



**NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SOUTH AFRICA**

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16 September 2019

The Chairman  
Ports Regulator  
Private Bag X54322  
Durban  
4000

[comments@portsregulator.org](mailto:comments@portsregulator.org)

Dear Sir

**TNPA TARIFF APPLICATION 2020/2021 – NAAMSA COMMENT**

The National Association of Automobile Manufacturers of South Africa (NAAMSA) represents the interests of 41 vehicle manufacturers and importers of new vehicles in South Africa. NAAMSA welcomes the opportunity to comment on and provide input for consideration with regards to the TNPA Tariff Application 2020/2021.

The manufacturing sector is regarded as the engine of growth and as the largest manufacturing sector in the country's economy, vehicle and component production accounted for 29,9% of South Africa's manufacturing output in 2018 while the broader automotive industry's contribution to the GDP was 6,8%. Exports of automotive products in 2018 accounted for R178,8 billion representing 14,3% of total South African exports.

NAAMSA believes that the regulatory environment has resulted in notable increases in the level of transparency around port costs and revenues which in turn has achieved closer alignment of port service tariffing to the underlying cost thereof. The automotive industry is highly dependent on international trade and more specifically a competitively priced ports network which will allow the South African automotive sector to effectively compete with other global automotive manufacturing sources for export contracts. NAAMSA members remain considerably reliant on the cost and efficiency of South African port operations.

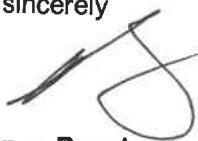
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**Office Bearers:** President - **Andrew KIRBY**, Chief Executive Officer, Toyota South Africa [Pty] Ltd  
Vice-President: Manufacturers - **Tim ABBOTT**, Managing Director, BMW Southern Africa [Pty] Ltd  
Vice-President: Importers and Distributors - **Ray LEVIN**, Commercial Executive, Motus Corporation  
Immediate Past President - **Mike WHITFIELD**, Managing Director, Nissan South Africa [Pty] Ltd  
**Executive Director:** **Michael M. MABASA**: NAAMSA Chief Executive Officer | PBO No.: 930/023/609 | VAT No.: 4070109972

Thank you for the opportunity to provide our views on the port charges. Please do not hesitate to contact NAAMSA should you have any queries.

Yours sincerely



**Marthinus Brewis**

**Chairperson: NAAMSA Supply Chain Committee**

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## **Introduction**

The automotive industry in South Africa is a success story owing to the partnership between government and the sector to develop the industry. Long-term government support for the automotive industry is the major reason for the continuing health of this vital sector in the South African economy. The stability in support since 1995 has been a significant enhancement for investor confidence. The automotive industry is a crucial job creator in the country's economy and makes a significant contribution to the South African economy as a whole in terms of GDP, employment, compensation, government revenue, exports and capital investment.

On 22 November 2018, Cabinet adopted Phase 2 of the APDP, to support the South African Automotive Masterplan (SAAM) from 2021 to 2035. SAAM is the newly developed strategy plan for the long-term development of the South African automotive industry, and the APDP Phase 2 will now operate within the framework of the Masterplan. The SAAM's 2035 vision is the achievement of "a globally competitive and transformed industry that actively contributes to the sustainable development of South Africa's productive economy, creating prosperity for industry stakeholders and broader society". The Masterplan will create a framework to secure even higher levels of investments and production, and will enable the industry to plan for the future and invest with confidence. A key summary of the SAAM 2021-2035 is as follows:

1. Grow South African vehicle production to 1% of global production by 2035 (1,4 million vehicles per annum);
2. Increase local content in South African manufactured vehicles to 60%;
3. Double automotive employment in the supply chain;
4. Improve automotive industry competitiveness levels to that of leading international competitors;
5. Transformation of the South African automotive value chain; and
6. Deepen value-addition within South African automotive value chains.

Government's announcement of its commitment and support post-2020 provides an attractive proposition to global OEMs and their suppliers to realise the aspirations of a significant expansion in vehicle production volumes, much higher levels of localisation, substantial employment growth, as well as transformation in the domestic automotive industry.

In order to achieve the industry's strategic objectives as outlined in the South African Automotive Masterplan stakeholders must be globally competitive across the value chain. It is furthermore crucial that a reasonable degree of certainty exists in order to accurately forecast supply chain related costs on both inbound and outbound volume throughput.

## **A. Methodology**

### **1. Rate of Return Methodology**

Industry remains in support of the current methodology and its aims to:

- Ensure financial sustainability of the Authority, as the Port is considered an economic catalyst in support of the GDP of South Africa
- Establish South African coastline as internationally competitive
- Promoting competitive port tariffs and at the same time protecting against excessive tariffs for its current and potential users
- Providing a regulatory guideline to the tariff application process

Whilst NAAMSA understands that there still remain some concerns relating to the overall transparency and the effectiveness of certain elements, the current methodology remains supported.

NAAMSA supports the independence of the regulator in managing the elements of the RR Methodology.

### **2. Regulatory Asset Base**

The Regulators approach to utilising the RAB Valuation Methodology is deemed to be fair.

The ongoing assessment and adjustment of the Authority's asset register is vital in understanding the condition of infrastructure and to compare the value of service against the asset base.

### **3. Capex Oversight**

Much emphasis has been placed on improvement/ procurement of assets to improved efficiency & service delivery with working capital and CWIP being included into the RAB.

The role of the PCC's is vital in Capex input and implementation oversight, specifically with the 23 Major Capital Investment Projects and the 14 Operation Phakisa Major projects listed in the application to the Regulator.

There still remains limited direct benefit to the automotive industry through these projects.

### **4. Weighted Efficiency Gain**

The industry fully supports an efficiency incentive and supports the framework of the existing WEGO incentive.

However, the current base comparison for reviewing performance does not provide a competitive challenge to the Authority.

WEGO results in FY18/19 – showed marked declines on previous years' performance, with ship productivity indicators and berth productivity substantially lower than the previous inefficient baseline comparison.

NAAMSA's request is that a review of the baseline comparator needs to be done in order to benchmark our port network at a global standard.

## **B. Positive Incentives**

### **1. Coastal Shipping**

The automotive industry has been an ardent supporter of coastal shipping and realising the benefits of:

- Moving coastline volumes off the national roadworks
- Increasing utilisation of ports
- Improving regional market development and integration
- Supporting of existing Government strategies

Progress on the roll out of this programme is heavily dependent on positive incentives applied to cargo dues and marine charges to ensure easy market entry and sustainability of such service. A request is for concrete action plans and commitment from the Authority to realise this initiative

## **C. Single Transport Economic Regulator (STER)**

NAAMSA welcomes the Transport Economic Regulation Bill as gazetted by DOT and its intention to:

- promoting a competitive transport industry
- promote economic regulation of those elements crucial to an efficient logistical supply chain

On the example of the significant savings made through the efforts of the Port Regulator, one can only assume the benefits which can be achieved for the industry.

## **D. Conclusion**

1. The industry has welcomed previous 0% tariff increases for automotive.
2. Whilst the 1.5% increase for Containers and Automotives may be considered as being low, as an industry NAAMSA would request a 0% increase for the remainder of the tariff application period. NAAMSA's primary concern still remains the low operational efficiency versus global benchmarks of port services and the recent concerns relating to issues of mismanagement within the Transnet Group. Added to this is the very low level of investment which could be directly linked to automotive industry objectives (South African Automotive Master Plan 2021- 2035)
3. NAAMSA wishes to raise a concern relating to the very high 9.7% increase on marine charges. In a very price sensitive environment, the increase incurred by Shipping Lines would in some way be transferred to cargo owners.
4. NAAMSA requests that these costs are offset via productivity improvements from port operations or from benefits derived from implemented investment projects with a 0% increase.
5. The further indicative tariff adjustments for FY 2021/22 and FY 2022/23 are 18.22% and 8.50%, respectively, requested by TNPA which is also a major reason for concern and it is NAAMSA's view that these proposed increases have no sound basis or argument to even consider.