

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

**Date: 19 August 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)	27 431	28 855	56 286	22 454	32 322	54 776	↑3%
Air Cargo (tons)	4 342	2 014	6 355	4 877	2 148	7 025	↓10%

### Monthly Snapshot

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

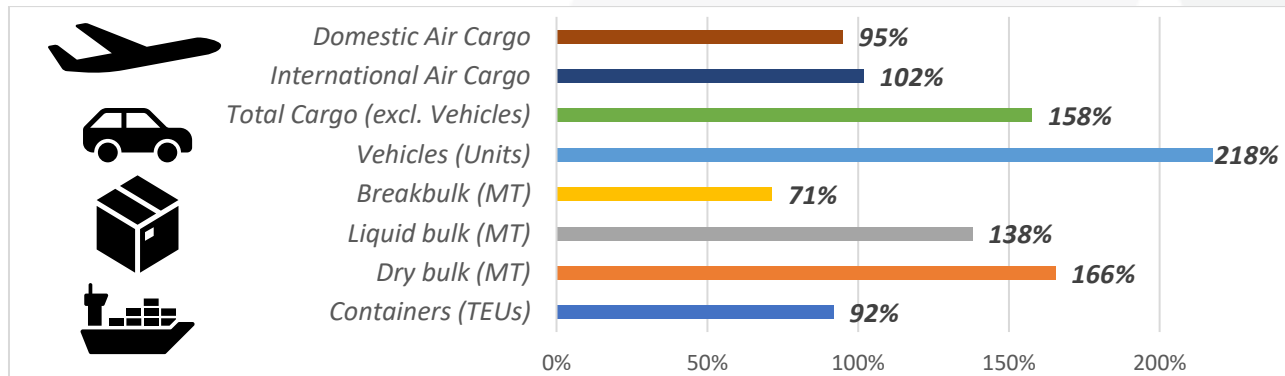


Figure 2 – Global year-to-date flows 2019-2022<sup>5</sup>: ocean, y/y (metric tonnes) & air freight, y/y (kg millions)



### Key Notes

- An average of **~8 041 containers** was handled per day, with **~9 844 containers** projected for next week.
- TNPA port statistics for July: containers are **↓11%** (m/m), **↓8%** (y/y), but up by **↑18%** versus 2020. Versus 2019, YTD containers are at **↓3%**. Total cargo handled is **↑3%** (m/m), and **↑58%** (y/y).
- Rail cargo handled out of Durban amounted to **1 861 containers**, **↓22%** compared to last week.
- This week, cross-border queue times **↑0,4 hours**, with transit times **↑2,1 hours**, SA borders **~15 hours**.
- The "WCI" declined for the 25<sup>th</sup> straight week, with spot rates again **↓3%** (**\$206**) – to **\$6 224** per 40-ft.
- For reefer freight rates, the index rose by **↑50,4%** (y/y) in Q2 of 2022 and is expected to climb further.
- A round voyage between China and Northern Europe currently averages **~97 days** (**↑16**) to complete.
- The air cargo market in July is down by **↓9%** (y/y), with air cargo rates **↑11%** (y/y) but bottoming out.

<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 101<sup>st</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 months' worth of available data compared to the same month in the previous year. All metrics: Jul versus Jul.

<sup>5</sup> For ocean, total Jan-Jul 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 101<sup>st</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 characterised by equipment breakdowns, congestion, and inclement weather conditions, causing delays. Internationally, the shipping industry continues to battle current conditions of elevated input costs, reduced efficiency, and ongoing capacity constraints. However, as we have witnessed over the last six months, these constraints and accompanying prices continue to ease, notwithstanding further shocks. As with dry containerised goods, the same is true for refrigerated goods, as reefer freight rates are expected to soften this year further, but at a more gradual pace than dry box pricing, as reefer rate trends continue to lag those of general cargo.

Port congestion remains an issue worldwide, as major hubs on both sides of the Atlantic remain overcrowded. Moreover, strikes and industrial action in Northern Europe are exacerbating the problems, as ripple effects are experienced throughout the globe, including in South Africa. Fortunately, the softening of rates seems set to continue, as average vessel utilisation on the major head-haul trades continues to be below the threshold, which fuelled the record rate peaks over the past 1½ years. Further developments of note included **(1)** a 'two-tier' market surfacing as the gap between mega and smaller box lines widens, and **(2)** tax contributions from shipping lines questioned.

South Africa's international air cargo volume decreased significantly this week (**↓10%**), as a major carrier cancelled its flights last week due to very low air cargo bookings. The cancellations resulted in a drop of around 200 tons in air cargo imports and exports for the week. Fortunately, the scheduled flights have resumed, and we should see an increase again next week. On the domestic front, air cargo is slightly down on last week's volumes (**↓5%**). Internationally, several challenges, both on the demand and supply side, persist in the air cargo industry resulting in waning demand and further pushing down rates. These challenges include the war in Ukraine, the rising cost of living, and a shortage of ground staff. However, as was the case in South Africa recently, it is evident that airlines are following the market very closely to ensure they are deploying their assets in the best possible way because the market is moving quickly. Additional developments included United Airlines expansion (with new direct services between Washington DC and Cape Town also) to boost cargo volumes.

In the road freight arena, cross-border transit times for our borders averaged **20 hours (↑33% w/w)** this week, as delays increased and are particularly bad at Cassacatiza, Kopfontein, Kasumbalesa, Lebombo, and Mamuno on the Trans Kalahari corridor. Apart from regional cross-border delays, this week's main headline concerns the BMA taking effect from 15 August. Additional developments included **(1)** SARS will implement critical systems maintenance, **(2)** no more additional fees for amending permits at the Sakania border, **(3)** complaints about Zambian checkpoints against SADC Protocols, and **(4)** the sorry state of Botswana's roads.

As we summarise, it is worth pointing out that the collective private sector commends Transnet's announcement of private-sector respondents for participation in its infrastructure development programme to upgrade Durban Pier 2 and Ngqura Container Terminals. It appears as if the many calls for this to happen have finally been noticed, and we again emphasise that private-sector participation (PSP) is a necessary evolution required to kickstart our maritime economy. Transnet must revolutionise; otherwise, South Africa will continue to lose out to regional competitors, continuing and accelerating the trend seen in the last decade. Ultimately, the trade and logistics industry – and the South African economy as a whole – cannot afford the ongoing losses to our counterparts to continue.

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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 13 to 19 August<sup>6</sup>

7-day flow forecast (13/08/2022 – 19/08/2022)		
TERMINAL	NO. OF CONTAINERS <sup>7</sup> TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	5 043	5 227
DURBAN CONTAINER TERMINAL PIER 2:	11 259	11 117
CAPE TOWN CONTAINER TERMINAL:	5 706	6 413
NGQURA CONTAINER TERMINAL:	4 006	4 798
GQEBERHA CONTAINER TERMINAL:	1 417	1 300
<b>TOTAL:</b>	<b>27 431</b>	<b>28 855</b>

Source: Transnet, 2021. Updated 19/08/2022.

Table 3 – Container Ports – Weekly flow reported for 20 to 26 August

7-day flow forecast (20/08/2022 – 26/08/2022)		
TERMINAL	NO. OF CONTAINERS TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	4 033	5 832
DURBAN CONTAINER TERMINAL PIER 2:	15 935	17 522
CAPE TOWN CONTAINER TERMINAL:	4 890	7 612
NGQURA CONTAINER TERMINAL:	4 155	5 897
GQEBERHA CONTAINER TERMINAL:	1 514	1 518
<b>TOTAL:</b>	<b>30 527</b>	<b>38 381</b>

Source: Transnet, 2021. Updated 19/08/2022.

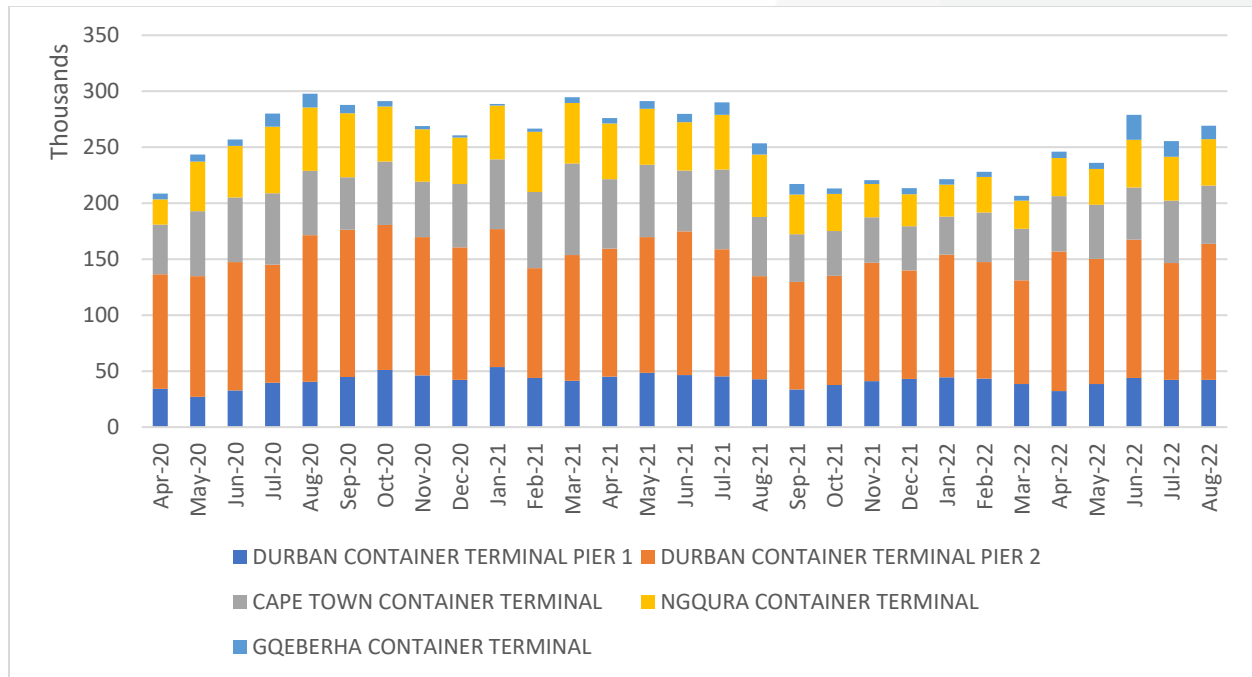
An average of **~8 041 containers** (↑3%) was handled per day for the last week (13 to 19 August, Table 2), compared to the projected average of **9 130 containers** (↓12% actual versus projected) noted in last week's report. An increased average of **~9 844 containers** (↑22%) is projected to be handled next week (20 to 26 August, Table 3). Port operations this past week were characterised by equipment breakdowns, congestion, and inclement weather conditions, causing delays.

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

<sup>6</sup> It remains important to note that a large percentage (approximately 39% 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>7</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.

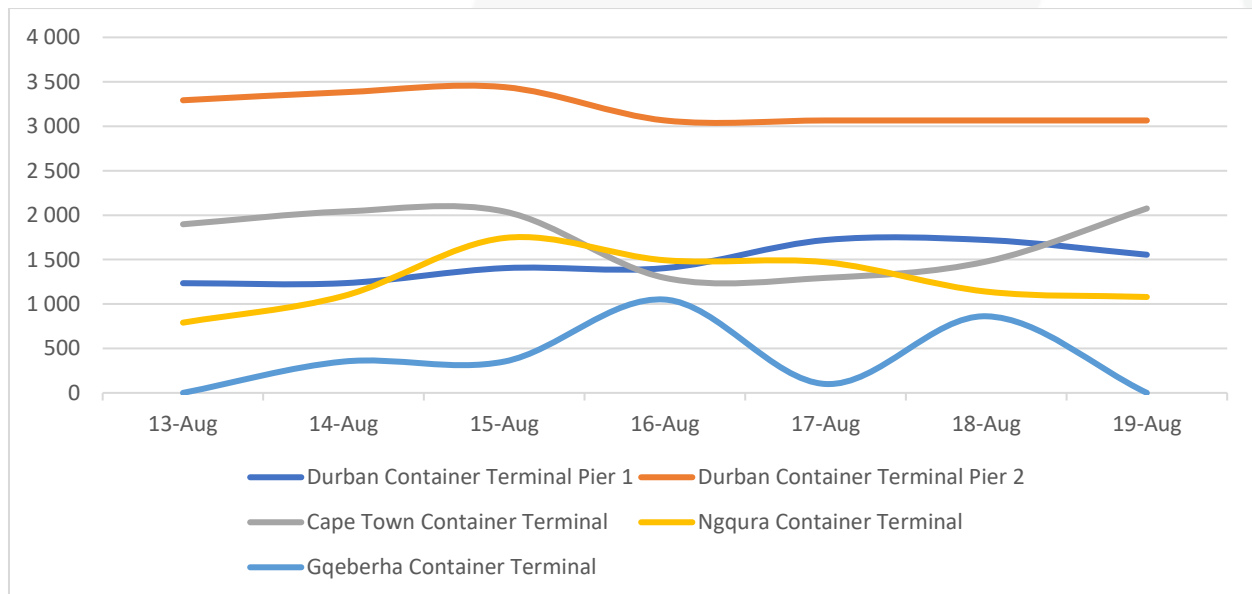
Figure 3 – Monthly flow reported for total cargo movement (containers April 2020 to present, m/m)



Source: Calculated using data from Transnet, 2022. Updated 19/08/2022.

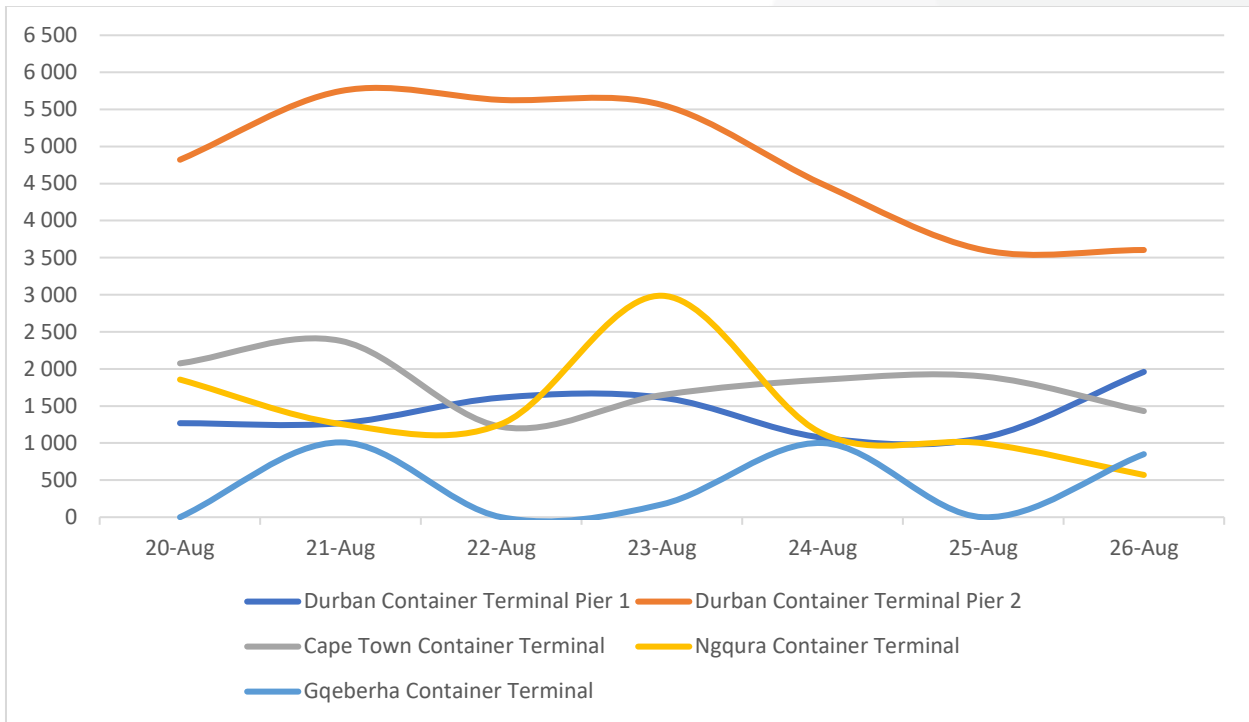
The figures below show the weekly container flows for the previous seven days and projections for the next seven days.

Figure 4 – 7-day flow reported for total container movements (13 to 19 August; per port; day on day)



Source: Calculated using data from Transnet, 2022. Updated 19/08/2022.

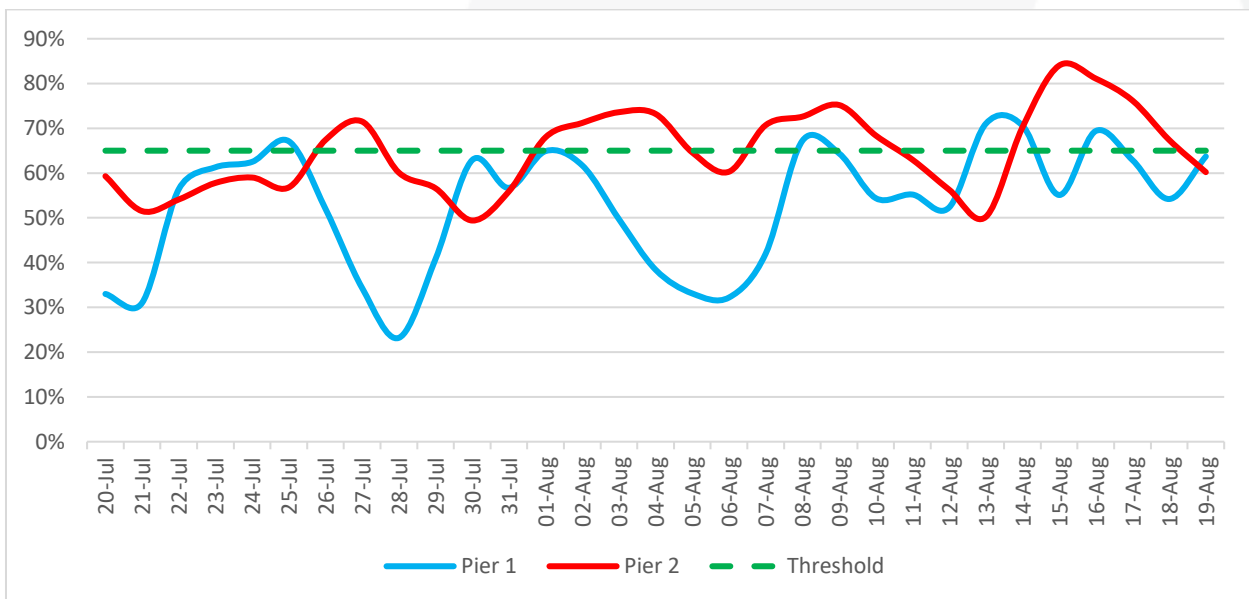
Figure 5 – 7-day forecast reported for total container movements (20 to 26 August; per port; day on day)



Source: Calculated using data from Transnet, 2022. Updated 19/08/2022.

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

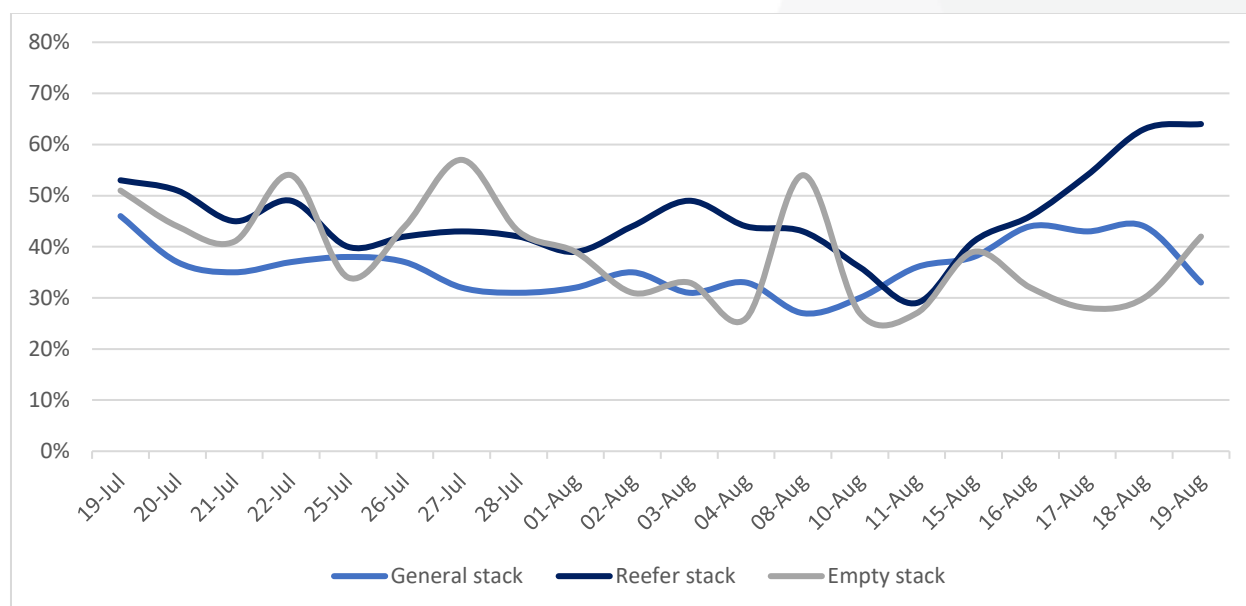
Figure 6 – Stack occupancy in DCT, general-purpose containers (20 July to present; per Pier; day on day)



Source: Calculated using data from Transnet, 2022. Updated 19/08/2022.

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

Figure 7 – Stack occupancy in CTCT, general-purpose, reefer, and empty stack (19 July to present, day on day)



Source: Calculated using data from Transnet, 2022. Updated 19/08/2022.

### b. Transnet National Ports Authority: July update

Transnet National Ports Authority (TNPA) has released its consolidated monthly port statistics for July<sup>8</sup>, showing a mixed bag across the sectors after a strong performance across the board in June. The two headline figures show that containerised cargo has decreased by **↓11%** (m/m), driven by a massive reduction in imports, whereas total cargo moved is up by **↑3%** (m/m):

Table 4 – TNPA – Volume and growth: July 2022

	Jun	Jul	Movement	Monthly growth
<b>Containers (TEUs)</b>	<b>415 219</b>	<b>371 153</b>	<b>-44 066</b>	<b>-11%</b>
Landed	227 048	188 732	-38 316	-17%
Shipped	188 171	182 421	-5 750	-3%
<b>Dry bulk (MT)</b>	<b>17 631 591</b>	<b>18 327 187</b>	<b>695 596</b>	<b>4%</b>
<b>Liquid bulk (MT)</b>	<b>2 873 069</b>	<b>3 096 390</b>	<b>223 321</b>	<b>8%</b>
<b>Breakbulk (MT)</b>	<b>601 122</b>	<b>412 153</b>	<b>-188 969</b>	<b>-31%</b>
<b>Vehicles (Units)</b>	<b>72 636</b>	<b>82 573</b>	<b>9 937</b>	<b>14%</b>
<b>Total cargo (excl. Vehicles)</b>	<b>21 105 782</b>	<b>21 835 730</b>	<b>729 948</b>	<b>3%</b>

Source: [TNPA](#), updated 12/08/2022.

Across the sub-sectors, growth was led by trade in vehicles (**↑14%**, m/m), liquid bulk (**↑8%**, m/m), and dry bulk (**↑4%**, m/m). Breakbulk is substantially down monthly (**↓31%**, m/m); however, the drop was mostly due to the strong throughput last month. Containers landed (**↓17%**, m/m) and shipped (**↓3%**, m/m) decreased in July. Cyclically, however, the volume has increased (for the most part) considerably for July, with the following table showing a comparative overview for July 2022, compared to the same month in 2021 and 2020.

<sup>8</sup> Transnet. 2022. Port statistics. [TNPA](#)

Table 5 – TNPA – Volume and growth: July 2020-2022

	Jul 2020	Jul 2021	Jul 2022	Growth: '21-'22	Growth: '20-'22
<b>Containers (TEUs)</b>	<b>314 293</b>	<b>403 268</b>	<b>371 153</b>	<b>-8%</b>	<b>18%</b>
Landed	149 800	197 935	188 732	-5%	26%
Shipped	164 493	205 333	182 421	-11%	11%
<b>Dry bulk (MT)</b>	<b>14 613 308</b>	<b>11 069 769</b>	<b>18 327 187</b>	<b>66%</b>	<b>25%</b>
<b>Liquid bulk (MT)</b>	<b>3 108 263</b>	<b>2 242 893</b>	<b>3 096 390</b>	<b>38%</b>	<b>0%</b>
<b>Breakbulk (MT)</b>	<b>271 396</b>	<b>576 638</b>	<b>412 153</b>	<b>-29%</b>	<b>52%</b>
<b>Vehicles (Units)</b>	<b>31 722</b>	<b>37 928</b>	<b>82 573</b>	<b>118%</b>	<b>160%</b>
<b>Total cargo (excl. Vehicles)</b>	<b>17 992 967</b>	<b>13 889 300</b>	<b>21 918 303</b>	<b>58%</b>	<b>22%</b>

Source: [TNPA](#), updated 12/08/2022.

The cyclical figures point to significant growth in several sub-sectors compared to last year, especially vehicles (**↑118%**, y/y), dry bulk (**↑66%**, y/y), and liquid bulk (**↑38%**, y/y). Total cargo moved is up by **↑58%** (y/y) and **↑22%** (y/y). Containers, on the other hand, mirror the monthly movement, as throughput is down by **↓8%** versus 2021 but up by **↑18%**. When removing seasonality, the following table provides a more in-depth year-to-date view of containerised cargo.

Table 6 – TNPA – Volume: YTD January-July 2020-2022: Containerised cargo

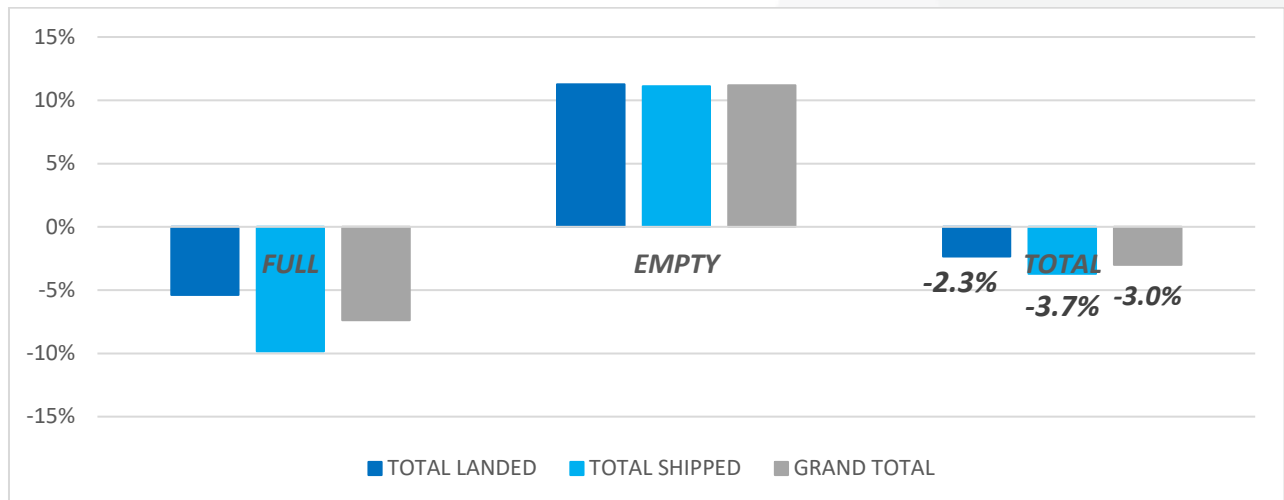
	2020			2021			2022		
	FULL	EMPTY	TOTAL	FULL	EMPTY	TOTAL	FULL	EMPTY	TOTAL
<b>LANDED:</b>									
DEEPSEA	694 718	215 082	<b>909 800</b>	840 248	200 686	<b>1 040 934</b>	858 003	194 795	<b>1 052 798</b>
COASTWISE	1 902	24 756	<b>26 658</b>	1 906	20 509	<b>22 415</b>	3 232	29 262	<b>32 494</b>
TRANSHIPPED <sup>9</sup>	152 904	56 554	<b>209 458</b>	177 278	72 231	<b>249 509</b>	169 425	45 699	<b>215 124</b>
<b>TOTAL LANDED</b>	<b>849 524</b>	<b>296 392</b>	<b>1 145 916</b>	<b>1 019 432</b>	<b>293 426</b>	<b>1 312 858</b>	<b>1 030 660</b>	<b>269 756</b>	<b>1 300 416</b>
<b>SHIPPED:</b>									
DEEPSEA	622 849	296 796	<b>919 645</b>	670 257	368 377	<b>1 038 634</b>	662 870	346 476	<b>1 009 346</b>
COASTWISE	3 149	21 934	<b>25 083</b>	1 862	21 872	<b>23 734</b>	3 791	21 477	<b>25 268</b>
TRANSHIPPED	151 344	51 484	<b>202 828</b>	170 371	74 634	<b>245 005</b>	134 634	40 959	<b>175 593</b>
<b>TOTAL SHIPPED</b>	<b>777 342</b>	<b>370 214</b>	<b>1 147 556</b>	<b>842 490</b>	<b>464 883</b>	<b>1 307 373</b>	<b>801 295</b>	<b>408 912</b>	<b>1 210 207</b>
<b>GRAND TOTAL</b>	<b>1 626 866</b>	<b>666 606</b>	<b>2 293 472</b>	<b>1 861 922</b>	<b>758 309</b>	<b>2 620 231</b>	<b>1 831 955</b>	<b>678 668</b>	<b>2 510 623</b>

Source: [TNPA](#), updated 12/08/2022.

As mentioned above, the annual numbers indicate that we are slightly down on YTD levels compared to 2021 (**↓4,2%**, y/y), with numbers expectantly substantially up from a pandemic-afflicted 2020 (**↑9,5%**). The consolidated figures epitomise the ongoing start-stop nature of trade in 2022, as the hoped-for steady improvement since the onset of the pandemic has not materialised. Even though trade remains strong, many losses offset the gains. Indeed, when we look further back, it becomes clear that we are not making any real progress regarding container throughput, as illustrated below.

<sup>9</sup> 'Transhipped' means an act of off-loading cargo from one ship (generally at a hub port) and loading it onto another ship to be further carried to the final port of discharge. In the process, the cargo is often held at the transshipment port for a period.

Figure 8 – TNPA – Growth: YTD January-July 2019 versus January-July 2022: Containerised cargo



Source: [TNPA](#), updated 12/08/2022.

The total YTD comparison shows our containerised segment currently stands at **↓3,0%** compared to 2019, which is a substantial drop compared to the **↑0,8%** of last month. Furthermore, as has been an ongoing constant, the massive increase in empty containers handled continues to dominate, up by a gigantic **↑11,2%** since 2019. On the other hand, growth in full containers is down by approximately **↓7,4%** compared to pre-pandemic levels, which is a substantial drop from the **↓3,1%** of last month. These numbers emphasise that there has been no real growth in three years. The current macroeconomic outlook in South Africa is not helping with a less than rosy picture, featuring high inflation, rising interest rates, and electricity insecurity likely to continue to dominate the narrative further. These issues increase the downward pressure on the economy and consequently negatively cascade into the container industry.

### c. 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 very challenging week as 12 hours were lost due to inclement weather conditions, vessel ranging and equipment breakdowns. On Monday, vessel ranging was experienced on two vessels, while a management engagement with the ME took place on Tuesday between 12:00 and 14:00. On Wednesday, the container terminal was closed for approximately four hours due to bad weather while a private truck collided with an RTG. Investigations are still ongoing in this regard, and more information will be communicated once available. At the multi-purpose terminal, heavy rain was experienced on Wednesday, which halted operations for an undisclosed amount of time.

Durban also experienced a relatively challenging week. On Monday, strong winds halted operations at pier 1 for approximately 2 hours and 15 minutes which led to increased staging times due to the backlog that arose from the delay. On Tuesday, Maydon Wharf experienced delays while awaiting the arrival of cargo, while equipment breakdowns delayed operations at the port on Wednesday. Finally, on Thursday, Maydon Wharf experienced delayed vessels due to weather challenges as the cargo carried on these vessels was weather-sensitive.

On Monday, Richards Bay experienced delays of up to 7 hours due to adverse weather conditions and gusting winds of up to 38 knots. On Wednesday, further delays were experienced as operations were halted on one vessel for approximately four hours due to high wind speeds.

Unfortunately, the Eastern Cape's week was also defined by equipment breakdowns and inclement weather conditions, causing delays throughout the week. On Monday, mechanical challenges were experienced with the STS and RTG cranes in Port Elizabeth and NCT, leading to further delays. On Wednesday, NCT experienced delays due to inclement weather conditions and further equipment breakdowns, while GCT experienced challenges on a vessel where three containers were damaged during offloading operations. Finally, on Thursday, weather challenges were experienced at NCT, while a breakdown on one mobile harbour crane at GCT led to further delays.

## **ii. Cape Town**

On Wednesday, CTCT recorded two vessels at outer anchorage and three at berth. Stack occupancy for GP containers was 43%, reefers 54%, and empties 28%. In the latest 24-hour period to Wednesday, the terminal managed to handle 2 649 TEUs across the quay. In addition, the terminal serviced 1 100 external trucks and 69 trains on the landside. In addition, CTCT advised that the second set of shore tensioners is expected to arrive around 10 September.

Cape Town MPT on Thursday recorded zero vessels at anchor and zero at berth after completing the vessel on the berth in the 24 hours leading to Thursday. In the latest 24-hour period to Friday, the terminal managed to handle an improved 209 truck visits at a truck turnaround time of 13 minutes. Stack occupancy was also improving and was recorded at 21% for GP containers, 29% for reefers and 26% for empties. In addition, low volumes, unfortunately, remain a feature at MPT as another vessel omitted the port due to a commercial decision. Transnet and Cape Town MPT are still in continuous collaboration to ensure that the low volumes do not persist.

## **iii. Durban and Richards Bay**

Pier 1 on Wednesday recorded one vessel at berth, manned by four gangs, and none at anchor. Stack occupancy was 63% for GP containers and 46% for reefers with 2 122 imports on hand, 553 reefers and 236 unassigned units. The terminal recorded 1 864 gate moves on the landside on Wednesday, with 757 cancelled slots and 191 wasted.

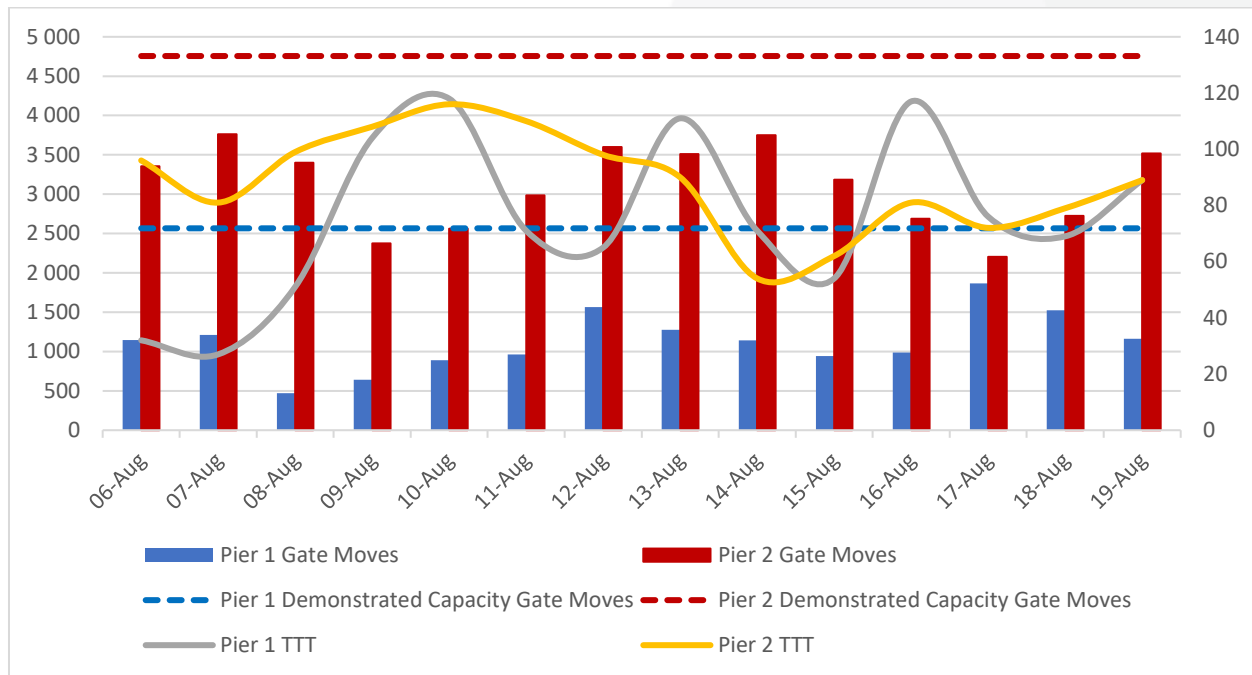
On Thursday, Pier 2 had four vessels at berth and one at anchorage. In the most recent 24 hours to Friday, the terminal managed to handle an impressive 4 619 TEUs across the quay. Stack occupancy was 67% for GP containers and 55% for reefers. The terminal had between 79 and 86 straddles in operation throughout the week, manned by 13 gangs. On Tuesday, there were 2 723 gate moves on the landside with an average TTT of 79 minutes and a staging time of 69 minutes. A total of 286 rail import containers were on hand, with 321 volumes moved by rail.

This week saw a surge in cancelled and wasted slots as Transnet issued a statement earlier this week where they advised that the 4-hour slot review period would be extended to an 8-hour review period which was met with dismay by the logistics industry. However, later in the week, a stakeholder meeting was called where all concerns were raised regarding the 8-hour slot allocation period, and a consensus was reached that the 4-hour slot allocation period will be reintroduced from Friday, 19 August.

On Wednesday, the Durban helicopter returned to commission after its service, which included a mandatory 200- hour inspection and hoist repairs. Engagements regarding night shift operations will commence next week, after which Transnet will advise whether the helicopter will undertake night shift operations or not. Additionally, one tug remains out of commission at the dry dock undergoing repairs, while berth eight at Island View returned into commission on Monday, 15 August 2022.

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



Source: Calculated using data from Transnet, 2022. Updated 19/08/2022.

#### iv. Eastern Cape ports

GCT on Thursday recorded six vessels at anchorage and seven alongside. For marine resources, two tugs, one pilot boat, two pilots, and one berthing gang were in operation in the 24 hours leading to Friday. In the 24 hours leading up to Friday, stack occupancy was 57% for GP containers and 45% for reefers. GCT also reported having one STS crane, one mobile harbour crane, and 14 straddles. On the landside, GCT serviced 390 external trucks with a TTT of 25 minutes.

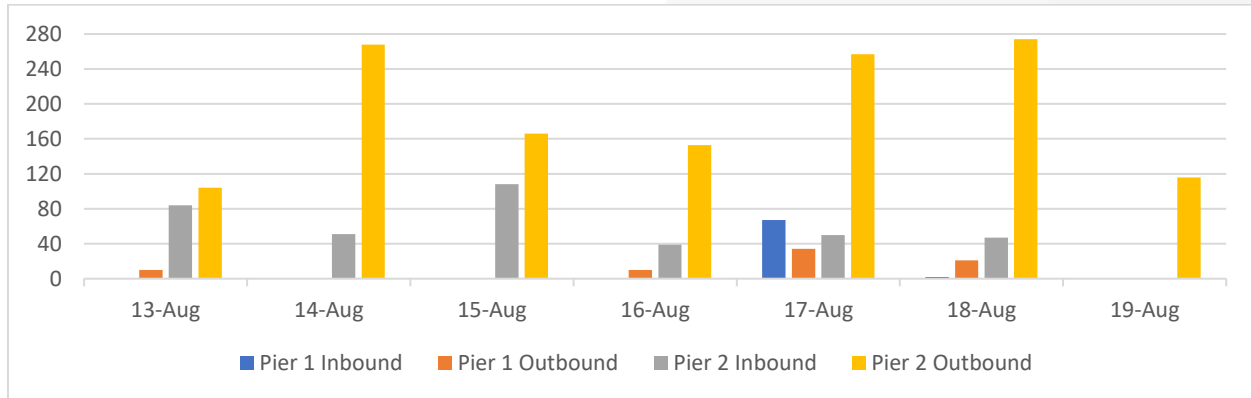
NCT on Wednesday recorded two vessels alongside and four vessels at anchorage. Marine resources of two tugs, one pilot boat, two pilots, and one berthing gang were in operation in the 24 hours leading to Thursday. In the 24 hours leading up to Thursday, stack occupancy was 25% for GP containers, 13% for reefers, and 30% for ground slots. On Wednesday, 2 028 TEUs were handled across the quay. Regarding equipment availability, six STS cranes and 28 RTGs were operating in the 24 hours leading to Thursday. Additionally, 366 trucks were serviced on the landside, with a truck turnaround time of ~25 minutes.

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

Earlier this week, Transnet reported that another assessment was conducted on the Balgowan section of the container corridor between Durban and Johannesburg; an estimated time for the return to service of the second line could not yet be provided. However, TFR is hopeful that the estimated return time will still be by 17 September. Furthermore, Transnet advised that the second line on the Durban-Cato Ridge railway, which flooded in April, was set back, and now only anticipate it being re-opened on 30 September.

The following figure shows the rail cargo evacuated from DCT in the last week.

Figure 10 – TFR: Rail handled (Pier 1 and Pier 2)



Source: Calculated using data from Transnet, 2022. Updated 19/08/2022.

In the last week (13 to 19 August), rail cargo handled out of Durban was reported at **1 861** containers, **↓22%** from the previous week's **2 376** containers.

**vi. General**

Transnet has announced a shortlist of private sector respondents for participation in its infrastructure development programme to upgrade Durban Pier 2 and Ngqura Container Terminals<sup>10</sup>.

- For DCT Pier 2, 10 respondents have been shortlisted<sup>11</sup>:
  - APM Terminals AMI Management DMCEST
  - China Harbour Engineering Company Ltd and Guangzhou Port Co. Ltd
  - COSCO Shipping Ports Limited
  - DP World Limited
  - Global Ports Services Pty. Ltd
  - Grindrod Freight Services (Pty) Ltd and Hamburger Hafen Und Logistik Aktiengesellschaft (HHLA)
  - International Container Terminal Services, Inc. (ICTSI)
  - Red Sea Gateway Terminal and MMC Port Holdings Sdn Bhd
  - Star Classic Investments Limited and Abu Dhabi Ports
  - Terminal Investment Limited (TIL) and REMGRO Limited
- For NCT, four respondents have been shortlisted:
  - International Container Terminal Services, Inc. (ICTSI)
  - Red Sea Gateway Terminal and MMC Port Holdings Sdn Bhd
  - Star Classic Investments Limited and Abu Dhabi Ports
  - Terminal Investment Limited (TIL) and REMGRO Limited

<sup>10</sup> Comins, L. 15/08/2022. Transnet announces shortlisted port partners for Durban and Ngqura.

<sup>11</sup> Donnelly, J. 16/08/2022. [APMT, DP World amongst firms shortlisted in South African port upgrades.](#)

The upgrade aims to create a 25-year special purpose vehicle (SPV) between Transnet Port Terminals (TPT) and the winning bidders. After the period, the terminals will revert fully to TPT control. The shortlisted companies will have until December to submit their proposals for adjudication. The shortlisting is subject to a due diligence process by Transnet. The preferred bidders for each terminal are expected to be appointed by February 2023.

## 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 8 August. For comparative purposes, the average air freight cargo (inbound and outbound) handled at ORTIA in August 2021 averaged **~706 163 kg** per day.

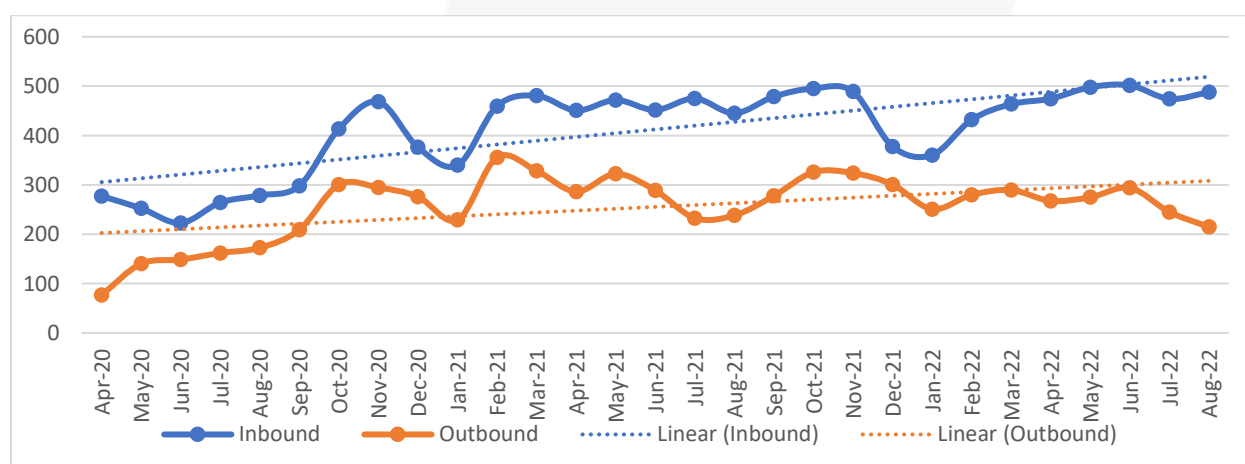
Table 7 – International inbound and outbound cargo from OR Tambo

Flows	08-Aug	09-Aug	10-Aug	11-Aug	12-Aug	13-Aug	14-Aug
<b>Volume inbound</b>	500 410	376 453	448 452	316 582	349 410	238 331	809 661
<b>Volume outbound</b>	170 308	183 457	137 789	143 601	181 133	192 030	401 222
<b>Total</b>	<b>670 718</b>	<b>559 910</b>	<b>586 241</b>	<b>460 183</b>	<b>530 543</b>	<b>430 361</b>	<b>1 210 883</b>

Courtesy of ACOC. Updated: 17/08/2022.

The daily average volume of air cargo handled at ORTIA the previous week amounted to **434 186 kg** inbound and **201 363 kg** outbound, resulting in an average of **635 548 kg per day** or **~79%** compared with August 2021. Also, the level is currently at **~141%** compared with the same period in 2020. The following figure shows the comparative quarterly global freight movement at ORTIA since the pandemic outbreak, highlighting the improvement of the sector over the period.

Figure 11 – International cargo from OR Tambo (millions)



Courtesy of ACOC. Updated: 17/08/2022.

### 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 August 2021 was **~61 953 kg** per day.

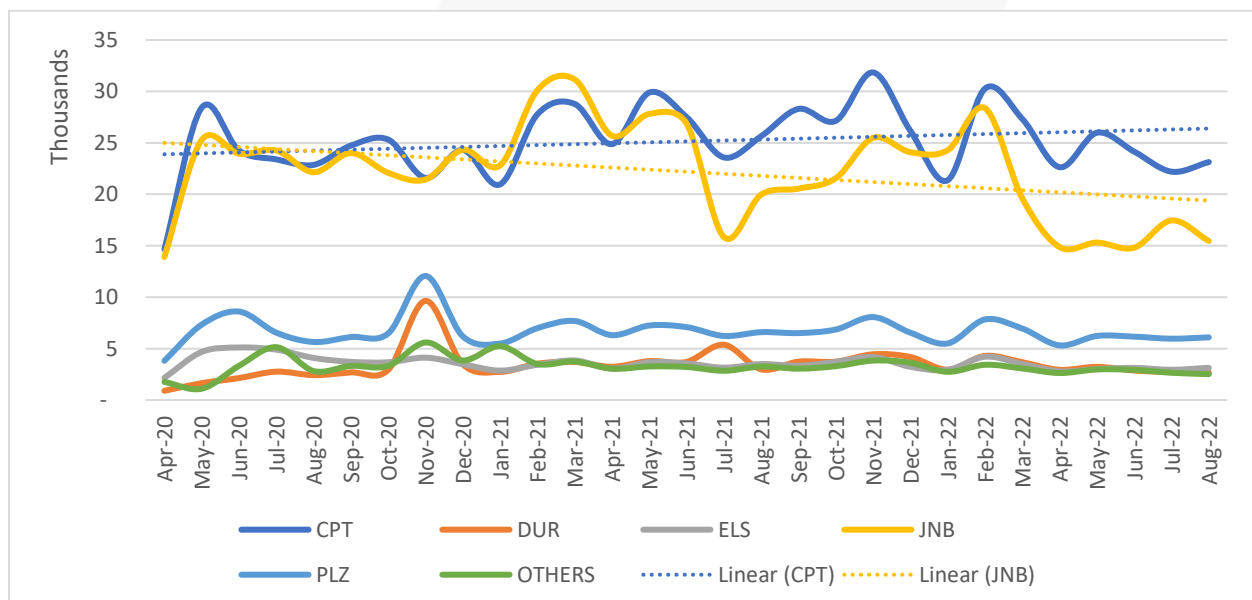
Table 8 – Total domestic inbound and outbound cargo

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
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	22 196	2 715	2 943	17 462	5 963	2 650	53 929
Aug Average	23 134	2 671	3 133	15 465	6 091	2 517	53 011
09-Aug-22	2 878	373	110	614	448	376	4 800
10-Aug-22	44 023	4 038	5 998	29 188	11 185	5 325	99 756
11-Aug-22	41 646	3 949	5 442	25 247	10 345	4 348	90 977
12-Aug-22	20 517	3 156	2 528	14 867	4 872	2 177	48 116
13-Aug-22	2 001	249	10	670	175	48	3 151
14-Aug-22	2 431	389	171	560	543	41	4 135
15-Aug-22	39 955	4 820	5 327	25 762	12 681	4 380	92 924
<b>Total for 2022:</b>	<b>5 710 427</b>	<b>737 733</b>	<b>737 907</b>	<b>4 397 225</b>	<b>1 434 471</b>	<b>661 744</b>	<b>13 679 507</b>

Courtesy of BAC. Updated: 17/08/2022.

The average domestic air cargo moved last week was ~49 123 kg per day, which is ↓5% compared with the previous week and ~98% compared to August 2021. The following figure shows our commercial airports' monthly domestic freight movement since the pandemic.

Figure 12 – Average domestic inbound and outbound cargo (thousands)



Courtesy of BAC. Updated: 17/08/2022.

### 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.

- Last week, clearing times at South African borders averaged around **20 hours (↑33% w/w)**.
- The Department of Home Affairs has announced the commencement of SA's new border management laws. The Border Management Authority Act (BMA)<sup>12</sup> has taken effect from 15 August, with most sections commencing, according to Home Affairs Minister Aaron Motsoaledi.
- SARS will implement critical systems maintenance from Saturday (20 August) at 20:00 to Sunday (21 August) at 08:00, impacting the declaration processing, road manifest processing, and RLA systems.
- On Thursday, 11 August, a notification was sent stating that transporters would no longer have to pay extra when amending permits to use at the Sakania border.
- The Friday, 12 August, transporters shared complaints about Zambian checkpoints – specifically before Livingstone – stopping foreign vehicles and citing no mudflaps on the horse. As per SADC Protocol, countries must adhere to neighbouring countries' road rules; therefore, if reflective strips are not required on South African vehicles, the vehicle does not need them in Zambia.
- Transporters voiced fears concerning the state of Botswana's roads – from Groblersbrug to Kazungula – as traffic increases highlights the lack of forwarding planning when the Kazungula bridge was initially planned back in 2014.
- During the last week, 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 may still use the non-tariff barrier (NTBs) [online tool](#) developed by UNCTAD and the AfCFTA Secretariate. However, given the mixed success of the platform, transporters are encouraged to contact FESARTA and join their [TRANSIST Bureau](#)<sup>13</sup>, 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, with lengthy queuing times at Cassacatiza, Kopfontein, Kasumbalesa, and Lebombo.

Table 9 – Delays<sup>14</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	12:00	943	28 290	6 601	66 010	0
Moz/Zam	Cassacatiza/Mlolo	-	25:00	175	5 250	1 225	28 175	0
Zam/Zim	Chirundu	6:00	19:00	620	18 600	4 340	73 780	26 040
Moz/Mal	Dedza	2:00	26:00	50	1 500	350	8 400	700
SA/Bot	Groblersbrug/Martins Drift	24:00	15:00	400	12 000	2 800	36 400	67 200
Zam/DRC	Kasumbalesa	-	66:00	750	22 500	5 250	336 000	0
Zam/Bot	Kazungula	0:00	17:00	240	7 200	1 680	25 200	0

<sup>12</sup> BMA. 2022. [Border Management Act](#).

<sup>13</sup> [FESARTA TRANSIST Bureau](#).

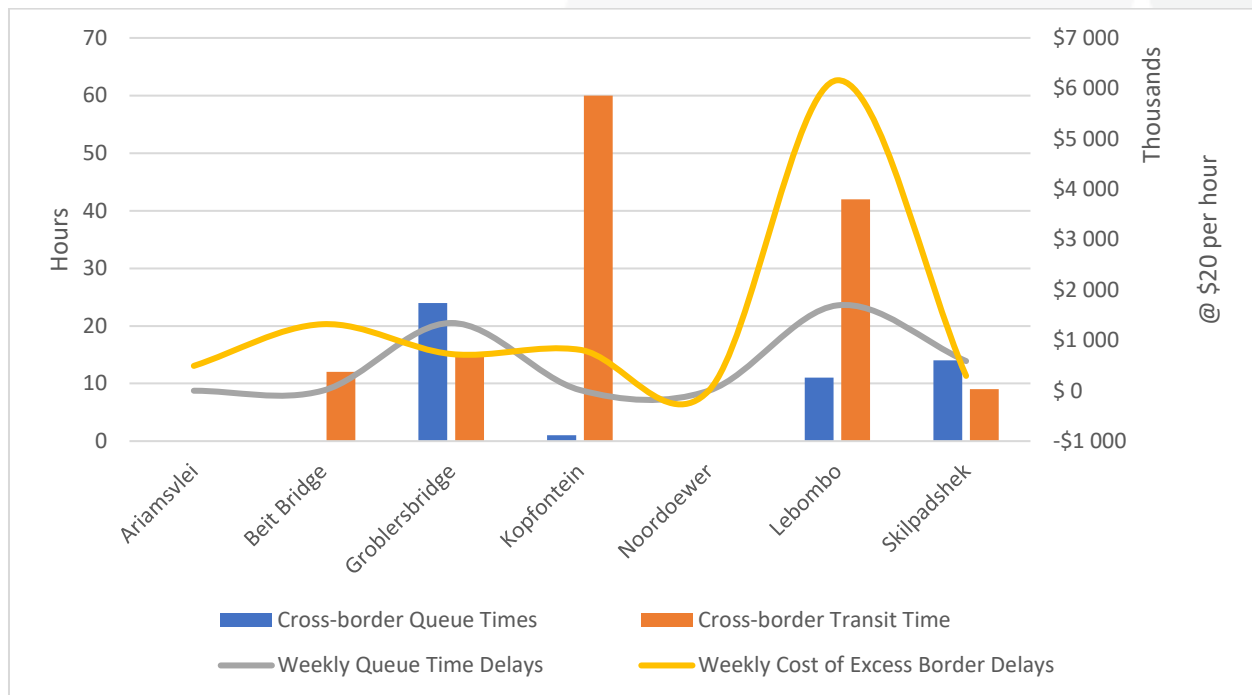
<sup>14</sup> It should be noted that the root cause of the reported delays is uncertain at this point. Moreover, the delays may be multiple and widely distributed. Therefore, they cannot be exclusively attributed to a specific common cross-border problem since we do not have a transparent view of the 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.

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/Bot	Kopfontein/Tlokweng	1:00	60:00	100	3 000	700	40 600	700
Moz/Zim	Machipanda/Forbes	1:00	9:00	320	9 600	2 240	15 680	2 240
Mal/Zam	Milange	0:00	3:00	30	900	210	210	0
Zim/Moz	Nyamapanda	1:00	5:00	100	3 000	700	2 100	700
SA/Moz	Lebombo/Ressano Garcia	11:00	42:00	1 100	33 000	7 700	308 000	84 700
SA/Bot	Skilpadshek/Pioneer Gate	14:00	9:00	300	9 000	2 100	14 700	29 400
Nam/Bot	Trans Kalahari/Mamuno	-	29:00	100	3 000	700	18 900	0
Zam/Zim	Victoria Falls	1:00	1:00	114	3 420	798	-798	798
Moz/Mal	Zobue/Mwanza	2:00	17:00	100	3 000	700	10 500	1 400
				<b>5 442</b>	<b>163 260</b>	<b>38 094</b>	<b>1 008 497</b>	<b>213 878</b>

Source: TLC & FESARTA, week ending 15/08/2022.

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

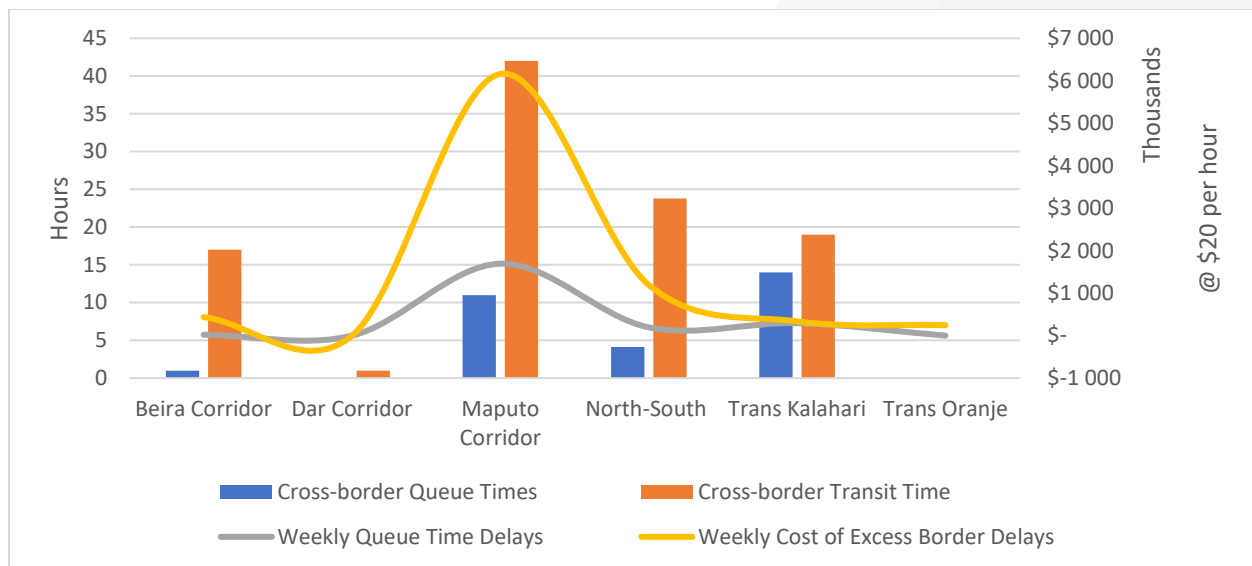
Figure 13 – Weekly cross-border delays & est. cost from a SA border perspective (hours & \$ thousands)



Source: TLC & FESARTA, week ending 15/08/2022.

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 15/08/2022.

In summary, cross-border queue time has averaged **~4,5 hours** (up by **~0,4 hours** from the **~4,1 hours** recorded in the previous report), costing the transport industry an estimated **\$4 million (R68 million)**. Furthermore, the week's average cross-border transit times hovered around **~19,8 hours** (up by **~2,1 hours** from the **~17,7 hours** recorded in the previous report), costing the transport industry **\$20 million (R323 million)**. As a result, the total cost for the week amounts to an estimated **~R391 million** (up by **~R30 million** or **↑8%** from **R361 million** in the previous report).

#### 4. International Update

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

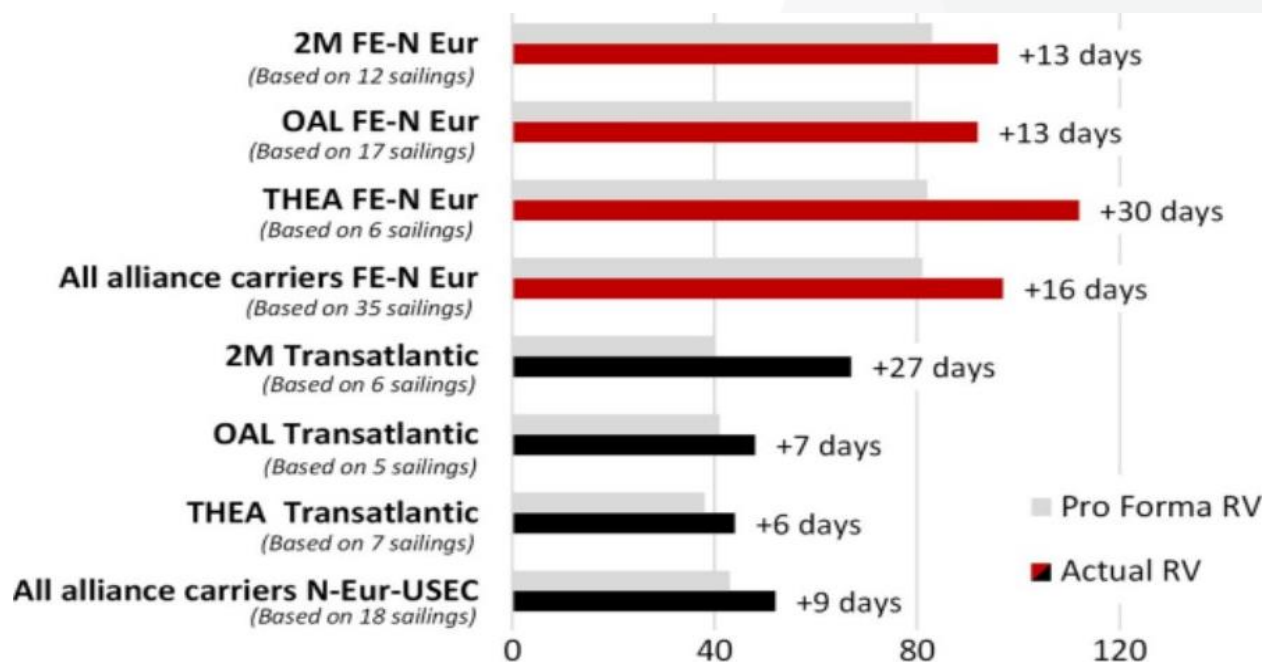
##### a. Global shipping industry

###### i. Scheduling and rotation delays

This week, Alphaliner has provided an update on shipping rotation delays for major routes during the second half of July. On average, container ships deployed between China and Northern Europe need **97 days** to complete a full round voyage. The average rotation is only four days less than in mid-May when Alphaliner last surveyed ship delays on these routes. The sentiment builds on the slightly improved picture provided by Sea Intelligence's latest "*schedule reliability*" for June<sup>15</sup>. Despite the marginal improvement, ships still arrive **~16 days** late in the major shipping hubs of China for their next trip, emphasising the subsequent ripple effect across the entire industry.

<sup>15</sup> Murphy, A. 03/07/2022. [Schedule reliability improves to 40% in June 2022.](#)

Figure 15 – Incoming ship delays (millions of TEU) and price index



Source: [Alphaliner](#)

While there has been a slight improvement for some individual carriers and routes (Asia – Europe has improved to **13,3 days**<sup>16</sup>), the current conditions of elevated input costs, reduced efficiency, and ongoing capacity constraints remain. Port congestion remains particularly prevalent, as Alphaliner notes that some hubs have worsened since the last survey. These include major Northern European ports and ports on the US East Coast. The assessment shows how the road to recovery in the maritime sector will be a slow, drawn-out process, with full moderation not expected till the end of 2023/early 2024 bar any further major disruptions.

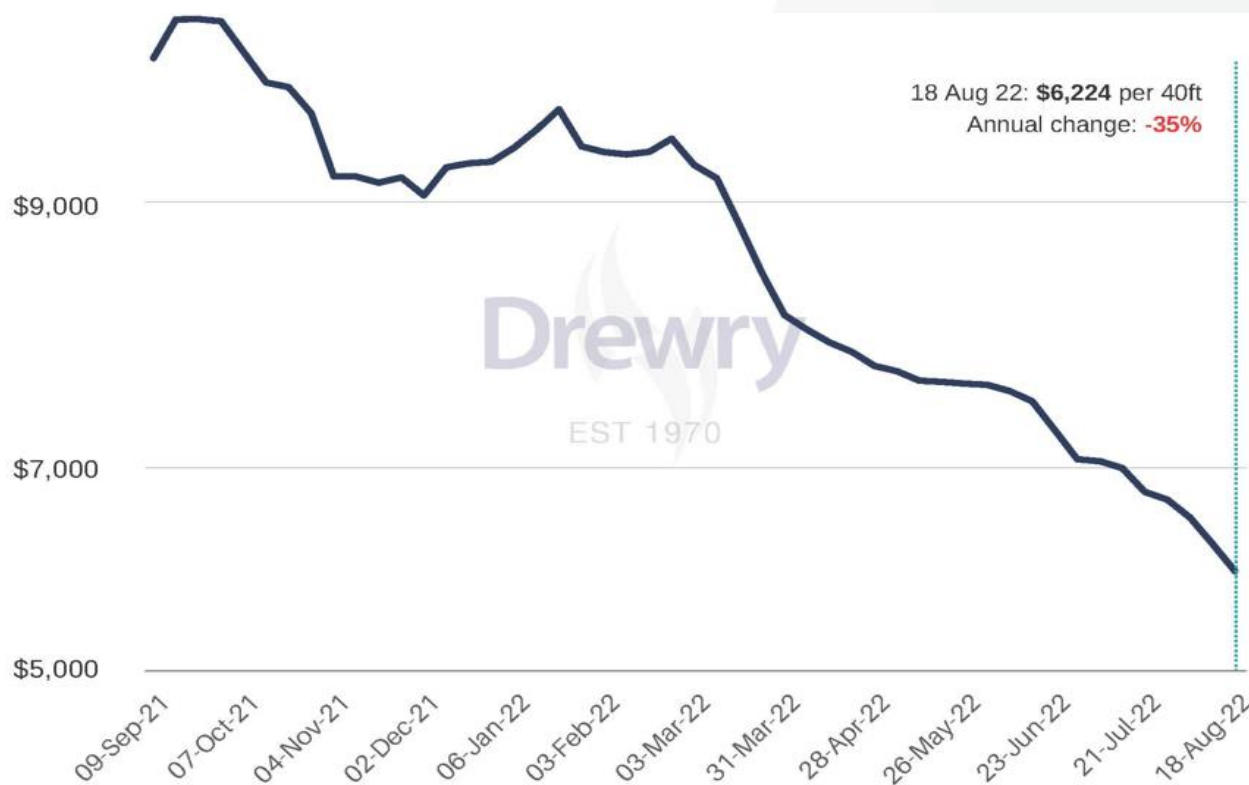
## ii. Global container freight rates – dry goods

Global container freight spot rates continue to decrease – now for the 25<sup>th</sup> week in a row, according to Drewry's "World Container Index". The rate decreased by **↓3%** (or **\$206**) – to **\$6 224** per 40-ft container this week<sup>17</sup>, with the composite index of **↓35%** (y/y) compared to last year:

<sup>16</sup> Steel Lux. 18/08/2022. [Container vessel rotation average](#).

<sup>17</sup> Drewry. 11/08/2022. [World Container Index](#).

Figure 16 – World Container Index – assessed by Drewry (\$ per 40 ft. container)



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

After the unprecedented surge in 2021, the long-term average remains high, with the YTD at **\$8 056** per 40ft container, **\$4 425** higher than the five-year average of **\$3 631**. Four of the eight routes fell on the major East-West trade lanes, with the most significant drop occurring on the Shanghai – Los Angeles route, down by **↓5%** (w/w). Incidentally, the transatlantic route of New York – Rotterdam incurred an increase this week (**↑1%**, w/w); however, the trade lane has been the most stable of all major East-West trades for the last twelve months. Ultimately, as we have experienced throughout the previous six months, all indications are for further rate decreases. Even though demand grew by **↑0,6%** (y/y) in June, it doesn't change the fact that demand has been on a downward trend since it spiked in peak season 2020. And, in some fascinating research by Sea Intelligence<sup>18</sup> this week, they showed how demand growth matches up against deployed capacity – which the carriers have continued to keep as low as possible, with blank sailings remaining high – at 9% this week<sup>19</sup>.

A declining demand trend can be offset by a declining injection of capacity, especially in an environment where port congestion leads to significant vessel delays and, in turn, results in capacity removal. However, the drop in vessel utilisation experienced a sharp decline in May and was sustained in June (currently around the **89%** mark), which closely correlates to a reduction in spot rates. Once utilisation gets into the **90-95%** range for the Transpacific (as we saw during the 2020-peak), it means all capacity is fully utilised, and spot rates increase dramatically. However, now that the industry had two consecutive months where utilisation is below **90%**, it is evident that the market cannot sustain the extremely high spot rates. The bottom line is that the average vessel utilisation on the major head-haul trades continues to be below the threshold, fuelling the record rate peaks over the past 1½ years. As a consequence, spot rates will continue to decline.

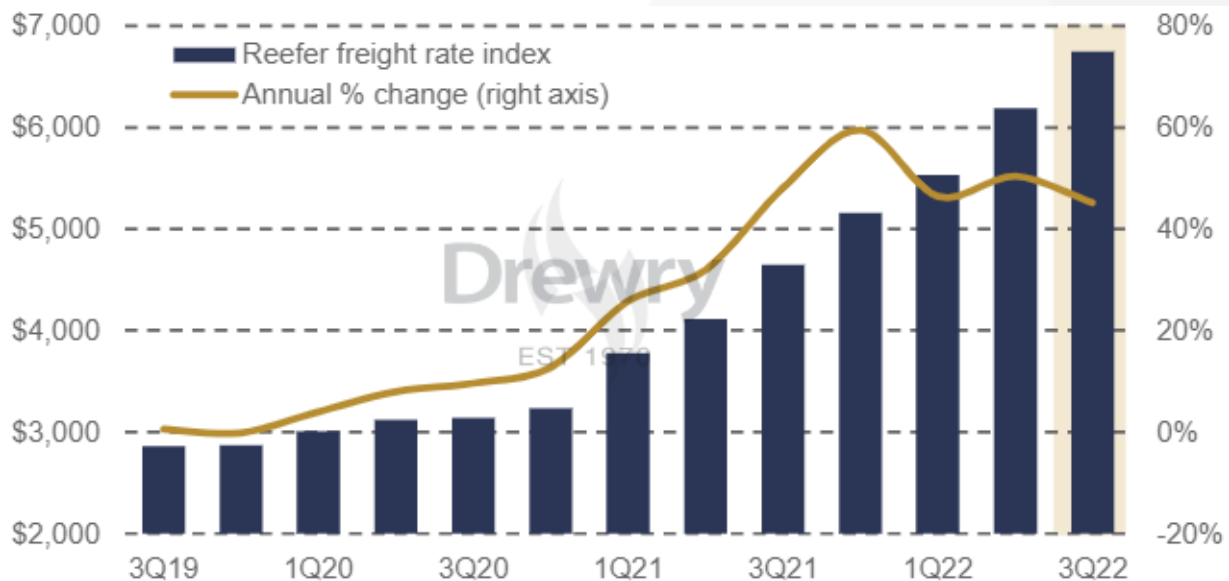
<sup>18</sup> Alan Murphy. 17/08/2022. [Low vessel utilisation to fuel rate decline.](#)

<sup>19</sup> Drewry. 19/08/2022. [Cancelled Sailings Tracker - 12 Aug.](#)

### iii. Global container freight rates – reefer goods

As mentioned earlier in this report, the average rates for reefers have not dropped as fast as dry goods, as shown by the CTS container price index increasing by **↑2%** in June<sup>20</sup>. The increase was largely led by the rise in reefer rates (which has been bolstered by congestion, shortages, and drought in key regions<sup>21</sup>) as dry goods volume continues to subside. Indeed, across global trades, reefer rates rose over **↑50%** in the year to 2Q22, matching gains made in dry cargo pricing, and are estimated to increase further in 3Q22, outpacing dry box rates<sup>22</sup>. As a result, Reefer freight rates are expected to soften further this year, but at a much slower pace than dry box pricing, as reefer rates continue to lag those for general cargo, as shown here:

Figure 17 – Drewry Global Reefer Container Freight Rate Index – assessed by Drewry (\$ per 40 ft. container)



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

The index, a weighted average of rates across the top 15 reefer-intensive trade routes, rose **↑50,4%** (y/y) in 2Q22, and the 3Q22 reading is expected to climb further. However, East-West routes have seen only modest freight rate increases over the last four quarters, as capacity pressure has eased thanks to the softening peak trade from Europe and North America to Asia. Much like dry container goods, global seaborne reefer traffic recovered by **↑2%** in 2021 from a pandemic ravaged 2020, reaching **137,4 million tonnes**, but slowed to **↑1,1%** (y/y) in 1H22. As a result, Drewry forecasts that the trade will end the year with a gain of just **↑1%**.

### iv. Further developments of note

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

#### 1. 'Two-tier' market surfacing as the gap between mega and smaller box lines widens:

- Alphaliner compared the industry in 2017 with the current market. Currently, the top ten carriers are operating **21,8 million TEU** of capacity, while the next 20 lines have a combined capacity of just **2,5 million TEU**. In contrast, five years ago, the cumulative capacity of the top ten carriers was **15,4 million**, with **3,2 million** operated by the lines ranked 11-30<sup>23</sup>.
- Further emphasising the consolidation and concentration of power at the very top, the number of 'supercarriers', operating more than **1 million TEU**, has risen by just one, from six

<sup>20</sup> CTS. 08/08/2022. [Container throughput volume and price index](#).

<sup>21</sup> Whelan, S. 17/08/2022. [Reefer rates bolstered by congestion, shortages, and drought in key regions](#).

<sup>22</sup> Drewry. 16/08/2022. [Reefer container freight rates stabilising but to outpace dry box pricing](#).

<sup>23</sup> Wackett, M. 17/08/2022. ['Two-tier' market surfacing as gap between mega and smaller box lines widens](#).

to seven in the past five years. Liner consolidation has recently attracted the attention of politicians and regulators, as competitiveness has been brought into sharp focus by the spiralling freight rates and ancillary charges experienced recently.

## 2. Tax contributions from shipping lines questioned:

- a. The issue of liner shipping and taxation is once again in the news during a record Q2 earnings season for global carriers, as Maersk posted profits of **\$8,6 billion** and Hapag-Lloyd reported an **€8,7 billion** profit amid a host of spectacular results that are seeing some politicians question whether carriers ought to be contributing more to state finances<sup>24</sup>.
- b. According to Sea-Intelligence<sup>25</sup>, Maersk will pay **\$164 million** in taxes in Q2, a tax rate of **1,8%**. On the other hand, Hapag-Lloyd, which now vies with Volkswagen as Germany's most profitable company, will pay **€20,8 million**, resulting in an effective tax rate of **0,5%**. Compare these figures to Zim, the Israeli carrier at **18%**, and the disparity becomes clear. Fortunately, Zim reported a net profit of **\$1,34 billion** for Q2, for an interim H1 result of **\$3 billion**, and believes it can navigate any downturn in the liner markets<sup>26</sup>.
- c. However, politicians have voiced concern that the disparity between profits and taxes in the current climate is too large to justify politically, as carriers are taxed on existing tonnage as per the EU Commissions rule<sup>27</sup>, not profits. Although carriers are seen partly driving inflation<sup>28</sup> (though not as much as some might believe), some politicians have urged authorities to revisit. Nevertheless, as the carriers correctly point out, the law does mean they have to pay into government coffers even when making a loss<sup>29</sup>.

## 3. Further industrial action threatens Northern European ports:

- a. Dockworkers at the UK's port of Liverpool have voted to strike over wages<sup>30</sup>, threatening to slow trade flows and inflict more pain on a British economy already facing labour and logistics strains<sup>31</sup>.
- b. Liverpool, owned by Peel Ports, is Britain's fourth-largest gateway for seaborne trade and a vital stop for transatlantic commerce. No timetable was specified, but any work stoppage will add to disruptions expected from an eight-day strike planned later this month at Felixstowe, the country's busiest container terminal.
- c. Indeed, Ocean carriers calling at Felixstowe are making contingency plans in case the eight-day strike at the UK's biggest container port starting on Sunday is not a one-off<sup>32</sup>. For example, Cosco has already omitted Felixstowe from its *CSCL Brisbane* and *YM Evolution* services into Felixstowe next week<sup>33</sup>.

## b. Global air cargo industry

### i. Air cargo demand

Air cargo demand fell for the fifth month in July as the industry continues to face a "*multitude of disruptions*", according to CLIVE Data Services<sup>34</sup>. These multitudes of disruptions are currently being dominated by the war in Ukraine and the rising cost of living crisis, which is increasingly affecting household budgets. In

<sup>24</sup> Chambers, S. 15/08/2022. [Tax contributions from liner billionaires questioned.](#)

<sup>25</sup> Sea Intelligence. 14/08/2022. [Sunday Spotlight 577.](#)

<sup>26</sup> Wackett, M. 18/08/2022. [With Q2 profits of \\$1.34bn, Zim says it can safely sail through any downturn.](#)

<sup>27</sup> EU Commission. 16/12/2019. [Commission approves maritime transport support schemes in Cyprus, Denmark, Estonia, Poland and Sweden.](#)

<sup>28</sup> IMF. 28/03/2022. [How Soaring Shipping Costs Raise Prices Around the World.](#)

<sup>29</sup> Steer, G. 16/08/2022. [Container shipping's tonnage tax trick.](#)

<sup>30</sup> Reuters. 15/08/2022. [Hundreds of workers at Liverpool port vote to strike over pay.](#)

<sup>31</sup> Philip, V. 15/08/2022. [Liverpool Dock Workers Back Strike Over Pay in Threat to Trade.](#)

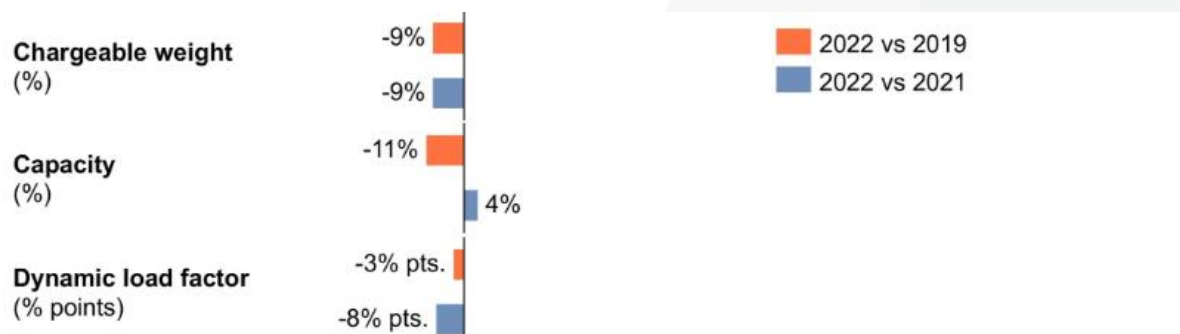
<sup>32</sup> Wackett, M. 16/08/2022. [Carriers plan for more strikes at Felixstowe as docker resolve hardens.](#)

<sup>33</sup> Whiteman, A. 18/08/2022. [A 'summer of logistics discontent' as ripples from Felixstowe strike hit Europe.](#)

<sup>34</sup> Brett, D. 12/08/2022. [Air cargo demand drops again in July as dark clouds gather.](#)

summary, air cargo demand dropped by **↓9%** (y/y), as the dynamic load factor – considering both weight and space – slipped **↓8%** compared to last year and now stands at **58%**. The following figure from Xeneta shows the current conditions versus the previous year and pre-pandemic times.

Figure 18 – CTKs and RPKs (% change versus the same month in 2019)



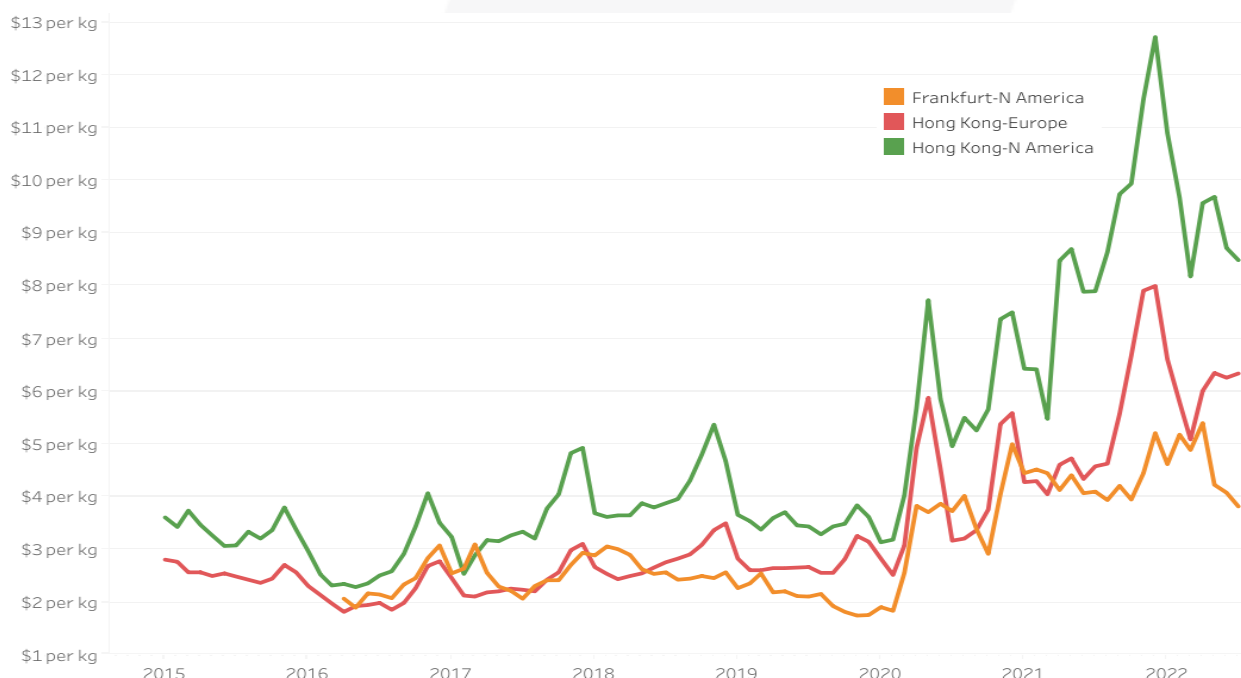
Source: [Xeneta](#)

As was the case in South Africa recently, it is evident that airlines are following the market very closely to ensure they are deploying their assets in the best possible way because the market is moving quickly. Moreover, the operational challenges of a significant shortage of ground staff remain; hence airlines are trying their best to balance supply and demand given the current conditions.

**ii. Air cargo rates**

Waning air cargo demand is seemingly driving rates down, as indicators suggest the market has yet to bottom out. In July, rates were up **↑11%** on a year ago – and **↑121%** versus July 2019; however, the gap between pre-pandemic levels has continued to narrow, as the "Baltic Exchange Airfreight " shows below:

Figure 19 – Baltic Exchange Airfreight Index (\$ per kg)



Source: [BAI](#)

On the major routes, the prevailing rates are currently:

- Frankfurt – North America is currently trending at **\$3,82** per kg – **↓9,7%** (m/m), and **↓6,8%** (y/y).
- Hong Kong – North America is currently trending at **\$6,34** per kg – **↑1,3%** (m/m), and **↑38,4%** (y/y).
- Hong Kong – Europe is currently trending at **\$3,40** per kg – **↓8,5%** (m/m), and **↑7,5%** (y/y).

With the ongoing subdued volumes, air cargo rates are still elevated, and they are expected to ease back towards pre-COVID levels slowly. In other air cargo news, United Airlines looks to expand its summer schedule to boost cargo volumes, notably with new direct services between Washington DC and Cape Town, South Africa, starting in November<sup>35</sup>.

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<sup>35</sup> Mwanalushi, K. 16/08/2022. [United looks to expanding summer schedule to boost cargo volumes.](#)