

# **RAIL FREIGHT VERSUS ROAD FREIGHT: HOW FAR IS THE DESTINATION?**

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## **1. INTRODUCTION**

South Africa is a developing country and her transport policy will have to keep on changing to keep pace with developments in the economic sphere. Heavy industries characterize certain parts of the country whilst agricultural developments are features of rural areas. Our seaports are well developed termini for both the road and rail systems, and serve to facilitate imports and exports. Our roads are a feature of pride and rail lines though standing almost empty are still a symbol of good infrastructural development.

South Africa is the economic engine for the Southern African Development Community and has an impact on the quality of life of people of the region. Economically South Africa is linked to neighbouring states through a network of roads and railways, which acts as the economic artery for this region, which determines the success of our economy. No doubt together with the capacity of sea ports, the important role of rail and road networks have been demonstrated by tons and tons of goods which find their ways into and out of our neighbouring states every day.

## **2. ROAD VS RAIL DEBATE**

We have for many years in our country had a debate of rail vs road freight. This debate has been ongoing mainly continued by railway or road freight bodies with vested interests in the outcome, rather than an interest in the good for our country and for our region.

The debate revolves around a number of issues. The first of these is whether or not a balanced playing field exists, and whether the different modes of transport are treated equitably. The second issue is focused on the economic and socio-economic impact for the country and for the region, and the best interests for growth and development. A third issue deals with the optimal utilization of existing infrastructure, and a fourth deals with road traffic safety. These examples illustrate the complexity of the problem, and the difficulty for finding an effective solution. In the mean while our transport system cannot be developed to its full potential and does not play its economic role to the fullest.

It is within this context that the debate on rail versus road freight needs to be reignited to start shaping up policy aimed at ensuring the best solution to keep our region internationally competitive and to close the distance towards policy destination. Until we explicitly confront issues around rail versus road freight and implement a successful solution, the general freight industry will continue to be littered with corpses of failures. The impact covers a wide spectrum and even the promotion of “SMMEs” and transformation suffer if we cannot resolve this issue.

Rail freight plays an important role by bringing centres of productivity closer to markets. Likewise, road freight also closed gaps between centres of production and the markets.

The roles of both modes are important in economic development and some people question which one is more important than the other.

The debate about which of the two (rail and road freight) should be supported, and under which circumstances, has been permeated with uncertainty.

On the part of the government, there was uncertainty and lack of decisive direction, whilst on the part of both rail and road freight, no acceptable creative ideas were ever put forward. The destination is indeed not only yet clear, but the road (or rail) ahead seems to be completely undefined.

### **3. BACKGROUND**

Prior to 1986 the South African Railway and Harbour Administration, and later the SA Transport Services, had the duty to be the “National Carrier”. They had a number of specific socio-economic roles, such as job-creation and employment creation, and the responsibility for subsidized transportation of certain goods such as agricultural products, livestock, as well as passengers. The Railways achieved this by cross-subsidising these services from its profitable high-value goods. A comprehensive system existed to protect the Railways against road freight with road transporters having to apply for permits for any long-distance trip.

The cross-subsidisation of rail freight had both positive and negative impacts. The positive results included the low-cost transportation of essential bulk freight and a minimal level of mobility even in the remote rural areas on non lucrative routes. The negative results were that the rail business were non-responsive and beurocratic with more than 160 000 employees.

After many years of complaints by the road freight industry, the railway industry accepted the deregulation of road freight and competition on an equal footing during 1987, on the condition that rail transport be commercialised, and that it be relieved of its subsidy burden. The road freight industry was subsequently deregulated after 1987, and Spoornet was created as a subsidiary of Transnet in 1990. This created a major challenge to the rail freight industry. On the other hand, rail freight enjoyed monopoly due to its earlier protection by the State. It was however estimated that rail transport had a market share of more than 35% for general freight in the Country at the time.

### **4. CURRENT SITUATION**

It appears that insufficient information exists on the current market shares for road and rail freight. The Moving South Africa analysis in 1998 distinguished between “core routes” to the major ports and “feeder routes”. For the transportation of bulk export freight on the core routes, rail transport comprised a large percentage of about 45%, if measured in ton-kilometers. The remaining general freight market share on the core routes was split 35% for rail freight and 25% for the road freight sectors.

For the remainder of routes, the market share of rail freight was approximately only 8%, with a declining trend. By the end of 2001, Spoornet had fewer than 35 000 employees. It is well known that the rail sector lost the major part of its general freight to the road freight industry during the past decade. One of the main contributing factors is possibly the high value placed by customers on reliability and transit time, tracking, staff helpfulness and loss or damage to goods. Spoornet underwent a major transformation during this period, and possibly did not give sufficient attention to these needs, with the result that it retained mainly its low-income and bulk freight businesses. The road freight sector grabbed this opportunity, and currently transports all high-value goods.

Our challenge is however to also consider the long-term effects and the sustainability of our transport infrastructure.

It is common knowledge that our road infrastructure is suffering from overloading and that the condition of the roads is rapidly deteriorating to a point where it would be impossible to salvage. If we do not have the money to fund the road network to the extent required, we have to find other means to protect the roads and to use our existing infrastructure optimally as part of an approach towards sustainable development.

Many transport professionals and decision-makers argue that the current arrangement is simply not working, and that the Country is suffering the consequences. Road freight has indeed taken control of the major road network. Our road infrastructure is being destroyed because of overloading whilst law enforcement fails to come to terms with the increasing demands. The results of road damage due to overloading are observable not only in South Africa but even more articulated in the neighbouring states, where many paved roads are in such a state that the cost and time for road transport has a major strangulation effect on the economy.

Good and quality road network is the outcome of investment in infrastructure development. The private sector has recently directed investment to infrastructure development in the name of public private partnership (PPP) in terms of which certain tasks are defined and allocated accordingly between the private and public sectors. One of the most important tasks of Government in a PPP-relationship is to ensure the maintenance of law enforcement. Indications are, however, that Government cannot sufficiently ensure law enforcement, with the result that Government and the tax payer often have to accept the risk for over-loading.

## **5. DETERMINING THE APPROPRIATE MODE**

Road freight is flexible and relatively fast. Whereas the transportation cost is more expensive than rail transportation, customers are often prepared to pay for the extra costs due to the certainty and ability to control consignments. Another factor is that the road transport sector often has the edge with customer interaction and user-friendliness. It is obvious that road freight entrepreneurs with the profit motive are more than often prepared to go out of their way to ensure customer satisfaction, even at a cost. The main negative effect is that road transporters focus only on the lucrative routes and business, and are not prepared to render any non-profitable services to rural and low-income areas.

Spoornet currently transports approximately 179,5 million ton per annum or 106 thousand million ton kilometers with almost 35 000 employees. Rail freight lends itself as a cheap means of conveyance of goods, particularly for large loads or bulk freight. Farm products, various types of minerals, industrial products and all forms of economic necessities are conveyed to areas where they are needed. Efficiency in rail operations engenders efficiency of port management and indeed so of speedy shipping of goods to foreign markets. On the other hand, a poorly managed railway which regards itself as an independent operation from the rest of economic activities of the country can have devastating effect on the overall economic performance of the country. This has been the sore point in South Africa when goods, minerals and farm products were not properly served with devastating effects on prices within fluctuating markets. Inherently rail is cheaper and should lend itself as part of marketing strategies of South African goods in foreign markets.

## **6. TOWARDS A BALANCED ROAD AND RAIL FREIGHT POLICY**

It is important to realize the natural endowments and their strategic situations within South Africa in the development of a balanced policy towards road and rail freight.

This understanding and insight into the natural schemes of South Africa's endowments within the concept of complementarity of rail and road freight can never be a solution to be exported from foreign economic jurisdictions. The solution should lie within our own policy infrastructure which should be designed to respond to the unique local circumstances and economic requirements firstly of South Africa, secondly of the SADC region and then of the African continent.

The elements which should form the basis of policy framework therefore should be the following:

- The desire to promote both rail and road freight as pillars of the general freight transport;
- A sustainable transport system;
- Optimal utilization of existing infrastructure;
- Prevention of overloading;
- Speedy delivery;
- Job creation;
- Marketing of South African products;
- Sorting out and allocation of what is best and suitable to be conveyed by road as against what should be conveyed by rail, i.e. ensuring the use of the appropriate mode;
- Job creation and human resources;
- Available technology
- The role of South Africa within the SADC economy;
- Agreements between South Africa and neighbouring states (i.e. bilateral and multilateral agreements);
- Innovation and uniqueness;
- Demand and supply; and
- Profitability.

Road freight transport should be regulated in terms of a national freight transport policy. There are reasons beyond just the conveyance of goods from one point to the other within South Africa and indeed outside our borders. The indication therefore is that a distorted market exists, and that government interventions are realistically required to ensure a solution in the best interest of the Country. Economic regulation as it existed more than a decade ago is possibly not realistic, and another regulating framework would be required. To regulate freight transport within this context means the provision of directive framework within which road freight shall be regulated in terms of what goods to carry and to where. The said point should go hand in hand with the type of goods which should be conveyed by rail. Rail freight should therefore convey bulk goods, whilst perishable goods should be left for road freight.

Regulations of road freight should also be designed as part of the strategy to bring in previously disadvantaged road freight operators into the industry. So far it has not been easy for previously disadvantaged operators to come and settle within the freight industry given the competitive environment and the domination of the arena by conglomerates.

The current position in South Africa is that provincial Operating Licence Boards are not allowed to regulate the movement of freight transport because it is a deregulated industry. At national level through the CBRTA (Cross Border Road Transport Agency) regulation of freight transport is through the permit system. However despite the CBRTA's role in regulating loads of seven tons and above in the carriage of goods, the fact that freight transport is not regulated at provincial level shows the absence of freight policy.

Changing of policy will necessitate changing of legislation to provide the new freight transport environment with supportive legislation.

## **7. FREIGHT TRANSPORT STRATEGY**

South Africa needs a comprehensive national freight transport strategy which should articulate the national vision, mission as well as the articulation of national objectives. The strategy should consider the role which both road and rail freight are already playing, and the most appropriate future roles. It should provide a framework both philosophical and practical within which rail and road freight transport can compliment each other. In the interest of utilizing the resources equitably, rail and road freight should never be allowed to be at each other's throat in the name of competition. Within the context that each one of them should have a role to play and indeed within the context that there are enough resources for both freight modes to share, effective regulation of road freight therefore becomes an instrument not only of control but also of distribution of tasks to role players and beyond.

If it is considered to convey bulk goods only through rail transport, the question whether this should be for both short and long distances also becomes an issue for consideration. Just as road freight should be strictly regulated, rail freight should also be regulated in terms of which goods to convey and for which distance. What should always be kept in mind is that rail too should always remain relevant to local farming communities both emerging and commercial just as road freight should also be made to meet local needs at all times. It therefore means there will be certain areas where rail and road freight will be tied together whilst at certain economic points there will be limited competition. All these should be provided for not only in comprehensive freight transport strategy but should also be supported by both policy and legislation. It should also be considered to identify corridors, and to develop a specific balanced strategy for each corridor. Particularly in the case of parallel toll roads and rail corridors, consideration should also be given to the appointment of a single corridor co-ordinator, who can consider balanced charges and other similar strategies.

Intermodalism within the freight industry should also be promoted and encouraged. In certain areas of the country, both road and rail transport should work together. It follows that for certain kilometers of conveyance of goods to defined destinations, it should be made possible that certain parts of the kilometers should be travelled by rail whilst the remaining parts are travelled by road. This should be practiced within the context of the fact that at the end, prices of goods do not become exorbitantly prohibitive or the whole exercise becomes at the end unprofitable to role players.

Intermodalism as an element of freight transport strategy can be effected where goods are conveyed by rail up to certain designated points and then moved to road freight for final delivery to end points in the form of factories, warehouses or wholesalers.

There are accepted world wide transport good practices which can serve as bench marks against which our transport standards can be tested but such standards cannot be copied and be unfolded in our country at the expense of our own development. South Africa should map out, design and construct her own approach to transport compatible with the needs of the country. The starting point is Reconstruction and Development in Transport particularly the role which Transport should play in the development and reconstruction of the economy.

Generally transport is about the conveyance of goods and passengers. Reconstruction and development within this context shall mean the freight industry going out of its way to ensure that black people are also brought into the mainstream economy. It will mean rail becoming part of communities to render service to them. An important role which rail transport can play in empowering the Previously Disadvantaged communities should be defined and never to be left to the press. It has to take place within a properly defined framework considering Government policies on empowerment.

On the side of Government, *Reconstruction and Development* should mean the government deliberately igniting and activating the economy specifically to promote transport activities. It should mean doing more than just developing corridors and permeate them with industries, retailing businesses and with other forms of commercial Institutions on the corridors. In so far as rail freight is concerned, reconstruction should mean creating a space for rail freight to assist in the development of agricultural activities by conveying harvests, conveyance of factory products, using rail freight to promote the distribution of goods manufactured by SMMEs, and by bringing rail freight to the people. It therefore means redefining the role of railways in so far as the conveyance of goods and other forms of products are concerned.

## **8. CONCLUDING REMARKS**

So far since 1994 when the new political dispensation was ushered, the role of rail freight was never redefined and transformation in this context only meant that the rail freight industry stopped to play its appropriate role in the transport system. Never was there a Rail Blue Print introduced to signal the new rail freight order. The only noise heard from the wilderness was the voices of farmers and Captains of the Mining Industry complaining of Spoornet's poor services. Indeed such poor service attracted massive increase in the number of trucks on our roads leaving rail tracks rusting. Like all other resources and existing assets of our country, rail freight should be directed to where it is needed most and indeed where it will facilitate economic activities and progress.

The challenge lies within policy and policy is the framework and an organized structured approach to the resolution of identified existing or anticipated challenges. Our challenge is to make Rail and Road freight to work in the best interest of developing the economy and meeting the needs of our country, South Africa.

## **9. REFERENCES**

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