COVID-19: Cargo movement update[1]

Date: 13 Aug 2021

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 (TEUs)	27 992	23 576	**51 568**	22 581	22 779	**45 360**	**↑14%**
Air Cargo (tons)	4 689	2 267	**6 956**	4 234	2 225	**6 459**	**↑8%**

Monthly Snapshot

Figure 1 – Monthly[4] cargo capacity levels, year on year (100% = baseline)

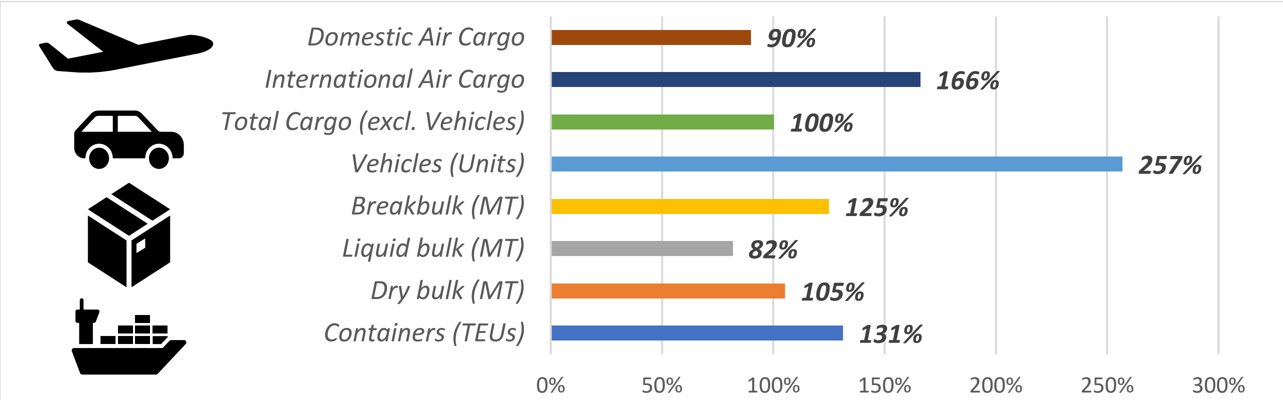


Figure 2 – International year-to-date flows 2019-2021[5]: ocean, y/y (metric tonnes) & air freight, y/y (kg millions)

Key Notes

- This week, an average of **~7 367 TEUs** was expected to be handled per day, **↑14%** from last week.
- The "*WCI*" continues to increase, with freight rates **↑0,5%** (or **$50**) to **$9 421** per 40-ft this week.
- Expectedly, two more global carriers (Evergreen & Hapag-Lloyd) published record profits this week, as the container industry is bracing itself for further delays thanks to COVID-19 and ensuing congestion in China.
- Average cross-border queue time was down by **0,8 hrs**, with transit down by **0,6 hrs** (*see* below).
- Airfreight continues to perform globally, as the industry-wide cargo tonne-kilometres is **↑8%**, as the cargo load factor is currently at **56,5%**.

[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 51st 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 full month's worth of available data compared to the same month in 2020. For air, July versus July. The rest compared June 2021 versus June 2020.
[5] For ocean, total Jan-Jun cargo in metric tonnes, as reported by Transnet is used, while for air, Jan-Jul cargo to and from ORTIA is used.

Executive Summary

This update – *the 51st of its kind* – contains a consolidated overview of the South African supply chain and the current state of international trade. The decrease in confirmed cases of COVID-19 following the third wave remains moderate, but there are still almost **150 000** active cases in the country, which is cause for concern. Nevertheless, this week has seen another slight decline in newly reported COVID-19 infections in South Africa, averaging approximately **10 169** infections per day (**↓6%** from last week's average of **10 850**). Consequently, the total number of cases recorded in the country now stands at some **2,6 million**[6], with the death toll rising to **76 247** (up by **2 374**). In absolute terms, South Africa remains in **17th** place globally regarding COVID-19 cases.

Globally, a total of **206 million** infections have now been recorded, with the unfortunate reality that **~4,38 million** people have lost their lives to the virus (**~2%** mortality rate). Fortunately, the mortality rate is generally dropping as the vaccination rate increases. Indeed, the worldwide vaccination figure stands at **~4,6 billion** vaccine doses[7], with South Africa continuing to gain momentum with its vaccination rollout, standing at some **~9,19 million** vaccine doses administered. Yet, despite these small victories, global access to the vaccine remains unequal, and it must be said that towards the end of the week, there was a disturbing slow-down in our vaccination rate.

Following two weeks of disruption following the cyber-attack, Transnet's IT systems have mostly been restored, allowing full functioning of critical backup operations provided electronically. Consequently, most of the week was devoted to clearing the backlog, which is expected to continue for some time. The commercial container terminals operated close to targeted efficiency, which was a welcome sign after the recent struggles. The near-term outlook looks up once more, which will come as a relief to traders. Nevertheless, caution remains in the air, especially given the operational fragility being potentially met by weather disruptions with successive cold fronts and accompanying wind and rain hitting the Western Cape and moving eastwards from there.

Number-wise, the containers projected to be handled in the coming week exceed the maximum demonstrated capacity, which will put our port efficiency under strain. Indeed, **~11 784 TEUs** per day (**↑60%**) are expected to be handled next week. Furthermore, stack occupancy at both Durban container terminals is hovering desperately close to the maximum levels (**57%** at Pier 2 and **68%** at Pier 1), impairing operational fluidity. Nonetheless, the last week can be considered a small victory after the shocks of the previous period. Unfortunately, the impact of these disruptions will endure for some time, especially when it comes to restoring fragile business confidence and schedule reliability. Also worth mentioning is that the private sector has opened discussions with Transnet around the ongoing issues revolving around the booking system. Consequently, stakeholders are encouraged to engage with BUSA to report their own experiences.

Globally, the container industry continues to be afflicted by operational constraints revolving around equipment, congestion, and efficiency. These issues are tough pills to swallow for shippers and traders alike, especially given the record profits reported by carriers – all seemingly owed to what they characterise as "exceptional market conditions". Furthermore, ever-increasing freight rates are now spilling over into the reefer market, with the outlook even worse than the general market. Moreover, there seems to be an uptick in the widely reported congestion at most major container terminals, mainly owing to the effects of COVID-19. Indeed, further congestion is expected in China, as Ningbo-Zhoushan port has started to turn ships away. As a result, further blank sailings can be expected. Indeed, there have already been 28 cancelled sailings announced for weeks 32 and 35. See a more detailed discussion *below*.

On the aviation front, airfreight volumes seem to be stabilising now despite passenger flights remaining unreliable. Weekly domestic volume is still down but trending upwards after the pronounced lull experienced

[6] Johns Hopkins, Coronavirus Resource Centre. Coronavirus JJHU.
[7] Our World in Data, Coronavirus (COVID-19) Vaccinations. Our World in Data

recently. This drop was also apparent for international cargo, especially outbound cargo. Fortunately, the international volume has also started to return. However, the ongoing international narrative of a lack of capacity remains, even though the metric used by IATA has been disputed lately. Despite IATA's industry-wide cargo load factor (CLF) being at a record level of **56,5%**, analysts are puzzled why capacity is "only" 56,5%. The problem lies with IATA's load factor calculations, which are based on weight and do not note volume intensive cargo. And PPE and e-commerce, key commodities last year, bulk out an aircraft before weight capacity is reached. Nevertheless, compared to historical data, the international load factor was at the highest value for any month of June in IATA's series since records began in 1990.

In conclusion, significant progress has been made to return to complete operational functionality in and around our ports. However, the most recent disruptions have again highlighted that a system is only as strong as its weakest link. Our resilience has, therefore, once again been tested. Consequently, we need to stitch the supply chain together to open bottlenecks and ensure the efficient functioning of all network nodes. Furthermore, South Africa has yet to embrace the opportunity for a quick and decisive economic rebound from COVID-19. Therefore, the need to get our house in order is once again pressing on all stakeholders, especially given that the major economic drivers – especially globally – will not be ever-lasting.

Contents

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 table indicates the container flows reported for the last seven days and projections for the next seven days. Fortunately, with Transnet's IT systems now restored, we can once again provide a definitive picture regarding the flow of goods to and from our ports.

Table 2 – Container Ports – Weekly flow reported for 7 to 13 August[8]

7-day flow forecast (07/08/2021 – 13/08/2021)		
TERMINAL	**NO. OF CONTAINERS TO DISCHARGE (IMPORT)**	**NO. OF CONTAINERS TO LOAD (EXPORT)**
DURBAN CONTAINER TERMINAL PIER 1:	5 850	4 958
DURBAN CONTAINER TERMINAL PIER 2:	8 680	5 200
CAPE TOWN CONTAINER TERMINAL:	7 138	9 194
NGQURA CONTAINER TERMINAL:	5 614	2 385
GQEBERHA CONTAINER TERMINAL:	710	1 839
TOTAL:	**27 992**	**23 576**

Source: Transnet, 2021. Updated 13/08/2021.

Table 3 – Container Ports – Weekly flow reported for 14 to 20 August[9]

7-day flow forecast (14/08/2021 – 20/08/2021)		
TERMINAL	**NO. OF CONTAINERS TO DISCHARGE (IMPORT)**	**NO. OF CONTAINERS TO LOAD (EXPORT)**
DURBAN CONTAINER TERMINAL PIER 1:	6 732	6 575
DURBAN CONTAINER TERMINAL PIER 2:	16 196	18 944
CAPE TOWN CONTAINER TERMINAL:	9 056	8 508
NGQURA CONTAINER TERMINAL:	7 014	7 073
GQEBERHA CONTAINER TERMINAL:	1 207	1 180
TOTAL:	**40 205**	**42 280**

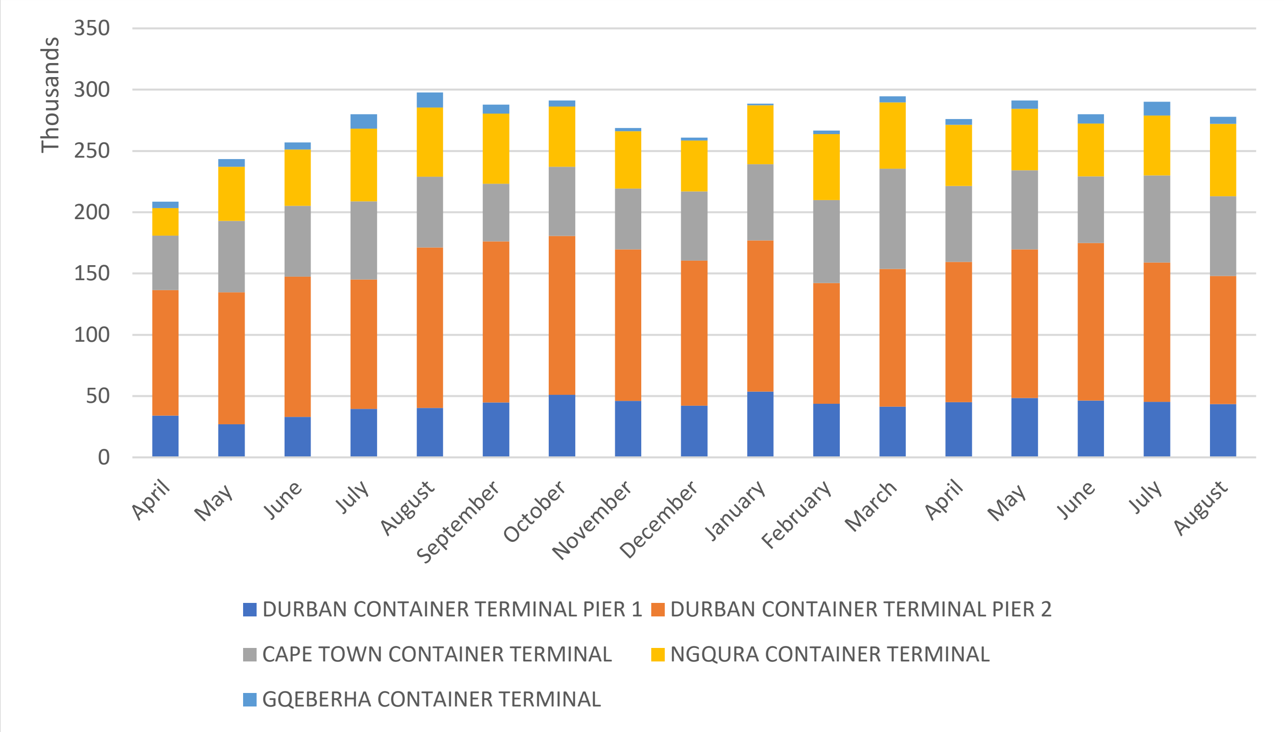
Source: Transnet, 2021. Updated 13/08/2021.

An average of **~7 367 TEUs** (**↑14%**) was handled per day for the last week (7 – 13 August, Table 2), with a significantly increased average of around **~11 784 TEUs** (**↑60%**) expected to be handled next week (14 – 20 August, Table 3). As observed in the tables above, significant efforts have been made to ensure a return to normality. This week's total is roughly 70% of normal handling rates at this time, with next week's load significantly above the average rate. Incidentally, the maximum stated capacity at DCT Pier 2 is around 30 thousand containers per week. Since the projected volume is considerably more than that, we do not expect all the containers to be handled in the estimated timeframe. However, with volumes now returning to our ports, the industry can only hope that efficiencies will be kept at a level that will allow us at least to come close to handling these projected volumes in the estimated timeframe.

The following figure displays the rolling *monthly* average flow of total containerised cargo movement for our commercial ports since the start of the nationwide lockdown.

[8] It remains important to note that a fair percentage (approximately 25%, according to the most recent TNPA figures for June) of containers are neither imported nor exported, but rather consist of empties. Due to the ongoing container imbalances, this proportion is fluctuating more than usual, and has increased since December 2020.
[9] As notes above.

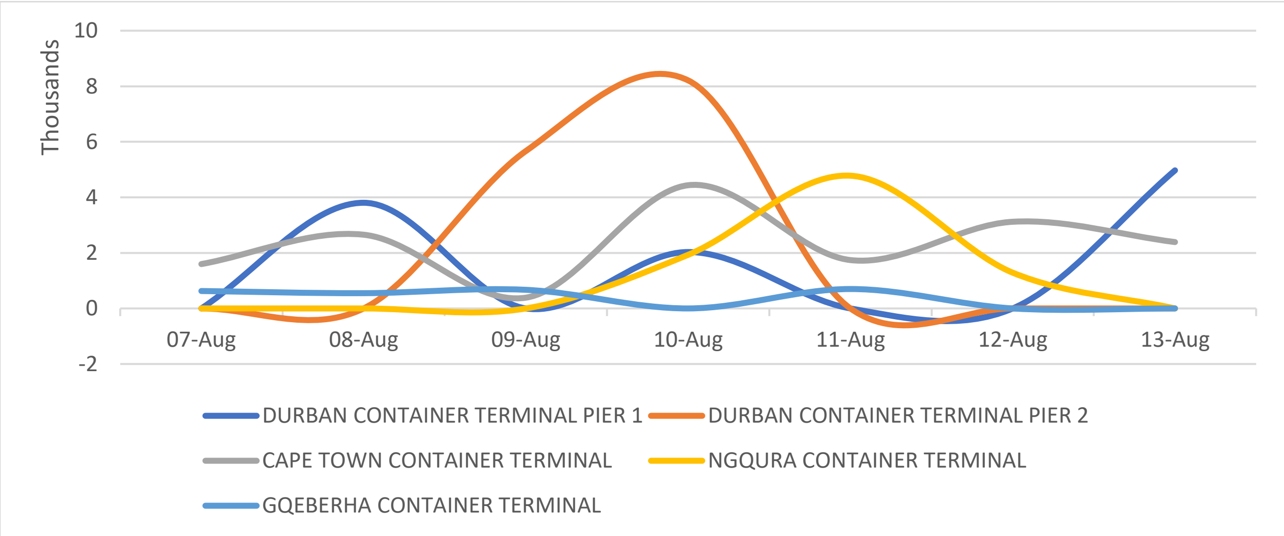
Figure 3 – Monthly flow reported for total cargo movement (TEUs: April 2020 to present; month on month)



Source: Calculated using data from [Transnet](), 2021. Updated 13/08/2021.

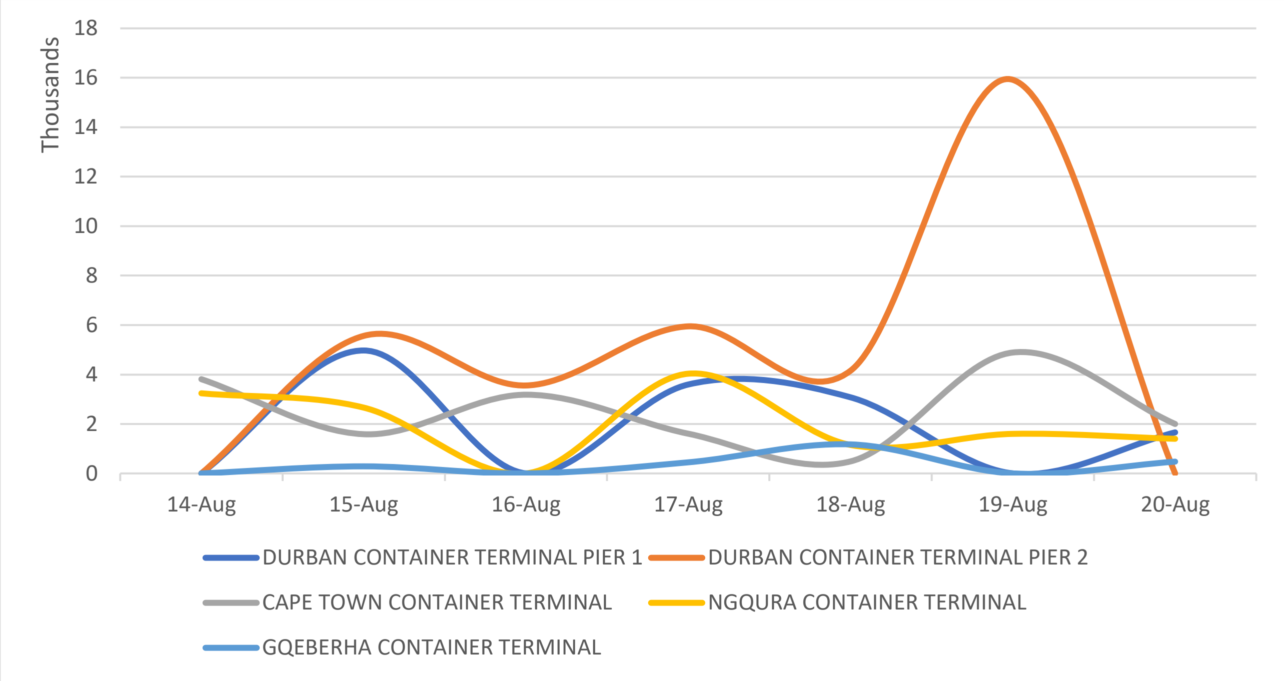
The figures below show the weekly container flows for the previous seven days and projections for the next seven days.

Figure 4 – 7-day flow reported for total cargo movement (7 to 13 August; per port; day on day)



Source: Calculated using data from [Transnet](), 2021. Updated 13/08/2021.

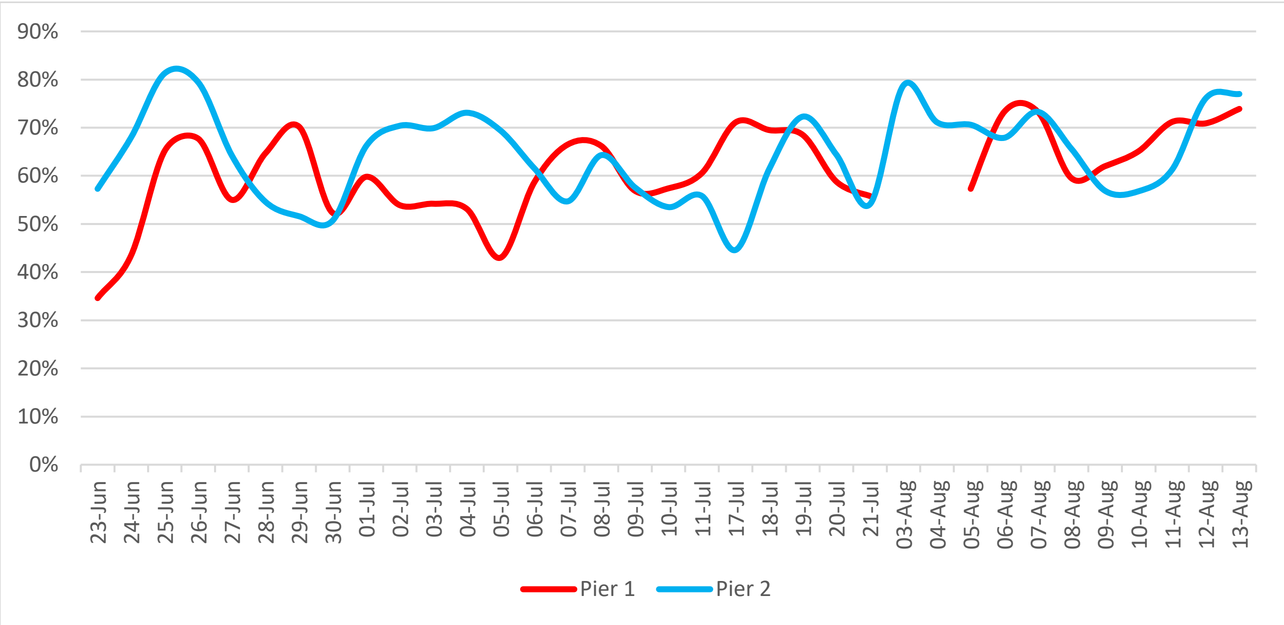
Figure 5 – 7-day flow reported for total cargo movement (14 to 20 August; per port; day on day)



Source: Calculated using data from [Transnet](), 2021. Updated 13/08/2021.

The following figure shows daily stack occupancy in DCT since 23 June, with a noticeable gap for Pier 1 during the IT disruption. However, both Piers are hovering desperately close to the optimum level of 65% in terms of operational fluidity.

Figure 6 – Stack occupancy in DCT, general-purpose containers (23 June to present; per pier; day on day)



Source: Calculated using data from Transnet, 2021. Updated 13/08/2021.

b. Summary of port operations

The following sections provide a more in-depth overview of the operational performance of our commercial ports over the last seven days.

i. Weather delays

This week in Cape Town, waterside operations were particularly challenging due to worsening weather conditions. Especially closer to the end of the week when another cold front hit the Western Cape, bringing freezing wind, heavy rain, and possible isolated thunderstorms.

The port of Durban also struggled with unpleasant weather conditions this past week, where the port was windbound since Thursday, leaving waterside and landside operations at a standstill between 14:00 till 22:00.

For our Eastern Cape ports, strong winds and light rain at the end of the week have also influenced productivity.

ii. Cape Town

Besides bad weather conditions affecting productivity at waterside operations, CTCT managed to service seven container vessels with an expected total of 5 651 import containers from 6 to 12 August, as noted above. Furthermore, congestion inside the terminal is slowly starting to ease as the evacuation of import containers have been the top priority of TPT this past week.

iii. Eastern Cape

At PECT this week, three container vessels were serviced, with a total of 528 import containers on board. On the other hand, NCT serviced six container vessels delivering 3 988 import containers to the region. The Eastern Cape ports experienced fibre connectivity issues this past week due to vandalism, unrelated to Navis downtime. On Tuesday at NCT, a 7-meter juvenile humpback whale was entangled in fishing ropes with two flotation buoys attached. The National Sea Rescue Institute (NSRI) Gqeberha team freed the whale, although they failed to collar the animal outside port limits, which caused temporary disruption to shipping traffic. Later, the whale was found between a tanker motor vessel and a jetty. And once again, efforts to manoeuvre the whale away from the area proved impossible. Luckily there was no sight of the animal inside the port area on Wednesday.

iv. Durban

At Durban port this past week, landside operations made a concerted effort to clear the backlog in the yards allowing space for more import containers. Despite handling volumes on the waterside and rail, DCT has been able to evacuate excessively more than their average daily gate moves to reduce the import balances considerably. Pier 2 had six container vessels to service with a total of 11 146 import containers to evacuate. Pier 1 received three container vessels with a total of 4 977 import containers. Stack occupancy over the weekend hovered around 57% at Pier 2 and 68% at Pier 1. On Sunday, Pier 2 reported 2 334 gate moves with only 265 shifters during the first two shifts. Pier 1 recorded 981 gate moves and 265 shifters. Fortunately, the number of booking slots that were cancelled and wasted improved since last week, whereby Pier 2 recorded 992 slots and 183 slots wasted, and Pier 1 had 74 slots wasted.

On Wednesday, Pier 1 reported a total of 1 534 gate moves and 678 shifters after all three shifts were completed. Pier 2 reported 3 091 gate moves and 673 shifters. Booking slots wasted at Pier 2 were only 347, although 1 469 slots were cancelled. Pier 1 reported only 44 booking slots wasted and 286 cancelled. Stack occupancy was still high mid-week at around 71% capacity at Pier 2. Due to the port being windbound since Thursday, Pier 1 reported only 484 gate moves and Pier 2, 1 484 gate moves. The total amount of booking slots cancelled at Pier 1 was 615 and 520 at Pier 2. 53 slots were wasted at Pier 1 and 303 at Pier 2. DCT will be reducing free time in the port to encourage importers to remove their containers more quickly.

v. Transnet Freight Rail (TFR)

Since Monday, there have been 14 trains dispatched on the NATCOR line. It was noticeable that more armed guards have been deployed between Durban and Cato Ridge to secure the trains moving through after the recent unrest. TFR continues to manage certain services manually, which causes delays at the terminal with train sets held in Durban marshalling yards. On Friday, 25 export train sets were waiting to enter the terminal with 2 893 export TEUs. Many of these containers have been short shipped and need to be rebooked.

The NATCOR maintenance shutdown period is scheduled to commence on 16 August at 06:00 until 22 August at 18:00. According to Exxaro, one of South Africa's largest coal producers, South African exporters lost about nine million tons of coal exports during the first half of 2021 due to capacity constraints faced by TFR. These capacity constraints range from inadequate locomotive availability, increased cases of cable theft, and vandalism of rail infrastructure.

On another note, Transnet announced that it would not be increasing the capacity on the Waterberg coal line beyond the six million tons that had previously been decided. In addition, Botswana has also been notified that Transnet will not be extending the North-East Corridor line to the border. This change is due to Transnet's predictions that coal exports will be falling off a cliff from about 2037. Furthermore, maintenance efforts hampered by procurement issues makes the venture even more unrealistic. According to Transnet's CEO, Portia Derby, state-owned companies need to observe strict procurement procedures. In addition, the Department of Trade, Industry, and Competition (DTIC) requires Transnet to procure locally. But since local capacity is low to zero in terms of locomotives, rail accessories, and parts, the time frames for procurement approval are inordinately long.

vi. General

Further areas of Transnet's IT system came back online, while various other services are still suffering from interruptions. The Integrated Port Management System (IPMS) will not recover before the end of week 33. This system provides online access to marine services. TPT has indicated that they may temporarily reduce the "free" time for imports from the current 3,25 days to 2,25 days to encourage import evacuation. SAAFF and Harbour Carriers have objected in the strongest terms to this suggestion.

This week it was evident that congestion inside the terminals eased considerably due to the efforts of TPT putting evacuation of imports at the top of their priority list. Exporters were also asked to strategically hold back on exports to allow the terminals to clear imports as quickly as possible. However, this has hit citrus growers considerably hard.

The Citrus Growers' Association (CGA) and Fresh Produce Exporters Forum (FPEF) sent a request to all growers delivering citrus to Durban port to suspend packing from the evening of 6 August until early on the morning of 12 August. Farmers had nowhere else to send already harvested fruit to fresh produce markets, increasing local supply by 13% in one week. This increase saw orange prices decrease to R3.08 per kilogram due to an oversupply. Citrus growers are hopeful that the suspension would not be extended, which could cause considerable damage to production next year. It could force growers to harvest later than they should next year (around June), which could mean South Africa's citrus exports would suffer from competition from other producing areas that come on the stream at that time, especially in certain key markets.

On Wednesday this week, Transnet advised all stakeholders about the upliftment of Force Majeure from 10 August 2021, relating to the recent riots and insurrection in Kwa-Zulu Natal that was issued on the 12th of July 2021. According to Transnet, TPT took reasonable steps to clear the operational delays caused by the unrest in Richards Bay, MPT and DBT Terminals, Durban Ro-Ro and Multipurpose and Maydon Wharf Terminals.

On 5 August, a notice was issued by SANRAL (South African Roads Agency SOC Ltd) notifying road users about the temporary road closure of the N3 section 4 at kilometres 17.4N and 17.4S within the Lions River area. The N3 is the main artery between Johannesburg and Durban. The closure, scheduled from 10:00 on Monday 16 August 2021 till 12:00, 1 September 2021, is necessary for Eskom to replace overhead transmission line structures and conductors that serve the electricity supply in the area. Motorists are urged to use alternative routes and have been advised that traffic will be diverted via the R103 detour route. Possible contingency dates were also scheduled from 6 September 10:00 till 8 September 16:00 if required. The N3 is also scheduled to receive part of a R30 billion upgrade package over the next four years, and this can be expected to result in further intermittent bottlenecks.

Transnet reported an increase in positive COVID-19 tests on the health front at various port and rail operations. Unfortunately, PPECB has had to close its export certification office in Durban due to a positive COVID-19 case.

Finally, some serious concerns have been voiced recently around the functioning of the terminal truck booking systems. There seems to be a disparity between Transnet's view of the functioning of the system and the reality experienced by private sector operators on the ground. For the smooth functioning of the system, a seamless three-way linkage must be created between Waterside, Terminals, and the private sector making use of the system for evacuation of import containers and delivering of export containers. In addition, there must be a seamless integration of all supply chain elements to remove any bottlenecks and ensure the efficient functioning of all network nodes. The private sector has expressed its willingness to cooperate with Transnet. In this respect, stakeholders are encouraged to engage with BUSA and complete the relevant survey on the booking system.

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 starting 2 August. For comparative purposes, the average air freight cargo (inbound and outbound) handled at ORTIA in *August 2020* averaged **~695 286 kg** per day. For 2019, this average was **~981 451 kg** per day, which is probably a more meaningful comparison.

Table 4 – International inbound and outbound cargo from OR Tambo

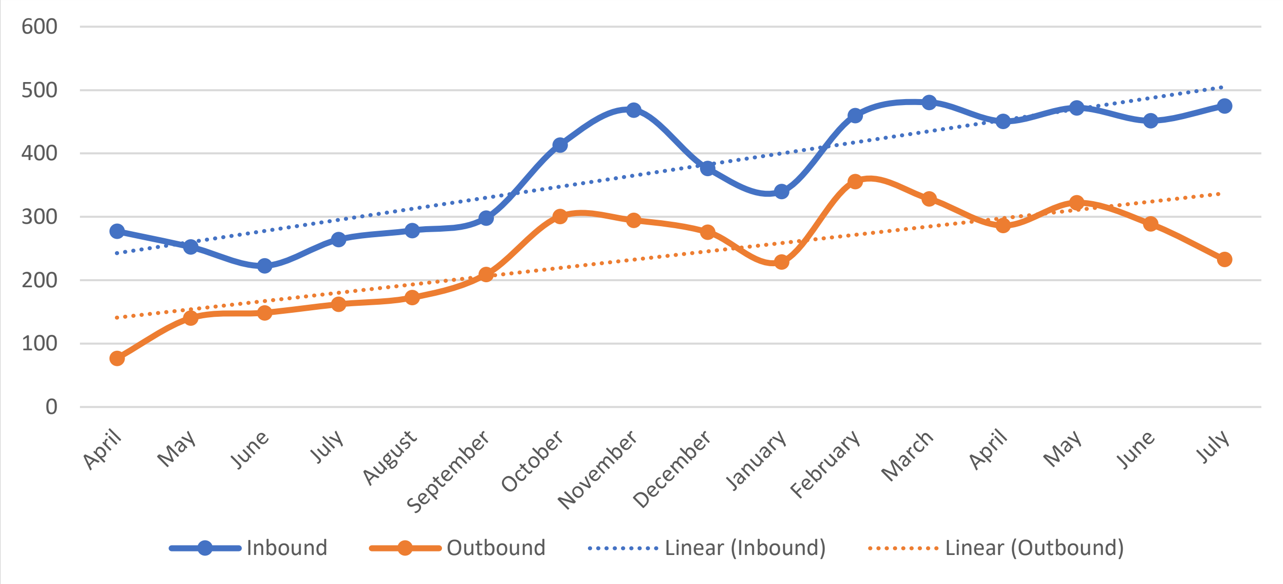
Flows	02-Aug	03-Aug	04-Aug	05-Aug	06-Aug	07-Aug	08-Aug
Volume inbound	470 916	393 681	443 797	432 486	332 335	360 046	849 206
Volume outbound	117 300	220 339	234 479	168 352	239 650	235 097	371 354
Total handled per day	**588 216**	**614 020**	**678 276**	**600 838**	**571 985**	**595 143**	**1 220 560**

Courtesy of ACOC. Updated: 10/08/2021.

The daily average volume of air cargo handled at ORTIA over the seven days starting 2 August amounted to **468 924 kg** inbound and **226 653 kg** outbound. The total, therefore, amounts to an average of **695 577 kg** per day, or **~154%** compared with the same week in August 2020 (**~149%** last week). Compared to pre-COVID-19 times, the level is currently only at **~83%** when compared with 2019.

The following figure shows monthly international freight movement at ORTIA during the state of disaster, with volumes generally trending way above the number registered at the same time last year, hardly surprising in terms of the stringent lockdown regimes in place a year ago. Although a downturn in outbound cargo is noticeable from May onwards, the overall trend remains significantly positive. As a result, the industry hopes to hit 2019 levels by the end of the year.

Figure 7 – International inbound and outbound cargo from OR Tambo (thousands)



Courtesy of ACOC. Updated: 10/08/2021.

b. Domestic air cargo

The following table shows the domestic inbound and outbound air cargo flows for the duration of the lockdown period as reported by the industry. By way of comparison, the average domestic air freight cargo (inbound and outbound) for ORTIA handled in *July 2020* was only **~50 554kg**[10] per day. Thus, even though annual comparisons with 2020 are less meaningful than with 2019, the reality is that South Africa is in a similar situation compared to the same time last year. In fact, the country is now in "*adjusted alert level 3*", whereas this time last year, we were in "*alert level 3*".

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 Average	**20 961**	**2 739**	**2 859**	**22 818**	**5 491**	**5 238**	**57 781**
Feb Average	**27 777**	**3 537**	**3 427**	**30 117**	**6 988**	**3 503**	**75 348**
Mar Average	**28 781**	**3 702**	**3 845**	**31 166**	**7 680**	**3 740**	**78 914**
Apr Average	**24 875**	**3 234**	**3 058**	**25 694**	**6 306**	**3 046**	**66 213**
May Average	**29 891**	**3 781**	**3 669**	**27 817**	**7 245**	**3 261**	**75 664**
Jun Average	**27 498**	**3 706**	**3 556**	**26 873**	**7 086**	**3 213**	**71 932**
Jul Average	**23 583**	**5 374**	**3 144**	**15 839**	**6 229**	**2 844**	**57 013**
01-Aug-21	779	23	101	189	132	457	**1 680**
02-Aug-21	45 089	4 954	6 286	21 799	11 835	5 727	**95 690**
03-Aug-21	39 382	3 775	5 458	24 134	8 740	4 593	**86 083**
04-Aug-21	40 639	5 601	5 539	25 609	11 410	4 978	**93 776**
05-Aug-21	41 781	3 991	5 981	24 222	9 514	5 025	**90 513**
06-Aug-21	21 000	1 602	2 724	21 594	5 256	3 640	**55 817**
07-Aug-21	1 143	85	7	154	281	144	**1 813**
08-Aug-21	1 297	47	2	173	128	453	**2 099**
09-Aug-21	1 122	18	82	16	392	110	**1 739**
10-Aug-21	49 487	5 530	6 142	38 806	10 622	4 380	**114 968**

[10] For Cape Town, the figure corresponds to **43 266 kg** per day, and **4 023 kg** per day for Durban during the same period (July 2020).

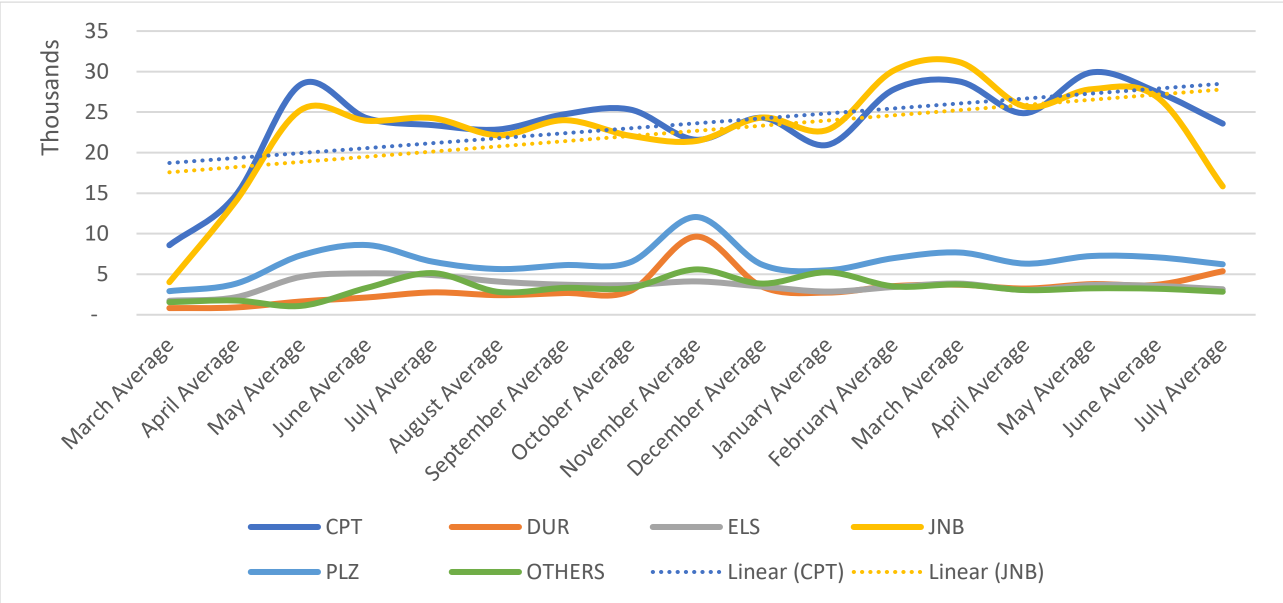
DATE / AIRPORT	CPT	DUR	ELS	ORTIA	PLZ	OTHERS	TOTAL
11-Aug-21	40 829	5 014	6 684	29 181	14 177	6 642	**102 528**
Y-T-D Totals	**5 831 218**	**821 347**	**752 401**	**5 632 971**	**1 495 907**	**717 489**	**15 251 333**

Courtesy of BAC. Updated: 12/08/2021.

Currently, the average domestic air cargo moved in the last week was **~52 783 kg** per day, which is **↓12%** compared with the previous week. Moreover, the volume handled amounts to **~101%** compared to the same period in 2020.

The following figure shows monthly domestic freight movement at our commercial airports during the state of disaster, with an upward trend in volumes registered since the start of the year. Still, the downturn experienced in July is clearly accentuated. In summary, a significant amount of business aviation activity was disrupted in July. Nevertheless, in general terms, the domestic air cargo segment largely mirrors the international one, as shown above.

Figure 8 – Average domestic inbound and outbound cargo (thousands)



Courtesy of BAC. Updated: 12/08/2021.

c. Summary of air cargo operations

In summary, airfreight volumes seem to be stabilising now; however, passenger flights remain erratic with less capacity, and many delays or cancellations are happening daily as airlines try to respond to market conditions with agility. In addition, the Mango (BR) and Comair flight cancellations and uncertainty also cause concern for daily express cargo movements. The closure of these operations has removed significant capacity from the cargo segment.

Operationally in Johannesburg, the recently agreed SOP with ACSA for the gate access has been implemented and, barring a few teething problems, has been working acceptably. However, as vehemently advocated recently by the private sector, this process must be mechanised using technology, not emails.

In Cape Town, cargo access has remained manual, with promises made by ACSA of the introduction of an automated system over the next two months. However, the industry will be waiting with bated breath to see if this happens as introducing a better functioning system is the key to operational efficiency.

Lastly, the industry is still awaiting a response on integrating the cargo stakeholder system (IVS) from the ACSA CEO, which has not been forthcoming. But, again, private sector stakeholders are eager and willing to cooperate so that there can be good collaboration between all parties. There is simply no alternative but to resolve these matters and create a better aviation segment for all of South Africa.

3. Regional Update

a. South African border closures

As with the recent past, several border posts experienced closures throughout last week, although disruptions were once again significantly less than in the previous couple of weeks. The following table notes the two notable events (information provided by SARS Customs).

Table 6 – South African border closures

Date	Border
13 August	Lebombo's systems are offline until around 19:00 this evening.
8 August	Kopfontein closed at 16:30 until further notice.

Source: SARS. Updated: 13/08/2021.

Traders are urged to stay abreast of border post communications on the SARS Customs and Excise website. Still, it must be said that these closures only exacerbate the already precarious position of the road freight industry.

b. Cross-border delays

Besides the closed border crossings, the following significant events have caused some delays in the SADC region this week:

- Groblersbrug was closed for decongestion.
- Reports of a driver's strike were received due to the region's insistence on the 72-hour validity of COVID tests. Subsequently, trucks blockaded Namibia's Ariamsvlei Border Post into South Africa due to drivers resisting the validity period of PCR tests, which cost between R850 to R900. Once again, the industry has voiced its preference for introducing rapid antigen testing at regional border crossings to ease the congestion.
- Some further reports were received noting that foreign truckers are no longer transporting minerals from DRC. Also, in DRC, a truck driver strike concerning various toll gates, which commenced on 2 August, was called off.
- Zambia held its national elections on Thursday, 12 August, which has prompted notices being sent out to caution against the possibility of unrest.

Apart from these developments, investigations continue into cross-border delays experienced at several SADC border posts in the sub-region. The following table uses geofencing data to summarise delays experienced at various borders during the last week.

Table 7 – Delays[11] 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
Nam/SA	**Ariamsvlei/Nakop**	2:00	13:00	100	3 000	700	24 640	1 400
SA/Zim	**Beit Bridge**	6:00	16:00	943	28 290	6 601	92 414	39 606
Moz/Zam	**Cassacatiza/Mlolo**	1:00	12:00	60	1 800	420	4 200	420

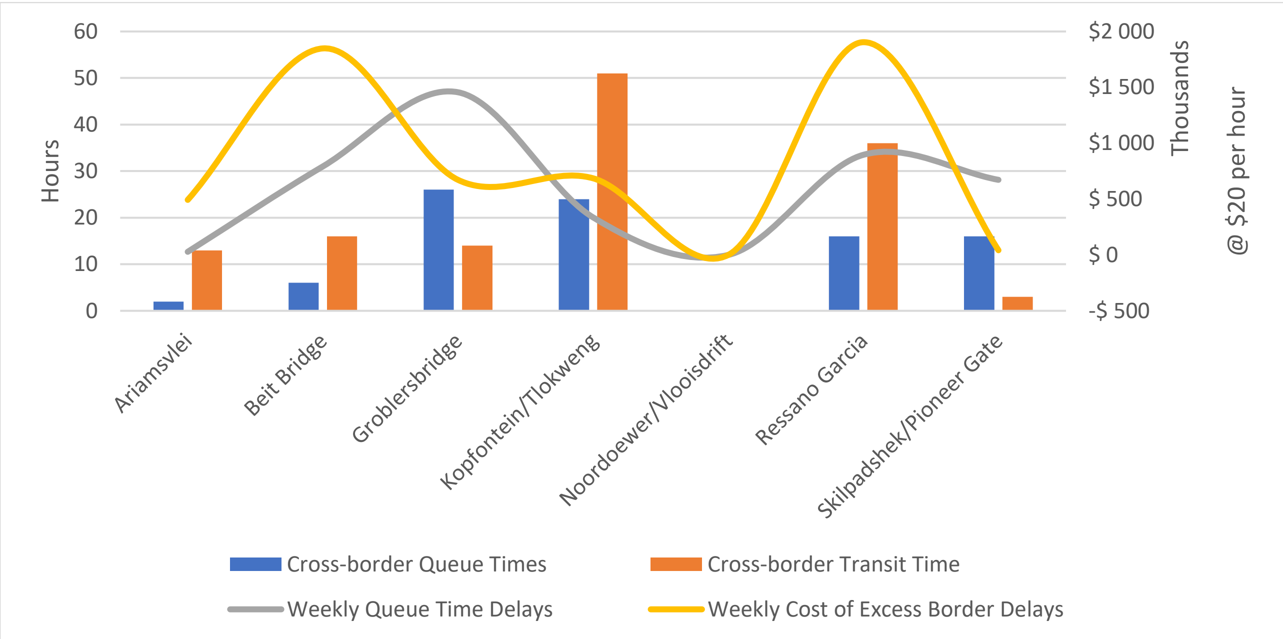
[11] It should be noted that the root cause of the reported delays is uncertain at this point. Moreover, the delays may be multiple and widely distributed. Therefore, they cannot be exclusively attributed to a specific common cross-border constraint since we do not have a transparent view of the entire 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.

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
Zam/Zim	Chirundu	36:00	22:00	616	18 480	4 312	86 240	155 232
Moz/Mal	Dedza	2:00	24:00	50	1 500	350	7 700	700
SA/Bot	Groblersbrug/Martins Drift	26:00	14:00	400	12 000	2 800	33 600	72 800
Zam/DRC	Kasumbalesa	0:00	54:00	592	17 760	4 144	165 760	0
Zam/Bot	Kazungula	0:00	24:00	212	6 360	1 484	32 648	0
SA/Bot	Kopfontein/Tlokweng	24:00	51:00	100	3 000	700	34 300	16 800
Moz/Zim	Machipanda/Forbes	1:00	7:00	320	9 600	2 240	11 200	2 240
Moz/Mal	Milange	0:00	8:00	40	1 200	280	1 680	0
Moz/Mal	Nakonde/Tunduma	0:00	50:00	500	15 000	3 500	168 000	0
Zim/Moz	Nyamapanda	1:00	4:00	100	3 000	700	1 400	700
SA/Moz	Ressano Garcia	16:00	36:00	400	12 000	2 800	95 200	44 800
Zam/Nam	Shesheke/Wenela	0:00	52:00	100	3 000	700	15 400	0
SA/Bot	Skilpadshek/Pioneer Gate	16:00	3:00	300	9 000	2 100	2 100	33 600
Zam/Zim	Victoria Falls	1:00	9:00	114	3 420	798	5 586	798
Moz/Mal	Zobue/Mwanza	2:00	14:00	100	3 000	700	8 400	1 400
				5 047	**151 410**	**35 329**	**790 468**	**370 496**

Source: TLC & FESARTA, week ending 10/08/2021.

The following graph shows the weekly change in cross-border times (and associated estimated cost) from South Africa's perspective.

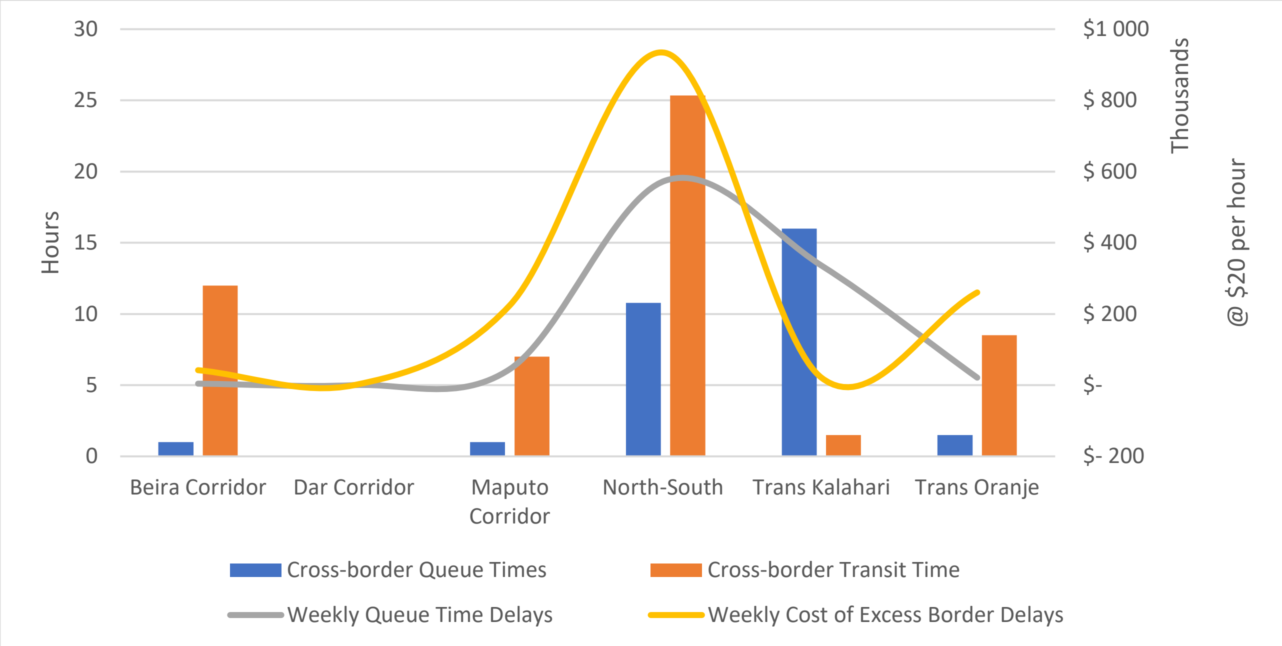
Figure 9 – Weekly cross-border delays and estimated cost from a South African border perspective (delay in hours; cost in $ thousands)



Source: TLC & FESARTA, week ending 10/08/2021.

The following figure illustrates a similar picture to those above, this time from a corridor perspective. Significant transit delays on the North-South corridor have been an ongoing issue, as fluidity has been very difficult to attain lately. Coupled with the struggles at Durban port, these recorded delays come as no surprise

Figure 10 – Weekly cross-border delays and estimated cost from a corridor perspective (delay in hours; cost in $ thousands)



Source: TLC & FESARTA, week ending 10/08/2021.

In summary, the cross-border queue time has averaged **~7,9** hours (falling by approximately **0,8** hours from last week's recorded time of **~8,7** hours) and cost the transport industry an estimated **$7,4 million** (**R119 million**). As with the queue times, the average cross-border transit time has also experienced a substantial increase to **~20,7 hours** (somewhat lower than last week's experience at **~21,3** hours), costing the transport industry **~$15,8 million** (**R253 million**). Therefore, the total cost for the week amounts to **~R372 million** (up by **~R6 million** from **R366 million** the previous week).

4. International Update

The following section provides some context of the global economy and the impact of COVID-19 on trade. In addition, the section includes an update on the **(a)** global container industry and the **(b)** global aviation industry.

a. Global container industry

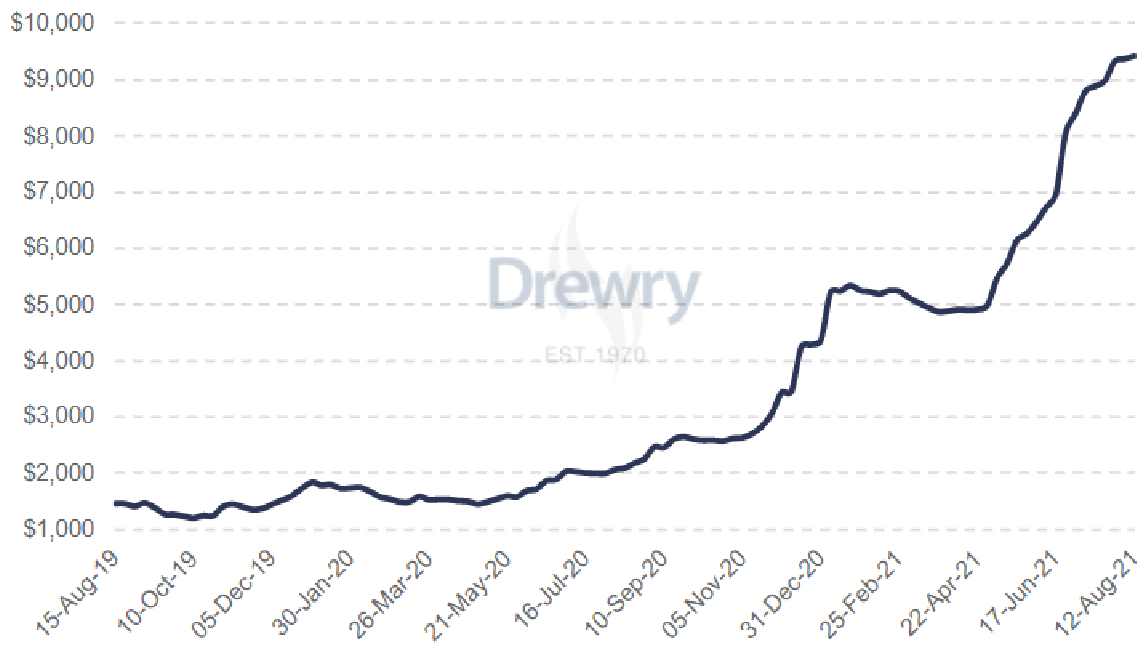
i. Global freight rates

There was another marginal increase in global container freight rates this week, as the "*World Container Index*" (WCI) increased by **↑0,5%** (or **$50**) to **$9 421** per 40-ft container[12]. The recent rise has been less pronounced; however, there remains no reprieve in sight, and more shipping lines announced record profits for the second quarter. This week, it was Evergreen and Hapag-Lloyd's turn. The Taiwanese liner's net profit shot up nearly 30-fold in the first half of this year to **$3,2 billion**, thanks to "continuing equipment and capacity shortages pushing up rates"[13]. Furthermore, the rapid increase in rates is also migrating towards reefer containers, as the average reefer freight rates jumped **↑32%** in Q2 and are on track for a **↑50%** increase by the end of Q3[14]. For Hapag-Lloyd, net profit was **$1,8 billion** for the second quarter of the year, compared with just **$287 million** for Q2 20. Furthermore, the German carrier says it expects robust earnings for at least the next three quarters, not that

[12] Drewry Supply Chain Advisors. 12/08/2021. World Container Index.
[13] Savvides, N. 12/08/2021. Booming revenues swell Evergreen H1 profit nearly 30 times.
[14] Whelan, S. 12/08/2021. Reefer cargo the new battleground with rates rising and equipment scarce.

the present situation is an "'extraordinary financial result"[15]. The following figure highlights the extraordinary rise in the two-year spot price of the index.

Figure 11 – World Container Index – Assessed by Drewry ($ per 40 ft. container)



Source: Drewry Ports and Terminal insights

The 17th consecutive week of increases, the average composite index now stands at a mammoth **↑358%** higher compared to the same time last year. This week, freight rates remained essentially unchanged on most of the eight major transpacific lanes, with a significant drop experienced in the Rotterdam – Shanghai route (**↓7%**). As has been the case lately, Drewry expects rates to increase further in the coming weeks, with no relief for shippers in sight just yet.

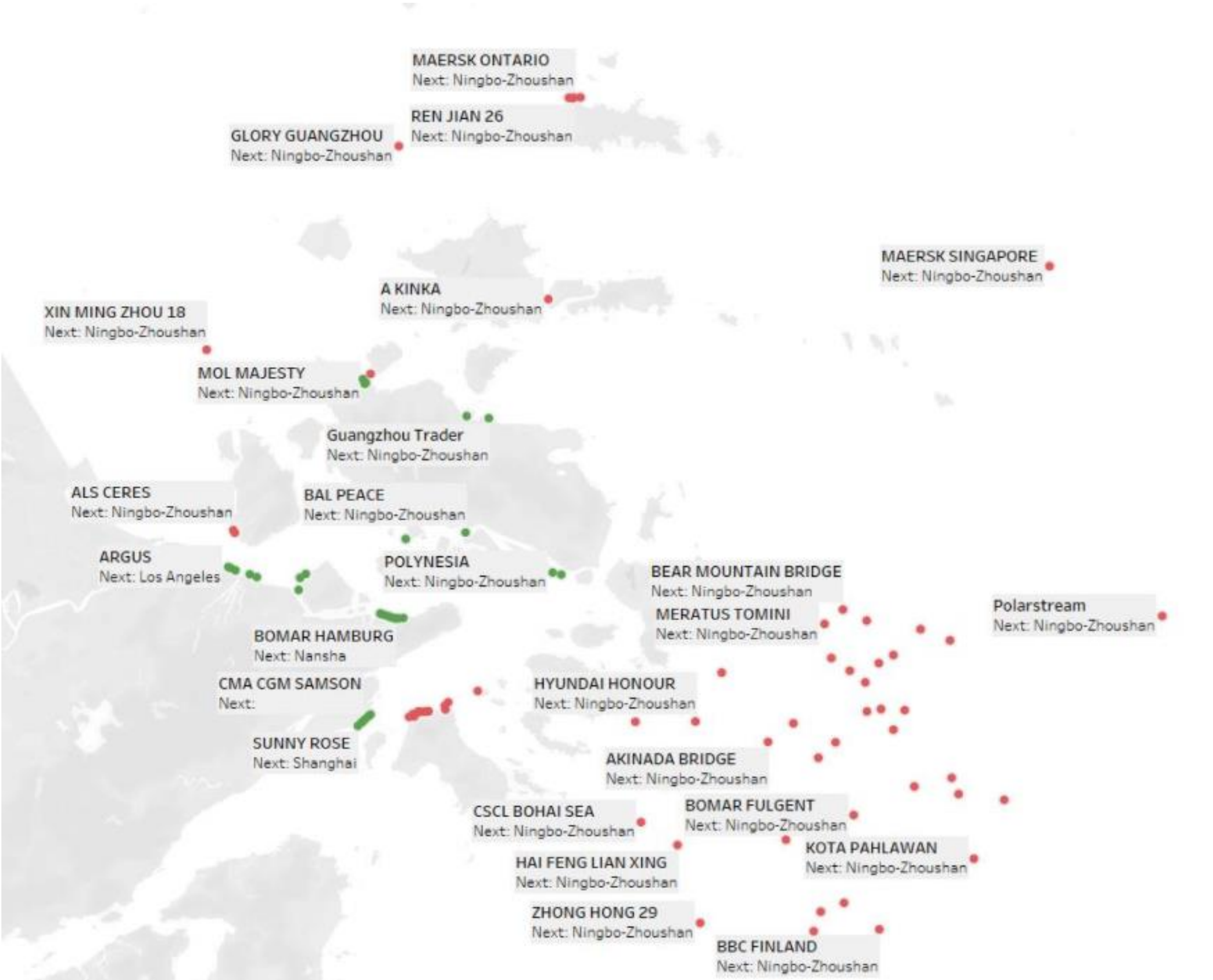
The same matters plaguing the general-purpose container segment are becoming apparent with reefer containers, as widespread equipment shortage is becoming the norm. Since many compounding constraints also impact equipment availability, the only way the rates seem to go is up. Some analysts are warning that equipment shortages will keep reefer rates higher for longer than their dry equivalents[16].

ii. Container congestion set to hit China once again

Ningbo's container facility on Meishan Island, which handled more than 5 million TEUs last year, suspended operations on Wednesday, 10 August, raising concerns over worsening port congestion and supply chain chaos[17]. Consequently, Ningbo-Zhoushan port has started to turn ships away since many ports in the country also require vessels to quarantine for 14 to 28 days if they previously berthed in India or performed a crew change within 14 days of arriving in China[18]. As seen with the congestion at Yantian in June, the potential knock-on effect could be devastating. The following figure shows the number of vessels steaming towards Ningbo-Zhoushan as of Wednesday, 12 August.

[15] Wackett, M. 12/08/2021. Hapag-Lloyd nets $1.8bn in Q2 – an 'extraordinary financial result', says CEO.
[16] Baker, J. 09/08/2021. Hot reefer market to outlast cooling freight rates.
[17] Shen, C. 11/08/2021. Terminal in Ningbo forced to close due to infected port worker.
[18] Chambers, S. 11/08/2021. The world's largest port, Ningbo, starts to turn ships away as a worker test positive for Covid-19.

Figure 12 – Global positions of vessels in or steaming towards Ningbo-Zhoushan (green = in port; red = waiting)



Source: eeSea

This figure shows that major container terminals like Ningbo are not geared for any stoppages whatsoever since their operations are always built on an assumption of business continuity. We do not have to go back very far for a similar example. When a COVID-19 outbreak was detected at Yantian Port in late May, operations at the critical southern Chinese export hub were slashed by 70% for most of June. The developments at Ningbo will therefore be closely monitored.

iii. Further developments of note

Besides the constant narrative of elevated freight rates, port congestion and cancelled sailings, some additional notable developments occurred around the world this week.

1. **Shanghai Port opens dispatching centre to prioritise empty containers:**
    a. Shanghai International Port Group (SIPG) and several mainline operators have launched a centre to coordinate empty containers from Shanghai port to combat global equipment shortages[19].

[19] Li, M. 11/08/2021. Shanghai Port opens dispatching centre to prioritise empty containers.

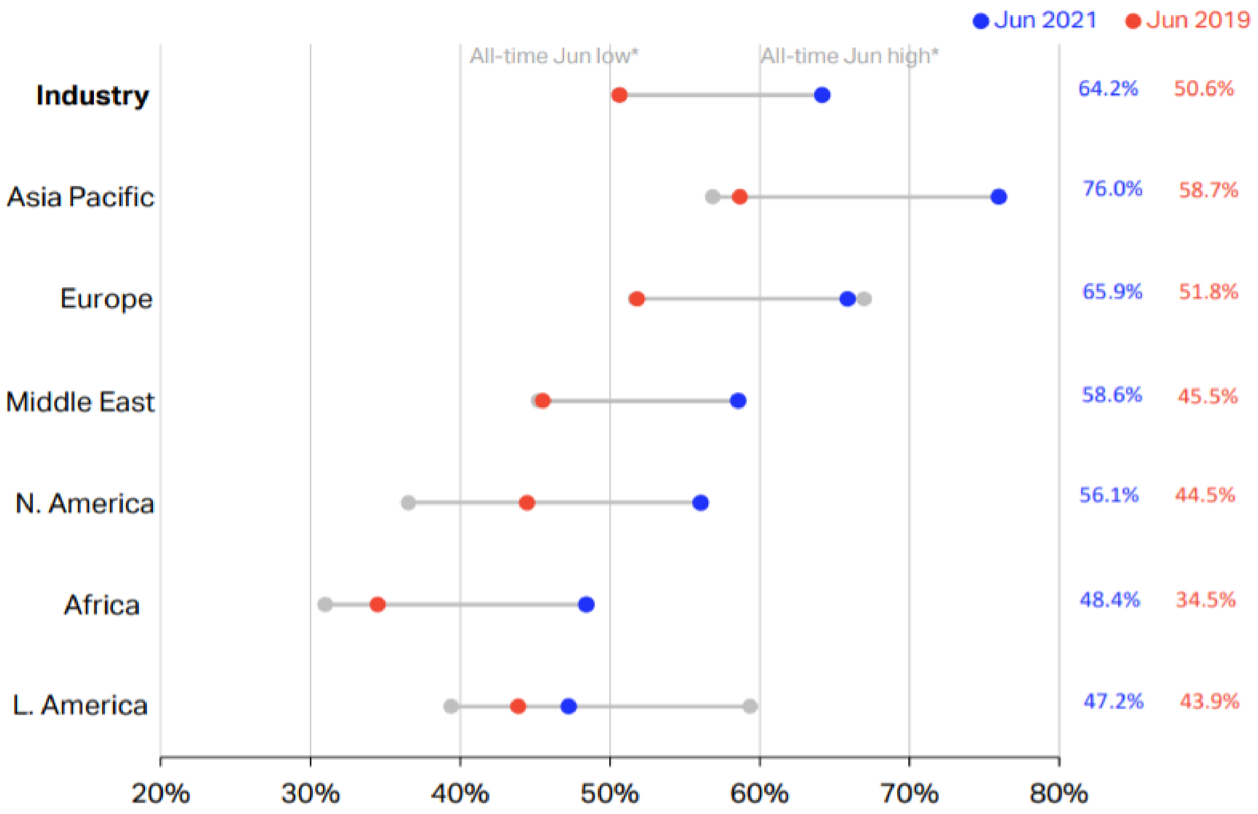
b. Wednesday's opening of Shanghai Port North-east Asia Empty Container Dispatching Centre (a literal translation) is an effort to relieve the equipment crunch by expediting the turnaround of empty containers in the world's busiest container port.

2. **US imports continue to skew global demand picture:**
   a. Even though the pandemic has created a massive demand shock globally, the global container volumes are growing only moderately when seen from a longer-term perspective. New analysis shows that it is only the US whose volumes are significantly up compared to 2019 levels[20].
   b. Compared with 2019 data, volumes are up just 6% in the first half of this year, with the significant rise being in Asia to North America route, up by 30%.
3. **Cancelled sailings tracker:**
   a. Across the major trades: Transpacific, Transatlantic and Asia-North Europe and the Mediterranean, 28 cancelled sailings have been announced between weeks 32 and 35, out of a total of 496 scheduled sailings, representing a 4% cancellation rate[21].

b. Global aviation industry

According to IATA, current cargo levels remain on their record trajectory. The year-to-date growth of industry-wide cargo tonne-kilometres (CTKs) is up **↑8%** compared to June 2019 and registered the most robust first half since 2017[22]. Furthermore, the cargo load factor (CLF) is currently at **56,5%**. Indeed, the levels are the highest recorded by IATA since records began in 1990. With this positive outlook and the ongoing return of passenger aircraft belly capacity, the signs are overwhelmingly positive for the air cargo industry. The following figure illustrates the industry and respective regional cargo load factors.

Figure 13 – Cargo load factor per region



Source: [IATA Economics]

[20] Baker, J. 09/08/2021. US imports continue to skew global demand picture.
[21] Drewry. 06/08/2021. Cancelled sailings tracker.
[22] IATA, 28/07/221. Air Cargo Market Analysis.

At the regional level, all regions except Europe and Latin America posted record international CLFs for June. In Latin America, the seasonally-adjusted load factor fell significantly in April and May despite an improvement in demand, but elsewhere, seasonally adjusted load factors are close to record highs for any month

Despite the "record-high" levels, analysts are puzzled why capacity is "only" **56,5%**. The problem lies with IATA's load factor calculations, which are based on weight[23]. But PPE and e-commerce, essential commodities last year, bulk out an aircraft before weighing it out. Nevertheless, compared to historical data, the international load factor was at the highest value for any month of June in IATA's series since it started in 1990. IATA's poorly determined statistics could undermine airlines' ability to explain to customers why rates were so high and serve as a caution to authorities who may otherwise be keen to support cargo movements.

A better metric has been proposed by *The International Air Cargo Association* (TIACA), calling for the industry to switch metrics to a "dynamic load factor". "The reason is that, in most cases, the space in an aircraft runs out before reaching its maximum weight capacity. It is due to the aircraft's higher capacity density (calculated as available kg per cubic metre) than the average density of the goods moved by air. "Using industry's traditional way of measuring load factors solely by weight, the average load factor for September 2020 was **47%**. However, the same data from airlines, calculated considering both weight and volume, reveals a more accurate and realistic dynamic load factor of **70%**." Despite the merit of these suggestions, the aviation industry will be hard-pressed to agree and adopt a new metric, given that the existing standard has been around for more than 30 years.

[23] Lennane, A. 04/08/2021. IATA's 'poorly determined' cargo load factors leave observers stupefied.