CAPE CHAMBER
OF COMMERCE AND INDUSTRY

Wednesday, 12 December 2012

For Attention: The Chairman
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Comments: The National Ports Authority Tariff Application 2013/2014

Introduction

The Cape Town Regional Chamber of Commerce and Industry represents some 3,000 businesses in the Western Cape.

On behalf of our membership and business in South Africa the Chamber wishes to comment on the The National Ports Authority Tariff Application 2013 / 2014.

Submission

The Cape Chamber of Commerce and Industry welcomes the decision by the National Ports Authority (NPA) to apply for tariff increases of 5.4 percent for most goods but a 43.21 percent reduction in tariffs for containerised exports, a reduction of 14.3 percent for containerised imports and a reduction of 15.71 percent on motor vehicle exports.

The Chamber has consistently pointed out that Port tariffs in South Africa are among the highest in the world and that, given the moderate standards of efficiency prevailing in the Ports, there is no justification for the high tariffs. Last year, we provided evidence that Transnet was using the South African Ports as a "cash cow".

We have also pointed out that the NPA has been extremely aggressive in its recent applications for tariff increases. In 2009, for instance, it asked for increases of 10.6 percent for the year 2010, the application for 2011 was for increases of 11.91 percent and for the present year the NPA wanted increases of 18.06 percent.
These increases were between two and three time the rate of inflation. Our view is that the increases were excessive, which was confirmed by the Ports Regulator who permitted increases of only 4.42 percent, 4.49 percent and 2.76 percent respectively.

Given this background, it seems to the Chamber that the new application is a great deal more realistic although Port charges remain high by international standards. We are also of the view that the reduction of tariffs for containerised traffic will be welcomed by exporters and importers alike and that this is one case where a reduction of administered prices would reduce the cost of doing business.

The increase of 5.4 percent for the shipment of bulk refrigerated cargo will have a seriously negative effect on the export of fresh agricultural produce. This will no doubt result in a review by overseas importers with potential of further job losses in this sector of the South African economy. The Ports Regulator is accordingly urgently requested to disallow this proposed increase and the NPA to amend the proposed tariff increase to a reduction in the tariff to bring it into line with the reduction for containerised exports.

However, a careful reading of the application has given us cause for concern. In its motivation the NPA explains that at present cargo dues produce 61 percent of its revenue and that it would like to change its pricing strategy and reduce Port dues so that in future this source will bring in only 41 percent of the NPA's revenue. To compensate for this loss of revenue it plans to increase revenue from shipping lines from the present 20 percent share to 21 percent. In addition, it plans to increase rentals to tenants so that they will contribute 33 percent of the NPA's revenue instead of the present 19 percent share. The main "tenant" is Transnet Port Terminals, another company in the Transnet fold.

In the absence of any evidence to the contrary, it seems to the Chamber that costs are being transferred and not reduced. It also seems likely that Transnet Port Terminals will now have to increase its charges in order to pay higher rents and that these increased costs will inevitably be passed on to the cargo owners who will have to pay higher terminal handling charges. In effect, NPA would be reducing its cargo dues but its sister company, Transnet Port Terminals, would be increasing its charges and the cargo owners will be no better off.

The only advantage that we can see for Transnet is that this policy will circumvent the best efforts of the Ports Regulator to limit Port tariff rises to affordable increases that are in line with inflation. Our fear is that a new method has been found to impose a series of above-inflation cost increases on the users of our Ports.

The Chamber's concern, therefore, is that the new pricing strategy will not bring any positive benefits to exporters and importers or to business in general. We are concerned in that the strategy does not address the fundamental problems of our Ports – their international reputation for high costs and poor performance.

We would like to reiterate our objection to the way that the NPA is seeking a return on capital and depreciation allowances on infrastructure paid for by the South African taxpayer over several decades. These claims could be justified for a private company financed by investors and loan funds, but not for infrastructure provided by the Government.

Conclusion

We would remind the Ports Regulator that, according to the National Ports Act 12 of 2005, the purpose of the Act is ***"to promote the development of an effective and productive South African ports industry that is capable of contributing to the economic growth and development of the country."***

We believe that the primary concern of Transnet and its Ports companies should be, in line with the legislation quoted above, "the development of effective and productive South African Ports". Instead we have expensive under-performing ports that have become a negative factor in the bid to improve economic growth.

We therefore urge that the Ports Regulator consider our submission, in a positive light, in order to simplify and streamline business processes and thereby cut through the bureaucracy and red tape that hinders the development of our local and national economy.

Yours Faithfully

Mr Peter Hugo
Chairman of the Transport and Transport Infrastructure Portfolio Committee

Mr Gordon Metter
Vice-Chairman of the Transport and Transport Infrastructure Portfolio Committee