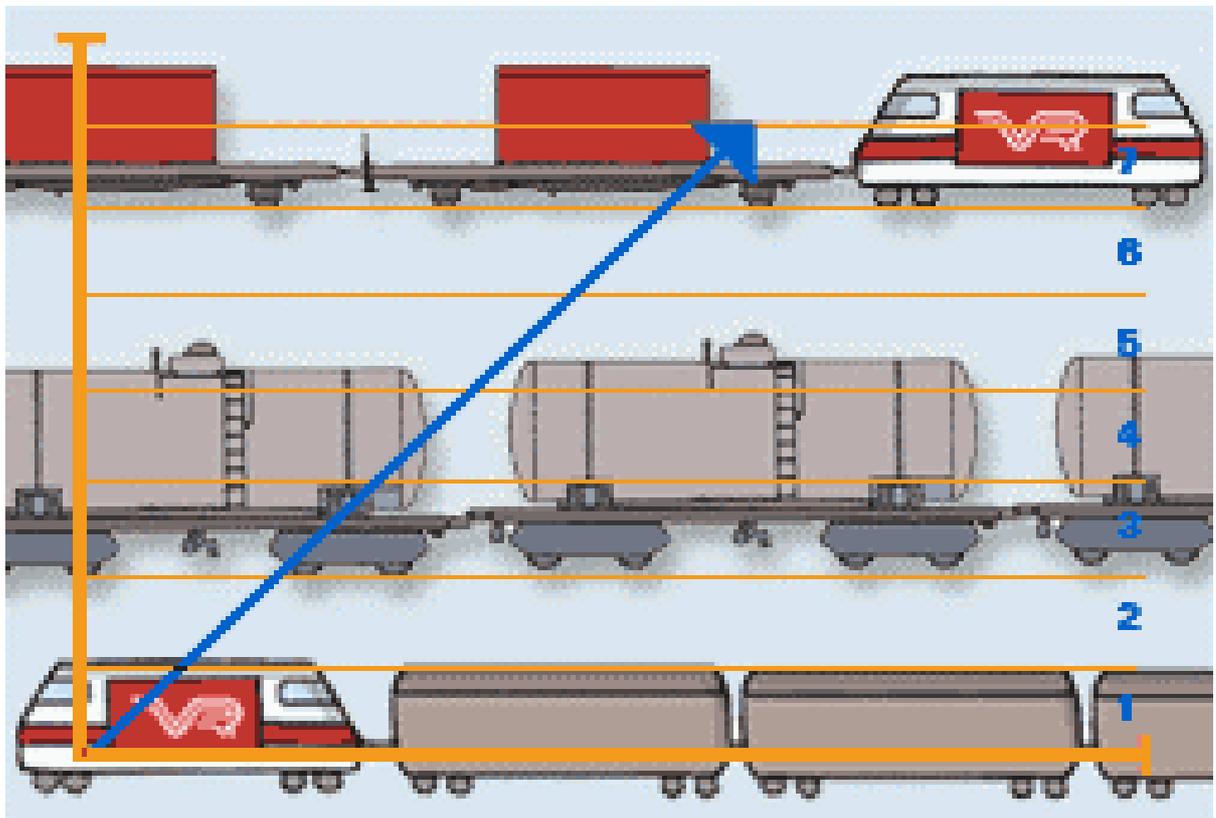


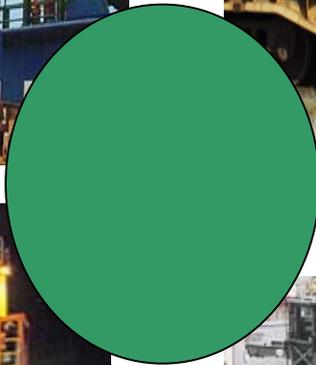


transport

Department:
Transport
REPUBLIC OF SOUTH AFRICA

INTERMODAL CARGO TRANSFER POLICY





This Paper was prepared as a Discussion document on Rail Policy by the Transport Analysis Unit. Until it is approved by the Executive Committee, it is not Departmental Policy

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May 2006.

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MINISTER'S FOREWORD



For a considerable time and umpteen conferences, there has been concern about the underutilization of our rail network and the over-utilization of the road system for the transportation of goods and people. All these debates are taking place within an economy that is experiencing phenomenal growth trajectories since our acceptance into the international trading community in 1994.

The mandate of my Department is to create a perfect intermodal balance among all modes of transport, and to encourage the growth of neglected modes such as water transportation. This document does not want a zero-sum game between the two dominant modes, road vs rail, but departs from the premise that road *and* rail should co-exist as complementary modes.

This discussion document is one of the many in a series of debates that we would like the interested parties to engage the Department in.

The global environment in which our transportation system works calls on the Department to devise new and fresher approaches to maintain our markets. In the climate, transportation competition is at its highest and the industry is looking for systems that can deliver the largest bulks, over longer distances, just in time, at affordable costs.

New and exciting markets have been opened up, and many transport services are concentrating on servicing these markets. We, in our own right, are a market of choice for many producers. At the same time, we should not discard our strategic thrust of acting within the continent, creating transportation opportunities for our counterparts and observing our international obligations in terms of our land-locked and under-invested transportation systems.

This discussion document is released to encourage a fruitful engagement of all stakeholders, in both public and private sector, within the rubric of the transformational agenda of the entire economy.

It is my pleasure to release it to the public for an intensive engagement with the policy issues raised.

J. RADEBE, MP

INTERMODAL CARGO TRANSFER POLICY

1. THE AIM

The aim of this document is to make a policy proposal for the migration of certain categories of cargo from road to rail. It is presented in this form so as to encourage debate among Government departments of the Department of Transport before submission to Cabinet for approval.

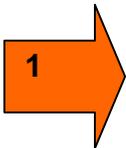
2. THE PROBLEM

A triangular problem facing the South African economy in transportation is characterized by:

- the decline of railways as a preferred mode of transportation by freight operators;
- the growth of road freight transport, and
- the deteriorating road network as a result of the growth of the road freight transportation.

All these problems result in a cost to the State, in one form or another. There are secondary and tertiary social, credibility, opportunity and hidden costs which emanate from the delays in solving these problems. Government expenditure on road maintenance and rehabilitation is exorbitant.

This policy proposal seeks to reverse the situation that has existed since 1920s. From this period, the then Government was faced with the need to protect its rail industry and rail infrastructure from the emerging (predatory) road freight industry.



Policy Action:

The Department of Transport will seek ways and means to reduce and reverse the migration of certain categories of cargo from rail to road. The main aim is to reduce Government's obligations to the high road maintenance and rehabilitation costs.

During this period, Government protected its rail industry by granting permits to certain road operators. These permits were granted only when it was deemed not injurious to the economic interests of the rail industry.

The deregulation of the road freight industry, among other factors, has led to the current situation where road now carries more cargo than rail.

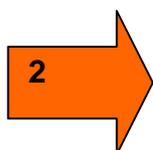
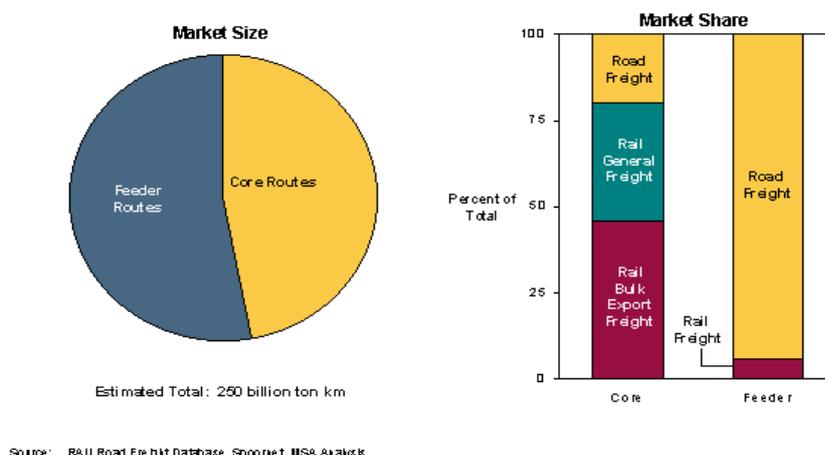
The NFLS figures show that the road freight industry moved about 920 million metric tonnes of cargo in 2005. This represents a growth of about 200 million metric tonnes from 2004. During the same period, rail cargo haulage grew by a mere 5 million tonnes.

The problem of the inactivity of Government has been captured by ICOMOS when they state:

"bureaucracy and lack of clear policy today prevented the rapid transfer of redundant infrastructure from the railway owners to other parties. Where operating lines are concerned, lack of funds has oriented the regular maintenance and security of buildings and structures."¹

¹ International Council on Monuments and Sites (ICOMOS) - World Report on Monuments and Sites in Danger.

Current Traffic Flows



Policy Action

The Department will implement the National Freight Logistic Strategy recommendations to determine the necessary split between the modes of transport for an effective logistics system.

3. DISCUSSION

3.1 The Growth of the Road Haulage Industry

3.1.1 The Previous Government's Policies

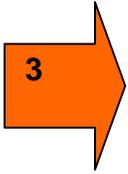
A brief study of the trucking industry indicates that Government has been complicit in promoting untrammelled growth of the road freight industry to the detriment of the rail system through:

- Fuel taxation of rail even when rail operators are not on the road;
- The continued increase of mass loads, truck lengths and axle loads for trucks;
- Allowing the smaller vehicles to subsidize the externalities of the heavy road haulers. This flies in the face of the constitutional imperative of equity;
- Not investing in rail infrastructure over a 20 year period.

Government could not pronounce its position between road and rail because it, too, was also involved in both road and rail freight.

The rail industry did not take the growth of the road freight industry seriously because it was receiving soft subsidies from the State. In the late 1980s Government finally gave in to the effective lobbying of the road freight industry by deregulating the industry.

The Government mistook the deregulation of the industry as a licence to walk away from the industry. A myriad of other problems then emanated when government abdicated its responsibilities to the private sector.



Policy Action

In instances where there is an unfair balance of cargo from one mode to another, and such an unfair balance is at cost to the State, the Department of Transport will reserve the right to review its deregulation decisions.

3.1.2 Trucks Got Heavier and Longer

The similarities of the South African and American design of heavy vehicles stemmed from the same weather patterns and modest traffic densities on rural roads. While the US was motivated by long distances occasioned by the vastness of the country, the South African ones were constructed to bridge the urban- rural distance. These vehicles are:

- 17 metres and have three axles and can increase to 38 GVM to 45 metres;
- They can range from mechanical horse and semi-trailer of 13 metres
- Maximum legal axle was 7.85 metric tons
- The steering axle has two tyres weighing at 7.tons.

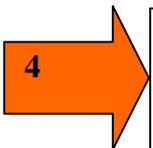
These specifications in axle loads were not changed when South Africa changed to the metric system. As a result, 4% was weight added to the already existing load permit.

Government increased the load capacity to accommodate the demand from the road haulage industry which had shifted to the use of a horse and two semi-trailers. This meant the length of the truck would be increased from 17 metres to 20 metres, thus having a total of seven axles that could load to 17 tons.

The axle issue continued to cause problems for our roads. For both the public and private carriers, the trucks with a higher numbers of axles, five-axle articulated trucks, were the highest with the average annual kilometres per vehicle category.

In 1994, the five axle articulated trucks belonging to private carriers had done 71 500 kilometres, whereas for public carriers, the average was 117 912 kilometres.²

Current efforts to reduce axle loads through weighbridges and overload strategies need to be reinforced.



Policy Action

In order to protect the road infrastructure and reduce the costs of road maintenance, the DOT will reduce axle loads and determine the appropriate lengths for trucks on the road. This will be done within the parameters of the Overload Control Strategy.

This road construction, maintenance and rehabilitation costs have diverted funds urgently needed to:

- close the spatial inequalities between the rural and the urban,
- to encourage social contact through correct subsidization of the commuter and the public transportation system.

In the following two decades there was further relaxation which led to the introduction of 22 metre trucks with GCM tons of 56 and axle loads of 9 tons. The 5% tolerance, in effect, meant that the trucks could be loaded to 59%. In addition, the introduction of the Bridging Formula led to the increases in loads by truckers who exploited the multi-axle combinations.

Private road haulers do not have a social obligation (public good) but the infrastructure on which they operate is funded by all taxpayers. The damage which they cause to the infrastructure compared to other infrastructure users is immense.

² NDOT Statistics.

3.1.3 Some problems faced by Road Freight

Although road freight prices have declined in real terms, road freight customers complain of the following:

- Customer service;
- Order fulfillment;
- Fleet reliability;
- Inventory management;
- Warehousing;
- Transport costs.

5

Policy Action

The Department of Transport will work with private road haulers to harmonize operations along the supply chain in such a manner that complaints from customers are minimized. Seamless operations from point of origin to point of destination will be encouraged.

Truck drivers also face serious problems such as:

- the prevalence of HIV/Aids by long distance drivers;
- drivers working for long hours;
- increasing accidents;
- driver fatigue;
- hijacking;
- inadequate pay.

6

Policy Action

The Department will work in tandem with the Department of Labour, the Department of Health and road haulers, driver trade unions and representative bodies to reduce the problems in all aspects of health, labour and operations.

3.1.4 Some Problems Faced By Rail

The following problems faced by rail such as:

- shortage of wagons
- shortage of maintenance staff
- age of fleet,
- old technologies;
- distance from markets;
- lack of interface between port and rail

may well be true, but they require redress through various means.

Resources have been declining because in 1995/1996, there were 131 234 freight wagons, declining to 120 677 in 2000/2001 and declining even further to 114 433 in 2002/2003.

The average age of locomotives is 25years compared to the best practice average of 16 years.

7

Policy Action

Subject to the availability of Treasury funding, Government will provide the necessary funds for the revival of both the fixed and the rolling stock infrastructure.

3.1.5 Some Unfinished Business

In September 1996, the Department of Transport issued the White Paper on National Transport Policy. Envisaged in the White Paper was, *inter alia*, a Road Transport Quality System (RTQS). It is now ten years since the publication of the White Paper but the RTQS has not been established. According to this policy intention, there would be:

- a fair user responsibility for the funding of roads,
- compliance with the safety requirements; and
- law enforcement.

Private industry players have started on their own to lobby for the implementation of the RTQS. However, it is unlikely to work if it is not uniformly applied across the industry. The voluntary implementation by one operator, or a group of operators, does not oblige the others if it does not come from government. It cannot be adequately monitored if it is applied voluntarily. It will also load the dice of self-regulation, thereby further decreasing the prerogative of the Government to intervene

Even if the RTQS were to be established, redressing the damage that has been done by the non-implementation of the RTQS in the past will be a difficult task.

3.1.6 The Role of Government

The fair user responsibility should be co-ordinated between the Department of Transport and National Treasury, and the law enforcement requires the visible role of the Road Traffic Management Corporation (RTMC) and other law enforcement agencies.

In certain quarters the Government has been accused of dragging its feet on the issue of a fair modal split. The South African Transport and Allied Workers' Union (SATAWU), for instance, complains that:

*"The Department of Transport (DOT) has repeatedly said it will not consider re-regulating road freight transport but try to shift more freight on to the railways by clamping down on overloading by freight haulers, imposing higher taxes on road use and so on."*³

It is now timely for Government to intervene urgently while making parallel preparations for the establishment of the RTQS. The two processes should therefore run concurrently. The intervention is justified because the socio-economic environment in which the road haulage industry currently experiences comes about as a result of the macro-economic policies of government.

Logically, Government cannot allow one mode of transport (road) to benefit from the political dividend while limiting the others (such as rail). In addition to this logic, Government owns large portions of rail, and it is therefore in its interest to create an enabling environment for other industry players while not neglecting the sustainability of its own rail company.

DOT should finalize the RTQS as a matter of urgency.

Policy Action

The Department of Transport will set the process in place to establish the Road Quality Management System (RQMS) as envisaged in the White Paper on National Transport Policy of 1996.

8

³ The Shopsteward Vol. 10 No 3-May 2001

3.1.7 Reduction of costs to Government

A rail-friendly cargo policy will absolve government from blame that it underutilizes or misallocates fuel tax paid into the National Treasury by road freight operators.

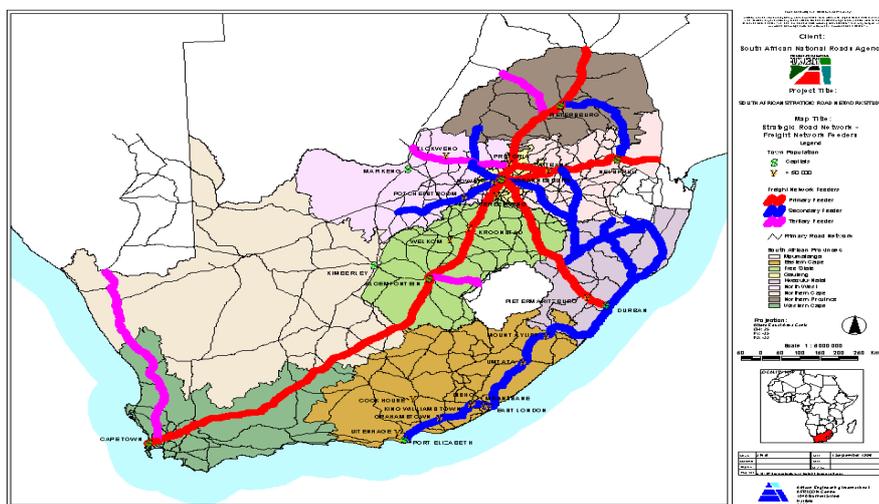
Furthermore, it will reduce the double whammy faced by Government: that while overloading is a cost to the state (e.g. road rehabilitation), other ancillaries such as monitoring, accident recovery, aerial pollution, noise pollution, law enforcement, prosecution of traffic offences - are also costs borne by the State.

Rail is powered by electricity on certain rail stretches and diesel on others. If the policy proposal is accepted, fuel requirements used by road haulers and volumes of road-based cargo, will be reduced. Increased availability of fuel will have knock-on effects on fuel prices and will reduce the petrol price pendulums as influenced by the international crude oil markets. The extents of these reductions have not been calculated for the purposes of this policy proposal.

The logic for the road haulage to continue dealing with small cargo cannot be overemphasized. In the same manner, it would be counterproductive for rail-friendly cargo to continue being transported on road. The trade offs are thus easy – where feasible, rail should let go of cargo that can be carted on roads, and road should let go of cargo that can be carted by rail.

3.1.8 The Current Road Network

The road network in South Africa consists of 532 000 kilometres, about 221 00 km of which are unproclaimed roads largely in rural areas. These roads carry a total of 6 798 696 vehicles, with a road density values of 19.8



Many of these roads are gravel roads which account for 198 141 km of roads.

The largest number of vehicles are found in the Gauteng province, at 2 583655, followed by the Western Cape with 1 169 909 motor vehicles on the Western Cape roads.

In the specific issue identified in this document, there are 275 705 heavy vehicles on our roads..

The three spheres of government spent about R10,6 billion on roads in the 2004/2005 FY, with KwaZulu-Natal accounting for the highest expenditure

As it relates on road infrastructure, there has been a sizable growth from R5,1 billion in 2002/2003 FY to R7.8 million in 2007/08 in 2004/05 and is expected to reach R12,0 billion by 2007/08.

The maintenance of roads takes a toll on the budgets of the provinces. In the 2004/5 financial year, provinces resealed 1583 kilometres of surfaced roads, re-gravelled 2557 kilometres and undertook routine maintenance of 189 138 kilometres on all categories of roads.

(Provincial Budgets and Expenditure Review, 2001/2 – 2007/08)

3.1.9 The Current Rail Infrastructure

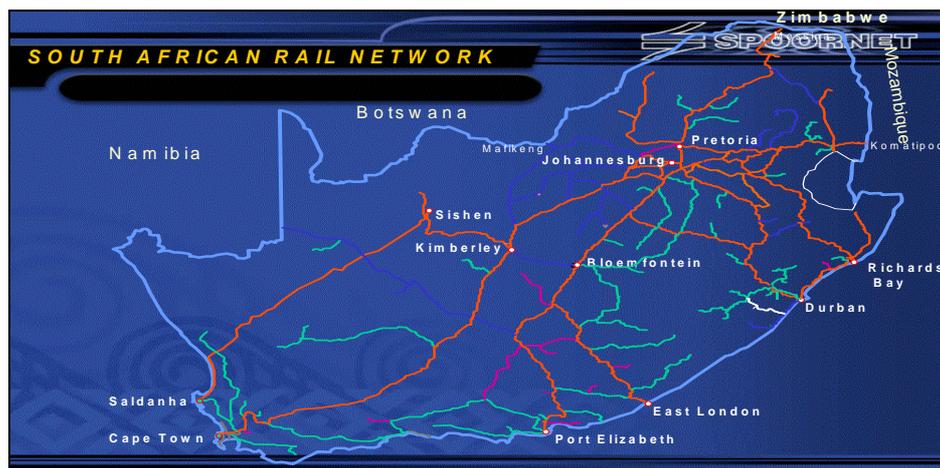
The current rail network has a total: 20,384 km length in 2000, comprising of a narrow gauge of 20,070 km, a 1.067-m gauge of 9,090 km electrified and 314 km 0.610-m gauge (Wikipedia)

At its height, the South African rail infrastructure consisted of:

- 1000 station complexes with station buildings, sheds, workshops and houses and villages for railway staff (including recreational facilities) very large centralized workshops, operating and training facilities,
- 20 000 kilometres of track with more than 3000 sidings, 10 000 bridges and viaducts and 150 tunnels
- some of the world's oldest steam engines
- many electric and diesel electric engines and
- the world's longest trains and the most luxurious trains.⁴

However, as of 2002:

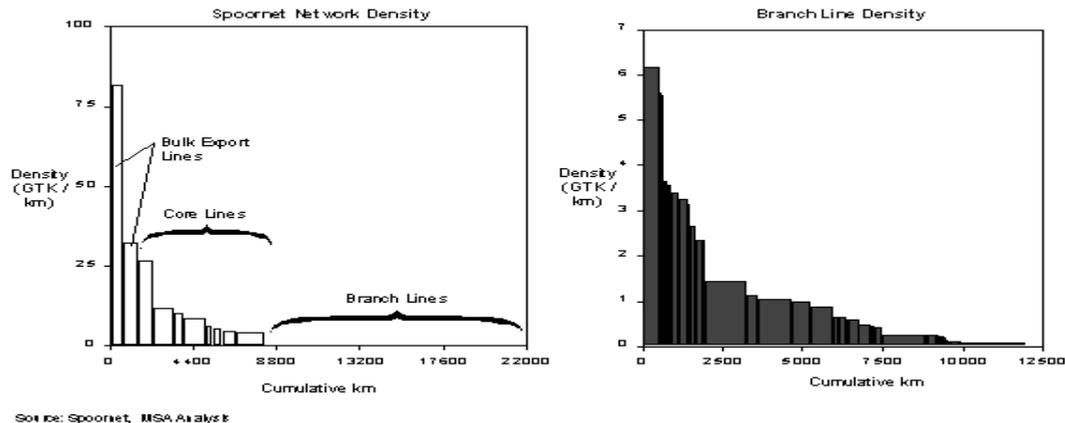
- of the 20 000 kilometres of track only 10 000 now operate;
- 1250 of the 10 000 carry no traffic,
- 5750 kilometers carry low traffic,
- 3110 kilometers carry only light traffic,
- some have been closed,
- stations have been vandalized,
- tracks have been vandalized.⁵



The Rail Freight Network — Densities

⁴ International Council on Monuments and Sites: Railway Heritage at Risk

⁵ Ditto.



Policy Action

This policy will not apply in instances where no rail exists. This will mean that the Department of Transport (relevant units in brackets) will work with the rail and road haulers on the following issues:

- (a) Commissioning a Pre-feasibility study to take stock of categories of cargo, their origins and destinations and to quantify supply and demand for haulage. (Freight Logistics and Corridor Development)
- (b) Determine which rail runs parallel to the road network (Integrated Planning and Intersphere Co-ordination)
- (c) Calculate the tonnage splits between the two. (Freight Logistics and Corridor Development)
- (d) Calculate a cost-benefit analysis of the shift from road to rail (Economic Analysis)

3.1.10 The Specific Tasks of Economic Analysis

(This section to be read in conjunction with 4.5 below)

The following pointers should assist the Economic Analysis Unit to arrive at a workable cost-benefit analysis.

- There should be a discernible reduction of costs, reduced transit times and increased reliability, grouped together as first order benefits
- Time cost-reductions that should be added to the ordinary standard analysis, taking into account such issues as operating costs, cost savings from accident reduction and drivers wages.
- Anticipated demand curves before the implementation of policy and those that are likely to be experienced after. The time frame over which this demand curve will rise should also be calculated so as to assure transport operators of the policy shift, even if such determinations will be over a considerable time.
- The transportation industry should realize reorganization effects, such as change in quality of outputs while the quantity remains the same, the building up of more firms and warehouses, the creation of economies of scope and scale – all which could be grouped under second order benefits;
- Freighters should have additional reorganization of their companies which will include improved products, new products and convergence of existing products added value and multi-purposes.

- All the qualitative and quantitative values of the costs and benefits should be estimated to assist National Treasury arrive at a decision. Data that should assist the Economic Analysis Unit to arrive at these estimates should include, but not confined to the following:
 - ✓ Direct-time costs savings;
 - ✓ Transit costs savings;
 - ✓ Increased reliability;
 - ✓ Indirect savings from logistics reorganization;
 - ✓ The threshold of time costs savings at which reorganization will occur;
 - ✓ The elasticity of logistics costs;
 - ✓ Current demands for freight transportation;
 - ✓ Volume of freight logistics and product movement;
 - ✓ Average travel time.

3.1.10 Shared fixed infrastructure

The sharing of rail infrastructure between commuter passenger trains and freight trains should be reviewed. The preference given to rail freight cargo may not be necessarily responsible for the delays in rail, but the result is that even if rail freight gets this preference on the infrastructure, it does not help solve the problem of freight delays. In the event, the two (passenger and freight) are delayed anyway, thereby adding to the loss in production (delayed workers) and low turnaround times in ports and other destinations.

The DOT must enhance its decision-making process about the transfer of certain rail commuter services to the metros.

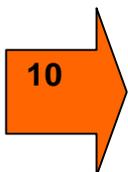
The transfer is required as a response to the Policy position espoused in the White Paper on National Transport which states that:

“The principle of subsidiarity and devolution of public passenger transport functions, powers and duties to the lowest appropriate level of government is confirmed.”⁶

4. NEW ISSUES IN TRANSPORT

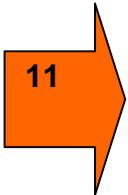
4.1 Environment and Security

The new concerns with environmental protection require a quantitative study of which mode best saves the environment, and which of the two can be best rated for corporate citizenship (which includes the environment) triple bottom reporting (the third element being the environment), businesses commitment to a cleaner environment, for example the Rio principles and WSSD principles.



Policy Action

The Department of Transport will work with relevant authorities to avoid the building of suburbs near railway lines that will put the communities at risk of hazardous spillages.



Policy Action

In relation to the transportation of hazardous substances, the Department of Transport will work closely with the Basel Convention Regional Centre/The Rotterdam Convention and the Stockholm Conventions to develop, review and synergize its activities and regulations relating to the transportation of this category of cargo.

⁶ Page 22

12

Policy Action

In the event that the building of such suburbs and housing estates cannot be avoided, the Department will work with relevant authorities to determine a distance between suburbs and rail lines that will be distant enough to minimize the risk to the communities in the unlikely event of hazardous spillages.

13

Policy Action

Rail sets carrying commodities of a toxic or hazardous nature shall be given preference passage rights so that at no times shall such cargo be left idle, standing near neighbourhoods or presenting a danger through slow movement and unnecessary delays.

14

Policy Action

Each rail trader and operator shall ensure that the carted material is correctly identified through the normal labelling system and any other system that may be determined by the Department of Transport from time to time.

There is a growing concern about the issue of security and this issue is more pronounced in the aviation and in maritime industries. It may well be that the next area of concentration will be rail. The policy proposal means that the issue of extending and improving security in the transportation of goods by rail should be investigated.

4.2 Studies and assessments

An environmental impact assessment of the migration of certain cargo to rail will have to be undertaken. This is a constitutional and legislative (NEMA) imperative.

The decline of employment in the rail industry is easily explained by over-emphasizing the role of changing technologies. A closer analysis of how the State can intervene to reverse the trend of the decline is required. There is also a need for a study of how Government can create employment opportunities in the rail industry.

Statistics South Africa figures for 2002 indicate that land transport employment had the largest number of employed people at 136 673 or 60.2% of the total employment in the industry

Gross salaries in the transport industry stood at R21 294 million, 60% of which was in the land transport industry

Land transport came second to the air transport industry in capital expenditure at R2 128 million or 26,9% of expenditure on new assets.⁷

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Policy Action

The Department will inform and update the rail haulage industry on the latest available technologies in the rail transportation system.

Simultaneously, a study of how the shift will affect employment in the road freight industry should also be undertaken. The skills set for the two modes are not necessarily interchangeable, and the reduction of workers in the road freight sector does not mean that all of them will be transferred to the rail operations.

⁷ Statistics South Africa The Transport Industry 2002 Statistical Release P7101

There is also a need for the study of the road versus rail debates in other countries and a tailor making of one example of study for the needs of South African conditions should be undertaken.

16

Policy Action

The Department of Transport (Research Division) will undertake a comparative study of the rail and road debates in other countries.

4.3 The Rail Promotion Agency

The customer and users' trust in the State rail companies has been irreparably damaged over the years of inefficiencies. The five most important issues faced by rail customers are:

- Reliability;
- Equipment availability;
- Price structure;
- State and reliability of rolling stock; and
- Rolling stock availability

The tariff structure has not encouraged any comparative alternative to road and the lack of punctual deliveries has loaded the dice in favour of road haulage.

The DOT should consider the establishment of the Rail Promotion Agency separate from the rail company as the trust and confidence has been irreparably damaged by the inefficiencies in the rail sector.

The establishment of a Rail Promotion Agency may not be readily acceptable to National Treasury which is not keen on funding new State-owned companies.

There may therefore be a need for DOT to locate the rail promotion function within one of its directorates, preferably Communications or Integrated Planning and Intersphere Co-ordination.

DOT should also consider whether the rail Safety Regulator cannot be beefed up to undertake this task.

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Policy Action

The Department of Transport will establish a Rail Promotion Agency or pending the necessary procedures for the establishment of such an agency, the Department will perform such a function under the joint responsibility of the Freight Logistics and the Corridor Development division and Communications.

4.4 Restructuring

The involvement of the private sector in this transportation industry emanates from the policy statement espoused in the White Paper on National Transport Policy which states that:

“Continued attention will be given to justifying greater appropriations from the Exchequer for transport infrastructure, and where appropriate and possible, infrastructure will be funded through user charges and/or investments by the private sector.”⁸

⁸ Page 15

The issue of the privatization as one form of restructuring of the rail system should be viewed from the success of the Richards Bay Coal Terminal. It should not be dismissed on a simplistic notion of the State owning rail for national “prestige.”

As long as the State continues to subsidize the parastatal, profitability margins will defy the intentions of turning the asset around.

The centralization of the control of the parastatal is taking place at about the same time that the road freight industry is outsourcing space.

The sharp ideological chasms between the private sector and the public sector become even starker.

The DOT and Government in general, should pronounce its position about which areas of Government owned businesses in rail they will exit.

This is in line with the policy position espoused in the White Paper on National Transport Policy, which states that:

“The Strategic value of state-ownership of the various types of infrastructure will be re-assessed. In certain instances, it may be desirable for the roles of provider and regulator (referee and a player) to be embodied in a single institution. In these instances, ownership and regulation of transport infrastructure should be separated, whether state owned or privatized.”

The rail system in South Africa has its origins in the private sector especially the transport needs of the mining industry. Currently, two successful rail lines serve the needs of the private sector, namely the coal industry between the Mpumalanga and Richard’s Bay and the Sishen/Saldanha Ore Line.

Policy Action

The Department of Transport will encourage the participation of the private sector in the operations and investment in the rail infrastructure through the public private partnership, build and operate and concessioning mechanisms.

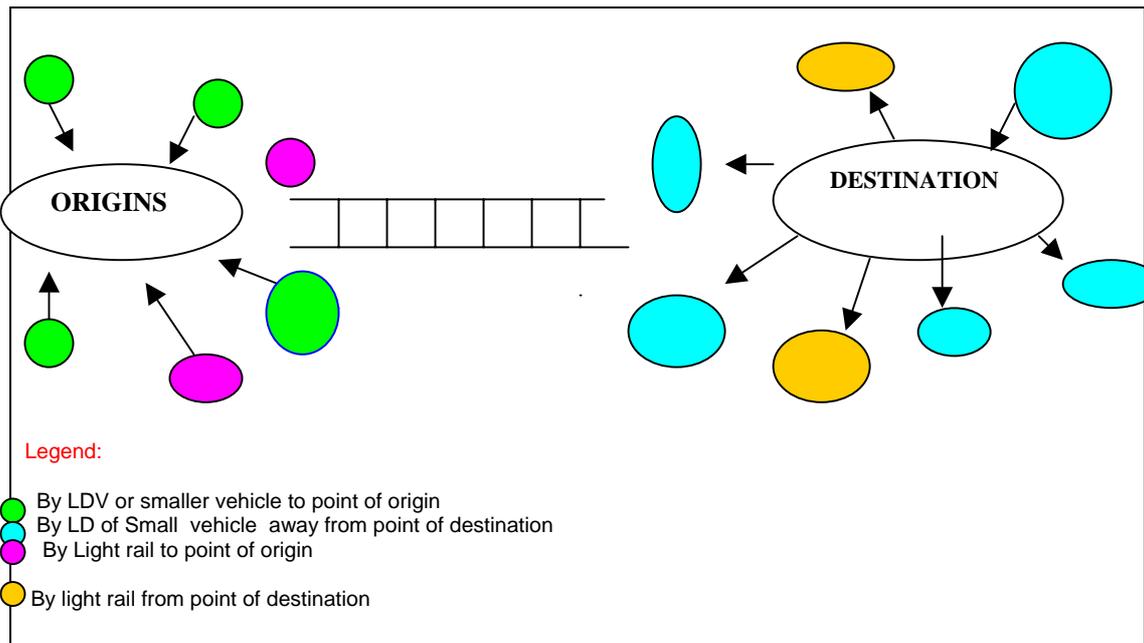
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4.5 Benefits of the Rail Policy Shift To Government

The migration of certain cargo to rail will grant government :

- the opportunity to delineate lines of compensation between modes;
- define proper labour requirements for drivers;
- increase the participation of HDIs;
- develop safety and security standards;
- determine appropriate axle loads; and
- develop an appropriate and integrated regulatory platform.

At the intermodal points there will grow a new class of entrepreneurs for smaller delivery vehicles to transport the broken up cargo to various destinations, will develop. In other words, further distributional routes needing smaller vehicles will enter the transportation market.



There are also types of goods which are transported by private carriers, meaning those companies that are not having transport as their primary objective. The types of goods that these companies carried since 1987, and which should be on rail, depending on the volumes have ranged from

- livestock (4.6% in 1994),
- agriculture (10.4%),
- mining products (2.8%),
- sand and stone (5.9%),
- bricks (1.3%),
- cement (1.9%),
- wood, 2.7%,
- paper and related products (3.2%);
- Furniture (1.9%);
- Glass and glass products (1.1%),
- scrap metals (1.0%),
- manufactured metal products and equipment (8.7%) and
- Motor vehicles 0.6%) (DOT Statistics)

It is envisaged that this policy will result in these types of goods being transported by rail.

19 → **Policy Action**

Government will encourage new SMME entrepreneurs into the main stream of the transport industry by facilitating discussions between them and both developmental and capital finance institutions.

20 → **Policy Action**

Rail operators will be obliged to ensure that safety and security measures are applied in the transportation of such goods from point of origin to point of destination or at break of bulk points.

Policy Action

In instances where there will be a multi-modal or intermodal split of operations, the necessary transshipment and commodity transfer arrangements should be made ahead of schedule such that transfer and transshipment times are minimized.

5. ACCEPTANCE OF THE PROPOSAL

5.1 Possible Resistance To The Policy Proposal ...

Changing the policy now is likely to be resisted by road haulers who have invested in heavy trucks. Players from both modes have highlighted the benefits of their modes from the core business (operational) to the soft ones (externalities). The debate usually then gravitates between:

- Which of the mode will benefit the environment;
- Which contributes more to the GDP;
- The international trends and references;
- Customer preference and satisfaction;
- Just- in time delivery platforms;
- Employment opportunities;
- Optimal usage of infrastructure and underutilization;
- Safer and more secure.

According to the CSIR's Annual Statistics of Logistics Survey, the logistics costs have stayed flat at 15.2% of the GDP. It still compares poorly with the worlds best economies where the logistics costs were lower than 10%. (Business Day 1 December 2005) This shows that while the road haulers are indeed making profits, the costs to the users have not gone down. Rail could be the denominator in the reduction of logistics costs in South Africa.

5.2But public statements from some players are positive

Government should find solace in the fact that one of the organized road freight formations, the Road Freight Association (RFA) and one from the Railroad Association (RRA) have issued statements that they accept the position of shifting certain categories of cargo to rail.

It is not a forgone conclusion that these formations carry all their members with them, and there may be a need for Government to gauge the legitimacy of each view, particularly for the smaller operators whose concerns delayed the final agreement on the Transport BEE targets.

6. WHAT IS TO BE DONE?

6.1 A Road Map For The Restructuring of Transnet

6.1.1 The Transnet Strategy

The policy proposal should show benefits for the two modes in order for it to have the highest degree of acceptance.

A clear road map for the implementation of the Transnet Strategy (of concentration on freight- and exiting those business such as road, busses, trucks currently located in the holding company or its divisions) should be charted.

The road industry is likely to be supportive of a policy shift that will also benefit it from Transnet exiting the businesses in which the road freight industry is also competing, such as trucking and bus businesses.

Transnet may need to revise its strategic intention of exiting Autopax where it intends to sell 605 buses to the private sector.

By trying to transport everything that comes their way, each of the modes is delayed by the loading and off loading of cargo inappropriate to it.

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Policy Action

Government will ensure that the restructuring of state-owned companies does not compromise the objectives of this policy.

6.1.2 Inefficiencies

The inefficiencies in the rail network, and the absence of interface with the ports system, have been adequately documented.

The suggestions of the high speed and dedicated rail linking Durban-to-Johannesburg will not solve the problems of inefficiencies as these are of a human resource nature (management and lack of commitment).

The question of additional and dedicated rail should only be considered once the current infrastructure has been optimally utilized. In their own previous pronouncements of “sweating the assets”, it is clear that the rail company has not achieved this objective.

6.1.3 Management Issues

Generally, parastatals have less inclination to improve their operations because of budgetary backup by the State. There is a need to make an assessment of the management of the rail parastatal.

DOT should develop new management procedures and ethos so that the current underutilization of existing rail network should be addressed before additional volumes (of rail friendly cargo from road) are decided upon.

The Management plan should consider:

- balance the outward and inward cargo movements so that wagons do not do empty return runs;
- employ ITS and other IT platforms to enable the parastatal to track wagons so as to prevent the users from abusing the wagons as storage facilities at sidings;
- pronounce on the branch line viability and/or continuity or exit of the company from these lines;
- Management of Safety and Security Incidents and Accidents
- Service punctuality
- Quality of service and Asset Utilization;
- Combined Planning;
- Increase Labour Productivity;
- Efficient Loco deployment strategies; and
- Wagon Management to include consignment life-cycle management⁹

6.2 User Pays Principle

Appropriate “user pays” principle based charges will enhance the migration of certain categories of cargo to rail, while at the same time protecting the light motor vehicles from a lopsided fuel tax contributions.

⁹ Sheila Walinge: Presentation to African Rail 2006. Midrand

While it is true that the road freight haulers pay a licence fee and excise tax, studies indicate that the road freight operators do not pay for the following:

- Standing costs of roads they do not use;
- Cost of pavement wear and tear;

A user pays approach will require:

- forcing trucks on to the tollgates;
- relocating strategic weighbridges;
- migration of enforcement officers away from secondary and underutilized roads
- establishing a charge based on the size of the vehicle and cargo loads;
- finding a method of charging for roads that do not have toll gates
- developing a method to charge for:
 - ✓ pollution charges,
 - ✓ congestion charges
 - ✓ pavement damage
 - ✓ axle loads, road construction material (bitumen/asphalt and cement road charges should be different – or should they?)
 - ✓ charges for damages to bridges
 - ✓ charges for length of time travelled on road
 - ✓ charges for speed



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Policy Action

The Department of Transport will work with National Treasury to develop proper user-pay charges frameworks for all taxes, costs and charges for the road freight transportation.

6.3 The Rationale – Not a Zero Sum Game

While the growth and the diversification of the South African economy in the 1920s to the 1980s led to rail losing some of its freight segments to road, the further diversification of the economy post-1994 means that there is a need to:

- to revive the railway haulage to respond to the challenges of globalisation,;
- to increase internal distribution mechanisms,
- respond to export demands;
- deal with the growing traffic congestions and delays in rail transportation;
- maintain the transportability of South African products in the face of massive competition; and
- create employment amid the global high mobility rates of labour.

6.4 Road and Rail, Not Road vs Rail

The debate about whether the two modes of freight transportation, road and rail, can sit perfectly along side each other has dominated policy discussions. This document deliberately wants to bring the debate to a close, with a suggestion that rail friendly cargo should be taken back to rail, while efforts are made to limit the economic damage that this will do to the road freight industry. A perfect balance in policy between the two modes will assure the survival of both modes.

The last sentence indicates that the document does not want the policy proposal to ignite an “us” versus “them” debate (“us”) being road and “them” being rail.

This document argues that the two can co-exist, and given the damage to our roads and the underutilization of South Africa’s rail network, the policy proposal is more than likely to lead to a win-win situation for both modes of transportation.

6.5 Suggested Solutions For Rail

These means may be among the following:

- extending an invitation of the private sector to assist with the overhaul of locomotives and wagons;
- drawing realistic performance contracts between the State as a shareholder and the management of the parastatal;
- encouraging lease back of wagons;
- modification of wagons for future use;
- overhaul of wagons;
- limited purchase of new wagons;
- fair split between the number of locomotives and wagons;
- upgrade of signals equipment (with necessary back up technologies and after sales service agreements)

Ideally, rail should be viewed as a long distance mode, supplemented by short multi-modal corridor systems for small and medium consignments.

7. THE POLICY PROPOSAL

The Department of Transport is making a policy proposal to migrate, where possible, certain categories of cargo from road haulage back to rail haulage. Envisaged in this policy proposal are all categories of cargo that can be considered to be heavy, abnormal, dangerous, bulk, long, threatening the environment, can be accommodated in rail, unlawful to be on road in terms of transportation legislation, a combination of all these, and those that will be determined by transport officials from time to time, as unnecessary to be on the road network.

The definitions and interpretations of these categories will be based on the standards applied by the Standards South Africa, e.g. when we refer to dangerous and hazardous materials (HAZMATS), we will be referring to materials as defined by SABS Code 0228 and the International Maritime Dangerous Goods Code.

The commodities which will be subjected to this policy will include but not limited to, the following:

- Animal Feeds;
- Chemicals;
- Clay concrete and glass;
- Coals;
- Containers;
- Explosives;
- Fertilizers and Pesticides;
- Foods and Agricultural Products;
- Gravel and Crushed Stones;
- Machinery;
- Metal and Metal products;
- Non-metallic minerals;
- Petroleum;
- Pulp Paper;
- Timber;
- Transportation Equipment;
- Trucks and Intermodal equipment; and
- Waste and Scrap

Policy Action

The Department of Transport's Freight Logistics and Corridor Development will set a task team composed of the freight industry players and government to determine which products and tonnage limits under the above-mentioned broad commodities shall be subjected to this policy.

8. EXCLUSIONS

The South African rail system does not cover the whole country. To the extent that is possible, companies and industries should use the nearest railways system. However, in areas where there is no rail, the policy will be relaxed.

There is also acknowledgement that there is a lack of connection between major ports. In addition, the current corridors marginalise the under-developed areas.

The policy will also not apply in instances where perishable goods and other time sensitive products have to be moved, if their transportation on rail will mean they will be unusable by the time they reach their destination.

In certain emergency cases, there maybe a need for cargo that is rail friendly to be on the road even when the rail system is nearby or available. The exclusions in this case will be done with the permission of the traffic authorities of the areas that will be affected.

9. ACTION PLAN

The issues that have been identified in the document require quick action. It is suggested that the next step should be a newspaper advert calling for road and rail industry comments on the intentions of the Department of Transport to migrate certain categories of cargo to rail.

There is also an urgent need for the State to consider leasing of lines and or rolling stock to private operators.

The public should also be requested to suggest which cargo items should be migrated to rail and the criteria they have used to decide these cargo items.

As Transport in general is a concurrent issue, and railways are a national competence there is a need for this document to serve at MINMEC and COTO.

Once the document has been accepted, EXCO and the Minister should approve it for external distribution and comments. The external order of distribution should be as follows:

- For expeditious treatment, the document should be tabled at the Economic Cluster of Directors-General who should be requested to debate the document within their Departments.
- A national workshop for the industry across all modes should be organised to discuss the document and the impact of this policy.