

July 2014

FREIGHT & TRADING WEEKLY

LOGISTICS

ftw

INTERMODALISM – A SILVER BULLET?

RAILROADED

Capacity shortage
keeps cargo
on the road

A portrait of Jaqueline Burge, a woman with long, wavy brown hair and blue eyes, smiling warmly. She is wearing a white top. The background is a plain, light-colored wall.

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Rarity Handbags' Jaqueline Burge makes a statement

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Jaqueline Burge, Rarity Handbags.

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BAGGING ELITE EXPORT MARKETS

2



11

WEST AND EAST AFRICA GROWTH



4

RAILROADED – CAPACITY SHORTAGE



6

DEALING WITH SUPPLY CHAIN DISRUPTIONS

BIG ISSUES

18 **ROAD TO RAIL CONUNDRUM**

19 **INDUSTRY MULLS SOLUTIONS TO TALENT GAP**

24 **OUTSOURCING – BETTER, CHEAPER, FASTER?**



10

'INTERMODALISM IS THE WAY FORWARD'

GENERAL NEWS

8 **NEW SYSTEM MANAGES ENTIRE SUPPLY CHAIN**

17 **RAIL DOMINATES SWAZI TRANSPORT MASTER PLAN**

23 **ZAMBIA COMMITS \$120M TO RAIL UPGRADES**

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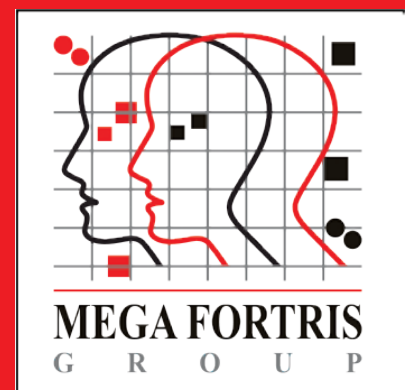
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Rarity Handbags find strong global uptake

Liesl Venter

Unique Rarity Handbags and accessories made from responsibly sourced giraffe, springbok, zebra, ostrich and nguni are gaining worldwide recognition with the likes of Princess Mary of Denmark using a Rarity designed and made ostrich leg clutch when she attended the Monaco Royal wedding in 2012.

The brainchild of Jaqueline Burge, who has managed to translate her love of Africa into a contemporary product, Rarity Handbags are now exported to more than 12 countries.

“It really was a dream of mine to create beautiful and unique products,” says Burge. “I love Africa and its dynamic and vibrant people and I wanted to bring that to life and share it with the world.”

And she did. From a small studio at the foot of Table Mountain, the first of its kind in developing hide leather in Cape Town, she has been steadily growing what is today a thriving export business.

“We like to question conventional thinking in design and manufacture,” she said. “By creating our own manufacturing concern, Rarity has been able to maintain absolute control of quality, accountability and delivery, all very necessary qualities to succeed in export.”

Export was always on the cards for Burge – even in the early days. “My products are designed for the client who wants to carry a beautiful African accessory. And as my skill in manufacture and business increased, so did my ability to target and pursue new markets.”

The company’s transport mode of choice is airfreight. “It is more convenient, faster and does less damage to our products than ocean liners,” says Burge.

Larger clients have the option of consolidating orders and can use their preferred suppliers to pallet the goods. In these instances Rarity uses packaging sizes based on their requests.

“Our exports are consistent and weekly until June, and then restart in August. Our bigger markets at the moment are the USA, and in Europe the UK and

the Benelux area. Right now we are targeting Russia and working on expanding our European footprint,” she says.

One of the biggest challenges faced, says Burge, is the change in international regulations regarding leather used in the export of products.

“We have to adhere to stringent international regulations regarding tanning and colour pigments and our suppliers have to be aware of these regulations at all times, regardless of local regulations,” she says.

But establishing international relationships is a costly affair. One has to find resourceful and creative ways to enter new



markets, says Burge. “And cost always matters, even with niche market products. We have to make sure our products are being seen by the international buyer, while taking local costs into consideration to ensure we deliver a globally competitive product.”

Besides transport costs there are also industry-related costs attached to importing goods. “I have to identify all these costs when designing, pricing and freighting products. Starting at the design phase I want to ensure that the materials used to construct the bag do not add unnecessary and additional weight to the products. Placing hardware in a design must be carefully considered. One needs to question whether the weight is justified against the design advantages,” she says.

All essential taking into account that transport costs add 6-30% onto landed goods. Quality and service therefore become paramount when working with high transport figures.

Choosing service providers is just as important. “Specific airfreight companies are evaluated according to prices, service and the way they keep us informed on the location and status of our consignments. Reliability and collecting on time are important, they must provide assistance with export documents and they have to be knowledgeable about the markets we are entering and add value to our relationships,” says Burge. “We find we use certain providers for different countries according to the service and support attached to the region, and according to our client profile.”

“One of the biggest challenges faced is the change in international regulations regarding leather used in the export of products.”

– JAQUELINE BURGE



Hard at work in the Rarity Handbags factory in Cape Town.

'Intermodalism is the way forward'

Liesl Venter

Intermodalism, in a nutshell, is the answer to South Africa's skyrocketing logistics costs.

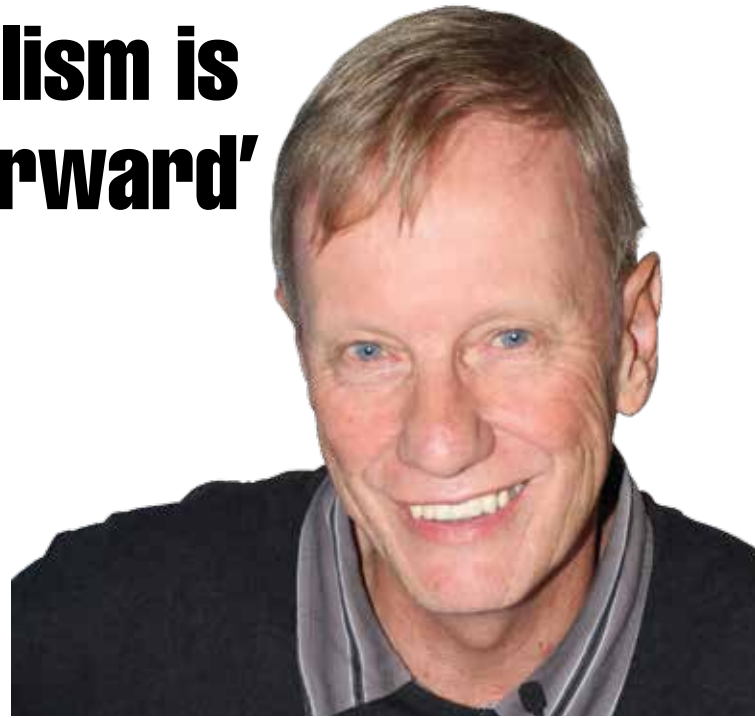
Utilising different modes of transport, seamlessly – each for the appropriate leg of the freight journey from origin to destination – and providing an overall transport solution that is efficient and sustainable is what those in the know believe has to happen.

According to Prof Jan Havenga, director at the Centre for Supply Chain Management at Stellenbosch University, in the context of South Africa this means using rail for long-distance, high density line-haul movements while using truck transport for consolidation and last-mile distribution at the origin and destination of the line-haul movement. "Successful intermodal solutions will make great strides in effecting the modal shift South Africa so desperately needs. South Africa has inherent spatial challenges and therefore our demand for transport relative to other countries is high," he explains. "We're at a time in our history where we have more scope for rail expansion than most of our trading partners. This is in a certain sense fortunate because the other strategies to address transport costs are important but yield less results."

These include strategies such as optimising road transport operations, using more fuel-efficient trucks, and upgrading provincial road networks.

Havenga sees huge scope for modal shift which could have a dramatic effect and make South Africa far more competitive.

"Positive developments towards modal shift and viable intermodal solutions are the



refurbishment of our rail system which is well under way. We're seeing the first successes as rail market share in certain segments has started increasing for the first time in decades. The groundwork has been put in place."

Not everyone necessarily shares his sentiments, however. Many industry stakeholders maintain rail has not truly clawed back any market share and that increased volumes are only a result of capacity increases on the iron-ore and coal rail lines.

But Havenga is adamant that change is imminent. "It will take time before results become so visible that the industry gains a high degree of trust. I strongly believe that the turnaround on rail has already started and that it will accelerate over the next five years."

For him integration, referring to the service providers in the supply chain integrating from a process, people and information point-of-view, will be crucial to the success of rail and bringing down logistics costs.

"Integration is essential for intermodalism to work. Road and rail must cooperate as complementary service providers offering a more

“

I strongly believe that the turnaround on rail has already started and that it will accelerate over the next five years.

– PROF JAN HAVENGA

competitive solution than either mode can offer on its own," he said, referring to the recent memoranda of understanding signed between Transnet Freight Rail and the logistics service providers, Imperial Logistics and Barloworld Logistics.

"But much more is required and we are waiting to see the fruits of these relationships. If all rail-friendly traffic on the KwaZulu-Natal-Gauteng corridor is on rail by 2040 we will only have to expand capacity on the N3 by about 20%. If, however, rail maintains its current market share on the KwaZulu-Natal-Gauteng corridor by then, the N3 will have to be expanded by 50%," says Havenga. "If rail volumes don't grow the N3 will have to triple in size. So really modal shift is an imperative here."



Target low-hanging fruit first

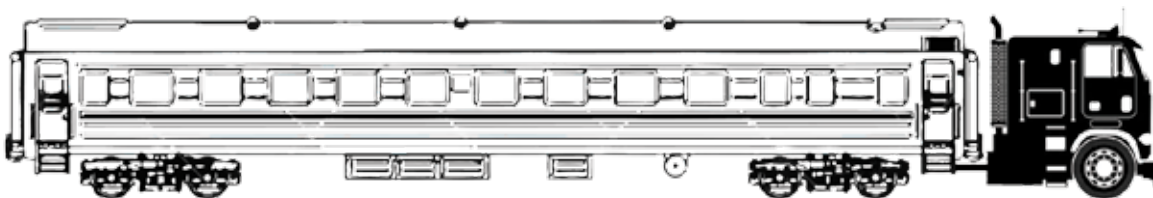
While there's general consensus that a modal shift is critical, the timing depends on the market segments involved, says Prof Jan Havenga of Stellenbosch University.

"There are four to consider," says Havenga, "namely bulk export of mining commodities, domestic delivery of mining commodities to local production facilities, intermediate movements of semi-beneficiated commodities to final manufacturing (such as coiled steel to automotive manufacturers) and the domestic intermodal movement of especially food and other FMCG products on pallets from manufacturing facilities to distribution centres and between distribution centres."

The prioritisation of these four segments is based on the following logic, he explains. If the country does not invest capacity in bulk mineral exports, South Africa's exports will be severely affected at a time when it can ill afford it.

"We need to build the capital reserves earned from exports to develop domestic beneficiation capabilities. If we're not effective in getting raw materials to production facilities we'll arrest our beneficiation plans. If we fail to move semi-beneficiated products around they will still move, but at a higher cost, and if we don't make a giant leap forward with domestic intermodal, costs will skyrocket. Failure in the first two segments will stunt supply. Failure in the last two segments will make supply extremely expensive."

In other words, says Havenga, it is about targeting the low-hanging fruit first.



Lack of rail capacity keeps cargo on the road

Liesl Venter

Over the past five years the South African National Roads Agency Limited has built 88km of new roads excluding the Gauteng Freeway Improvement Project (GFIP). A further 3 173km of existing roads were strengthened and/or improved.

But while investments into the country's comprehensive road network are ongoing, it is imperative to move more road cargo back to rail.

This is especially important in light of the deterioration of the country's provincial roads that are not considered to be in the same condition as the country's national road network.

According to Nadia Viljoen, scientific editor of the annual State of Logistics survey, the performance of South Africa's logistics industry is very dependent on its transport infrastructure.

She said it was generally accepted that a shift of freight from road back to rail was necessary to drive down the country's logistics costs while at the same time preserving the road network and reducing congestion.

"Ongoing investment in road is

happening, but with rail investment having significantly increased in the past few years our research is showing that there is interest in rail," she said. "In many cases we are still seeing many cargoes remaining on road merely because of the lack of capacity on rail."

Industry sources agree.

"Capacity on rail is the constraint rather than its cost or efficiency," said one, who preferred not to be named. "We have a big operation where we are moving magnetite from the north of the country to ports both locally and in Mozambique. It is a far better option to do it by rail, but they just cannot handle the volumes and so we have no choice but to use trucks."

He said while a lot of the volumes were moving on rail, it was at capacity. "And so what do you do? You use trucks to move the balance and we are not talking one or two trucks, but hundreds of trucks," he said.

Another source said the same was happening with iron ore from the Northern Province that could not all be accommodated on rail.

"There is a lot of talk about heavily overloaded trucks on some of these routes between mines and port," he

said. "But with rail capacity at its limit there is no alternative but to use trucks for bulk minerals."

While overall rail capacity has increased slightly in recent years and some ground has been gained, it still falls way short with the pressure remaining on the national and provincial road networks.

According to Sandra Gertenbach of Transnet Freight Rail (TFR), the organisation cannot address the systemic issues surrounding the road-rail modal split alone.

She said South African companies needed to have a common objective to alleviate the pressure on the road system and to bring back to rail the commodities and containers that were suitable for rail transport.

"It would require a paradigm shift for all the role-players where Transnet collaborates with road hauliers and logistics service providers to develop intermodal solutions that will allow the country to improve its overall competitiveness in the global market."

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Strategic plan critical to deal with supply chain disruptions

Making sure that everything arrives at the right place and on time is crucial in the fast-paced world of logistics, and now, more than ever, supply chain resilience is vital to both business profitability and reputation.

To ensure this, it is in the best interests of all involved that a strategic supply chain management plan is in place so that when a disruption occurs, various steps can be taken to minimise the risk, says Hugh Reimers, managing director of Eikos Risk Applications.

“When we assist a client in mitigating their risk profile, we first address the risks associated with disruptions in their supply chain.”

According to Reimers, these disruptions can come in various forms but are generally related to labour unrest and political risk, natural disasters, power outages

and equipment breakdowns. Once these potential risks have been identified, it is imperative that a comprehensive supply chain risk management programme is implemented that outlines how a business evaluates its suppliers and deals with disruptions in its supply chain.

In a report undertaken by the Business Continuity Institute in the wake of the earthquakes in

“

When we assist a client in mitigating their risk profile, we first address the risks associated with disruptions in their supply chain.

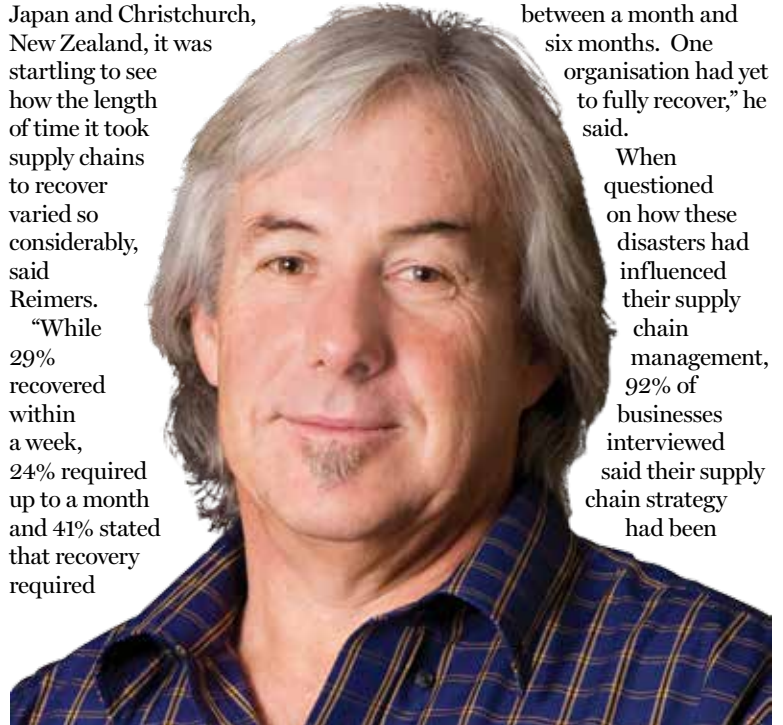
– HUGH REIMERS

Japan and Christchurch, New Zealand, it was startling to see how the length of time it took supply chains to recover varied so considerably, said Reimers.

“While 29% recovered within a week, 24% required up to a month and 41% stated that recovery required

between a month and six months. One organisation had yet to fully recover,” he said.

When questioned on how these disasters had influenced their supply chain management, 92% of businesses interviewed said their supply chain strategy had been



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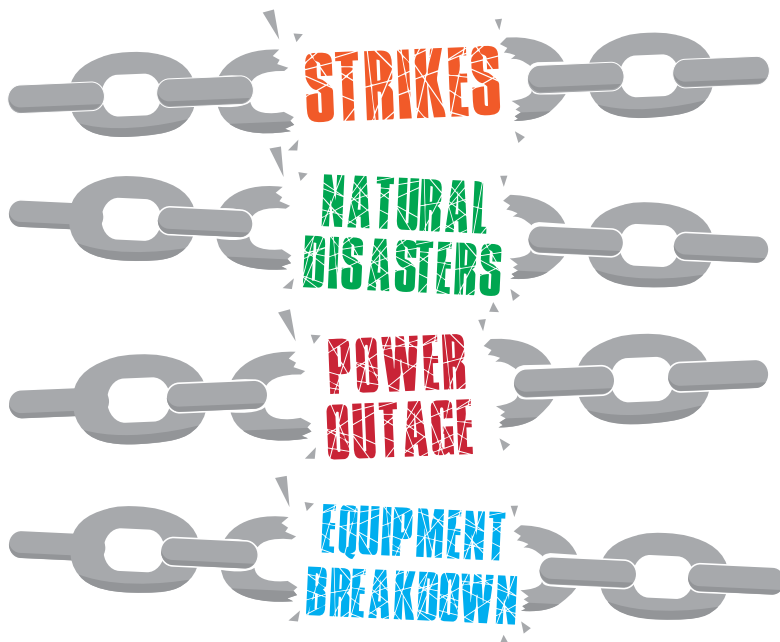
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reviewed, and changes already implemented.

“In a world of increasing connectivity, it is vital that companies take the time and effort to identify both the physical and non-physical events that drive such disruptions,” said Reimers.

Supply chain risk management is complicated, he added. Some events are insurable, others

not, and that is why it is so important to select a short-term brokerage that has a thorough understanding of this field, he advises.

“A specialised broker will know which questions to ask you, and will be able to proactively identify your supply chain exposures and create sustainable management solutions for these risks.”

Risk evaluation questions to ask

1

Have you identified your critical suppliers, and do you have a clear understanding of how their failure to perform would have an impact on your ability to perform?

2

Have you identified your entire supply chain from the raw material level right down to the customer level?

3

Do you have a detailed record of supply chain incidents and the actions you have taken to avoid similar events in the future?

4

And crucially, have you provided adequate risk training to your own supply chain management team?

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New system manages entire supply chain

In the fiercely competitive logistics environment, innovation is the name of the game.

Röhlig-Grindrod has put its money where its mouth is and designed and developed a supply chain management system through its in-house IT specialists.

“This new and unique product is available for all our clients, irrespective of industry,” Johannesburg branch manager Philippe De Pinchart told FTW.

“The system allows our clients to effectively do pre-costings before shipment, build consolidations, track their cargo and manage their entire supply chain right down to each individual shipped part,” he said. Not only does it streamline the customer’s logistics process, it’s cost-effective and efficient time-wise and

“



Supply chain management system allows our clients to effectively do pre-costings before shipment, build consolidations and track their cargo.

– PHILIPPE DE PINCHART

allows for decision-making in real time, he added.

It’s all part and parcel of the integrated supply chain solution offered by the company which recently upgraded its Johannesburg warehousing facility to offer 3 500sqm of capacity including a bonded store with racking, bays and pallet slots catering for varied storage requirements.

Conveniently situated close to the airport and container depots, the facility is well secured with 24-hour guards and CCTV surveillance.

As the logistics arm of the major Grindrod Group, Röhlig-Grindrod is one of several subsidiaries and business units within the Group positioned to provide integrated logistics solutions across all cargo types from place of origin to final destination.

Demonstrating the company’s versatility, Grindrod subsidiary Vanguard – which specialises in the transport, lifting, placing and assembly of heavy plant across all



One of the 1200-ton trusses Vanguard strand-jacked into position, with a second truss about to be raised. These lifts at a copper mine in Zambia are the heaviest of their type ever done in the region.

industries – was recently responsible for the lifting of two 1200-ton trusses, the heaviest strand-jacking lift to date. It was the heaviest lift of its type ever done in the region, according to Ron Wiggill, Vanguard’s heavy lift engineer and senior project manager for the operation.

Two prefabricated conveyor trusses in excess of 1 200 tonnes

each were lifted from their assembly position at ground level to their working position at a height of approximately 50 metres above the ground.

The conveyors form part of the new plant currently being constructed by First Quantum Minerals at its Sentinel Copper Mine site near Mwinilunga in north-west Zambia.

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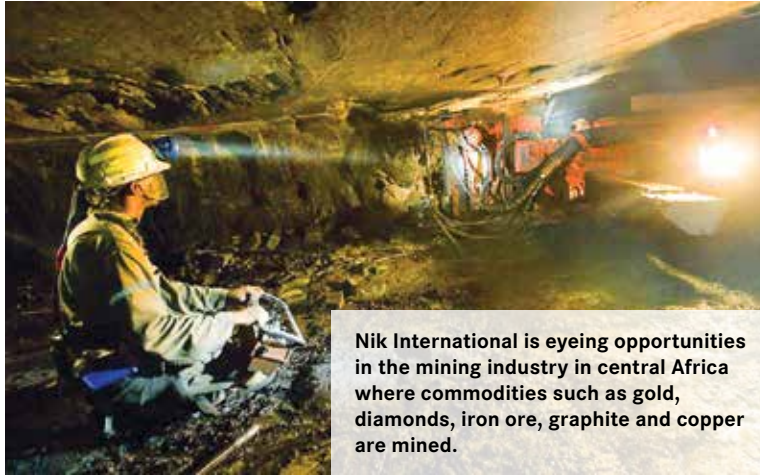
FTW6301

Opportunities identified in central Africa

Nik International and Logistics has identified the food and mining industries in central Africa as sectors of potential future growth.

Headquartered in Lumbumbashi in the Democratic Republic of Congo (DRC) – with subsidiaries in South Africa, Zimbabwe and Zambia – the logistics company provides a clearing and transport service into the Southern African Development Community (SADC) region, but is eyeing opportunities further afield.

“We have launched an



Nik International is eyeing opportunities in the mining industry in central Africa where commodities such as gold, diamonds, iron ore, graphite and copper are mined.

“



We have launched an aggressive marketing campaign to gain a foothold in the central African region.

– **CHRISTIAN TSHIABUTA**

aggressive marketing campaign to gain a foothold in the central African region and have had to act quickly because suddenly all eyes are on the numerous opportunities emanating from there,” said Nik International’s Christian Tshiabuta.

He believes one of the biggest challenges comes from new transport companies who undercut prices to get the jobs.

“Unfortunately they do not meet the standards of service delivery we have set but customers expect the same level of service from us at the prices offered by new entrants. This is simply not sustainable,” said Tshiabuta, although costs can be contained to a certain degree by using larger vehicles and consolidating deliveries.

– **Adele Mackenzie**

Nam makes headway on rail upgrades

The Namibian government is investing in upgrading all of its old railway lines that have fallen into disrepair over the past few years, with two of the major freight trading lines scheduled to be completed this year.

Kilus Nguvauva, deputy minister of works and transport for Namibia, told FTW that the line linking the Namibian Port of Lüderitz to Aus – spanning a distance of 139 kilometres – was scheduled to be completed by the end of this year.

The rehabilitation and upgrading of the 15-kilometre railway line between Otjiwarongo and Tsumeb, started in January last year by D&M Rail Construction company, is also on track.

Nguvauva urged the business community transporting goods between the coastal towns and the northern parts of Namibia as well as into neighbouring countries to consider rail transport.

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Liesl Venter

End-to-end solutions take centre stage

The ability to offer end-to-end logistics solutions is fast becoming a prerequisite in South Africa as companies compete in the global market.

According to Detlev Duve, managing director at Dachser South Africa, with only a handful of companies within South Africa able to offer a complete end-to-end supply chain solution, his company is making every effort to ensure



it is one of these players. “The distribution portion of the business has been one of the focal points for the last three years,” he told FTW. “This has allowed us to grow our business extensively.” He said upgrading the distribution and warehouse management systems had been key as information technology plays a critical role in

efficient logistics operations. “By upgrading the system we were able to improve and advance the service offering allowing for detailed analysis, monitoring, reporting and tracking, tailor-made to customers’ specific needs.”

He said the company had also invested in upgrading its warehouse, adding 3000 sqm with 3900 pallet positions to its

facility in Pomona in Gauteng.

“Furthermore we have equipped all the drivers with hand-held devices which offer real-time proof of delivery (including signature) uploaded directly to our distribution system. It is a far more efficient system that maximises our customers’ efficiencies and minimises their long-term costs.”

He said more and more small companies were just not able to keep up in this environment any more, especially in light of customers’ expectations.

“Being able to provide solutions that fit the unique needs and requirements of a customer is the distinguishing factor and one cannot apply a one-size-fits-all approach. But the ability to do that does mean investing heavily in one’s infrastructure, including information technology.”

“

Drivers are equipped with hand-held devices which offer real-time proof of delivery (including signature) uploaded directly to our distribution system.

– DETLEV DUVE

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FTW6952

West and East Africa continue to attract attention

Innovation remains the name of the logistics game in Africa.

“The ability to be innovative and turn logistics challenges into real competitive advantages is what ensures success,” says Ruth Butcher, director of business development for Beyond Africa Logistics Consultants. “We are continuously introducing new ways to improve our systems and processes and ultimately our service.”

She says as the world’s eyes turn to Africa and more development takes place across the continent, logistics service providers have to extend their reach significantly.

“West and East Africa in particular are attracting a lot of attention. Logistics companies must have a presence in these regions,” she said. “We are also seeing a definite increase in the market in outsourcing

by logistics providers. It is therefore very important to have a well-established network of agents.”

But, says Butcher, it also requires a far more hands-on approach than ever before. “In the competitive operating environment one has to be on top of the situation at all times, taking a personal interest in each shipment to ensure that all cargo is delivered timeously and smoothly.”

Butcher says for large shipments they go one step

further, with the company’s director of operations on hand at the final destination to facilitate the clearance and final delivery.

– **Liesl Venter**



“

We are seeing a definite increase in outsourcing by logistics providers.

– **RUTH BUTCHER**

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'Fuel not the only challenge'

Fuel remains by far the most urgent and volatile logistical challenge in South Africa, but soft infrastructure deficiencies come a very close second.

According to Prof Jan Havenga, director at the Centre for Supply Chain Management at Stellenbosch University, issues such as skills shortages and the lack of institutional capacity are less tangible than the ever-rising fuel cost and have been growing over a decade or more.

"They may be less front-of-mind but are a major challenge that we have to overcome. The fuel price increase we see on the front page of the newspaper every few months and so we are aware and concerned about it."

But possible solutions for the lack of soft infrastructure get far less exposure.

"Frankly I'm not sure what is happening in terms of it. Many larger companies in industry (including Transnet and the larger logistics service providers) are setting up centres of excellence, in-house training facilities and the

like. Unfortunately this doesn't solve the problems we have in basic education and I don't know what the government is doing about it,"

says Havenga. Developing skills has to start at school level and concerns have been raised over the quality of the country's education system – especially maths and science.

At the same time young people have to be enticed to take up logistics as a career.

– **Liesl Venter**



'Systems integration is critical'

as long as one's information supply chain is efficient and all parties receive all messages and information timeously, then your physical supply chain should also be efficient," he told FTW.

"We like to partner with our customer to design information supply chains that meet their physical supply chain requirements. Not everything is applicable to everyone and designing a system around individual needs is far more efficient in the long run."

He believes that full system integration is just as important.

"This allows for visibility across the complete supply chain and removes the need to recapture data. It not only increases efficiency but more importantly it reduces errors while providing better control and visibility."

Information technology has fast become the essential enabler of effective supply chains.

And it's not only about having the best systems in place – it's the integration of systems that plays a significant role, says Nachi Mendelow, national business development manager of CompuClearing.

"The truth is, we no longer move cargo, we move information," says Mendelow. "Bookings need to be made, EDI messages need to be sent, customs responses received and so on and so forth. Therefore,

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egration

Supply chain **FORECASTING** now top of the agenda

“

We like to partner with our customer to design information supply chains that meet their physical supply chain requirements.

– NACHI MENDELOW

According to Mendelow, CompuClearing has invested heavily in the latest cloud technologies.

“This allows our users to access our systems from anywhere in the world with nothing more than an Internet connection. Using web services we can interface with practically any system.”

Information technology will need to keep up with the fast-changing logistics industry to ensure efficiency in the long term.

According to Anthea van Breemen of Macro 2000, computer systems have long been in place in the logistics industry, monitoring the flow of goods between origin and end user.

“Planning and controlling the efficient flow of goods is part and parcel of what a good system does. It also includes aspects such as storage and related services along the way.”

But, says Van Breemen, have systems become more than that?

“Outsourced, or third party logistics companies are starting to become more involved with the supplier as enterprise resource planning (ERP) systems take on a more

in-depth approach.”

ERP, a business management software – usually a suite of integrated applications – is used to collect, store, manage and interpret data from many business activities.

“ERP systems are starting to look at resource planning to include logistics suppliers’ resources,” says Van Breemen. “Supply chain forecasting is also at the top of the agenda.

Then there is the new wave of looking at improving efficiency through the supply chain. Included in this should also be an often-overlooked area – reverse logistics. This can include not only the supply but

also the recycling of goods, or the recall of goods should this be necessary.”

She says having the ability to offer a full ERP suite is an advantage for logistics and warehousing software suppliers such as Macro 2000.

“

ERP systems are starting to look at resource planning to include logistics suppliers’ resources.

– ANTHEA VAN BREEMEN



“In this way we are able to offer our customers modules that can interface into our logistics systems which would normally form part

of a full ERP package. For example a sales and forecasting module integrated into our warehousing module for a customer is then easy to accomplish.”

– Liesl Venter

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FTW6207

'Logistics is about information flow'

The efficiency of a logistics operation is as much a function of the information systems in place as the physical assets employed," says Glenn Lawson of Core Freight Systems. "While these systems do not replace the essential requirement to actually transport the product, they are integral to the process," he added.

And while the African environment is not yet as advanced as the developed world, he believes there is an increasing interest in implementing systems that facilitate modern logistics practice – and it is important to consider what is appropriate for operators in the region.

"Given the sophistication inherent in the applications available we believe that it is naïve to assume that a single software service provider will provide optimal functionality across the diverse requirements in the logistics chain," he says.

In his view there are two key

elements to the selection of effective logistics software. "Firstly there is the question of suitability to meet the specific internal functional requirements of the individual operator organisation. For example, this may be to provide centralised record-keeping or to ensure adequate recording of financial data.

"Secondly is the ability to interface with other packages in order to optimise the data-flow between the different systems

employed in the logistics supply chain. An example of this may be to output a landed costing for integration into a stock control application."

There's also the issue of the "Cost-to-Functionality" ratio to consider. "Unfortunately there are costs associated with the development and maintenance of quality software systems, and these will be recovered through charges to users. As with all rational business decisions it is therefore vital to ensure that the benefits outweigh the costs –

and this is particularly pertinent in evaluating alternative solutions where a structured evaluation process may be necessary to assist in reaching a conclusion," he added.

An incontrovertible conclusion, however, is the fact that the ability to compete in modern logistics requires appropriate information technology, and Africa is no different from the rest of the world in this respect, he said.

“

The ability to interface with other packages in order to optimise the data-flow between the different systems employed in the logistics supply chain is a key consideration.

– **GLENN LAWSON**



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ROAD & RAIL TRANSPORT

Issue date : 22 August 2014
Booking deadline: 11 July 2014

Major retail project leads to more business

JTR Freight is reaping the rewards of new business after completing a major logistics project for Woolworths earlier this year.

Woolworths imported the Alvanon body scanner from Hong Kong in February and March this year as part of its sizing survey created to ensure that its clothing sizing standards still meet the needs of its customers.

Company director Thaven Naidoo told FTW that JTR was contracted to deliver the new body scanners to three Woolworths stores in Durban, Cape Town and Johannesburg. "We had to work within very short time frames to meet the roll-out schedule and we did it," he said.

JTR Freight outsourced its warehousing to Senzanghako

Trading. "Our success around this project could not have been achieved without the assistance of our warehouse team. They made sure the delivery to each store was done with precise timing and controlled management," said Naidoo.



“

As an independent company we are flexible and can create tailor-made logistics solutions.

– THAVEN NAIDOO

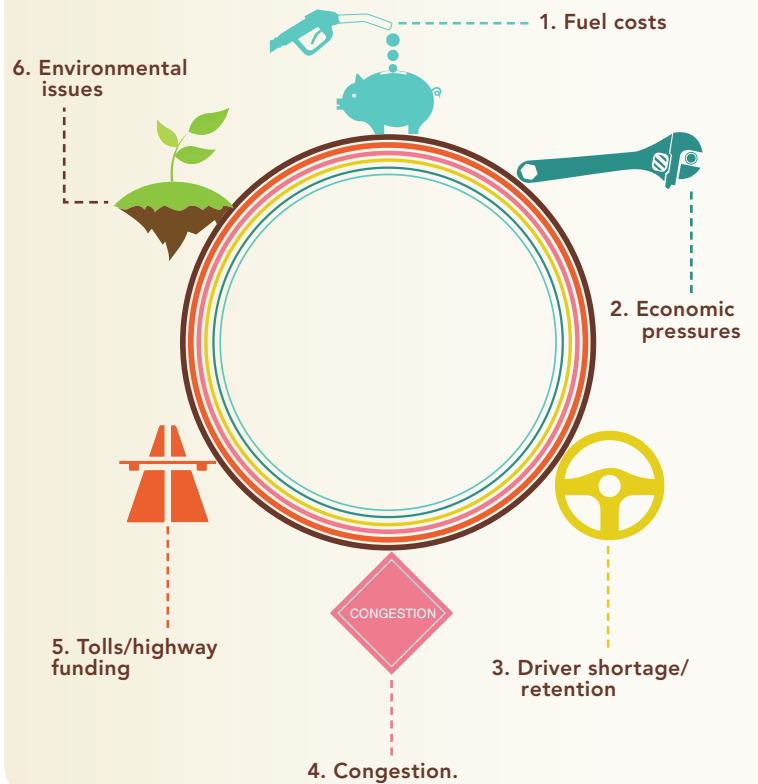
"As an independent company we are flexible and can create tailor-made logistics solutions for our customers."

The industry is however faced with ongoing challenges, like increasing regulations and excess capacity due

to slumping demand. "Furthermore, the proliferation of anti-idling regulations and other emission reduction initiatives sought by state and local governments have created concerns that the compliance costs may exceed the benefits."

– Adele Mackenzie

Naidoo's top 6 logistics challenges



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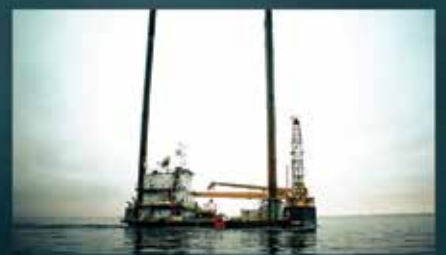
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Meeting the need for modular yet integrated systems

Liesl Venter

Key to the success of any logistics operator in Africa is planning, knowing the industry and experienced, knowledgeable staff, says Michael Henning of Easyclear.

And along with that systems that allow a company to do business as efficiently as possible.

According to Henning, an emerging international trend has seen logistics outsourced more and more to 4PL logistics providers.

“

We're in the process of upgrading our current software solutions to provide a web-based solution for clients.

– MICHAEL HENNING

“It is not yet all that prevalent in South Africa and does not seem to have gained a great deal of traction in the market,” he says. “Many of the larger corporates still prefer to provide for all aspects of the logistics supply chain within their control, providing an end-to-end solution for their clients.”

But Henning believes outsourcing will gain momentum,



along with the emergence of more 4PL logistics service providers.

“Liability is a key determining factor when outsourcing and systems that speak to this will increasingly become more important. Easyclear is in the process of upgrading its current software solutions to provide a web-based solution for clients. This is a natural progression from cloud-based technology, which is already available and allows clients to access the software remotely from any location.

The company has expanded its staff complement in KwaZulu-Natal to cope with the growing client base in the region while plans are under way to extend its product offering to cater for the full logistics supply chain.

“We need to remain viable and at the same time meet our clients' growing needs for software that is modular yet integrated and meets the ever-changing demand for solutions to some rather unique challenges.”

Botswana gets its rail plans on track

Recognising that railways have the capability to transform a country's economy, Botswana Railways is investing heavily in improving efficiencies.

Botswana Railways chief executive, Dominic Ntwaagae, told FTW that the company would take delivery of eight new locomotives by the end of this year and that the 562 wagons it had procured from Transnet Engineering last year were all now in service.

He added that Botswana Railways had invested in US\$100-million worth of signalling and communications equipment. “We are committed to ensuring a road-to-rail migration,” said Ntwaagae.

He emphasised the importance of aligning the rail master plans of the Southern African Development Community (SADC) member states. “If we don't ensure that the timing of our investments is coherent and part of a regional development plan, we won't be able to grow intra-African trade, as our weakest rail links will hold us back,” he said.

– Adele Mackenzie

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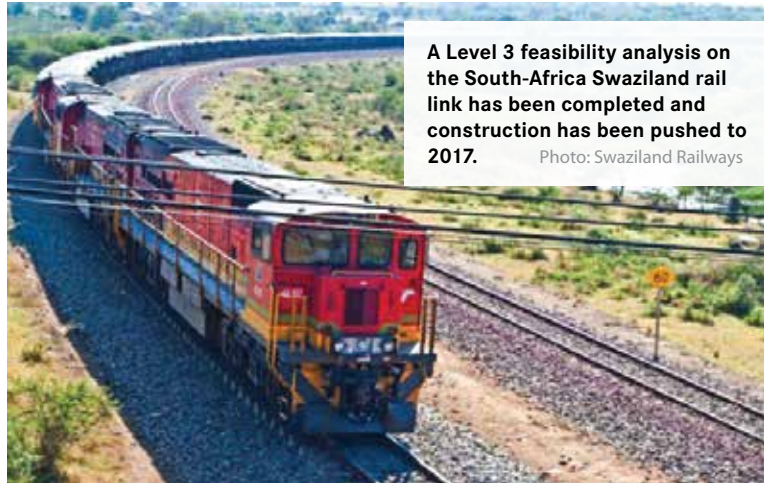
Rail a strong component of Swazi Transport Master Plan

Adele Mackenzie

Development and upgrading of rail infrastructure forms the backbone of the Swaziland government's newly completed Transport Master Plan which will guide the country's transport management policies over the next 20 years.

"Investment in rail is an area in which a lot needs to happen as we have great ambitions for railway development in Swaziland and in the Southern African Development Community (SADC) region," Swaziland public works and transport minister, Lindiwe Dlamini, told FTW recently. "This is government's most important infrastructure project at the moment."

She said that government was working with Swaziland Railways to commercialise the railways and reduce transit and turnaround times to make the landlocked country's intra-Africa trade more competitive. "We are also investing millions to



A Level 3 feasibility analysis on the South-Africa Swaziland rail link has been completed and construction has been pushed to 2017. Photo: Swaziland Railways

upgrade old railway lines so we can take a large part of the freight traffic off the heavily congested roads," said Dlamini, adding that the old railway line near the new King Mswati III Airport would also be upgraded.

The 146-kilometre single-line South Africa-Swaziland rail link is a prime example of intra-regional cooperation centred on the development of symbiotic rail

corridors, said Dlamini, noting that the government had completed a Level 3 feasibility analysis on the project, with "several millions" committed for further feasibility studies in 2014/15.

Transnet and Swaziland Railways confirmed in 2012 that they planned to move ahead with the line by 2017, with an initial annual capacity of 15 million tonnes.

Adding value is key

The continuous downward pressure on rates, as well as a limited pool of skilled staff, are major challenges facing the logistics industry in South Africa today.

According to Sue Wood, operations director of Cargocare, companies have to continuously expand their service offering to ensure they are adding value. They also need to constantly evaluate costs in order to address pressure on margins – while upskilling of staff must be a priority at all times, she said.

"We have recently moved to new premises which enables us to offer a much more comprehensive inventory management proposition," she told FTW. "Information technology integration is just as important as this allows us to be compatible with many of the mainstream enterprise resource planning (ERP) software programmes."

By next month the company will have more than doubled its sales force.

"We foresee 40% growth within 12 months for our business," she said.

– Liesl Venter



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Liesl Venter

Road to rail conundrum

Private sector wants commitment on reliability from Transnet

South Africa's road-to-rail strategy is key to reducing logistics costs but there are some key concerns around its successful implementation.

According to Nadia Viljoen, scientific editor of the recently released State of Logistics Survey published by the

CSIR in conjunction with Imperial Logistics and Stellenbosch University, the private sector has raised some concerns around Transnet's Market Demand Strategy (MDS).

"There should be no doubt that this capital investment programme by Transnet must succeed to enhance the

country's competitiveness," said Viljoen. "During our research for the annual survey it became very clear that there were concerns around the MDS and that the private sector still remained quite sceptical of the investment."

The first and foremost concern is around the quantitative basis of the MDS, with questions being raised around the volume projections on which Transnet has based its investment programme.

"Has Transnet asked its customers which volumes need to be moved, at what cost and service expectations is a question the private sector asks."

A second concern is the expected cost of the required

investment and specifically the amount of capital that needs to be spent to catch up and provide for future growth, while the third question relates to the operating capability of Transnet.

According to Viljoen, it is clear that the private sector feels they cannot merely trust that capital investment will rectify Transnet's poor reliability record and cannot commit to long-term conversion to rail transport without a more transparent and predictable pricing structure being in place.

"It is clear that Transnet going forward is going to have to engage far more closely with its customers," she said.

In response Transnet Freight Rail chief executive, Siyabonga Gama, said the rail operator had achieved significant efficiency improvements where it had invested in new rolling stock and infrastructure.

"The MDS is a partial response to a scientific freight flow model that Transnet has developed

“

It is clear that Transnet going forward is going to have to engage far more closely with its customers.

— NADIA VILJOEN



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Private sector

Has Transnet asked its customers which volumes need to be moved, at what cost and service expectations?



and is the most comprehensive freight demand model in South Africa. Modelling is done at a very detailed level," he said.

Industry mulls solutions to talent gap

South Africa's 'talent gap' has been named the silent killer in an industry where new infrastructure and new equipment regularly dominate the headlines.

"You can see your trucks and you can see your infrastructure, but it's the people that make these things work," said Nadia Viljoen, scientific editor of the recently released State of Logistics Survey.

"Our colleagues at the University of Johannesburg have been asking the difficult questions," said Viljoen. "Is it that the people we have aren't competent or do we not have enough people? And are our curriculums really aligned to what industry needs?"

The general consensus is

“



Growing pool of talented and educated graduates coming through.

– HANS ITTMAN

that a very small percentage of people study logistics out of a passion for the industry, says Viljoen. "Many study it because it's just another degree."

It's clear, she says, that students need to be exposed at a younger stage to what it is like to work in the industry.

Practical on-site experience is key to preparing candidates for the industry – and this involves internships and graduate programmes. "It's important to get

candidates engaged with real working people and projects and to see what's out there – but this is only after school." Students need to be exposed to the industry before they leave school, in her view.

The reason for the talent gap is simple, says Professor

Jan Havenga of the University of Stellenbosch. "The South African school system is failing us. If you want to train someone in the logistics industry, the quality of maths and science education is critical.

And in the most recent global competitiveness survey, South Africa was ranked 148 out of 148 countries in terms of maths and science education.

Botswana was around 80th and Zimbabwe 60th."

But it's not all bad news, says Hans Ittman of HWI Consulting. "In 1994 we had 300 000 black middle class people in South Africa. Today that figure is 3.5 million. And that translates into a huge pool of talented and educated graduates. It won't happen tomorrow, but it's certainly a very positive development."

– Joy Orlek



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Liesl Venter

Total cargo visibility facilitates planning

Removing waste in the supply chain is the biggest challenge facing logistics operators, says Dr Dawie Ferreira, managing director of the FPT Group and CEO of Capespan Logistics.

“Much of the waste is caused by bad planning. In fruit exports, the unpredictable nature of production and market demand complicates the matter tremendously. We provide our customers with total visibility of their cargo to assist them in planning of shipments in order to ensure we have as little waste as possible.”

Remaining viable in an ever-changing business environment is just as important, he said.

“We believe that people tend to rely on dedicated and knowledgeable service providers more and more. In our case we are far advanced with the development of a new electronic system whereby customer portals are created to provide up-to-date information to the customer regarding their cargo and services,” said Ferreira.

Significant growth in general cargo

At the same time major investments are being made into the organisation’s physical infrastructure.

“We are spending significant amounts on our terminals to convert them into cold stores with high cube racking, dedicated to container shipments,” he told FTW. “At the same time we are creating space, and we are acquiring handling equipment to improve our service levels to our general cargo customers. For the first time in the history of FPT we are now handling more general cargo than fruit.”

On the general cargo side, he said, they were starting to see significant growth as the company provided a 12-months-a-year service in all its terminals.

“All indications are that the customers are very satisfied with our service levels and that this business will continue to grow.”

“

We are developing a new electronic system whereby customer portals are created to provide up-to-date information to the customer regarding their cargo and services.

– DR DAWIE FERREIRA



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Outsourcing rules

Diminishing margins are forcing companies to cut costs – and the result has been a growing trend towards outsourcing, says Alwyn Nel, managing director of Kingfisher Freight Services.

“There are not only cutbacks in terms of staff but in any area where there is a need to trim expenditure and increase profitability – and that includes warehousing and transport operations.”

All of which makes sense, says Nel, in the current business environment where there are often liquidity challenges, cash flow issues and increased operating costs across the board.

“We are also as an industry having to deal with the deterioration of rates, while revenues are becoming tighter

as the market shrinks due to cutbacks by importers and manufacturers. Paired with the uncertainty in the economy due to the ongoing mining strike and the looming strikes in July by other sectors of industry – along with the lack of confidence in the manufacturing sector – we are indeed facing some serious challenges.”



“

We as an industry have to deal with the deterioration of rates.

– **ALWYN NEL**

He said now more than ever logistics service providers needed to be competitive and price-conscious.

“The increase in just-in-time shipments as importers and manufacturers reduce stock holdings as well as a trend towards smaller and more frequent shipments have brought changes to the way we do business,” said Nel.

– **Liesl Venter**



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FTW12125D

Property forum will unpack commercial challenges

Commercial and industrial property investment company Improvon will host its annual Property Trends Forum on October 15 this year in Johannesburg.

It's the third consecutive year that the company has held the event which focuses on the major challenges facing the commercial and industrial property sector.

"It's a 'must attend' for anyone in the commercial or warehousing property sector as it provides crucial

“

Specialists in their fields will predict the likely outcome of challenges currently facing the sector and provide unique insight into the property market.

– STEFANO CONTARDO

insights which assist with the formulation of property strategies going forward," development executive Stefano Contardo told FTW.

"Each year a top-level panel of speakers is selected. They're all specialists in their fields and are able to predict the likely outcome of challenges currently facing the sector and provide unique insight into the property market," he said.

Last year's panel included the likes of JP Landman, a self-employed analyst on political-economic trends; Dr Azar Jammine, director and chief economist at Econometrix; Estienne de Klerk, president of Sapoa; and Stan Garran,

the executive director and head of IPD South Africa.

They provided valuable insights into the impact of interest rates and cost of finance; short, medium and long-term prospects of the South African economy; the impact of poor service delivery on the commercial and industrial property sector; and the impact of e-tolls.

Further details of this year's event will be released shortly.



Emission targets to be set

As government rolls out its climate change response policy, it has called on industry experts – including those in the transport sector – to help set up sectoral emission reduction targets.

It is commonly agreed that transport mitigation opportunities for the freight sector include shifting to lower carbon modes of freight transport as well as embracing more intermodal solutions, says national climate change officer with the WWF, Louise Naude. At the same time it is essential to improve operational efficiency as well as vehicle technologies while looking at the use of alternative fuels.

"There are measures that can be taken in terms of smart logistics and sustainable consumption," said Naude.

She said it was essential to understand the freight sector's emissions profile and to see where the biggest emissions were coming from.

"Not all opportunities of emission mitigation are applicable to all modes of transport or all types of commodities," she said.

– Liesl Venter

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FTW6920

Synchronisation is critical

Liesl Venter

The lack of integration between the various actors in the South African supply chain remains one of the toughest challenges the country has to overcome.

“Rail, road and the ports, to name three, are all integral links in the logistics chain – however the delays experienced by importers and exporters highlight issues that extend beyond just the reported lack of communication,” says logistics and supply chain expert Abrie de Swardt.

“It illustrates that we face a system challenge – inadequate transport infrastructure due to missing links and a maintenance backlog, communication facilities that aren’t fit for purpose, inadequate and obsolete operating equipment and a need for private sector participation, as is the case internationally. This contributes significantly to high transportation costs and a lack of competitiveness.”

“

Rail, road and ports need to collectively invest in resources for them to be able to meet customer requirements and improve their combined competitiveness.

– **ABRIE DE SWARDT**



De Swardt believes that critical areas have to be synchronised between the various supply chain role-players, including rail and ports – and these include investment planning on infrastructure to give rail and road easy access to (sea or inland) ports. Harmonisation between the various operating philosophies as well as improved communication and information sharing are also key elements.



Zambia Railways will receive US\$120 million from the government for the refurbishment of its rail network.

Photo: Zambia Railways. Photographer: Michael Sender

Zambian government commits \$120m to rail upgrades

The Zambian government has committed US\$120 million to the refurbishment of its rail network as part of its ambitious plan to migrate 5 million metric tonnes per annum of road freight to rail by November next year.

Zambia Railways CEO Professor Muyenga Atanga told FTW that the repossession of Zambia’s once privately owned rail company by the state in 2012 demonstrated government’s commitment to its local rail industry. “Currently, around 97% of freight is transported by road, with rail taking a 3% share – or one million

metric tonnes. We have set the goal of moving 6 million metric tonnes per annum by November 2015,” he said.

To meet that goal, the railway company is investing in new rolling stock as well as upgrading other railway equipment, said Atanga. He said that Zambia Railways was working with its southern African neighbours to improve and establish rail links to the ports.

“We want the master plans of other SADC countries to take cognisance of the need for improved rail linkages.”

– **Adele Mackenzie**

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FTW6066

'Better, cheaper, faster logistics' through outsourcing

Adele Mackenzie

Slashing costs while upping logistics efficiencies is like the quest for the holy grail for importers and exporters – and outsourcing parts of the supply chain is key to achieving this. But that's provided the supplier is more efficient or skilled in performing the required services than the company is, says Rob O'Byrne, owner of Australia-based consulting firm Logistics Bureau.

He said in a blog that globally, 85% or more of businesses outsource some part of their supply chain operation or management – most often warehousing and transport – to cut costs and improve efficiencies.

The benefits of outsourcing have been well documented – it provides an effective means of quickly accessing more space, technology, or other resources while the business acquires a



85% of businesses outsource some part of their supply chain operation – most often warehousing and transport – to cut costs and up efficiency.

degree of flexibility in resourcing and a more variable cost structure.

Director of JTR Freight, Thaven Naidoo, told FTW that importers and exporters could achieve a better, cheaper and faster supply chain by doing their “due diligence” on a third party logistics provider and ensuring they find

a partner that can manage their supply chain more efficiently than they can. “Also, select a supply chain solution that has been tailored for your specific industry. Do your homework and start your research with systems that were designed for companies in your industry,” he said.

QA

What are the biggest contributors to costs across the supply chain?

- Finance charges
- Demurrage
- Transportation time (including border stops)
- Infrastructure charges (tolls/ports)

James Barrow, Lombard Insurance

- Poor planning
- Lack of skills and training
- Bad attitude by employees
- Limited amount of accurate visibility across every sector of the supply chain

Thaven Naidoo, JTR Freight

- Transport costs
- Manufacturing costs

Christian Tshibuta, Nik International and Logistics

THE FTW ADVERTISERS' INDEX

Aviair Cargo International..... 6	Destrans.....4	JVC Freight.....6	Onelogix Projex Cargo Solutions..... 17
Beyond Africa Logistics.....5	Easyclear.....4	Kayhil Freight.....23	Paccon Logistics..... 19
BLG Logistics.....10	Eikos.....18	Kingfisher Freight.....8	Röhlig-Grindrod.....5
Bolloré Africa Logistics.....IFC	FPT Group.....IFC	Logistics Support Services.....15	Shipping and General Transport..... 19
Cargo Care Freight.....12	Frits Kroon Transport.....5	Lombard Insurance..... IBC	Shipsape Software.....22
Cargo Services.....18	GABCON Gaborone Container Terminal.....16	Lovemore Bros.....20	South African Inland Logistics..... 10
Central Logistics.....22	Improvon..... OBC	Macro 2000.....10	Swaziland Railway.....14
Compu-Clearing.....9	Jacobs Group of Companies.....11	Manica Group Namibia.....12	United Container Depot.....21
Core Freight Systems.....24	JBN International.....20	Mega Fortris South Africa.....1	UTi South Africa.....7
Crane Worldwide Logistics.....17	JF Hillebrand.....7	MSC Logistics.....21	VTH.....13
Customs Services.....16	JTR Freight.....21	NGL Logistics.....8	Vikela Aluvin.....13
Dachser South Africa.....23		NIK Int and Logistics.....14	Wort Logistics.....10

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