Business Outlook on Logistics in CAPE TOWN AND THE WESTERN CAPE

A view of the logistics landscape in the region.

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Executive Summary

The logistics sector in the Western Cape is a cornerstone of the region's export-oriented economy, playing a pivotal role in facilitating trade both domestically and internationally. Given its strategic location, the province is a vital logistics hub in South Africa, benefiting from well-established infrastructure that supports road, rail, maritime, and air freight. Key industries, such as agriculture, manufacturing, and renewable energy, heavily rely on the logistics sector to maintain their competitiveness in global markets. Western Cape ports, particularly the Port of Cape Town, serve as crucial gateways for imports and exports, handling large volumes of containerised and bulk cargo. Additionally, Cape Town International Airport is experiencing notable growth in air cargo, offering alternative solutions for businesses seeking to access international markets.

The logistics industry in the Western Cape, while robust, faces several challenges that hinder its full potential. Port congestion, under-investment in infrastructure, and rising operational costs, exacerbated by global supply chain disruptions, are key issues affecting efficiency. Rail underperformance and port inefficiencies cost the economy significant amounts daily, highlighting the critical need for infrastructure upgrades. However, these challenges also present growth opportunities. Public-private partnerships (PPPs) and targeted investments are crucial to address these shortcomings.

The growing competitiveness of air cargo, presents significant opportunities for businesses to leverage quicker market access. Additionally, the region's commitment to sustainability and smart logistics innovations offers a pathway to modernising the sector, with digital technologies and synchro-modal logistics integration promising increased efficiency and flexibility.

The insights set out in this report are based on a combination of quantitative and qualitative data. Sources include reports and statistics from Transnet, Cape Town International Airport, and the South African Revenue Service (SARS), as well as industry insights from the South African Association of Freight Forwarders (SAAFF). Analytical methods involved reviewing trends in port throughput, rail performance, and air cargo growth and qualitative analysis of public-private partnership initiatives and strategic investment plans. Ultimately, this report outlines the following eight key takeaways for business logistics in the Western Cape. These insights focus on opportunities for growth, innovation, and collaboration.

1. **Well-developed logistics hub for economic growth:**
   The Western Cape's logistics infrastructure is highly developed and a key facilitator of economic growth, contributing significantly to national and international trade. Ports, rail, air cargo, and road networks can create a robust ecosystem that supports diverse sectors like agriculture, manufacturing, and renewable energy, positioning the province as a critical trade node.

2. **Public-Private Partnerships (PPP) can Unlock Opportunity:**
   Strategic PPPs, such as in rail access and the Authorised Economic Operator (AEO) accreditation program, enable businesses to collaborate with the public sector, enhancing efficiency and fostering a more integrated logistics network. These partnerships create an environment for improved service delivery, making logistics in the Western Cape more competitive.

3. **Growing Air Cargo Sector:**
   Cape Town International Airport's air cargo growth is outpacing ocean freight, providing a price-competitive alternative for transporting high-value and time-sensitive goods. This trend offers businesses opportunities to enter international markets faster and at lower costs, positioning air cargo as a vital tool for expanding trade.

4. **Expansion and Modernisation of Port Infrastructure will Improve Performance:**
   Major investments in expanding the Cape Town Container Terminal and developing the Culemborg Intermodal Logistics Precinct are set to enhance cargo handling capacity and efficiency. These initiatives will reduce congestion and improve port performance, supporting the region's growing trade volumes.

5. **Opportunities in Sustainable Logistics:**
   The logistics sector is an important catalyst for meeting emissions targets. Ultimately, by ensuring more sustainable operations, it will support the province retaining relevance in global supply chains. Businesses that align with these green logistics initiatives can reduce their carbon footprint and tap into emerging markets driven by environmental considerations.

6. **Innovation through Smart Logistics Initiatives:**
   The region is witnessing significant advancements in smart logistics. These innovations, including digital port planning platforms, aim to streamline operations, enhance cargo tracking, and foster collaboration across the logistics chain.

7. **Synergistic and Synchro-Modal Logistics:**
   The push for a synchro-modal logistics approach in the Western Cape—integrating road, rail, and sea transport—promises to optimise the supply chain by offering businesses flexibility, cost savings, and a more resilient logistics framework. This model ensures efficient use of multiple transport modes, reducing bottlenecks and enhancing cargo flow.

8. **Strategic Positioning as a Southern African Logistics Hub:**
   The Western Cape's strategic location and well-developed infrastructure positions it as a logistics hub for Southern Africa. By continuing to enhance port, rail, and air freight capacities, the region can attract greater investment and solidify its position as a gateway for intra-African and global trade.

These insights reflect an optimistic outlook on how the Western Cape's logistics sector is evolving to meet future demands, with substantial opportunities for growth, efficiency, and sustainability. Logistics in the Western Cape is a key driver of economic growth, supporting industries such as agriculture, manufacturing, and retail by enabling efficient regional and global trade. Ongoing investments in infrastructure, digital technologies, and sustainable practices are transforming the sector, positioning the region as a competitive logistics hub in Southern Africa.

1.

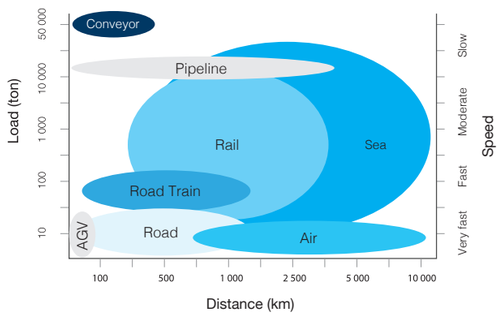
Introduction

South Africa is a highly trade-dependent economy, with trade making up around 60% of its GDP. This reliance on a functional logistics network, with its expansive land surface and distance from key trading partners, presents challenges and significant growth and development opportunities. Logistics costs account for 10.5% of GDP, positioning South Africa between developed and emerging market benchmarks. It also makes up 53% of the total value of manufactured goods, which, when optimised, could substantially boost competitiveness.[1]

Freight demand is already strong, at 500 billion tonne-kilometres, demonstrating the robust foundation for further expansion. Although challenges exist, such as the R1 billion per day loss due to rail underperformance and the R200 million daily impact from port inefficiencies, these figures underscore the critical need for targeted improvements, which hold the potential to unlock vast economic growth.[2] Rail volumes and port handling have returned to levels seen in the early 2010s, and while this may seem like a setback, it also marks a turning point, offering a clear path forward. Notably, South Africa's logistics sector remains seven times larger than any regional competitor in container and bulk volumes, affirming the country's standing as a critical player in the region's trade ecosystem. The logistics challenges we face today are not insurmountable but rather an evolving opportunity to propel the economy forward.

To satisfy our high freight demand in the Western Cape and South Africa, we need a synchro-modal approach – one where all of the transport modalities (and the interaction between them) play their rightful place in our extended logistics network. The following figure illustrates the interplay between load, speed, and distance of these modalities:

Figure 1: All modalities: Load, Distance, Speed relationship



Source: Niemann & De Villiers (Eds), 2022

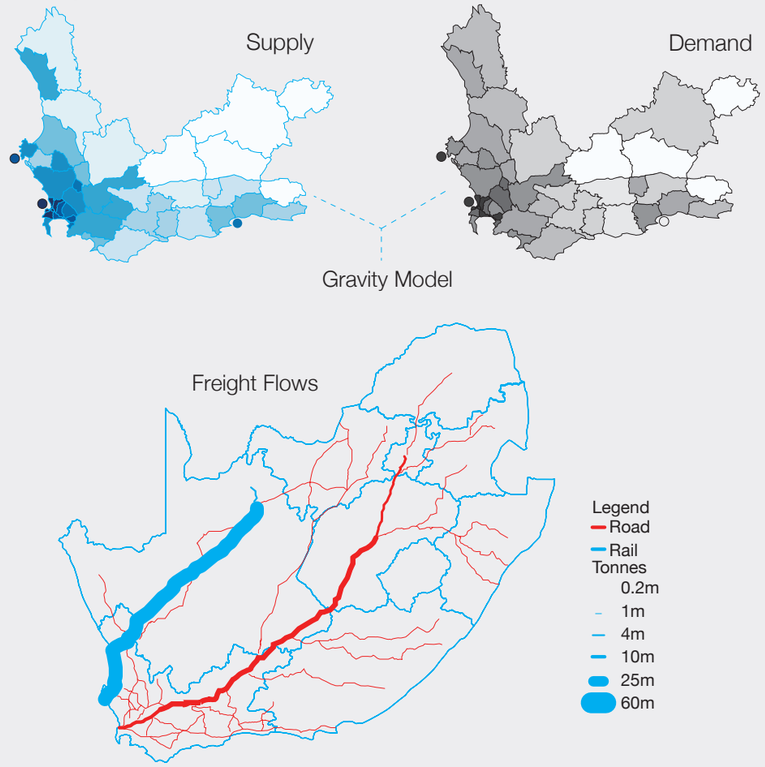
Zooming in on the province, the Western Cape is a vital logistics hub within South Africa, supported by its strategic location and diverse infrastructure. The region plays a crucial role in national and international trade, with Cape Town serving as a central node for maritime shipping, road transport, and space between air freight. Key industries in the region, such as agriculture, manufacturing, and renewable energy, rely heavily on efficient logistics operations to maintain a competitive edge.

The Western Cape's ports, especially the Port of Cape Town, are gateways for import and export activities, handling large volumes of containerised and bulk cargo. Additionally, the region's well-developed road and rail networks facilitate the movement of goods throughout South Africa and to neighbouring countries. However, the logistics sector in the Western Cape also faces challenges, including congestion at ports, under-investment in infrastructure, and rising operational costs. These factors and external issues, like global supply chain disruptions, geopolitics, and fluctuating fuel prices, impact the region's logistics performance. Thus, continuous investment in infrastructure and operational improvements are essential to support the region's economic activities and growth.

The logistics sector is a critical component of the Western Cape's economy as it fulfils a pivotal role in the movement of goods both domestically and internationally. The Western Cape is one of the country's most economically vibrant regions, and logistics is the backbone of key industries such as agriculture, manufacturing, and retail. Assessing the current freight demand and supply landscape, the *"Western Cape Freight Demand Model"* (WCFDM) serves as an excellent barometer.

The WCFDM was first developed in 2018 and has undergone annual updates to refine its accuracy.[3] This model encompasses a comprehensive set of origin and destination freight movements across 86 commodities, utilising various transport modes, including road, rail, and pipeline. Moreover, the model also estimates road freight flows by subtracting known flows for each commodity. The graduated maps show the concentration of where freight originates in the Western Cape, and conversely, the demand map shows where freight is destined. Ultimately, the model further aims to provide a detailed analysis of freight flows, helping to inform transport policies and spatial planning in the province.

Figure 2: Western Cape Freight Demand Model



Source: GAIN Group

This report provides a comprehensive analysis of the Western Cape's logistics infrastructure and development, with a focused examination of the province's key ports, particularly the operational performance of the Port of Cape Town. Additionally, it offers valuable insights into Cape Town International Airport, various cargo-handling facilities, and the critical road and rail networks supporting the region. The report also sheds light on trade flows, significant trading partners, and the challenges currently facing the logistics network. Finally, the report outlines opportunities for businesses and strategic recommendations to all economic actors to strengthen and optimise the province's logistics ecosystem. This publication is crucial for infrastructure providers, spatial connectivity planners, and logistics users, as it offers actionable intelligence to drive more efficient, resilient, and globally competitive logistics operations in the Western Cape.

[1] Havenga, J., Simpson, Z., de Bod, A., Swarts, S., & Neethling, H. 05/12/2023. South African Shippers' demand for efficient logistics services: The role of Government. Delivered At: Transport Forum: 5 December 2023, Johannesburg.

[2] Havenga, J., Simpson, Z., de Bod, A., Swarts, S., & Neethling, H. 05/12/2023. South African Shippers' demand for efficient logistics services: The role of Government. Delivered At: Transport Forum: 5 December 2023, Johannesburg.

[3] Gain Group. 05/2022. The Western Cape Freight Demand Model (WCFDM) – Enhancement for Port of Cape Town.

2.

Logistics Infrastructure and Development

The logistics infrastructure of the Western Cape, particularly its ports, plays a critical role in the region's trade and transport activities. The Port of Cape Town is one of South Africa's major maritime hubs, offering extensive container-handling facilities and serving as a primary link for international trade. The port's location along global shipping routes enhances the region's strategic importance for imports and exports.

The Port of Saldanha Bay, primarily focused on bulk exports like minerals, also supports the region's industrial sectors. Despite these strengths, the infrastructure at these ports is under strain due to increasing demand coupled with insufficient investment in capacity expansion and modernisation. Issues such as port congestion, ageing equipment, and inefficiencies in terminal operations have led to cargo handling delays, adversely affecting supply chains.

Moreover, rail and road infrastructure linked to the ports requires upgrades to improve the flow of goods. As logistics demand grows, coordinated efforts between the government and the private sector are necessary to enhance the region's infrastructure, focusing on technology-driven solutions and capacity expansion.

[4] Africa Ports. 2024. The Port of Cape Town.

[5] PMG. 09/11/2023. Challenges and inefficiencies experienced at the Port of Cape: Transnet & SA Association of Freight Forwarders Input.

[6] Mail & Guardian – 07/01/2024 - Massive developments phased in at Port of Cape Town

[7] TNPA – 17/09/2024 - TNPA'S Additional Mooring units set to curb Shipping Delays caused by Long Waves

[8] SA News. 28/02/2024. Transnet expands port to meet industry demands.

A. THE PORT OF CAPE TOWN

The Port of Cape Town, is a crucial hub for maritime activities, operating 24 hours a day, seven days a week. It is the second busiest container port in South Africa and plays a significant role in the country's economy by facilitating trade and providing services to various industries.

Figure 3: Port of Cape Town

I. GEOGRAPHICAL AND NAVIGATIONAL FEATURES

The port's entrance channel depth is -15.9 meters at chart datum, with varying depths in the Duncan Dock (-9.9m to -12.4m) and Ben Schoeman Dock (-9m to -13.9m) to accommodate different vessel sizes. Regular dredging maintains these depths. Pilotage is mandatory for all vessels, with pilots boarding approximately 1.6 miles off the main breakwater. A Vessel Traffic Service (VTS) supports the navigation system, and a fleet of four Voith Schneider tugs provides tug assistance.

II. PORT FACILITIES

The port has 34 berths, including layby berths, which cater to various types of vessels, including cargo ships and passenger cruise liners.[4] The port is a crucial hub for a wide variety of cargo, leveraging its strategic location and extensive facilities. It handles containers (primarily for transhipment to South America and the Far East), general cargo (including fruits, seafood, and agricultural products), liquid bulk (like petroleum and chemicals), dry bulk (such as coal and iron ore), break-bulk items (like machinery), refrigerated cargo, and Roll-on/Roll-off vessels for vehicles and equipment.

Containerised operations are concentrated on the three main container Berths 601, 602, and 603, which are part of the Cape Town Container Terminal. These berths handle most of the containerised cargo passing through the port. The container facility is equipped with nine (9) post-panamax (up to 14,000 TEU capacity) ship-to-shore (STS) cranes. Additionally, 30 rubberised tyre gantry cranes (RTGs) service the terminal, with 14 straddle carriers, 14 reach stackers, and eight empty handlers making up the equipment complement of the terminal. There are 3 200 refrigerated container plug points to service the fruit export industry – a mainstay of the terminal. Besides the main container terminal, the Cape Town Multi-purpose Terminal (MPT), located in Duncan Dock, also has three berths catering to smaller vessels and a wide range of cargo (such as fruit, steel, paper, bulk commodities, and containers). Equipment-wise, the MPT operates with a fleet of ten straddle carriers, two mobile harbour cranes, three reach stackers, and 14 hauliers. Complementing refrigerated exports, the MPT has 300 plug points.

The port boasts extensive ship repair capabilities with the Sturrock Dry Dock (369.6m length, 14m depth) and Robinson Dry Dock (161.2m length, 7.9m depth). A synchro lift capable of handling vessels up to 61m in length is also available.

Lastly, for passengers, the port's cruise terminal at the Victoria & Alfred Waterfront is a crucial entry point for international cruise liners, boosting the city's tourism appeal.

Cruise Cape Town - powered by Wesgro - is a public, private ecosystem partnership responsible for growing the cruise economy and the sustainability of the cruise industry in Cape Town and the Western Cape. The cruise economy for Cape Town and the Western Cape province has significant opportunities for economic growth and job creation. This is evident from the job creation potential of the tourism economy as a whole as well as global trends focused on harnessing the opportunities of the oceans economy of which cruise plays a pivotal role. This partnership has recorded notable success. Over the 2023/24 season, 67 Ship Visits and 31 Turnaround Calls were recorded in Cape Town during the season. The Port of Mossel Bay welcomed 26 cruise ships, recording double year-on-year growth.

III. MARINE SERVICES

The port operates four tugs equipped for firefighting and salvage operations, ensuring the safe manoeuvring of vessels within the harbour. Furthermore, multiple bunkering points supply marine fuel oil and gas oil within the port area.

IV. INFRASTRUCTURE AND RELATED CONSTRAINTS

Despite its extensive capabilities, the Port of Cape Town faces several infrastructure challenges, specifically inadequate rail infrastructure linking the port to inland areas. This leads to increased reliance on road transport, which raises logistics costs.[5]

Moreover, one of the most fundamental constraints experienced at the Port of Cape Town translates to frequent equipment breakdowns and shortages, leading to far-from-optimal operational performance. Many operational equipment pieces are outdated; for instance, only about 16 RTGs are available for moving containers when approximately 30 are needed to meet operational demands. This, in essence, negatively affects the ship working hours (SWH) on the waterside as well as the truck turnaround time (TTT) figures on the landside.

Another major constraint at the port is adverse weather conditions and extensive vessel ranging,

which hamper port performance. According to estimations, the port loses approximately 1,200 operational hours annually due to strong winds.[6] In an attempt to combat the vessel ranging experienced, Transnet National Ports Authority (TNPA) has shore tensioning units to mitigate the impact and severity of vessel ranging. As part of TNPA's plan to improve operational efficiency across the port system, 52 shore tensioning units were ordered between 2023 and 2024. Of these 52 units, 16 are allocated to the Port of Cape Town, of which six have already arrived.[7]

V. DEVELOPMENT PLANS AND UPCOMING INITIATIVES

Transnet and industry partners have introduced an ambitious eight-point plan to transform Cape Town into a world-class port hub. The plan optimises port operations, tackles weather-related disruptions, and enhances truck operations to ensure smooth and efficient cargo flow. By improving marine services and upgrading terminal equipment, Cape Town is set to offer faster, more reliable services to its users. The strategy also emphasises strengthening the workforce by addressing skill gaps and fostering expertise while implementing effective crisis management systems to ensure resilience in challenging times. With a solid commitment to increasing information sharing and collaboration, these initiatives will elevate Cape Town's status as a premier hub for agriculture, energy, boat building, and tourism, driving sustainable growth and unlocking new opportunities for the region.

Regarding infrastructure developments, The Cape Town Container Terminal Expansion (Phase 2B) is set to significantly boost the port's capacity, increasing it from 1 million to 1.4 million TEUs, positioning Cape Town as a central logistics hub.[8] With a robust investment of R1.775 billion, this project will enhance vital infrastructure, including upgraded rail systems, improved container stacking capabilities, and the construction of a state-of-the-art truck staging area with advanced automation. The design phase is expected to be completed by December 2024, with construction beginning in September 2025. Once complete, the terminal will be equipped to handle growing demand efficiently, driving economic growth and strengthening Cape Town's role in global trade.

A key development for multi-modal logistics is the Belcon logistics park, a state-of-the-art, 163,000 sqm multimodal facility designed to enhance logistics capabilities, particularly for fruit exports. It features integrated cold chain offerings, including a dedicated cold store, enabling end-to-end management and visibility for perishable goods. The facility will streamline export processes and provide advanced logistics solutions, supporting seamless movement through various transport modes. It is set to offer world-class services, promoting efficiency and sustainability in logistics movements. The development of this park is expected to contribute significantly to regional logistics by providing modern infrastructure and enhancing Cape Town's role as a logistics hub, and demonstrates a commitment to public-private partnerships.

In addition, the development of the Culemborg Intermodal Logistics Precinct will further support the port's expansion by creating enhanced back-of-port capacity, streamlining logistics, and optimising cargo handling. With plans for the precinct nearing finalisation, a request for proposals will be launched during the 2024/25 financial year, ensuring this crucial project moves forward. Additionally, TNPA is committing over R13 billion in port infrastructure investments over the next five years, focusing on modernising equipment, improving operational performance, and enhancing logistics capabilities. These forward-looking initiatives can help ensure that Cape Town is a competitive and sustainable port for the future.

B. THE PORT OF SALDANHA BAY

The Port of Saldanha Bay is pivotal in supporting the mining sector and various industrial activities in the Western Cape and the rest of South Africa. It is one of the world's deepest natural harbours, allowing it to accommodate large vessels, including bulk carriers and tankers.

Figure 4: Port of Saldanha Bay

I. KEY INFRASTRUCTURE COMPONENTS

According to TNPA, the Port of Saldanha Bay remains the largest and deepest natural port in the Southern Hemisphere, capable of accommodating vessels with a draft of up to 21.5 meters.[9] The port covers a land and sea surface of just over 19,300 hectares within a circumference of 91 kilometres, with maximum water depths of 23.7 meters.

Its deepwater capability is crucial for efficient mining exports, a significant revenue generator for the province's economy. The port is strategically located near the West Coast mineral resources, particularly iron ore and other minerals, vital to the mining industry. Saldanha Bay is a major export hub for iron ore, facilitating the transport of large volumes of iron ore to international markets, especially in Asia and Europe. As a result, the port is equipped with specialised bulk handling facilities designed for the efficient loading and unloading of mining products, which includes dedicated infrastructure for handling ore, which essentially enhances operational efficiency. The Iron Ore Terminal is particularly significant, boasting an installed capacity of 57 million tons annually.

Earlier this year, the port's multipurpose terminal recorded an annual cargo handling volume increase of 6.2%, which can largely be attributed to initiatives facilitating the utilisation extension of critical equipment, such as the mobile ship loader.[10]

Saldanha Bay has strong rail connections to major mining regions, facilitating the efficient movement of raw materials to the port. This rail infrastructure is crucial for reducing logistics costs and improving supply chain efficiency. As an alternative, the port is also connected to well-maintained road networks, ensuring smooth transportation of goods to and from the port, which is essential for both the mining sector and industrial operations relying on timely deliveries.

II. FUTURE DEVELOPMENTS

Future developments aim to establish dedicated facilities for rig and vessel repairs, positioning Saldanha Bay as a critical player in the offshore oil and gas service sector.[11] This includes (1) a new deep-water oil rig repair facility at Berth 205, featuring a berth length of 380 meters and a water depth of 21 meters, and (2) the extension of existing quays to support maintenance activities for rigs and supply vessels.

III. FREEPORT SALDANHA INDUSTRIAL DEVELOPMENT ZONE (IDZ)

The Freeport Saldanha Industrial Development Zone specifically focuses on oil and gas, maritime fabrication and repair industries and related support services. It is also the first IDZ to be located in a port. With incentives available for prospective investors, the Freeport positions Saldanha Bay and the Western Cape for sustainable economic development and job creation.[12]

The Saldanha Freeport has been identified as the Western Cape's green hydrogen hub, driven by government initiatives and private sector interest.[13] Its strategic location and infrastructure make it ideal for green hydrogen projects, aligning with the region's goal of producing hydrogen power by 2040. The Freeport's status as a special economic zone attracts investment in both the oil and gas industries and the emerging green hydrogen sector. Community development is integral to project planning, ensuring local support. Currently, most GH2 initiatives are in feasibility or proof-of-concept stages, with potential for domestic and export markets.

The Freeport has also been identified in a World Bank study as a case for South Africa to participate in green shipping routes.[14] Establishing these green shipping routes will ensure the competitiveness of the destination as products shipped along these routes, are likely to have reduced emissions. It is expected that Freeport Saldanha can produce up to 50,000 tons of green hydrogen per annum, which can be converted to 280,000 tons of green ammonia, which is needed in shipping. This is catalytic for South Africa's commercial ports, which can overall contribute to the of producing overall 5 million tons of green hydrogen for the maritime sector by 2050.

[9] TNPA – 2024 - Port of Saldanha.

[10] Freight News – 08/03/2024 - Saldanha Multi-Purpose Terminal exceeds budgeted volumes.

[11] SA Oil & Gas Alliance. 2015. Port Handbook.

[12] Freeportsaldanha.com

[13] Freeport Saldanha. 2024. Green Hydrogen: WCG Energy Workshop.

[14] Creating a Green Marine Fuel Market in South Africa, World Bank, 2024.

C. THE PORT OF MOSSEL BAY

Mossel Bay primarily serves as a supplementary port, complementing larger ports such as Cape Town and Saldanha Bay. At the same time, it generally handles smaller vessels and supports fishing, tourism, and local trade, contributing to the regional economy. The port is crucial for the fishing industry, facilitating the landing and processing of fish and seafood. It thus supports local livelihoods and is a crucial component

of the province's economy. In addition, Mossel Bay serves as a logistical base for offshore oil and gas activities, supporting supply operations for exploration and production.

The potential for infrastructure enhancements certainly exists, as the port could greatly benefit from expanding berthing facilities and improving cargo handling capabilities. This would enable the port to accommodate a broader range of vessels and increase throughput, which could also serve as an additional economic revenue generator. Further, with its picturesque setting, there's scope for developing marine tourism facilities, as seen from the recent conversion to a cruise terminal.[15]

It is therefore positive news that TNPA has recently called for proposals for the development of a multi-purpose terminal at the Port. The Request for Information called on parties to submit proposals to "design, develop, finance, maintain and operate a multi-purpose terminal at the Quay 4 where general cargo as well as the oil and gas are currently handled."[16]

D. CAPE TOWN INTERNATIONAL AIRPORT

Cape Town International Airport (CTIA), located approximately 20 kilometres from the city centre, is South Africa's second-busiest airport and is a vital international gateway to the Cape Town metropolitan area. The airport is equipped with extensive infrastructure and cargo-handling facilities that support cargo operations.

Cape Town Air Access (CTAA), powered by Wesgro, is a co-funded, public-private effort to secure more non-stop flights to Cape Town and the Western Cape. Improved air connectivity boosts both tourism and trade. Currently all international air freight is transported in the belly of passenger aircraft as there are no scheduled full-freighter operations to the airport. CTAA continues to lobby stakeholders for improved and dedicated air cargo infrastructure, both on the land- and air side of the airport, which together with growth in volumes would enable dedicated full-freighters to operate into Cape Town International Airport.

I. AIRPORT INFRASTRUCTURE

Cape Town International Airport (CTIA) is equipped with two runways to support its aviation operations. The first runway measures 3,201 meters in length and 61 meters in width, while the second runway is 1,701 meters long and 46 meters wide.

CTIA also supports logistical operations through multiple development precincts. The terminal precinct provides direct access to cargo facilities, while the Northern Logistics Node is strategically positioned to optimise logistics operations. Precincts 4 and 5 are allocated for aviation-related logistics and mixed-use development, providing ample space for future expansion and enhancing the airport's overall logistics capabilities.

II. CARGO HANDLING FACILITIES

CTIA has established cargo handling infrastructure designed to accommodate a wide range of freight, including high-value and time-sensitive shipments. Operators ensure that the facilities are equipped with modern technology to effectively manage different types of cargo, including specialised goods like pharmaceuticals and perishables, which require careful and efficient handling.

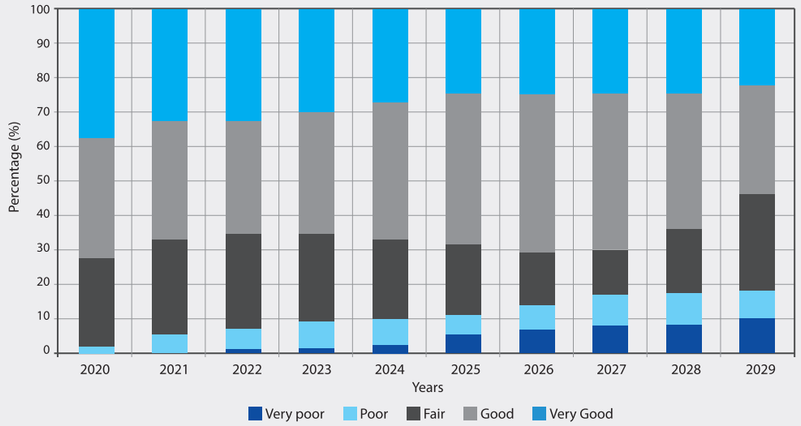
In addition to its terminals, CTIA offers various ground-handling services that various companies provide. These services include freight forwarding, customs clearance, and the specialised handling of sensitive cargo. The efficiency of these operations ensures that shipments move seamlessly from their arrival at the airport to their final departure. To further streamline operations, cargo acceptance is available daily from 08:00 to 18:00, with specific cut-off times set for different types of freight. For general cargo, acceptance typically closes 240 minutes before departure, while critical and prioritised shipments have a tighter window of 90 minutes.

CTIA also offers dedicated facilities that support the handling of unique cargo types. These include secure storage for dangerous goods, animal handling areas, and temperature-controlled environments for sensitive materials such as pharmaceuticals. Customs services are available during standard business hours from Monday to Friday, providing efficient clearance processes for imported goods.

E. WESTERN CAPE ROAD INFRASTRUCTURE

The road infrastructure in the Western Cape is one of the better-maintained networks in South Africa, reflecting the province's proactive approach to asset management and prioritisation of key economic routes. The Western Cape consistently conducts condition assessments, using visual condition indices (VCI) and other monitoring systems to inform road maintenance and investment. This approach has allowed the provincial road authority to ensure that roads with higher economic significance or traffic volumes receive preferential attention. As a result, the condition of roads in this province is generally better than the national average. The following image from the latest South African Institute of Civil Engineering (SAICE) "Infrastructure Report Card for South Africa" showcases the quality of the City of Cape Town Metro's road infrastructure:[17]

Figure 5: City of Cape Town Road Infrastructure



Source: SAICE 2022 Report

F. WESTERN CAPE RAIL INFRASTRUCTURE

Transnet Freight Rail (TFR), Africa's largest freight rail operator, manages a vast network of approximately 30,400 kilometres, and is critical to connecting South Africa's key logistics hubs. The Western Cape's rail network is an essential component of its logistics and transportation ecosystem, primarily supporting both passenger and freight operations. While the network spans 460 km with four main lines and 122 stations, it currently faces challenges that hinder its ability to fully meet rising demand. Addressing these challenges presents an opportunity to enhance capacity, reduce logistics costs, and shift a larger share of freight from road to rail.

Figure 6: Freight Rail's network coverage in South Africa

[15] Shepstone & Wylie Attorneys – 03/11/2022 - Mossel Bay and Saldanha now formal ports of entry for cruise ships

[16] Transnet calls for proposals to expand operations at the Port of Mossel Bay - Transnet calls for proposals to expand operations at the Port of Mossel Bay | Business (news24.com)

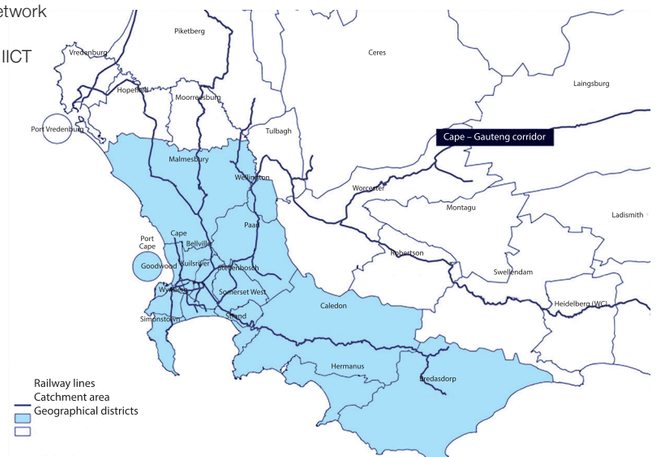
[17] SAICE. 11/2022. Infrastructure Report Card for South Africa – 2022.

Source: TFR Annual Report, 2023

I. CAPE CORRIDOR

The Cape Corridor is the lifeblood of the Western Cape's rail freight movement, connecting Cape Town with Gauteng, South Africa's economic hub. Although the corridor plays a crucial role in facilitating the flow of goods, it is still dominated by road transport. This reliance on roads increases logistics costs and contributes to traffic congestion. Investments in rail infrastructure and the proposed Intermodal Inland Container Terminal (IICT) can shift freight back to rail, thereby reducing costs and improving environmental sustainability.

Figure 7: WC rail network and the proposed establishment of an IICT

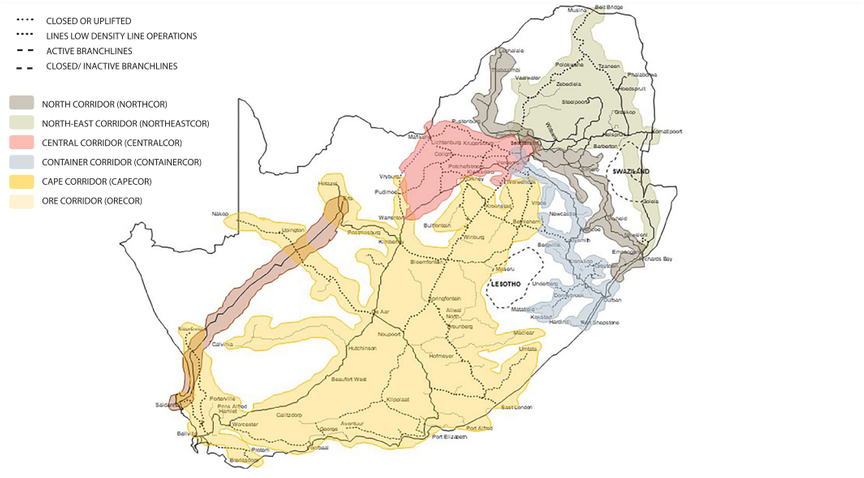


Source: Havenga et. al., 2012

II. IRON ORE CORRIDOR

The Saldanha to Sishen Iron Ore Corridor remains one of the most significant freight routes in South Africa, transporting vast quantities of iron ore from the Northern Cape mines to the Port of Saldanha Bay. The corridor, powered by heavy-duty rail systems, is integral to both national and international trade. Despite challenges, including infrastructure limitations and the need for maintenance, the corridor continues to facilitate a key export sector for the region.

Figure 8: Corridor footprint



Source: TFR, 2016

Recent initiatives to improve rail connections to mining regions, coupled with future expansion projects, are expected to enhance the efficiency and capacity of this corridor. Strengthening these rail links will further reduce logistics costs, improve supply chain performance, and support South Africa's mining exports.

Trade Flows and Key Trading Partners

The Western Cape is a notable exporter of agricultural products, manufactured goods, and services. Key industries contributing to the region's exports include agriculture, particularly fruit and wine, and the automotive and petrochemical sectors. The region's well-established manufacturing sector also supports export activities, producing goods for markets in Europe, Asia, and North America.

The Western Cape's primary trading partners are the European Union, the United States, and countries in Asia, with China playing an increasingly prominent role in imports and exports. On the import side, the region sources a wide range of products from its global trading partners, from machinery and equipment to consumer goods.

The Western Cape's logistics capabilities are critical in maintaining these trade flows, with efficient transportation networks and port facilities essential to moving goods in and out of the region. However, global trade disruptions, such as those caused by the COVID-19 pandemic, have highlighted vulnerabilities in the region's supply chains and underscored the need for greater resilience in logistics operations.

I. WESTERN CAPE TRADE FLOWS

In 2023, the total Gross Domestic Product (GDP) of the Western Cape Province was approximately R984.7 billion at current prices. This figure reflects a nominal increase from R919.1 billion in 2022, indicating a growth rate of about 0.8% compared to the previous year.[18] Total trade for the year amounted to R531.2 billion, meaning that trade constituted about 54% of the WC economy for the year. The following table shows the total trade (in value) per modality across the last five years:

Table 1: Trade per modality

	2019	2020	2021	2022	2023	5-Year Trend	Y/Y Growth
Air Imports	R16,081,243,345	R16,880,577,857	R20,372,707,011	R20,421,731,447	R21,431,221,976		5%
Air Exports	R14,635,021,460	R14,709,528,329	R15,283,792,796	R18,560,218,196	R21,915,551,941		18%
Ocean Imports	R202,627,000,000	R170,065,000,000	R204,596,000,000	R297,960,000,000	R298,657,000,000		0%
Ocean Exports	R82,337,321,328	R91,748,139,650	R109,140,000,000	R116,556,000,000	R124,754,000,000		7%
Land Borders Imports	R7,512,130,949	R5,379,292,515	R6,422,019,195	R7,207,963,978	R7,324,537,321		2%
Land Borders Exports	R28,939,686,232	R30,082,661,961	R37,202,485,259	R47,425,283,677	R52,739,537,774		11%
Inland Ports Imports	R1,639,880,018	R1,714,897,603	R1,973,740,143	R1,600,686,624	R1,759,977,343		10%
Inland Ports Exports	R2,021,131,290	R2,710,998,077	R3,341,577,330	R3,424,725,964	R2,680,897,115		-22%
Total Imports	R227,860,254,312	R194,039,767,975	R233,364,466,349	R327,190,382,049	R329,172,736,640		1%
Total Exports	R127,933,160,310	R139,251,328,017	R164,967,855,385	R185,966,227,837	R202,089,986,830		9%
Total Trade	R355,793,414,622	R333,291,095,992	R398,332,321,734	R513,156,609,886	R531,262,723,470		4%

Source: Calculated from SARS/Quantec

Except for land border imports, trade via all modalities has increased versus five years ago, with significant growth in the air cargo space – especially with exports (up by 18%, y/y). The following two tables indicate the air cargo imports and exports per commodity (HS 4-level) in the last five years:

3.

Table 2: Air cargo imports per commodity, top 10

	2024Q2 Value (ZAR)	5-year Trend	Q/Q Growth	Y/Y Growth
HST0: Total: All commodities	R5,619,859,576		5%	5%
HST8517: Telephone sets	R372,338,654		96%	18%
HST9018: Medical Instruments and appliances	R311,466,170		11%	2%
HST3004: Medicaments	R271,908,501		-4%	-8%
HST8471: Automatic data processing machines	R252,437,846		-41%	-53%
HST9021: Orthopaedic appliances	R238,141,672		34%	2%
HST7113: Jewellery	R96,900,163		63%	32%
HST9004: Spectacles	R84,206,539		-1%	12%
HST8542: Electronic integrated circuits	R81,670,737		1%	-25%
HST8523: Media storage devices	R78,961,047		-26%	10%
HST8481: Plumbing appliances	R78,191,589		6%	12%
HST4901: Printed books	R74,020,396		-2%	25%

Source: Calculated from SARS/Quantec

The Western Cape's air cargo imports for Q2 2024 reached R5.6 billion, showing a modest 5% year-on-year growth. Telephone sets (R372 million) increased by 18%, while jewellery (R96.9 million) saw a significant 32% growth. However, certain categories like automatic data processing machines (R252.4 million, -53%) and medicaments (R271.9 million, -8%) experienced notable declines. Meanwhile, printed books (R74 million) and spectacles (R84.2 million) grew by 25% and 12%, respectively, indicating resilience in some sectors.

Table 3: Air cargo exports per commodity

	2024Q2 Value (ZAR)	5-year Trend	Q/Q Growth	Y/Y Growth
HST0: Total: All commodities	R5,513,194,372		0%	8%
HST7113: Jewellery	R710,067,741		2%	12%
HST2710: Petroleum oils	R644,000,772		-18%	10%
HST8529: Transmission apparatus parts	R445,862,557		100%	89%
HST8523: Data storage devices	R206,674,326		39%	1%
HST0307: Molluscs	R170,321,608		-29%	-44%
HST4113: Leather goods	R163,291,609		37%	2%
HST0302: Fish	R143,372,467		30%	-25%
HST0603: Cut flowers	R140,363,330		119%	21%
HST0810: Fresh fruit	R132,468,606		-53%	104%
HST3507: Enzymes	R128,056,581		89%	105%

Source: Calculated from SARS/Quantec

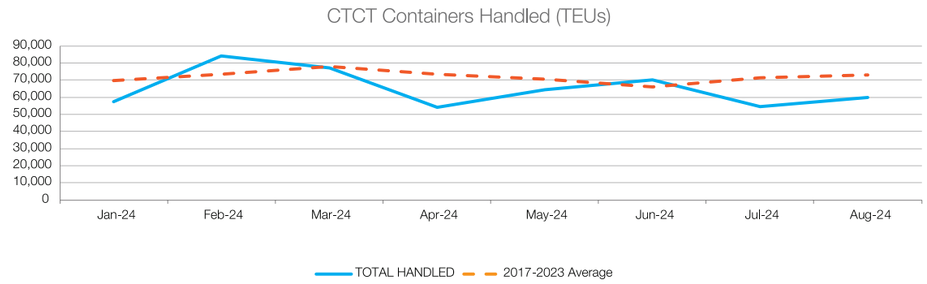
In Q2 2024, the Western Cape's air cargo exports totalled R5.5 billion, reflecting an 8% year-on-year growth. Key export categories include jewellery (R710 million, 12% growth) and petroleum oils (R644 million, 10% growth), with transmission apparatus parts showing a notable 89% surge. Fresh fruit (R132 million) and enzymes (R128 million) experienced remarkable year-on-year increases of 104% and 105%, respectively, while molluscs and fish exports saw declines of 44% and 25%.

Made in the Cape, powered by Wesgro, is a catalytic export brand aimed at enhancing the overall local and international recognition of the Western Cape, speaking to sustainability, quality, trust and diversity. Driving the growth of the CapeTradePortal.com locally and internationally, Made in the Cape promotes direct relationships with international buyers, driving breakout export grown from the Western Cape. This initiative adds a layer of credibility and excellence to Western Cape business offerings, enhancing their prospects in the global market. By registering on the portal, Western Cape businesses gain access various networking opportunities and marketing material to help grow their business capacity in exports.

II. PORT THROUGHPUT

Year-to-date figures indicate that CTCT containerised volume is down by -9% compared to the average monthly volumes across the last seven years. Only February and June were above the average, which is concerning.

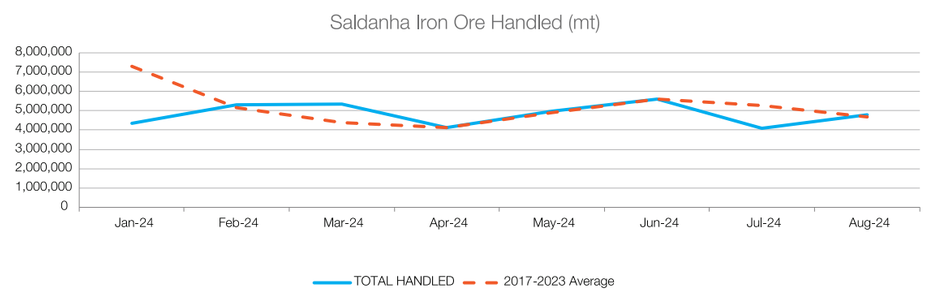
Figure 9: Cape Town Container Terminal (TEUs YTD versus Average January to August 2017-2023)



Source: Calculated from TNPA

For iron ore exports – one of our major export mining industries – year-to-date figures indicate that the Port of Saldanha iron ore volumes are down by -7% compared to the average monthly volumes across the last seven years. However, the terminal has shown resilience despite the overall failings of our rail network – a key facilitator in getting the iron ore from the mines in the Northern Cape to port.

Figure 10: Port of Saldanha: Iron Ore Handled (millions of metric tons, YTD versus Average January to August 2017-2023)



Source: Calculated from TNPA

[18] Stats SA. 2023. Provincial gross domestic product 2023.

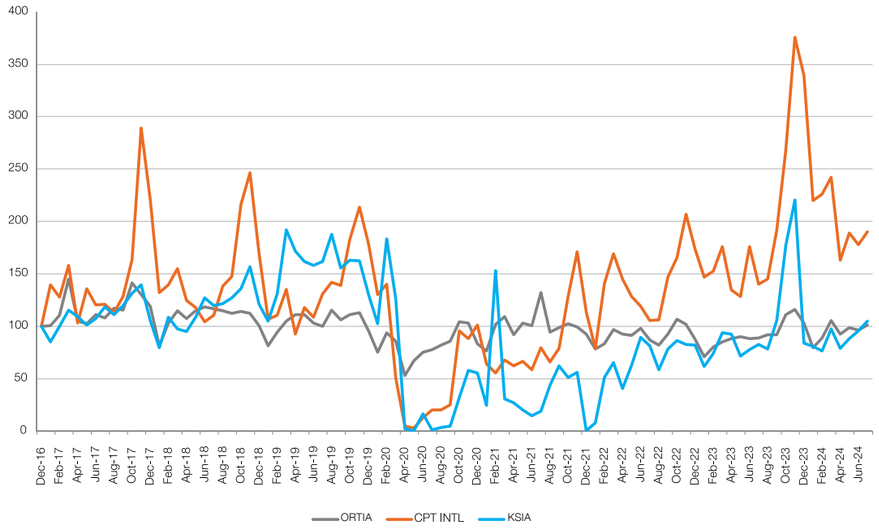
3.

The citrus export season in South Africa typically runs from March to September, with peak months varying by citrus variety. Oranges are harvested between June and October, while lemons, mandarins, and grapefruits generally peak from March to July. Deciduous fruit exports, such as apples, pears, and table grapes, follow a different schedule. The apple and pear season spans from January to June, while the grape harvest occurs between November and May, with exports concentrated from December to April. These seasonal patterns are influenced by South Africa's climate, making it a key global exporter of citrus and deciduous fruits.

III. AIR CARGO STATISTICS

International air cargo to and from CTIA has boomed in the last couple of years, with a significant increase in the breadth and depth of the airport's connectivity with the rest of the world. Year-to-date air cargo handled at CTIA is up 33% compared to 2023; however, the trend continues much further back. Compared with the other major international airports in South Africa, using 2016 as a baseline, Cape Town is in a league of its own. The following figure illustrates this continued growth in the air cargo space:

Figure 11: South Africa airports: International air cargo handled (index, 2016 average = 100)



Source: Calculated from ACOC data

[19] SA Gov News. 08/05/2024. Western Cape Government sounds alarm as Port of Cape Town fails to meet own recovery targets.

4.

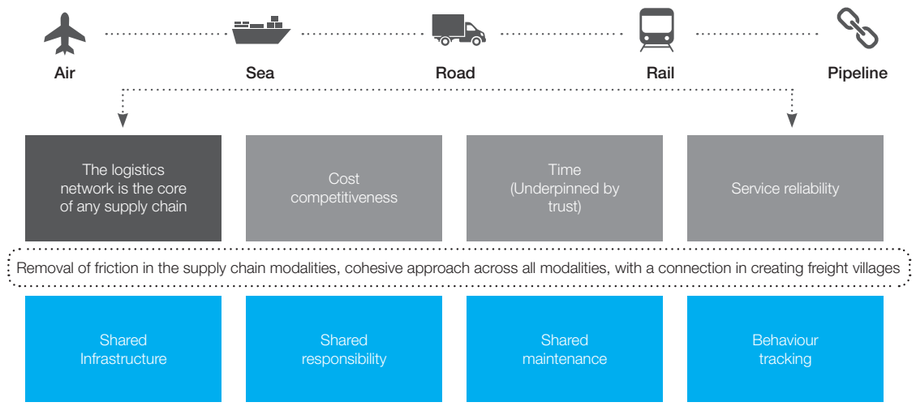
Strategic Opportunities and Insights for Business

Despite the challenges, the logistics sector in the Western Cape has significant opportunities for growth and improvement. One key opportunity lies in the region's potential to become a logistics hub for Southern Africa, capitalising on its strategic location and well-established infrastructure. Investments in port capacity expansion, particularly in Cape Town and Saldanha Bay, can help reduce congestion and improve cargo handling efficiency. Adopting new technologies, such as automation and digital platforms, can enhance operational efficiency and reduce costs across the logistics value chain.

I. SYNERGISTIC LOGISTICS

The need for synchro-modal logistics in the Western Cape is paramount to enhance the flexibility and resilience of the region's supply chains by seamlessly integrating multiple transport modes. This approach can significantly improve efficiency, reduce congestion, and support the region's growing trade demands while mitigating environmental impacts
.

Figure 13: Synergistic logistics illustrated



Source: SAAFF

Improving road and rail connectivity to support more efficient inland logistics is also possible. To unlock these opportunities, it is essential to foster greater collaboration between the public and private sectors, focusing on long-term planning and investment in infrastructure. Furthermore, aligning the region's logistics strategies with broader national and international trends, such as the shift towards green logistics and sustainable transport solutions, can position the Western Cape as a leader in innovative logistics practices.

Recent developments in South Africa's rail freight industry, including the establishment of the NLCC (see Box 2), Freight Logistics Roadmap, Economic Regulation of Transport Act 6 of 2024, and Rail White Paper (see Box 3), offer significant private-sector opportunities in the Western Cape, including the following:

Public-Private Partnerships (PPPs): Transnet's push for private sector involvement in operating and maintaining rail services is key to shifting freight from road to rail. This is particularly crucial for the Western Cape's main corridors, such as the N1, N2, and N7, where PPPs can alleviate road congestion and improve freight efficiency.

Investment Opportunities in Rail Modernisation: A share of the R200 billion to R400 billion planned national rail investment presents a lucrative opportunity for private firms in the Western Cape. With private operators set to compete with Transnet by late 2024, the region will see a more dynamic logistics market, fostering innovation and improved service delivery.

[20] SA DoT. 2024. Roadmap for the Freight Logistics System in South Africa.

[21] Law Library. 2024. Economic Regulation of Transport Act, 2024.

[22] SA Gov. 2022. National Land Transport Act: White Paper on the National Rail Policy March 2022.

Multi-Modal Logistics Hubs: The development of multi-modal hubs, connecting roads, rail, and ports, opens new avenues for private sector investment. These hubs and the establishment of freight villages near rail lines can increase operational efficiency and reduce logistics costs.

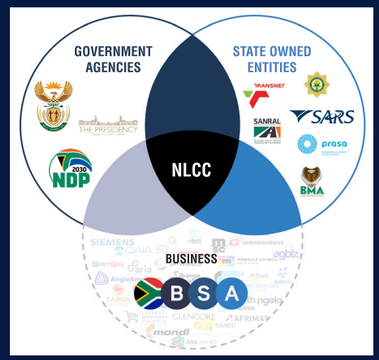
Regulatory Enhancements: The Rail White Paper's regulatory reforms clarify private operators' cost structures and access rights, creating a more transparent and collaborative environment. This is expected to drive private sector interest in rail operations within the Western Cape.

Strategic recommendations for the sector include prioritising infrastructure upgrades, streamlining regulatory processes, and investing in workforce development to ensure the logistics industry has the skills to meet future demands.

BOX 2: NATIONAL LOGISTICS CRISIS COMMITTEE

The National Logistics Crisis Committee (NLCC) has been established with a forward-thinking vision to address the pressing challenges within South Africa's freight logistics sector. Its primary goals include enhancing the operational performance of supply chains, particularly freight rail and ports, implementing critical reforms to modernise the system, and creating a conducive environment for efficient operations. The NLCC aims to restore the system's competitiveness and secure the necessary funding to support its ambitious objectives by streamlining legislative frameworks and improving procurement processes. This strategic approach is intended to stabilise the logistics landscape, ensuring sustainable, long-term growth for the industry and economy.

Figure 14: NLCC Structure



Source: B4SA

The NLCC has identified eight key workstreams that form the foundation for its efforts. These include improving rail network and port systems performance, addressing road transport and border transit challenges, restoring passenger rail services, and driving structural reforms within the logistics sector. Additional focus areas involve streamlining procurement processes, securing infrastructure financing, enhancing security, and maintaining effective communication with stakeholders. By leveraging these workstreams, the NLCC is dedicated to positioning South Africa as an integral part of the global supply chain. Through the Freight Logistics Roadmap, the path forward is clear: stabilise immediate performance issues while undertaking structural reforms to ensure long-term efficiency, competitiveness, and sustainable development.

BOX 3: RECENT REGULATORY CHANGES TO LIBERALISE THE MOVEMENT OF GOODS

Several key regulatory developments have occurred in the South African logistics landscape, notably the Freight Logistics Roadmap, Economic Regulation of Transport Act 6 of 2024, and Rail White Paper. All of these changes have aided in structurally altering the movement of goods and liberalising the industry to promote competition, reduce inefficiencies, and lower costs, which can drive economic growth by making it easier and cheaper to move goods.

FREIGHT LOGISTICS ROADMAP

The Freight Logistics Roadmap in South Africa, approved by the Cabinet, is a comprehensive strategy aimed at addressing systemic inefficiencies in the country's logistics sector. It focuses on enhancing rail and port operations.[20] The roadmap is critical for improving export capabilities, reducing congestion at key ports, and ensuring the sustainable development of South Africa's logistics infrastructure.

One of the roadmap's primary objectives is improving the operational efficiency of the freight rail network. By stabilising rail performance, South Africa aims to reduce reliance on road transport, ease congestion, and enhance environmental sustainability. Another critical aspect is the introduction of a PSP Framework designed to encourage private investment while maintaining state ownership of essential assets, especially in the rail sector.

The NLCC plays a crucial role in overseeing the roadmap's implementation, ensuring seamless coordination among government departments, including the Department of Transport and National Treasury. This oversight provides a sense of reassurance about the control and coordination in the long-term reforms, which focus on structural improvements and capital investment in infrastructure, essential for revitalising the logistics sector. The emphasis on shifting freight from road to rail further reassures the industry about reducing road congestion and environmental impact.

Ultimately, the roadmap is about short-term operational enhancements and long-term structural reforms in rail and port logistics. It positions South Africa to achieve economic growth through improved freight transport efficiency, giving hope for a brighter future in the logistics sector.

ECONOMIC REGULATION OF TRANSPORT, ACT 6 OF 2024

The Economic Regulation of Transport Act 6 of 2024, signed into law by President Ramaphosa on June 11, 2024, reforms the regulatory landscape of South Africa's transport sector.[21] The Act establishes the Transport Economic Regulator (TER), a central body overseeing road, rail, ports, aviation, and shipping to enhance efficiency and competition. The TER has the authority to regulate pricing and access to essential infrastructure, notably rail, encouraging private sector participation. Additionally, the Act mandates stakeholder consultations on tariffs to ensure transparency. The Transport Economic Council will adjudicate disputes, ensuring fairness in regulation. The Act also amends prior laws, such as the National Ports Act, to align with the new framework. The legislation is intended to promote rail reform, attract private investment, and reduce Transnet's debt. However, concerns have been raised about the TER's broad powers and potential implications for sectors like commuter bus services. The Act's success will depend on effectively managing market dynamics and stakeholder interests.

RAIL WHITE PAPER

The Rail White Paper, formerly known as the National Rail Policy, sets a strategic vision for stimulating South Africa's freight and passenger rail sector.[22] It emphasises modernising infrastructure and adopting innovative technologies to enhance operational efficiency. A central goal is fostering private sector participation to break monopolistic practices and encourage competitive investment in rolling stock and infrastructure. The government will invest in fixed infrastructure while operators fund their rolling stock. The policy addresses challenges such as outdated infrastructure, declining branch line usage, and inefficiencies in Transnet's capital maintenance. It advocates for an independent transport economic regulator to ensure fair access to rail infrastructure and promote safety and transparency in pricing. Legislation like the Economic Regulation of Transport Act complements this policy by enabling third-party access to rail infrastructure, fostering competition, and enhancing freight logistics efficiency. The Rail White Paper serves as a foundation for subsequent reforms, aiming to significantly improve South Africa's economic growth and logistics capabilities.

4.

II. DIGITAL PORT PLANNING PLATFORMS

International best practices in digital port planning platforms highlight the transformative potential of technology to enhance operational efficiency and integrate logistics. Ports like Rotterdam and Laem Chabang offer key lessons. The Port of Rotterdam's fully automated terminals, such as Nextlogic, demonstrate the benefits of digital coordination platforms that optimise container scheduling and reduce idle time, enhancing efficiency by 20%. Similarly, the Port of Laem Chabang has implemented advanced remote-control technologies and terminal management platforms, which reduce human intervention while ensuring accuracy and efficiency.[23]

Adopting these best practices for the Port of Cape Town could significantly improve its logistics performance. Integrating digital technologies like real-time data analytics, predictive modelling, and cloud-based container management platforms would enable better visibility, tracking, and stakeholder collaboration. Agent-based technologies could be particularly useful for streamlining intermodal transportation, dynamically adjusting schedules based on real-time data and minimising delays.

To better integrate logistics, Cape Town should focus on enhancing intermodal transportation through digital platforms, optimising empty container management, and fostering collaboration between critical stakeholders like terminal operators, shipping lines, and freight forwarders. The port can streamline operations and improve decision-making processes by adopting digital systems for container discharge forecasting and employing collaborative platforms like CARGOES Flow.

III. PARTNERSHIPS

The South African logistics landscape currently operates under a public monopoly model, which has resulted in inefficiencies and high costs due to a lack of competition and investment. To improve synergies and enhance the performance of the logistics sector, there is a need to reconfigure this model by involving both private and public stakeholders. Exploring options such as the open-access, concession, and joint-venture models could introduce competition, drive investment, and create a more efficient and integrated logistics system, fostering better infrastructure development and service delivery.

Figure 15: South Africa's logistics systems reimagined

	Public monopoly model	Concession model	Open-access model	Joint-venture model	Private ownership model
Description	Infrastructure and operations public monopoly	Pubic monopoly with concessions offered for dedicated infrastructure	Natural infrastructure monopoly with competing private and public operators	Joint private-public ownership of infrastructure, resources and operations	Full private ownership of infrastructure and operations
Examples	Implemented in SA causing lack of competition and investment	Adopted in Brazil to some success - stifled competition	Successfully adopted in EU - creating jobs, improving availability and efficiency	Successfully implemented on specific corridors in Australia	Adopted in North America with limited success
Model structure	Transnet owns infra and has monopoly on operations however limited resources to invest due to vast infra needed	Relevant for infrastructure with low competition otherwise stifles emerging players	Transnet retains infra ownership while operators (public and private) bid for slots	Set up a JV between Transnet and private companies to own infra and/or other assets	Minimal customer influence on pricing, quality of infra/service, etc, due to private ownership of infra and operations
Impact	Lack of operator competition drives high costs and inefficiencies	Enabled investment into underinvested infra while enabling dedicated new infra build with minimal government spend	Infra access fee generates revenue for investment into maintenance, upgrades, and eventually expansion	Enabled a more efficient network, operating as an integrated logistics system	Anti-competitive leading to low investment, high pricing with low quality service - misaligned with SA equity goals
	Logistics in SA today		**Potential future for SA logistics**		

Source: B4SA via SAAFF

The introduction of the Authorised Economic Operator (AEO) programme can enhance logistics and trade synergies by fostering trust and collaboration between customs authorities and compliant businesses. By streamlining customs procedures, reducing inspections, and expediting clearance processes, the AEO programme helps to lower operational costs and improve the efficiency of supply chains, ultimately promoting smoother cross-border trade and strengthening overall logistics performance.

BOX 3: AUTHORISED ECONOMIC OPERATOR (AEO) PROGRAMME:
According to the South African Revenue Service (SARS), the South African AEO programme was first conceptualised in 2009 under the flagship of the "Preferred Trader" programme. Subsequently, the preferred trader programme was launched in 2017, after which the AEO program was fully legislated and implemented in 2021. In 2022, the SMME AEO program's conceptual design was facilitated after the SMME AEO pilot project kicked off in 2023. SARS is currently conceptualising an e-commerce AEO program that will be piloted in 2024. This forms part of their strategic intent to automate the current AEO programme to simplify the application and accreditation process.

Figure 16: Objectives of AEO Benefits

- **Speed.** AEOs get goods cleared faster, reducing costs and time to market.
- **Predictability** and consistent release times enables supply chain optimization
- **Lower Costs** in addition to Speed and Predictability, through less stops, increased compliance, reduced Sureties
- **Prioritized Treatment** from Customs and OGAs
- **Recognized as Trusted, Secure and Compliant Trader.** Doing business with an AEO means low risk.
- **Mutual Recognition Agreements (MRA)** – recognition of AEO status in other foreign markets.

Source: SARS

According to the South African Revenue Service, "An AEO programme is built and based on a Customs-Private partnership under the international principle (SAFE Framework of Standards); to secure and facilitate global trade", which was adopted unanimously at the Council Session of the World Customs Organization (WCO) in June 2005. The programme aims to enhance international supply chain security and facilitate movement of legitimate goods." According to SARS Commissioner Mr Edward Kieswetter, "the AEO programme supports SARS' strategic intent to work towards a system of voluntary compliance. This requires SARS to place more reliance on taxpayers and traders who choose to be compliant. The AEO Programme does just this! The quid pro quo is a level of accreditation, integrity, and trust mutually built between the parties with tangible benefits in the form of expedited processing and other measures."

Pursuing AEO accreditation would be highly beneficial for stakeholders of the Western Cape supply chain and could greatly benefit the industry at large. The latest estimations from SARS indicate that AEO-accredited clients experience a cost saving of up to R30 000 for each container that Customs does not stop, thanks to their accredited client status.

IV. SUSTAINABILITY INITIATIVES IN THE TRADE, TRANSPORT, AND LOGISTICS SPACE

Global and regional initiatives to reduce greenhouse gas (GHG) emissions in shipping align with efforts in the Western Cape to drive green growth and decarbonisation in trade, transport, and logistics. The International Maritime Organization's (IMO) 2023 strategy,[24] which targets net-zero emissions by 2050, is reinforced by developments in South Africa's renewable energy and green fuel sectors, particularly in the Western Cape.

As mentioned above, significant developments include fuel bunkering and green hydrogen projects at the Port of Saldanha Freeport. As a hub for green hydrogen production, the port aims to produce hydrogen power by 2040. This aligns with global carbon pricing initiatives,[25] as the region attracts investment for decarbonisation projects that will benefit South Africa and the international community. The port's strategic location and special economic zone status further enhance its role in advancing sustainable shipping and trade routes along South Africa's coastline.

Spatial and urban planning will also play a crucial role in this transition, helping to reduce transport costs by fostering more connected, efficient cities.[26] International collaboration in logistics technology and infrastructure investment is vital to enhancing South Africa's competitiveness in global green supply chains.

Greening our transport system is not only a crucial step towards achieving national and provincial committed emissions reduction goals, it is also a matter of urgency from an economic competitiveness point of view.

In recent years, the global business landscape has witnessed a paradigm shift towards sustainability, driven by increasing environmental concerns, social consciousness, and regulatory pressures. As a result, businesses are under increasing pressure to in tegrate sustainability practices into their operations, with increasing transparency required across value and supply chains. This shift has been precipitated by a combination of international climate agreements, corporate climate targets, the rise of ESG (environmental, social, governance) disclosures in corporate governance, and sustainability-related laws.

Within this context, there is increasing pressure on companies to account, not only for their direct and indirect greenhouse gas (GHG) emissions, but also for emissions occurring elsewhere in their supply chain, both upstream and downstream such as transportation and distribution. This includes marine transport, transport by air, rail and road, and storage in warehouses and distribution centres.[27]

In this regard, the Western Cape Climate Change Response Strategy recognises investment in and improvement of rail services for passengers and freight and a shift towards electric mobility as key to achieving the province's net zero commitment.

[23] WC Gov. 2024. International literature on container cargo planning platforms: Research project as part of: "Enhance the Port of Cape Town Logistics Dashboard to a Container Cargo Planning Platform".

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[27] Greenhouse Gas Protocol. Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

5.

Conclusion

This report aims to provide an overview of the Western Cape's logistics sector, highlighting its current state, key challenges, and growth opportunities. The goal was to offer actionable insights and inspire confidence among stakeholders by showcasing how the logistics industry can evolve to meet future demands, ultimately driving regional economic development.

The report's findings underscore the Western Cape's strategic importance as a logistics hub within South Africa and its critical role in facilitating both domestic and international trade. While the logistics infrastructure is well-developed, the sector faces numerous challenges, including port congestion, outdated equipment, rail underperformance, and rising operational costs. Nevertheless, opportunities abound through growing air cargo volumes, PPPs, and planned infrastructure investments. Notably, CTIA's air cargo capacity is expanding rapidly, providing businesses with faster and more cost-effective trade solutions, while digital innovations in smart logistics are modernising the supply chain ecosystem.

The report makes several key recommendations to overcome these challenges and capitalise on the opportunities. First, prioritising public-private collaboration, particularly in rail and port upgrades, is essential to improving efficiency and reducing congestion. Second, adopting synchro-modal logistics, integrating road, rail, and sea transport, can enhance flexibility and cost-efficiency across supply chains. Third, investment in sustainable logistics practices and renewable energy infrastructure should be accelerated to align with global green growth trends. Finally, businesses are encouraged to leverage the AEO program for faster customs clearance and reduced costs, enhancing cross-border trade efficiency.

In conclusion, logistics in the Western Cape is a crucial enabler of economic growth, supporting vital industries such as agriculture, manufacturing, and retail. The region's logistics network plays an indispensable role in regional and global trade by facilitating the movement of goods across multiple modalities. The sector's ongoing transformation—driven by investments in infrastructure, digital technologies, and sustainable practices—positions the Western Cape to strengthen its status as a leading logistics hub in Southern Africa, ensuring long-term economic growth and resilience. Stakeholders are encouraged to collaborate with Business Stakeholders at large to ensure that businesses play an active role in simplifying the complex ecosystem and driving #CapeConfidence to drive these advancements and unlock the full potential of the logistics industry in the Western Cape.

6.

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