

## COVID-19: Cargo movement update<sup>1</sup>

**Date: 22 July 2022**

### Weekly Snapshot

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

Flows	Current <sup>2</sup>			Previous <sup>3</sup>			Growth
	Import	Export	Total	Import	Export	Total	
Port Volumes (containers)	24 881	26 955	51 836	22 522	28 481	51 003	↑2%
Air Cargo (tons)	4 579	2 369	6 948	5 281	2 360	7 641	↓9%

### Monthly Snapshot

Figure 1 – Monthly<sup>4</sup> cargo volume levels, year on year (100% = baseline)

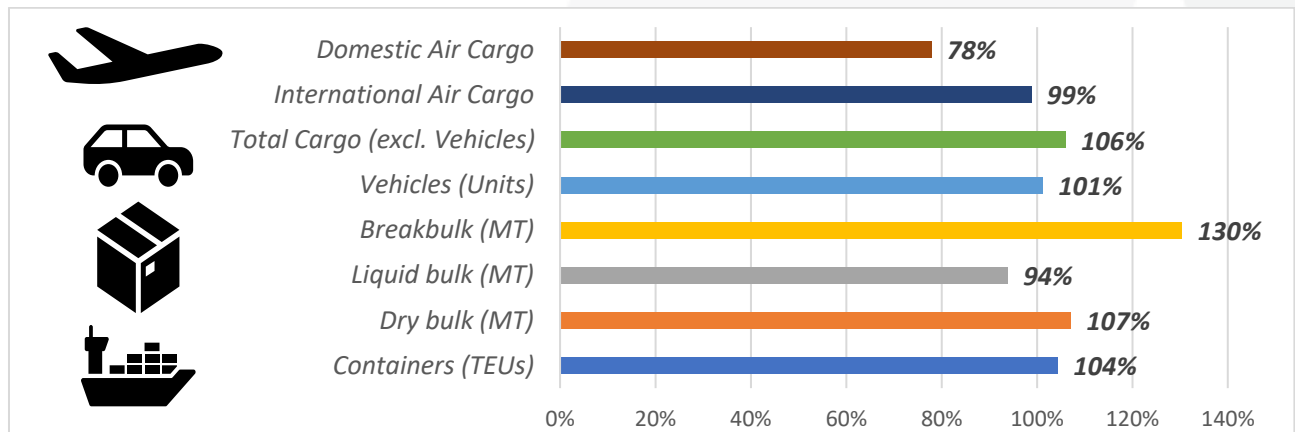
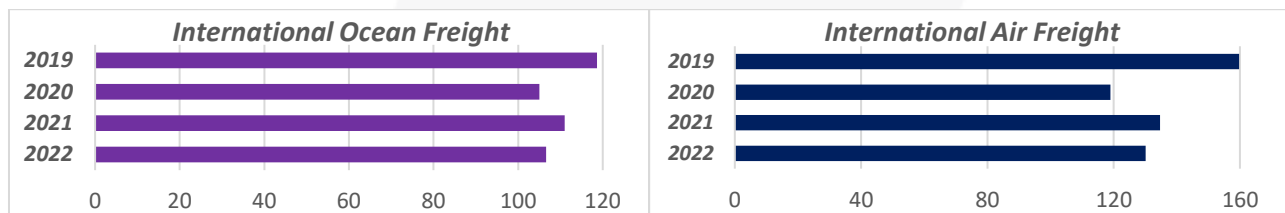


Figure 2 – Global year-to-date flows 2019-2022<sup>5</sup>: ocean, y/y (metric tonnes) & air freight, y/y (kg millions)



### Key Notes

- An average of **~7 405 containers** was handled per day, with **~8 460 containers** projected for next week.
- Rail cargo handled out of Durban amounted to **696 containers**, **↓56%** compared to last week.
- This week, cross-border queue times **↓13,5 hours**, with transit times **↑1,4 hours** (see [below](#)).
- The "WCI" declined for the 21<sup>st</sup> straight week, with spot rates **↓2,6%** (or **\$179**) – to **\$6 820** per 40-ft.
- US container imports to the top 10 US ports are up **↑5,9%** (y/y) to **2,16 million TEUs** in June.
- For air transport, many passenger transport lanes are nearing pre-pandemic levels: US (**91%**), EU (**73%**), with SA at **62%** and trending upwards.

<sup>1</sup> 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 97<sup>th</sup> update.

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

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

<sup>4</sup> 'Monthly' means the last full month's worth of available data compared to the same month in the previous year. All metrics: Jun vs Jun.

<sup>5</sup> For ocean, total Jan-Jun cargo in metric tonnes, as reported by [Transnet](#) is used, while for air, Jan-Jun cargo to and from ORTIA is used.

## Executive Summary

This update – *the 97<sup>th</sup> of its kind* – contains a consolidated overview of the South African supply chain and the current state of international trade. Port operations this past week were mainly characterised by issues relating to equipment breakdowns leading to shortages, congestions, and operational stoppages. Our commercial ports, besides Durban, were not generally busy or congested; however, equipment availability remains an issue, while the Durban port experienced some congestion due to the ongoing Bayhead Road bottleneck and labour-related stoppages. In addition, the Eastern Cape ports are still making alternative plans to soften the blow of load-shedding, having little or no generator backup.

The fuel supply issue regarding the helicopter at the Durban port was resolved with the supplier earlier this week. However, during the latter stages of the week, it was reported that the helicopter was out of commission due to component repairs that needed to be executed. In addition, weather conditions were relatively mild this week, with no delays being reported directly due to the weather. The delays experienced were primarily attributed to equipment breakdowns, congestion in Durban and the strike at pier two during the latter stages of the week. TFR announced earlier this week that one line on the container corridor was brought back into commission after the derailment that occurred last week. Investigations are still ongoing, and the estimated time of the return of the second line will be communicated in due course.

On the international shipping side, container freight rates continue with their steady descent, as carriers are now forced to offer discounts on contract rates to keep volume high. In addition, further schedule blanking has also been touted as a tactic to maintain the carriers' prolonged financial windfall. These tactics have been used since the expected peak season volumes have been "*nowhere close to what we have seen in either the second half of 2020 or all of 2021*", despite record volumes handled in the US. Further developments of note included **(1)** US Ocean Shipping Reform Act 2022, **(2)** 18 significant economies' responses to alleviate near-term transportation, logistics, and supply chain disruptions and bottlenecks, **(3)** CMA CGM's gesture to lower freight rates to cover windfall tax, and **(4)** US containerised imports keep record pace in June (see [below](#)).

South Africa's international air cargo decreased slightly this week (**↓9%**), while domestic air cargo is also down slightly (**↓9%**). However, the recovery continued this week (11 to 17 July) on the passenger side, with the domestic passenger at **~75%** and international at **~62%** compared to 2019 levels, in line with international trends. IATA provided an interesting update on the strong air transport recovery, with many passenger transport lanes now nearing pre-pandemic levels. However, the industry faces new challenges, including high energy prices and labour shortages.

On the road freight front, cross-border transit times for South African borders averaged **14 hours (↓7% w/w)** this week, as delays continue at Groblersbrug, Kasumbalesa, Kopfontein and Lebombo. Apart from regional cross-border blockages, this week's main headline regionally is that the queue at Kasumbalesa – which has existed for the last four months – has finally been cleared. Nevertheless, crossing the border is still averaging 65 hours at the gate. Further developments for road transport included **(1)** further labour disruptions due to wage disputes and **(2)** RTSA agreeing to waive the penalties for rerouting to Sakania.

In conclusion, as ordinary South Africans are trying to come to terms with the highest inflation rates in 13 years (**↑7,4%**, mainly driven by rising transport and food prices<sup>6</sup>) and another massive hike in interest rates<sup>7</sup>, we can but hope that the ongoing freight rate moderations for containerised goods continue to exert some downward pressure on inflation. But unfortunately, our industry continues to struggle with mediocre port performance, low container throughput levels, infrastructure bottlenecks, labour issues at the borders and

<sup>6</sup> Stats SA. 21/07/2022. [Consumer inflation surges to a 13-year high](#).

<sup>7</sup> SARS. 21/07/2022. [MPC interest rate decision – 21 July](#).

the ports, and low levels of trust among stakeholders. And our collective confidence in resolving these industry constraints is not gathering momentum when the NPA's Andrea Johnson made waves this week by saying that "*it will take years to fix Transnet*". These sentiments do not bode well for the immediate future; however, just as these weekly reports were born out of a collaboration between multiple stakeholders, all role players must play their part in rebuilding our industry and economy.

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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 16 to 22 July<sup>8</sup>

7-day flow forecast (16/07/2022 – 22/07/2022)		
TERMINAL	NO. OF CONTAINERS <sup>9</sup> TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	2 834	3 670
DURBAN CONTAINER TERMINAL PIER 2:	9 635	10 703
CAPE TOWN CONTAINER TERMINAL:	5 623	5 171
NGQURA CONTAINER TERMINAL:	5 873	4 631
GQEERHA CONTAINER TERMINAL:	916	2 780
<b>TOTAL:</b>	<b>24 881</b>	<b>26 955</b>

Source: Transnet, 2021. Updated 22/07/2022.

Table 3 – Container Ports – Weekly flow reported for 23 to 29 July

7-day flow forecast (23/07/2022 – 29/07/2022)		
TERMINAL	NO. OF CONTAINERS TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	4 050	5 890
DURBAN CONTAINER TERMINAL PIER 2:	11 429	14 123
CAPE TOWN CONTAINER TERMINAL:	5 486	5 514
NGQURA CONTAINER TERMINAL:	2 982	7 087
GQEERHA CONTAINER TERMINAL:	1 214	1 447
<b>TOTAL:</b>	<b>25 161</b>	<b>34 061</b>

Source: Transnet, 2021. Updated 22/07/2022.

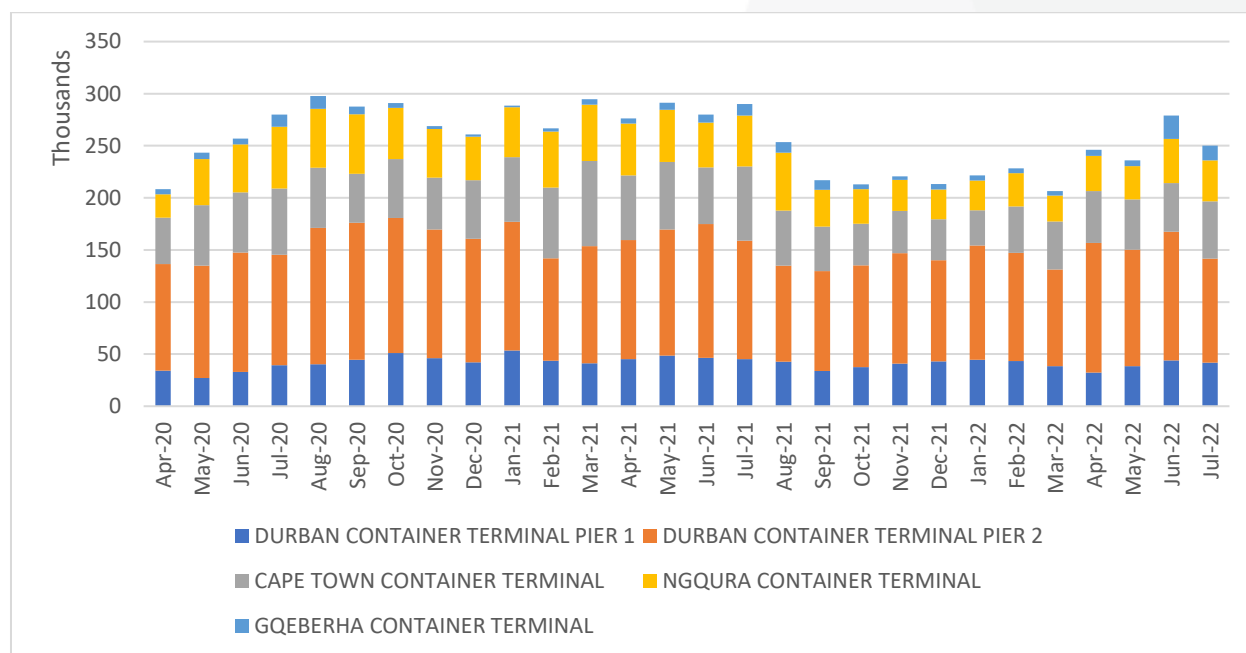
An average of **~7 405 containers** (**↑2%**) was handled per day for the last week (16 to 22 July, Table 2), compared to the projected average of **~8 423 containers** (**↓12%** actual versus projected) noted in last week's report. An increased average of **~8 460 containers** (**↑14%**) is projected to be handled next week (23 to 29 July, Table 3). Port operations this past week were typified by issues relating to equipment breakdowns leading to shortages, congestions, and operational stoppages (see the more detailed breakdown per port [below](#)).

<sup>8</sup> It remains important to note that a large percentage (approximately 44% 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.

<sup>9</sup> 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 move towards more 40' containers continues.

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

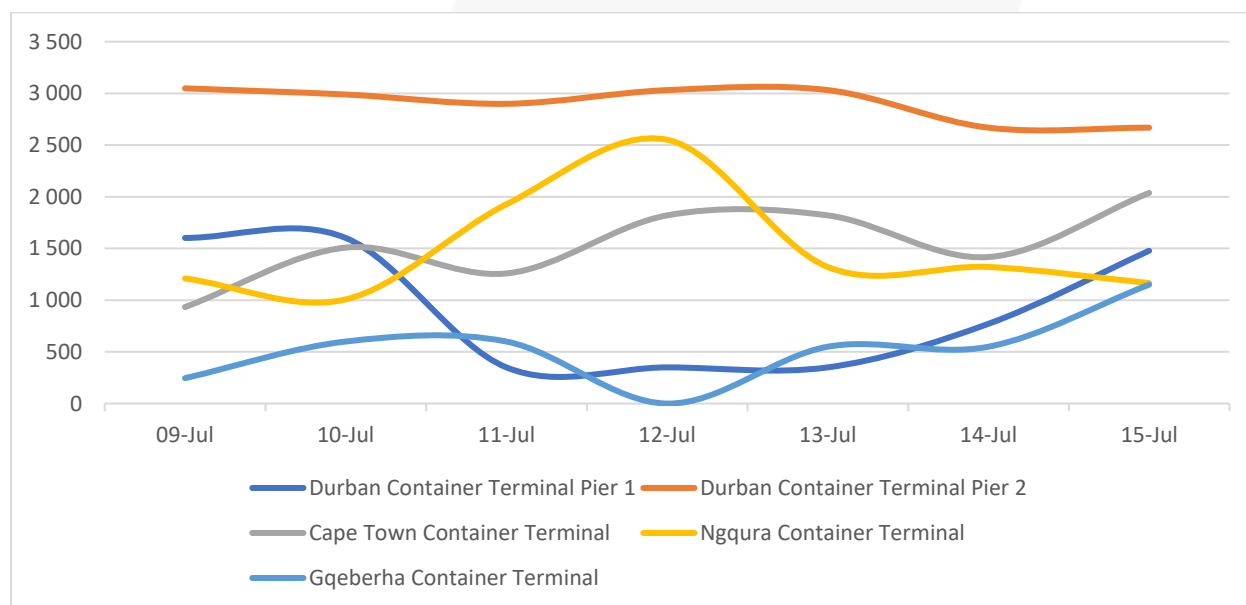
Figure 3 – Monthly flow reported for total cargo movement (containers April 2020 to present, m/m)



Source: Calculated using data from Transnet, 2022. Updated 22/07/2022.

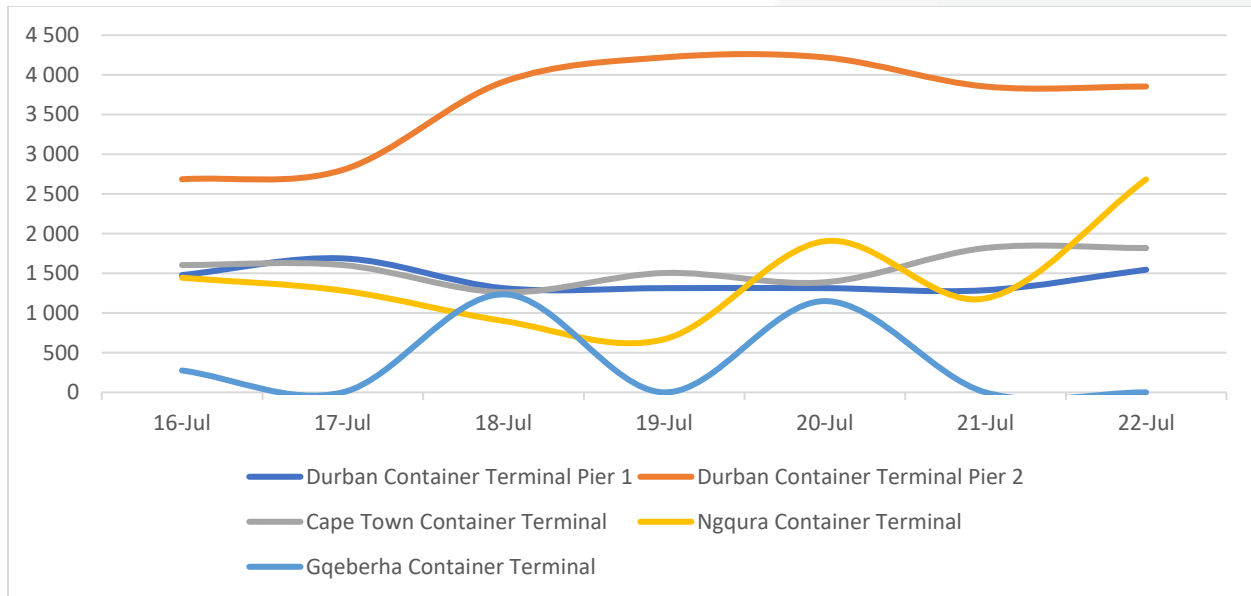
The figures below show the weekly container flows for the previous seven days and projections for the next seven days.

Figure 4 – 7-day flow reported for total container movements (16 to 22 July; per port; day on day)



Source: Calculated using data from Transnet, 2022. Updated 22/07/2022.

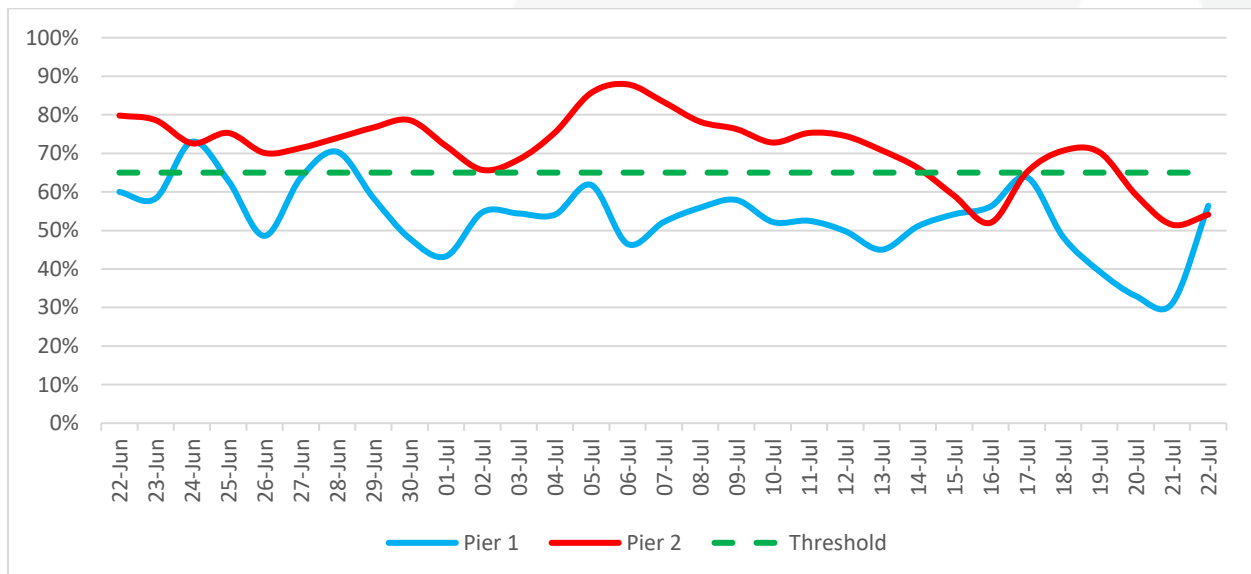
Figure 5 – 7-day forecast reported for total container movements (23 to 29 July; per port; day on day)



Source: Calculated using data from Transnet, 2022. Updated 22/07/2022.

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

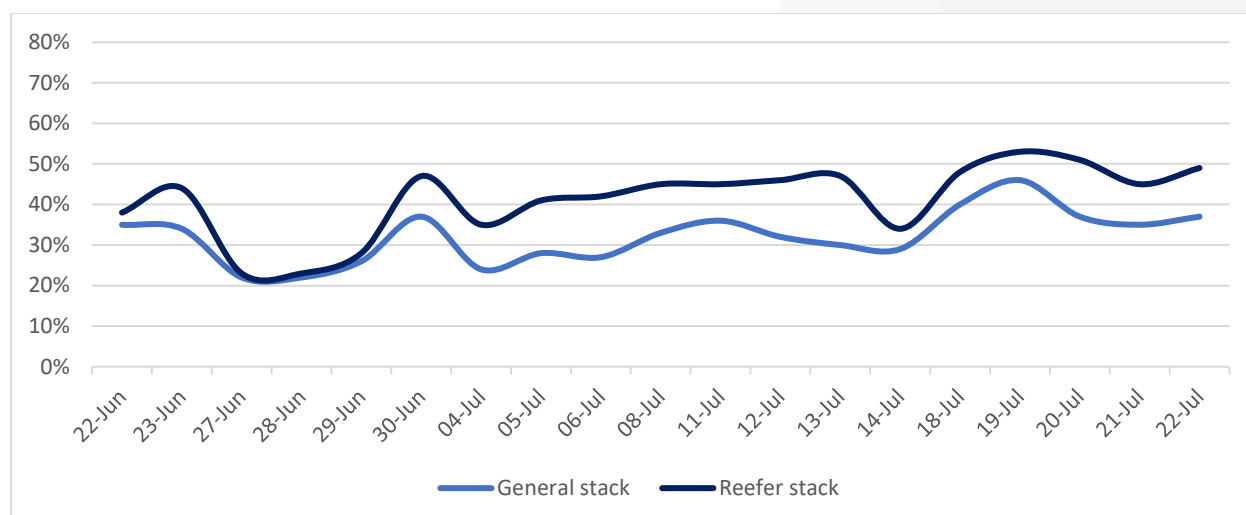
Figure 6 – Stack occupancy in DCT, general-purpose containers (22 June to present; per pier; day on day)



Source: Calculated using data from Transnet, 2022. Updated 22/07/2022.

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

Figure 7 – Stack occupancy in CTCT, general-purpose, and reefer containers (21 June to present, day on day)



Source: Calculated using data from Transnet, 2022. Updated 22/07/2022.

## 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 experienced a good week, with no incidents or delays due to weather conditions. However, the port was not exempt from other delays as there were regular equipment breakdowns throughout the week. On Wednesday, operations were halted for approximately 45 minutes due to system issues, while faulty reefers led to the delayed sailing of the MSC Domitille on Thursday. It must be said that the latter cannot be held against port management but was rather due to shipping line equipment failure.

Durban also experienced a fine week in terms of weather; however, intermittent equipment breakdowns were experienced throughout the week, while high stack occupancy resulted in the loss of fluidity and some delays at pier two on Monday. Tipper trucks also caused severe congestion on Bayhead Road on Monday, which delayed employees gaining entry to the port. As a result, operations could only resume at 10:00 after all employees had reported for duty. On Wednesday, two trucks broke down at the terminal exit creating a backlog within the terminal, while an operational stoppage was experienced on the 06:00 shift on Thursday due to a strike. TNPA, however, acted swiftly, and the matter was resolved efficiently.

Regarding the derailment reported by TFR last week, line two was returned to service over the weekend and is currently in use. However, challenges and delays are still experienced with only one line available for use. TFR has advised that investigations are still ongoing and that the estimated time of return for line one will be communicated in due course, but informed opinion suggests that the second line may only be re-opened in September

The Eastern Cape got through the week unscathed, with no delays or severe weather conditions reported.

### ii. Cape Town

On Wednesday, CTCT recorded three vessels at outer anchorage and three vessels at berth worked by seven gangs, seven STS cranes, 22 RTGs, and 43 hauliers. Stack occupancy for GP containers was 37%, reefers 51%



and empties 44%. In the latest 24-hour period to Thursday, the terminal managed to handle 2 660 TEUs across the quay. In addition, the terminal serviced 1 319 external trucks on the landside. Marine resources were fully complemented with three tugs, three berthing gangs and five pilots in operation in the 24 hours leading to Thursday. Dredging at berth 601 was completed during the week, and as a result, the shore tensioners were connected to the berthing vessel on Wednesday.

Cape Town MPT on Thursday recorded zero vessels at anchor and one at berth. In the latest 24-hour period to Friday, the terminal managed to handle 123 truck visits at a truck turnaround time of 18 minutes. Stack occupancy was recorded at 13% for GP containers, 22% for reefers and 6% for empties.

### **iii. Durban**

Pier 1 on Friday recorded two vessels at berth, manned by five gangs, and none at anchor. Stack occupancy was 56% overall, with 1 488 imports on hand, 420 reefers and 129 unassigned units. The terminal recorded 1 006 gate moves on the landside, with 701 cancelled slots and 113 wasted. Over the week, the terminal recorded an average of 16 RTGs available.

On Wednesday, Pier 2 had four vessels at berth and one at anchorage. In the most recent 24 hours to Friday, the terminal managed to handle an impressive 3 818 TEUs across the quay. Stack occupancy was 59% overall. The terminal had between 79 and 86 straddles in operation throughout the week, manned by 11 gangs. Crane 534 made its long-awaited return this week after a prolonged outage, while crane 522 is still undergoing hoist wire repairs and a digital update and is expected back in commission by Monday. The hoist wire repairs on crane 520 are expected to conclude on Friday and be back in commission by Sunday, while the trolley wheel replacement on crane 531 should be completed over the weekend to ensure that the crane is back in commission on Sunday. The terminal recorded 3 230 gate moves on the landside with an average TTT of 108 minutes and a staging time of 184 minutes. A total of 174 rail import containers were on hand, with 170 TEUs moved by rail.

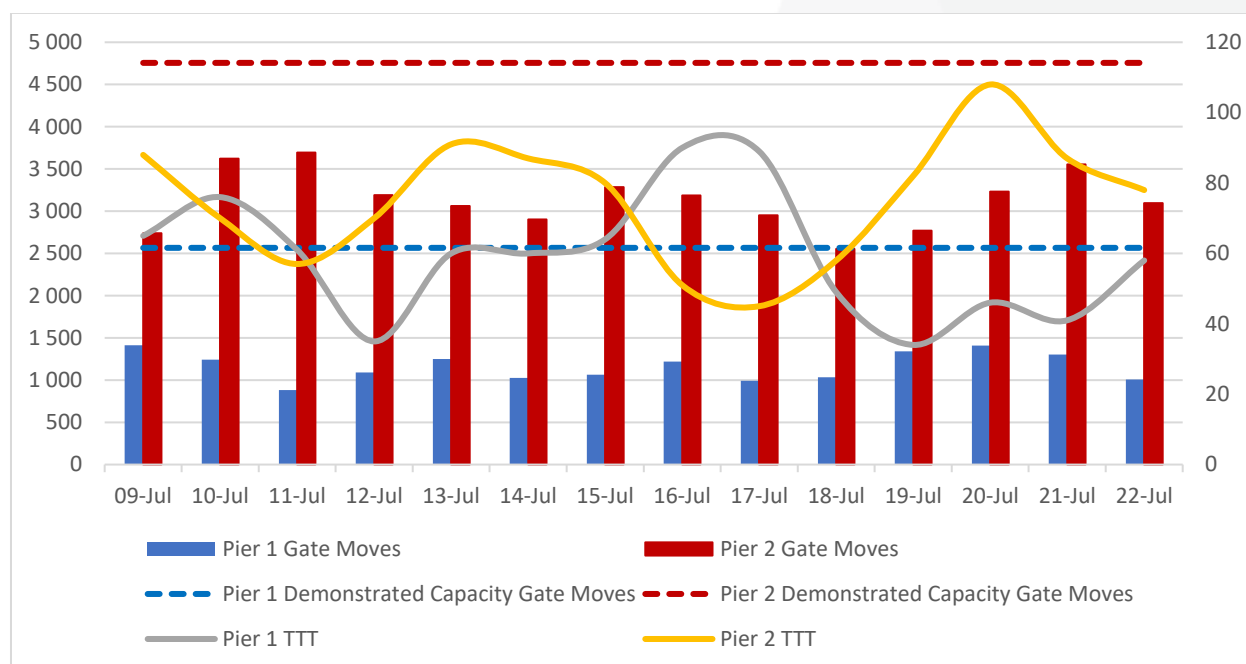
The fuel supply issue regarding the Durban port helicopter was resolved with the supplier earlier this week. However, during the latter stages of the week, it was reported that the helicopter was out of commission due to component repairs that needed to be carried out.

Earlier this week, Transnet also issued a notice of intention to change the current import-free storage business rule within the Durban container terminals. The rule will reduce free storage days on import containers from the previous five days to the proposed 3,25 days. Transnet aims to implement the new rule from 01 September 2022 for pier two and 01 October 2022 for pier one.

The port of Richards Bay announced earlier this week that from 01 August 2022, its helicopter will be utilised in night shift operations to assist ships with the berthing process.

The following figure summarises the port 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 22/07/2022.

#### iv. Eastern Cape ports

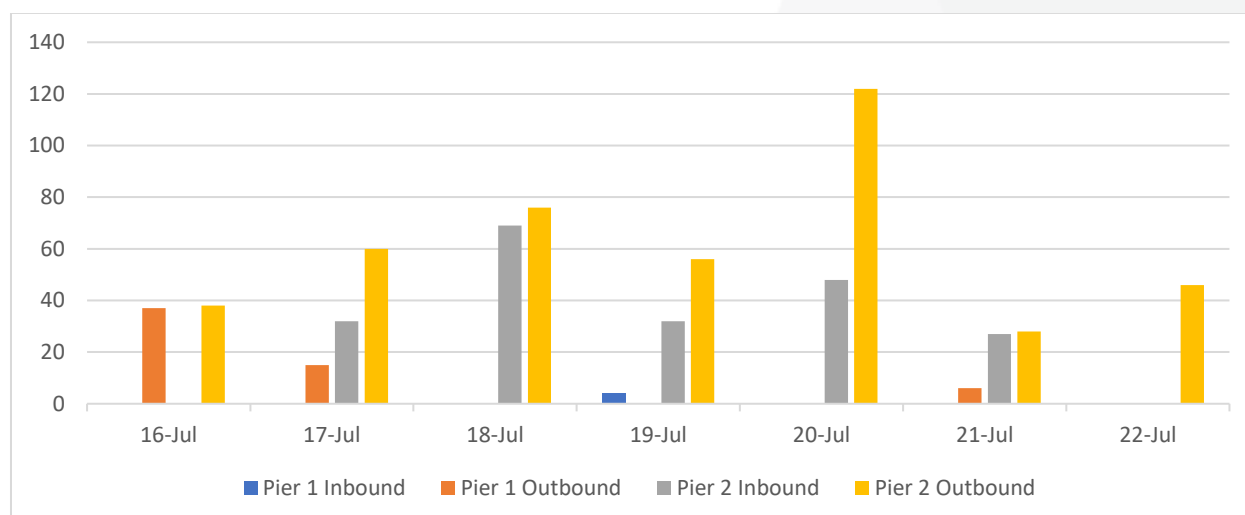
GCT on Thursday recorded three vessels alongside, one vessel at anchorage, and two at berth. Regarding marine resources, two tugs, one pilot boat, two pilots, and one berthing gang were in operation in the 24 hours leading to Friday. Regarding performance leading to Friday, stack occupancy was 60% for GP containers and 61% for reefers.

NCT had four vessels alongside, operated by three gangs, and two at outer anchorage on Friday. The terminal handled 2 456 TEUs across the quay. Stack occupancy for GP containers was 48%, with reefers at 47% and reefer ground slots at 67% capacity. The terminal serviced 651 trucks on the landside with an average TTT of 24 minutes.

#### v. Transnet Freight Rail (TFR)

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 22/07/2022.

In the last week (16 to 22 July), rail cargo handled out of Durban was reported at **696** containers, **↓56%** from the previous week's **1 598** containers.

#### vi. General

The head of the Investigative Directorate at the National Prosecuting Authority (NPA), Andrea Johnson, made waves this week by saying that *"it will take years to fix Transnet"*<sup>10</sup>. This reality is because South Africans are unaware of *"how many components of Transnet were actually looted"* by the Guptas during President Zuma's tenure. These remarks were made in response to accusations that the process of prosecuting those implicated in corruption has been too slow. However, Johnson said that the NPA prioritised prosecutions as the overall corruption picture was immense.

These realities perhaps provide some context as to why Transnet's performance has declined so drastically in the last decade, as shown by the excellent impartial report by Dr Khalid Bichou<sup>11</sup>. The report was commissioned as part of the SA-TIED programme and managed by the Operation Vulindlela unit based in the Presidency and National Treasury in South Africa. Collectively, the private sector can only hope that the recommendations are taken to heart. They include **(1)** introducing inter-port and intra-port competition, **(2)** formulating a coherent port policy, and **(3)** establishing policy guidelines for Private Sector Participation (PSP) and port concessions, among other recommendations. Transnet must revolutionise; otherwise, South Africa will continue to lose out to regional competitors, as has been the case in the last decade. Ultimately, the trade and logistics industry – and the South African economy as a whole – cannot afford to wait "years" for Transnet to be fixed.

## 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 11 July. For comparative purposes, the average air freight cargo (inbound and outbound) handled at ORTIA in July 2021 averaged **~731 461 kg** per day.

<sup>10</sup> White, R. 19/07/2022. [Failure to prosecute Guptas not an option - ID's Johnson](#).

<sup>11</sup> Bichou, K. 2021. [Development of a strategic plan for port performance improvement in South African container terminals](#).

Table 4 – International inbound and outbound cargo from OR Tambo

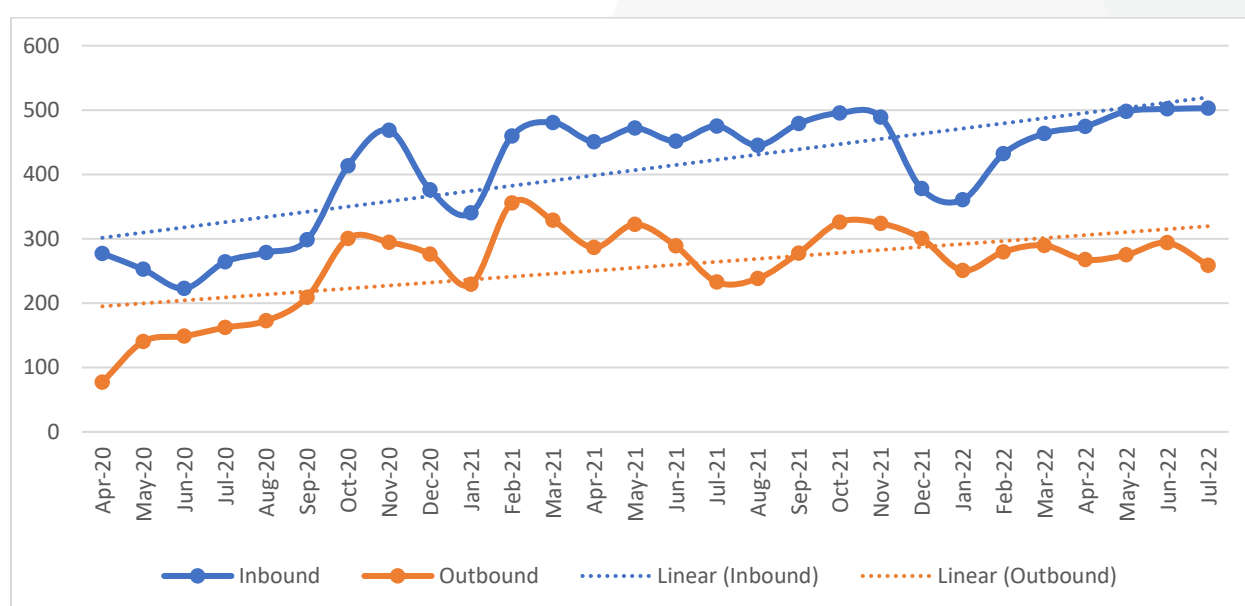
Flows	11-Jul	12-Jul	13-Jul	14-Jul	15-Jul	16-Jul	17-Jul
Volume inbound	529 279	353 530	295 448	446 894	352 494	277 691	950 100
Volume outbound	201 353	164 611	204 195	171 715	177 466	217 269	521 443
Total	730 632	518 141	499 643	618 609	529 960	494 960	1 471 543

Courtesy of ACOC. Updated: 18/07/2022.

The daily average volume of air cargo handled at ORTIA the previous week amounted to **457 919 kg** inbound and **236 865 kg** outbound, resulting in an average of **694 784 kg** per day or **~86%** compared with July 2021. Also, the level is currently at **~158%** compared with the same period in 2020.

The following figure shows the monthly global freight movement at ORTIA since the pandemic outbreak.

Figure 10 – International in – and outbound cargo from OR Tambo (thousands)



Courtesy of ACOC. Updated: 18/07/2022.

## 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 July 2021 was **~57 013 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 Average	21 367	2 954	2 929	24 288	5 501	2 742	59 780
Feb Average	30 276	4 291	4 213	28 370	7 835	3 428	78 412
Mar Average	27 325	3 677	3 504	19 611	6 946	3 069	64 131
Apr Average	22 637	2 934	2 787	14 870	5 311	2 627	51 165

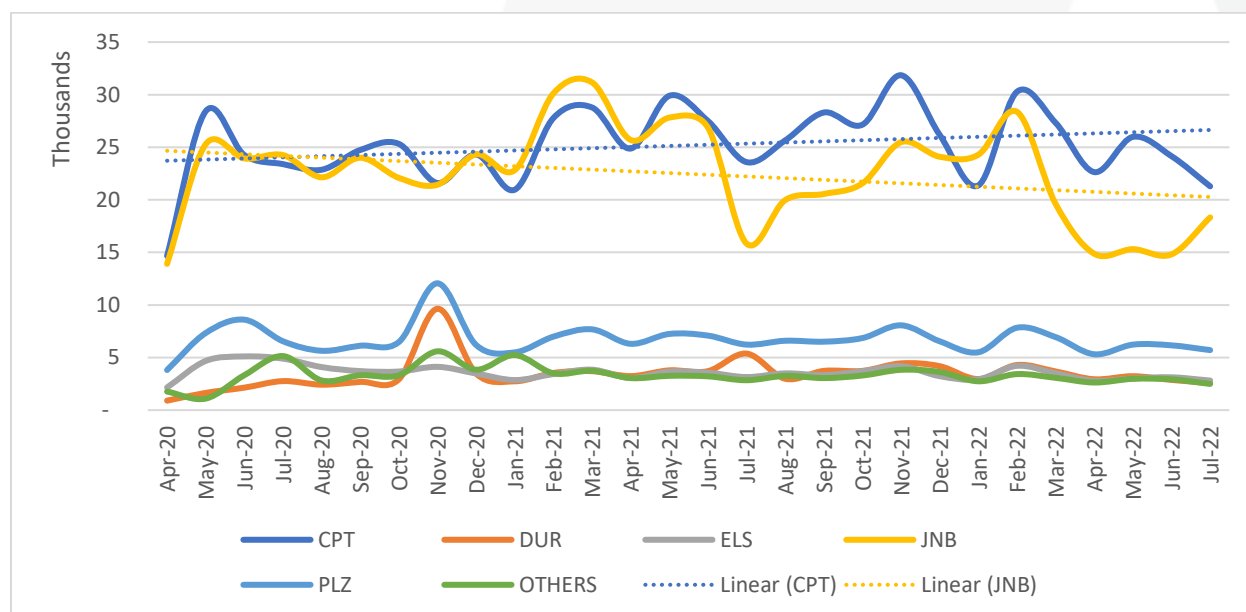
DATE / AIRPORT	CPT	DUR	ELS	ORTIA	PLZ	OTHERS	TOTAL
May Average	25 622	3 039	2 909	14 743	6 119	2 914	55 346
Jun Average	24 151	2 872	3 122	14 812	6 160	2 931	54 048
Jul Average	21 282	2 580	2 812	18 325	5 706	2 490	53 195
12-Jul-22	36 637	3 570	5 021	41 543	8 707	4 422	99 900
13-Jul-22	37 516	3 854	4 064	35 424	8 111	4 143	93 112
14-Jul-22	35 286	3 754	4 652	22 052	9 510	3 359	78 612
15-Jul-22	15 411	3 288	2 424	11 469	4 771	2 502	39 866
16-Jul-22	1 690	505	179	442	351	33	3 198
17-Jul-22	2 071	418	269	208	738	340	4 042
18-Jul-22	33 116	4 682	5 855	20 956	10 025	3 940	78 573
Total for 2022:	5 059 979	660 139	650 359	3 954 054	1 261 108	586 830	12 172 469

Courtesy of BAC. Updated: 19/07/2022.

The average domestic air cargo moved last week was ~**56 758 kg** per day, which is **↓4%** compared with the previous week and approximately the same levels compared to those in July 2021. Incidentally, Cape Town has increased a bit, and with the additional USA flights commencing soon, this will undoubtedly positively influence cargo volumes on that trade lane.

The following figure shows our commercial airports' monthly domestic freight movement since the pandemic outbreak.

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



Courtesy of BAC. Updated: 19/07/2022.

### 3. Road and Regional Update

#### a. Cross-border and road freight delays

The following events have caused some delays on roads in and around the SADC region this week:

- For South African borders, clearing times in the last week averaged around **14 hours (↓7% w/w)**, as industrial action by SARS employees continued to impact the cross-border movements as unions rejected the wage offer. For border posts clearing more than 300 trucks a day, these will continue to operate 24/7. Other border posts with less than 300 trucks a day will operate from 06:00 to 22:00 (instead of the normal 18:00).
- Regionally, Zambia's Road Transport & Safety Agency (RTSA) agreed to waive the penalties for rerouting to Sakania. Therefore, transporters whose cross-border permit says exit at Kasumbalesa only can still use Sakania and Mokambo without additional cost.
- Last week also saw DRC Customs put out a notice that they would be charging drivers for making use of the parking on the DRC side, which can amount up to \$200.
- During the last seven days, there were no closures of any South African borders. However, as is always the case, we encourage traders to stay abreast of border post communications as per the SARS [website](#).
- Transporters, traders, and cargo owners are still encouraged to use the non-tariff barrier (NTBs) [online tool](#) developed by UNCTAD and the AfCFTA Secretariate.

Apart from these developments, investigations continue into cross-border delays experienced at several other SADC border posts in the sub-region, with lengthy queuing times at Groblersbrug, Kasumbalesa, Kopfontein and Lebombo, resulting in ongoing delays.

*Table 6 – Delays<sup>12</sup> summary – Selected SADC borders*

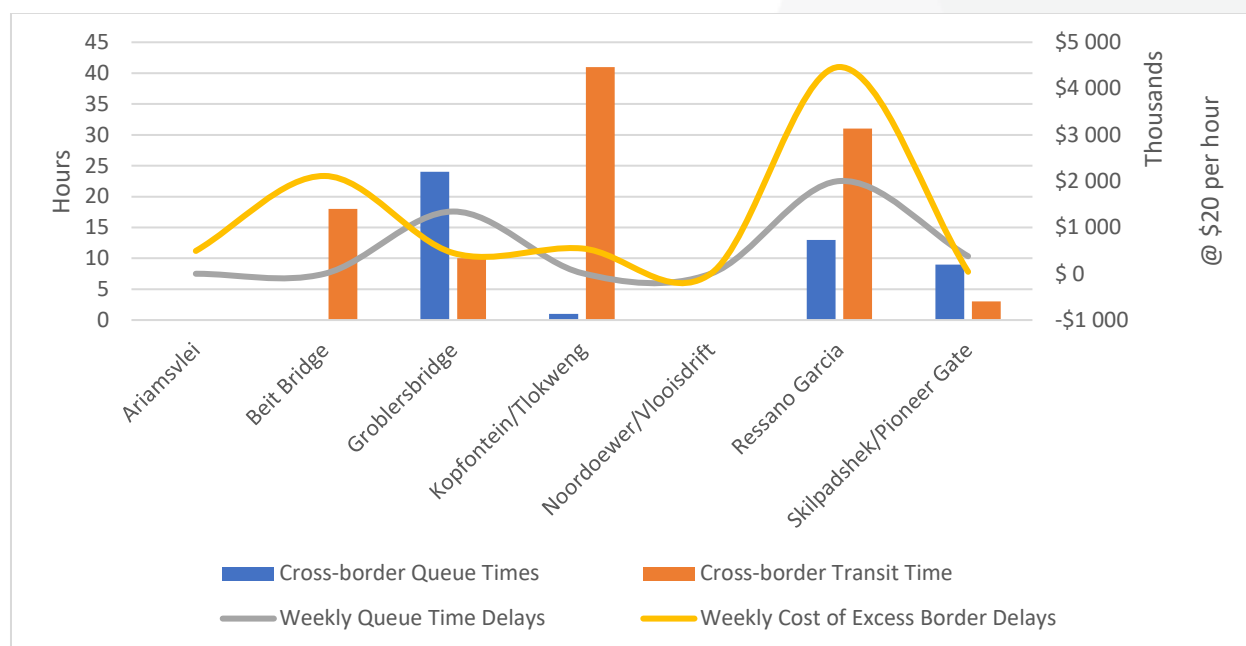
Countries	Border	Queue Time (hh:mm)	Border Time (hh:mm)	HGV Arrivals per day	HGV Tonnage per day	Weekly HGV Arrivals	HGV Delay Hours	Queue Time Delays
SA/Zim	Beitbridge	0:00	18:00	943	28 290	6 601	105 616	0
Moz/Zam	Cassacatiza/Mlolo	-	11:00	175	5 250	1 225	11 025	0
Zam/Zim	Chirundu	0:00	18:00	620	18 600	4 340	69 440	0
Moz/Mal	Dedza	2:00	22:00	50	1 500	350	7 000	700
SA/Bot	Groblersbrug/Martins Drift	24:00	10:00	400	12 000	2 800	22 400	67 200
Zam/DRC	Kasumbalesa	-	65:00	750	22 500	5 250	330 750	0
Zam/Bot	Kazungula	0:00	22:00	240	7 200	1 680	33 600	0
SA/Bot	Kopfontein/Tlokweng	1:00	41:00	100	3 000	700	27 300	700
Moz/Zim	Machipanda/Forbes	1:00	11:00	320	9 600	2 240	20 160	2 240
Moz/Mal	Nakonde/Tunduma	-	18:00	500	15 000	3 500	0	0
Zim/Moz	Nyamapanda	1:00	8:00	100	3 000	700	4 200	700
SA/Moz	Lebombo/Ressano Garcia	13:00	31:00	1 100	33 000	7 700	223 300	100 100
SA/Bot	Skilpadshek/Pioneer Gate	9:00	3:00	300	9 000	2 100	2 100	18 900
Nam/Bot	Trans Kalahari/Mamuno	-	1:00	100	3 000	700	0	0
Zam/Zim	Victoria Falls	1:00	4:00	114	3 420	798	1 596	798
Moz/Mal	Zobue/Mwanza	2:00	23:00	100	3 000	700	14 700	1 400
				<b>5 912</b>	<b>177 360</b>	<b>41 384</b>	<b>897 827</b>	<b>192 738</b>

*Source: TLC & FESARTA, week ending 18/07/2022.*

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

<sup>12</sup> 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.

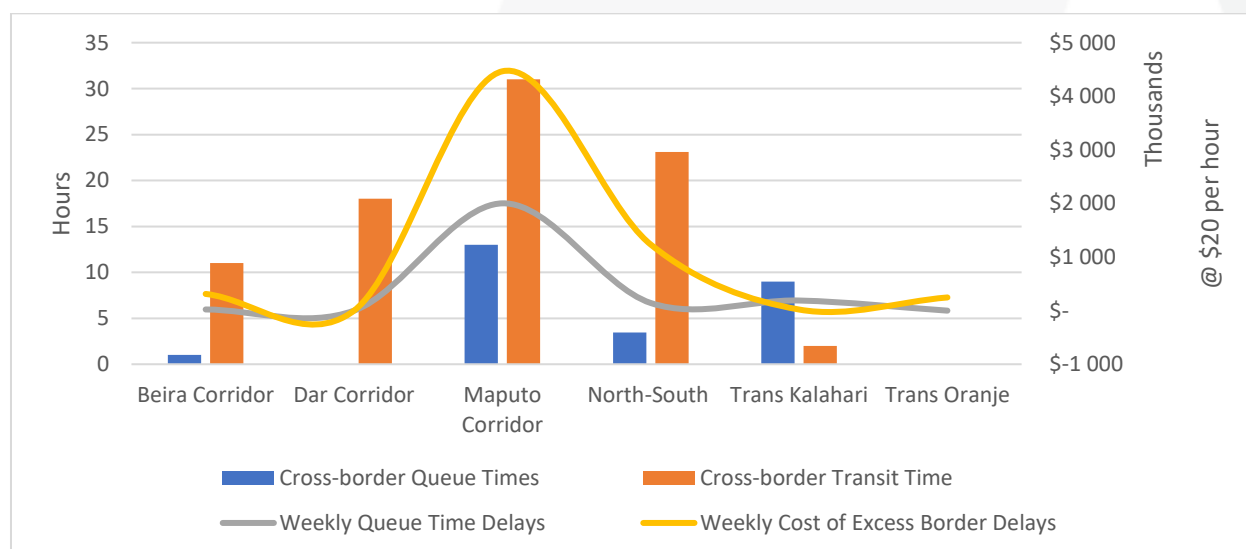
Figure 12 – Weekly cross-border delays & est. cost from a SA border perspective (hours & \$ thousands)



Source: TLC & FESARTA, week ending 18/07/2022.

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

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



Source: TLC & FESARTA, week ending 18/07/2022.

In summary, cross-border queue time has averaged **~3,9 hours** (down by **~13,5 hours** from the **~17,4 hours** recorded in the previous report), costing the transport industry an estimated **\$4 million (R62 million)**. Furthermore, the week's average cross-border transit times hovered around **~18 hours** (up by **~1,4 hours** from the **~16,6 hours** recorded in the previous report), costing the transport industry **\$18 million (R265 million)**. As a result, the total cost for the week amounts to an estimated **~R349 million** (down by **~R280 million** or **↓45%** from **R649 million** in the previous report). This week's primary contributor to the



movement has been that the massive queues at Kasumbalesa – which have lasted for the best part of the last four months – have finally been cleared.

## 4. International Update

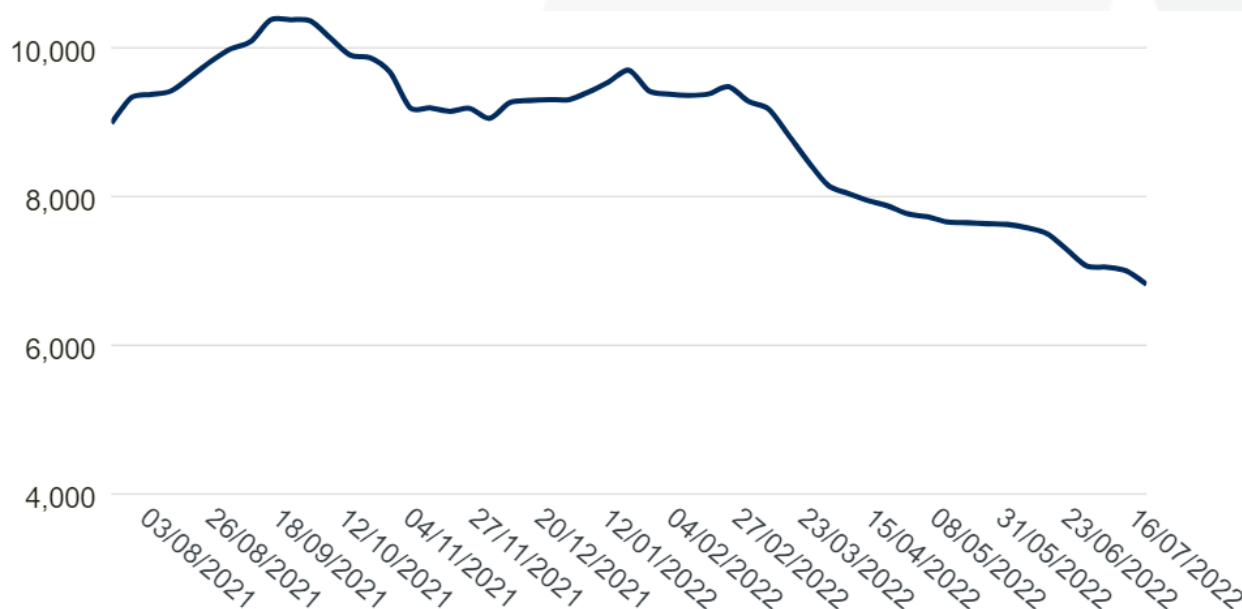
The following section provides some context around the global economy and the subsequent impact on trade, including an update on **(a)** the global shipping industry and **(b)** the global air cargo industry.

### a. Global shipping industry

#### i. Global container freight rates

For the 21<sup>st</sup> straight week, global container freight rates continued declining, as Drewry's "World Container Index" decreased – albeit only marginally at **↓2,6%** (or **\$179**) – to **\$6 820**<sup>13</sup> per 40-ft container this week<sup>14</sup>. The ongoing decrease in spot rates has resulted in carriers offering discounts on contract rates, as the peak season volumes have been "nowhere close to what we have seen in either the second half of 2020 or all of 2021"<sup>15</sup>. The long-term average still remains high – as the YTD average stands at **\$8 269** per 40ft container, **\$4 715** higher than the five-year average of **\$3 554** – but has been falling in line with the spot rates for a while now. In summary, the composite index is **↓24%** (y/y) compared to this time last year:

Figure 14 – World Container Index – assessed by Drewry (\$ per 40 ft. container)



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

On the major East-West trade lanes, six of the eight routes fell – the most significant change occurring on the Shanghai – Genoa route, down by **↓5%** (w/w). The ongoing rate moderation has the market in a "wait and see" mood. High inventory levels and the rising cost of living are keeping a natural lid on demand at this point. So, the atmosphere is rather bearish, only being helped by the blank sailings carriers bring to try and keep rates at elevated levels<sup>16</sup>. This situation can be seen by the ongoing blanking of schedules<sup>17</sup>, which has particularly increased in Northern Europe. In addition, ocean carriers are busy adjusting their networks after a two-day 'warning strike' by German port workers ended on 16 July<sup>18</sup>. While the general understanding

<sup>13</sup> Note, there was an error in last week's report: The WCI dropped to **\$6 999**, and not **\$7 999** as incorrectly shown.

<sup>14</sup> Drewry. 21/07/2022. [World Container Index](#).

<sup>15</sup> Wackett, M. 22/07/2022. ['Lines banging on our door' as spot rates tumble and peak season disappoints](#).

<sup>16</sup> Miller, G. 16/07/2022. [Container shipping spot rates still falling: What will be the new normal?](#)

<sup>17</sup> Whelan, S. 18/07/2022. [Blank sailings holding down spot rates as China to Europe space tightens](#).

<sup>18</sup> Wackett, M. 18/07/2022. [Carriers 'reschedule' schedules as German ports get back to work, temporarily](#).



might be that blank sailings are made across the board, the reality is that carriers target certain services and trade lanes, by choice, either due to the value of cargo on certain routes or by virtue of the ports they call, or any other external factor<sup>19</sup>. Nevertheless, Drewry expects rates to continue to fall in the near term.

## ii. Further developments of note

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

### 1. US Ocean Shipping Reform Act 2022 – FIATA guide for freight forwarders:

- a. On Thursday, 16 June, US President signed the "*Ocean Shipping Reform Act of 2022*" into law<sup>20</sup>, which authorises appropriations for the Federal Maritime Commission (FMC) for fiscal years 2022 through 2025.
- b. On Tuesday, 19 July, FIATA published a paper<sup>21</sup> to aid forwarders in their understanding of the bill, with the following key points raised:
  - i. Incomplete invoice or unreasonable detention and demurrage charges will not have to be paid.
  - ii. Additional compliance for NVOCCs if they impose charges in addition to those originating from ocean carriers and terminals. Therefore, invoice any administrative fees clearly and separately.
  - iii. Carrier retaliation is prohibited, as the new rulemaking on unreasonable refusal to deal or negotiate concerning vessel space will be in force by the end of 2022.
  - iv. The FMC can facilitate dispute resolution when the ocean carrier is not responding to shipper concerns.
- c. The publication of FMC findings on violations of OSRA 2022 will help consolidate evidence of unfair practices by ocean carriers. In addition, FIATA encourages regional regulators to investigate using similar methods. Finally, FIATA has called for decisive action from its freight forwarder members during the "*limited time window*" offered by the Reform Act to participate in regulatory discussions for a fairer supply chain<sup>22</sup>.

### 2. The US and 17 partner economies join forces to alleviate supply chain disruptions:

- a. On the occasion of the Supply Chain Ministerial Forum, 18 major economies intend to work together on crisis response to alleviate near-term transportation, logistics, and supply chain disruptions and bottlenecks. Furthermore, the Forum wishes to address the long-term resilience challenges that make our supply chains vulnerable and cause spillover effects for consumers, large and small businesses, workers, and families<sup>23</sup>.
- b. The 18 economies include Australia, Brazil, Canada, the Democratic Republic of the Congo, the European Union, France, Germany, India, Indonesia, Italy, Japan, Mexico, the Netherlands, the Republic of Korea, Singapore, Spain, and the UK, and the US.

### 3. French-carrier CMA CGM's gesture to lower freight rates to cover windfall tax:

- a. Observers have suggested that CMA CGM's seemingly patriotic gesture last month to lower domestic ocean freight rates was merely a pre-emptive move to offset the possibility of the French government introducing a windfall tax on 'super' profits<sup>24</sup>.
- b. Last year, it made profits of **€16 billion**, a tenfold increase from the previous year. However, the tax it paid, €325m, was only a multiple of three because the company was not taxed on

<sup>19</sup> Murphy, A. 20/07/2022. [Alliances have preferential services for blank sailings.](#)

<sup>20</sup> White House. 16/06/2022. [Bill Signed: S. 3580.](#)

<sup>21</sup> FIATA. 19/07/2022. [The US Ocean Shipping Reform Act 2022.](#)

<sup>22</sup> Bartlett, C. 20/07/2022. [FIATA warns forwarders: shipping reform act offers 'limited window' for action.](#)

<sup>23</sup> US Department of State. 20/07/2022. [Joint Statement on Cooperation on Global Supply Chains.](#)

<sup>24</sup> Todd, S. 20/07/2022. [CMA CGM French rate discount a bid to avoid threat of 'windfall tax'?](#)

turnover but its net tonnage. In the first quarter of the current year, CMA CGM posted a net profit of **\$7,2 billion**, again surpassing its major ocean freight rivals.

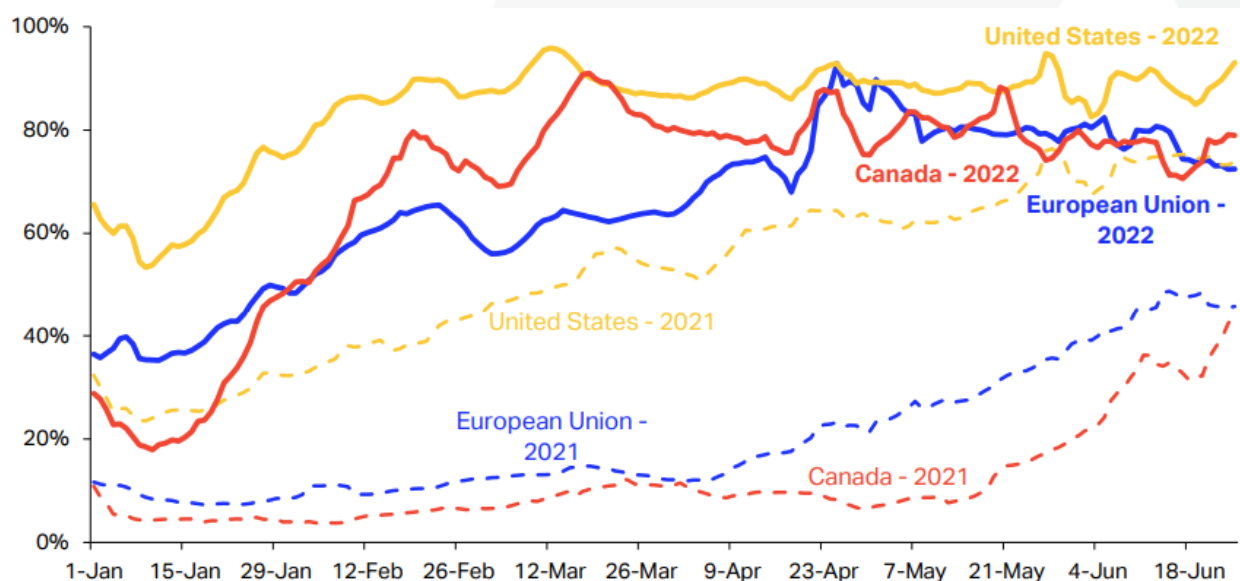
#### 4. US containerised imports keep record pace in June, start strong in July:

- Although many analysts predict a global recession<sup>25</sup>, the shipment of merchandise goods continues to flourish, as US ports keep racking up historically high numbers<sup>26</sup>. As a result, last month was the country's best June ever for containerised imports. Moreover, this month looks like it will be the best or second-best July.
- According to the latest figures, imports to the top 10 US ports are up **↑5,9%** (y/y) to **2,16 million TEUs** in June, exceeding the **↑3%** y/y gain in May and **↑5,1%** gain in April. However, volumes continued to shift eastward, owing to the ongoing congestion struggles on the West Coast.

#### b. Global air cargo industry

In the latest IATA "Chart of the Week", the International Air Transport Association provided an update on the strong air transport recovery. Many passenger transport lanes are nearing pre-pandemic levels, adding much-needed cargo capacity to the air, especially considering the phasing out of passenger-freighters ("preighters"). However, the industry is now facing new challenges, including high energy prices and labour shortages. These challenges coincide with the traditional peak in demand, driven by northern hemisphere summer travellers:

Figure 15 – Bookings by purchase date, as a % share of 2019 levels



Source: [IATA](#)

IATA notes that the recovery trajectory has varied across countries due mainly to a patchwork of different travel restrictions, in some countries stricter than others. Demand has ramped up strongly in North America and the EU; however, the challenge to adjust capacity to meet this higher demand differs significantly by geography. For example, the US already had a significant level of operations in 2021, so the further increase in 2022 placed less stress on the industry. On the contrary, airlines operating in the EU and Canada have had to ramp up into a much more significant proportional increase in demand this year. In early May, the gap between 2022 and 2021 bookings (as a proportion of 2019 levels) was **66%** and **70%** for the EU and Canada,

<sup>25</sup> Bartlett, C. 19/07/2022. [Trade blockages ease, but recession seems to be looming, say economists.](#)

<sup>26</sup> Miller, G. 19/07/2022. [US containerised imports keep record pace in June, start strong in July.](#)

respectively, whereas, in the US, this gap was only **26%**. These numbers illustrate the scale of challenges airlines and the wider air transport value chain are facing during the current northern hemisphere summer peak season in this recovery phase.

In other air cargo news, ramp and warehouse congestion continues to hamper ground handling operations at Frankfurt Airport, Europe's biggest hub for air cargo traffic, as airlines are having to reroute freighters to alternative hubs, causing disruption and delays<sup>27</sup>. Lastly, Lufthansa cargo has set ambitious targets as it moves towards 'net zero' by 2050 with fleet modernisation, fuel efficiency measures and sustainable aviation. In addition, the cargo operator is working with science-based reduction targets of greenhouse gas emissions to bring its CO<sub>2</sub> emissions into line with the United Nations' Paris Climate Agreement<sup>28</sup>.

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<sup>27</sup> Todd, S. 21/07/2022. [Freighters 'squeezed out' amid ground handling disruption at Frankfurt](#).

<sup>28</sup> Mwanalushi, K. 19/07/2022. [Lufthansa Cargo sets itself ambitious targets as it moves towards 'net zero'](#).