

# Logistics, supply chains sectors could play crucial role in rebuilding SA economy

The automotive sector, mining and agriculture have taken a huge knock in the past year, but remain South Africa's best chance for a change in fortunes given their track record and faith placed in them by international markets.



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Benefactor industries like logistics and supply chains could help with rebuilding the domestic economy in the aftermath of Covid-19's lockdown impact. Stats SA, for example, reports that in the three months ended February 2021, seasonally adjusted motor trade sales increased by 0,5% compared with the previous three months.

And while income from freight transportation decreased by 5.4% in the three months ended February 2021 compared with the same period in 2020, seasonally adjusted payload increased by 0.3% in the three months ended February.

## Commodity figures

Road freight also increased by 2.2% during this same period, according to Stats SA.

The trend is reflected in export figures, where the UVI (import value indices) for export commodities grew 0.6% from January to February. The main contributors to the monthly increase were metal products, machinery and equipment.

Since February, there have been some positive signs, however slight.

For these numbers to continue on an upward trajectory, the role of supply chain systems will become ever more critical, particularly when it comes to South Africa's carmakers, the country's largest manufacturing sector responsible for 6.9% of GDP and employing almost 500,000 workers.

With the stakes so high, dropping the ball is not an option.

South Africa's automotive sector is fairly unique in that of the six major original equipment manufacturers (OEMs), three are based in Gauteng with the nearest port being Durban.

As Petrus Gerber, the general manager for Bidvest International Logistics (BIL) warehousing and international logistics in Rosslyn, Pretoria explains, the geographical set-up of Ford, Nissan and BMW being so far inland creates a much longer supply chain to be serviced.

"This presents a challenge to continuously improve supply chain efficiencies as well reducing costs. The OEMs based in South Africa mostly produce for export markets, which further increases the need for logistics and supply chain partners," says Gerber.

## **Supply chain efficiency**

Operations such as the BIL Rosslyn, for example, covers all aspects of the import and export of CBU vehicles and liaises with the clients' service providers to ensure complete control and successful shipment. It is also responsible for facilitating the movement of cargo via rail, road and air required for vehicle production.

Interestingly, Gerber notes that from an OEM perspective, the SA-based car manufacturers' competition is more their sister factories than other OEM brands.

"All OEM plants around the world are set up to manufacture particular models for certain markets, being local and majority export. It is all about which factory can produce a particular model to the required market at the lowest cost," he says.

"In this equation, supply chain companies are playing a very important role. Where supply chain companies can re-engineer supply chains and reduce costs, their local OEM partner may become more competitive to ultimately service more markets. The additional export volume equals more job opportunities which ultimately results in economic growth."

The arrival of Covid-19 in South Africa last year required such "re-engineering" on a massive scale.

It was an extremely challenging 2020 for the automotive sector, with new-vehicle exports seeing a 30% drop, according to Renai Moothilal, National Association of Automotive Component and Allied Manufacturers (Naacam) executive director.

At one of the OEMs, volumes dropped between 30% and 40%, causing it to insource various activities. As a consequence, BIL had to restructure operations.

"Where we could, we allowed our staff to work from home as long as possible. Where demand and volumes increased, we requested our staff to return to office to support output and capacity requirements," says Gerber.

## **Standards and best practices**

Warehousing is only one part of the equation, however. If South Africa is to grow its economy through the vehicle

manufacturing sector, it will need to comply with standards and practices that align with international best practices.

BIL's national customs division, for example, handles a number of key functions for its automotive clients, including customs clearing, tariffing of new parts, permit management, refunds and drawback, management of bonded facilities and rebate store audits.

It is no small task, and if not done properly, can have a number of severe implications, says Riaan Pienaar, BIL national customs executive. "If these functions are not performed in a compliant and accurate manner it leads to delays, penalties, additional charges in terms of storage and demurrage and loss of reputation," he says.

"It is all about automation and compliance. Noncompliance and fraudulent transactions cost the government and industry millions each year."

Pienaar recognises that the automotive sector is a huge source of employment and income for the government in terms of import duties, taxes and company taxes, so his team's job is key.

To put the importance of their role into context, even at the height of the pandemic the customs division maintained a steady workforce to ensure all demands could be met. "We were considered an essential service," says Pienaar.

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