

# Mining & Minerals

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### SOUTH AFRICA

Accelerated transformation and collaboration in South Africa's transport sector to target ambitious economic growth: New regulations and reforms on the horizon



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## Accelerated transformation and collaboration in South Africa's transport sector to target ambitious economic growth: New regulations and reforms on the horizon

The appointment of the 7th administration comes with a renewed drive to address the challenges faced by the transport sector. This was confirmed on 1 October 2024 when President Cyril Ramaphosa, together with South African private sector business leaders, launched "phase two" of the Government Business Partnership with more determination to tackle South Africa's challenges.

This initiative was also highlighted in a panel discussion on 2 October 2024 at the Joburg Mining Indaba (Indaba) at the Inanda Club, where the Eskom and Transnet CEOs, together with Rudi Dicks from the presidency and other private sector speakers, re-affirmed their commitment to work together to resolve South Africa's most pressing issues, particularly in the energy and logistics sectors.

While the Government Business Partnership was launched just over a year ago in a bid to work together to resolve issues, including electricity supply, logistics, and crime and corruption, it was highlighted at the Indaba that this collaboration has been in place for some years, having commenced in earnest during the COVID-19 pandemic.

Through this partnership, Government and business have committed to get the economy back above 3% growth by the end of 2025. One of the key aspects of this collaboration is a renewed focus on transport, with a further R28 billion in private sector rail investment set to see freight transport volumes increasing to around 193 million tons (Mt) from the current 170Mt.

Other key initiatives that were referred to include expediting the final rail Network Statement and pricing schedules to facilitate private sector investment and launching open access for third-party operations on the rail network by Q4 2024. At the Indaba, it was confirmed that the process of creating the position of an independent infrastructure manager for rail and ports has already started.

### **Economic Regulation of Transport Act**

The key role-players in this process emphasised that these initiatives are not a "new aim" but are part of a long-term coherent strategy by Government and business, underpinned by Government's commitment to be a responsible custodian of South Africa's assets and infrastructure. A key indication that this collaboration is part of a consistent government strategy is the enactment of the Economic Regulation of Transport Act 6 of 2024 (ERTA) (assented to by the President on 6 June 2024, with a commencement date yet to be set). ERTA could serve as a powerful turning point for South Africa, paving the way for greater regulatory oversight, efficiency and transparency within the industry.

In a recent address, Minister of Transport, Barbara Creecy, described the country's roads and rail network as the "[\*arteries of our nation\*](#)". For many reasons, fixing our embattled transport and logistics sector is vital to economic growth and development. This will be actioned through various means, including the continued input from the National Logistics Crisis Committee (NLCC), which was established in 2023 and is chaired by President Ramaphosa. One of the key objectives of the NLCC is to foster greater engagement between the private and public sectors in tackling key issues.

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## Legislation takes the lead

ERTA has a vast and ambitious scope, which extends across all markets, entities, facilities and services in the transport sector that are subject to economic regulation in terms of current legislation. The scope of this application can also be further extended to other private and public counterparts on a case-by-case basis.

Creecy has expressed her commitment to stabilising the transport system, as well as enabling her department to [fulfil its policy-making and regulatory role](#). ERTA is central to this function.

The act aims to provide the legal framework for a more efficient and cost-effective transport system to support economic growth and meet the country's social goals. One key measure for achieving this is the establishing of a single Transport Economic Regulator (Regulator) that will oversee price control across the transport industry, including road, rail, shipping, ports and aviation.

This measure, in particular, could be a game-changer for the industry. If successfully implemented, ERTA could foster greater competition and transparency within South Africa's transport sector, reducing monopolistic practices and curbing issues such as maladministration and corruption.

The introduction of the Regulator could also go a long way towards enhancing overall efficiency, particularly in supply chain management and delivery speed, by consolidating oversight and reducing regulatory complexities.

Ultimately, by ensuring consistent regulatory standards and fair pricing mechanisms, ERTA may be instrumental in creating a more equitable business environment within the transport industry, promoting much-needed certainty and stability.

## The role of private sector participation

Another major development on the landscape includes the Department of Transport's efforts towards establishing a [Private Sector Participation \(PSP\) framework](#) for investment into the port and rail systems. This framework will be facilitated and managed by a dedicated PSP unit that will oversee projects from concept to financial close.

Public-private partnerships, both formal (via government tenders) and informal (via collaborative efforts between the private and public sectors) have become a central part of several governmental initiatives aimed at promoting inclusive economic growth. In a 2023 address, [President Ramaphosa](#) reported that since last year, Government has collaborated closely with the private sector on critical issues including energy, crime, corruption and logistics.



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Since then, some of the informal [partnerships, in particular, have begun to bear fruit](#), yielding positive outcomes including decreased load-shedding, enhanced levels of efficiency in the country's rail and port systems, and a decline in security incidents that have long threatened the integrity of energy and logistics infrastructure.

These developments are indicative of the power of private sector participation and its ability to become the engine of progress in the sector. [Creecy](#) has further emphasised that the introduction of private participation in the electricity and freight logistics sectors marks a significant shift for both the Government and industries like metals and engineering, which traditionally relied on entities like Eskom and Transnet for supply opportunities.

Creecy also highlighted that while new opportunities exist, businesses must adapt their strategies to compete in this transformed environment, recognising the full implications of this "*paradigm shift*" for the industry.

At the Indaba, the CEO of Transnet, Michelle Phillips, also referred to imminent initiatives and opportunities on the table for private sector participation, emphasising that these initiatives should be pursued with speed, but without sacrificing good governance and complete transparency.

### **Time to consolidate**

While these changes represent a major shift, it's important for all industry stakeholders, regulators, legal advisers and economic role-players to realise that South Africa already has what it needs to bring this vision to fruition. [Project Vulindlela](#), a government initiative to accelerate structural reforms while meeting social imperatives, represents the drive to seek out low-hanging fruit.

Spearheaded by the Presidency and National Treasury, the project aims to address structural barriers in critical sectors such as energy, water, digital communications, and, most importantly, transport and logistics. In the transport sector specifically, Project Vulindlela seeks to rehabilitate the country's ailing rail network and enhance freight logistics through public-private partnerships.

Since its inception, Operation Vulindlela has made important inroads into achieving these aims. For instance, considerable advancements have been made in enhancing the local logistics industry with the Freight Logistics Roadmap, which aims to boost competition and efficiency. Additionally, the project has stimulated the entry of private sector involvement in container terminals and the adoption of open-access policies for the freight rail network.

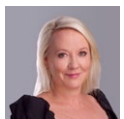
These developments are aligned with global trends and efforts by several countries to consolidate regulatory functions. By capitalising on the renewed energy in the space, embracing these advancements, and fostering collaboration among stakeholders, it is hoped that South Africa can leverage its strategic position and drive meaningful progress in the logistics sector, ultimately contributing to a more robust and resilient economy.

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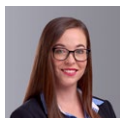
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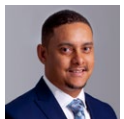
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**BBBEE STATUS:** LEVEL ONE CONTRIBUTOR

Our BBBEE verification is one of several components of our transformation strategy and we continue to seek ways of improving it in a meaningful manner.

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