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Media Statement
The South African Association of Freight Forwarders

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SAAFF's media statement on the current logistics crisis: There are currently 96 vessels waiting at anchorage outside our commercial ports, directly costing the economy R98 million a day in direct, sunken costs, at least R26 million a day in indirect costs, and impeding at least R7 billion worth of goods from moving *every day*

South Africa's commercial ports – and, by implication, its extended end-to-end logistics network – are currently in a crisis. Furthermore, the crisis is arguably more significant than the October strike of last year, as the massive economic cost of **96 vessels** currently waiting outside our ports at anchorage cannot be understated. The current situation must be put into perspective.

Despite being in a crisis, port operations in the last week were once again bedevilled by poor weather conditions, as well as equipment breakdowns and shortages. Nevertheless, there has been an improvement in Cape Town and Port Elizabeth; however, Durban terminals remain severely delayed – currently at around **nine days**.

To put some further context into the staggering waiting times and to quantify the current cost, let us consider what this means for our economy. The additional direct logistics cost – simply put, the cost of the current situation - amounts to at least **R48.5 million** of pure, sunken cost just sitting outside at anchorage **per day**. Furthermore, with the port congestion surcharges for containers awaiting implementation, this figure jumps to **R98 million** of pure, sunken cost, **per day**. In addition, the direct logistics costs involved in shipping goods through our ports in perfect conditions in normal conditions is around **R1 billion a day**. Therefore, we are already paying nearly **10%** more with the current conditions, in direct cost.

However, the indirect logistics cost far outweighs the effect of the direct logistics cost. With all the vessels waiting outside the ports, the current impact in opportunity cost is stopping the movement of at least **R7 billion worth of goods**. Furthermore, if we consider the time delays in costs, the time variability (depending on the commodity, the origin-shipping line combination, and several other factors) indirectly adds between **3.9%** and **24.5%** of the value of the cargo. Therefore, with the most conservative estimate, the current delays are adding at least **R26 million** in indirect costs (and possibly as much as **R165 million**).

It is important to note that the international shipping industry works on schedules – almost like a bus schedule. Commitments are made to call at specific ports at specific times. Currently, the shipping lines' commitments cannot be honoured, as the queue waiting to call is way too long for the system to handle - hence the reaction of implementing port congestion surcharges to recover some cost. It also explains the reason why the lines are choosing to ship cargo to and from South Africa via the hub port of Port Louis in Mauritius. These unintended consequences further impact cargo owners – especially SMMEs.

As a consequence, additional lead times are added to supply chains. Moreover, most SMMEs typically only cover a week's worth of buffer stock, as stock inventory costs are already high – with loss of sales starting from around 15 days. These losses will soon commence for some SMMEs, as alternatives such as shipping via airfreight (at a far higher cost) are not a viable option for many.

What is the current performance?

The throughput shows the following figures across our commercial ports in the last week:

- Cape Town Container Terminal handled **~1 582** (+5%, w/w) containers a day
- Durban Container Terminal Pier 1 handled **~1 404** (-2%, w/w) containers a day
- Durban Container Terminal Pier 2 handled **~2 889** (-4%, w/w) containers a day

These are all much lower than the demonstrated capacity of the terminals (Cape Town Container Termain - CTCT and Durban Container Terminal - DCT) Pier 1 is around **~1 800**, and DCT P2 is around **~3 400**). Therefore, these volumes are around **84%** of the volumes that the terminals have shown that they can handle. Fortunately, however, the volumes are around **28%** more for CTCT and **13%** more for Durban than the average from January 2022 to the present, which shows some improvement.

How did we get here? A significant issue has been the state of affairs in Transnet, which is currently facing significant challenges due to an aged fleet and historical underinvestment in strategic equipment. Fortunately, immediate collaboration with industry partners is underway to source available equipment.

Furthermore, a long-term Original Equipment Manufacturer (OEM) strategy, to be concluded by hopefully the end of the year, aims to address equipment challenges by awarding contracts for major equipment across 48 brands. The strategy includes a 10-year supply of Original Parts Manufacturer (OPM) spares for maintenance. Container handling equipment is expected to be delivered within six to 24 months.

What must be done?

Transnet has continually emphasised the importance of private-sector partnerships to modernise infrastructure and enhance operational efficiency, with ongoing collaboration to improve service delivery. These proposals are at the heart of our potential recovery, as the current operating model is archaic and needs to be revolutionised.

Ultimately, we need a concerted effort from all parties. Not only Transnet, not only the extended Government working in this industry, and not only the private sector represented by the cargo owners, freight agents, shipping lines, and other related parties. But everyone. Together. With a sense of urgency that the situation desperately needs.

The art of moving goods is a culmination of many role players working together, with the need for collaboration at all the critical activity handovers and the necessary responsibilities that each milestone demands. We must improve operational efficiency and increase throughput, or else the trade, transport, and logistics industries will continue to curtail desperately needed economic growth for South Africa.

All economic actors have a vested interest in our commercial ports operating at full tilt – whatever the current situation.

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