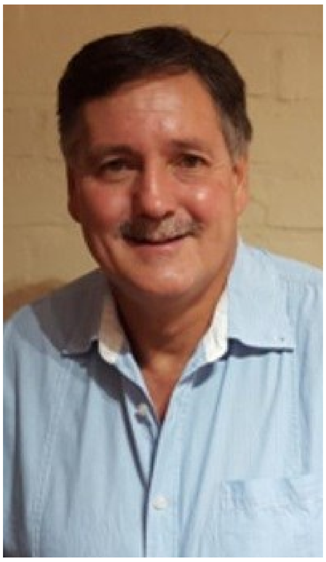
SADC fuel channel expansion opens opportunities for logistics partners

New routes for fuel imports to SADC countries are being enabled through the development of several southern African ports. However, energy companies will require local networks of logistics partners to make these imports cost-effective. General manager at logistics specialist Crossroads Distribution, Hennie van Wyk believes there are three vital areas to get right.



Hennie Van Wyk

Until fairly recently, the southern African fuel industry has been based in Durban, Cape Town and Mossel Bay, where imported oil or locally produced gas from offshore fields is refined into various types of fuel and then distributed throughout South Africa and the SADC region. However, the completed expansion of the facilities at Matola, the port of Maputo in Mozambique, along with the on-going expansion of Richards Bay in South Africa, Walvis Bay in Namibia, and the central and northern Mozambican ports of Beira and Nacala, is facilitating a growing trend of SADC countries buying refined fuels on the global market and importing them directly into different SADC regions, such as Botswana, Zambia and Zimbabwe.

The new ports, with enhanced storage, safety and transportation infrastructure – and the advantage of being a lot closer to various SADC fuel markets – will allow energy companies to serve these markets more cost-effectively. However, in a challenging market that has seen some decline in volumes recently, this cost-efficiency requires a network of both international and local logistics providers to move the fuel from port to distributor. Rail might be useful in transporting fuel from ports to inland depots, but road transport from depots to retail distributors will provide flexibility without the need for multi-modal solutions.

Safety first

Van Wyk believes that there are three criteria a logistics company must fulfil if it is to partner successfully with fuel companies operating in the SADC region. Safety is the most important. “It’s part of our DNA at Crossroads, and vital to the way we do things,” he says. From long experience hauling fuel and other potentially hazardous cargos, the company knows how important it is to maintain an impeccable Safety, Health, Environment and Quality (SHEQ) rating. The ISO 14001 (environmental) and OSHAS 18001 (health and safety) certifications that Crossroads has achieved are partly responsible for their success in the market.

The SHEQ standards extend beyond the design and maintenance of appropriate tankers. Crossroads also invests in continuous driver training, computerised incident reporting and onboard cameras to monitor driver behaviour, and satellite tracking of every cargo at every step of a delivery. Logistics partners need these procedures in place to ensure both the safety and quality of their service.

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Capability to do the job

“We’re very much testing the waters at the moment, with the cross-border partnerships we have already,” says Van Wyk. “In the fuel sector, we’d like to expand into Zambia and the DRC, but these are difficult markets with their own hurdles.” As Crossroads expands, the company plans to continue the growth strategy that has proven successful so far.

“It’s quite a challenge to run cross-border operations all the way up and down the SADC countries, so demonstrating your ability to do the job is the second major factor,” Van Wyk adds. “We have learnt that customers always feel more comfortable if you have a local presence in the countries you’re supplying.” He refers here to existing contracts which Crossroads is servicing in Namibia and Botswana, the latter being supplied from Matola.

He believes that Crossroads’ pickup-to-delivery tracking of loads, strategic logistics software and constant communication with customers, particularly in the event of any glitches, is the kind of capability a logistics specialist needs to offer if they are to compete in this sector. Building on their experience in Botswana and Namibia, the company is now testing the waters in the DRC and Zambia, in partnership with two energy companies, to assess the opportunities for expansion in this market.

Reducing costs

The third criterion Van Wyk mentions is cost. By transporting fuel by road from ports closer to the cargo’s final destination, energy companies can already save themselves transportation costs. Factor in the clean fuel gap – the fact that the environmental benefits of energy companies switching to greener hydrocarbon sources are reduced, or even negated completely, by the carbon costs of transporting that fuel long distances – and it is clear that regional ports closer to fuel markets make sound financial sense.

However, in order to service the market cost-effectively, it is also important that transporters have a sufficient footprint, both in ports and the destination countries. Logistics companies operating in South Africa also need to achieve a high enough BBBEE rating.

Crossroads has also invested in new tanker technology and an operating model that ensures their cost structure benefits the client. “This is something of a niche market,” Van Wyk concludes, “but a logistics partner that pays attention to SHEQ and their ability to deliver the load on time at a competitive price, through a network of subsidiaries with local expertise, should be able to create several mutually beneficial partnerships as these new fuel channels grow.”