30 SEPTEMBER 2020

CHAIRPERSON
PORTS REGULATOR OF SA
1101 MARINE BLD.
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ATT : PHAKADE SICWEBU

RE: REQUEST FOR ENAGEMEMENT WITH PORTS REGULATOR FOR THE APPLICATION OF A DIFFERENT CATEGORY IN THE TARIFF BOOK FOR OFF-SHORE BUNKERING OPERATIONS

A. INTRODUCTION

The Department of Transport have finalised its Comprehensive Maritime Transport Policy (the CMTP) for South Africa. The overarching aim of the much anticipated CMTP is to facilitate growth and development of South Africa's maritime transport system in support of socio-economic development of the country whilst contributing to international trade.

The CMTP aims to address issues such as transport costs efficiencies, the lack of an established South African merchant fleet and South Africa's relatively weak import / export trade and how to grow employment opportunities in the sector. One of the areas which the policy focusses on is port infrastructure, planning and management, where the current policy regarding the regulation of the South African Ports system is the Commercial Ports Policy of 2002.

The CMTP encourages the expansion of facilities and it shows as Transnet is taking a proactive stance in increasing the existing capacity of the Port of Durban

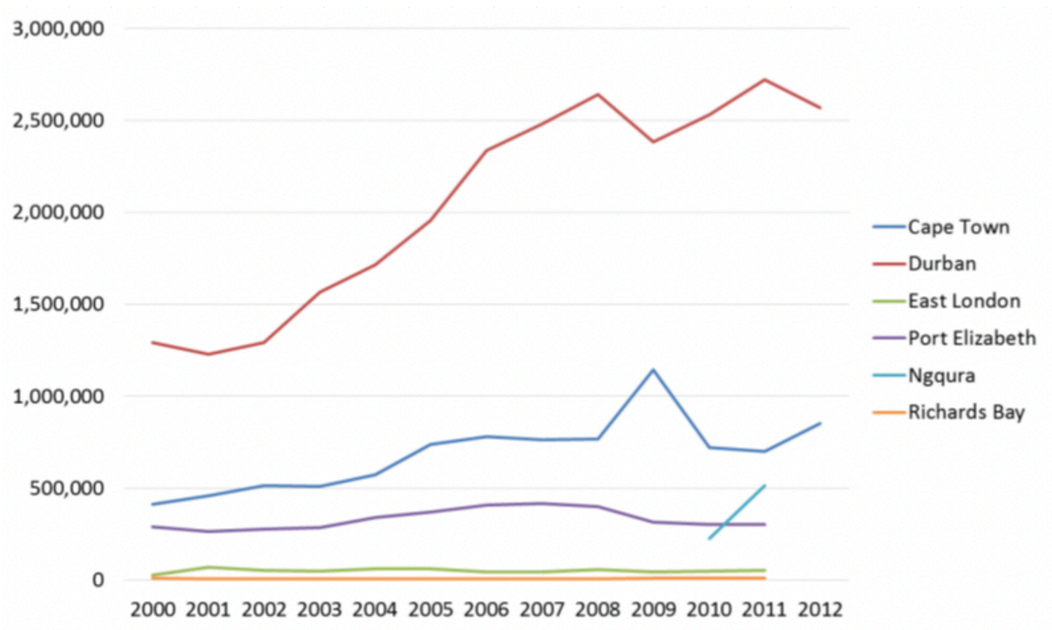
Durban is the main gateway port of Africa. It is the largest port in Africa, which concentrates more than two thirds of the total container traffic to and from South Africa. It has strong maritime connections with the rest of the world: it has both a central position in port networks and a large diversity of connections with other ports.

Despite its dominant position in Africa, the performance of the port of Durban is sub-optimal. The port of Durban is one of the most expensive in the world, basically due to high cargo dues.

Durban has substantial economic benefits from its port. Existing studies find estimations of port-related jobs up to 100,000 jobs (approximately 10% of metropolitan employment) and 8%-14% of metropolitan value added. This value added includes the automotive industry and a diverse maritime cluster, consisting of logistics, warehousing and transportation services. Every port call does not only lead to direct spending, but is multiplied via the indirect spending, for example by suppliers related to the port.

Since 2010 (**see figure 1 below**), Ngqura has grown considerably do Bulk export and transhipment, but more so the offshire bunkering oprations that commenced in 2016. These operations have seen a vast number of foreign going vessels make a slight detour for them to receive bunkers off-shore Ngqura and Port Elizabeth (PE) at Achorage 1 or Anchorge 2.

Figure 1: Traffic handled by South African Container Ports, 2000-2012 (in TEUs)



Source: OECD/ITF

We would like see the same substantial economic benefits from its port of Nqura and PE as a result of the off-shore bunerking operations. That however may not happen due the barriers of entry that SMME's have due to the high costs of port dues as well the post costs on off-shore bunkering operation that need to occur in port.

It is our opinion that pricing by ports and operators within ports are based on models that were developed historically, and as such, may often be deemed rather complex, untransparent and archaic. It is with this that we request the below application.

B. **APPLICATION**

There Authorities in Ngqura namely SAMSA and TNPA have place

We we have to call in port for Ship – To Ship (STS) operations we have to pay the following:

1. Port dues ;
2. Pilotage ;
3. Tugs;
4. Berthing crew ;
5. Fire Protection ;
6. Security ; and
7. Agency fees .

That would be for normal in port bunkering but when we do STS's we then have to pay additional

1. Cargo dues ; and
2. Spill Reposnse and boom hire.

Cargo Dues (also known as Wharfage): Fee levied by the port authority to the users (exporters, importers or shipping lines) for the provision and maintenance of dry infrastructure which facilitates cargo movement, i.e. quay walls, roads, railway lines, lighting and bulk services (outside terminal boundaries). This fee is generally fixed and published as an official tariff.

Port Dues: This is a charge levied by the port to all entering ships. It is generally calculated on the gross registered tonnage of the ship as per the tonnage certificate issued and reflects the provision and maintenance of wet infrastructure, i.e. entrance channels, breakwaters, turning basins and maintenance dredging and navigational aids inside port limits.

In addition to these, there are the costs of marine services, i.e. pilotage, berthing and tug assistance, paid for by shipping lines for compulsory marine services when entering or leaving the port, based on the size of the vessel.

These renders our business ineffective and nit competitive to the other regional SADC ports.

There are different tariff categories for the following:

1. Containers
2. Dry bulk : Iron Ore and Coal
3. Automotives

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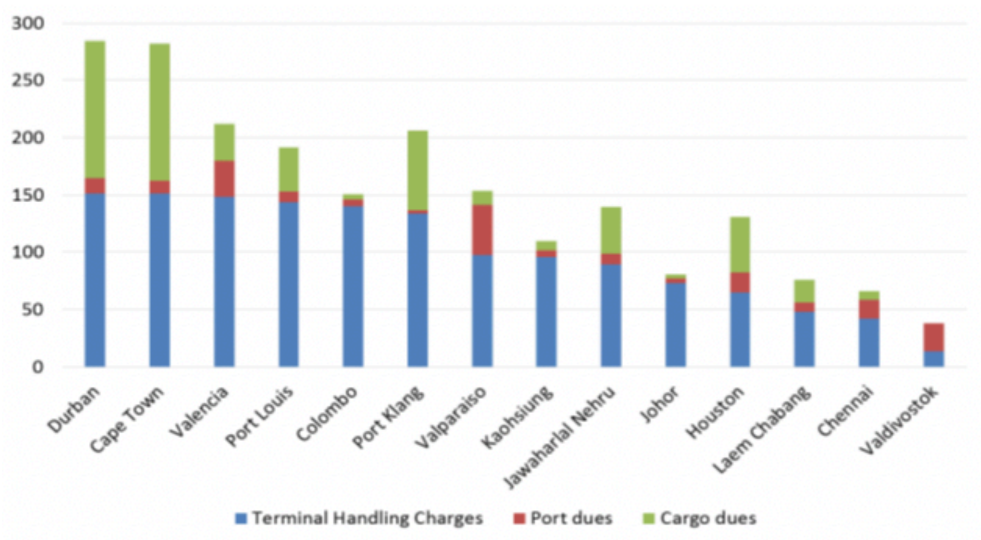
Cost wise, the port of Durban is one of the most expensive in the world. Although the terminal handling charges are high, they are not substantially higher than ports such as Valencia, Colombo or Port Klang. Port dues are also within the global average.

Figure 2: Total port pricing per TEU (USD), selected ports, 2012



Source: Ports Regulator of South Africa Container Port Tariff Comparator Study (2012)

In our experience the tariffs we pay affectr our business model adversely and thus with the aforementioned in mind – it is our humble request that Ports Regulator consider a different category in the Tariff Book for our Off-Shore Bunkering Operations in Algoa Bay and any other future ports.

C. CONCLUSION

As we explained in the introduction, it is in our opinion that pricing by ports and operators within ports are based on models that were developed historically, and as such, may often be deemed rather complex, untransparent and archaic.

This has occasioned many debates on allegedly covert subsidising, captive markets, the necessity of dredging and deepening maritime access routes, and possible distortion of competition. We are, therefore, still quite far removed from the objective of developing recommendations for implementing port pricing reform based on the principle of marginal cost pricing and well as the current business models seen in SA ports and other ports world wide.

Nevertheless, it is our request, that we take ceratin steps in relooking the the calculation of the marginal cost of an average port call, but more so the cost we must incur when bring vessels into the port for STS operations.

We hope that our submission as brief as it is, constitute the basis for a meaningful debate on the implementation of a pricing approach that is grounded on the marginal cost principle.

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