Concerns over port tariff increase

Nicole Jacobs

The weighted average tariff increase of 4.21% for the 2019/20 financial year proposed by Transnet National Ports Authority (TNPA) last week is more realistic than has been seen by the authority in recent years, according to industry consultant, Mike Walwyn.

“The TNPA’s overall tariff application is definitely not too bad, at least it is a starting point,” he told FTW.

This is an encouraging statement, especially during a time where the Ports Regulator of South Africa has opened the lines for public comment on the tariff increase application and considering the public outcry against last year’s significantly high tariff adjustment request of 8.45%.

TNPA stated in its application that it required R13.681bn in revenue which would be made up of R10.398 billion and R3.284bn in marine and real estate revenue respectively.

The 4.21% weighted average tariff increase will also be differentiated into an 8% tariff increase on marine charges and a 2.74% increase in cargo dues.

While Walwyn seemed fairly optimistic about the TNPA’s overall tariff application, he noted that the significant increase in tariffs for marine charges – which relates to the tariffs paid by shipping lines – were concerning.

“You can see in the application that while the ports authority has been relatively nice to cargo, with its low tariff increase for cargo dues, it has not been so nice to ships,” he said. “This could translate as a disincentive for major shipping lines to come to South Africa.”

Walwyn said that marine charges under the tariff application had seen several requests for such increases and that it would become unpayable the more these charges were compounded on one another and if the increases on marine charges continued.

Last year, TNPA called for a 10% increase on marine services, which CEO of the South

Post-Panamax vessel causes stir

Car and ship enthusiasts were in for a treat this week when the Höegh Target docked at the Port of Durban.

One of a series of six Post-Panamax vessels under the New Horizon class, the vessel has a capacity to transport 8500 cars and represents state-of-the-art engineering and design. The New Horizon vessels in Höegh’s fleet of autoliners are currently the world’s largest pure car carrier vessels.

Höegh Target was the first of these new ships that the company took delivery of in 2015.

The Target first visited Durban when she called at the port during her maiden voyage in 2015.

Designed to minimize its impact on the environment with energy-efficiency innovations used throughout the ship’s design process, the vessels are fitted with the latest technology in the market.

The New Horizon-class Höegh autoliner, Target, that docked in Durban harbour.
**Duty Calls**

**Screws safeguard imposed**

On August 3, the South African Revenue Service (Sars) announced the imposition of a provisional safeguard duty of 42.09% in Part 3 of Schedule No.2 (Anti-Dumping and Countervailing Duties on Imported Goods – Safeguard Duties on Imported Goods) to the Customs and Excise Act No.91 of 1944 on imports of other screws, fully threaded with hexagon heads, made of steel, classifiable in tariff subheading 7318.15.

The provisional payment is imposed from the said date, up to and including 18 February next year, the reasoning for which is contained in the International Trade Administration Commission of South Africa (ITAC) Report No.589.

**Sugar reference price duty**

SARS on August 3 announced the increase in the General, European Union (EU), European Free Trade Association (EFTA), Southern African Development Community (SADC), and MERCOSUR rates of customs duty on sugar in Part 1 of Schedule No.1 to the Act, 1964 (Ordinary Customs Duty) classifiable in tariff subheadings 1701.12, 1701.13, 1701.14, 1701.19, and 1701.99, from 233.81c/kg to 419.52c/kg, which is due to the Dollar-Based Reference Price increase from US$656/ton to US$8680/ton.

The reasoning for the existing variable tariff formula increase can be found in ITAC Report No.588. On June 2, Sars announced the rates of customs duty on sugar from 233.81c/kg to 233.81c/kg. The reasoning for the tariff amendment is contained in ITAC Minute No.05/2018.

**Ethylene-alpha-olefin copolymers duty**

On August 3, Sars announced the reduction in the “General” rate of customs of ethylene-alpha-olefin copolymers having a specific gravity of less than 0.94, classifiable in tariff subheading 3901.40, in Part 1 of Schedule No.1 to the Act, 1964 (Ordinary Customs Duty) from 10% ad valorem to 4%. The reasoning for the tariff amendment is contained in ITAC Report No.584.

**Structural steel rebate**

Sars on August 3 announced the insertion of Rebate Items 460.15/7216.32/01.06 and 440.15/286.33/01.06 in Part 2 of Schedule No.4 to the Act, 1964, (Refunds and Reductions of Customs Duties, Excise Duties, Fuel Levy, Road Accident Fund Levy, Environmental Levy and Health Promotion Levy - Temporary Rebates of Customs Duties) for the importation of certain structural steel in the form of H and I sections.

The reasoning for the tariff amendments are contained in ITAC Report No.577.

**Coated wood board safeguard**

On July 31, Morocco initiated a safeguard investigation on coated wood board, classifiable in tariff subheadings 4410.11.20.11, 4410.11.20.90, 4410.11.30.11, 4410.11.30.90, 4410.19.92.11, 4410.19.92.90, 4410.19.93.31, 4410.19.93.39, and 4410.19.93.90 on which comment is due by August 30. The investigation was initiated following Cema Bois de L’atlas’ petition, lodged on behalf of the Moroccan industry.
Industry braces as DBN's berths deepen

Liesl Venter

As efforts get underway to deepen South Africa's busiest port, Transnet Port Terminals (TPT) is hoping to keep disruptions to operations at the Port of Durban to a minimum.

Speaking at a business stakeholder meeting in Cape Town, TPT chief executive, Nozipho Sithole, said mitigating any disruptions to operations was the top priority.

“The deepening of the berths is the big project and we are going to have to deal with this for the next five years as we mitigate any operational disruptions,” she said.

“We are meeting with shipping lines and various other industry role-players and stakeholders on a one-on-one basis on this project.”

She said an integrated approach was being taken between all of the Transnet departments in an effort to address disruptions and to keep communication channels open.

“This project is a major undertaking but we are speaking to our customers on an ongoing basis,” she said.

With the Durban Container Terminal (DCT) being not only the busiest but also the biggest in the southern hemisphere, currently handling at least 64% of the country’s seaborne container traffic, disruptions to operations at the terminal can have far-reaching effects.

Sithole encouraged port users to therefore engage with TPT on any concerns around their operations and expansion project that is aimed at increasing DCT’s overall container handling capability.

Also at DCT, Pier 1 expansion will increase capacity to 2.9 million TEUs.

The entire project, said Sithole, would see DCT’s overall capacity go from 3.6 million TEUs to 5.3 million.

This will raise capacity from 2.4 million TEUs to 2.9-million TEUs at Pier 2.

This will having on their operations.

Berths 203 to 205 at DCT will be deepened from 12.8m to 16.5m and lengthened from 914m to 1,290m to enable the terminal to handle three 350m vessels simultaneously.

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TPT takes aim at top five ports spot

Transnet Port Terminals (TPT) will continue to work towards improving its efficiency and performance as it aims to become one of the top five terminal operators in the world, according to chief executive, Nozipho Sithole.

“Achieving less than the desired performance levels is not acceptable,” she told FTW during a recent visit to Cape Town.

“We are nowhere close to where we need to be. There is still a lot of work that has to be done, but the team is making progress and they will continue to make progress.”

Sithole is adamant to achieve the goal of TPT becoming not only a world-class terminal operator but one of the best five globally.

“As operators, we need to consistently make sure we are delivering an efficient service, both on the land and waterside across the ports in the country,” she said. “It shouldn’t matter what the weather does in Cape Town, for example. We know this is a port that is affected by weather. This is not new or out of the ordinary.”

Referring to the major operational challenges often experienced in Cape Town due to the port being wind-bound, Sithole said ports, no matter where in the world, were all affected by some challenge or other.

“We know what the challenges are. In Cape Town, it is weather. We need to be able to recover from that weather quickly and efficiently. Within 20 minutes of the weather clearing up, the port should be up and running again.”

She said the port needed the anti-sway systems on its cranes and the mooring system was being investigated as a possible solution for surging.

“The discipline in our operations has to be what makes us customer-centric. If the berthing delays are zero, then it must continue to be zero, regardless of what the weather does. If we have set the target of a shift change for 20 minutes then we need to make sure it happens in 20 minutes,” she said.
Headway is finally being made with the contentious high cube issue after Minister of Transport Blade Nzimande agreed to meet with industry representatives in Cape Town.

With the lifting of a moratorium that will see the movement of high cube containers in the country restricted to a height of 4.3m a mere four months away, this could not be more needed.

“We are extremely encouraged by the minister’s call for a meeting,” said Road Freight Association (RFA) spokesman, Gavin Kelly.

“This is what we have been asking for and we believe it’s an extremely positive move on his side,” Kelly told FTW.

Kelly said the meeting followed years of letters to the various ministers of transports trying to engage on the issue with many requests made to meet.

“His call asking for a meeting is therefore really appreciated,” Kelly told FTW.

Hope of finding a solution over the high cube issue plummeted earlier this year when Nzimande, shortly after his appointment as Transport Minister, responded to the Western Cape MEC of Transport, Donald Grant, in a letter saying government would not change its stance on the 4.3m height.

According to Kelly the RFA, along with several industry organisations, including the South African Association of Freight Forwarders (Saaff), the Federation of East and Southern African Road Transport Associations (Fesarta), the Durban Harbour Carriers Association and the South African Association of Ship Operators and Agents (Saasoa), wrote a letter to Nzimande explaining the financial implications of the decisions made by the Department of Transport contained in his letter to Grant.

The most recent letter certainly seems to have caught Nzimande’s attention for a number of reasons. These include facing the government head-on about roads not getting higher when resurfaced, one of government’s main reasons for the 4.3m height restriction, and the argument that there are similar height restrictions in other countries.

Most important of all, the letter made it clear that industry simply does not have the financial means to transform the country’s entire trailer fleet to accommodate a height restriction of 4.3m, simultaneously absorbing the economic impact of a height restriction.

“We’ve been asking for a meeting with the Minister of Transport for years,” Kelly told FTW. “This is the first time we have been granted this audience on this matter. Whether it results in the height restriction remaining at 4.6m as the moratorium currently allows, has yet to be seen. We are positive that the minister is at least willing to meet with us and talk to us about the issue.”

Measuring 2.9m, when high cube containers are transported on the back of a normal transport vehicle, they exceed the height of 4.3m as prescribed by South African law, measuring around 4.6m.

A moratorium, implemented in 2011, currently gives blanket exemption to all ISO containers where the overall height exceeds 4.3m. According to Kevin Martin of Freightline Transport, who at the time of the moratorium signing represented industry, there is no reason for government to insist on a 4.3m height restriction as there have been no incidents in the past seven years where a high cube proved to be unstable or caused damage to road infrastructure.

“Double-decker buses legally run at 4.6m heights in South Africa. For trucks the government does not even have to agree to a 4.6m height,” he said.

“An agreement of 4.5m would be enough and we could continue to move high cubes on the current trailer fleet.”

He said from a safety perspective the government guidelines stated that the height of a load had to be less than double the width of the axe.

“Our axles are 2.45m in width, which gives you a height of 4.9m. That would be for an average load and one would of course have to apply one’s mind to what you are moving.

“The point I’m trying to make is that the guideline says it’s safe at 300mm more than the 4.6m they want to remove. That means that 4.5m would also be safe and it would be sufficient.”

At the time of going to press stakeholders were preparing to meet with Nzimande this past Monday.

– Liesl Venter

Brexit outcome is anyone’s guess

Uncertainty over Brexit prevails as no-one knows what to expect come 2019.

This is according to Trudi Hartzenberg, executive director of the Trade Law Centre (Tralac), who said not only would it impact on South Africa’s trade with the United Kingdom (UK) but also with the European Union (EU).

Addressing exporters in Cape Town recently, Hartzenberg said developments were taking place on a daily basis around Brexit and keeping up with the complex process was difficult.

“There’s still a lot of uncertainty how this process will unfold and what the implications will be for us,” she said.

“There’s a collection of issues that the Department of Trade and Industry is engaging the British government about, so by no means are we sitting and waiting.”

She added that there was simply no way of knowing what the relationship between the EU and the UK would be post-Brexit.

“And that relationship will be absolutely material not only for South Africa’s relationship with the UK, but also our relationship with the EU,” she said.

Hartzenberg said there were very obvious implications that would come out of Brexit, especially relating to the issue of tariff rate quotas.

“Under the European Union-Southern African Development Community Economic Partnership Agreement (EU-SADC EPA) South Africa has a quota of 110 million litres of wine that can enter the EU duty free,” she said.

“Just over 3% of that goes to the UK. It’s uncertain what will happen post-Brexit with the tariff rate quota.”

She said potentially the quota could stay the same and meant that South Africa could increase its wine exports to Europe as the 30% to the UK would no longer be calculated in.

“But it’s anyone’s question whether the wine-producing countries in Europe will be prepared to allow for the current quota.”

There was also uncertainty around the logistics of moving freight post-Brexit.

“If you’re exporting to the UK but have traditionally done so via the European ports, and the relationship between the UK and the EU is not ideal, then there is a hard border to deal with in the future.

“These are real issues that could become extremely challenging for exporters and the cost of moving freight into these markets could see increases in the future.”

– Liesl Venter

Our value driven outcome approach minimises our clients’ business risks
The future of freight is driverless

Eugene Goddard

Some time before the world’s attention was grabbed by drones delivering beer during the opening game of the recent Fifa World Cup in Russia, a similar experiment in autonomous driving technology took place in the US.

In October 2016, a self-driving semi-trailer 18-wheeler Volvo truck drove 214km down the highway from Fort Collins through Denver to Colorado Springs, taking 51744 cans of Budweiser to market. Apart from the irony that both instances involved beer, which tends to affect self-control, both experiments “were highly controlled,” said renowned innovation pundit, Arthur Goldstuck.

The owner of technology research outfit, World Wide Worx, added that essentially what the trucking company, Otto, was doing was to let the vehicle drive itself once it was out of the city centres.

“It still took a human to drive it onto and off the highway.”

“Although the experiment didn’t do away with the driver yet, it’s not a vast leap from the truck driving itself on the highway to the truck driving itself altogether,” Goldstuck said.

The driver in question, Walter Martin, spent most of the journey on Interstate 25 in the sleeping berth of the truck, and looked on as the steering wheel gently turned this way and that without him laying a hand on it.

Interestingly, the truck was a “level 4” autonomous vehicle according to the Association of Automotive Engineers’ classification system for driverless technology.

Goldstuck indicated that if it was “level 5”, the anticipated control, both experiments would’ve been optional and the driver’s presence not required.

Getting back to the human ‘role’ in the Colorado delivery, Martin said he “still had to do the picking up and loading of the freight, making sure it was secure in the back of the truck”. Of course he needed to be there if anything had gone wrong, but all in all the delivery to a supermarket was safe and on time.

For Otto, a San Francisco tech start-up that made a name for itself developing and manufacturing the kind of on-board sensors enabling driveless technology, the experiment showed that their system could effectively control “the acceleration, braking, and steering of the truck to carry the beer exit-to-exit without any human intervention”.

The company, which last year was bought by ride-hailing service Uber, went on to state that in future, “when you see a truck driving down the road with nobody in the front seat, you’ll know that it’s highly unlikely to get into a collision”.

Otto is also confident of eradicating driver aggression, fuel wastage, delayed delivery and other issues hampering effective, point-to-point logistics. Commenting on his company’s driveless tech, Otto co-founder, Anthony Levandowski, said the beer trip heralded “the next area of transportation innovation”.

“It’s like a train on software rails.”

Detractors of driveless tech, however, are so sure that it’s not a vast leap from the Otto delivery stands for a foolproof future of driverless freight. After all, a few months before the beer trip, Joshua Brown, the owner of a Tesla autonomous car, died when his sensors failed to detect the difference between a white truck and a washed-out sky.

However, forging ahead with innovation was the whole point, said Goldstuck, because IT-momentum became the self-propelling force that couldn’t be stopped, and either you joined the juggernaut of technological progress or you got left behind.

On that topic, Goldstuck added that it’s important to consider the implications that autonomous steering technology could have on our labour market.

“If self-driving trucks became commonplace elsewhere it won’t happen in South Africa. At least not in our generation. The unions won’t allow it.”

The reality is, resisting progress can be perilous for economic growth, as integration with industry 4.0, or the 4th industrial revolution and all its manifold innovations, is uppermost in the mind of investors the world over.

Were driveless tech to become commonplace elsewhere it won’t happen in South Africa. At least not in our generation. The unions won’t allow it.

The self-driving Volvo truck that delivered beer in Colorado.
Government and its affiliated agencies lack the wherewithal to protect the transport sector against technological progress, said Arthur Goldstuck, an innovation analyst who has his finger firmly on the pulse of the 4th industrial revolution.

Speaking to FTW about the possible implications that driverless technology could have on labour relations in the sector, Goldstuck said: “The reality is that automation has been eroding our manual labour for decades. “There’s a massive onus on industry and us but industry can’t do anything without government’s cooperation to up-skill the labour force. Manual labour in many categories is really a 20th century, if not a 19th century categories is really a 20th century. Government needs to get industry to engage with industry and us, but industry can’t do anything without government’s cooperation.”

Goldstuck, who was commenting on Google’s concept. “The other area of automotive technology evolution is the move toward electric vehicles and that’s not even remotely on the government’s agenda. “Yet in China, it’s been decided that no manufacturer will be allowed to make petrol vehicles in that country after 2040.”

In other words, industry in China has been given a 22-year deadline by government to phase out petrol cars. In this country, said Goldstuck, it’s the other way around – government waiting for industry to lead the way. “We have only two companies so far bringing in electric vehicles, namely Nissan and BMW. Audi is soon to follow and together the three of them have coordinated a campaign to get government to engage with industry on creating incentives for electric vehicles.”

In illustrating his point that “South Africa is completely unready” in the face of future challenges, especially how it most likely will impact on labour and industry, Goldstuck said: “The other area of automotive technology evolution is the move toward electric vehicles and that’s not even remotely on the government’s agenda. “Yet in China, it’s been decided that no manufacturer will be allowed to make petrol vehicles in that country after 2040.”

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Touching on recent instances of driverless technology being tested in countries like Australia, Germany, the US (see story “The future of freight is driverless, p5”), where a beer truck drove itself as its driver looked on from his sleeping berth, Goldstuck reflected on the emotional angle of technological development.

He said such experiments are possible in the US and in Europe “because truck drivers aren’t transporting humans. They have less of an emotional issue to these trucks becoming autonomous”. In South Africa the dynamic is completely different, with driverless technology possibly upsetting the fragile politics of the transport sector and further inflaming labour issues that have led to truck-burning on main arteries such as the N3.

“Government needs to embrace the future but in certain areas it would mean alienating labour, and they don’t want that. It means that for the foreseeable future we remain part of the past.”

Goldstuck’s sterner rebuke came when he said that government also “lack the political will to act progressively by up-skilling labourers whose jobs are threatened by technological advance”. It confirmed what trends analyst Guy Lundy recently said at the Manufacturing Indaba in Sandton, that “government tends to have a knee-jerk reaction to the challenges of the future”. Goldstuck’s accusations that nothing is being done to up-skill truck drivers, were sent to the Transport Education and Training Authority for comment. At the time of going to press, Teta CEO Maphefo Anno Frempong had not responded.

— Eugene Goddard
Joy Orlek

A targeted marketing campaign is paying off for Hammar SA as growing interest in its range of customised sidelifters translates into firm orders.

And with a chassis built to align with South African regulations, the machines are capable of carrying high-cubes without exceeding the 4.3m height restriction which becomes mandatory in January 2019.

The latest arrival is a customised machine delivered to Jacobs Transport in Alberton. “For Jacobs, versatility was a critical element,” Hammar SA area sales manager Mats Blomberg told FTW. “We therefore designed it so that the chassis of the trailer could be adjustable in length enabling them to load 10ft, 20ft, 40ft and 45ft containers – which is unique for South Africa.”

According to Blomberg the more standardised machines are highly competitive. “Our trailers are much lighter – up to 3 000 kilogram – than competitor machines, which means you have extra payload. Customisation, however, needs new engineering so it’s more expensive.”

And while the Hammar brand may be relatively new to South Africa, there is a sidelifter culture in southern Africa, according to Blomberg. “For example, there are more than 120 Hammar sidelifters working in Angola. They saw the benefits of the concept and used it to their advantage.”

The sidelifter should not, however, be viewed in isolation. “It’s part of the bigger logistics picture. It’s all about changing the mindset,” says Blomberg, “and creating a logistics chain that is smarter and more efficient in terms of time and cost.”

Instead of using a mobile crane or a forklift to load and offload containers, a sideloader allows the transporter to drop off empties at the warehouse where he can load full containers from the ground, take them to the port, pick up empties and return to the warehouse.

“If you can sell the idea to a customer and he can calculate that he can cuts costs by R 30-40 000 a month by changing the way he works then this concept is a win win. But old habits die hard.”

Volvo’s truck factory in Gothenburg is a good example of how lateral thinking produced major savings. “They had only 10 ramps and, with loads of trucks coming in, there were long queues. Volvo hardened the ground of a field close by and told transporters to come in with sideloaders and put down the containers on the field. That way they could be offloaded as required, saving time and improving efficiency.

“Many factories work with loading ramps because that’s what they’re used to. The sideloader option, however, provides a far more efficient and cost-effective alternative,” says Blomberg.

“It offloads the container onto the ground and lifts it from the ground. There’s no need to have several extra trailers loaded with containers parked at customer sites. You are not dependent on a third party to supply mobile cranes or other lifting equipment. With the sidelifter you do the lifting yourself at site from the ground or transfer from rail wagons or other trailers.”

let the experts handle your cargo
The performance of South Africa’s logistics industry has regressed significantly over the span of just one and a half years according to the latest data from the World Bank’s Logistics Performance Index (LPI).

In 2016, South Africa was ranked 20th out of 160 countries with regards to the “friendliness” of the local logistics sector. Since then it’s slipped to 33.

According to the index, the country’s logistics industry experienced significant decreases in five of the six sub-indices of the LPI. This includes the efficiency of customs clearance processes, quality of trade and transport-related infrastructure, quality of logistics services and competence, the ability to trace and track consignments as well as the frequency with which shipments arrive on time.

Improvement was only recorded in South Africa’s ability to arrange competitively priced shipments with ease.

Group CEO of World Net Logistics, Dirk Goedhart, told FTW that he believed this backward movement to be largely attributable to productivity issues at the country’s ports in 2017 – particularly the “challenges” experienced at the Port of Durban.

“Congestion at the Durban port began some time before the infamous October 10 storm last year, which only served to exacerbate the situation making it extremely frustrating for importers and exporters alike,” he said.

He noted that other obstacles recently faced by the domestic logistics industry included the increase in stops by the various authorities with lengthy resolutions. The resultant costs in unnecessary storage and demurrage impacted on margins.

Red tape faced in acquiring Letters of Authority from the National Regulator for Compulsor Specifications also has disrupted the flow in supply chains with importers having to wait for longer than three months.

Global ranking

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*SA logistics takes a turn for the worse*

Nicole Jacobs
Car maker ‘Focuses’ on potholes

Ford has announced that its new Focus will provide the option of pothole detection technology.

The system senses when a wheel is falling into a pothole and adjusts the suspension so that the wheel doesn’t fall all the way in, according to the company.

“Our engineers are always searching for the roughest roads to really test our suspension to the limit, but more and more we’re noticing that the rough roads are finding us,” said Guy Mathot, vehicle dynamics supervisor.

“Potholes are a problem that isn’t going away anytime soon but with our advanced suspension technology for Focus, we’ve been able to reduce their impact.”

The pothole detection system is a feature of the car’s optional Continuously Controlled Damping technology, which every two milliseconds monitors suspension, body, steering and braking inputs, also adjusting the vehicle’s suspension responses.

– Ed Richardson

Swaziland backtracks on VAT for power and petrol

MRABANE – The transport sector joins the Swazi public at large in audible relief that new VAT surcharges will not be levied on electricity or petrol products.

This is as a VAT increase from 14% to 15% is set to hit on August 1. Unwilling to upset their constituents with a VAT hike weeks before a national election, Swaziland’s parliament refused to approve government’s 2018 finance package.

Finance Minister Martin Dlamini, an appointee of King Mswati III, did so unilaterally this week, using his power of office.

However, Dlamini initially called for VAT to be attached to electricity, sales, a first for the country and representing a new 15% tax on businesses and ordinary consumers.

The price of electricity was already raised 15% in April.

The finance ministry has since shelved VAT application to electricity, and will also not apply VAT to petroleum products.

Nevertheless, last week a R0.50 tax hike on petrol was announced.

Swaziland’s government is relying more on tax revenues to pay its bills, because new investment in the country is negligible and the economy as a whole is the worst performing of any SADC country.

“The business community is impressed on government that VAT on electricity would be one more hindrance to investment in Swaziland. There are other issues, but we were heard on that one,” Sandile Nxumalo, a Manzini businessman in the electricity-reliant communications sector told FTW.

– James Hall

Cabotage a sticking point in proposed shipping legislation

The overhaul of South Africa’s shipping legislation is making slow progress with the long overdue redraft of the Merchant Shipping Act that’s still before Parliament.

One of the most contentious proposals involves the issue of cabotage and while it’s nothing new, the prospect of introducing it as law in South Africa has raised questions.

Effectively it restricts the carriage of coastal cargo to SA-registered vessels – which, practically speaking, is a non-starter.

The Bill was submitted in March this year and it’s unclear when the newly drafted Bill will reach promulgation stage.

Earlier last month the Portfolio Committee on Transport referred the Bill to the National Assembly without amendment for consideration.

According to Malcolm Hartwell, a master mariner and director at Norton Rose Fulbright, while the redraft of the Bill happened relatively quickly, at least 25 sets of regulations to support the Bill are still outstanding.

“There is no indication when these regulations will be available and, until they are, this Bill simply cannot be promulgated,” he said.

But with more than 50 outstanding Bills currently before Parliament, many of which are of far more pressing concern than shipping at present, it’s anyone’s guess when the redrafted Merchant Shipping Act will move forward.

Hartwell told FTW that the redraft was also long overdue.

“The current shipping Act has been on the statute books since 1951 and is woefully out of date. For the past 25 years there has been talk of overhauling it, so this redraft is a move in the right direction to align our maritime legislation with modern practices and with the laws of the country’s major trading partners,” he said.

According to Hartwell no radical changes were made to the content of the Bill during the redraft, but necessary structural changes have been welcomed by industry.

“The current Merchant Shipping Act is a really cumbersome piece of legislation that’s very complex. The new Bill has removed many of these technicalities, making it much easier to read and understand. Technical aspects will be incorporated into the regulations, but these are still outstanding.”

He said from a practical point of view this was important as any future changes would be dealt with in the regulations rather than in the legislation.

“It’s much easier to amend and change regulations than legislation,” he said.

Industry, however, would need to see the regulations and be given an opportunity to comment before the Bill can be promulgated.

As is the case with the long-awaited customs legislation, industry can only ascertain the impact and challenges of the Bill when it sees the accompanying regulations, since they contain all the finer details of the new law.

Commenting on the changes in the new legislation, Hartwell said it now included ship registration and the control of the movement of ships, issues that were previously dealt with in their own pieces of legislation.

It also aligns the right of ship owners to limit their liability to an international standard developed in 2015.

“The redrafted Bill has brought the country in line with international protocols and will see the adoption of several conventions in our domestic legislation,” said Hartwell.

– Liesl Venter
EPA quotas left unexploited

Liesl Venter

Western Cape exporters need to up the ante and really make use of the opportunities available through the European Union-Southern African Development Community Economic Partnership Agreement (EPA). In an effort to assist exporters to understand the trade agreement better, Wesgro, in conjunction with the Trade Law Centre (Tralac), have developed a user-friendly booklet to guide exporters on the trade agreement and the various opportunities it presents.

The agreement, which came into force in April 2016, allows for a tariff-rate quota (TRQ) of 150 000 tons of sugar exports, 80 000 tons of ethanol and 110-million litres of wine. It also granted new duty-free access on all fisheries, oranges and lemons (seasonal), cut flowers, whole milk powder, fermented milk products, whey and other natural milk products, sweetened pineapple juice, cultured yeast, dried baker’s yeast as well as non-sweetened pear juice.

New TRQs were given for skimmed milk powder, butter, sugar, citrus jams, ethanol and active yeast.

“It created real new market access for South Africa into the EU,” said Trudi Hartzenberg, executive director of the Trade Law Centre (Tralac) during a seminar on the EPA in Cape Town recently.

But in 2017 only wine, citrus fruit jams and raw sugar were utilised fully while products such as refined sugar and ethanol saw utilisation rates of 49% and 41% respectively. The rate for butter, frozen strawberries and skimmed milk powder was only 1%.

Hartzenberg said the benefit of the agreement this year was again in the raw sugar and wine industries where the TRQ utilisation was 70% and 69%.

“Also, the frozen orange juice industry is seeing a higher utilisation rate at 83% and apple and pineapple juice at 78%.”

Hartzenberg urged exporters to make use of the EPA and to engage with trade promotion agencies such as Wesgro to investigate potential opportunities.

“Until it comes to implementing an agreement such as this, the role of the private sector is critical,” she said, similarly acknowledging the challenges companies often faced when trying to access information.

“It is not always taken as easily as it should. A small cheese exporter from Cape Town demonstrates this. The company had heard about the TRQ in November last year for a certain tonnage and duly filled in all the forms to export about five tons of cheese duty-free in 2018,” she said.

“To date they have not had a response. Considering that the TRQ runs from January to December and was only published on April 26, we have to admit that this year we face some real practical issues.”

Better EU trade beckons for Western Cape

Liesl Venter

Two years into the European Union-Southern African Development Community Economic Partnership Agreement (EPA), and companies are still not exploiting the quotas of duty-free exports to the EU. By 11 July this year, duty-free quota utilization for products such as butter, skim milk powder and strawberries remained while canned tropical fruit and ethanol had only been utilized around 9% respectively.

Replacing the former SA-EU Trade, Development and Cooperation Agreement (TDCA), the EPA saw some significant increases in quotas of South African agricultural exports to the EU when the comprehensive economic partnership between the European Union and South Africa, Botswana, Lesotho, Namibia, Swaziland and Mozambique came into force in 2016.

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According to Kuni, two seminars have been held in recent weeks in Cape Town— one addressing Aga and the other the agreement.

“The EPA, in particular, is important to Western Cape Exporters as it provides significant opportunities for South African agriculture, and fish exports in particular.

“Considering that 53% of the country’s agricultural exports are from the Western Cape, exporters in this region could significantly increase their duty-free exports into the EU through the agreement, thanks to the improved market access it offers,” he told FTW.

Kuni said the EU was currently the second largest market for Western Cape exports with Africa having officially become the largest export market for the province with around R46 billion worth of goods and services moving into the continent.

According to Kuni, the seminars offer a platform for officials from Wesgro and government to share practical and useful information with exporters about the opportunities that exist under the EPA.

This includes exploring reasons why some opportunities are under-utilized and the facilitation of discussion around ways in which the government can support South African businesses in taking full advantage of the benefits of duty-free market access to the EU available to them under the EPA.
States shares SA’s concerns over Trump  

Liesl Venter  

South Africa’s concerns over an on-going US investigation into levying tariffs on importing cars and auto components is shared by the American auto industry. This is according to Jonathan Gold, vice president of supply chain and customs policy with the US National Retail Federation (NRF), who said there was very little agreement from the retail sector about the benefits of the tariffs as being touted by the Trump administration. This is after the US President initiated a Section 232 investigation into possibly increasing tariffs on cars from the European Union and other trading partners in June.  

It’s unclear when this investigation will be completed, but if expected before the end of the year. A similar probe last year led to tariff increases of 25% and 10% on steel and aluminium exports to the US. The Section 232 investigations aim to reveal whether or not imports in a sector impair national security in the US. According to Gold, putting tariffs on the car manufacturing sector is going to have an incredibly negative impact on the US economy at large.  

“This threat of a 20% tariff being imposed on the auto industry overall is not going to be beneficial to the US. We’re not in agreement with this move.”  

Speaking in Sandton at the Bries forum recently, South African Minister of Trade and Industry Rob Davies said there was evidence that US tense over penalty tariffs undermining trade  

Concerns over the Trump administration’s ongoing feud with the Chinese and his insistence on ending free trade agreements are increasing in the United States. According to Jonathan Gold, vice president of supply chain and customs policy with the US National Retail Federation (NRF), the pending trade issues are worrying.  

“There are concerns from the business community about the ongoing free trade agreements and trade enforcement issues,” he said. This started soon after Trump came into office, with one of his first actions on trade being the withdrawal from the Trans-Pacific Partnership (TPP) last year.  

“Three things the business community was disappointed about this. TPP was a good deal that kept us in the Asia region as far as being a leader on trade issues,” he said.  

Gold said this concern extended to the North American Free Trade Agreement (NAFTA) that was currently under discussion.  

He said NAFTA certainly needed to be updated but there was no reason to withdraw from it altogether, yet there were ongoing threats of withdrawal from Trump.  

“There are a couple of provisions that the US is pushing that are poison provisions that the US is currently under investigation.  

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“There are a couple of provisions that the US is pushing that are poison pills. First and foremost, a five-year sunset,” he said. “It makes no sense to have a free trade agreement that will end in five years. If there are opportunities to update and amend a free trade agreement, then do that, but not under threat of termination. No-one is going to invest knowing there is a potential of it ending in five years.”  

Gold said business was also concerned about the aggressive rules of origin that were being pushed, rules that would not work in today’s global value chain.  

“There is much concern over the rules of origin that are under discussion for the auto industry in the North American market. Also, the textile and apparel side are worried about the rules of origin being pushed for them.”  

Gold said just as worrying were current duty impositions and the escalating trade war with China.  

“Countries are retaliating against the tariffs being introduced by the US and they are starting to take effect,” he said. “The issue around steel and aluminium, for example, is going to result in an increase in prices across the supply chain. The retailers might not import steel and aluminium, but they use it extensively in stores and distribution centres. The products they sell, like canned goods and washing machines, are packaged using steel and aluminium. We are seeing real price increases in all of this. It’s very concerning.” – Liesl Venter
Economic growth returns to Greece

Ed Richardson

Greece is starting to recover from its economic crisis which started in 2010, according to the International Monetary Fund (IMF). A report by the IMF executive board estimates that the country’s economy will grow by 2% in 2018 and 2.4% in 2019, thanks to a combination of structural reforms and a better external environment, helped also by substantial support from European partners, which secured medium-term sustainability and restored market access.

There are, however, still risks, which include slower trading partner growth, tighter global financial conditions, regional instability, the domestic political calendar, and risks of reform fatigue.

“Moreover, in the long term, an ageing is expected to weigh down on potential growth, increasing the need to foster productivity,” states the report.

UK auto industry maps out new export markets

While the Brexit negotiations are still failing to fire on all cylinders the United Kingdom auto industry is looking beyond Europe, with three of UK’s top five fastest-growing automotive export markets now being outside Europe.

Research commissioned by Wyelands Bank found that the biggest growth in exports outside Europe is to the United States (4.3%), Japan (3%) and Australia (2.6%).

The Netherlands and Italy make up the remaining top five, with exports expected to grow at 4.3% and 2.1% per year to 2021.

Automotive exports to these five markets were worth $17.2bn in 2017. The projected growth could generate an extra US$677m a year for UK exports to 2021.

At $54.7bn the automotive sector is the second largest export sector by value in the UK behind machinery and components, at $55bn.

Automotive exports as a whole are expected to grow by more than 1.7% annually to 2021.

This makes the UK the fourth-fastest growing automotive exporter globally, behind Mexico, China and Spain.

– Ed Richardson

Concerns over port tariff

From page 1

Association of Ship Operators and Owners (Saasoa), Peter Besnard, said was extremely high.

He noted that when taking into consideration the inconsistencies and unreliability of equipment at the ports, such a significant increase was not justifiable.

Besnard, however, told FTW that he did not want to comment on the tariff application for the next financial year (2019/20)

as yet, as he wanted to rather wait for the advocate at Saasoa to look at the application first as he would be the one to make a public comment submission on behalf of the association to the ports regulator.

Walwyn pointed out that under the tariff differentiation for cargo dues, there remained some troubling increases for coal and magnetite.

“The increase on coal is especially problematic as the industry is already suffering,” said Walwyn.

“The coal market produces around 90 million tonnes per year. To raise tariffs on this market at such an increasing rate would make the industry less competitive and the same applies to magnetite.”

South Africa’s coal industry has progressively been under pressure over the past few years with increasing reports of coal supply issues from Eskom as well as increased competition faced by coal exports from international markets such as Colombia.

Post-Panamax vessel causes stir

From page 1

Offering a combination of high cargo capacity and low fuel consumption, it’s all about achieving outstanding performance. Whilst the capacity is measured in CEU, these vessels are also equipped to handle heavy commercial vehicles, project cargo and construction, as well as mining and agricultural machinery.

With a door opening of 6.5m and increased ramp capacity, the vessels are able to easily accommodate and handle heavy vehicles.

FTW took a look at some of the interesting statistics of the New Horizon vessels.

One could easily crowd 75 elephants on the stern ramp, which takes 175 tonnes of cargo, while the door opening is about 100cm higher than an average giraffe at 6.5m.

If one placed the maximum number of cars on board one of these vessels in a row, they would equal the length of a marathon, or 42km.

New Horizon vessels such as the Target also emit only half of carbon emissions per car transported, compared with a standard car carrier.

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