

# Forward thinking supply chains continued >>>

**SAPICS**  
THE PROFESSIONAL BODY FOR  
SUPPLY CHAIN MANAGEMENT

IN ASSOCIATION WITH  
**saaff**

**20 September 2023**

## **SAPICS Spring Conference**

Indaba Hotel, Fourways, Johannesburg, South Africa

### **Rail Reform Roundtable**

Facilitated by: Evert de Ruiter, Principal Consultant, Auctoro Advisory

# Meet the panellists



**Evert de Ruiter**  
Principal Consultant  
Auctoro Advisory



**Professor Jan Havenga**  
Stellenbosch University

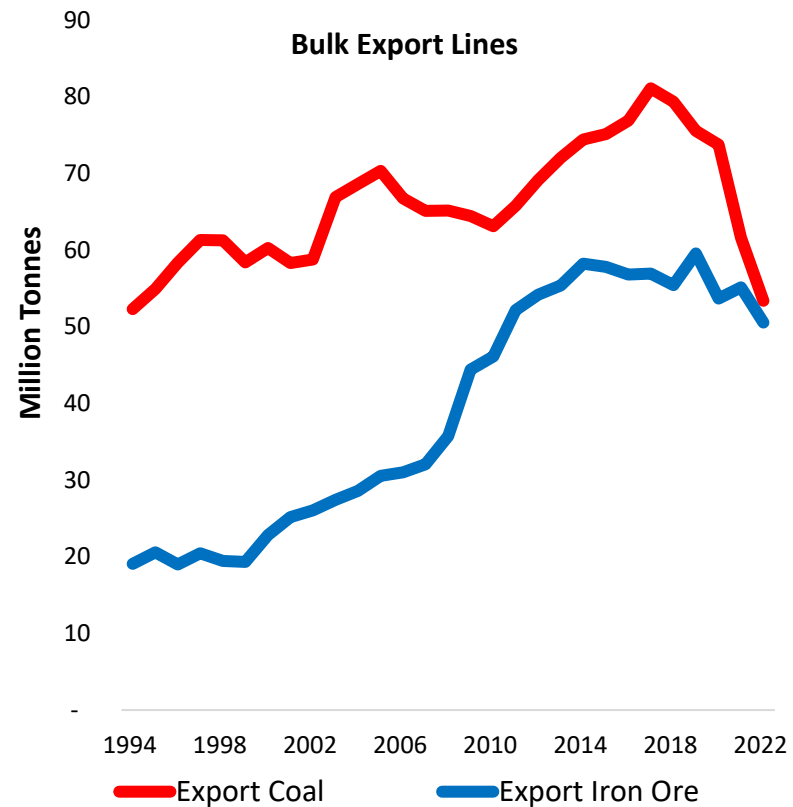
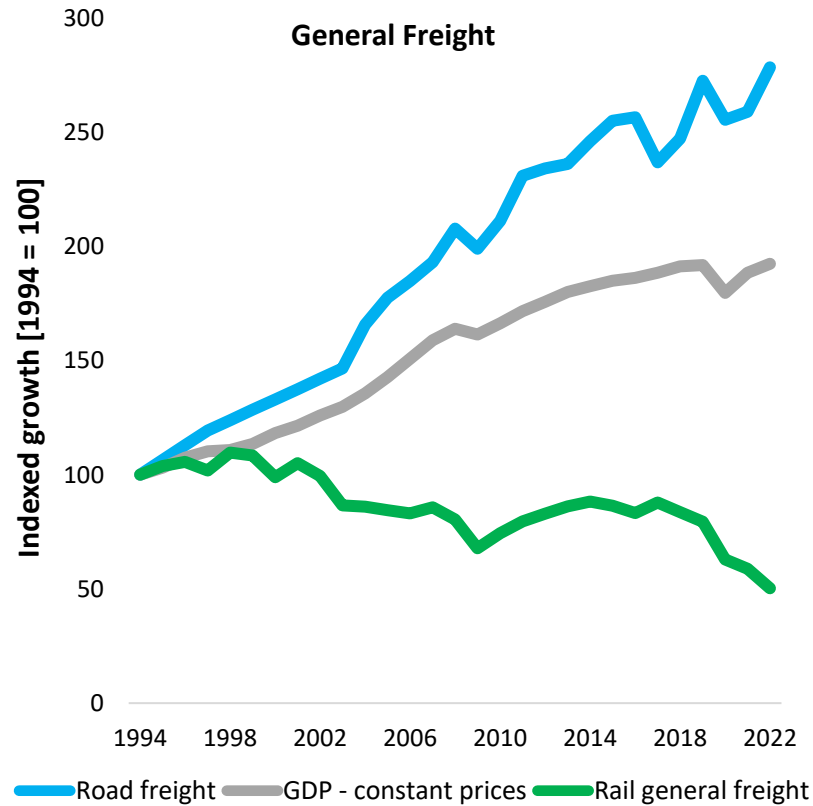


**Jaap van der Merwe**  
Independent Rail  
and Logistics Expert

**Professor Jan Havenga**  
Stellenbosch University

# The economics of freight flows and network tiering

# The last three decades



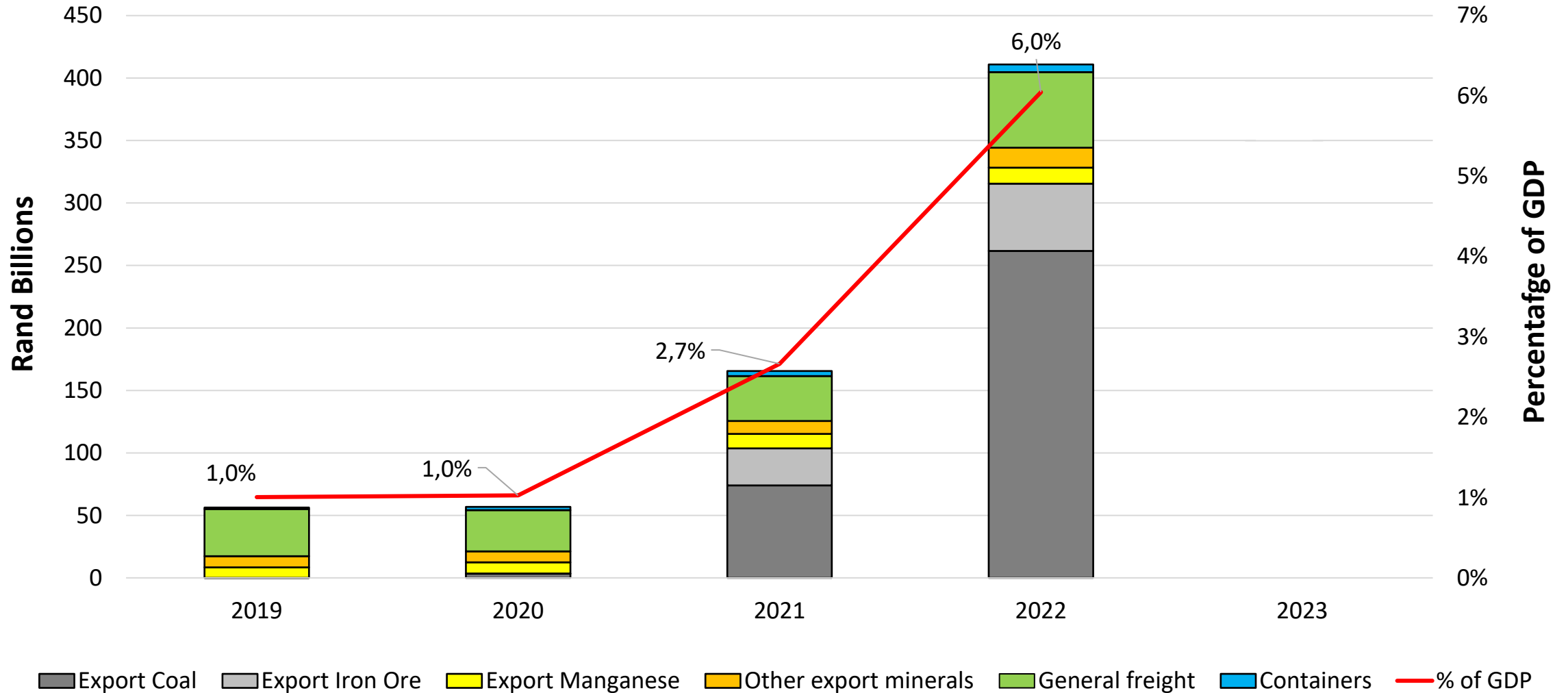
Many challenges over these 30 years  
But three years ago = new hope

**But no**  
The network should have been rationalised  
Skills, experience, and expertise cherished  
Visionary leadership installed  
Operational issues addressed  
Outcomes-based security contracts in place  
Social contracts around the line  
Maintenance prioritized

**There were recent attempts made to address these problems.  
But a lack of oversight and leadership torpedoed failings.**

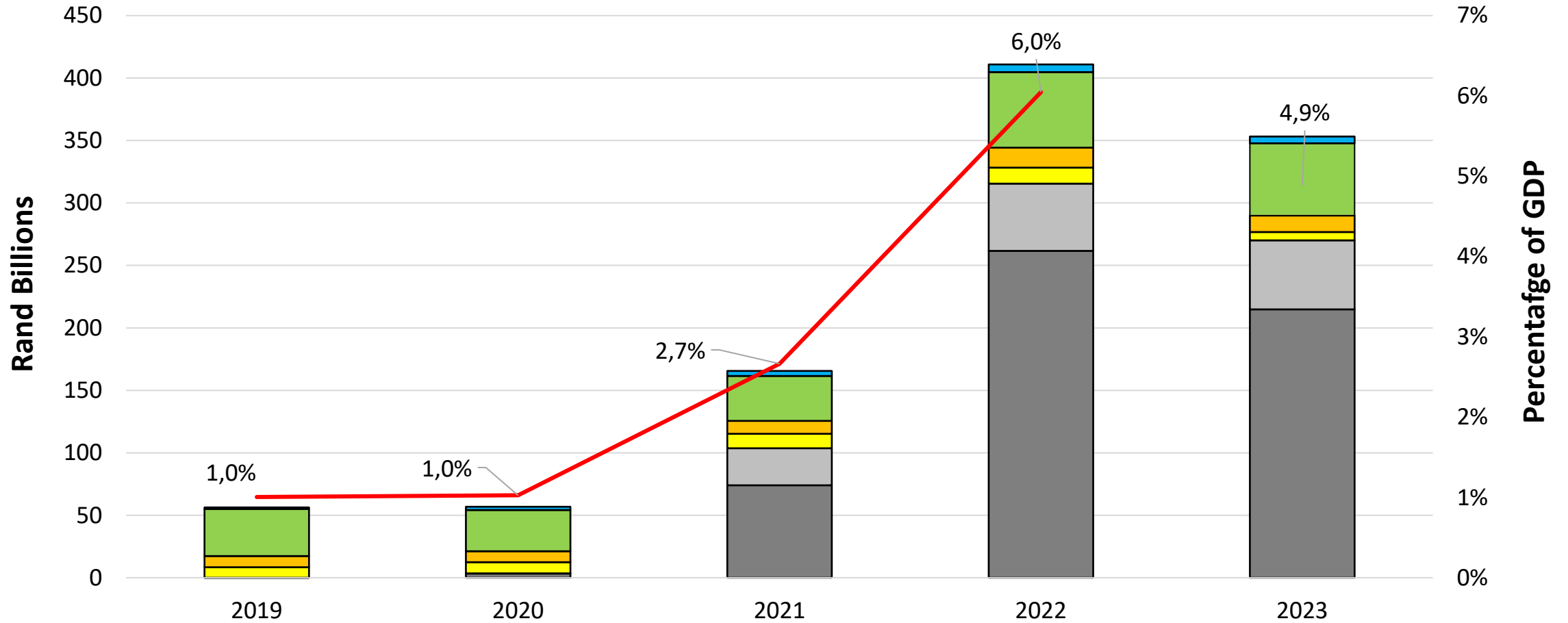
Source: GAIN Freight Demand Model™

# Updated research on Transnet's damage to the economy



Source: GAIN Freight Demand Model™

# Updated research on Transnet's damage to the economy

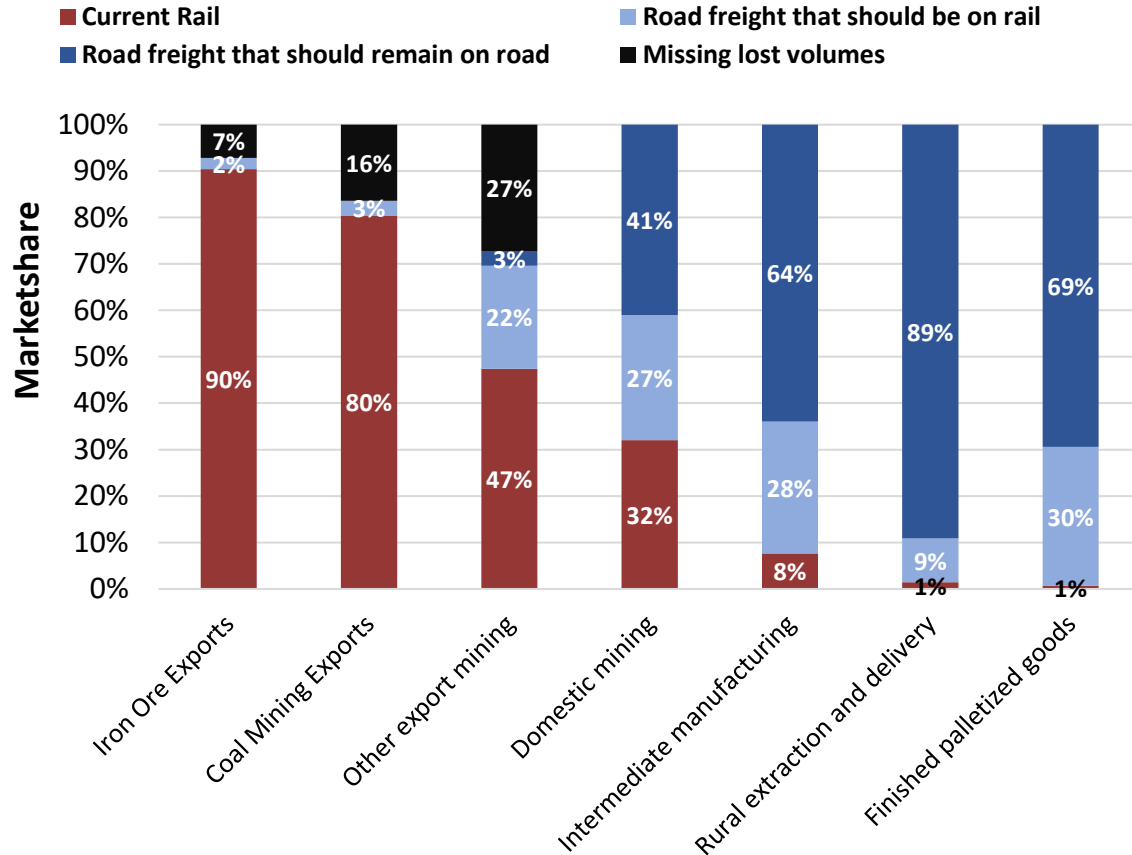


**The damage is still a billion a day – good people is saving what they can**

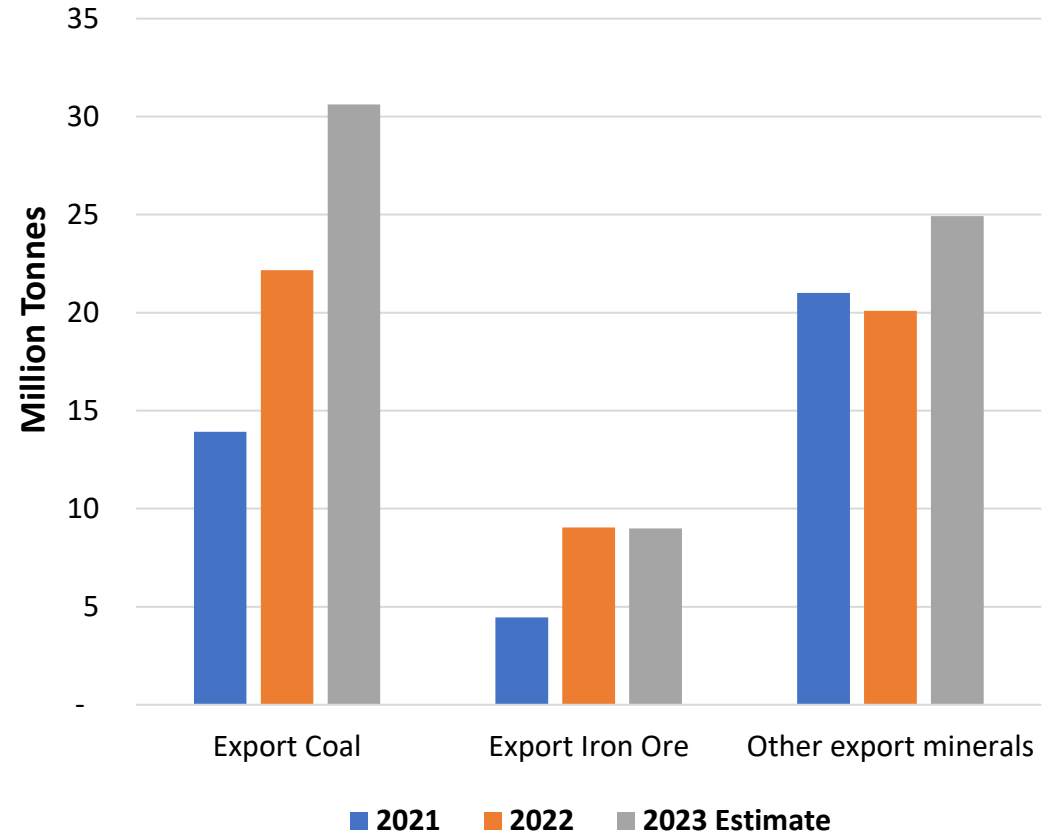
Source: GAIN Freight Demand Model™

# The tipping point is here

## Our railway is still ignoring the key segments



## And now failing what they're good at



The general freight business serves 26% percent of the market that it should.

If it doesn't grow by 2050, it will be 5 times too small.

We've missed 31 million tons of coal and iron ore that we didn't export, which is R105 bn in revenue missed last year.

# From panministerial to line execution?

1. The President (SONA to NLCC)  
2. Network categorisation



DPE Ministry and Board

- 1. Shareholder responsibility
- 2. Visible in Minister Gordhan's statement
- 3. Enforce the 3 week statement



Transnet

- 1. Needs institutional capability and capacity
- 2. Specific and proven capabilities
- 3. Stewardship
- 4. Leadership

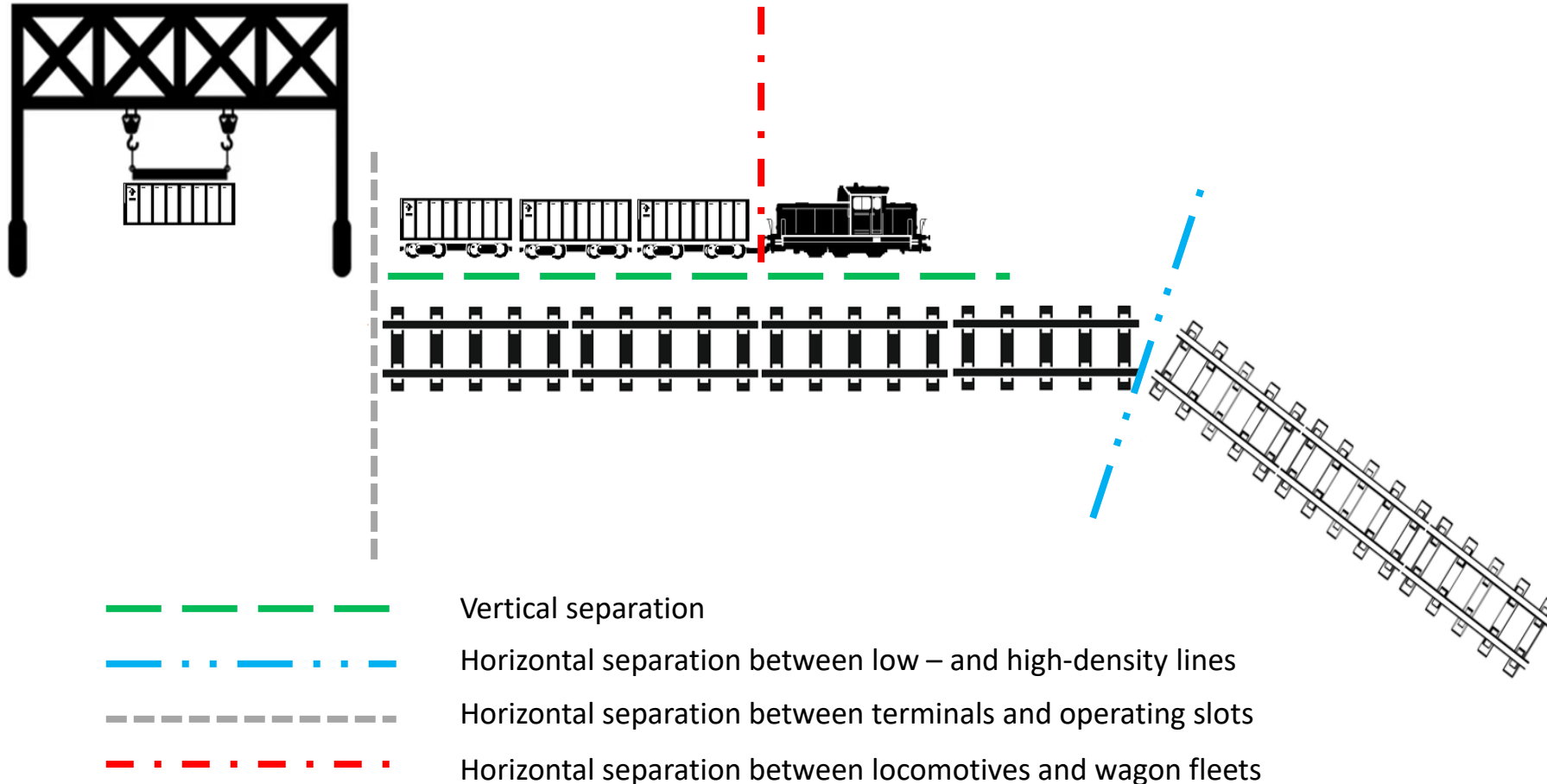


DoT

- 1. Regulatory capacity
- 2. Rail Masterplan development capacity



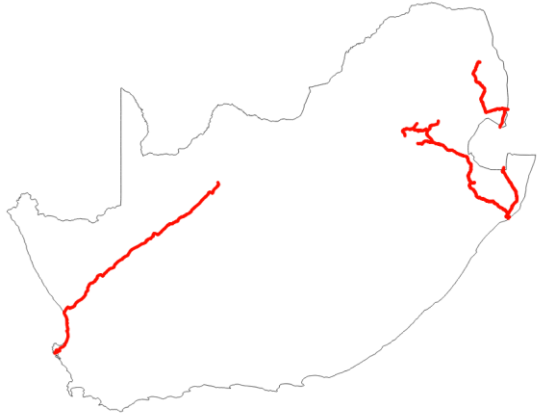
# The principle of revival is separation logic



Private ownership is not a panacea. We need clarity, to know where the private sector can and should be involved.  
The various components must still be inserted into value chains. When will trains run again?

# Network classification examples under discussion

**Bulk mineral corridors**



**Core rail network**



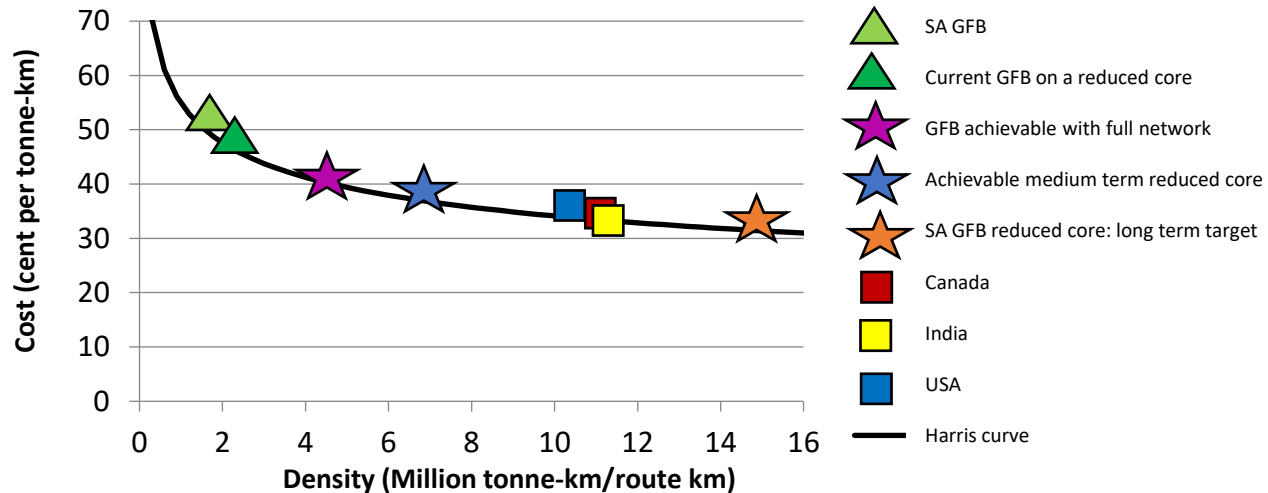
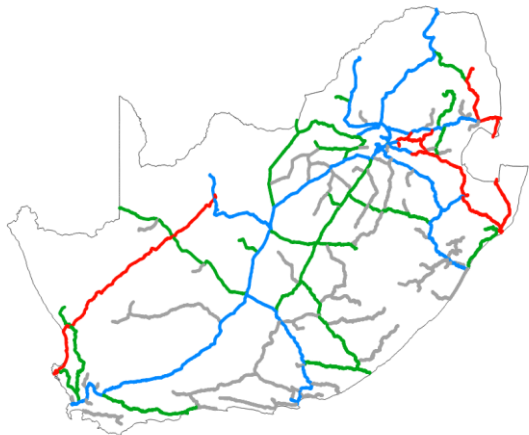
**Feeder rail system**



**Short rail lines**



**All rail lines**



I don't know the rehabilitation price tag.

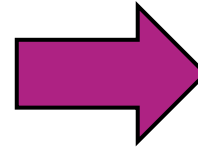
My guess:  
 Bulk – R10 billion per line  
 Core – R60 billion  
 Feeder – R60 billion

Source: Harris (1977) curve adaptation based on historic rail data captured in the GAIN Freight Demand Model™

# The roadmap within a roadmap

## What must happen - regardless

Rehabilitate the infrastructure  
Stop destroying it  
Run trains again  
Rationalize the network

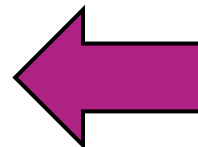


## What we will need

Private sector involvement  
(funding and expertise)  
Development bank funding

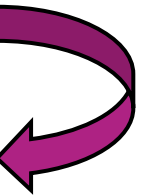
## So what is stopping us?

Lack of stewardship  
Coordination, Cooperation, Collaboration  
(work together to create value – stop the bleeding)



## How we will get it?

Infra audit  
Independent Infra owner  
Independent Infra manager  
Execute the roadmap  
Make regulation real



All while losing a Billion Rand per day.

# And now?

- We must run more trains with what we've got
- We must fix a rationalized network
- We must create the enabling conditions for private sector trains

**Therefore anybody or anything that stand in our way must be removed**

**Too not do this is high treason**

# The future of rail has a direct link to mankind's survival

- A world without mass guided transport will be a failed world
- The same is true of South Africa

**Public managers are neither clerks nor martyrs.  
Instead they are explorers commissioned by society to search for public value.**

**- Moore**

**A failed railway will be a nail in the coffin of a failed state.**



# What could be done to accelerate reform in freight rail?

11 November 2022

Prof Jan Havenga

Dr Zane Simpson

Anneke de Bod

Stefaan Swarts



Henk Neethling

# To survive

	<b>Establish efficient regulator</b>	<b>System component preservation – saving rail (not Transnet)</b>
<b><u>Rationale:</u></b>	<ul style="list-style-type: none"><li>• The system is vulnerable</li><li>• Leverage is impossible without certainty</li><li>• Transnet cannot regulate access</li></ul>	<ul style="list-style-type: none"><li>• Without these the policy will fail</li><li>• At best resurrection will be unaffordable</li><li>• Leverage for all will be destroyed</li></ul>
<b><u>Action:</u></b>	<ul style="list-style-type: none"><li>• Provide strong regulation</li><li>• Pass the Act</li><li>• Rail Masterplan</li><li>• Intelligence support</li><li>• Appoint a seasoned administrator to run policy enablement process</li></ul>	<ul style="list-style-type: none"><li>• Identify and preserve components</li><li>• Appoint a curator to implement component placement:<ul style="list-style-type: none"><li>• Export lines</li><li>• Core lines</li><li>• Low density lines</li></ul></li></ul>

The system's "custodian" is too fragmented. A single point of intervention is required. Probably the Presidency

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The system's "custodian" is too fragmented. A single point of intervention is required. Probably the Presidency



# Thanks for your time

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A year from now you will wish you started yesterday.

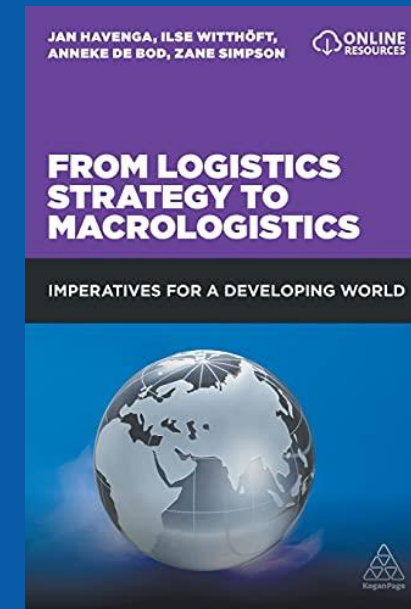
But you still have today.

I hope tomorrow an additional export coal train will be dispatched.



Prof Jan Havenga  
Director at GAIN Group (Pty) Ltd

[admin@gaingroup.co.za](mailto:admin@gaingroup.co.za)



Book available to purchase at <https://www.koganpage.com/logistics-supplychain-operations/from-logistics-strategy-to-macrologistics-9781789664010>

elevate, educate and empower



**Jaap van der Merwe**  
Independent Rail and Logistics Expert

**Key technical considerations related to implementation**

**Evert de Ruiter**  
Auctoro Advisory

# A proposal for railway reform implementation

“If you don't like change, you'll like irrelevance even less...”



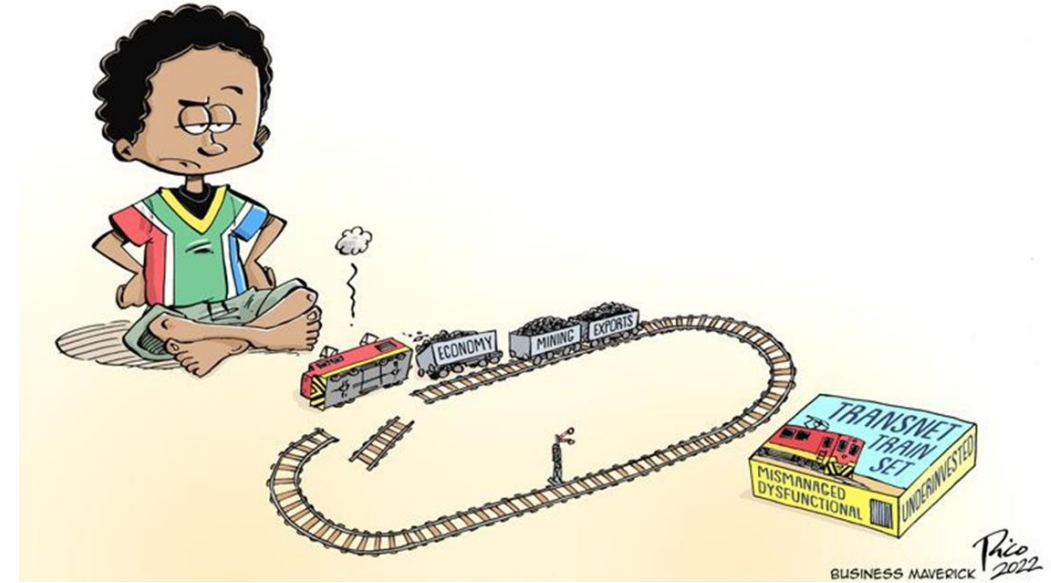
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# Setting the scene...

(Transnet is) “*uncompetitively positioned, ineffectively equipped, operationally inefficient railways that have lost their ability to both dominate local logistics and mobility markets, and to support global exports*”.

(page 27 of the National Rail Policy White Paper)

- Key principle of railway reform: **One can't unreasonably deny access if the system has the capacity...**
  - Solution: *crowd in Private Sector capital to remedy the situation* (the private sector gets to play a meaningful role in rail in SA)
  - ARIA Legal opinion: there is no impediment in law preventing the implementation of third party rail access in South Africa
  - The network is a critical element that needs to be addressed...
- Momentum is building: Operation Vulindlela, NLCC (Freight Logistics Roadmap), Presidential State-Owned Enterprise Committee (PSEC) and Government's "HoldCo", etcetera...
- **After 160-odd years, change is coming to the railways of South Africa....**



# Transportation Reform imagined...

## Road Freight

<b>Asset Operator</b>	Trucking Co.    Trucking Co.    Trucking Co.
<b>Infrastructure Manager</b>	Concessionaire (Bakwena, N3 Toll Co., etc.)
<b>Infrastructure Owner</b>	SANRAL

# Transportation Reform imagined – modal alignment

	Road Freight	Rail Freight
Asset Operator	<div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid gray; padding: 5px; text-align: center;">Trucking Co.</div> <div style="border: 1px solid gray; padding: 5px; text-align: center;">Trucking Co.</div> <div style="border: 1px solid gray; padding: 5px; text-align: center;">Trucking Co.</div> </div>	<div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid gray; padding: 5px; text-align: center;">Train Operating Co. (TOC)</div> <div style="border: 1px solid gray; padding: 5px; text-align: center;">Train Operating Co.</div> <div style="border: 1px solid gray; padding: 5px; text-align: center;">Train Operating Co.</div> </div>
Infrastructure Manager	<div style="border: 1px solid gray; padding: 10px; width: 80%; margin: auto;">Concessionaire (Bakwena, N3 Toll Co., etc.)</div>	<div style="border: 1px solid gray; padding: 10px; width: 80%; margin: auto;">Railway Operating Company (ROC)</div>
Infrastructure Owner	<div style="border: 1px solid gray; padding: 10px; width: 80%; margin: auto;">SANRAL</div>	<div style="border: 1px solid gray; padding: 10px; width: 80%; margin: auto;">SANTRACK / Transnet</div>



# So, what does it all mean?

- Rail regulation is on the way – transparent & competitive
- The private sector is required to play a meaningful role in rail – it is time for the private sector to step up to the plate
  - Proper multi-modal collaboration is long overdue
- Rail should therefore earn its rightful place in SA supply chains
- Cost of logistics should go down
- 6% annual GDP boost – network effects are almost incalculable

**‘No force on earth can stop an idea  
whose time has come’ – Victor Hugo**



# Discussion & Questions

## Panel & Audience

# Conclusion

Thank you for your time and interest

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**elevate, educate and empower**



# Imagine... (Apologies to John Lennon)

Imagine there's a thriving railway

It's easy if you try

No delay hells confounding us

Around us, only trains

Imagine all the goods flowing

Smoothly every day

Imagine there's no blaming others

It isn't hard to do

Nothing to shout or scream about

And no us and them, too

Imagine all the supply chains

Running like clockwork again

You may say I'm a dreamer

But I'm not the only one

I hope someday you'll join us

And then the trains will run...

