

Friday, 12 October 2018

ATTENTION:

The Chairman,
Ports Regulator
Private Bag X54322
Durban
4000

E-mail: comments@portsregulator.org

RE: The National Ports Authority (NPA) Tariff Application for 2019/20 - 2020/21

‘The Voice of Business in the Cape’

The Cape Chamber of Commerce & Industry serves more than 2 000 businesses in the Western Cape, allowing them access to a credible network that adds exceptional value. With a wide range of products and services, the Chamber assists these businesses, offering them the opportunity to excel. As a non-partisan organization our submissions are the crucial voice of business.

Introduction

The Cape Chamber of Commerce and Industry is disappointed to note that Port authorities have again applied for increased tariffs despite the fact that costs to cargo owners are still 276% above the global average. This is an appalling situation which undermines all efforts to boost our export trade and create a wide variety of jobs in both agriculture and manufacturing.

According to the Port Regulator’s own Global Pricing Comparator Study *“Users in container ports face a premium of 178% above the global sample average, up from 117% last year”*.

How, in these circumstances, can any increases be justified?

We would also submit that the report on the study is misleading. It states that vessel owners face costs notably below global averages, but this is a very broad category and includes shipping costs for dry bulk cargo like coal at Richards Bay and iron ore at Saldanha where economies of scale apply. These ports are efficient but the reduction in costs to ship owners is also the result of vessel owners using fewer, but larger and more modern ships.



CAPE CHAMBER

OF COMMERCE & INDUSTRY

What the report then does is to blend these costs with the much higher costs of container and car-carrying shipping and then stating that the result is that tariffs are 23% above the global average and that “a premium of 23% may easily be considered well within accepted norms”.

This is disingenuous to say the least. In the first place, the percentages of bulk cargo and container cargo vary around the world and where a port or country has a high percentage of container traffic and a low percentage of bulk cargo, average tariffs will be high and it would be completely unfair and illogical to compare it with South African ports where the percentage of bulk cargo is high. The only way to make a reasonable and credible comparison with global costs is to compare like with like. Bulk cargo must be compared with bulk cargo and container cargo with container cargo.

To put it another way, the exporter of fruit still has to pay 178% more in port tariffs than the average global tariffs and the tariffs his competitors pay in other countries. It is of no comfort to him to know that the average tariff “premium” is only 23% above the global average.”

What the Global Pricing Comparator Study tells us is that port tariffs for fruit and manufactured products which are shipped in containers are way out of line with world averages and this disadvantages both our exporters and importers and this has a negative impact on our economy and our efforts to get back onto the growth path. When tariffs are so far out of line with world benchmarks our ports must either be extremely inefficient or cargo owners are being scandalously exploited.

The Chamber has noted that the proposed increase in tariffs for cargo owners is 1.79% but that is 1.79% on costs that are already 267% above the global average. What is now needed, is a substantial reduction in port tariffs for containerised cargo. We would point out that the Airports Company South Africa (ACSA) found itself in a similar position with landing fees among the highest in the world. Its solution was to reduce them by 36%.

We would like to re-emphasise points we made in our tariff submission last year, dated 15 September 2017. The calculation of how much revenue the National Ports Authority (NPA) needs to operate includes a 5% return on assets and the assets include port infrastructure paid for by the South African taxpayer over many years. These assets have all been revalued and the port authorities are seeking a 5% return on values far in excess of the infrastructure’s costs. We would also argue that it is unreasonable to treat assets like breakwaters, designed to last for centuries, in the same way as equipment subject to wear and tear such as cranes and machines. It is clear that every trick in the accountant’s book has been used to justify ever-increasing tariffs.

We have a problem with the idea of basing tariff increases on “revenue needed” and have argued before that tariffs should be based on the actual operating costs of the ports. Furthermore, the “revenue needed” model does not encourage cost curtailment and efficient management.

Finally, we must point out the that “revenue needed” model has produced surpluses which have been transferred to Transnet where there are serious allegations of massive corruption.

CAPE CHAMBER

OF COMMERCE & INDUSTRY

PO Box 204, Cape Town, 8000
4th Floor
33 Martin Hammerschlag Way
Foreshore, 8001, South Africa

Tel: +27 21 402 4300
Fax: +27 21 402 4302

Executive Director: Sid Peimer

www.capechamber.co.za
info@capechamber.co.za
Twitter: @Cape_Chamber

Facebook: CapeChamberOfCommerce



CAPE CHAMBER

OF COMMERCE & INDUSTRY

This has left your customers disillusioned and it has affected the credibility of the whole Transnet family of companies. We believe that the only way to restore credibility is to base tariffs on actual operating costs of the ports and would urge the NPA to introduce the necessary reforms.

Conclusion

We request that the Ports Regulator of South Africa consider our submission, in a positive light – thereby ensuring the growth of our local and national economy.

Yours faithfully

Sid Peimer
Executive Director

CAPE CHAMBER

OF COMMERCE & INDUSTRY

PO Box 204, Cape Town, 8000
4th Floor
33 Martin Hammerschlag Way
Foreshore, 8001, South Africa

Tel: + 27 21 402 4300
Fax: + 27 21 402 4302

Executive Director: Sid Peimer

www.capechamber.co.za
info@capechamber.co.za
Twitter: @Cape_Chamber
Facebook: CapeChamberOfCommerce