

MEDIA RELEASE

Greater Collaboration Is The Way To Contain Costs Within The Logistics Sector

“Supply chains compete, not products, commodities or companies. The implication is that the focus should be on integrating all activities in the supply chain, and not on individual service providers” said Gerard de Villiers, Senior Consultant, Logistics and Advisory Operations at Arup who recently facilitated the panel discussion on the important topic of ‘Collaboration or Competition between Road and Rail’ in Johannesburg. This was arranged by The Transportation Engineering Division of the South African Institution of Civil Engineering (SAICE).

Arup approached various road and rail transport service providers and stakeholders to participate on the SAICE panel, with a view to discuss the way forward for a collaboration of the respective modes to improve the efficiencies of supply chains. “This discussion is crucial as it allows for alignment between the stakeholders to achieve the objective of more efficient supply chains. Such interaction goes a long way to reduce the high logistics and supply chain costs in South Africa” de Villiers commented.

The panel included Gavin Kelly of the Road Freight Association, Laverne Dimitrof of DBSA, Makoma Mabitsela of Transnet and Matlhodi Senyatsi of the DoT.

On opening the discussion, De Villiers suggested that “Transport modes in general and road and rail in particular, should complement each other and not be seen to compete in the supply chain,

to ensure that this integration will be possible. Road and rail have different cost and service characteristics and it is important that road friendly traffic should be on road while rail friendly traffic should be on rail”.

The debate by delegates highlighted important factors that currently impact on the ability of the industry to collaborate effectively. The fact that both the Department of Transport, responsible for road transport, and the Department of Public Enterprises, responsible for rail transport, are independently engaged in transportation issues possibly contributes to some of the challenges of a collaborative integration between transport modes in the supply chain. Whereas if one department was responsible for both road and rail a more effective integration of the supply chain could be achieved.

The decision as to which service provider will be used, will always be driven by the market and it will prove difficult to force them to use a specific mode. Low costs will not necessarily attract traffic if the service levels are unacceptable, which is of paramount importance within the logistics industry.

The ‘last mile’ in the distribution of products to the market is the most expensive link in the supply chain and the role of the respective modes as well as intermediaries such as intermodal terminals need to be clearly articulated to ensure that appropriate service levels are maintained within reasonable costs. “With more attention to the optimisation of transportation in this last phase of the supply chain - usually it is smaller trucks with a higher cost factor that are used – costs could be contained” said de Villiers.

In order to improve costs and service levels, intermodal terminals or distribution centres should be localised and be established as close to the customer base as possible.

Whilst the topic was both relevant albeit somewhat controversial, the need for collaboration between road and rail was thought to be the only way forward if South Africa was to reduce the exceptionally high logistics costs in the country. “There are major benefits to be achieved from a collaboration between road and rail”, de Villiers added “It would assist in reducing costs whilst maintaining service levels in the supply chain as long-distance transport should be provided by rail, at lower cost per ton.km, leaving the ‘last mile’ operators to deliver to the final customer by road”.

Note to Editors

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Issued on behalf of:	Arup
Contact:	Madeleen Englebrecht
Tel:	+27 11 218 7652

Email: Madeleen.Engelbrecht@arup.com
Website: www.arup.com
Date: November 2018
Issued by: SJC Creative
Contact: Sue Charlton
Tel: 087 701 3860/082 579 4263
E-mail: sjc@worldonline.co.za