Transnet's rail capacity booster plan falls short

By Artwell Dlamini

22 Feb 2010

The country's captains of industry have given the clearest signal yet that they are not convinced that Transnet's multibillion-rand investment plan is adequate in creating rail capacity.

A survey by *supplychainforesight* has found that executives across industries disagree that Transnet's investment in new rolling stock and rail capacity adequately addresses their short- and medium-term freight needs.

The survey raises questions about whether Transnet, which has embarked on an R80bn capital expenditure programme to upgrade rail infrastructure, is making headway in creating rail capacity. It also highlights concern that companies' logistics costs are too high.

The annual *supplychainforesight* survey — which is sponsored by Barloworld Logistics and is independently conducted by Frost & Sullivan, the global business research and consulting firm — asks executives across industries what their opinions are of supply chain trends in SA.

This year, the survey included 400 CEOs and supply chain executives in industries ranging from mining, paper and construction to fast-moving consumer goods.

In one of the key findings, the survey, which was released on Tuesday, showed that 80% of companies still moved less than 10% of their goods by rail. The rest was transported by road, contributing to the increase in logistical costs. Hauling goods by rail is on average 35% cheaper than on the road.

High logistical costs contribute to making SA uncompetitive compared with its global peers. In the latest logistical performance indicators, the World Bank last month ranked SA 28th in a survey that measured 155 countries' capacity to move goods efficiently and connect customers with international markets.

About 46% of the companies surveyed by *supplychainforesight* indicated that they would shift more than 20% of their goods to rail if the capacity were adequate.

Transnet responded by saying it had created enough capacity so far. Spokesman John Dludlu said this week the company was confident that its capital investment programme had improved the available capacity.

Dludlu said the company had invested more than R40bn in increasing its rail capacity over the past five years and was planning to spend another R50bn in the next five years.

The *supplychainforesight* survey provides further evidence that the country's parastatals, such as Transnet, should open themselves up for direct private sector involvement in infrastructure investment, analysts say.

Source: Business Day