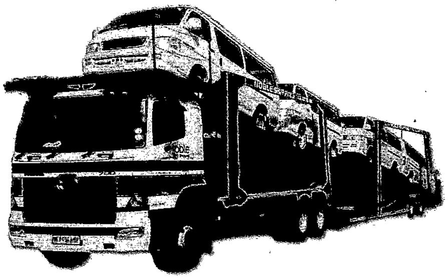
Noble Shipping

Reg. No.: 2006/018681/23 ***"JUST IN TIME"***



09 September 2019

Recently at the Road Show, TNPA tried to explain and justify the reasons for the proposed increase in tariffs:

I hereby set out my objection to the increases based on the following reasons:

1. Currently our (SA) tariffs are amongst the highest in the world.
2. Our productivity (via TPT- I am aware that TPT is separate from TNPA bu thtey belong to the same organisation -Transnet) is amongst the lowest in the world.

   Hence with this in mind it is easy to conclude that tariff increases are not the way to go but rather, other avenues have to be explored to move forward.

TNPA has for the last +- 8 years always projected a high level of CAPEX. However TNPA has **NEVER** invested the CAPEX they have projected.

A brief cursory of the projected and actual CAPEX clearly substantiates my point. Muhammed in the Q & A session tried to deflect the question by stating that actual CAPEX lags the projection due to length of implementation of certain CAPEX projects.

I totally agree with him on this point **BUT** the lag will certainly balance out over a period of time. Reviewing the projection and actual CAPEX clearly shows that TNPA does not invest close to their projections but rather (in my view) use the projections as a tool to justify their unrealistic and unnecessary increases.

Muhammad did display a graph of Projected CAPEX against actual CAPEX in Q&A session. I did not manage to take down the actual figures but a simple table below highlights my point in opposing Muhammad's explanation.

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Projected			Actual		
Year 1	:	100 m	Year 1	:	40
2	:	90	2	:	35
3	:	75	3	:	50
4	:	65	4	:	55
5	:	60	5	:	45
Total		390	Total		225

Figures are just illustrative :

The point I am trying to raise is that TNPA shows a high level of projected CAPEX hoping this justifies an increase but the actual CAPEX is much lower. Even taking into account the lag between Projected and Actual CAPEX, we can reduce the projected year 5 projected CAPEX and this still leaves a total of 330 against the actual of 225. This clearly emphasises my point that actual CAPEX is not being spent as against projected CAPEX. The regulator needs to factor this into account when deciding by how much port charges must be **decreased**

The corruption and over inflated prices of CAPEX has been well documented in the Zondo Commission amongst other media platforms. By paying over inflated prices creates a problem. TNPA must urgently address and if they rectify this situation, a large part of their requested increased proposal falls away.

TPT is not part of TNPA, **BUT** both organisations are part of Transnet. TPT is highly inefficient in many ways. Without discussing in too much detail the following needs to be addressed by TPT which has an impact on TNPA.

1. Low Production
2. Highly outrageous time wastage

If TPT performs at a more satisfactory level, it will ensure a quicker turnaround of vessels and this will help lead to more vessels coming into South African ports and hence this will drive down costs due to economics of scale. This is where TNPA will benefit.

TPT wastes around 15% to 20% of productivity time during shift changes and if TNPA/Transnet can address and rectify this situation, production will increase and hence economics of scales will come into play to drive costs down.

South Africa needs to be aware that many neighbouring countries are moving forward at a rapid pace into investment in their own ports.

Maputo is closer to Mpumalanga than Durban, hence a significant shift of cargo to Maputo is already taking place and with the lower costs this is going to increase.

Similarly Beira and Das Es Salaam have been developing their ports and infrastructure and together with their lower cost to client and inducement to shipping lines, vehicles and other commodities have been steadily diverted to these ports.

TNPA needs to realise that other African countries are aggressively improving infrastructure and are offering low prices to clients and shipping lines by increasing their prices, TNPA will drive more clients away from using their ports.

Our economy is in a dire situation and the challenge is to increase the usage of the ports. This will have a roll on effect of creating more jobs in various sectors which have a spin off from the port activities. This helps to decrease unemployment. By increasing prices will not help to reduce unemployment but rather increase unemployment. An increase in prices will cause the neighbouring countries to look at the alternative ports outside of South Africa.

Referring to the Port Regulations selected Research Report book, the following can be noted :

1. Page 19 - Moves per hour – Clearly shows our poor port productivity, South African ports are amongst the lowest.

2. Page 21 - Two to Three days to turn around vessel. We are already seeing a decline in vessel calling although this can be off set in some way by larger vessels calling but the reality is that shipping lines are looking elsewhere. The saying "Once the horse has bolted from the stable , it is difficult to get it back in ....." is certainly applicable here.

3. Page 23 – Graphs crane moving per hour show South Africa ports at the lower level the graphs.

4. Page 25 - Anchorage waiting time in South African ports ensures Durban is costly to shipping line. Hence an increase in production will increase turnaround of vessels and this will make South African ports more attractive to Shipping lines.

5. Page 27 - Efficiency graph only one South African port makes the list and them that is at the lower end. This again highlights the need to increased efficiency and production.

6. Page 193 - Our Container Cargo Depot is way above average and TNPA wants an increase. How can they even request an increase considering their already high charges is baffling.

7. Page 194 - THC (although not TNPA but rather TPT) is high; however this increases costs to the shipping line to call in South Africa.

8. Page 202 – High cargo dues impact on vehicles clearly shows our current charges are way too high.

The above points clearly show that whilst our charges are amongst the higher our productivity is amonst the lowest. Hence by increasing efficiency and productivity , our costs can be driven down and hence there is absolutely no reason to increase our port chages.

Do we really want TNPA to be granted an increase in their already high rates?

My answer is NO.

So what are the solutions?

My view is:

1. To reduce cargo dues on containers and vehicles.
2. Bulk cargo which has been given incentives can be increased by not more than 5%.
3. TNPA gets it house in the order and work more efficiently, thus reducing costs and hence they will be able to decreases prices rather than applying for an increase.

Yours Sincerely

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