

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

Thando Vilakazi and Anthea Paelo

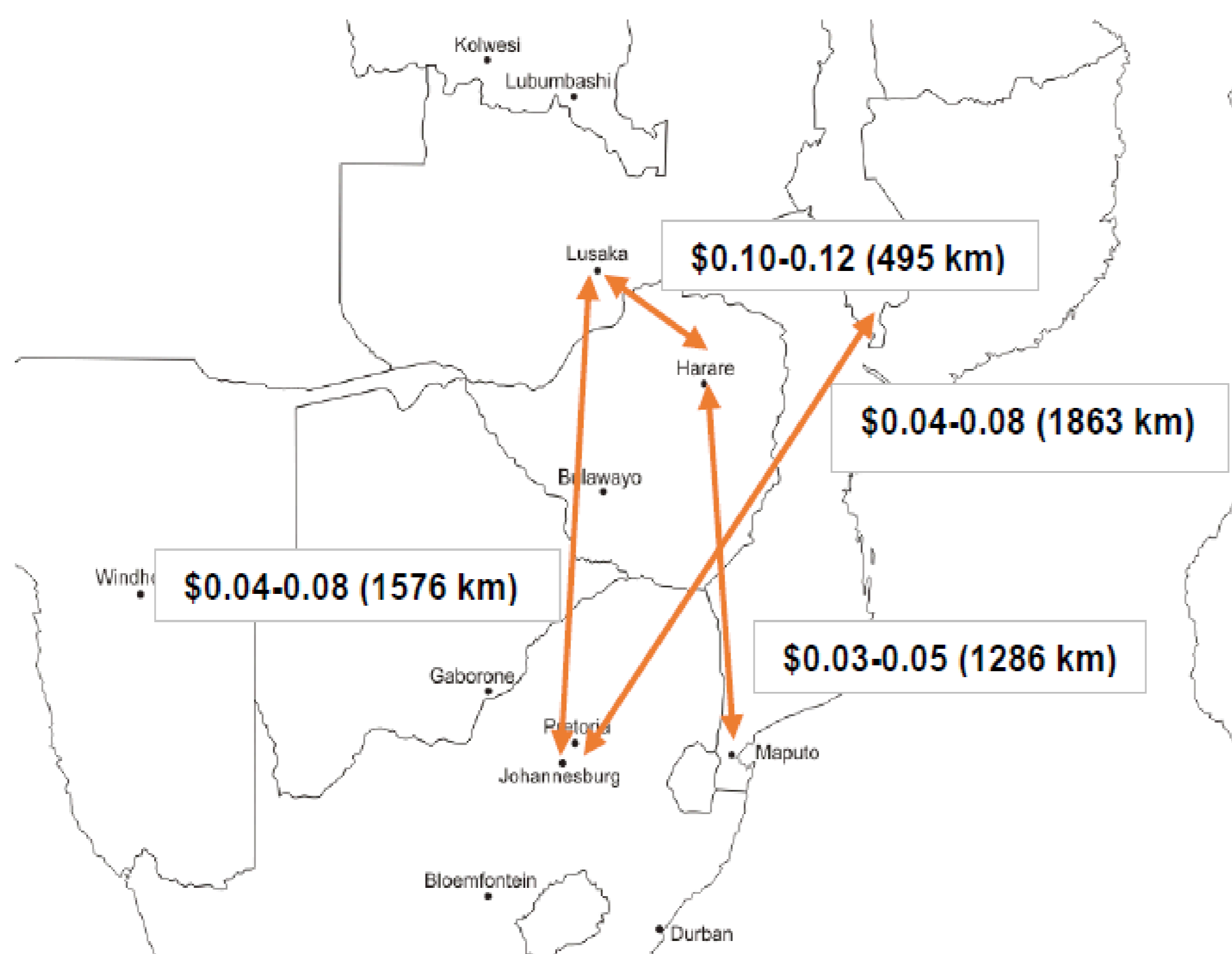
Objective: Understanding the causes of high freight rates for transportation of food and commodities, towards greater intra-regional trade and integration in southern Africa

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

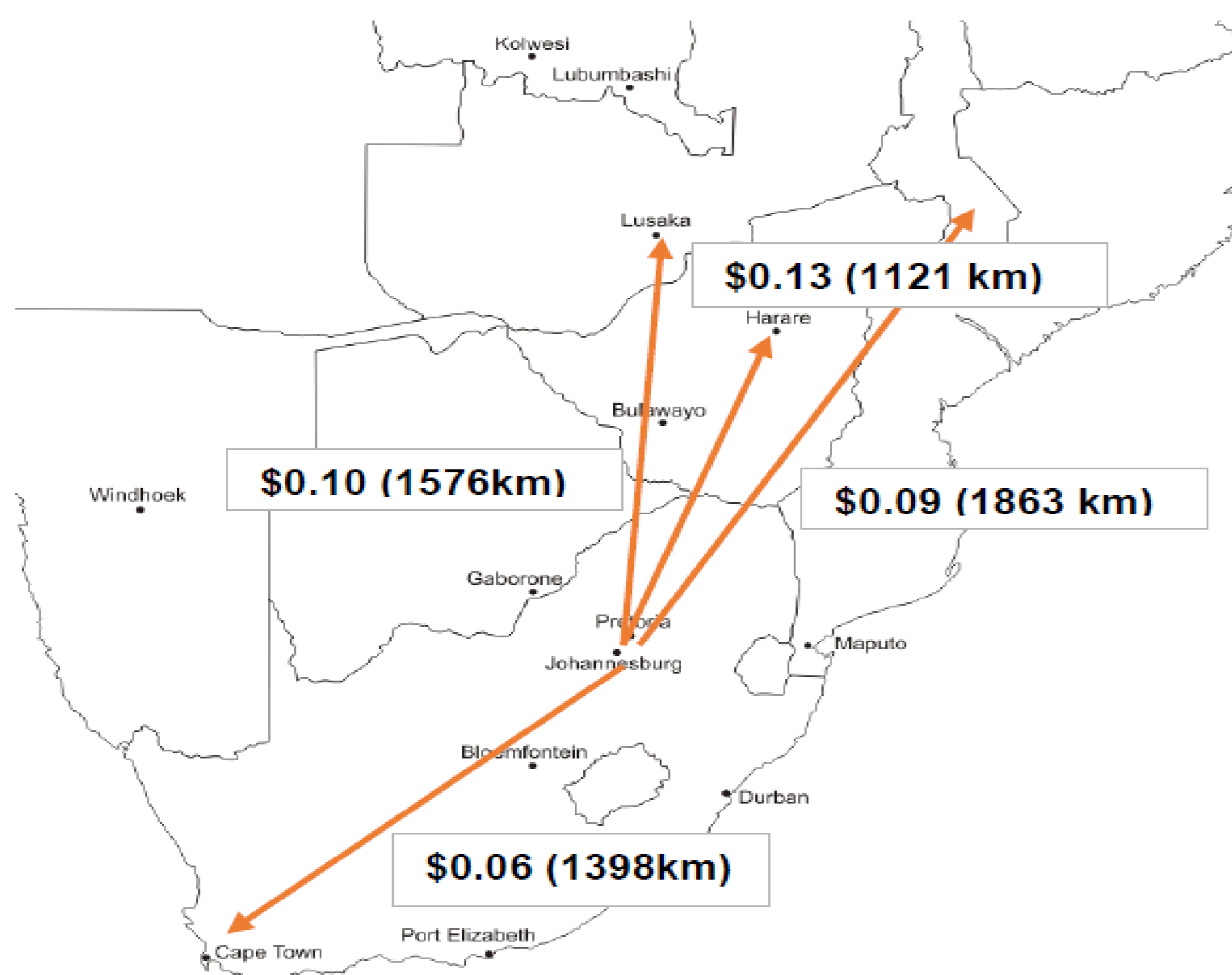
1. Key issues

- 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 procompetitive regulation matters
- Bilateral transport flows linked to regional industrialisation strategies
- Innovative solutions – introduce online 'marketing' system for backhaul?