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The State of Logistics in South Africa
A review of the past five years

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INTRODUCTION

The annual State of Logistics for South Africa (SOL) is now in its eighth year of production and the next report titled “Logistics costs and cost drivers: a macro and micro economic perspective” will be released in March 2009.

Each survey has a specific theme around which the content is structured and provides insights into the logistics and supply chain issues on a macro and micro-economic level. The first survey released in 2004 was aptly titled “The case for measurement and revitalisation of basic logistics infrastructure in our dual economy”. The 2005 survey focused on “Delivering research priorities for developmental logistics” and in 2006 the theme revolved around “Implementing logistics strategies in a developing economy”. There is a strong developmental focus in these reports, which recognises the need for emphasis on the second economy when analysing the logistics sector in South Africa.

The 2007 and fourth survey, titled “Logistics for regional growth and development” and portrays the role South Africa plays, from a logistical viewpoint, in the Southern African region.

THE MACRO-ECONOMIC PERSPECTIVE

In a recent study conducted by the World Bank on international logistics competitiveness, South Africa (SA) was ranked 24th out of 150 countries, the best-ranked developing country, even beating China (placed 30th), but when rated on internal (domestic) logistics costs, SA was placed only 124th. The high logistics costs remain the biggest concern for the industry and if SA wants to compete in the global marketplace the high logistics costs need immediate attention.

Between 2003 and 2006 logistics costs as a percentage of GDP dropped by one percentage point and now stand at 13.7% of GDP (Figure 1). This drop can be ascribed mainly to the high growth SA has experienced in its GDP, but logistics operators have also been able to utilise spare capacity in the logistics system through better management and streamlining of the total supply chain e.g. by implementing lean-manufacturing principles and reducing inventory costs.

The contribution of the stack elements is shown in Table 1 which indicates that logistics cost remained mostly unchanged between 2003 and 2006, except for transport costs. Transport remains the biggest contributor to the cost of logistics in SA and the continued increase over the past few years is a worrying trend (Figure 2). The transport sector is more susceptible to administrated prices (cost elements outside the control of logistics managers) and the poor configuration and management of the freight network will continue to drive this trend.

The State of Logistics reports can be downloaded from www.csir.co.za/sol/

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