



OSHO SA COAL (PTY) LIMITED

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The Chairman  
Ports regulator  
Durban

Dear Sir

**RE: Proposed tariff increase for coal**

Osho SA Coal has pioneered the exports of low grade discard coal from South Africa  
We have together with Transnet successfully created a new market/industry for discard coal

This is coal that would have been dumped /discarded by the mines and would be an environmental hazard. It cannot be utilised by Eskom due to its quality and sizing.

We believe that the proposed tariff increase on coal from R2.92 to R6 per ton (105%) is excessive and will have a negative impact on general coal exports for various reasons:

Coal is a low value commodity

The current economic climate and coal price is making it very difficult for mining companies to make ends meet. Coal prices are at its lowest in years and currently it's only the depreciated rand that is keeping coal exports at marginal viability. Junior BEE producers are struggling to maintain any market share.

Bulk commodities in SA are facing increased costs in production and logistics that in our view are not comparable to world standards.

South Africa as a coal producer and exporter is considered a relatively high cost producer along with Australia. We do not believe that TNPA has taken into account the full supply chain costs when considering the increase for coal.

It is evident that TNPA has not given coal the standard or general increase of 5.4% but a specific increase of 105% which is the largest commodity price increase in the tariffs, despite a very depressed export market.

TNPA has also given no justification of why such a large increase is given to coal

We believe TNPA is using coal to subsidize its other commodities as South Africa is a large exporter of coal +-70 million tons from the various coal terminals. By increasing the tariff to R6 it would amass additional revenue of R 216.6 million.

The motivation for this increase suggested during the roadshow was that TNPA would soon be proposing a new pricing strategy which would be a compete revamp of the existing cargo dues regime. Under the new proposal TNPA would be proposing a unified cargo dues regime for all bulk export commodities. Should this be the reasoning behind the more than doubling of the cargo dues on coal, it should be proposed under the new comprehensive pricing strategy so that industry can view the increase more holistically and can evaluate / appreciate the purported macroeconomic benefit of the new cargo dues regime. By selectively proposing to increase the cargo dues on coal during the next financial year, based on a futuristic pricing strategy document, TNPA is trying to gain unfairly from a future regime which still needs deliberation.



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Furthermore, the projected financials presented during the roadshow did not highlight the positive impact of the increased cash flow, should the increase be granted. The projected financial were based on a standard increase of 5.4% which would be sufficient to meet the revenue requirement presented during the road show. Thus the proposed increase would lead to a windfall for TNPA at the cost of the coal exporter. It could also lead to reduced coal exports from South Africa in an already depressed market.

The argument that coal has not had an increase in the last 2 years is also not good enough justification for the 105% increase being proposed as even then that would equate to a maximum increase of 10-12%.

TNPA currently has in place a commodity linked pricing strategy and we believe that coal needs to be considered as such and that the excessive increase of 105% should be put on hold until industry has had a chance to comment on TNPA's upcoming comprehensive pricing strategy . Our suggestion is that a general increase of 5.4% in the interim could be considered

Furthermore and linked to this pricing strategy we believe and request the ports regulator and TNPA to consider reclassifying low grade coal for a reduced tariff.

There is great benefit to the country and coal industry at large by exporting low grade coal. This is low grade that is not useable by Eskom. This coal is typically dumped and discarded and creates an environmental challenge for the country. By exporting this coal, we are not only cleaning the environment, but creating jobs, assisting in transformation, freeing up more land and having a positive effect on the BOP

We sincerely hope that our submission is considered and are happy to engage further should it be required.

Yours sincerely

Zaheer Surka  
Director