - Management objective should be efficiency, maintenance of the quality of the asset, and maximising volumes
- ② **Competitive neutrality framework for state owned firms in competitive markets**
 - There needs to be a clear plan in place to ensure a level competitive playing field in rail and ports**Competition as a tool to achieve efficiency**
- ③
 - Competition will be used as a tool for improving efficiency, but is not an objective in and of itself
 - Potential anticompetitive abuses will be controlled by regulation
 - The aim is to expand the market, not to divide up existing volumes – **jobs should be gained, not lost****Public service obligations to be clearly defined and monitored and separately funded**
- ④
 - Where PSOs are put in place, the state should understand the true cost of the PSO, ensure adequate funding, and monitor performance delivery**Private investment should be facilitated, but access to private infrastructure may then need to be required**
- ⑤
 - Private sector investment will be needed to facilitate the introduction of competition in logistics markets
 - Where private investment in natural monopoly assets occurs, this infrastructure may be subject to access regulation