

Friday, 30 September 2016

**For Attention: The Chairman
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Comments: The Transnet National Ports Authority (TNPA) tariff application for 2017/18

Introduction

The Cape Chamber of Commerce is a non-partisan organisation which has been representing businesses for more than 200 years. The Cape Chamber represents more than 2 000 businesses, which is involved in the import, export and trade industry.

Submission

Research by the previous Ports Regulator of South Africa clearly showed that South African port tariffs for container traffic were much higher than international norms. The Port Benchmarking Report: SA Terminals 2015/16, issued by the Ports Regulator revealed that productivity and efficiency also falls short of international standards. This leaves us with a situation where port users are paying more, for less.

The Chamber believes this situation justifies a new methodology for determining tariffs.

Our first major problem is that, most of the infrastructure such as the breakwaters were fully paid for by the South African taxpayers and should not be treated as an investment by the National Ports Authority. Ports have no right to a return on assets it inherited, free of any charge. The situation is quite different from normal business practice where the business paid for its own assets.

Our second problem is that, increased tariffs should be linked to increased productivity.

The Ports Regulator has rightly pointed out that the port authorities often measure the wrong performance indicators and this gives a false perception of the value of the services they offer. What matters to a port user is a quick turn-around of a ship and not how fast the cranes are working. If necessary more cranes should be utilised to complete loading/unloading in a more efficient and less time consuming manner. This offers better value and makes the port more attractive to users. When ships are forced to lie at anchor waiting for a berth this is a cost to the port user and should be part of the measure of efficiency.

Similarly, the ports measure the turn-around time for trucks but they do not take into account the amount of unproductive time (often many hours) spent queuing to enter the port. This is a cost to port users and it cannot be excluded from any assessment of efficiency.

The benchmarking report describes several other measures of productivity and we believe that these should be taken into account in determining the value of the service provided. Tariff increases should be justified in terms of what the port can offer. In other words, the port authorities need to see their services from the customer's point of view. It is the paying customers who make the decisions on which ports to use.

In past tariff increase applications, the port authorities have based their case on their own costs incurred. Instead, we suggest that the new method should be based on the value of the services provided to the cargo owners and shippers.

Conclusion

In conclusion we urge that the Port Regulator consider our submission, in a positive light.

Yours Faithfully



Mr Peter Hugo
Chairman: Transport and Transport Infrastructure Portfolio Committee