

SARS Investigation (and Ports Crisis) Scare Off Cargo Carriers Despite opportunities resulting from the Red Sea Crisis Reroute

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1. The Situation

At the State of the Nation (SONA) address on 8 February 2024, President Cyril Ramaphosa spoke of the role that South Africa could play in global trade given the Red Sea crisis ([the rerouting of global trade due to attacks on freighters](#)). The President asserted that South Africa would be [well positioned to service cargo ships](#), referring to expected increases in demand for South Africa's bunkering industry. Bunkering refers to the refuelling of ships such as the very cargo carriers that are now sailing around the Cape of Good Hope in swaths. The Red Sea crisis, combined with the [Panama Canal](#) crisis has meant that traffic around the Cape of Good Hope is the highest it has been in decades (possibly since the development of the Suez Canal). There has definitely been an effect on demand. Stakeholders have noticed an [uptake in bunkering in Cape Town and Durban](#); where the price of fuel has [increased by 15%](#).

Despite this, most ships are [sailing past South Africa](#) – the historical stop-of-choice on the route (and where the route gets its name). Instead, they are choosing to refuel at their final destinations. If reaching the final destination is not possible – which can happen as navigating storms around the Cape results in less efficient fuel use – carriers are choosing [Walvis bay \(Namibia\) and Port Louis \(Mauritius\)](#) to refuel over Cape Town, Durban and Gqeberha. Maersk made a statement confirming that South Africa is not their first choice, and it is likely that other carriers agree.

One possible deterrent could be the ongoing logistics crisis, which has frustrated international carriers which have faced delays at South African ports. Carriers, very aware of the situation in the ports, would want to avoid long wait times for a berth to refuel. It is also possible that [SARS' decision to detain five vessels in Algoa Bay last September](#) is the reason cargo carriers are trying to avoid South Africa. The detentions were linked to an ongoing investigation into the bunkering industry, which the revenue

authority has accused of incorrectly registering fuel as transshipments rather than imports to avoid duties.

2. The Logistics Crisis

This lost opportunity may be related to the ongoing [South African logistics crisis](#). South Africa's ports have been making headlines since mid to late 2023 when a decade of disinvestment finally caught up to the country's logistics industry. Infrastructure failures led to significant delays, with backlogs at all major terminals resulting in carriers waiting up to 14 days to disembark their cargo. Compounding this, mismanagement and poor labour productivity – which has been contributing to declines in port performance countrywide for years – only contributed to delays, as backlogs took longer than necessary to clear. Weather has also played a role – in the port of Cape Town, inbound wind and high seas have prevented ships from berthing, sometimes for days at a time.

The crisis has led to dire consequences across many different industries. Hortgro, the Western Cape fruit growers' association, has claimed that ZAR2 billion has been lost over the past two years due to fruit perishing in the Cape Town terminal. Iron ore and coal export traders lost out an estimated US\$26.7 billion (since 2010) as ports deteriorated during the commodity boom. Last year (in the peak of the delays crisis), retail scrambled to fill shelves during the festive season as cargo vessels were left to wait at the ports.

3. SARS Investigation Has Hurt the Bunkering Industry

In September 2023, SARS detained five vessels on grounds related to bunkering operations in Algoa Bay, investigating them for contravening the Customs and Excise Act 91 of 1964. This had the effect of bringing bunkering in the bay to a standstill.

For some context, another option available to cargo carriers not wanting to stop at a port is offshore bunkering. Offshore bunkering is when ships anchor and are refuelled by bunker-barges (refuelling ships) instead of refuelling in a port. A key advantage of offshore bunkering is that ships do not need to queue for a berth in the port, reducing delays and logistics costs; while still being close enough to the shore to replenish other supplies if needs be. Algoa Bay, the largest bunkering location in South Africa, is ideal for offshore bunkering as it has prime conditions for anchorage. With monthly sales of 50,000-100,000 metric tons, it has played a crucial role in global shipping since 2016.

The first of two [SARS raids](#) detained three bunker delivery vessels, a tanker, and an offshore drillship; a second raid led to the detention of a fourth bunker-barge. Major bunker suppliers TFG Marine and Minerva Bunkering stopped operations after SARS detained their vessels in the first raid. BP, initially reported as unaffected, faced disruption when just a few days later the Amber II (a bunker-barge) was detained, leading to the shutdown of its VLSFO and MGO (low-sulphur fuels) supply in Algoa Bay¹.

The raids impacted bunker supplies in Algoa Bay anchorage, Port Elizabeth, and Coega. Customers were advised to consider HSFO (high sulphur fuel oil) as an alternative until the situation was resolved. High sulphur fuels are bad for the environment, as burning them releases more sulphur dioxide into the atmosphere, a greenhouse gas known to cause acid rain. It is also deemed more harmful to marine life than its alternatives in the case of an oil spill.

The [Maritime Business Chamber](#) has said that for South Africa to benefit from the global trade reroute, SARS needs to rethink its actions and the effect that detentions will have on the maritime sector and related industries. They claim that by detaining vessels the tax authority has tarnished South Africa's reputation as a reliable bunkering hub, which will lose out on millions of Rands as ships sail past to bunker elsewhere.

In the context of cargo carriers, offshore bunkering can create economic opportunities for nearby onshore towns. On long journeys, carriers may choose to stop for supplies when bunkering, swap out the crew with a replacement crew on-shore, or make use of specialist maritime services such as waste disposal or oil-spill clean-up. Demand for these services generates demand in other industries, too: for example, if there is a spare crew, they will need to be put up in a hotel. Maritime service providers may also sub-contract out to other industries – for example, oil-spill clean-up may

4. SARS Claim Detention Lawful, Necessary

Bunkering has been occurring in the Algoa Bay area since 2016, and SARS has claimed that they have been working with the industry to ensure adherence to customs and excise law since then. In a [statement on its website](#), SARS confirmed it had detained (not seized) five vessels in September 2023 as part of its ongoing investigation. It emphasised that the detention was lawful, and necessary as part of SARS' duty to enforce tax payment.

¹ Very Low Sulphur Fuel Oil (VLSFO) and Marine Gas Oil (MGO) are two types of marine fuels commonly utilised in shipping. MGO is often preferred for auxiliary engines, smaller vessels, and certain regions with particular fuel requirements.

Prior to the raid in September, in a [letter written in July of 2023](#), SARS had informed local shipping industry representatives of the results of a long-standing investigation into the Algoa Bay bunker supply market. SARS accused the market of receiving marine fuel cargoes from other countries into floating storage facilities off Algoa Bay, selling them as bunkers without proper registration and taxation as imports. Beyers Theron, SARS's director of customs border operations, highlighted in the July letter that the lack of compliance had resulted in a significant loss of duties.

As from the end of December 2023, SARS told one news outlet that no further information could be given on the investigation as yet – but drew attention to proposed amendments to existing legislation. These amendments would include licenses for sea-based storage places and businesses that move fuel. Comments from the public on these amendments were [due 12 January](#).

The crackdown from SARS could also speak to the revenue services' desperate search for new revenue streams. South Africa's fiscus is under strain – just [9% of the population pay personal income tax \(PIT\)](#), and as it stands the national [debt-to-GDP ratio is 72.7%](#).

5. Context: The Global Trade Reroute

On 19 October 2023, Houthi rebel forces, based in Yemen, began attacking international freighters in the Gulf of Aden. The Gulf of Aden, on the Red Sea, is just off the Yemeni coast and is extremely important for international shipping – it is where ships using the Suez Canal passage emerge. Despite protection guarantees from the United States and United Kingdom (who have been defending the strait in response to the attacks) many of the world's biggest carriers (such as Maersk, Hapag-Lloyd and the Mediterranean Shipping co.) [decided to reroute](#) trade around the Cape of Good Hope, adding 8000km to their journey.

This decision to reroute around Africa was not the first drastic change to global trade routes in 2023. First, the Panama Canal (in Central America) saw a dramatic reduction in traffic as ships were rerouted elsewhere due to the effects of climate change. Shallowing of the canal as a result of reduced rainfall in the region meant that the section deep enough to allow the passage of large carriers has narrowed. In turn, the number of carriers allowed through at any given time was reduced, while some larger vessels were turned away; increasing delay times and driving up the cost of using this route. In response, shipping companies cut back on their use of this passage, instead choosing to make use of alternatives. Before the attacks in the Red Sea began, the Suez Canal was one such alternative, as was the Cape of Good Hope. The volume of carriers using both routes (especially the Suez) notably increased in response

to the Panama crisis. It is expected that the state of the Panama Canal will only improve at the end of February this year, when rains are due to return.

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