

29 September 2020

ATTENTION: Mr. Phakade Sicwebu
Ports Regulator
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E-mail: comments@portsregulator.org

RE: SUBMISSION: National Ports Authority Tariff Application for 2021/22 - 2023/24

‘The Voice of Business in the Western 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 and support local and regional economic development through investment of capital in infrastructure and income producing assets. As a non-partisan organisation, our submissions are the crucial voice of business.

Submission

It seems quite clear that the 30 -odd pages describing the methodology by which the proposed tariffs for the next two years have been formulated, bear no relation to the realities of the economic situation in South Africa and the World. The relatively new methodology has been followed to the letter, with little if any thought given to any practical consequences of the proposed increase, if it is granted in full. The result comes across as a theoretical mathematical exercise, designed to meet TNPA's (and Transnet's) revenue requirements, with no consideration of its impact on TNPA's customers or the South African economy at large.

In the present economic situation, we submit that this is not the way to approach Transnet's perceived need for increased revenue. The tariff methodology is outdated as a method of determining tariffs and deserves to be thrown into the dustbin of history.

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We suggest a zero-based system that examines every cost on its merits. That is an excellent proven way of ensuring efficiencies and of staying in touch with market realities. It also encourages the kind of lateral thinking which we believe is lacking.

Transnet and the ports of South Africa are supposed to be run efficiently for the benefit of the taxpayers and the economy as a whole. Given that there is very little competition and TNPA functions as a monopoly, there is a pressing need for transparency and efficiency, neither of which is visible in this application. We have no doubt that Transnet's failure to corporatize TNPA, as mandated by the Ports Act, is a major obstacle here. As long as there is a possibility of opaque cross-subsidisation of other non-performing Transnet operations, this will remain a major problem. In this context, it must be said that despite severe cuts in the proposed increases over the last number of years, Transnet has still managed to post acceptable profits, which calls into question the assumptions used in the calculations.

There is a perception amongst our members that TNPA believes it has a duty to ensure an inflation-proof income for itself and its employees who are seen to be fortunate enough to enjoy the safe employment of the civil service.

The so-called consultation process leading up to the publication of the proposed tariff increase was anything but clear and transparent. Instead, as we have come to expect from SOEs, it was riddled with jargon, self-satisfaction, and rhetoric, with no consideration of the economic realities the country and its people are facing. TNPA's customers are not in the fortunate position of having guaranteed employment and incomes during the current crisis. On the contrary, there have been mass retrenchments, closures of companies and large-scale losses of income and revenue. It is surely imperative that Transnet should perceive the need to reduce its costs and creatively adapt to a new reality where people, including SOE's, will have to make do with less. There is no evidence of such thinking in the application

The entire exercise – and the tariffs it produced -- should be set aside as totally inappropriate to our current situation. Thought should be applied to the circumstances and the purposes for which Transnet was originally established, which was to provide efficient, competitive services to those who make money for the country and pay taxes to the exchequer.

Should these new high tariffs prevail, they will make the recovery of all the exporting industries of the Western Cape that much more difficult and will greatly increase the cost of all essential imports into the bargain. Although we understand Government's thinking that the country has been too reliant on imports, this is not a tap that can be

turned off overnight, and imported products will remain critical to the economy for a long time to come.

We believe that these increases if granted, will be damaging to the interests of Transnet itself as the new tariffs will accelerate the tendency of ocean carriers to bypass our ports whenever possible. We have already seen instances of vessels moving to neighbouring, and increasingly competitive ports such as Maputo and Walvis Bay, and this trend can be expected to accelerate.

Conclusion

In closing, we note that for several years, there has been a pattern whereby the Regulator grants lower increases than requested and indeed has mandated tariff reductions in certain areas. We believe that the need for such an approach has never been more evident than it is now, and we request the Regulator to treat this application accordingly.

Yours faithfully



Mr Geoff Jacobs

President: Cape Chamber of Commerce and Industry