

Touch the Sky

Issue #20 Architects of the Supply Chain



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Important Dates

- 02 November** - National Trade Facilitation Meeting
- 14 November** - KZN Chapter Meeting
- 23 November** - Gauteng Chapter Meeting
- 29 November** - KZN Year-End Lunch
- 05 December** - Transport Forum Year-End Event

**"Take Action.
An inch of movement will
bring you closer to your
goals than a mile of
intention"**
- Steve Maraboli





Air freight

International air cargo to and from South Africa had a bumper week and increased significantly by $\uparrow 16\%$ in the last seven days. Both imports ($\uparrow 12\%$) and exports ($\uparrow 23\%$) registered positive returns, as the latest figures are closer to pre-pandemic levels ($\sim 90\%$) than they have been for some time. Internationally, global air cargo tonnages decreased by $\downarrow 5\%$ (w/w) in the first full week of October, primarily due to China's National Day Golden Week holiday. However, this drop was less severe than the previous year's $\downarrow 9\%$ decline, influenced by sporadic zero-COVID lockdowns in various regions of China.

The latest IMF reports a slow and uneven global recovery from COVID-19 and the Ukraine conflict. The baseline forecast indicates a decline in global growth from 3,5% in 2022 to 3,0% in 2023 and 2,9% in 2024, well below the historical average. Advanced economies are expected to slow down due to policy tightening while emerging markets and developing economies will experience a modest decline in growth. The IMF projects a "stable and slow" growth outlook, including the ongoing pandemic's impact, geopolitical tensions, monetary policy changes, fiscal support withdrawal, high debt levels, and extreme weather events, hampering the recovery. The Bloomberg "Trade Tracker" shows tentative signs of a global trade recovery, with indicators improving in early October. Consumer demand shows resilience and key ports' shipping volumes have increased.

Weekly Snapshot

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

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

Monthly Snapshot

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

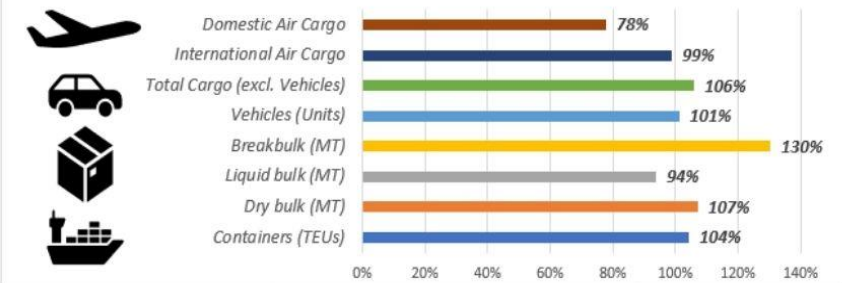


Figure 2 – Global year-to-date flows 2019-2022⁵: ocean, y/y (metric tonnes) & air freight, y/y (kg millions)



Road freight update

In regional cross-border road freight trade, average queue times increased by three and a quarter hours, while transit times increased by an hour compared to last week. The median border crossing times at South African borders increased by two and a half hours, averaging $\sim 10,2$ hours ($\uparrow 34\%$) for the week. In contrast, the greater SADC region (excluding South African) increased by approximately 20 minutes and averaged $\sim 10,2$ hours ($\uparrow 3\%$). Several SADC border posts took more than a day to cross, notably Beitbridge, Kasumbalesa, Katima/Mulilo (the worst affected from the Zambia side, taking more than two days to cross), and Kazungula OSBP. Further developments included (1) a tragic accident near Mara/Mabalel on the N4, (2) the DRC President visiting the Katanga and Lualaba provinces, leading to restricted movement, and (3) Beitbridge also temporarily shut down.

Update on Port Operations

Commercial ports handled an average of 7 065 containers per day, down compared to the 7 679 last week. This week's operational constraints revolved around network challenges, adverse weather conditions, frequent equipment breakdowns and shortages, and congestion inside the terminal gates, mainly due to insufficient usable equipment. G-course system upgrades were conducted at the Ro-Ro terminal in Durban, the Maydon Wharf MPT, and the Agri-bulk terminal during the week. In addition, cable theft and vandalism occurred on the line between Durban and Newcastle towards the latter end of the week and delayed operations for 12 hours. In the global container shipping industry, container throughput volumes for August have come in much better than expected. Despite increased throughput and gradual economic improvement, container shipping lines are struggling to align their ample capacity with weak consumer spending. Shipping giants MSC and Maersk have announced the cancellation of several scheduled sailings between Europe and Asia through December. Meanwhile, the European Commission has decided not to extend the Consortia Block Exemption Regulation (CBER), allowing major shipping industry players to operate without antitrust rules. The end of CBER will usher in a period of uncertainty as carriers adjust to new legal structures.

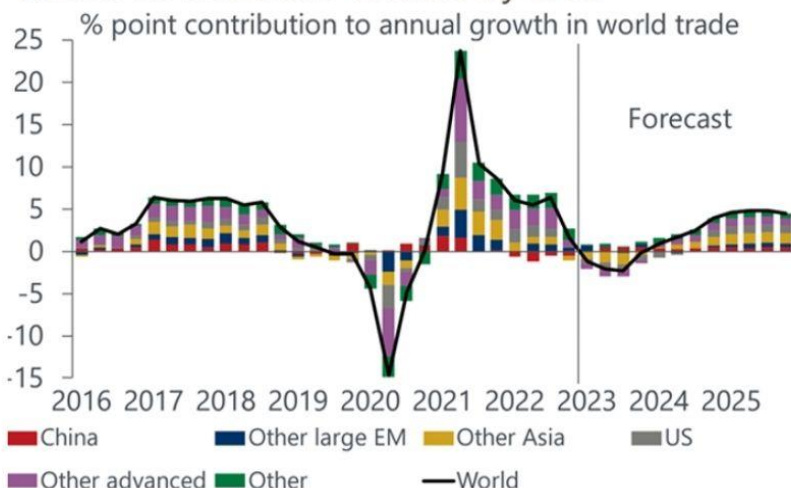
The State of Logistics

The current state of international trade and global supply chains

After massive disruptions, followed by a slow decline, global supply chains are much closer to normal than at any time this year. Some high-frequency data continues to confirm the recovery, this time with the US "Logistics Managers' Index", which rose to 51,2 (from 45,4) in August. After three months of contractions, all sub-indices increased in August. Inventories and transportation costs shrank slower, while warehouse use jumped, and inventory costs were elevated. The index warns that it is unclear whether the move back towards expansion is a one-off deviation from the previous contraction or represents a pivot back towards expansion. The slight increase (or stabilisation) in container throughput shown in the following section might indicate what will come. However, when looking further back, analysis by Oxford Economics shows that global trade has experienced a "mild recession" as shipments from China slumped and German factories experienced a decline. Collectively, Oxford Economics sees volumes dropping by -1,5% this year before rebounding by +2,5% in 2024.

Overseas shipments from China declined by -8,8% in dollar terms compared to the previous year, while imports shrank by -7,3%, surpassing economists' predictions and showing improvement from July's downturn. These figures suggest stabilisation in Chinese trade, whereas South Korea experienced a slower export decline in August. According to Oxford Economics, global goods trade volumes fell around -2% last quarter, with leading indicators pointing to more weakness but a modest upturn in late 2023 and early 2024. The "shallow trade recession" starkly contrasts the World Trade Organisation's more optimistic forecast of projecting a +1,7% growth in merchandise trade in 2023. Meanwhile, the industrial output decline in Germany has raised significant concerns about a potential recession.

World: Goods trade volume by area





The State of Logistics

Air cargo market update

ATA released its latest "Air Cargo Market Analysis", showing that industry air cargo demand decreased by -0,8% (y/y) in July. The change currently reflects the sustained improvement in cargo tonne-kilometres (CTKs).

Other highlights from the latest analysis show:

- Air cargo capacity, measured in available cargo tonne-kilometres (ACTKs), increased by ↑ 11,2%, primarily due to the continued restoration of belly cargo capacity during the summer.
- In July, both manufacturing output PMI (49,0) and new export orders PMI (46,4) – two leading indicators of global air cargo demand – were below the threshold (50), indicating a decline in global manufacturing production and exports.

In the weekly data from World ACD, global tonnages have held firm in the first full week of September after dropping ↓ 3% at the end of August and in the first few days of September, while average rates continue to hover at around the same level they have since mid-July.

In weeks 35 and 36, global airfreight tonnages and rates remained flat compared to the preceding two weeks. Capacity has decreased slightly by ↓ 1% since early August. Notable tonnage decreases (2w/2w) were observed in inflows from North America to Europe (↓ 12%), Asia Pacific (↓ 8%), and Central and South America (↓ 7%), influenced by Labour Day in the USA and Canada. Increases were seen in flows between Europe and Asia Pacific, Europe to North America, and Middle East and South Asia to Asia Pacific. Average global rates remained stable. Compared to last year, chargeable weight decreased by ↓ 7%, with a notable decrease in North American and European tonnages. Capacity increased by ↑ 7%, while rates remained ↓ 35% lower than last year but higher than pre-pandemic levels.

The current state of international maritime trade

In the first three quarters of 2023, the following aspects highlight trends and challenges in the global shipping industry:

Port Rankings: Alphaliner reported the throughput figures for the top 30 container ports. Shanghai retained its position as the world's busiest container port, handling 23,7 million TEUs. Singapore and Ningbo-Zhoushan followed closely in second and third place with 19 million and 17,7 million TEUs, respectively.

European and American Ports: Six major ports in Europe and the United States, including Los Angeles/Long Beach, New York/New Jersey, Savannah, Rotterdam, Antwerp-Brugge, and Hamburg, experienced declining throughput during the first half of the year. These declines, ranging from -5% to -25%, were attributed to the impact of economic contraction in Western markets.

Supply Challenges: One of the industry's significant challenges was the inability to curtail supply. This challenge was particularly pronounced on the US East Coast and the Mediterranean, leading to a sharp decline in shipping rates on these routes. Despite an increase in the number of blanked sailings scheduled for October, no permanent service withdrawals were announced from China. Idled tonnage remained low at 0,4% of the current fleet, and the delayed entry of new, large-capacity ships did not slow the overall supply growth.

Carrier Movements: Significant shifts occurred at the carrier level, with MSC and Zim announcing anew operational cooperation agreement covering various trade routes. This move is expected to expand following the dissolution of the 2M-Zim collaboration in January 2025. As a result, Maersk could face isolation without alliance partners on key routes, potentially impacting its network coverage and access to vessel tonnage. Since 2022, Maersk's capacity has decreased by -3%, while Zim and MSC have grown by +33% and +24%, respectively.

Rate Challenges: Weak peak season volumes and oversupply in major markets contributed to rate declines, with little hope for a reversal until November. The "World Container Index" dropped by -7,1% to \$1,561 per 40-ft container.

Dry Bulk Cargo Prospects: Despite challenges in the container market, there are promising prospects in the dry bulk cargo sector. Bimco's third-quarter market overview and outlook suggest growth of between +1,5% and +2,5% in 2023, with steady growth of +1%-2% expected for 2024. Iron ore shipments are projected to increase by +4,5% from 2022 to 2024, and coal shipments could rise by +2,4% in 2024 compared to 2022. The dry bulk fleet's current orderbook is 7,7%, reflecting cautious investment due to weak rates and fuel price uncertainty.

In summary, the container shipping industry faced challenges related to oversupply, declining rates, and shifting carrier dynamics in the first three quarters of 2023, while the dry bulk cargo sector showed more promising growth.

AEO and Regional Feedback

Regional and cross-border road freight update

FESARTA has shared the consolidated cross-border road freight statistics for our major borders for August:

1. **Beitbridge** volume decreased slightly (↓1%) compared to July (↓3% northbound and ↑1% southbound), with around 26 025 heavy goods vehicles (HGVs) flowing through the gates. Overall, crossing times (queue and border) increased from last month and averaged around 22,2 hours during the month.
2. **Lebombo** traffic remains elevated but has not been shared this month, as management said they would no longer release the daily numbers. Nevertheless, the indications are that around 42 000 HGVs moved between Mozambique and South Africa in August.
3. **Groblersbrug** traffic increased by ↑2% to 12 614 HGVs in August, with average crossing times into Namibia improving slightly and currently averaging 14,3 hours, down by nearly 6 hours from July, which is a positive sign.

Some of the latest regional road freight developments include:

1. The government sought the private sector to install "Gamma-Ray" Scanners at several commercial borders (Beitbridge, Lebombo, Maseru Bridge, Ficksburg, Kopfontein, and Oshoek).
 - a. An American company proposed these scanners, but they have limited throughput, handling no more than 40 vehicles per hour, primarily used at ports for containers.
2. Zimborders recently acquired Nuctech MT1213DE Drive-thru scanners for both directions, capable of handling 200 trucks a day, more than triple the capacity of the American proposal.
3. Regionally, the Kasumbalesa Southbound queue stretched 50km long on 10 September. Although the Mutaka scanner was shut down, the DRC side of the border did not operate 24/7.
 - a. Through agreements with the government, efforts were underway to address the situation and improve Kasumbalesa.



AEO Pilot Project Update

The process associated with AEO Accreditation recently changed between July and September 2023. The changes were mainly presented in the form of the new "certification" process which became the first phase of the Accreditation process and the new self-evaluation questionnaire which came into effect. Thus, the South African AEO programme now comprises of three main levels of accreditation identified as **(1)** certification, **(2)** Level I: AEO-C (compliance), and **(3)** Level II: AEO S (Safety and Security).

The first phase of the Accreditation process is the certification process. This requires the submission of four documents: (1) DA186 application form, (2) self-evaluation questionnaire, (3) CSK Test Application, and (4) your Tax Compliance Certificate). SAAFF has have a step-by-step completion guide for each document as well as CSK Test preparation and training. One of our most recent candidates achieved a 98% mark.

Upon completion of the certification process, the second phase of the process will commence which is the validation process. During this process, SARS will visit your premises to validate the information provided within the certification documents. The SAAFF team will adequately prepare you for that validation process and ensure a seamless process. A successful validation process will ultimately lead to your final accreditation.

Our AEO@saaff.org.za email address is eagerly awaiting your application.

SARS and OGA Update

A note from our SARS and OGA Executive

Spring Greetings from the SARS and OGA desk. We started the month on a high note of growth and greenery with two new additions to our department, Jannrick Bezuidenhout as AEO Project Manager and Tshepiso Nkabinde as AEO Project Assistant. We prepare for a productive and impactful quarter four of 2023 and celebrate yet another successful quarter three with momentous milestones. As always, we remain available 24/7 and look forward to co-creating a safe, secure, and compliant trading environment whilst simultaneously keeping you well informed and up to date with the latest industry developments impacting SARS Customs and OGA matters.

Ocean Modality Escalation Process

On 1 September 2023, SAAFF engaged with SARS in the 8th CENOSF of 2023, and we were fortunate to receive a new escalation process for the ocean modality, which was consequently shared with our members. Soon thereafter SARS released a new service charter, and we are proud to celebrate the updates detailed therein, acknowledging that a large contingent of customs related additions were aligned with the proposal put forward by SAAFF to SARS. The SARS and OGA desk request your input with regard to possible items for inclusion in the upcoming CENOSF, the items must have a strategic focus and find congruency with any one or more of the nine SARS' strategic objectives.

Processing Drawbacks and Refunds via E-Filing

After months of engagement, linked to a business case proposal drafted and submitted by SAAFF to SARS, the processing of duty drawbacks and refunds via E-filing went live on 15 September 2023. SAAFF works closely with SARS through late evenings, early mornings and on weekends to improve system integrity, securing direct access to the war room to raise issues and propose solutions to the issues received from you, our most valued members.

OGA: NRCS, Single Window Updates

In terms of OGA developments, single window integration continues as work in progress between SARS and DALRRD. Live shipments are being tested and no known issues have reported as yet. SAAFF has requested a documented process from SAPS concerning movements under detention and part release of groupage detained consignments not subject to detention. However, consolidated as part of or within a detained container. Engagements with NRCS continue on the adoption of the SDoC to reduce LOA applications and frontline inspections. On completing quarter three and heading into the final quarter of the year, the SARS and OGA desk extends appreciation to all members who continue to engage with us and encourages all members to reach out to us with ideas to enhance compliance efficiencies and to promote effective and legitimate trade facilitation.



SAPICS Spring Conference

Hope for South Africa's Freight Rail and Ports Crisis

Members of the National Logistics Crisis Committee (NLCC) addressed the delegates at the SAPICS Spring Conference on 20 September 2023, bringing urgency and hope to drive the economic growth by improving the performance of the industry supply chains.

SAAFF CEO, **Juanita Maree** opened the keynote address with the emphasis on shared infrastructure and shared maintenance and the logistics network being the core of any supply chain.

Rudi Dicks, head of the Presidency's Project Management Office, stressed that the situation is dire and urgent change is imperative in rail and ports.

Echoing Dicks's sense of urgency, panellist **Mxolisi Mgojo**, who is the past CEO of Exxaro Resources and a key role player on the NLCC, noted that R50 billion was lost in commodity exports in 2022 due to rail performance.

Ian Bird, who is the Senior Executive responsible for the Transport and Logistics focal area at Business for South Africa (B4SA), stated that the NLCC has the attention of President Cyril Ramaphosa and meet with him every six weeks to provide an update.

The three key objectives of the NLCC are to (1) improve the operational performance of industry supply chains, including freight rail and ports, (2) implementing reforms to modernise the freight transport system and restore its efficiency and competitiveness and (3) to create enabling conditions for the freight transport system to operate effectively, including legislative changes and exemptions where necessary.

This year's SAPICS Spring Conference was held in collaboration with SAAFF.



Forward thinking
supply chains continued >>>



20 September 2023

SAPICS Spring Conference

Indaba Hotel, Fourways, Johannesburg, South Africa

FIATA's New President Announced at the Congress in Brussels

Genel Transport's President and CEO, Mr Turgut Erkeskin, has been elected as the new President of FIATA, the leading international federation in the field of freight logistics, representing 40,000 freight forwarding and logistics companies across 150 countries worldwide.

The 2023 FIATA World Congress in Brussels saw the gathering of FIATA's Advisory Bodies on Legal Matters, International Affairs and Information Technology, as well as the Customs Affairs Institute, with expert speaker participation.

FIATA's Digital Strategy and journey for the global freight forwarding sector were discussed at the ABIT meeting, with many mentions of the importance of collaboration in digitalisation, exemplified by FIATA's current work with the FITAlliance group, and International Chamber of Commerce DSI.

To close, FIATA Members were also fortunate enough to hear from a large panel of World Customs Organisation representatives in a special session to address the WCO SAFE Framework Standards, AEO Programmes and the World Trade Organisation Trade Facilitation Agreement, and the relationship between the three. Corruption in Customs and the WCO's action on this, and many other key lines of work which FIATA and the WCO work together on featured.



And the Winner is.....



We are thrilled to announce Andre Hein Gerber from Bidvest International Logistics (BIL) as the 2023 Young Logistics Professional Global Winner!

Representing Region Africa and Middle East (RAME) and nominated by SAAFF, Andre's innovative dissertation on importing a hydrogen desulphurisation reactor and exporting an entire sweet factory showcases his understanding of logistics operations and all the challenges that come with it. Congratulations Andre! Your achievement is an inspiration to aspiring young professionals worldwide and you have done South Africa proud.

Eastern Cape Golf Day

On 12 October SAAFF's Eastern Cape Chapter hosted their annual golf day, at the Port Elizabeth Golf Clubs. Although the previous week's weather was ominous, the day was sunny, and members had a great time. There were nine tee boxes sponsored by SAAFF members and industry service providers, with 12 four-balls finishing the course.

The day was rounded off with a prize giving and dinner, followed by some festivities, including a "fines meeting" and an auction to raise funds for the charity of choice: Lakefarm. Amelia Laubscher, and her colleague, Rose, joined the group for dinner and provided some details on what Lakefarm is all about. All in all, a fun day out for our members, while supporting a good cause.

