

15 October 2021

The Chairperson
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SUBMISSION: NATIONAL PORTS AUTHORITY TARIFF APPLICATION 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.

Tariff Increases Unsustainable in Current Economic Climate

On studying the National Ports Authority Tariff Application two things immediately came to mind.

The first was that despite the extraordinary amounts of manpower and time spent on building such a world-class presentation with which to make the case for tariff increases that exceed the inflation rate, we could find only verbal commitments to efficiency.

The second impression was that as a list of well-described promises and expressions of good intentions Transnet could not have done a better job. But when it comes to the new tariffs requested from a fellow government body, it is where we take issue.

As a state-owned enterprise Transnet by its own admission is constrained to act in a certain manner, and that is where the problem may lie.

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Transnet is bound for example to:

- Recover its costs spent in owning, managing, controlling, and administering ports and the money it invests in port services and facilities; and
- Earn a return commensurate with the risk of owning, managing, controlling, and administering ports and of providing port services and facilities.

In essence, these demands do not oblige Transnet to keep its operating costs down. Instead, whatever it spends, and whatever its costs are or are estimated to be in the future, they must be recovered through its tariffs.

This is quite apart from the questionable concept of earning a return, given Transnet's monopolistic dominance. And, since its revenues are the tariffs Transnet may charge, and its customers are dealing with a monopoly, it follows that the managerial imperative to control costs that govern all businesses in the private sector, is missing entirely.

Transnet tariffs are thus compelled to rise every year. One must ask, "Why bother with the charade of public participation? Even more so, why spending time, energy, and money creating beautiful presentations?

Although we know that the regulatory process has certainly assisted in controlling Transnet's tariffs over the last several years, the fact that only TNPA, and no other divisions of Transnet, is regulated, is cause for concern. Especially as the result is likely to be what it asks for, with the private sector regarded as a bottomless pit.

The 88 pages of pleading are easily summarized. The TNPA wants increases of:

- 17.83% on Marine charges (shipping lines)
- 3.10% on Containers Imports & Exports;
- 9.40% on Break Bulk Imports & Exports;
- 9.40% on Dry Bulk Imports & Exports;
- 12.00% on Coal & Magnetite Exports
- 9.40% on Liquid Bulk Import & Export; and
- 0.00% on Automotive Imports & Exports.

One can therefore predict that wine and fruit exports from South Africa will reach foreign customers costing considerably more and will consequently be less competitive.

Except for cars, all imports to South Africa will become more expensive. This is in an environment where our port costs, despite some improvements, remain amongst the highest in the world.

Of course, we understand and cannot but agree with the need to update our ports, the necessity to carry out much-needed maintenance and build new infrastructure but the need is largely the result of poor Transnet planning and inefficiencies in the past.

Export tariffs particularly should not be saddled with the cost of putting things right. More expensive imports will not only affect luxury goods but impact the economy adversely as well since the decline of our manufacturing industry has resulted in the forced importation of many essential products.

Above all the regulations governing this monopoly should not exclude the need to control its costs as if nothing can be done about them and passing them on to port users – especially those who export and thus bring much-needed foreign exchange into the country.

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

Yours faithfully

A handwritten signature in blue ink, appearing to read 'J. Moolman', with a stylized, cursive script.

MR JACQUES MOOLMAN
PRESIDENT: CAPE CHAMBER OF COMMERCE AND INDUSTRY