



**TRANSPORT MINISTRY
REPUBLIC OF SOUTH AFRICA**

**Keynote Address by Ms. Barbara Creecy, MP, Minister of Transport at
the launch of the World Bank Driving Inclusive Growth in South Africa
Report**

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Minister of Finance, Honourable Enoch Godongwana, MP

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Ladies and Gentlemen

Inclusive and sustainable economic growth is the apex priority of the seventh democratic administration. In order to facilitate and sustain such growth a functioning transport and logistics system is essential. A healthy transport sector is the lifeblood of a vibrant economy – it enables our goods to be

transported both locally and internationally. It allows people to travel safely to their places of employment and seek better opportunities for themselves and their families.

Today I will detail the ways in which the South African Government and the Department of Transport are ensuring that the country's logistics sector is reinvigorated and acts as an enabler of sustainable economic prosperity.

Despite our competitive advantage as the logistics hub of the subcontinent, South Africa's logistics sector has not been operating optimally, which has had negative implications for the country's economy and its citizens. The challenges in our logistics sector have significant impacts for our economy. Business Day estimates that South Africa loses approximately R 1 billion a day due to the inefficiencies in the sector.

Widespread theft and vandalism of our rail infrastructure and inefficiencies in our ports have hampered economic opportunities in a post-pandemic period where growth is much needed.

Inefficiencies in our logistics systems have also led to increases in road accident fatalities; and an increase in road freight transportation costs. Our poorly performing transportation system has increased the cost of doing business in South Africa, and increasing our citizens' cost of living.

Our competitors in the broader Southern African region have taken advantage of challenges in the South African logistics sector. Projects such as the Lobito Corridor connecting the Democratic Republic of Congo and copper belt with ports in Angola and improving port infrastructure in neighbouring countries such as Namibia and Mozambique, show that South Africa faces losing its competitive advantage. Broader geopolitical developments and protectionist measures mean that urgent reforms must be implemented in our transport sector to ensure that our economy does not stagnate or lose out on growth opportunities.

Due to the seriousness of the challenges and threats posed to our country's economy, government has set about stabilising and improving the transport sector through a number of initiatives. These are in line with the interventions suggested in the report being released today, particularly Priority Number 2: "delivering quality infrastructure", and Priority Number 3, "spatial efficiencies and access to opportunities."

Ladies and Gentlemen

Realising the scale of the problem that we are faced with, government established the National Logistics Crisis Committee (NLCC). The NLCC is comprised of representatives from the Presidency, various government Departments and the Private sector.

Its work includes securing strategic logistics corridors handling commodities that are essential to the export market and economic growth (such as coal and iron ore), addressing backlogs and congestion at strategic border crossings, combatting congestion in key national highway corridors such as the N1 and N3, as well as interventions to combat cable theft and maintenance backlogs at Transnet. This collaboration has seen modest improvements in our logistics performance.

However, in order to achieve the target of moving 250 million tonnes of freight on rail by 2030; the rejuvenation of the rail sector is a key objective of this administration.

Cabinet approved the White Paper on National Rail Policy in March 2022. The Rail Policy introduces structural reforms in the sector that are intended to enable private sector investment, optimal utilisation of the rail network and effective economic regulation of rail that will facilitate equitable access to the rail network and ensure that it is properly managed.

As part of this process a Private Sector Participation (PSP) unit is being established by the Department in collaboration with the Development Bank of Southern Africa. Once established, this unit will help direct and coordinate private sector investments in priority rail projects requiring capital investment.

A key component of this process has been the publication of the Transnet Network Statement in December 2024, followed by an addendum at the beginning of this month, officially making open access to third parties a reality in South Africa. Additionally, the document provides details about the current state of Transnet's infrastructure, as well as the service levels to be agreed upon between the Infrastructure Manager and the train operating companies.

This survey of the entire Transnet rail network is crucial, as it sets the parameters and modalities for third party access to the network and will attract much needed investment, whilst fulfilling government's overarching objective of shifting freight from our roads back onto our rail network.

Tariffs and access to the network will be regulated by the Transport Economic Regulator, which will not only govern the railway sector but also regulate ports and other areas of the transport industry.

The vertical separation of Transnet and the appointment of a manager has been a critical step to facilitate transparent implementation of third-party access. As of 1 October 2024, Transnet Rail Infrastructure Manager (TRIM) is operating independently from Transnet Freight Rail. The dates for the establishment of an Operating Division is 1 April 2025 and a wholly-owned subsidiary is 30 September 2025. TRIM is currently in the process of finalising its separation and set up, and is anticipated to start operating as a separate Operating Division within Transnet by 1 April 2025

The Department is also in the process of issuing Requests for Information (RFIs) regarding potential investment in the rail and port sector. This serves to share information with the public regarding possible PSP projects, but also to allow the Department, and by extension Transnet, to gather information on projects with the potential for third party involvement.

I want to emphasise again that throughout this process all rail and port infrastructure will remain under the government's ownership. We are also in the process of consulting with organised labour regarding the details of our freight logistics roadmap. We cannot continue with the status quo, where derailments and port blockages cost our economy billions of Rands, and thousands of jobs in all sectors of our economy are at risk.

Ladies and Gentlemen,

Regarding the inefficiencies that have occurred in our ports sector, Transnet has launched a recovery plan focussed on increasing and stabilising port and rail volumes. The establishment of various "war rooms" for specific corridors and commodities has allowed Transnet and the private sector to collaborate and share expertise, and address challenges such as derailments and unplanned maintenance.

This collaboration between the Department, its entities and the private sector has ensured that we did not have a repeat of the logistics challenges we experienced in our ports during the 2023-2024 festive season.

As part of Transnet's Recovery Plan, replacement and refurbishment of crucial ports infrastructure such as cranes, gantries and straddles is planned in the short, medium and long term, and continued collaboration with original equipment manufacturers (OEMs) has ensured that spare parts for essential machinery can be secured when necessary. This has resulted in improvements we are seeing in our ports which have cut down on ship waiting times and queuing times for trucks.

Acquiring new equipment is also intended to help increase efficiency in our ports. For instance, Pier 2 at the Durban Container Terminal received four new straddle carriers that have been fully assembled and released to operations, and four more will be released per month for the next four months. Port Elizabeth (PE) container terminal is assembling one ship to shore crane, and rubber-tyred gantries ordered for the Cape Town container terminal will be delivered from March 2025.

Collaboration with stakeholders has also helped address bottlenecks and inefficiencies. The close collaboration with the fruit growers association and other logistics stakeholders in Cape Town has eradicated the delays experienced last year and despite higher wind stoppages this year, the port is meeting agreed shipping plans with no vessel waiting to berth due to poor operations performance. In Richards Bay the port and municipality have

established a truck holding facility that has moved trucks from the N2 and port access roads in order to address congestion.

All of these measures will enable us to meet the targets that we set for the logistics sector, based on pre-pandemic figures. Transnet and the Department have set the goal of 250 million tonnes of freight per year, moving on the Transnet network by 2030. Transnet achieved 150 million tonnes of freight per year during the 2023/ 2024 financial year. At our ports, the target is to improve gross crane moves per hour from the 2024 average of 16 to 30 by 2030.

These ambitious targets cannot be achieved within the existing Transnet system and will require significant private and public investments in infrastructure, rolling stock and digital systems.

This can only be achieved through a partnership between Government and the private sector, where technical knowledge, experience, world's best practice and funding can be shared.

Thank you.