

# THE ECONOMIC IMPACT OF OPERATIONAL INEFFICIENCIES IN SA PORTS AND THE ROLE OF THE PORTS REGULATOR

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## ABSTRACT

Port performance is a critical factor that can shape the Southern African Development Community's (SADC) trade competitiveness. The South African port system has been facing operational inefficiencies for several years, despite the implementation of regulation, Port Performance monitoring, performance standards by the Port Authority, and the Ports Regulator's Weighted Efficiency Gains from Operations (WEGO).

Poor port performance increases business costs and reduces ports' competitiveness in the region. The longer-term implication is a loss of both competitive and comparative advantage which impacts Foreign Direct Investments (FDI). This leads to port users, most predominantly end customers paying more for imported goods and commodities, whilst shippers pay a lot more on port and terminal costs for exports to reach overseas markets. The reality is that efficient integrated logistics and supply chains are crucial as instruments of economic growth. Successful execution of infrastructure investment determines how different transport modes will stimulate economic activity which benefits the region.

The Ports Regulator of South Africa (PRSA), an independent regulatory authority responsible for the pricing and tariff regulation of port services in South Africa was established to promote competition and efficiency in the ports sector, protect port users from abuse of monopoly power, and foster investment in the industry. Mandated by the Ports Act, PRSA has been instrumental in addressing operational inefficiencies and ensuring the smooth running of the South African port system. This is done through regular monitoring of port activities, equity of access, port performance, CAPEX, and OPEX.

This paper aims to pinpoint inefficiencies within the port systems that are actively operating in the region, identify the causal effects of such inefficiencies and recommend ways to deal with these ineptitudes.