

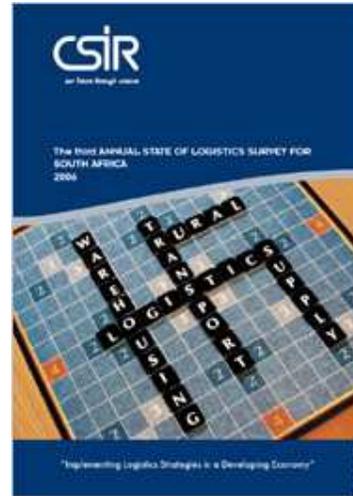
General News

Logistics survey calls for drastic changes to prevent gridlock

South Africa's fast-growing economy and the resultant increase in freight movement and traffic volumes are placing huge pressure on the country's already strained logistics infrastructure.

The third annual State of Logistics survey, authored by the CSIR and Stellenbosch University, and sponsored by Transnet and the CSIR, highlights the challenges of implementing logistics strategies in a developing economy.

According to Hans Ittmann, CSIR logistics and supply chain expert and co-author of the report, the second State of Logistics survey published in 2005 focused on defining the research priorities for developmental logistics, while the 2006 study explores the challenges of implementing logistics strategies in the macro-economic, industry and small business development contexts.



The 2005 logistics cost is 14,5% of the GDP, which is a slight decrease from 14,6% in 2004 and 14,8% in 2003 (the 2003 and 2004 figures have been adapted because of GDP adjustments by the South African Reserve Bank). "While this is not significant, the increase in the contribution of the transport cost from 62,5% in 2003 to 63,1% in 2005 is disconcerting," says Jan Havenga from the Department of Logistics at Stellenbosch University. "The total land transport in the South African economy increased by 8% to 1,4 billion tons. This growth was captured by road - the rail transport tonnages have now remained more or less stagnant for the past decade. Considering the predicted growth in the economy, it is clear that revolutionary change is required in the long-haul road/rail relationship to avoid road gridlock."

In addition to supplying a macro-economic perspective, the survey explores challenges in the fast-moving consumer goods (FMCG) sector and in government service delivery. In both of these environments, goods and services need to be delivered over the entire national geography, and ineffective supply chains directly impact consumer satisfaction.

"The South African FMCG sector is a study in complexity: Not only is the consumer market growing rapidly, the consumer profile is also changing and the industry has to adapt accordingly," says Ittmann. "Our research has shown that the FMCG logistics system is inefficient, with key supply chain performance indicators that are only halfway towards benchmark figures. The challenge is to alleviate those inefficiencies through the implementation of key collaborative efforts that meet joint objectives. Significant effort is required to move from partial to full implementation and to realise potential financial benefits."

Government service delivery in a constrained environment is critically dependent on supply chain efficiency and innovation in service delivery supply chains. The survey includes a study of Thusong Service Centres, which provide a hub of activities and a variety of services through local, provincial and national government. These centres create an opportunity to demonstrate the benefits of implementing a customer-focused supply chain and provide a platform for the use of mobile technologies such as SMS services to make eGovernment a reality.

A small business development perspective is also included in the survey. "The key feature of small businesses in the second economy is low-volume supply chains," says Ittmann. "Two types of strategic approaches, namely logistics streamlining and economic mainstreaming, have the potential to improve the performance of low-volume supply chains." Case studies of the implementation of these approaches demonstrate the possibilities for the sustainable reduction of logistics costs and improved access to markets.

To support sustainable change in the logistics industry, the survey identifies a number of critical issues and actions, including a balanced strategic focus within the transport portfolio of the Department of Transport and a measurable implementation plan, a useful information base to support macro-economic and industry decisions; continuous commentary on the industry by the research and consulting fraternity; transfer of learning between established and upcoming industries; and localisation of global practices by logistics service providers.

"For South Africa to continue competing in the global market it is essential that a comprehensive picture of the state of logistics is maintained, that the logistics research agenda is set, agreed on and, critically important, acted upon. All the key players should collaborate in achieving the goal of making this country a truly competitive nation," Ittmann concludes.

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