

**Voluntary Report** – Voluntary - Public Distribution

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**Report Name:** Port challenges cause ships and export opportunities to pass South Africa by

**Country:** South Africa - Republic of

**Post:** Pretoria

**Report Category:** Agricultural Situation

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**Report Highlights:**

The South African ports have been overwhelmed with challenges in the past few years, causing delays in operations and financial losses. In 2022, the Container Port Performance Index by the World Bank ranked the port of Durban 341 out of 348 ports in the world and the Port of Cape Town was ranked 344. In November 2023, more than 60,000 containers were reportedly stuck at sea around the port of Durban due to bad weather conditions and equipment failures. Transnet generally pointed to aging equipment as the cause, while others in the industry pointed to underinvestment in strategic infrastructure and a lack of critical maintenance. The Cape Town Port experienced backlogs and delays that cost the fruit industry an estimated R2.5 billion in the 2021/2022 season. In their 2023 interim results, Transnet reported that they are addressing the ports crisis through a focused turnaround plan.

## **Background**

South Africa has eight commercial seaports along South Africa's 2,954 kilometers coastline that are serviced with port infrastructure and marine services by the National Ports Authority, a division of Transnet. Transnet is a state-owned company that owns South Africa's railway, ports, and pipelines infrastructure. All agriculture commodities are exported through the ports of Durban, East London, and Cape Town. According to industry contacts, the Port of Durban handles about 60 percent of the country's container traffic and is considered a gateway to the Southern African Development Community. The Port of Cape Town ranks second in agricultural container volumes, serving as the primary port for fruit exports. The ports of East London and Port Elizabeth carry the remaining container traffic.

The South African ports have been overwhelmed with challenges in the past few years, causing delays in operations and financial losses. In 2022, the Container Port Performance Index by the World Bank ranked the port of Durban 341 out of 348 ports in the world, while the Port of Cape Town was ranked 344. Furthermore, the country's liner shipping connectivity index decreased by 21 percent in 2023, which is second only to Russia.

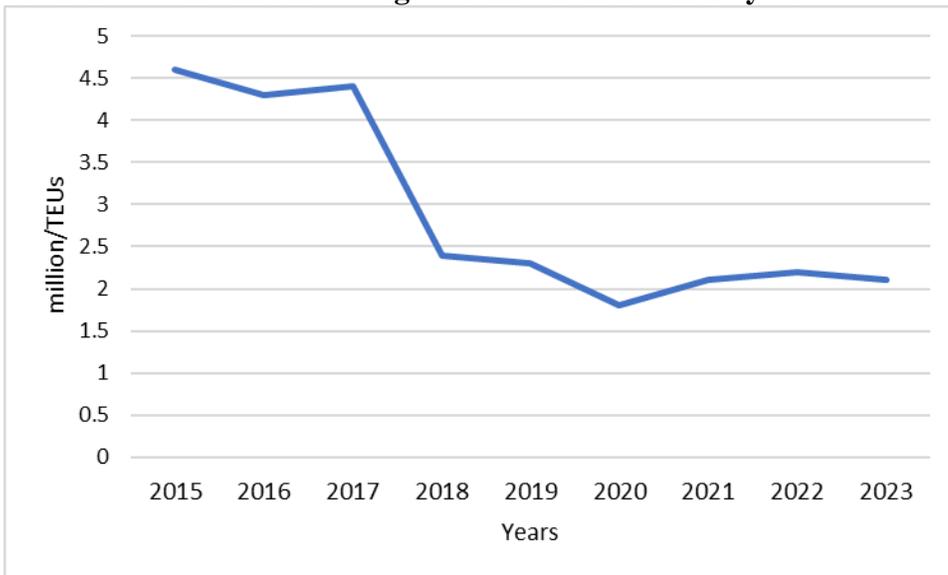
## **Recent Challenges**

Although challenges at South African ports are somewhat chronic in nature, acute challenges over the past few months have exacerbated challenges for trade. Analysts estimated that during the peak of the port challenges, the collective economic impact of slowdowns exceeded R124 billion (US\$6.5 million) a day. In addition to the maintenance challenges, the container sector has been negatively impacted by the lower global and domestic demand, on the back of higher inflation and rising food prices including challenges on the operational side with equipment availability and adverse weather conditions. Bulk volumes decreased by 6.8 percent due mainly to rail constraints because of locomotive shortages, derailments, cable theft and equipment challenges.

In November 2023, more than 60,000 containers were reportedly stuck at sea around the port of Durban due to bad weather conditions and equipment failures. Transnet generally pointed to aging equipment as the cause, while others in the industry pointed to underinvestment in strategic infrastructure and a lack of critical maintenance. The Durban Pier 1 container terminal port was sitting at 44 per cent capacity for container carriers and a stack occupancy of 60 percent in January 2024. The Port of Cape Town, which handles most of the fruit exports in the country experienced similar challenges.

**Figure 1**

**Transnet's containerized cargo volumes handled in 10 years.**



Source: Transnet

According to Transnet, the national ports authority handled 4.18 million containerized cargos (TEUs) in 2023, similar to levels seen in 2008-2010.

In 2023 the average moves per ship working hour (SWH) performance was adversely affected by equipment availability and reliability challenges across the dedicated container terminals compared to 2022. The Durban Container Terminal Pier 1 average SWH declined by 18 percent in 2023, Ngqura Container Terminal declined by 7 percent while the Cape Town Container Terminal (CTCT) decreased by 28 percent 2023 because of adverse weather conditions such as strong winds during the summer season and high swells during the winter season. These weather conditions had a severe impact on operations and led to the discontinuation of operations for 24 to 48 hours at a time. This resulted in an operational backlog that affected dry and refrigerated cargo which includes all agricultural products handled in the Cape Town port.

### **Agriculture Impact**

The Cape Town port experienced backlogs and delays that cost the fruit industry an estimated R2.5 billion in the 2021/2022 season. During the November 2022/ April 2023 season, the table grapes industry alone reported a loss of nearly R2 billion due to inefficiencies that led to shipping delays, spoilage, and increased logistics costs associated with waiting at port. For the 2023/24 season the container terminal has recorded a 14 percent decline in deciduous fruit volumes compared with last season.

The fruit industry is currently at the prime harvest season for table grapes, apples, pears, nectarines, cherries, and peaches; however, thousands of tons of fruit are stuck in a logistics bottleneck, waiting to

be exported while nearing their expiration date. As a result of the challenges, the agriculture industry, government stakeholders and Transnet officials created a “war room” that meets daily to discuss the requirements and come up with solutions for the challenges. This intervention led to improvements at the Durban port with a decrease in backlogs from 65 ships to 10 vessels waiting at the Durban port in February 2024. The container backlog decreased from 4,350 containers in November 2023 to 1,738 containers in February 2024.

### **Impact of the Red Sea Attacks**

On November 19, a Yemen militant group began attacks on ships that were passing through the Red Sea. These attacks forced ships to reroute around Africa to avoid potential attacks and altered refueling patterns. The ships diverting away from the Red Sea to the coast of West and South Africa has created a huge congestion in bunkering ports around Africa and placed significant pressure on port infrastructure. Bunker fuel demand rose at ports in Mauritius, and ports in the Canary Islands and South Africa. Durban and Cape Town are reported to have seen an increase in fuel sales. The rerouting of ships was expected to bring a windfall for South Africa’s ports, however due to capacity and infrastructure challenges there is not enough space for ships to dock or refuel. As a result of the challenges, some shipping lines have chosen to go to Namibia or Mauritian ports. The current conditions have added 10 percent to the shipping costs while time delays in costs, the time variability and origin shipping adds between 3.9 percent and 24.5 percent of the value of the cargo.

### **Turnaround plan**

In their 2023 interim results, Transnet reported that they are addressing the ports crisis through a focused turnaround plan, which includes the replenishment of the key equipment fleet in the short and medium term as well as through the acquisition of critical spares to support the maintenance teams. Following a concern from stakeholders such as the fruit industry, the government has announced a R47 billion bailout for Transnet in a bid to support its recovery plan.

Although there are no reported improvements at the Port of Cape Town, the National Ports Authority reported that they adopted an approach of proactively collaborating with the entire transport logistics chain. A platform was established for engagement and collaboration with all members of the maritime transport logistics chain, including the terminal operators and entities who offer services in the port, trucking associations, shipping lines, and cargo owners. This approach has contributed to increased transparency of port operations, collaborative research in combating adverse weather conditions, and the reduction of marine shipping delays. The Port of Cape Town wants to implement a night shift at the port. The entire logistics chain does not operate 24/7 which results in extreme peaks during the day, and a very low take-up at night.

### **Attachments:**

No Attachments.