ATLAS HOLDINGS (PTY) LTD

**REG: 2002/001052/07 VAT: 4640228740**
**Postal Address: PO Box 786864, Sandton, 2146**
**Physical Address: 3rd Floor Sandown Mews West, 88 Stella Street, Sandown, 2196**
**TEL (010) 001-8810 Fax: 0866 930 800 email: info@atlas.za.com**

The Chairman
Ports Regulator
Private Bag X54322
Durban
4000

31 May 2015

**Att: Ms G.T. Serobe**

## RE: Tariff Strategy for the South African Port System

Dear Madam,

Atlas Holdings acting on behalf of a significant segment of the automotive industry's NAAMSA members, namely the Independent Importers as outlined in Appendix A, welcomes the opportunity to respond to the Ports Regulator's Tariff Strategy for the South African Port System.

We are highly appreciative that our comments and requests, submitted in the last three or more years, for greater equality in pricing between stakeholders within the South African ports system have been recognised and are now finally being adequately addressed in the Tariff Strategy published for comment. In past submissions we have addressed issues relating to cross-subsidisation and the major imbalances between automotive and other Cargo Handling Types and we therefore welcome the momentum which is now being orchestrated to deal with such inequities. However, we need to express our concerns relating in particular to the proposed implementation period and specifically the potential for unintended consequences. We have addressed these more fully in our submission in a manner that we believe represents the concerns and interests of the entire automotive industry. The recommendations proposed are the product of extensive collective engagement with the representatives hereof as well as several other stakeholders within our industry, including logistics service providers.

Although implementation of the Tariff Strategy will present many challenges, especially for those Port Users whose current tariffs are not commensurate of asset usage and who will endure increases, it is necessary to have a principled pricing methodology which encourages global trade and efficiency.

In conclusion, we hereby submit our comments, concerns and respectful suggestions regarding the Tariff Strategy with the hope of ensuring a smooth and fair transition from the current situation to that of the proposed for all industry stakeholders.

Kindly consider the attached report and approach to our industry's call and help us create a turning point to assist in the recovery as well as a continued sustainable growth for the automotive industry.

Yours faithfully,

**Costas Couremetis**

C.E.O.

Submission

by

# Atlas Holdings

to

# Ports Regulator of South Africa

31st May 2015

# Contents

## 1. INTRODUCTION

Over the last seven years, Atlas Holdings ("**Atlas**") has been addressing the interests of the automotive industry on matters relating to logistics/supply chain planning, costs and efficiencies. In this submission we address the Ports Regulator of South Africa's ("**Regulator**") draft Tariff Strategy for the South African Port System ("**Tariff Strategy**") published in April 2015 for comment. The Regulator's proposal is made in response to the Proposed Pricing Strategy ("**PPS**") tabled by the Transnet National Ports Authority ("**TNPA**" / "**Authority**") in Sep 2012 as well as stakeholder comments thereto in May 2013.

Our comments and proposals are based on extensive engagement with industry stakeholders; in particular those National Association of Automobile Manufacturers of South Africa ("**NAAMSA**") members that currently enjoy limited or no relief through the current discount scale, and whose interests may not necessarily align with larger stakeholders in the industry. However, we wish to assure the Regulator that our intentions and objectives remain to achieve appropriate tariffing for all automotive industry participants, irrespective of their size or status (OEMs or Independent Importers), as well as all other Cargo Owners and Port Users.

We are delighted to note that the Tariff Strategy, as proposed by the Regulator, aims to achieve global competitiveness for our industry through appropriate cost allocation and improved efficiency. It is believed that that the Tariff Strategy will provide greater certainty and a degree of stability enabling our industry to achieve its objectives.

## 2. UNPACKING THE TARIFF STRATEGY

### 2.1 IMPLEMENTATION OF THE TARIFF STRATEGY

The Regulator has proposed a 10 year or longer period for the Tariff Strategy to be implemented. The office is acutely aware of the complexity of the task and potential for "unintended consequences" as a result of the proposed changes. Market forces, both locally and globally, are a significant consideration in this regard and will influence the Regulator's ability to implement the strategy as envisaged.

While the principles of the strategy appear logical and fair, the automotive industry faces the challenge of achieving timeous reductions and tariff parity within a reasonable period. The industry, which is in a vulnerable state as evidenced by depressed volumes, is particularly concerned with the timeline requisite to address imbalances and charge stakeholders in accordance with asset utilisation. It is in this regard that we take the liberty of setting out two scenarios outlined below, to be given consideration by the Regulator.

### 2.2 GUIDING PRINCIPLES FOR SETTING THE BASE TARIFF

The parties represented herein are supportive of the guiding principles of the Tariff Strategy, namely:

- Tariffs to be reflective of the underlying costs;
- Average costing to be applied;
- User Pays principle to be applied; and
- System-wide pricing within Cargo Handling Types to be applied.

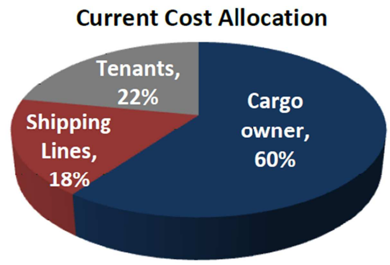
It is however noted that the Regulator's mandate allows scope for tariff differentiation, within similar Port Users and/or Cargo Owners, in order to achieve strategic objectives. This is believed to be essential for the Regulator's office to effectively perform its function in terms of the National Ports Act (Act No. 12 of 2005) ("**Ports Act**") to:

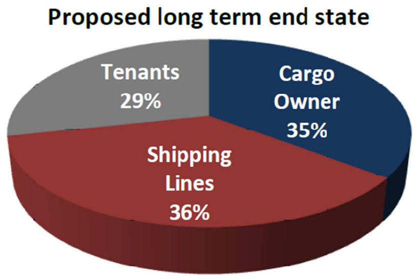
- Exercise economic regulation of the ports system in line with government's strategic objectives;
- Promote equity of access to ports and to facilities and services provided in ports; and
- Monitor the activities of the Authority to ensure that it performs its functions in accordance with the Ports Act.

### 2.3 Asset (cost) allocation between users

The methodology employed to determine asset usage and therefore cost allocation, per Port User and Cargo Owner is supported in principle. There remains however major concerns that shifting these cost bases, from Cargo Owners onto Tenants and Shipping Lines, will result in unintended overall increases in port related costs from the inevitable pass-on. If implemented without any strategy to ensure efficient and competitive handling and shipping environments, it is anticipated that the costs will be incurred, marked-up and ultimately charged back to Cargo Owners, unnecessarily inflating the cost borne by end users.

| Port User<br>Asset Class | Lessees | Terminal Operator | Cargo Owners | Shipping Lines |
|---|---|---|---|---|
| Breakwaters | 33% shared on a NBV basis | | 33% | 33% |
| Channels, Fairways, basins | | | 50% | 50% |
| Quay walls, berths and jetties | | 50% | | 50% |
| All ship working vessels and aids to navigation | | | | 100% |
| Vessel repair infrastructure | 40% | 10% | 20% | 30% |
| All movable NPA assets, buildings and structures (not part of lease agreements) and unused land | 50% shared on a NBV basis | | 25% | 25% |
| Terminal land and staging areas | | 100% | | |
| Non-Terminal Land including recreational and yachting | 100% | | | |
| All common access infrastructure | 33% Shared on a NBV basis | | 33% | |
| Overheads | 50% shared on a NBV basis | | 25% | 25% |




#### 2.3.1 Increased Cost Allocation to Shipping Lines

Shipping Lines represent a relatively competitive sector with contracts typically negotiated globally. It is therefore likely that the cost will be treated as a "disbursement" in part absorbed by the Vessel Owners in the short-term. Additionally, the newly proposed methodology to tariff Shipping Lines, per vessel call as opposed to gross tonnage, allows scope for efficiency through cargo consolidation and improved planning and serves as a means to mitigate the effect of increased cost allocation.

In this regard, may we request from the Regulator a comparison between the estimated revenue recovery from Shipping Lines attributable to each Cargo Handling Type according to the current tariffing method (gross tonnage) and according to the new tariffing method (per vessel call).

#### 2.3.2 Increased Cost Allocation to Tenants (Terminal Operators) – Regulatory Intervention

In contrast, there is notable absence of private sector competition to Terminal Operators processing particular Cargo Handling Types. As a result, it is considered inevitable that the increased cost will be used as a means to justify above-inflation increases which exceed the additional expense incurred + Consumer Price Index ("**CPI**"). In the case of the automotive industry, Transnet Port Terminals ("**TPT**") is the only licenced terminal operator with RoRo processing and storage facilities and therefore the only service provider available to our industry within the South African ports system. It is therefore requested that any future unjustifiable increases, relating in part to the transferred costs, be monitored by the Regulator with intervention if found necessary.

It is in this regard that the draft bill relating to a "Single Transport Economic Regulator" is supported in principle. It is considered necessary that regulatory oversight be exercised where market forces cannot be relied upon to ensure cost competitiveness and efficiency by a State Owned Company.

## 3. Interpretation of the RoRo Tariff Strategy – "Regulator's Intent"

With regard to the automotive industry, RoRo tariffing is of particular concern. The impact of phasing out of the Automotive Volume Discount Scale coupled with projected tariff reductions, will significantly affect the various stakeholders. Interpretation of the Regulator's intended strategy for the Cargo Handling Type is set out below.

### 3.1 Smoothed Base Tariff Reduction to achieve "End State"

Interpretation of the Tariff Strategy suggests that, ceteris paribus, RoRo tariffs would be smoothly reduced over a 10 year or more period. Assuming that 10 years is sufficient for all other stakeholders to absorb consequent increases, it is therefore deduced that base tariffs for RoRo, in today's terms, would reduce as follows:

**Import Tariff**

- Current base tariff - R225.83
- Reduction in Years 1 to 10 - 13.78% per annum
- End state tariff - R51.30

**Export Tariff**

- Current base tariff - R89.10
- Reduction in Years 1 to 10 - 11.70% per annum
- End state tariff - R25.65

| Base tariffs (R) in the proposed end state (based on 2013/14 data) | | |
|---|---|---|
| **Dry bulk** | Import (tons) | 6.53 |
| | Export (tons) | 6.53 |
| **Break bulk** | Import (tons) | 31.03 |
| | Export (tons) | 31.03 |
| **Liquid bulk** | Import (tons) | 15.21 |
| | Export (tons) | 15.21 |
| **RoRo** | Import (Tons) | 51.30 |
| | Export (Tons) | 25.65 |
| **Container (full)** | Import (TEU) | 651.53 |
| | Export (TEU) | 325.77 |

### 3.2 Export Import Ratio of 1:2

It is noted that while the interpretation suggests that import tariffs reduce at a rate greater than that of exports, this is required to correct the current imbalance of the industry's base tariffs which reflect a 1:2.53 ratio. In the end the Regulator's desired level of export support being a base tariff ratio of 1:2, in line with government policy, will be achieved.

### 3.3 Removal of the Automotive Volume Discount Scale – Top Down

It is understood that "*all discount structures are to be removed from the tariff book*" according to the Regulator. Furthermore, it has been explained that this will be a gradual process in order to "*minimise the impact in the variation in tariffs to stakeholders; but ensuring a progressive realisation of the restructuring of South African port tariffs*". It is therefore anticipated that the Regulator will effect a smooth removal of the Automotive Volume Discount Scale, using a Top Down approach in order to achieve parity per unit between all Cargo Owners irrespective of volume as follows:

| Current Year | | Year 1 | | Year 2 | | Year 3 | | Year 4 | | Year 5 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| No of Units | Discount | No of Units | Discount | No of Units | Discount | No of Units | Discount | No of Units | Discount | No of Units | Discount |
| 1 - 10 000 | 0% | 1 - 10 000 | 0% | 1 - 10 000 | 0% | 1 - 10 000 | 0% | 1 - 10 000 | 0% | 1 - 10 000 | 0% |
| 10 001 - 20 000 | 10% | 10 001 - 20 000 | 10% | 10 001 - 20 000 | 10% | 10 001 - 20 000 | 10% | 10 001 - 20 000 | 10% | 10 001 - 20 000 | 10% |
| 20 001 - 25 000 | 15% | 20 001 - 25 000 | 15% | 20 001 - 25 000 | 15% | 20 001 - 25 000 | 15% | 20 001 - 25 000 | 15% | 20 001 - 25 000 | 15% |
| 25 001 - 30 000 | 20% | 25 001 - 30 000 | 20% | 25 001 - 30 000 | 20% | 25 001 - 30 000 | 20% | 25 001 - 30 000 | 20% | 25 001 - 30 000 | 20% |
| 30 001 - 35 000 | 25% | 30 001 - 35 000 | 25% | 30 001 - 35 000 | 25% | 30 001 - 35 000 | 25% | 30 001 - 35 000 | 25% | 30 001 - 35 000 | 25% |
| 35 001 - 40 000 | 30% | 35 001 - 40 000 | 30% | 35 001 - 40 000 | 30% | 35 001 - 40 000 | 30% | 35 001 - 40 000 | 30% | 35 001 + | 30% |
| 40 001 - 50 000 | 35% | 40 001 - 50 000 | 35% | 40 001 - 50 000 | 35% | 40 001 - 50 000 | 35% | 40 001 + | 35% | | |
| 50 001 - 60 000 | 40% | 50 001 - 60 000 | 40% | 50 001 - 60 000 | 40% | 50 001 + | 40% | | | | |
| 60 001 - 70 000 | 45% | 60 001 - 70 000 | 45% | 60 001 + | 45% | | | | | | |
| 70 001 - 80 000 | 50% | 70 001 + | 50% | | | | | | | | |
| 80 001 + | 60% | | | | | | | | | | |

| Year 6 | | Year 7 | | Year 8 | | Year 9 | | Year 10 |
|---|---|---|---|---|---|---|---|---|
| No of Units | Discount | No of Units | Discount | No of Units | Discount | No of Units | Discount | No Volume Discounts |
| 1 - 10 000 | 0% | 1 - 10 000 | 0% | 1 - 10 000 | 0% | 1 - 10 000 | 0% | |
| 10 001 - 20 000 | 10% | 10 001 - 20 000 | 10% | 10 001 - 20 000 | 10% | 10 001 + | 10% | |
| 20 001 - 25 000 | 15% | 20 001 - 25 000 | 15% | 20 001 + | 15% | | | |
| 25 001 - 30 000 | 20% | 25 001 + | 20% | | | | | |
| 30 001 + | 25% | | | | | | | |

## 3.4 Effect on Tariffs – Before and After Discounts

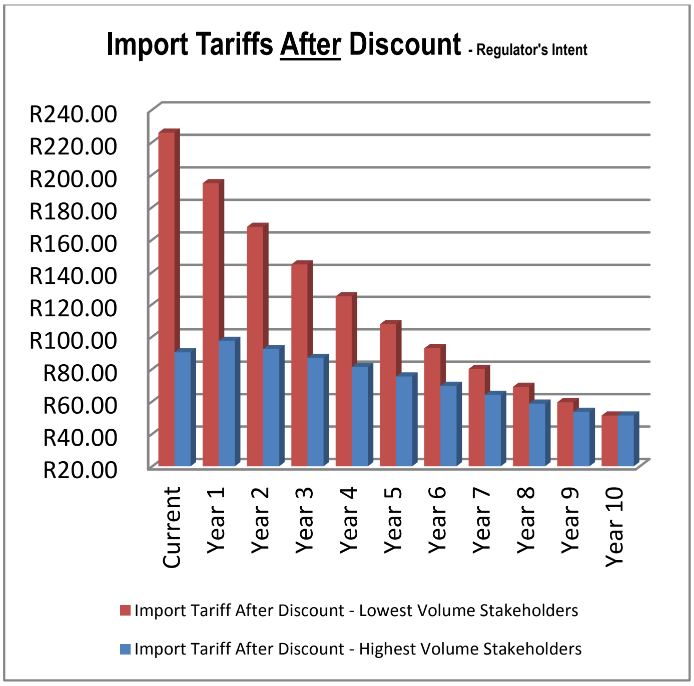
Taking into account the above-mentioned smooth tariff reductions and removal of the Automotive Volume Discount Scale, over a 10 year period, it is suggested that the base tariffs, as well as net tariffs, will be effected as per below. As such, it is anticipated that high volume stakeholders (importers as well as exporters), who are currently levied 175.5% above the global average and more than four times their relative asset utilisation, will end up with effective increases as indicated by the tables below. Additionally, there will remain tariff imbalances between similar Cargo Owners until the Automotive Volume Discount Scale is phased out only in year 10.

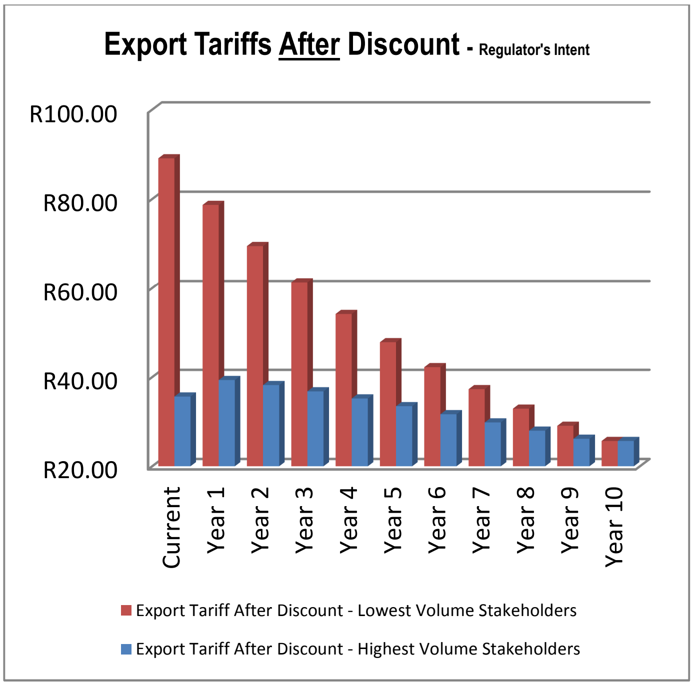
**Base Tariffs Before Discount:**

| Base Tariffs Before Discounts | Current | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Imports | R 225.83 | R 194.72 | R 167.90 | R 144.77 | R 124.83 | R 107.63 | R 92.81 | R 80.02 | R 69.00 | R 59.49 | R 51.30 |
| Exports | R 89.10 | R 78.68 | R 69.47 | R 61.34 | R 54.17 | R 47.83 | R 42.23 | R 37.29 | R 32.93 | R 29.08 | R 25.67 |

**Tariffs After Discount:**

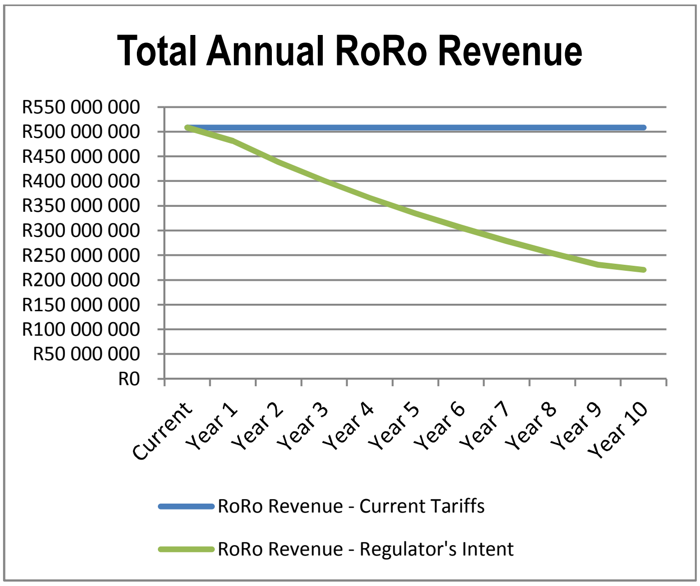
| Tariffs After Discounts | Current | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Imports - Lowest Volume [1 - 10 000] | R 225.83 | R 194.72 | R 167.90 | R 144.77 | R 124.83 | R 107.63 | R 92.81 | R 80.02 | R 69.00 | R 59.49 | R 51.30 |
| Imports - Highest Volume [ 80 000 + ] | R 90.33 | R 97.36 | R 92.34 | R 86.86 | R 81.14 | R 75.34 | R 69.61 | R 64.02 | R 58.65 | R 53.55 | R 51.30 |
| Exports - Lowest Volume [1 - 10 000] | R 89.10 | R 78.68 | R 69.47 | R 61.34 | R 54.17 | R 47.83 | R 42.23 | R 37.29 | R 32.93 | R 29.08 | R 25.67 |
| Exports - Highest Volume [ 80 000 + ] | R 35.64 | R 39.34 | R 38.21 | R 36.81 | R 35.21 | R 33.48 | R 31.67 | R 29.83 | R 27.99 | R 26.17 | R 25.67 |

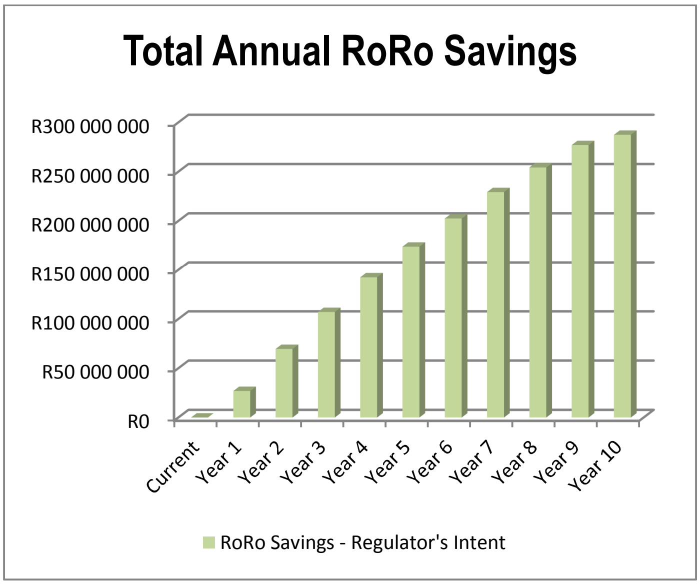


### 3.5 Effect on Revenue

Assuming that all things remain equal, the effect on revenue compared to the required total for FY2015/16 would be as follows:




## 4. Alternative Proposal to achieve the RoRo Tariff Strategy – "Atlas Proposal"

An alternative approach, aimed to achieve the Regulator's proposed "end state" tariffs without negatively affecting any RoRo Cargo Owner, irrespective of volume, is hereby tabled and supported by the stakeholders represented. The proposal is believed to be structured in accordance with the Regulator's guiding principles as well as the spirit of the proposed Tariff Strategy.

### 4.1 Smoothed Base Tariff Reduction to achieve "End State"

Similar to the interpretation of the Regulator's intention, the proposal also advocates for smoothed base tariff reductions over a 10 year period until the "end state" is achieved. The transition period is believed to suffice for all other Port Users (including Tenants with existing contracts) and Cargo Owners to absorb any consequent changes to the their TNPA related cost line.

Base Tariffs are proposed to be reduced as follows:

**Import Tariffs**

- Current base tariff - R225.83
- Reduction in Years 1 to 5 - 13.78% per annum
- Reduction in Year 6 - 39.36% (re-adjustment of tariff as Automotive Volume Discount Scale is removed)
- Reduction in Years 7 to 10 - 5.84% per annum
- End state tariff - R51.30

**Export Tariffs**

- Current base tariff - R89.10
- Reduction in Years 1 to 5 - 11.70% per annum
- Reduction in Year 6 - 38.20% (re-adjustment of tariff as Automotive Volume Discount Scale is removed)
- Reduction in Years 7 to 10 - 3.47% per annum
- End state tariff - R25.65

It is noted that while there appears to be a significant reduction in the base tariff(s) in year 6, this is as a result of the "structural change" due to the removal of the Automotive Volume Discount Scale. However, the consequent result on net tariffs and RoRo revenue recovery by the Authority is significantly less impactful as will be illustrated.

## 4.2 Export Import Ratio of 1:2

The alternative proposal's "end state" export:import tariff ratio is comparable to the interpretation of the Regulator's Intent to address the current imbalance at 1:2.53. Although tariff reductions appear to favour the imported consignments of Cargo Owners, the end result is a 1:2 ratio in line with the export promotion principles outlined in government's various policy documents.

## 4.3 Removal of the Automotive Volume Discount Scale – Top Down with Bottom Up "Equalisation Factor"

In line with the Regulator's stated intention to remove the Automotive Volume Discount Scale, the proposal offers a means to end tariff differentiation across similar Port Users of the same category or user group through the existing discount structure. However, in contrast to the interpretation of the Regulator's intention, it is proposed that an "Equalisation Factor" is introduced to provide relief from the Bottom Up for those low volume stakeholders who have received little or no benefit through the current discount scale and who require the most assistance in order to grow their volumes. Furthermore, the proposed manner of eradicating the discount structure allows for parity to be achieved over a 5 year period, with only a marginal effect on RoRo revenue recovery by the Authority. Additionally the process ensures that all stakeholders, across the board, receive net decreases in each financial year.

The alternative proposal for eradication of the Automotive Volume Discount Scale is as follows:

| Current Year | | Year 1 | | Year 2 | | Year 3 | | Year 4 | | Year 5 | | Year 6 Onward |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| No of Units | Discount | No of Units | Discount | No of Units | Discount | No of Units | Discount | No of Units | Discount | No of Units | Discount | |
| 1 - 10 000 | 0% | 1 - 10 000 | 5% | | | | | | | | | |
| 10 001 - 20 000 | 10% | 10 001 - 20 000 | 10% | 1 - 20 000 | 10% | | | | | | | |
| 20 001 - 25 000 | 15% | 20 001 - 25 000 | 15% | 20 001 - 25 000 | 15% | 1 - 25 000 | 15% | | | | | |
| 25 001 - 30 000 | 20% | 25 001 - 30 000 | 20% | 25 001 - 30 000 | 20% | 25 001 - 30 000 | 20% | 1 - 30 000 | 20% | | | |
| 30 001 - 35 000 | 25% | 30 001 - 35 000 | 25% | 30 001 - 35 000 | 25% | 30 001 - 35 000 | 25% | 30 001 - 35 000 | 25% | 1 - 35 000 | 25% | |
| 35 001 - 40 000 | 30% | 35 001 - 40 000 | 30% | 35 001 - 40 000 | 30% | 35 001 - 40 000 | 30% | 35 001 - 40 000 | 30% | 35 001 - 40 000 | 30% | No Volume Discounts |
| 40 001 - 50 000 | 35% | 40 001 - 50 000 | 35% | 40 001 - 50 000 | 35% | 40 001 - 50 000 | 35% | 40 001 - 50 000 | 35% | 40 001 + | 35% | |
| 50 001 - 60 000 | 40% | 50 001 - 60 000 | 40% | 50 001 - 60 000 | 40% | 50 001 - 60 000 | 40% | 50 001 + | 40% | | | |
| 60 001 - 70 000 | 45% | 60 001 - 70 000 | 45% | 60 001 - 70 000 | 45% | 60 001 + | 45% | | | | | |
| 70 001 - 80 000 | 50% | 70 001 - 80 000 | 50% | 70 001 + | 50% | | | | | | | |
| 80 000 + | 60% | 80 000 + | 55% | | | | | | | | | |

## 4.4 Effect on Tariffs – Before and After Discounts

The effect on base tariffs after considering the reduction strategy, as well as the removal of the Automotive Volume Discount Scale, are relatively similar to that of the Regulator's perceived intention until year 5. Thereafter however, there are markeable changes owing to the re-structuring of base tariffs as the volume discount scale is removed. It is however noted that the net tariffs after discount and revenue recovery relating to the industry are relatively in line with that of the Regulators Intent, with marginal differences to ensure that:

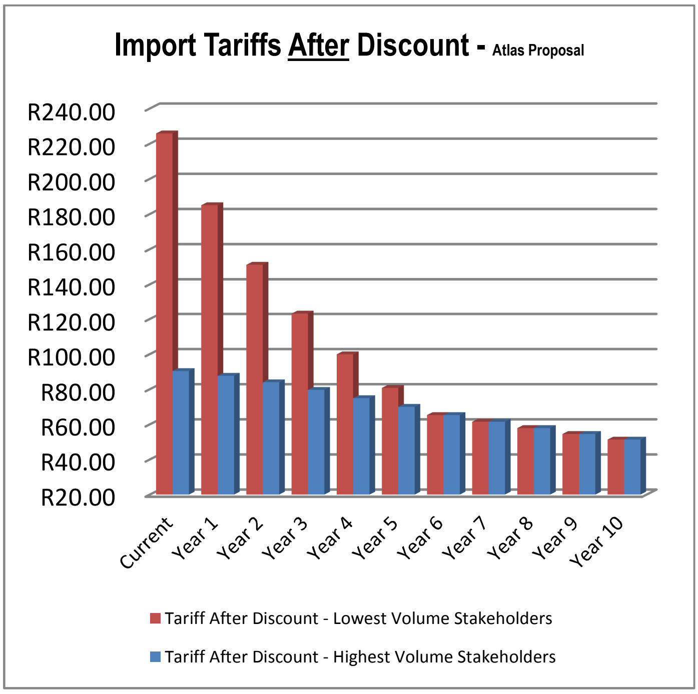
- No stakeholders receive effective tariff increases;
- Tariff parity is achieved by year 6; and
- Support is provided to low volume stakeholders, currently enjoying little or no benefit through the discount scale.

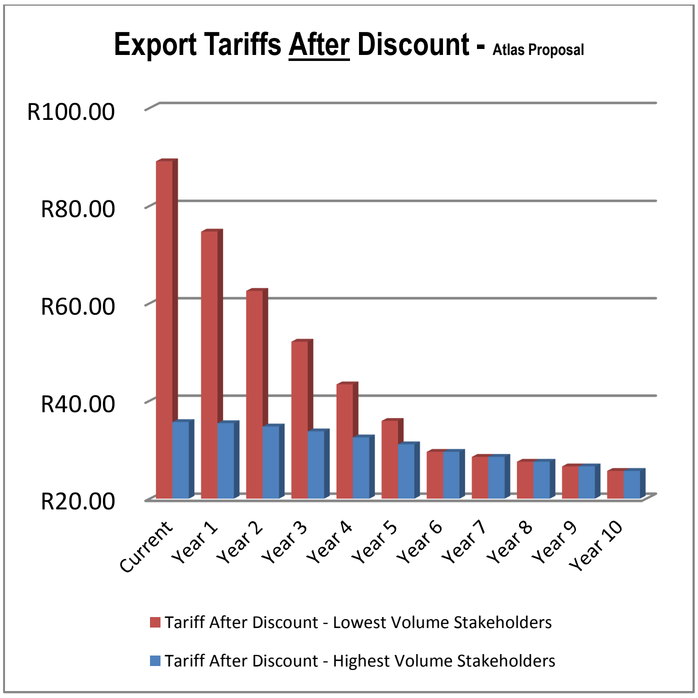
**Base Tariffs Before Discount:**

| Base Tariffs Before Discounts | Current | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Imports | 225.83 | 194.72 | 167.90 | 144.77 | 124.83 | 107.63 | 65.27 | 61.46 | 57.87 | 54.49 | 51.31 |
| Exports | 89.10 | 78.68 | 69.47 | 61.34 | 54.17 | 47.83 | 29.56 | 28.53 | 27.54 | 26.59 | 25.67 |

**Tariffs After Discount:**

| Tariffs After Discounts | Current | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Imports - Lowest Volume [1 - 10 000] | R 225.83 | R 184.99 | R 151.11 | R 123.06 | R 99.86 | R 80.73 | R 65.27 | R 61.46 | R 57.87 | R 54.49 | R 51.31 |
| Imports - Highest Volume [ 80 000 + ] | R 90.33 | R 87.62 | R 83.95 | R 79.62 | R 74.90 | R 69.96 | R 65.27 | R 61.46 | R 57.87 | R 54.49 | R 51.31 |
| Exports - Lowest Volume [1 - 10 000] | R 89.10 | R 74.74 | R 62.52 | R 52.14 | R 43.33 | R 35.87 | R 29.56 | R 28.53 | R 27.54 | R 26.59 | R 25.67 |
| Exports - Highest Volume [ 80 000 + ] | R 35.64 | R 35.40 | R 34.74 | R 33.74 | R 32.50 | R 31.09 | R 29.56 | R 28.53 | R 27.54 | R 26.59 | R 25.67 |



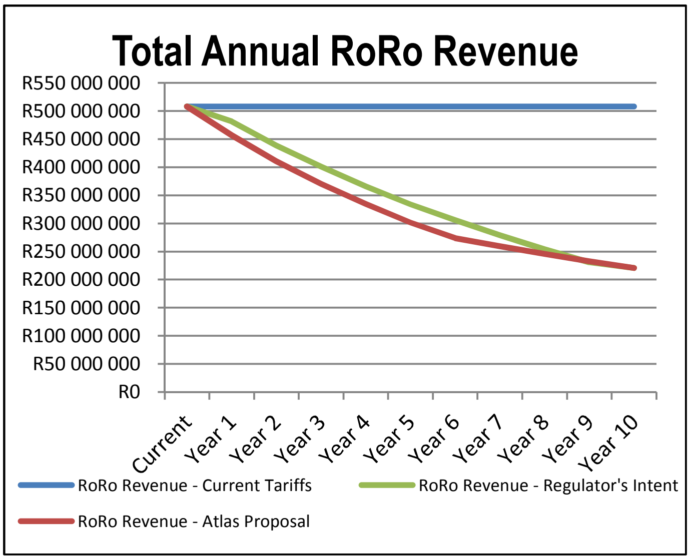

## 4.5 Effect on Revenue

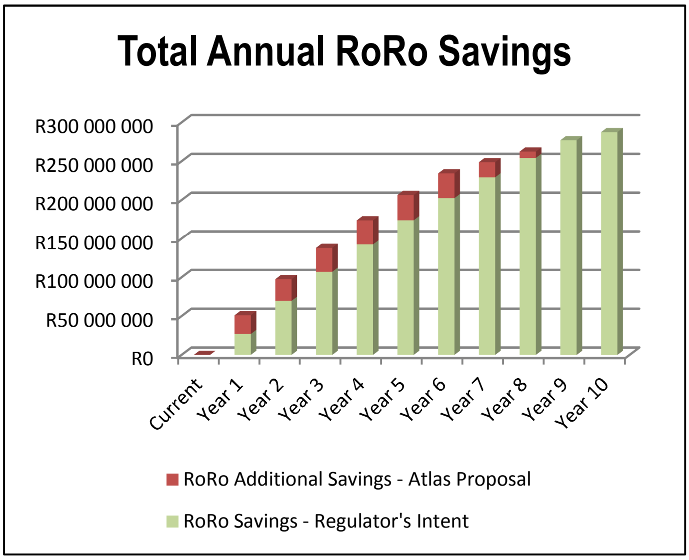
The above proposal would result in relatively insignificant changes to the Authority's Total Revenue Requirement, over and above what is being proposed by the Regulator. Using the FY2015/16 budget as a fixed benchmark, the structure would result in an annual average variation of 0.18% across the 10 year period. As stated, the marginally accelerated reductions are advocated in order to ensure:

- No stakeholders receive effective tariff increases;
- Tariff parity is achieved by year 6; and
- Support is provided to low volume stakeholders currently enjoying little or no benefit through the discount scale.

In line with the Required Revenue Methodology, approved until FY2017/18, tariffs would be adjusted to ensure that the Authority's budget requirements are met, with the net effect being a miniscule revenue adjustment to all other Port Users. It should however be noted that, with the exception of Container Cargo Owners, all have been recipients of effective cross-subsidisation by the automotive industry historically. While the Tariff Strategy is not intended to redress imbalances of the past, it is requested that consideration be given to a proposal that ensures tariff rationalisation without being punitive to those already levied in excess of:

- Their share of asset utilisation according to Regulator's proposed "end state" tariffs; as well as
- Globally competitive rates according to the Regulator's benchmark study of global competitor ports.



## 5. Interpretation of the Container Tariff Strategy – "Regulator's Intent"

With regard to the proposed rationalisation of container charges, down to levels commensurate of their asset utilisation, we are hopeful that the Regulator will be able to, at worst, implement linear reductions across the 10 year period.

Imported containerised cargo is an essential element for each and every stakeholder within our industry. In addition to the imported components and kits required for manufacture and assembly operations, essential aftermarket parts are compulsory to service the extensive aftersales repairs and maintenance industries, responsible for significant employment within our sector.

## 6. Conclusion

Atlas together with the organisations represented herein are supportive of the Regulators Tariff Strategy as outlined above, however would like to highlight our concern over the implementation of tariff reductions relating to RoRo Cargo Owners and the potential for unintended consequences. We trust that the principles will serve as a roadmap to achieve appropriate pricing for all Port Users. This will result in South African markets becoming more accessible and local firms increasingly competitive in the global context.

We are appreciative of the role played by the Ports Regulator's office in recent years, enabling transparency and meaningful engagement with regard to the Authority's port pricing. It is hoped that the office's mandate will be extended beyond the current limitations in order to successfully fulfil its function to "exercise economic regulation of the ports system in line with government's strategic objectives" as per the Ports Act.

Gratitude is also expressed to the National Ports Authority for providing the platform on which the Tariff Strategy was developed in the form of the Proposed Pricing Strategy. With the intermediary assistance of the Regulator, industry has experienced notable change in the manner of constructive engagements now possible with the Authority, which should be lauded and replicated across all operating divisions within the State Owned Company.

## 7. Appendix A – Stakeholder's Represented

The Atlas Holdings submission to the Ports Regulator of South Africa, in response to the Tariff Strategy for the South African Port System published for comment, is approved and support by the following organisations:

| Brand | Group |
|---|---|
| Alfa Romeo | Fiat Group Automobiles South Africa |
| Chery | Associated Motor Holdings |
| Chrysler | Chrysler South Africa |
| Citroën | Peugeot Citroën South Africa |
| Daihatsu | Associated Motor Holdings |
| Dodge | Chrysler South Africa |
| Fiat | Fiat Group Automobiles South Africa |
| Foton | Associated Motor Holdings |
| GWM | Great Wall Motors South Africa |
| Hyundai | Associated Motor Holdings |
| Jaguar | Jaguar Land Rover South Africa |
| Jeep | Chrysler South Africa |
| Kia | Associated Motor Holdings |
| Land Rover | Jaguar Land Rover South Africa |
| Mazda | Mazda Southern Africa |
| Mitsubishi | Associated Motor Holdings |
| Peugeot | Peugeot Citroën South Africa |
| Proton | Associated Motor Holdings |
| Renault | Associated Motor Holdings |
| Subaru | Subaru Southern Africa |
| Suzuki | Suzuki South Africa |
| Tata Cars | Associated Motor Holdings |
| Volvo Cars | Volvo Cars South Africa |