



THERMAL COAL DIVISION

Anglo Operations Limited

55 Marshall Street
Johannesburg
2001
South Africa

The Chairman
Ports Authority
Private Bag X54322
Durban 4000
South Africa

12 December 2012

Dear Sir / Madam

RE: COMMENTS ON TNPA 2013/2014 TARRIFF INCREASE

Anglo American appreciates the opportunity from the Ports Regulator to provide comment on the Transnet National Port Authority (TNPA) 2013/2014 tariff application. Herewith please find our initial comments relating to the TNPA coal tariff increase as proposed in the TNPA tariff book FY 2013/2014. This is not an exhaustive list but it is our intention with this letter to generate discussion and provide our feedback on the application made by TNPA.

1. Average tariff increase versus dry bulk commodity increase

The dry bulk commodity tariff increase for coal of 104.8% far exceeds the tariff adjustment of 5.4% and or national tariff increase of CPI +2.5%.

While it is understood the intention is to establish a minimum tariff for dry bulk commodities, the R6.00 per ton rate has not been substantiated against capital investment towards the coal ports and improvement efficiencies. Nor does it take into account the contribution the coal industry delivers to the country as a whole.

2. CAPEX spend by major commodities

The tariff adjustment formula includes a capital expenditure recovery program by TNPA. However, according to the tariff application document (page 24) there is no projected capital spend for coal in 2013/2014. The proposed tariff increase for coal will therefore have to be reconsidered.

The projected port related spending for 2013/14 for Richards Bay is only 11% of the overall investment spending allocation yet the tariff increase is at 104.8%.

A large contributor to the rationale regarding the capital investments will be through obtaining additional volumes through the port. Effectively Anglo American will be contributing towards a revenue expansion for TNPA that would result in little benefit to the coal industry given the focus on non-coal commodity expenditure.

There is however, significant support and expenditure associated with the Container activities.

Our comments are particularly focused upon the coal response however the tariff reduction for the containers is juxtaposed with the capital investment for that segment.

3. Specificity of Claim

Importantly, the Richards Bay Coal Terminal is a privately controlled port in which Anglo American has supported through significant contributions including port development while enhancing the capital value of the TNPA's register of assets. To register a blanket "cover all" minimum tariff to the extent proposed for dry bulk commodities pay's no recognition of past capital contributions made by Anglo American. The Richards Bay Coal Terminal should be looked as an individual operation and not used to subsidise the service cost across various other commodities and ports.

A member of the Anglo American plc group

Anglo Operations Limited

Registered Address: 44 Main Street, Johannesburg 2001. PO Box 61587 Marshalltown 2107 South Africa. T +27 (0)11 638 9111. F +27 (0)11 638 2455.
Incorporated in the Republic of South Africa. Registration Number 1921/006730/06.

Company Secretary: S Martin (Mra)

Directors: G G Gomwe (Zimbabwean), C Goosen (Mrs), N J Mason-Gordon, S Mayet, N B Mbazima (Zambian), D Naidoo (Mrs) D J Morris, J G Williams

4. Segmentations

Port infrastructure and maritime services are expended across five market segments. Of specific reference is our Coal volume contribution to the Richards Bay Coal Terminal. This is a significant revenue pool for Transnet and while reasonable increases can be accepted, rationale behind this latest tariff application, does not support the costs expended on these services for the ports utilised for Coal exportation. ¹Effectively, the Coal commodity increases are subsidizing projects in other segments.

The TNPA is an essential intermediary and service provider for South African organisations and the customers procuring our bulk commodities. Failure to remain competitive through unsubstantiated or illogical rate increases will have a detrimental effect directly upon the South African export commodity group when compared on a delivered cost base by the customer.

Anglo American's contribution to the 5.3% deviation on a YOY basis captured within Table 33 - Authorities Volume Growth is minimal at best, given the waning appetite for Thermal Coal from our customers and their constant pursuit for an alternative energy source and cheaper landed cost solution. Anglo American's export tonnes were approximately 17mtpa for 2012 or approximately 22% of the total 2012/13 budget numbers, which is a direct result of Transnet's performance on the Coal line in respect of rail.

Paragraph "8.3.3.3 Coal" provides no reference to support this statement and while certain elements have a factual content, the reality is where China and India's demand may grow other markets are reducing and we are more at risk of becoming an un competitive alternative for many countries.

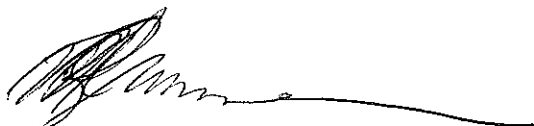
5. Market Indicators

²The Producer Price Index's (PPI's) performance over the last year has returned low year on year adjustments highlighted by the PPI for exported commodities which shows an annual decrease of 1%. Due to the performance of this and several other inflationary indices, we see no justification for an escalation of 104.08% as presented by TNPA.

6. Summary

We trust the Ports Regulator will take Anglo American comments into account during the tariff application determination and we remain open and happy to engage with the Ports Regulator in seeking a fair tariff for the Cargo Dues.

Yours sincerely



Maartin Zimmermann
Head of Supply Chain – Anglo American Thermal Coal
Tel: +27 (0)11 638 2524
Email: maartin.zimmermann@angloamerican.com