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# Transnet execs seek balance between efficiency improvements, growth opportunities

5TH APRIL 2019 BY: SHIRLEY LE GUERN - CREAMER MEDIA CORRESPONDENT



Transnet group executive of new business growth and diversification  
Herbert Msagala

**I**t is not about pouring concrete and spending, it is a war of efficiency, Transnet group executive of new business growth and diversification

**Herbert Msagala** told a select special interest group convened at the Transport Forum, in Durban, on Thursday.

In what he ultimately labelled an “honest and robust” discussion, Transnet executives and management revealed how they were grappling with improving both efficiency and productivity in home ports, while trying to carve a niche for the parastatal as a service provider in the rapidly evolving broader African and global logistics sector.

“The five big shipping carriers are consolidating and there are indications that, by 2021, 60% of trade will come from them. How are we going to respond to that as an integrated port system? They will bring bigger vessels and parcel sizes. Are our ports ready to take those?” Msagala asked.

He emphasized that South Africa was not immune to global trade issues, including the US–China trade agreement and Brexit. However, he also stressed that there would still be low economic growth, rising unemployment and disappointed customers, if Transnet did not do things differently.

From the outset, he addressed “the elephant in the Transnet room”, assuring stakeholders that much was being done to root out corruption, restore the credibility of the Transnet brand and restore the DNA of the organisation.

The relevant Transnet executives would appear before the Zondo Commission of Inquiry into State capture regarding the 1064 locomotive deal in May. He said Transnet was in the process of an internal cleansing process that included lifestyle audits in order to begin to correct the impasses of the past.

This included the review of high-value transactions and tenders. This included the contract for the deepening of berths within the Durban harbour. Noting that there was “no point in rushing into a project”, Msagala said a further announcement on the future of this tender was pending.

Msagala noted that, sadly, there was still a perception that South Africa had an expensive port system.

“We need to understand our mandate as Transnet. We have the responsibility to assist in lowering the cost of doing business but we

cannot lower the cost of doing business if we ourselves are inefficient,” he said.

He noted that Transnet Port Terminals (TPT) could not remain the only terminal operator of South African ports.

“How are we allowing the private sector to come and assist us because this challenge that we face, we can’t solve alone as Transnet,” he said.

He added that partnerships with the private sector were important in introducing new skills, innovations and ideas and helping to improve the supply chain.

Msagala warned that it was impossible to accelerate initiatives such as moving cargo from road to rail and growing market share if Transnet did not collaborate with shipping lines, cargo clearers and cargo movers. Full integration needed to take place, starting with a one stop shop in Durban that would allow customers to “talk to one Transnet” rather than its many divisions. This system would be rolled out at other ports.

He added that TPT needed to work with the Transnet National Ports Authority to find different ways of creating capacity for commodities that were often overlooked.

“When we provide the infrastructure in our port system, we are looking at mining bulk but we are not very smart in terms of the other general freight related business,” he said, referring to seasonal agricultural commodities, including citrus.

“We want to make sure that we fix the core, that we grow capacity and improve efficiencies – but we are not going to stop there. We have to find a way of growing and diversifying and getting to markets we don’t serve today.”

He noted that the use of technology, as well as the operation of a hub and spokes system that would link sea and inland ports, was critical. This involved taking a corridor approach and unblocking congestion at the likes of City Deep.

A partnership with the private sector resulting in the construction of a terminal at Tambo Springs, would achieve this, while a similar approach to easing congestion in Durban was needed. Delegates hinted that a rethink of plans at Cato Manor or even at the old Durban airport could be on the cards. 🇿🇦

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