Causes of high road freight costs in southern Africa for perishables and commodities

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Objective: Understanding the causes of high freight rates for transportation of food and commodities, towards greater intra-regional trade and integration in southern Africa

Key findings: Border delays, lack of return loads & low levels of competition increase rates. Concentration in refrigerated transport, and no return loads increases rates

1. Key issues

- Road = >70% of goods transport in Africa
- Road transport prices in southern Africa are high relative to similar regions outside Africa
- Effective transport critical for enabling integration & regional industrialisation
- Could fill food deficit in SA from within the region

Average non-refrigerated truck rates per tkm, 2015

Average refrigerated truck rates per tkm, 2015

2. Methodology

- 32 in-depth interviews in Malawi, South Africa, Zambia and Zimbabwe
- Interviewed truckers, clearing and forwarding agents, industry associations, agencies
- Secondary research & comparison with earlier studies, data from interviewees

3. Results

- Road infrastructure not the main problem
- Regulation, efficiency, competition matter
- Export rates from SA are 30-50% higher than on the return leg to SA
- Border delays cost >$400-600/day or >$13-20/ton
- Rates higher than efficient benchmark of $0.04/ton-kilometre (tkm) on most routes
- Large premium charged for fridge trucks
  - Extremely concentrated + low demand + higher entry costs = mainly SA truckers
- Lusaka-Johannesburg rates down 25% since 2014 – from $165/ton to $120/ton & could be lower
  - Cross-border rivalry
  - 1-Stop Border Post (OSBP)
  - Pro-competitive regulation
- Brokers control loads & key customers + agent cartels in Malawi & Zimbabwe
- Basics – clearing systems not interoperable between countries
- Does the system favour large firms?
  - Large, integrated logistics firms
  - Major SA retail groups
  - Multinational transport brokers

4. Recommendations

- Link clearance systems, more OSBPs, make pre-clearance work, and pro-competitive regulation matters
- Bilateral transport flows linked to regional industrialisation strategies
- Innovative solutions – introduce online ‘marketing’ system for backhaul?