

COVID-19: Cargo movement update¹

Date: 7 October 2022

Weekly Snapshot

Table 1 – Port volumes and air cargo flows, week on week

Flows	Current ²			Previous ³			Growth
	Import	Export	Total	Import	Export	Total	
Port Volumes (containers)	24 903	28 498	53 401	20 366	33 367	53 733	↓1%
Air Cargo (tons)	4 914	2 787	7 701	5 136	3 021	8 157	↓6%

Monthly Snapshot

Figure 1 – Monthly⁴ cargo volume levels, year on year (100% = baseline)

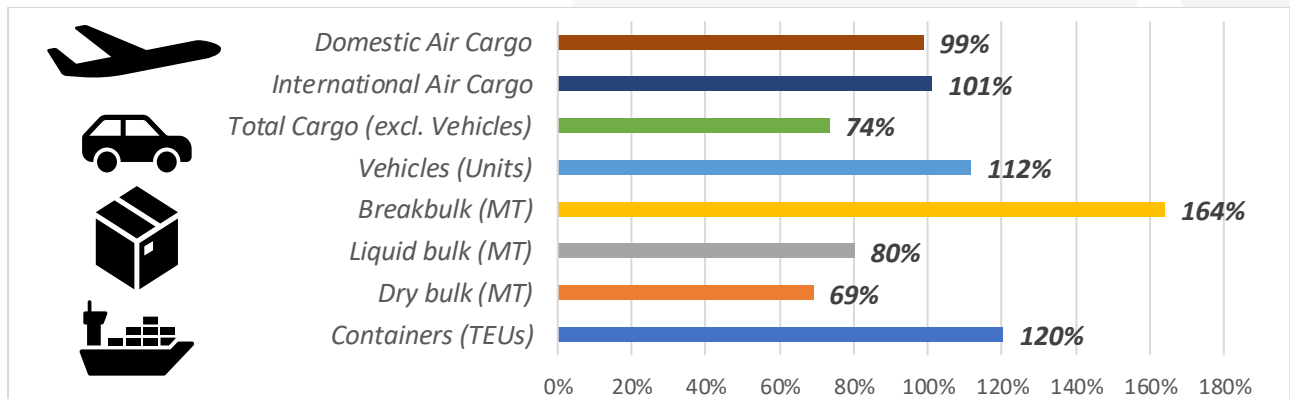
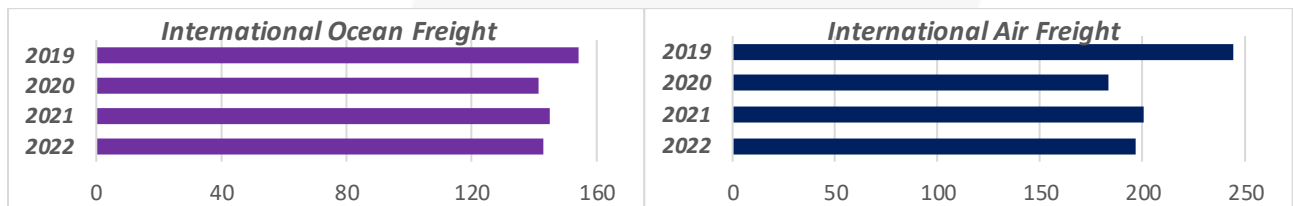


Figure 2 – Global year-to-date flows 2019-2022⁵: ocean, y/y (metric tonnes) & air freight, y/y (kg millions)



Key Notes

- An average of **~7 629 containers** was handled per day, with **~9 136 containers** projected for next week.
- Rail cargo handled out of Durban amounted to **1 078 containers**, **↓58%** compared to last week.
- Transnet calls *Force Majeure* due to strike action, as delays are costing SA **R100 million - R1 billion** daily.
- Cross-border queue times were **↑0,9 hours**, with transit times **↑1,7 hours**, SA borders **~9,3 hours (↑16%)**.
- WTO raised its outlook for global goods trade to **↑3,5%** (2022) but warned that 2023 would only be **1%**.
- Container throughput dropped **↓2,1%** (m/m) in July 2022, but remains at **↑3,3%** (y/y).
- The "WCI" is now below the five-year average, with spot rates down by **↓8%** (\$325) to **\$3 689** per 40ft.
- Air cargo is not immune to the slowdown in global GDP and consequently declined by **↓3,0%** (y/y) in July.

¹ This update contains a combined overview of air, sea, and road freight to and from South Africa in the last week. This report is the 108th update.

² 'Current' means the last 7 days' (a week's) worth of available data.

³ 'Previous' means the preceding 8-14 days' (a week's) worth of available data.

⁴ 'Monthly' means the last months' worth of available data compared to the same month in the previous year; Ocean: Aug vs Aug; Air: Sep vs Sep.

⁵ For ocean, total Jan-Aug cargo in metric tonnes, as reported by Transnet is used, while for air, Jan-Sep cargo to and from ORTIA is used.

Executive Summary

This update – *the 108th of its kind* – contains a consolidated overview of the South African supply chain and the current state of international trade. This week's central talking point concerned the strike action by UNTU and SAWATU, the major unions at Transnet. Both unions issued the required 48-hour notices, officially communicating their intention to engage in industrial action after rejecting Transnet's wage offer. Further internal discussions were held, with parties failing to reach a consensus. After Transnet's improved wage offer was rejected, UNTU commenced their planned strike action shortly after midnight on Thursday (6 October), while the SATAWU members are likely to join the strike action shortly after midnight on Monday morning (10 October). As a result, our national ports have indicated that they will activate contingency plans to alleviate the strike's impacts and ensure that operations can continue as efficiently as possible. It is unclear what these contingency plans involve, but it is difficult to imagine what human resources will be deployed.

Apart from this industrial action, port operations during the week were characterised, as usual, by equipment breakdowns and shortages, congestion, and adverse weather conditions. Our national ports, especially Durban and the Eastern Cape, experienced numerous operational delays due to adverse weather conditions throughout the week. Additionally, the Durban helicopter was out of commission for the entire week due to scheduled maintenance and is on course to return to commission over the weekend. Furthermore, concerns were raised this week regarding the continuous theft of copper cable along the rail lines, severely disrupting loading operations out of Durban.

Internationally, the WTO has warned that international trade growth will slow sharply in 2023 as the global economy faces strong headwinds, meaning that the strong trade rebound from COVID-19 is likely coming to an end. In the global container shipping industry, port throughput numbers are reacting to the economic headwinds, as the traditional liner peak season barely materialised, with widespread fears of a global recession likely to curtail container growth further. Consequently, the shipping lines will likely shuffle schedules as they prepare to direct capacity to the most lucrative lanes (especially given freight rates in free fall). As a result of our never-ending supply chain interruptions, South Africa is likely to draw the short straw, with capacity increases and better connectivity improbable. Further developments of note included **(1)** the European Commission deciding whether to extend vessel-sharing exemptions, **(2)** the Multipurpose index dropped by **↓5,4%**, taking the index to an average of **\$10 075** per day and **(3)** Cosco bids for a stake in Hamburg's Container Terminal.

South Africa's international air cargo volume decreased slightly this week (**↓6%**), as domestic volumes also decreased (**↓8%**). Operationally, the recurring fuel shortage issue has resurfaced, notably in Cape Town. Internationally, air cargo continues to outperform passenger traffic compared to their respective 2019 levels. However, we have seen some reductions in cargo volumes over the third quarter, as the war in Ukraine (with its accompanying constraints – such as energy prices and service reliability) continues to hamper growth. Additional air cargo news included **(1)** air freight rates continuing to decline and **(2)** the commencement of an **\$18 billion** redevelopment project at LAX cargo.

In the cross-border road freight sector, protest action at Kasumbalesa affected trade in both directions, as military personnel were deployed and the border post closed. Fortunately, the situation was quickly addressed, with operations being restored by Thursday evening. Elsewhere, queuing times at Beit Bridge increased significantly this week, mainly due to electricity interruptions and unserviceable generators. At

other South African borders, operations were mainly running smoothly, especially at Lebombo, which continues to experience high traffic volumes and ongoing constraints with TIPs.

In conclusion, the hopes held last week around the possibility of averting the strike at Transnet were quickly dashed as UNTU members downed tools on Thursday and SATAWU set to follow on 10 October. Although Transnet has informed the market that contingency plans are being implemented, and most stakeholders are doing their utmost to keep supply chains intact, the current situation may well play out in the broader economic crisis in which South Africa finds itself. In the current economic climate, can workers really be blamed for going on strike when presented with such low-wage offers? It is clear that South Africa needs urgent reform to restructure the economy and get back onto the growth path.

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1. Ports Update

This section provides an overview of the flow of containerised cargo through South Africa's commercial ports.

a. Container flow overview

The following tables indicate the container flows reported for the last seven days and projections for the next seven days.

Table 2 – Container Ports – Weekly flow reported for 1 to 7 October⁶

7-day flow forecast (01/10/2022 – 07/10/2022)		
TERMINAL	NO. OF CONTAINERS ⁷ TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	4 595	6 189
DURBAN CONTAINER TERMINAL PIER 2:	11 312	13 790
CAPE TOWN CONTAINER TERMINAL:	4 433	3 382
NGQURA CONTAINER TERMINAL:	3 770	4 387
GQEBERHA CONTAINER TERMINAL:	793	750
TOTAL:	24 903	28 498

Source: Transnet, 2021. Updated 07/10/2022.

Table 3 – Container Ports – Weekly flow reported for 8 to 14 October

7-day flow forecast (08/10/2022 – 14/10/2022)		
TERMINAL	NO. OF CONTAINERS TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	4 327	5 097
DURBAN CONTAINER TERMINAL PIER 2:	12 396	14 116
CAPE TOWN CONTAINER TERMINAL:	5 814	7 137
NGQURA CONTAINER TERMINAL:	5 162	8 446
GQEBERHA CONTAINER TERMINAL:	455	1 189
TOTAL:	28 154	35 985

Source: Transnet, 2021. Updated 07/10/2022.

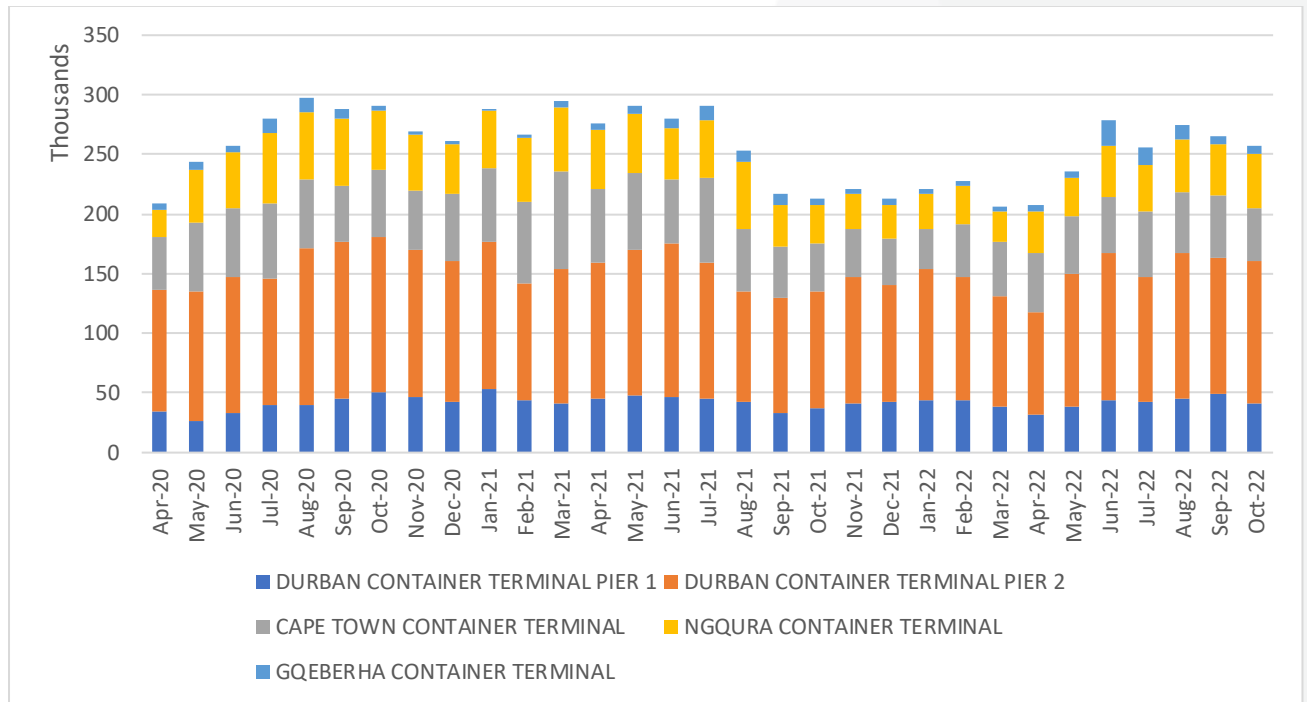
An average of **~7 629 containers** (**↑0%**) was handled per day for the last week (1 to 7 October, Table 2), compared to the projected average of **~9 691 containers** (**↓21%** actual versus projected) noted in last week's report. An increased average of **~9 163 containers** (**↑20%**) is projected to be handled next week (8 to 14 October, Table 3). Port operations this past week were plagued by the strike action and further debilitated by equipment breakdowns and shortages, congestion, and adverse weather conditions.

The following figure illustrates the rolling *monthly* average flow of total containerised cargo passing through our commercial ports since the nationwide lockdown.

⁶ It remains important to note that a large percentage (approximately 38% according to the latest year-to-date TNPA figures) of containers is neither imported nor exported, but rather consists of empties and transshipments. Due to the ongoing container imbalances, this proportion is fluctuating more than usual and has increased since December 2020. In recent months, empty numbers have dropped, a reflection of an improvement in worldwide container imbalances, but there is the usual sharp increase with the importation of large numbers of empty reefers in preparation for the citrus fruit season.

⁷ As mentioned before, in previous versions of the report, the measurement was incorrectly indicated as "TEUs", when it should have been noted as containers (20' and 40'). Incidentally, Transnet works on a ratio of approximately 1,4 TEUs per container and this figure will probably increase as the shift towards more 40' containers continues.

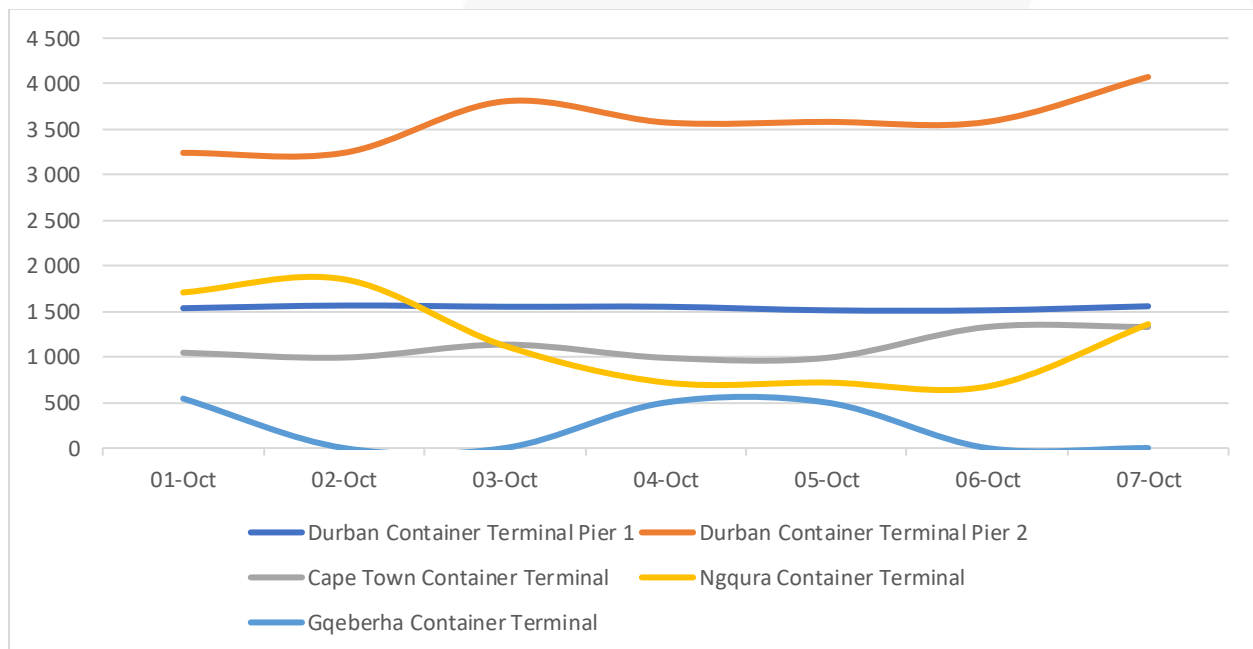
Figure 3 – Monthly flow reported for total cargo movement (containers April 2020 to present, m/m)



Source: Calculated using data from Transnet, 2022. Updated 07/10/2022.

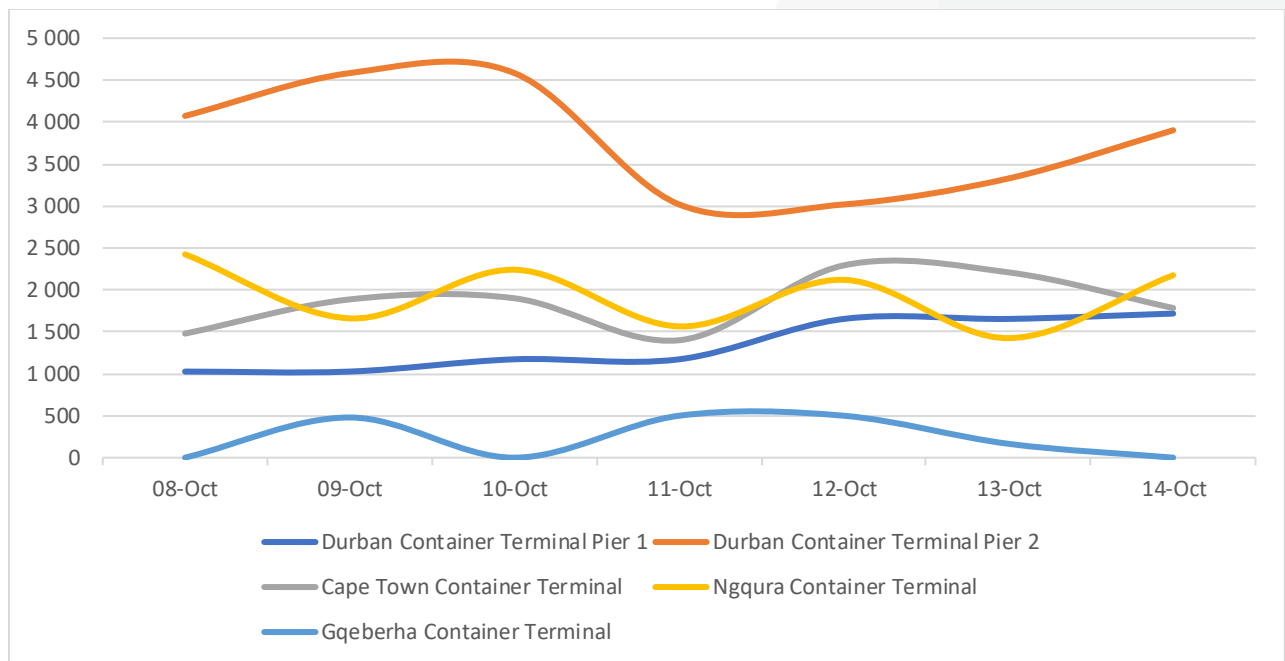
The figures below show the weekly container flows for the previous seven days and projections for the next seven days.

Figure 4 – 7-day flow reported for total container movements (1 to 7 October; per port; day on day)



Source: Calculated using data from Transnet, 2022. Updated 07/10/2022.

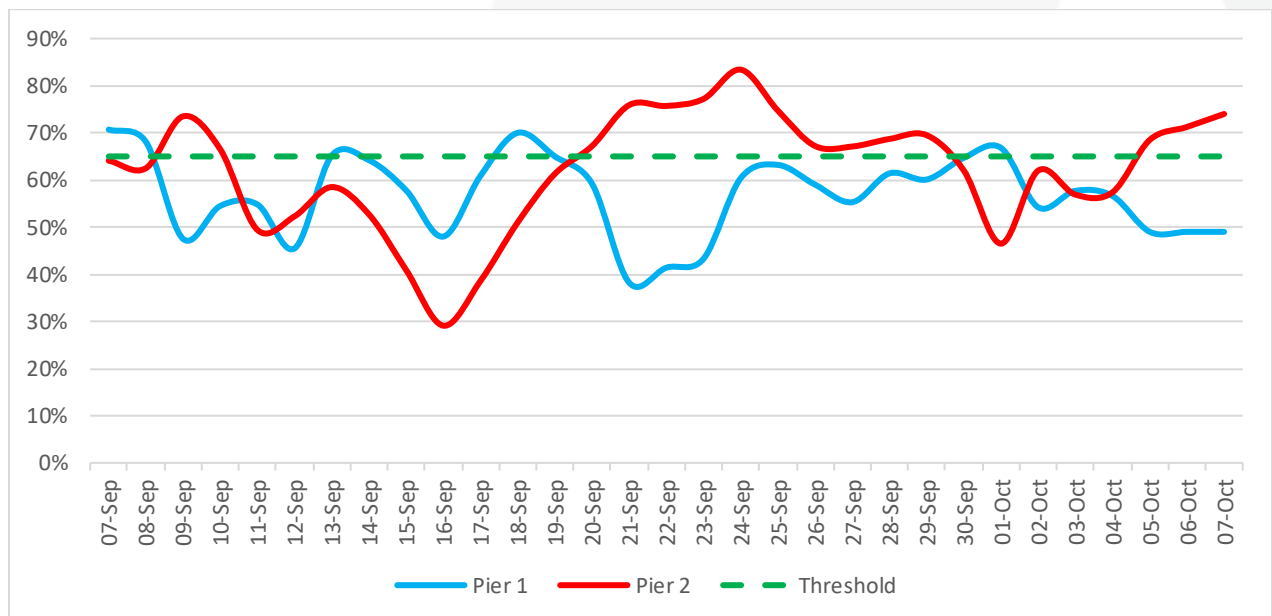
Figure 5 – 7-day forecast reported for total container movements (8 to 14 October; per port; day on day)



Source: Calculated using data from Transnet, 2022. Updated 07/10/2022.

The following figure shows daily stack occupancy in both Durban terminals over the last five weeks.

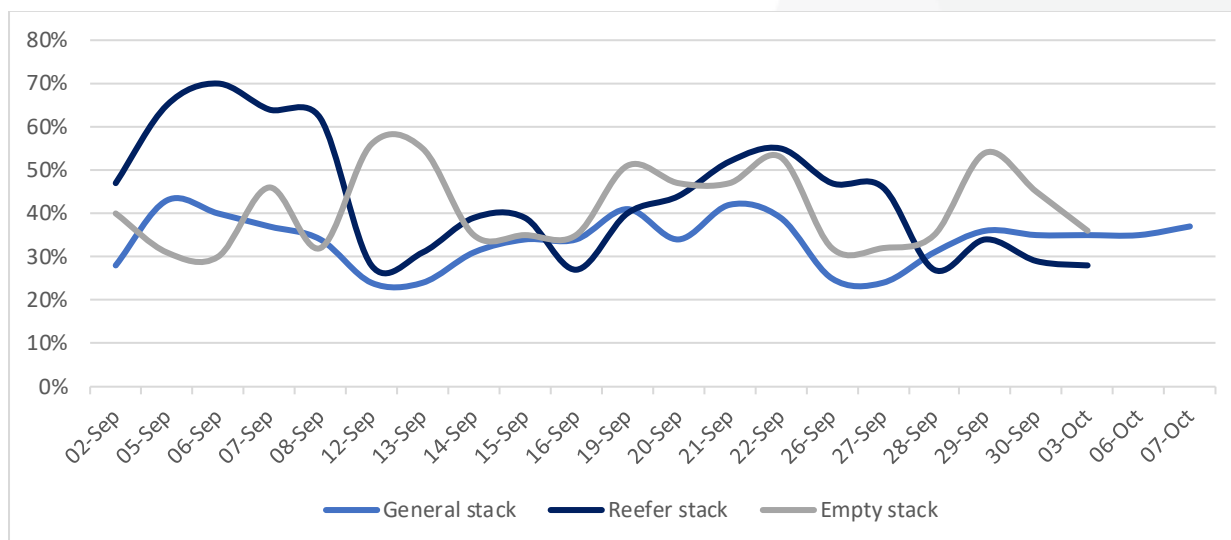
Figure 6 – Stack occupancy in DCT, general-purpose containers (7 September to present; per Pier; day on day)



Source: Calculated using data from Transnet, 2022. Updated 07/10/2022.

The following figure shows daily stack occupancy in Cape Town over a similar period.

Figure 7 – Stack occupancy in CTCT, GP, reefer, and empty stack (2 September to present, day on day)



Source: Calculated using data from Transnet, 2022. Updated 07/10/2022.

b. Summary of port operations

The following sections provide a more detailed picture of the operational performance of our commercial ports over the last seven days.

i. Weather and other delays

Cape Town reported no weather-related delays. However, delays were reported due to the strike that commenced just after midnight on Thursday morning, as well as equipment breakdown and shortages.

On the other hand, Durban experienced a challenging week as multiple weather-related delays were reported. The strike also impacted operations at the port, including where a SATAWU employee engagement regarding Transnet's revised wage offers delayed a vessel at berth 107 on Wednesday morning.

Although reporting no weather-related delays, Richards Bay could unfortunately not escape the impact of the national strike, as reports this week suggested that no volumes could enter or exit two gates at the port on Thursday morning when the strike commenced. Further, the road leading to the terminal was also closed, disrupting operations even further.

Several weather-related delays were reported during Eastern Cape ports, which also experienced a challenging week. Terminals in the Eastern Cape experienced adverse weather conditions, mainly in the form of strong winds, which led to numerous delays throughout the week, while the strike also negatively impacted operations at both ports. For example, NCT had no staff present on the waterside or landside on Thursday morning. GCT, on the other hand, did not have a full complement of staff available and their gates only opened after 09:00; however, they were at least able to continue with operations at a reduced level.

ii. Cape Town

On Monday, CTCT recorded two vessels at berth and two at outer anchorage. Stack occupancy for GP containers was 35%, reefers 28%, and empties 36%. In the latest 24-hour period to Tuesday, the terminal managed to handle 1 602 TEUs across the quay while servicing 260 external trucks at a truck turnaround time of ~20 minutes.

Cape Town MPT, on Monday, recorded zero vessels at anchor and three at berth. In the latest 24-hour period to Tuesday, the terminal managed to service 79 external trucks at a truck turnaround time of ~17 minutes. Stack occupancy was recorded at 47% for GP containers, 30% for reefers and 1% for empties.

The port has fortunately not been affected by the ongoing load-shedding programme, and operations have been able to continue without interruption.

iii. Durban and Richards Bay

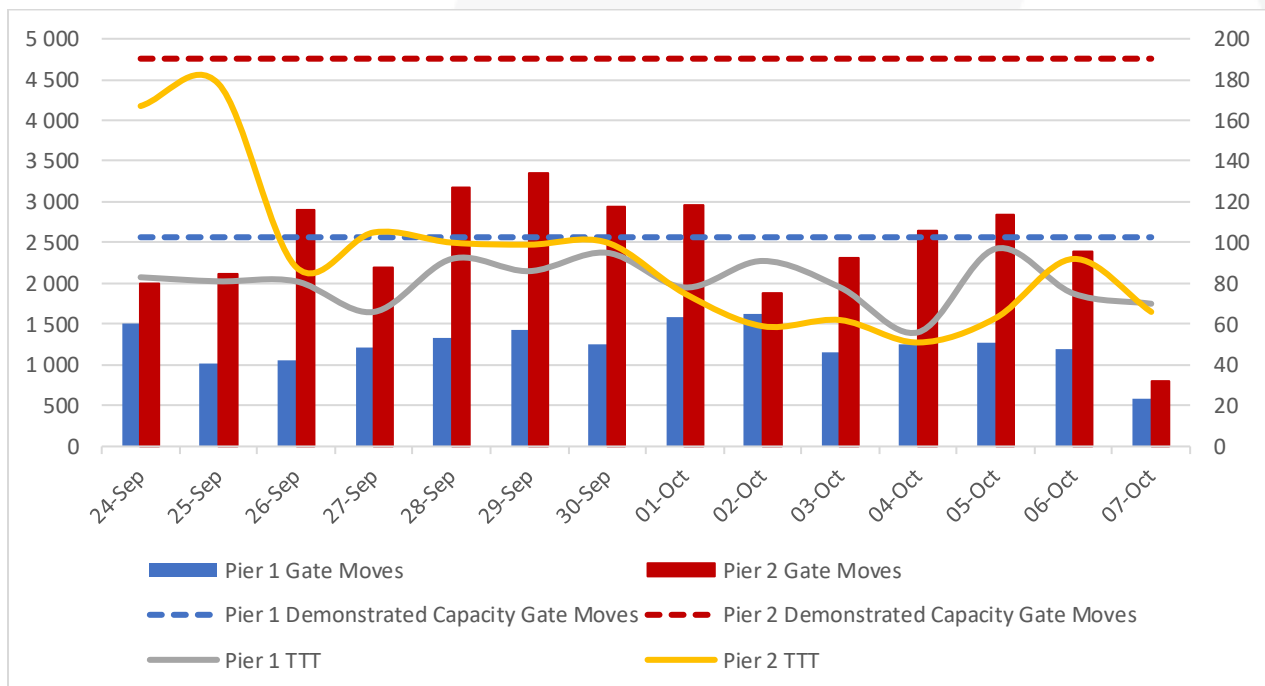
Pier 1 on Wednesday recorded one vessel at berth, manned by four gangs, and zero vessels at anchor. Stack occupancy was 49% for GP containers, with 1 746 imports on hand, 180 reefers and 304 unassigned units. The terminal recorded 1 277 gate moves on the landside on Thursday, with 1 174 cancelled slots and 105 wasted.

On Wednesday, Pier 2 had five vessels at berth and two at anchorage. In the most recent 24 hours to Thursday, the terminal managed to handle 4 145 TEUs across the quay. Stack occupancy was uncomfortably high at 73% for GP containers. The terminal had between 79 and 86 straddles in operation throughout the week, operated by eleven gangs. On Wednesday, there were 2 833 gate moves on the landside with an average TTT of 63 minutes and a staging time of 52 minutes. A total of 616 rail import containers were on hand, with 165 moved by rail.

This week, the Durban helicopter was out of commission for the entire week due to scheduled maintenance. Transnet further advised that the spare parts arrived on Friday, which should see the helicopter returning into commission over the weekend.

The following figure summarises the performance of Durban's container terminals for the last two weeks, focusing on gate moves and time spent in the terminals.

Figure 8 – Gate moves (left axis), and time spent in the terminal (in minutes, right axis)



Source: Calculated using data from Transnet, 2022. Updated 07/10/2022.

iv. Eastern Cape ports

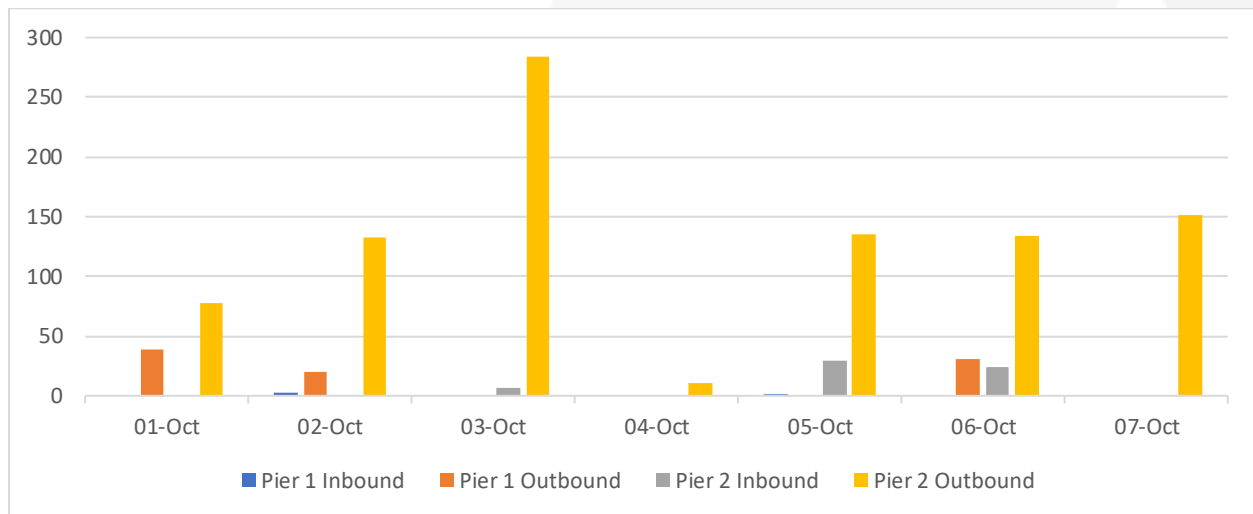
GCT on Monday recorded zero vessels at anchorage and one at berth. For marine resources, two tugs, one pilot boat, two pilots, and one berthing gang were in operation in the 24 hours leading to Tuesday. In the same period, stack occupancy was 46% for GP containers and 14% for reefers. In addition, GCT serviced 24 external trucks on the landside due to adverse weather conditions while handling 131 reefers.

NCT on Tuesday recorded two vessels at berth and three vessels at outer anchorage. Marine resources of two tugs, one pilot boat, two pilots, and one berthing gang were in operation in the 24 hours leading into Friday. In the same period, stack occupancy was 18% for GP containers, 38% for reefers, and 71% for ground slots. On Tuesday, 734 TEUs were handled across the quay. Additionally, 118 trucks were serviced on the landside, with a truck turnaround time of ~47 minutes.

v. Transnet Freight Rail (TFR)

This week, concerns were raised regarding the continuous sabotage by cable theft experienced on various rail lines, severely impacting loading operations out of Durban. As a result, Transnet is continuously exploring measures to reduce the level of cable theft experienced on the rail lines. The following figure shows the rail cargo evacuated from DCT in the last week.

Figure 9 – TFR: Rail handled (Pier 1 and Pier 2)



Source: Calculated using data from Transnet, 2022. Updated 07/10/2022.

In the last week (1 to 7 October), rail cargo handled out of Durban was reported at **1 078** containers, down by **↓58%** from the previous week's **2 588** containers.

i. General: Union strikes

As widely reported and discussed publicly, Transnet's two major recognised unions, UNTU and SATAWU, indicated that wage negotiations had broken down and national strikes would commence on Thursday, 6 October, and Monday, 10 October, respectively. Unfortunately, last-minute negotiations between Transnet and UNTU on Wednesday evening failed to produce an agreement. Concerning SATAWU, Transnet met SATAWU representatives on Friday, 7 October, to discuss a new wage offer; however, no agreement was reached. Furthermore, courts dismissed Transnet's case calling for an interdict against SATAWU's "illegal" strike. It should be noted that the court did not pronounce the merits of the case but simply rejected it as

not being urgent enough. Consequently, SATAWU members will embark on their strike on Monday, 10 October. As a result of these developments, some 45 000 employees across the Transnet group, and not just the 10 000 employed in the port system, are potentially affected.

As mentioned last week, TPT aims to implement an additional "Avoidance of Strike Levy" to Terminal Handling Charges (THC) from 1 October 2022 to 31 March 2023 as an insurance policy against future strikes. The private sector will carry the cost of these levies – at a level of approximately R110 per container unit (with the recently introduced fuel neutrality levy of R38, the total levy over and above the THC tariff will be R148). However, the agreement on the levy was dependent on no strike action. Therefore, the offer falls away, making any chance of a settlement remote. The impact is potentially devastating to the economy. Depending on the magnitude of disruptions and delays, South Africa is losing between **R100 million** and **R1 billion** daily on a direct cost basis, but the damage to the economy based on our in- and outflows of goods, as reported by SARS, is far higher at around **R 8 billion per day**⁸. SAAFF has made an urgent plea for the impasse to be resolved to maintain our supply chains, as the strike is potentially more devastating than the energy crisis.

On Thursday, 6 October, TPT declared Force Majeure "due to anticipated strike action by recognised unions". Transnet maintains that the strike is illegal and has subsequently approached its lawyers for legal advice. At 06:00, human resources on the waterside were reduced by as much as two-thirds at most terminals.

In light of the national strike, the South African ports have all worked on their respective contingency plans to alleviate the effects of the strike and to service the industry as best possible. For example, the Cape Town port has prepared itself on three possible scenarios, with the first being **(1)** where no employees participate in the strike, allowing operations to continue as usual. **(2)** The second scenario plans for a workforce of 50%, where the port will aim to operate with three tugs, three gangs, and the pilots to control VTS operations. The port will reduce the three tugs during the night shift to two. **(3)** The third scenario braces itself for the largest part of the workforce participating in the strike, where the port will aim to operate with two tugs, one work boat, and one berthing gang. This scenario also aims to utilise pilots for VTS operations. The latest reports are that marine services are operating, but the terminals are at a standstill.

2. Air Update

a. International air cargo

The following table shows the in- and outbound air cargo flows to and from ORTIA for the week beginning 26 September. For comparative purposes, the average air freight cargo (inbound and outbound) handled at ORTIA in *September 2021* averaged **~713 982 kg** per day.

Table 4 – International inbound and outbound cargo from OR Tambo

Flows	26-Sep	27-Sep	28-Sep	29-Sep	30-Sep	01-Oct	02-Oct
Volume inbound	570 010	379 680	471 679	384 018	403 622	304 207	926 519
Volume outbound	271 223	245 133	272 722	225 346	210 025	231 757	494 727
Total	841 233	624 813	744 401	609 364	613 647	535 964	1 421 246

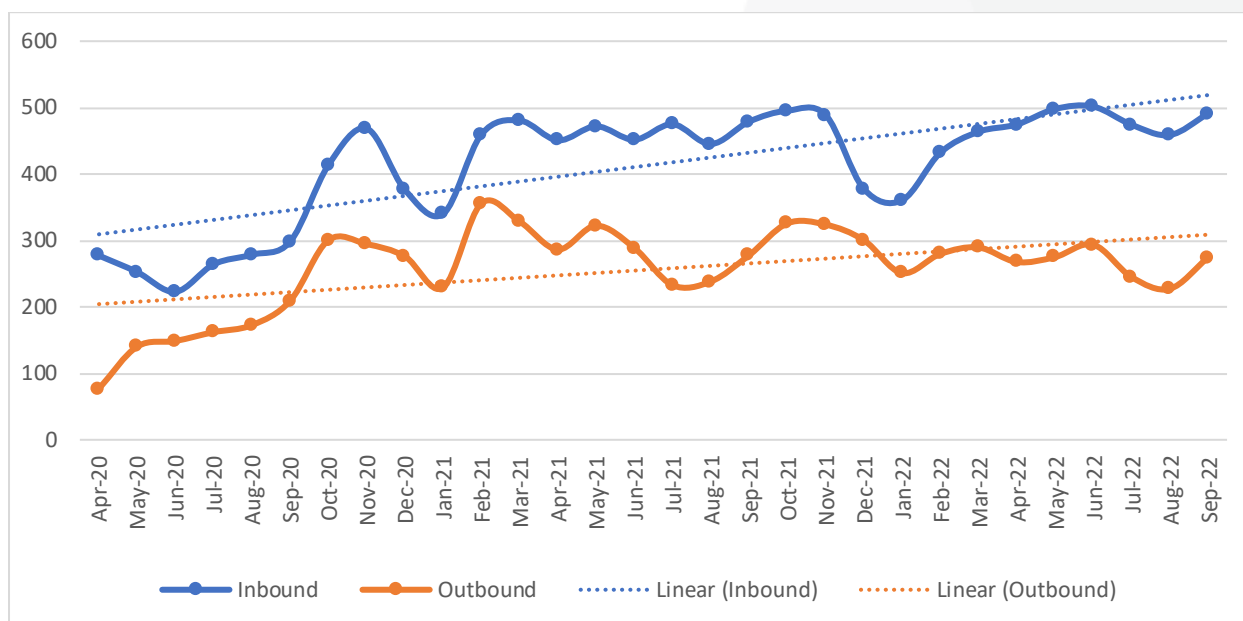
Courtesy of ACOC. Updated: 04/10/2022.

The daily average volume of air cargo handled at ORTIA the previous week amounted to **491 391 kg** inbound and **278 705 kg** outbound, resulting in an average of **770 095 kg per day** or **~108%** compared with September 2021. Also, the level is currently at **~105%** compared with the same period in 2020.

⁸ SAAFF. 10/10/2022. [Transnet strike is more devastating than load shedding.](#)

The following figure shows the comparative quarterly global freight movement at ORTIA since the pandemic outbreak, with a continued positive trend experienced, notably for inbound cargo:

Figure 10 – International cargo from OR Tambo (millions)



Courtesy of ACOC. Updated: 04/10/2022.

b. Domestic air cargo

The following table shows the domestic inbound and outbound air cargo flows for the duration of the state of disaster period as reported by the industry. By way of comparison, the average domestic air freight cargo (inbound and outbound) handled in *September 2021* was ~67 572 kg per day.

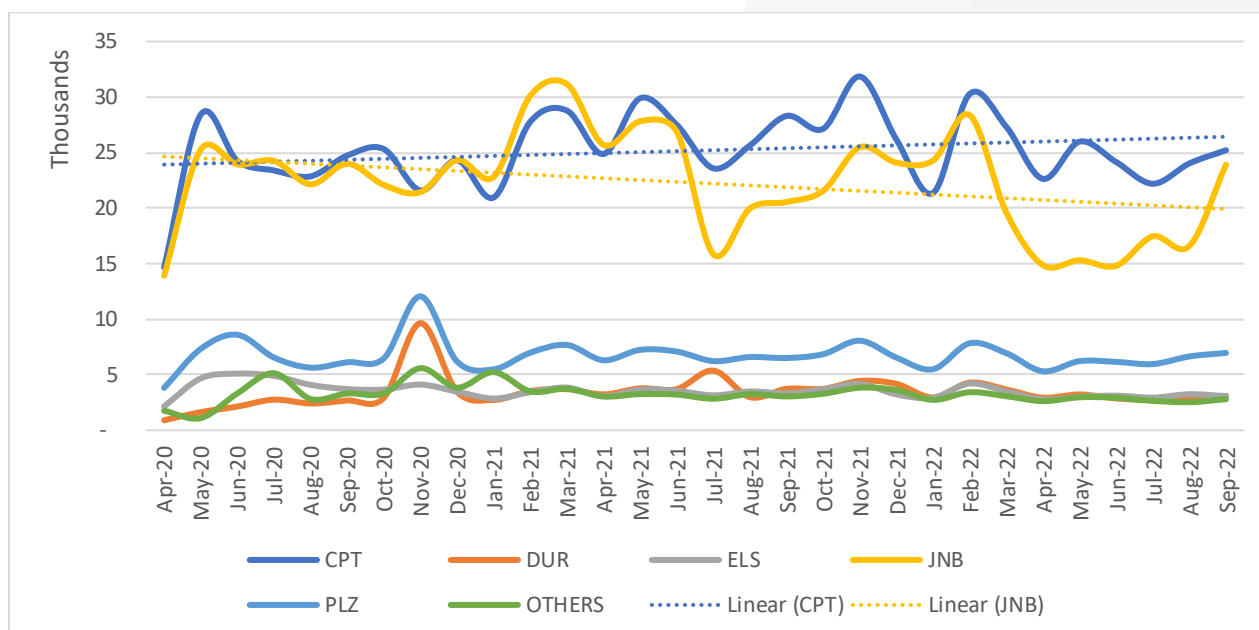
Table 5 – Total domestic inbound and outbound cargo

DATE / AIRPORT	CPT	DUR	ELS	ORTIA	PLZ	OTHERS	TOTAL
Mar-Dec '20 Av.	21 813	2 941	3 751	20 539	6 571	3 176	56 713
Jan-Dec '21 Av.	26 817	3 754	3 452	24 270	6 789	3 483	68 218
Jan-Jun – 22 Av.	25 230	3 295	3 244	19 449	6 312	2 952	60 480
Jul Average	22 196	2 715	2 943	17 462	5 963	2 650	53 929
Aug Average	24 025	2 854	3 247	16 590	6 646	2 534	55 895
Sep Average	25 212	3 102	3 080	23 913	6 968	2 796	65 071
27-Sep-22	39 772	4 319	5 118	42 229	8 863	4 151	104 452
28-Sep-22	39 210	5 919	5 015	62 975	12 352	4 588	130 059
29-Sep-22	37 497	4 789	5 061	59 882	10 963	4 493	122 686
30-Sep-22	17 461	2 678	2 476	32 776	4 673	2 356	62 420
01-Oct-22	1 105	519	71	6 852	179	21	8 746
02-Oct-22	2 549	489	107	138	711	77	4 071
03-Oct-22	42 742	3 580	3 514	56 962	10 733	4 011	121 542
Total for 2022:	6 943 707	887 887	892 622	5 555 468	1 778 120	794 439	16 852 243

Courtesy of BAC. Updated: 04/10/2022.

The average domestic air cargo moved last week was ~64 610 kg per day, which is ↓8% compared with the previous week and ~105% compared to September 2021.

Figure 11 – Average domestic inbound and outbound cargo (thousands)



Courtesy of BAC. Updated: 04/10/2022.

c. Air cargo Operations

The recurring fuel shortage issue has resurfaced, notably in Cape Town. Fortunately, the delayed vessel carrying much-needed jet fuel for Cape Town International Airport has docked in the harbour, and jet fuel deliveries to the airport are expected to resume on Tuesday, 4 October, after the necessary quality processes have been completed, Airports Company SA (ACSA) confirmed⁹. However, the impact of the Transnet strike on future supplies of Jet A1 fuel remains to be seen.

3. National update

a. Ctrack Transport and Freight Index

Last week, the latest Ctrack "Transport and Freight Index" was published¹⁰, with the central theme noting that the South African logistics sector continues to improve. The composite index increased by ↑2,0% (m/m) in August, representing a substantial ↑12,9% improvement compared to a year ago and an improvement on July's revised ↑9,0% (y/y) growth rate. Despite the improvement, the index comes off a low base, with yearly numbers still under pressure due to the riots from July last year and the floods in April this year. Fortunately, the index was able to surpass March's pre-flood levels. On a sub-sector level annually, storage and rail (↓13,9% and ↓8,9%) are significantly down, whereas sea (↑5,4%), air (↑13,0%), pipeline (↑18,1%), and road freight (↑28,6%) are all up. Worryingly, the imbalance between rail and road continues to sound alarms, as we desperately need a functioning rail sector to complement our strong multi-modal logistics offering.

⁹ Smith, C. 03/10/2022. [Cape Town airport fuel crisis: As airlines scramble, jet fuel vessel finally docks.](#)

¹⁰ Ctrack. 29/09/2022. [Transport and Freight Index: August. The South African logistics sector continues to improve.](#)

Figure 12 – Crack Transport and Freight Index: Road versus rail index (Jan 2018 = 100)



Source: [Crack](#)

As the illustration suggests, if we use 2018 as a starting point, road and rail freight performed comparatively similar until the pandemic outbreak, after which they went on very different tangents. A significant contributor has been the reduction in mining production (which slipped by $\downarrow 8,4\%$ y/y in July¹¹), which is the most significant contributing sector to rail payload. Another significant factor is TFR's struggles to service demand on the Richards Bay line. Coal volumes are only running at about 60% of capacity, and given the high price of coal at the moment, the exporters would have no trouble selling it if only they could get it to the port. The tipper-truck queues at Lebombo are another indicator of the spillover effects of the rail not running at full tilt.

However, there are other issues at play, notably the destruction of rail infrastructure due to the flood (also impacting the Container Corridor to Johannesburg), cable theft, maintenance of (infrastructure and stock) and, in general, service reliability. Furthermore, TFR has cited cable theft incidents (the latest, on 22 September at Danskraal, which resulted in network unavailability for almost two days). Nevertheless, the current service is neither efficient vis-à-vis historical performance nor anywhere near as efficient as our global comparators. As a result, rail cargo has been on a downward spiral for far too long.

According to Stats SA¹², the rail payload had decreased from a high of **18,65 million tonnes** in January 2019 (when the figures started) to **12,15 million tonnes** in July 2022. Seasonally, July 2022 is $\downarrow 20,4\%$ versus the pre-pandemic times of 2019. Logistics takes place on a shared infrastructure with shared responsibilities from all stakeholders, which means the inclusion of rail. Therefore, we desperately need reform in this sector:

- Implement third-party access to the freight rail network to create a large-scale market for access that is bankable and available across the network:
- Withdraw the existing slot allocation process as it is not bankable, nor does it create real competition,

¹¹ Trading Economics. 05/10/2022. [South Africa Mining Production](#).

¹² Stats SA. 19/09/2022. [Land transport survey](#).

- Re-issue slots immediately, correcting for misalignment with DOT Rail Strategy, allowing for a more extended period of control and so the ability to fund; remove binding into collective bargaining process,
- TFR to publish a schedule of the processes to be followed after the initial allocation of routes. This should include a more meaningful number of lines and an explanation of the long-term allocation process envisioned,
- Revenue from third-party access fees should be ring-fenced and managed by a development finance institution (DFI) to be spent on maintenance – procured competitively, including by the private sector.

Ultimately, bulk shipments should benefit from the rail system. For example, coal from the Lowveld should never be transported on the roads. Also, our rail system should be linked to our competitive, labour-intensive (job-creating) export-orientated bulk sectors, such as mining. South Africa's freight demand is high, and road freight cannot maintain the burden. Nor can our road infrastructure continue to handle legitimate rail cargo – it is already buckling under the strain.

4. Road and Regional Update

a. Cross-border and road freight delays

This week, the following events have caused some challenges and delays on roads in South Africa specifically, but also in and around the SADC region.

- Last week, clearing times at South African borders decreased substantially and averaged **~9,3 hours** (**↑16% w/w**).
- Last week, ongoing protest action at Kasumbalesa affected trade in both directions, as military personnel were deployed and the border post closed. The resultant queue stretched 50km¹³.
 - Mokambo and Sakania were also affected, as mine releases were prohibited.
 - Drivers were encouraged to park along the route until the end of the action.
- At Beitbridge, queuing times increased significantly this week due to load-shedding and generator issues.
- Lastly, the issues around the cost of temporary import permits (TIPs) enforced by the Mozambican Customs Authority applicable to all non-Mozambique registered vehicles at Lebombo are worth reiterating.
 - Not only is this in direct contravention of the SADC Protocol on Trade (estimated at **R90 million p/a**), which the Member States signed in 1998, but the single-entry application is adding high costs to trade, negatively impacting the competitiveness of South African mineral exports.
 - The collective private sector urges for increased bilateral engagements between the respective ministries of trade of South Africa and Mozambique to address this contravention of the SADC Protocol on Trade and agree to implement a reciprocal arrangement that eliminates the single-entry TIP for South African vehicles.
- During the last week, there were no closures of any South African borders. However, we encourage traders to stay abreast of border post communications as per the SARS [website](#).
- Transporters, traders, and cargo owners may still use the non-tariff barrier (NTBs) [online tool](#) developed by UNCTAD and the AfCFTA Secretariat. However, given the questionable effectiveness of

¹³ Goddard, E. 04/10/2022. [Kasumbalesa impasse continues](#).

this platform, transporters are encouraged to contact FESARTA and join their [TRANSIST Bureau](#)¹⁴, which has arguably achieved much greater success.

Apart from these developments, investigations continue into cross-border delays experienced at several other SADC border posts in the sub-region, as queue times at Beitbridge and Kasumbalesa shot up significantly this week. As mentioned last week, the data analysis from FESARTA has evolved and will begin to include the analytics expertise of [Crickmay](#)¹⁵. The following table will showcase the changes in flows through South African borders, which will now illustrate bi-directional border delays on vehicle movements:

Table 6 – Delays¹⁶ summary – South African borders

Border Post	Direction	HGV ¹⁷ Arrivals per day	Queue Time (hours)	Border Time – Best 5% (hours)	Border Time – Median (hours)	HGV Tonnage per day	Weekly HGV Arrivals
Beitbridge	Zimbabwe-SA	410	12,1	5,3	22	12 300	2 870
Beitbridge	SA-Zimbabwe	472	10,8	10	35	14 160	3 304
Groblersbrug	SA-Botswana	238	1,1	2	17,5	7 140	1 666
Groblersbrug	Botswana-SA	166	0,2	0	1	4 980	1 162
Noordoewer	Namibia-SA	20	0,2	1	2,5	600	140
Vioolsdrif	SA-Namibia	30	0,1	1	3	900	210
Ariamsvlei	Namibia-SA	20	0,3	1	2	600	140
Nakop	SA-Namibia	30	0,8	1	7	900	210
Lebombo	SA-Mozambique	1 553	0,3	2	9	46 590	10 871
Ressano Garcia	Mozambique-SA	148	0,2	1	2	4 440	1 036
Skilpadshek	SA-Botswana	200	3,9	2	8	4 800	1 400
Pioneer Gate	Botswana-SA	100	0,9	1	3	2 400	700
Average/Sum		7 971	0:46	1:21	7:02	237 330	55 797

Source: TLC & FESARTA, week ending 03/10/2022.

Table 7 – Delays summary – Corridor perspective

Corridor	HGV Arrivals per day	Queue Time (hh:mm)	Border Time – Best 5% (hh:mm)	Border Time – Median (hh:mm)	HGV Tonnage per day	Weekly HGV Arrivals
Beira Corridor	160	0	3	14	4 800	1 120
Dar Es Salaam Corridor	303	6	2	15	9 095	2 122
Maputo Corridor	851	0	2	6	25 515	5 954
Nacala Corridor	32	2	1	3	953	222
North/South	210	4	7	19	6 296	1 469
Trans Caprivi Corridor	58	3	1	20	1 740	406
Trans Cunene Corridor	50	0	12	35	1 500	350
Trans Kalahari Corridor	83	2	1	4	1 980	578
Trans Oranje Corridor	25	0	1	4	750	175

Source: TLC & FESARTA, week ending 03/10/2022.

¹⁴ [FESARTA TRANSIST Bureau](#).

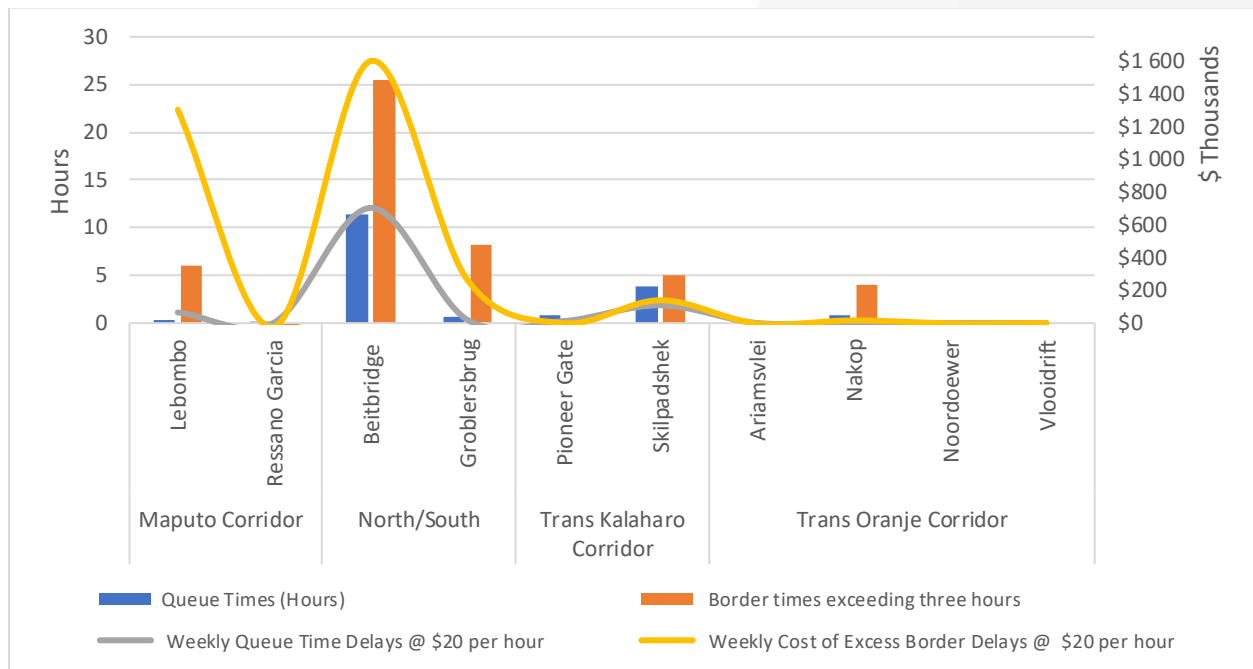
¹⁵ Some of the audience of the weekly Cargo Movement Report will be familiar with the work of Crickmay and SAAFF in developing the “Transport Monitoring Tool” for the Durban and other South African ports. For more information, please contact SAAFF and Crickmay.

¹⁶ It should be noted that the root cause of the reported delays is uncertain at this point. Moreover, the delays may be multiple and widely distributed. Therefore, they cannot be exclusively attributed to a specific common cross-border problem since we do not have a transparent view of the entire border process in granular detail. The causes of these bottlenecks typically include poor infrastructure, road congestion, and a lack of coordination between neighbouring countries and Customs (or OGA) stops, among other trade obstacles.

¹⁷ Heavy Goods Vehicles.

The following graph shows the weekly change in cross-border times and associated estimated costs:

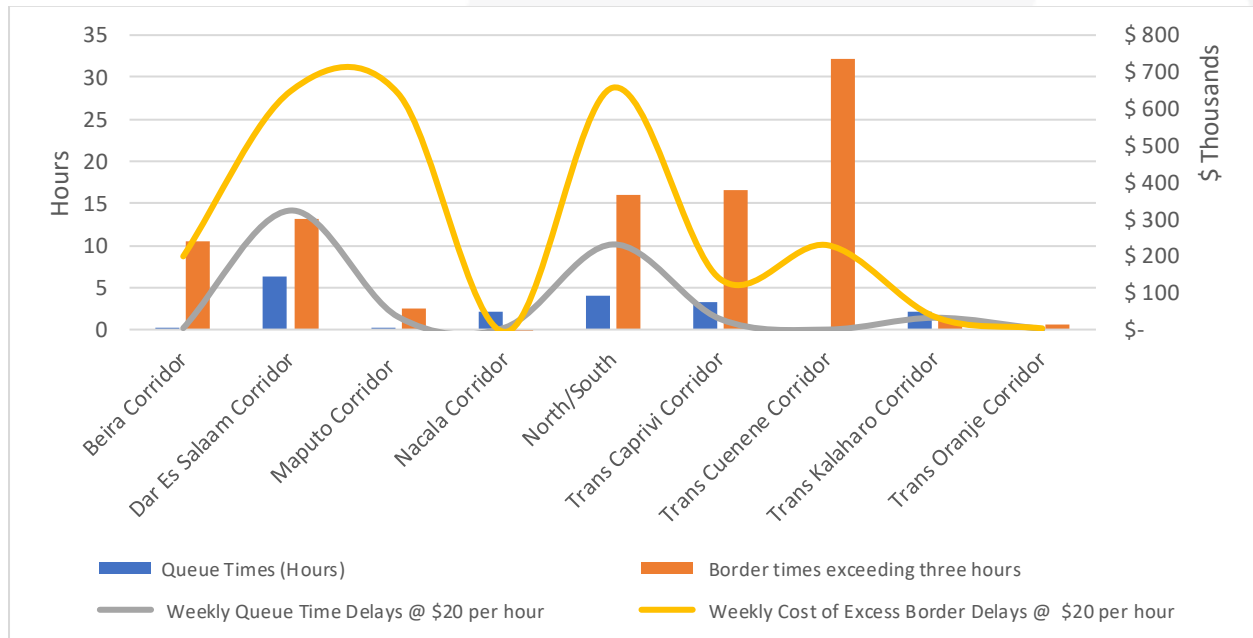
Figure 13 – Weekly cross-border delays & est. cost from a SA border perspective (hours & \$ thousands)



Source: TLC & FESARTA, week ending 03/10/2022.

The following figure echoes those above, this time from a corridor perspective.

Figure 14 – Weekly cross-border delays & est. cost from a corridor perspective (hours & \$ thousands)



Source: TLC & FESARTA, week ending 03/10/2022.

In summary, cross-border queue time has averaged **~3 hours** (up by **~0,9 hour** from the previous week's **~2,1 hours**), costing the transport industry an estimated **\$5,9 million (R29 million)**. Furthermore, the week's average cross-border transit times hovered around **~14 hours** (up by **~1,7 hours** from the **~12,3 hours** recorded in the previous report), costing the transport industry **\$16,9 million (R298 million)**. As a result, the total cost for the week amounts to an estimated **~R402 million** (up by **~R129 million** or **↑47%** from **R273 million** in the previous report). As mentioned last week, the average queue and transit times are substantially less than what we typically reported, simply because the improved analysis is more comprehensive and includes additional borders – many of whom are smaller and therefore take less time to cross and positively influence the average time regionally.

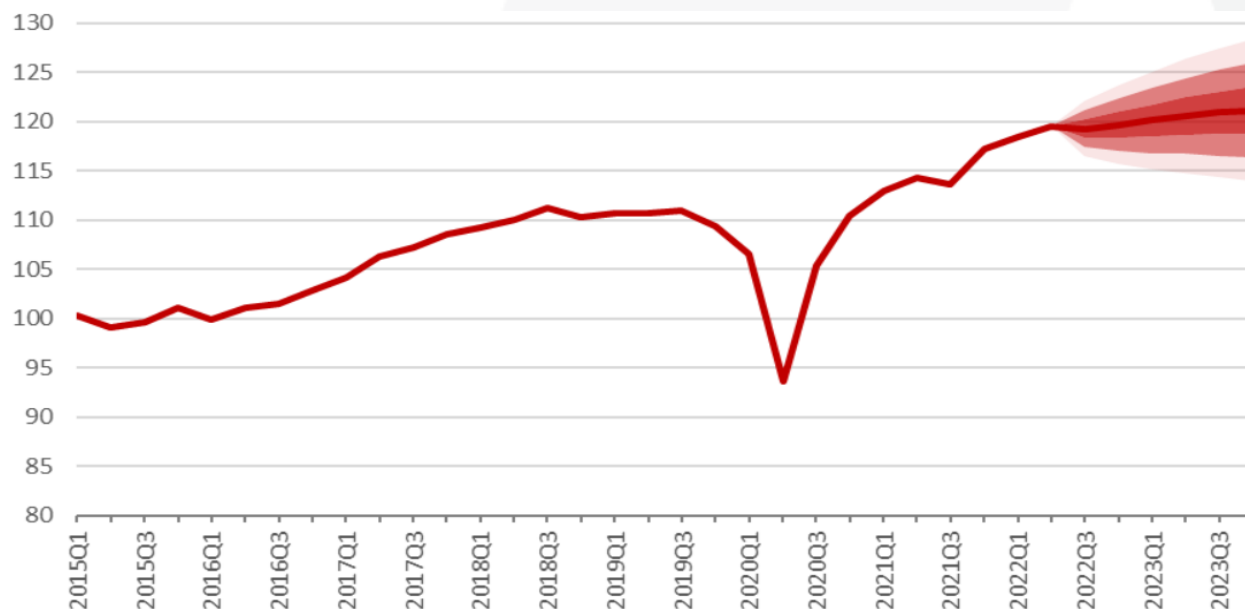
5. International Update

The following section provides some context around the global economy and its impact on trade, including an update on **(a)** international trade, **(b)** the global shipping industry and **(c)** the global air cargo industry.

a. International trade

The World Trade Organisation (WTO) released its latest trade statistics¹⁸, warning that international trade growth will slow sharply in 2023 as the global economy faces strong headwinds. Although despite the revision for next year, the WTO raised its projection for global goods trade growth to **↑3,5%** this year from a previous estimate of **↑3%**, the figure next year will be just **1%**. That's a significant downward revision from its previous estimate for global goods trade in 2023 to expand by **↑3,4%**.

Figure 15 – Volume of world merchandise trade, 2015Q1-2023Q4 (Seasonally adjusted, index 2015=100)



Source: [WTO](#)

Among the potential drags on activity included major central banks raising interest rates to tame inflation, with overshooting on tightening could potentially trigger recessions in some countries, which would weigh on imports. Furthermore, the WTO warns that risks to the forecast remain numerous, including an escalation of the Russia-Ukraine war and an under-appreciated risk of decoupling the US and China. The Ukraine war increased prices for energy by **78%** (led by natural gas, which was up **250%**) and food by **15%** in August versus the same period a year prior. The **36%** increase in the price of crude oil over the same period was

¹⁸ WTO. 05/10/2022. [Trade growth to slow sharply in 2023 as global economy faces strong headwinds.](#)

small by comparison but still significant for consumers. Lastly, the WTO quoted the RWI/ISL index for our industry, noting that although container throughput improved this year as port congestion and supply disruptions in the US and China eased, the outlook is for continued stagnation in merchandise trade. Incidentally, for Africa, the WTO predicts that trade will increase by **↑6,6%** this year, with predictions at **↑3,9%** for 2023 – mainly due to a significant drop in exports (projected at **↓1,0%**) from the continent.

b. Global shipping industry

i. Global port throughput

Following the latest *RWI/ISL*¹⁹ figures from last week, Drewry has provided their latest take on the container market through their "Global Container Port Throughput" index²⁰, which dropped **↓2,1%** (m/m) in July 2022. Despite the monthly drop, the annual figure comes in at **↑3,3%** (y/y), as the performance was bolstered by the recovery in traffic volumes in Shanghai following the lifting of COVID lockdowns in June. Nevertheless, the improvement was insufficient to offset the broader downturn in port handling levels. And regionally, the short-term trends do not promote optimism, as most lanes are way down monthly:

Table 8 – Global Container Port Throughput Index: Per region (January 2012 = 100)

Index	Jul-21	Jun-22	Jul-22 #	Monthly change (%)	Annual change (%)
Global	140.1	147.8	144.7	-2.1% ▼	3.3% ▲
Greater China	147.8	162.5	160.3	-1.3% ▼	8.4% ▲
Asia (excl. China)	133.2	135.1	134.9	-0.1% ▼	1.2% ▲
Middle East & South Asia	133.7	143.3	136.2	-5.0% ▼	1.9% ▲
Europe	124.8	123.1	119.0	-3.3% ▼	-4.6% ▼
North America	161.5	172.9	163.5	-5.4% ▼	1.3% ▲
Latin America	127.3	126.4	131.9	4.4% ▲	3.6% ▲
Africa *	111.9	119.8	108.4	-9.5% ▼	-3.1% ▼
Oceania	140.4	147.6	137.9	-6.5% ▼	-1.8% ▼

Source: [Drewry](#)

Of eight regional indices, Latin America was the only region recording a monthly gain, with the index climbing **↑4,4%** to reach **132 points**. The 13 Brazilian ports within the Latin American Index saw volumes increase by an average of **↑13,4%** (m/m) and **↑5,8%** (y/y) in July 2022. Although the African index is way down, the sample size is relatively small and should be considered cautiously. Incidentally, South Africa's container sector dropped by **↓11%** (m/m) and **↓8%** versus 2021. Fortunately, we did witness an improvement in August, as containerised cargo increased by **↑8%** (m/m). Nevertheless, the entire container market remains stuck below pre-pandemic levels.

ii. Container capacity and newbuilds

Despite the desperate attempts by global carriers to strategically limit deployed capacity (Drewry's "Cancelled Sailings Tracker" is currently hovering around a **10% cancellation rate**²¹ - as further dramatic cuts

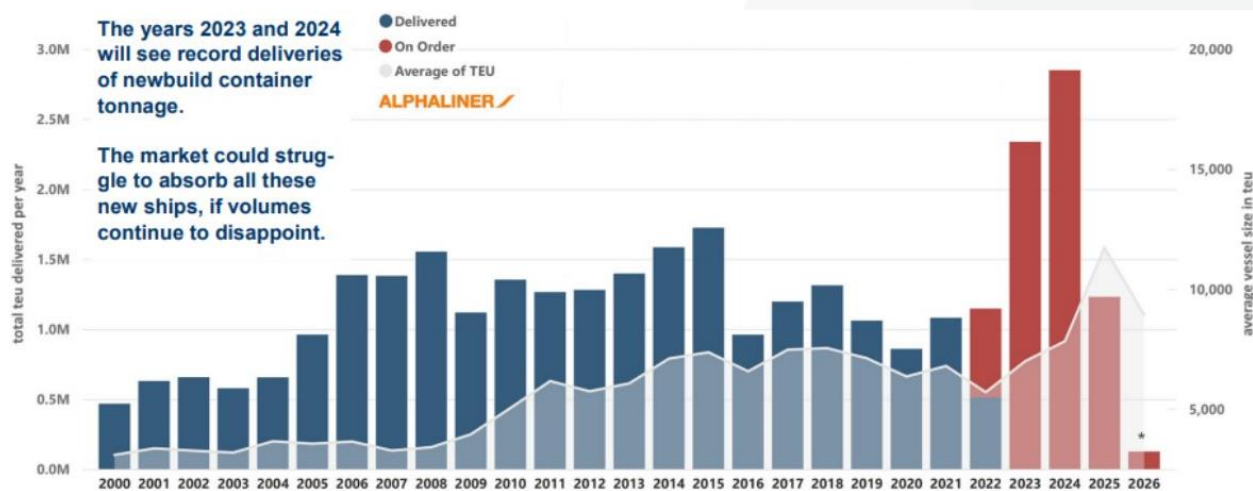
¹⁹ RWI/ISL. 30/09/2022. [RWI/ISL Container Throughput Index: Increasing container throughput indicates easing of tension of disturbed supply chains.](#)

²⁰ Drewry. 05/10/2022. [Global Container Port Throughput index.](#)

²¹ Drewry. 07/10/2022. [Cancelled Sailings Tracker – 07 Oct.](#)

to services are expected²²), the task at hand might become much more challenging when the record new-built vessels are added to existing fleets:

Figure 16 – Actual and projected container ship deliveries (Total TEU and average vessel size)



Source: [Alphaliner](#)

The container market is set to completely correct itself and normalise sometime early next year. The traditional liner peak season barely materialised, and the collapse in seams was structural rather than seasonal, with widespread fears of a global recession. As mentioned above, many downside risks remain (war, energy, and others), impacting merchandise trade. Ultimately, with container demand waning and global trade receding, the container market is set to return to the break-even years of the decade or so before the pandemic.

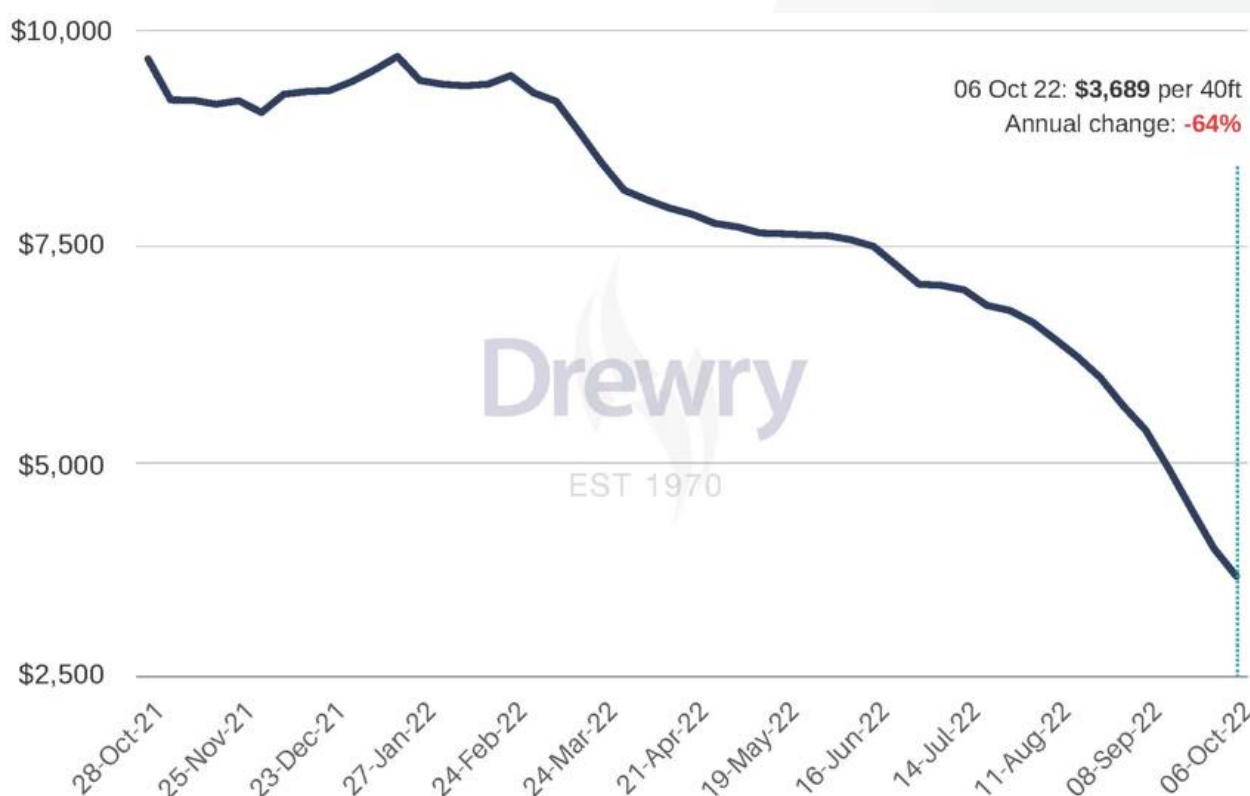
iii. **Global container freight rates**

Container spot rates have continued their rate of decrease (now for a 32nd consecutive week), averaging ~↓9% over the last three weeks. This week, Drewry's "World Container Index" decreased by a substantial ↓8% (\$325) to \$3 689 per 40-ft container²³, as the composite index is ↓64% below the spot prices quoted this time last year (which was, incidentally, the peak of \$10 377). However, more importantly, it has dipped below the five-year average (↓1%) of \$3 723:

²² Wackett, M. 05/10/2022. [Dramatic cuts to services as lines battle to hang onto 'super-cycle' profits.](#)

²³ Drewry. 06/10/2022. [World Container Index.](#)

Figure 17 – World Container Index – assessed by Drewry (\$ per 40 ft. container)



Source: [Drewry Ports and Terminal insights](#)

The expectations are for the rates to continue to decrease and for the industry to normalise – probably slightly higher than pre-pandemic levels, which were around **\$1 600** to **\$1 800** per 40-ft container. Nevertheless, the "break-even bar" will be much higher as carriers' bottom lines are under attack from soaring operating costs. For example, Hapag-Lloyd's transport expenses per TEU jumped **23%** in the first six months of 2022²⁴.

Concerning specific routes, six of the eight major routes are down weekly and annually, as the other routes – New York – Rotterdam – in both directions- are up weekly and annually. However, for the China-US West Coast trades, the spot price for a 40ft plunged **20%** this week, to **\$2 361**, compared with a typical premium rate a year ago of **\$20 000** – a two-thirds decline since May. In addition, ships are reported to be leaving Asia for the US west coast barely three-quarters full²⁵, despite aggressive blanking by carriers, and spot rates are on track to fall through the **\$2 000** watershed next week. The recent developments place shipping lines in interesting positions going into contract negotiations. Generally, the consensus is for both contract and spot rates to continue to decrease for now. Consequently, shipping lines' earnings will probably plunge by **↓80%** in 2023 and 2024 as the down-cycle hits following two years of unprecedented rises in freight and charter rates²⁶.

iv. Further developments of note

Apart from the overview provided above, there were some additional noteworthy developments this week:

²⁴ Wackett, M. 06/10/2022. [Rising costs push up breakeven bar for shipping lines as demand slumps.](#)
²⁵ Wackett, M. 07/10/2022. [Spot rate carnage could result in more ships laid up, 'with worse to come'.](#)
²⁶ Dixon, G. & Evans, J. 07/10/2022. [HSBC: Slump in container shipping rates unavoidable.](#)

1. European Commission to decide whether to extend vessel-sharing exemptions:

- a. The European Commission (EC) is considering whether to extend the Consortia Block Exemption Regulation (CBER), which allows vessel-sharing. The closing date for evidence submission to the EC was 3 October, and the current CBER expires on 25 April 2024²⁷.
- b. The World Shipping Council (WSC), Asian Shipowners' Association (ASA) and International Chamber of Shipping (ICS) want the CBER renewed, claiming vessel-sharing helps reduce emissions, increases competition, and improves efficiencies. The lobbying groups added that vessel-sharing was a "purely operational measure", which expanded the range of destinations and services and reduced space on ships. However, ten associations, including the European Shippers' Council, Clecat, FIATA and Global Shippers' Forum (GSF), wrote to competition commissioner Margrethe Vestager calling for a "*change of the legislative framework in which the container shipping lines are able to cooperate, and therefore not for an (unaltered) extension of the de consortia block exemption regulation*". Developments will be closely monitored.

2. Multipurpose continued the decline in September:

- a. The Drewry "*Multipurpose Time Charter Index*" continued to decline over September, much faster than predicted²⁸. Spot rates in container and bulk sectors dropped between **10% and 30%** during the month, taking MPV Charter rates down with them.
- b. The latest analysis suggests rates fell over a basket of vessels by some **↓5,4%**, taking the index to an average of **\$10 075** per day. Predictions for October are similar; with increasing global uncertainty, small shifts in demand will weaken the market further, with the index likely to decline by a further **↓5%**.

3. Cosco bids for a stake in Hamburg's Container Terminal Tollerort (CTT):

- a. Uncertainty remains over the potential purchase of part of Hamburg's Container Terminal Tollerort (CTT) by Cosco, as German and EU authorities would decide whether Cosco should be allowed to purchase a **35% stake in CTT**, which, though small compared with Hamburg's other box terminals, is well-connected with the hinterland by rail²⁹.
- b. Concerns have arisen over Chinese ownership of European infrastructure since Cosco's acquisition of a **67%** stake in the Greek port of Piraeus. Scepticism over Chinese ownership of key European logistics infrastructure appears to be written into the remit of the 2020 EU framework for screening foreign direct investment (FDI).

c. Global air cargo industry

On Wednesday, 5 October, the International Air Transport Association (IATA) published its quarterly review of the industry's passenger, cargo, and financial performance³⁰. During the third quarter, air cargo continued to outperform passenger traffic compared to their respective 2019 levels; however, the industry has seen a slight slowdown in cargo tonne-kilometres (CTKs) growth over the third quarter. The following side-by-side figures indicate trends of **(1)** the cargo market over the last five years and **(2)** the respective growth of the cargo and passenger (measured in revenue passenger kilometres – RPKs) markets since 2020:

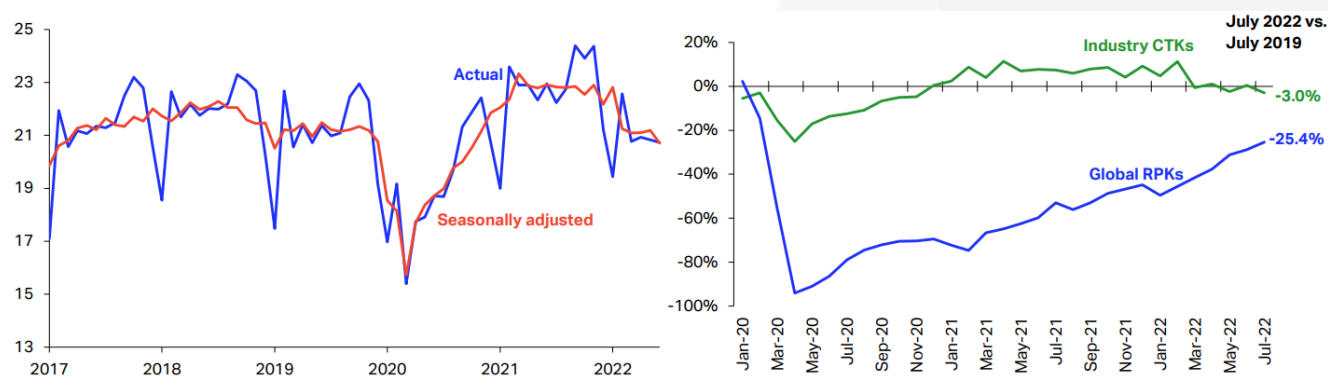
²⁷ Lennane, A. 04/10/2022. [Shippers demand change as battle lines are drawn over EC review of CBER.](#)

²⁸ Drewry. 07/10/2022. [Multipurpose Time Charter Index - Oct 22.](#)

²⁹ Bartlett, C. 07/10/2022. [Cosco bid for stake in Hamburg box terminal still hangs in the balance.](#)

³⁰ IATA. 05/10/2022. [Quarterly Air Transport Chartbook Q3 2022.](#)

Figure 18 – Industry CTks (billions per month) and cargo versus passenger markets (pre-pandemic level)



Source: [IATA](https://www.iata.org)

Despite this strong performance, IATA warns that cargo traffic is not immune to the slowdown in global GDP growth nor the rising inflation rates and energy costs, and consequently declined by **↓3.0%** (y/y) in July. Nevertheless, global trade has shown signs of recovery, driven by strong cargo volumes in Latin America, Europe, and China. Global new export orders – a component of the purchasing managers index, PMI – are a leading indicator of demand for air cargo shipments with a strong positive correlation to CTks historically. However, after the boom in export orders seen in 2021, the view of the purchasing managers is that orders have stabilised around the current level. Moreover, sanctions against Russia have disrupted manufacturing activity, causing export orders to diminish in Q3 2022 for major European exporters such as Germany. On the other hand, Chinese export orders are holding above the 50-mark (which is the baseline for export orders), showing a degree of resilience in this market despite the remaining lockdowns that are part of the country's zero-COVID policy.

The war has curtailed any possible growth in European cargo capacity and significantly disrupted services in that region. Elsewhere, capacity constraints are less pronounced, as global available CTks are growing with the incoming belly capacity as passenger markets continue to rebound. Moreover, with the increased capacity (also in the form of standard freighters), global capacity is close to the 2021-high. Nevertheless, after a period of record-high load factors, the capacity growth has dampened load factors which continue to develop sideways. Lastly, with slower growth in global trade, global capacity might exceed cargo demand in the coming months, putting some pressure on airline yields. However, specific cargo routes remain capacity-constrained, and load factors mask volume-constrained cargo flights.

In other cargo news, air freight rates continue to decline, with Freightos reporting that transpacific prices have fallen **↓32%** (m/m) to half the level of a year ago, while China-Europe rates have dropped **↓19%**³¹. Elsewhere, an **\$18 billion redevelopment project** of obsolete warehouses at Los Angeles International Airport is finally underway after city officials recently requested proposals for the wholesale redevelopment of 27 cargo buildings³².

³¹ Lennane, A. 04/10/2022. ['Parcelisation' the next big thing as B2B e-commerce sparks change in air cargo.](#)

³² Kulisch, E. 06/10/2022. [LAX solicits proposals for massive cargo redevelopment.](#)