



**CAPE CHAMBER**  
OF COMMERCE & INDUSTRY

Monday, 02 September 2019

**ATTENTION:**

**The Chairperson  
Ports Regulator  
Private Bag X54322  
Durban  
4000**

**E-mail:** [comments@portsregulator.org](mailto:comments@portsregulator.org)

**RE: SUBMISSION: NATIONAL PORTS AUTHORITY TARIFF APPLICATION 2020/21**

**'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 Based on Incorrect Assumptions**

The Cape Chamber of Commerce and Industry strongly opposes Transnet's application for a series of increases in port tariffs of 4.8%, 18.22% and 8.5% over a three-year period. The country is in a state of financial crisis and increases in administered prices that are in excess of the inflation rate are both unreasonable and unacceptable. Given the dire situation in our State-Owned Enterprises (SOEs) - what we need is a vigorous cost-cutting programme, rather than demands for more revenue.

This is particularly disappointing in the light of the tariff reductions applied in the most recent determination, which we believe represented a welcome step in the right direction.

We are also disappointed that Transnet has chosen to submit its application for tariff increases in terms of the old methodology, rather than the new methodology - which the Ports Regulator is now finalising.

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This makes a huge difference, as the old method allows Transnet to claim revenue on assets such as breakwaters, which was inherited in 1990 and was fully paid by South African taxpayers. In fact, Transnet went further and revalued those assets at something approximating to current replacement costs. It then used the revalued asset base to justify a demand for revenue.

The Ports Regulator has produced a compromise proposal that would see these old (pre-1990) assets valued according to their historic costs. This is a considerable improvement, but still allows Transnet to make a return on breakwaters in which it has made no investment. The Chamber can see no reason why valuations based on historic costs, should not be immediately applied.

A further disappointment is the proposed 1.5% increase in tariffs on containers. The present tariffs are 198% above the global average (April 2018) and requires a reduction. We would point out that containerised exports are the high value products produced by South African manufacturers and agriculture. These industries are labour intensive and at a time of record unemployment, containers represent jobs. Tariffs which are 198% above the global average, have no place in the South African economy and can best be described as irrational or a self-inflicted wound.

It seems to us that this latest increase request focuses on increasing marine charges. We believe that this is short-sighted for a number of reasons, but primarily because it acts as a deterrent to shipping lines to call at South African ports, while promoting the prospects of ports in neighbouring countries like Namibia and Mozambique.

At the same time, the carriers will simply pass these increases on to cargo owners, so whether the increase is applicable to marine charges or cargo dues, the net impact on the economy is the same. To suggest that carriers may absorb some of these increases is disingenuous, especially in an economic environment where ocean carriers are literally struggling to stay afloat.

We note that the proposed tariff seeks to provide incentive rebates to locally flagged carriers. Much as we applaud the concept, we do not believe that this in itself will result in any notable additions to the local registry. The requirements for that to happen are much more fundamental, going far beyond the matter of port tariffs.

Finally, we do not believe that the proposed increases will do anything to alleviate the current state of chaos that exist in our port terminal system as more basic intervention is necessary.

The Chamber therefore believes that no tariff increases can be justified and that tariffs applicable to containers, should instead be reduced to assist exporters and sustain jobs that are now in danger. We need sustainable pricing and not tariffs inflated by large-scale manipulation of the value of Transnet's asset base.

As is well-known, Transnet is bound by legislation to ensure that Transnet National Ports Authority (TNPA) is corporatized as a company in its own right and independent of other divisions within Transnet, yet for many years nothing has happened in this regard. We believe that this has now become imperative, as only in that way will TNPA's performance be capable of realistic assessment.



This move will allay the suspicions of industry, that funds generated within TNPA are being applied elsewhere within the Transnet Group and will allow TNPA to exercise its oversight role over terminals effectively. This has not been the case in the past.

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**

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**Mr Geoff Jacobs**

**President: Cape Chamber of Commerce and Industry**