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Supply Chain Survival Through Increased Collaboration: Acknowledging Our Challenges And Successes

Hosted by





DR JUANITA MAREE
CHIEF EXECUTIVE OFFICER
SOUTH AFRICAN ASSOCIATION OF FREIGHT FORWARDERS (SAAFF)

The Supply Chain – How did we survive 2022? Lessons learned in each engagement

Stitching the South African supply chain together must be a priority if the country is serious about growth.

Emphasising the importance of the logistics network and fluid supply chains, Dr Maree called for more collaboration and engagement between the public and private sectors. “The logistics network impacts the country’s growth. It is not supplied chains that compete with each other, but South Africa that competes with the world. We need to reduce the barriers that exist so that optimal flow occurs between shippers, customs, port operators and terminals, road and rail operators as well as consignees and consignors.”

Dr Maree told delegates that trade can only flourish when the logistics network is intact. “Unless we start looking and driving the narrative that our logistics network impacts SA Inc, we are not in a good space,” she said. “The past two years have shown us that the public and private sectors don’t always listen to each other and we don’t try to understand. The current narrative is to leave no one behind, but that won’t work in logistics as we work with the international market that is focused on competitiveness.”

She said even though discussions were sometimes robust and not easy, improved relationships and collaboration between the public and private sectors would bring far more gain to businesses and the country alike.

“Throughout the supply chain there should be private partnerships between government and business,” said Dr Maree. “Developing the art of listening and understanding must be a priority right now because as a country and a sector we cannot absorb any more shocks going forward.”

She said supply chains by their very nature involved shared responsibility and shared infrastructure whilst behaviour monitoring was critical. SAAFF has undertaken to monitor the supply chain to understand where the pain points are in the system and where improvements can be made.

Improved logistics network monitoring through the Transport Management System (TMS) by Crickmay Associates live tracks all of the eight South African ports as well as the ports of Walvis Bay, Maputo and Beira for comparison along with several corridors. “When we look at the logistics network, monitoring must be done in a controlled way,” explained Dr Maree. “Time, quality information and good intelligence are the most critical elements. The applications of efficient and effective customs controls and risk management are also important.”

Analysing South Africa’s performance, it was clear that major improvements have been made, but the journey is still ongoing.

Looking at initiatives from SARS and other government agencies the move to digitalisation and modernisation has brought major improvements, said Dr Maree. “There have also been initiatives from SAAFF that have had an impact including integrated learning and surveys to gain insights and improved understanding leading to solution-driven approaches across the supply chain movements with all its modalities and activities. Corridor management is also a focus area.”

Dr Maree said much insight has been gained by taking a holistic view of the logistics network in the country.

“In South Africa, we have 5 different government departments, 12 distinct roleplayers in the extended supply chain and 41 vertical sectors. Our research and studies have given insights into the links between the different layers and different roleplayers,” she said. “It has also allowed us to map the supply chain and identify where the focus must be. Hard infrastructure remains a priority. We need roads, rail and ports. We also need to categorise our solutions for the short, medium and long term.”

According to Dr Maree, the private sector has a key role to play in building the logistics network in the country. “We need to consolidate our efforts while at the same time bringing in all the modalities to deliver a complimentary system. Our logistics network is very complex in its design and terms of demonstrative capacity. It must be a priority if we are to move the country forward.”

Advocating for a single transport independent economic regulator, an open-access infrastructure model, integrated end-to-end supply chain through an intermodal transport management system along with intermodal infrastructure, Dr Maree said South Africa had all the tools to allow its trade to flourish.



DR ROELOF BOTHA
INDEPENDENT ECONOMIST AND ECONOMIC ADVISER TO THE OPTIMUM
INVESTMENT GROUP

Keynote address

Economic policy can make or break a country. With these words, Dr Botha took to the stage at the Transport Forum year-end celebration saying poor economic leadership during the Zuma years had cost South Africa dearly. Losses in GDP of at least R2,5 trillion occurred, tax revenue of R635 billion was foregone and it cost each South African an average of R48 000. “At least 1.2 million jobs could have been supported with better leadership and a more competent state,” he said.

Whilst many South Africans continue to dwell on the negatives, Dr Botha said he had a very positive outlook for the country due to the fact that the government was now far more accountable and responsible than what had been the case during what he termed the “Zupta-era.”

“South Africa is classified as an upper middle-income country and we have what it takes. We are one of the 35 largest economies in the world. We have the most diversified manufacturing sector of any emerging market in the world. We have the most diversified agriculture and mining sectors of any emerging markets,” he said highlighting that for South Africa to get back to sustained high growth it needed to unleash the private sector. “Economic policy is, however, important. What President Ramaphosa is doing is moving away from a decade of no sensible economic policy whatsoever, to a policy where there is collaboration and cooperation.”

Dr Botha said the appointment of former Exxaro boss Siphon Nkosi to reduce government red tape was a clear indication that President Ramaphosa was taking a very different approach than his predecessor.

“Our ultimate number one priority has to be creating jobs. Yes, we must fix the energy situation, we must build roads and get the infrastructure, but more than anything we need to create jobs to see this country grow.”

Using Zimbabwe as an example, he said, the wrong policies saw the demise of this country and not a lack of resources. The same happened in Venezuela. “Economic policy can make or break a country and we are moving, slowly but surely, in the right direction.”

He said one of the biggest challenges at present, however, was the Reserve Bank. “The governor does not understand inflation. South Africa does not have demand inflation. We have an unemployment problem. America is justified to raise their interest rates as they have demand inflation and full employment. If we analyse inflation in South Africa and one takes out fuel and regulated prices then our inflation problem is not remotely as big to justify the huge increase in the cost of capital.”

Dr Botha said capital finance was required for growth in South Africa and at present, this was being restricted by the Reserve Bank. “The true cause of global inflation right now is the tail end of the shipping and freight cost rise that increased by 800% between 2019 and 2021. How will a higher interest rate in South Africa bring this freight rate index down? There is no correlation. The good news is that the index is coming down and it is going to drop further. Fairly early next year inflation will drop.”

According to Dr Botha, South Africa’s economy has never been able to grow at a sustained high rate unless private credit was growing.

But, he said, there were several encouraging features if one looked at the latest GDP data. Business confidence had also largely been restored. “Construction has faced huge challenges but it is recovering, the purchasing manager index has been running higher and South Africa’s leading business cycle indicator has reached an all-time record high this year. General government gross debt as % of GDP has stabilised and we have no fiscal problems in this country. Our country under President Ramaphosa is in very good hands and economic recovery is very much on track.”



BARBARA MOMMEN INDEPENDENT CONSULTANT COALESCENCE

Data on the N4: Beyond Assumption

Major improvements have been made on the Maputo Corridor over the years but one of the biggest achievements has been the successful lobbying for 24-hour-a-day border operations.

Mommen said this had an immediate impact on efficiency. "The Lebombo Ressano Garcia border post is now a 24-hour operation. It was 18 years in the making and is an important achievement."

Another imminent success is the removal and amendment of temporary import permits in Mozambique. Whilst not yet implemented, Mommen said all indications were they would be removed soon. "These permits have cost trade R87 million year-to-date and are in contravention of the SADC Protocol on Trade that was signed by member states in 1998."

She said the monitoring of supply chains and the collection of data on corridor performance were important not only to allow for comparisons to be drawn between corridors but also to deliver efficiency and operational improvements.

"The introduction of the Transport Management System (TMS) through Crickmay Associates in 2017 assisted greatly in sharing insight into the Corridor's performance allowing us to find interventions and address challenges."

The Maputo Corridor has continued to attract attention due to its ongoing investments and attempts at addressing the challenges it faces. This includes high levels of crime at the entryways to the border post especially at night, accidents and congestion.

"We have, however, made major improvements on the Maputo Corridor," said Mommen indicating that it was an important corridor in terms of ease of access and efficiency. "We are moving in the right direction. We have seen a massive reduction in the capacity of Durban and Richards Bay and alongside that a dramatic reduction in rail capacity. These challenges are particularly evident on a rail corridor such as ours that feeds a neighbouring country's port."

She said investment at the Port of Maputo was now in the region of \$850 million dollars and it had established itself as a niche port when it comes to bulk commodities. "We have also just had a very exciting citrus season with 87 million cartons of citrus exported out of Maputo this year. This is expected to be ramped up to 110 million cartons next year."

She said in terms of improved trade facilitation systems, Mozambique's decision to implement the world best practice single window in 2014 was serving it well. "The single window reduces complexity enormously. It presents documents into one portal that is responsible for distributing to the relevant government departments," explained Mommen. "The benefits are that one is giving the government the comfort that it needs in terms of compliance, security, increased transparency and integrity, while traders have a more efficient process."

She said other interventions included the decision to create additional capacity at the Border Post for bulk vehicles. "Trac, although not having any jurisdiction at the border post, is working in collaboration with the Mozambique border authorities to address some of the infrastructure inefficiencies in the area. The first project is to create three lanes at the gate between South Africa and Mozambique as well as a dedicated bulk lane. Repairs to the pavement and drainage areas are also on the cards."

Mommen said coordinated border management was critical as was a single window system. An authorised economic operator scheme has to be established. "These are the things we are pushing to ensure we get the efficiencies that we need. It will minimise stops and delays significantly. A data analytics-based customs risk engine can be used to scrutinize all consignments in the cyber domain identifying suspicious consignments prior to arrival at the border. This will enable the implementation of green lane systems at the border post resulting in the streamlining of traffic flows."

Mommen said it was also imperative that the multiple government agencies involved in border operations work well together. "We have to work together. Collaboration between all stakeholders and roleplayers is necessary."



**ZAK SIVALINGUM
REGIONAL DIRECTOR
FNB COMMERCIAL**

Beyond Banking: Empowering the Entrepreneurial Ecosystem

Supporting entrepreneurs is an ongoing commitment at FNB that pursues value-added solutions.

“As we transition beyond banking, we strive to become an integrated advice partner connecting the dots for our customers to make every day easier and tomorrow better,” said Sivalingum while presenting some of the solutions available at the bank.

He said support was delivered not just in business solutions but rather in taking entrepreneurs on a holistic journey helping customers through various life stages ensuring that both businesses and families were taken care of. “Our goal is to ensure we advise them on the right solutions for their needs.”

According to Sivalingum, much had changed in the past twenty years when it comes to business financing.

One of FNB’s offerings is eTradeport - an online, real-time, single-trade platform which enables one to create and manage trade finance transactions.

“Our eTradeport puts you in the driving seat to manage and secure your trade finance instruments,” said Sivalingum. “It offers you a real-time dashboard of your full suite of trade finance instruments and includes import and export letters of credit, inward and outward guarantees, and inward and outward foreign bills for collections.”

Accessible through FNB’s online banking enterprise and online banking platforms, registered users can access it through a single sign-on process.

“We understand the challenges that businesses have faced in the past few years,” said Sivalingum. “It is therefore important for us to not only listen to our clients but also to understand the nuances of their business.”

At FNB while various products were available to meet specific needs for example one company may need debtor finance while another would prefer debtor finance light, the real boon was in the bank’s ability to meet each client’s needs. “As bankers, we are appreciating that entrepreneurs are unique and that while you might be competing in the same sector there is no one size fits all approach that can be taken anymore. So while there are a variety of solutions available we also take the time to engage and make sure we understand the very specific needs of our clients and deliver solutions to that.”

He said it was important for banks to deliver convenience and easy-to-use solutions, that allowed for quicker turnaround times for business continuity. “System flexibility and tailored solutions to customers’ needs are just as important.”



MICHAEL HENNING **SALES MANAGER** **EASY CLEAR**

4IR - a supply chain reimagined

In this new world of technology, acceleration is the watchword. Industry 4.0 is gaining momentum helping companies transform their operations.

“Technology means different things to different people,” said Henning. “From robotics to artificial intelligence and predictive algorithms, it permeates everything we do. From the computers and software that we send emails from to the smart devices that listen in on our conversations and subtly send advertisements and alerts for things we were considering but don’t necessarily need.”

According to Henning, technology has not only enriched people’s lives by providing everyday solutions, but it has also led to an increase in productivity. “Industry 4.0 has been a positive and huge disruptor and will continue to be for the foreseeable future. This is evident in the massive increase in online shopping, the growth in courier services and last-mile delivery, all heightened by the Covid-19 pandemic.”

He said last mile delivery not only related to service delivery but could also refer to technological last mile delivery, a concept that the Easy Clear team was well versed with having implemented an autonomous clearing solution in the courier industry that increased productivity by 300%. “It also allowed for the reskilling of staff simply by integrating for the last mile delivery and customs clearance.”

Henning said it was evident that consumers were driving technology development. “It is the reliability and visibility of information that drives repeat business not forgetting product and service offering. We, as an industry, have the unique opportunity to address many of the societal challenges that exist by bridging the digital divide on the continent through collaboration.”

Emphasising the importance of collaboration, particularly between the public and private sector, Henning said these partnerships would create more digital inclusion in Africa with the cooperation of government to facilitate greater internet connectivity as well as the introduction of policy and regulatory environments that attract investment and encourages higher levels of internet usage.

“Foreign investment is higher when there is greater visibility in the supply chain. Promoting small to medium enterprises and cross-border trade will be through the adoption of technology and with greater collaboration between trusted partners.”

He said for the supply chain to be reimagined through 4IR it would require a different take on traditional trade, albeit still driven by supply and demand. “Replacing traditional contracts of carriage with blockchain-driven solutions that protect the integrity of the contract and guarantee payment coupled with e-certificates and paperless release notifications will be necessary. This means traders will be able to reach far beyond the traditional brick and mortar shop.”

Henning said the Internet economy had the potential to reach and change the lives of 44 million people through job creation simply by increasing internet access by 75%.

“Mobile connectivity has evolved yet the internet access gap has widened. Various reasons account for this including digital literacy, the cost of infrastructural expansion in Africa and the fact that cloud computing is becoming critical for access to state-of-the-art software services. Only a handful of global cloud data centres are operating in a handful of emerging markets.”

To embrace change it was necessary to change the mindset around the digital economy, actively embracing it, said Henning. “This will require training and the appropriate upskilling of human resources in every aspect of the supply chain. It is encouraging that governments are increasingly willing to embrace strategies and models for improved digital economies. In Africa governments are willing through the AfCFTA to drive digital inclusion and promote stronger intra-regional trade through greater digital cooperation evident in again various single window and African Union AEO programmes that are being implemented across the continent.”

According to Henning, it was important that all stakeholders in the supply chain, across the various modalities, not only play their part in the new digitalisation journey but also strike the correct balance between technology and service.

“Technological solutions drive trade and can elevate people out of the property but people drive the solutions. Each one of us needs to play a part in this journey be it lobbying governments to change policy or speaking up in the various associations we belong to.”

After a hiatus due to Covid-19, the Transport Forum has returned to in-person events. The 2022 year-end event held in the Senate Room at Emperors Palace in Johannesburg was celebrated in style with lucky draws and sparkling wine.





