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Submission to the National Ports Regulator of South Africa

Reference: Transnet National Ports Authority Tariff Methodology & New Ports Tariff Structure 2014

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1. Preamble:

The Citrus Growers Association of Southern Africa (CGA) has drafted this submission on behalf of members of the Association. Members comprise all producers of citrus for exporting purposes, as approved by the Minister of the Department of Agriculture, Forestry and Fisheries in terms of sections 15, 18 and 19 of the Marketing of Agricultural Products Act no. 47 of 1996.

The submission considers the facts, whether in the general context or specific to the exporting of citrus fruits from South African ports within the jurisdiction of the National Ports Authority. Findings are relative to the following documents:

I. Position Paper on Tariff Methodology for the Setting of Tariffs by the Ports Regulator, dated September 2012 (First Edition).
II. Transnet National Ports Authority Proposal for a new Tariff Structure (undated).
III. Transnet National Ports Authority Public Hearings Road Show Presentation – Pricing Strategy, dated 4-7 March 2013.

The Association urges the Ports Regulator to exercise due diligence in consideration of the Authorities tariff reform process. Specifically, to address the potential economic impact of such reform process relative to the citrus export industry. While the Association is in full support of the tariff reform process, due diligence must be exercised during the process to ensure that the competitiveness of South African export commodities and specifically to that of the Agricultural sector is not put at risk. Inflation in the South African context has remained at the fore putting excess pressure on manufacturing, production and [sea] supply chain costs and any further cost pressures on certain sectors will render that sector uncompetitive. Within the citrus export sector specifically, downward pressure on costs is fundamental to provide sustainability to the sector which is facing much uncertainly at this time. The Association would implore the regulator to take decisive action to ensure that utilization of the national asset “the ports” is commensurate to the Authorities policy statement, “Transnet’s commitment to reducing the cost of doing business in South Africa”.

2. Submission to the Ports Regulator

2.1 Tariff Methodology

The TNPA is of the view that the Revenue Requirement methodology is the most appropriate for the organization. This may not necessarily be the most appropriate for organizations required to pay for services provided by the authority.

It is agreed that the authority should:

I. Recover its investment in port services and facilities;
II. Recover its cost of operations to provide a service;
III. Provide efficient price signals to market participants and customers and provides the Authority with the incentive for efficient investment in relevant infrastructure and services.
IV. Promote the regulatory independence and certainty with its full disclosure requirement, including a system for smoothing tariff adjustments.

It is not agreed that the authority should:

I. Achieve a return sufficient to recover the opportunity cost of the capital employed in the production of the regulated services. The South African ports are national strategic asset operated to facilitate trade. The cost for services provided by the authority should be an enabler and contributor toward the competitiveness of South African trade. The financial structure of the national strategic asset should not be balanced against the recovery of opportunity cost of capital employed but rather be structured to enhance the competitiveness of the economy.

Section 12 introduces the concept of a multi-year tariff framework that seeks to provide an element of certainty to all stakeholders as contains the tariff trajectory over time ("control period") within a certain bandwidth. The Authority opts to adopt a multi-year tariff application approach from 2014/15 to 2018/19 with fixed identical tariffs per annum during the control period as this will provide a smooth tariff trajectory over time. There would be support of a multi-year tariff framework to provide a level of surety to port users. However the basis of the fixed tariffs per annum would require some form of base in which to measure the tariff. There would be support of a fixed and predetermined tariff adjustment over the 2014/15 to 2018/19 and subsequent periods based on 1) a relative or associated measurable such as the Consumer Price Index (CPI) with tariffs being adjusted upwards or downwards of the CPI, or 2) a predetermined and fixed tariff commensurate to the costs of operations and working capital without over inflation of the current tariff base. Tariff adjustments should be rebased in the 2014/15 financial year with consideration for a

commodity or sectors contribution to the economy and the Required Revenue by the Authority. The Required Revenue by the Authority should be re-evaluated and predetermined in the multi-year tariff framework. This would support the Authorities previous statement. “Transnet’s commitment to reducing the cost of doing business in South Africa”. Previous and repeated tariff applications by the Authority to the regulator have reflected the intension to increase tariffs well above the CPI. These repeated attempts have raised concerns by industry that the Authorities commitment to reducing the cost of doing business in South Africa is not evidenced. The regulator is implored to revaluate the Authorities Required Revenue which should be in line with the actual cost in terms of the required investments and cost of operating the ports. There should be no means to expropriate funds besides that which is necessary to operate the ports and secure proper investment needed for future development. Evidence of the Authorities over statement of the revenue requirement is testimony to the level of claw back applied by the regulator during the last three years.

2.2 New Ports Tariff Structure

The Directives in terms of Section 30(3) of the National Ports Act, 2005 which were approved on the 13th July 2009 (gazetted on the 6th August 2009) and amended on 29 January 2010, require that the Regulator, when considering the proposed tariffs for TNPA, must ensure that such tariffs allow TNPA to:

I. Recover its investment in owning, managing, controlling and administering ports and its investment in port services and facilities;
II. Recover its costs in maintaining, operating, managing, controlling and administering ports and its costs in providing port services and facilities; and
III. Make a profit commensurate with the risk of owning, managing, controlling and administering ports and of providing port services and facilities.

In terms of point iii above, the South African ports are a national strategic asset developed and operated to facilitate trade. The cost for services provided by the authority should be an enabler and contributor toward the competitiveness of South African trade. The financial structure of the national strategic asset should not be balanced against risk and the recovery of opportunity cost of capital employed. The Required Revenue should rather be structured to accrue revenue for operating costs and for the required port investments with a tariff structure commensurate to the Authorities policy statement, “Transnet’s commitment to reducing the cost of doing business in South Africa”.

In terms of the Authorities observations in section 1.3, the Association would concur with the findings by the Authority concerning the key issues relating to the current tariff structure. The Association would support any initiative by the Authority to determine the tariff in a more structured, concise and relevant manner. It must be emphasized however that tariff determinations for certain commodity groups should reflect the broad based value- add to the economy. This should be determined by contribution to Gross Domestic Product, contribution to employment, contribution to foreign earnings and level of contribution to the national interest (such as contribution by agriculture in terms of food security); to name but a few.

In terms of section 2, the association would emphasize some level of concern regarding the potential increase of Required Revenue by terminal operators (>77%) with the view to regulate the THC's charged by terminal operators. At present the citrus export terminals in Durban, Port Elizabeth and Cape Town are fundamentally strategic in nature due to the requirement to export citrus to Japan, USA, EU and Russia specifically in break-bulk and not in containers. This due to the relative inability for container lines to meet with the stringent temperature controls required by these markets. During a course of 5 years citrus exports have migrated to containers with a severe loss of market share by the citrus export terminals. The subsequent loss of market share has forced the terminal operator (FPT) to raise terminal handling charges quite steeply in order to recover operating costs over a smaller volume base. This charge has subsequently been born onto exporters who have no alternative but to accept the charges. In lieu of a pending increase, there would be no favourable outcome that could be accepted by the terminal operator, citrus exporters or members of the Association. *The Association is pending a submission to the Regulator requesting financial assistance to the terminal operator (FPT). Given the present high terminals charges being levied to members of the Association deemed to be unsustainable. The terminal operator has declared the Authorities terminal levy as being a major contributor to the present operating costs in turn passed to exporters in the form of terminal handling charges.* The position by the Authority to regulate terminal handling charges levied by terminal operators would result in either, 1) a substantial increase in terminal handling charges levied by terminal operators or, 2) a severe decrease in operating profit by terminal operators. Both likely scenarios would not be deemed appropriate. The Association can give the regulator assurances that in the event of either scenarios unfolding, it would severely jeopardize the industry's ability to export sustainably. A form of subsidy would be required to offset any and all potential increased terminal handling charges. It is further recommended that the Regulator give serious consideration to the Authorities request for "in principle" approval by the Regulator. Much consultation is

required with the necessary responses by terminal operators as to the financial impact of the Required Revenue to be levied by the Authority to specific terminal operators (such as the citrus terminals). The Association would also request the Regulator to ascertain the level of impact specifically to the ports Container Terminals operated by Transnet Port Terminals (TPT). It would be required that specific reference be made to the Required Revenue levied to the Container Terminal operator and how this would impact the level of terminal handling charges levied by TPT for container handled at the container terminals. It would be highly unsuitable for the Required Revenue levied by independent terminals operators not be in accordance to the Required Revenue levied to Transnet Port Terminals. A differential in favor of TPT would be highly inappropriate and would be deemed unjust in terms of unfair practice by a port monopoly. It is further recommended that the Regulator give due diligence to the Authorities position of the contribution by the different port user groups. It must be clarified that cargo due tariff would not merely be moved from one arena to another in the form of a terminal handling charge. After all the cargo pays all forms of port costs irrespective of which arena the charges are raised. The portions required by the Authority would essentially be billed to the cargo under all circumstances whether through shipping lines, terminal operators or cargo owners. The fundamental issue that would need total clarification is whether a change in the required Revenue by terminal operators (>77%) would compromise the level of cargo (tonnage) handled within port limits (the Authorities territory). The proposed reduction of chares to cargo owners in the form of cargo dues (<25%) could persuade cargo owners to divert cargo from the Authorities territory to back of port facilities. In all accounts this would be the case for citrus exports as exporters would capitalize on a reduction in cargo dues (containers). Containers could be stuffed out of port where cargo handling cost would be more favorable as opposed to a potential increase in terminal handling charges where cargo is stuffed within the Authorities territory. The disparity between the levy contributions by terminal operators to the Authority compared to municipal rates levied to warehouse owners in back of port, is complimentary to cargo owners stuffing cargo out of the Authorities territory. It is the view of the Association that the Regulator advises the Authority to reconsider the position in terms of the Required Revenue by terminal operators.

The Association would propose the Authority consider a more balances approach as follows:

1. Required Revenue by terminal operators to be in line with municipal rates levied to back of port warehouses. Consideration for international norms is not necessarily a means to evaluate domestic conditions. It would be most unfortunate for the port to forego tonnage handled in port in favour of being handled back of port as a

result. The overall Revenue Requirement by terminal operators deemed rental for the Authorities property must be brought into context by the Regulator in terms of being fair and equitable in nature and be linked to market conditions. Furthermore Required Revenue by terminal operators be associated to the specific cargo or commodity being handled.

2. Required Revenue by cargo owners and consideration of a single base rate charge for each different cargo handling type is to be given careful consideration. The Association would support the proposed reduction scheme for export of beneficiated goods. The Association would propose the Regulator consider a commodities contribution to Gross Domestic Product, contribution to employment, contribution to foreign earnings and level of contribution to the national interest (such as contribution by agriculture in terms of food security); to name but a few. Cargo dues levied and apportioned equally to all commodity types should be vehemently refuted. As an example, should Required Revenue contributions be levied equally to citrus on a per ton basis to that of gold, copper, manganese and coal etc?
3. Submissions by prominent shipping lines have stipulated that the charges levied by the Authority in terms of providing services to ships is grossly over charged as a relation to international norms. Empirical evidence has been produced to quantify the charges to shipping lines by the Authority. The Association has conducted an independent study in terms of the performance of the ports in relation to freight charges levied by shipping lines. Evidence suggests that South African freight charges are inflated by 10% in compensation to low port productivity. *(Study available on request to the author).*
4. The Association is of the opinion that the level of migration towards containerization is grossly unsustainable and not in the best interest of the Authority or that of the port users. There must be thorough review of the Authorities preliminary Revenue Requirement contributions by the different port user groups: terminal operators from 19% to 33%, cargo owners 61% to 46% and shipping lines 20% to 21%. There should be a balanced approach to ensure port facilities are sustainable and volume throughput is viable, that terminal operator's levies are fair and equitable, that there is a balanced and sustainable approach to cargo handling types moved through the ports (containers, bulk and break-bulk), that cargo dues levied are equalized irrespective of cargo handling type (containers, bulk, break-bulk and liquid etc charged in tons by commodity) and that shipping line charges are in accordance to international norms. The Regulator should review the Revenue Requirement proportioned to the port user groups in

the interests of the Authority, port user group, the nation and the national asset.

In terms of section 3, the Association would like to express a degree of concern. The three-step approach is deemed to be somewhat misaligned to the likely outcome of the Authorities reform process. The Association represents the interest of members that export citrus, at no time were the Association brought into the consultation process. Although the Authority chose to highlight citrus export costs as an example of tariff costs, the Association was not included in the process to give guidance on the tariff reform process. Furthermore the Association is under the impression that the terminal operator FPT were similarly not included in the consultation process within the terminal operators group of key stakeholders consulted.

In terms of section 5.4, the Authority has made a general assessment when considering TNPA's costs to exporters. By utilizing an assessment provided 'unbeknown' by the Association to establish the basis of the TNPA charges is misguided. The Authority must contextualize the total TNPA charge on the basis of cost chain. TNPA costs are not reflected but are incorporated with the THC's (as rental costs recuperated in THC's and other, termed cold store costs) by both the FPT as terminal operator for the stuffing of citrus in containers and by TPT for the handling and storage of reefer containers, by shipping lines through freight rates for port call and berthing. Brought into context the TNPA cost to exporters in totality would be significant in comparison to total port costs and be deemed to have maximum impact on competitiveness and profitability. The Association would encourage the Authority to undertake a comprehensive study on varying commodities port and shipping costs to establish the specifics of the TNPA costs within the broader definition of total port and shipping costs. The Association would encourage an open discussion with the Authority on presenting facts relating to the direct impact of the TNPA costs (and Transnet as a group for that matter) in this broader context.

In terms of section 6, by understanding the basis, to which the Authority has identified the rationale behind the allocation of the Required Revenue (RR), is to apportioning the RR amongst the ports user groups based on utilization of the asset base. The Association is of the opinion that the Regulator give due diligence to this concept. In principle the rationale is sound that the RR be apportioned based on utilization of the asset base, however the Association can make the following observations:
As previously stated, the cargo transiting the port pays all costs related to utilization of the asset. Whether it be shipping lines, cargo owners or terminal operators the port exists to service the cargo. The cargo is billed these costs in one form or another, therefore the

rationale behind the apportioning of the RR is irrelevant. Although this may be the case, there is an element of relevance to the rationale behind apportioning the RR to the port user groups in order to regulate the level of costs that can be controlled by the Authority. The Association is vehemently opposed to the proposed structure of the apportioning of the RR, specifically to the apportioning the RR of terminal operators from 19% to 33% and that of cargo owners from 61% to 46%. As previously stated, there are two likely outcomes by apportioning the RR to terminal operators to such an extent.

1. Terminal Operators would be obliged to pass the additional TNPA rental costs to the cargo owners through the THC. Cargo owners and tenants would be pressurized to consider back of port operations to receive lower operational costs and packing/handling costs. It is foreseen that this would jeopardize the Authorities tenant base and where commodities are unable to divert to back of port would necessitate higher THC's.
2. The Authority proposes to regulate such THC's therefore one would assume the terminal operators would be subjected to absorbing the additional rental fees without successfully passing to the cargo owners. It is foreseen that in certain instances terminal operators would be unable to operate profitably. This would most certainly be the case for the citrus export terminals operated by the FPT group.

The association would therefore implore the Regulator to consider a more appropriate rational of apportioning the RR to the port user groups in a more strategic manner. It is the Associations opinion that the current apportioned RR by terminal operators of 19% come under review and the apportioned RR by cargo owners of 61% be similarly reviewed. The RR should be apportioned in favour of shipping lines and terminal operators and be apportioned more towards the cargo directly, as presently the case. Bearing in mind the total RR should be reflective of the Authorities policy statement, "Transnet's commitment to reducing the cost of doing business in South Africa". The Association is of the opinion that the Authorities proposal to apportion the RR in a different format would have little to no effect in altering the ports cost structure, the opinion is that the port cost structure and utilization would be negatively affected by such.

In terms of section 7, the Authorities view on the impact on port cost specific to that of cargo costs is deemed to be short-sighted. The Authority must take cognisance of the fact that the cargo directly contributes to the majority of the Authorities revenue base. It is the opinion of the Association that the rebalancing act of the TNPA charges will not lead to the Authorities objectives 'a significant step towards promoting more productive use of the ports infrastructure'.

The proposed cargo dues tariff design should be opposed by the Regulator and port user groups alike. The cargo itself contributes directly to the majority of the ports total revenue base and should remain that revenue be collected from the cargo directly in the form of cargo dues. The RR by the Authority should be apportioned rationally to shipping lines based on utilization of the apportioned asset base and cost of services rendered by the Authority and in the case of terminal operators in line with market related rentals. In the case of realizing the total RR by the Authority the cargo should by all accounts contribute directly to the balance of the RR not directly contributed by the shipping lines and terminal operators.

The Authorities proposal to revaluate the cargo dues structured is welcomed, however the proposal for a single base rate per each different cargo handling type (i.e. containers, dry bulk, break-bulk, liquid bulk and RoRo) is not recommended. There is logic however to the proposal of determining the share of total cargo dues to be paid by each cargo handling type through count of vessel arrivals.

The Association would like the regulator to consider the following imbalance in the container cargo dues tariff. An example of the citrus cargo dues is a good example of this. The 2013/14 TNPA cargo dues tariff for citrus break-bulk exports is R20.30 per ton x 1.2 ton per pallet (industry average pallet weight = 70 cartons per pallet x ~17kg per carton = 1, 190 Kg's + 10kg pallet base = 1, 200 Kg's) = R24.36 + 14% VAT = R27.77 per pallet. The 2013/14 TNPA cargo dues tariff for 12m full export containers is R1, 228.70 +14% VAT = R1, 400.72. A 12m reefer container can load 20 citrus pallets thus the tariff per pallet = R1, 400.72 / 20 pallets = R70.04c. A difference of R42.27c per pallet higher for citrus exported in containers. The Association is of the opinion that the contribution to cargo dues by a commodity group should be the same or similar irrespective of cargo handling type, and be billed on a per ton basis. The current container cargo dues tariff does not differentiate by commodity or by cargo type place within the container, therefore all commodity types contribute evenly. For example citrus billed the same cargo dues tariff as chrome, iron ore, cotton etc. There should be more rationale given to the cargo due tariffs for containers.

The Association would be in full support of the Authorities proposed Beneficiation Promotion Programme (BPP). The stage of beneficiation therefore justifies the rational of differentiated cargo dues by commodity type and cargo handling type. The BPP would therefore similarly address the disparity of the container cargo dues tariff where there exists no clear tariff rationale. If the BPP where to be applied, citrus exports would necessitate a stage 4 discounted tariffs due to the value add identified by the Authority and the DTI.

The basis of this remark is supported by the fact that citrus as a commodity is a key contributor to employment through harvesting, production and supply chain service procurement and management. Citrus is a large contributor to GDP and foreign exchange earnings. The commodity in stages of production to export, in terms of packaging into pallet form, represents the most advanced stage (stage 4) of beneficiation.

The Association would further make a recommendation to the Regulator. The gross disproportion between transportation by road and by rail can be addressed through further discounting cargo dues tariffs for commodities transported from origin to port by rail. It is not known how the identification of railed cargo could be managed but the proposal does have its merits. The lower cargo dues towards a discounted Rail Promotion Programme (RPP) could be justified and offset in that revenue received by Transnet Freight Rail (TFR) for railed cargo remains within the Transnet group. The gross disproportion particularly to that of transporting of import and export containers by road and rail could be addressed through the adoption of the RPP by the Authority. The RPP proposal would be in inline with the National Development Plan to increase the use of rail infrastructure. The continued congestion in the ports, particularly to that of the Durban port must be brought to a resolve and it is the opinion of the Association that by increasing the use of the rail network this would assist greatly to resolve the issue.

In terms of section 7.5, the proposal for terminal operator lease management agreement. The Association can comment and/or recommend the following:

1. The Authorities proposals to address the inconsistencies of terminal operators rental agreements can be supported. Furthermore the Authorities approach to adopt sufficient mechanism to effectively optimise terminal productivity is welcomed.
2. As previously stated the Association cautions the policy of adopting a value-based rental methodology. It must be brought to the attention of the Regulator that in the case of the fruit export terminals operated by FPT, the migration to containerization has jeopardized the throughput of these terminals. In so doing the financial status of the terminals is currently under review. The nature of the fruit terminals could be considered to be more of a strategic nature than of a value-added nature. A form of subsidy must be incorporated into the Authorities framework in establishing specific terminal lease agreements. The increased cargo dues received by fruit exports in containers compared to cargo dues for fruit exports in break-bulk must be acknowledged. In 2012, 1.68million tons of citrus fruit was exported from South Africa of which 300, 000 tons by break-bulk handling type and 1.38million tons by containers. In 2013 citrus export estimates are in line with 2012 export volume.

Therefore if all citrus cargo were to be loaded as break-bulk, the citrus contribution to the TNPA cargo dues is estimated to be 1.68 million tons x R27.77 = R46.65million. In 2013 it is estimated that 80% by volume would be loaded in containers and 20% by break-bulk. Therefore the citrus contribution to TNPA cargo dues is estimated to be as follows. Container contribution 1.28million tons / 24 tons per container = 53, 333 12m containers x R1, 400.72 = R74.71million. Break-bulk contribution 300, 000tons x R27.77 = R8.33million. Total contribution in 2013 is estimated to be R83.04million. The difference in contribution to TNPA cargo dues due to the migration to containers is estimated to be R36.39million. The 2012 contribution prior to the R1bn rebate would have been a far greater contribution to TNPA. Therefore the Association would recommend a form of subsidy awarded to the citrus export terminals operated by the FPT group.

3. The Association would also encourage the Regulator to consider the proposal for the Rail Promotion Program (RPP) be adopted in the lease agreements with port terminal operators. The disparity between cargo transported to port by rail and road could be addressed through the adoption of the RPP between the Authority and terminal operators. In terms of citrus transportation, in 2010 the last rail wagons loaded with citrus were transported to port, this has resulted in citrus being transported 100% by road. The Association has worked extensively with Transnet freight rail and industry to revitalize the rail networks, it has been identified that a cost incentive is required to motivate producers to utilize rail. In the case of the citrus export terminals it is deemed highly advantageous to revitalize the rail networks. If the Authority were to propose rebates in terms of cargo dues and terminal rentals on the volume of cargo received by rail this could be passed over to producers in the form of lower THC's and cargo dues.

3. Overview of Citrus Supply Chain Costs

In the South African context, inflation on key commodities such as electricity, labour and fuel (diesel fuel and marine fuel) has been relatively high. This has resulted in very high inflation rates that have been absorbed by citrus producers over a period of 3-5 years. Citrus harvesting and production is quite labour intensive and therefore the recent 52% increase of the minimum wage has added heavily to production and packing costs. Citrus packing is mechanically driven and consumption of electricity in packhouses has increased in line with Eskom tariff increases. Citrus as a perishable commodity requires temperature management and therefore is required to remain in cold storage from the time of production. A key cost component in cold storage is electricity required to operate

compressor units. Citrus is transported on average 600km to ports for export, transport costs have escalated heavily in line with Diesel fuel price increases. Similarly marine fuel has escalated driving up the cost of shipping. Table 1 below illustrates an example of an average production units export costs, the assumption suggests an inflation rate of 20.15% from 2009 (4 years). In 2009 it is estimated that the average cost to deliver a carton of oranges into Europe was R98.15. In 2013 it is estimated the cost will be R118.00. An estimated R20.00 per carton increase over this period. Citrus growers are largely price takers and therefore the ability to determine a receiving price in line with inflation is relatively unattainable, therefore citrus producers would have to absorb any form of supply chain cost increase. The industry has reached a point where sustainability is being questioned, particularly to that of smaller farming operations where economies of scale are limited. The sentiment being that the cost of production in South Africa has escalated steeply without an opportunity to increase sales prices. Therefore the Association implores the Regulator to take precaution in reviewing the Authorities proposed pricing strategy with particular reference to increased rentals to terminal operators and an inflation of the citrus cargo dues tariff. With reference to TNPA Public Hearings – Pricing Strategy, Slide 22, the Authority proposes a 94% increase in budget revenue for break-bulk shipments (Rand per ton). The Association views the Authorities pricing proposal with much apprehension.

4. Conclusions and Key Recommendations

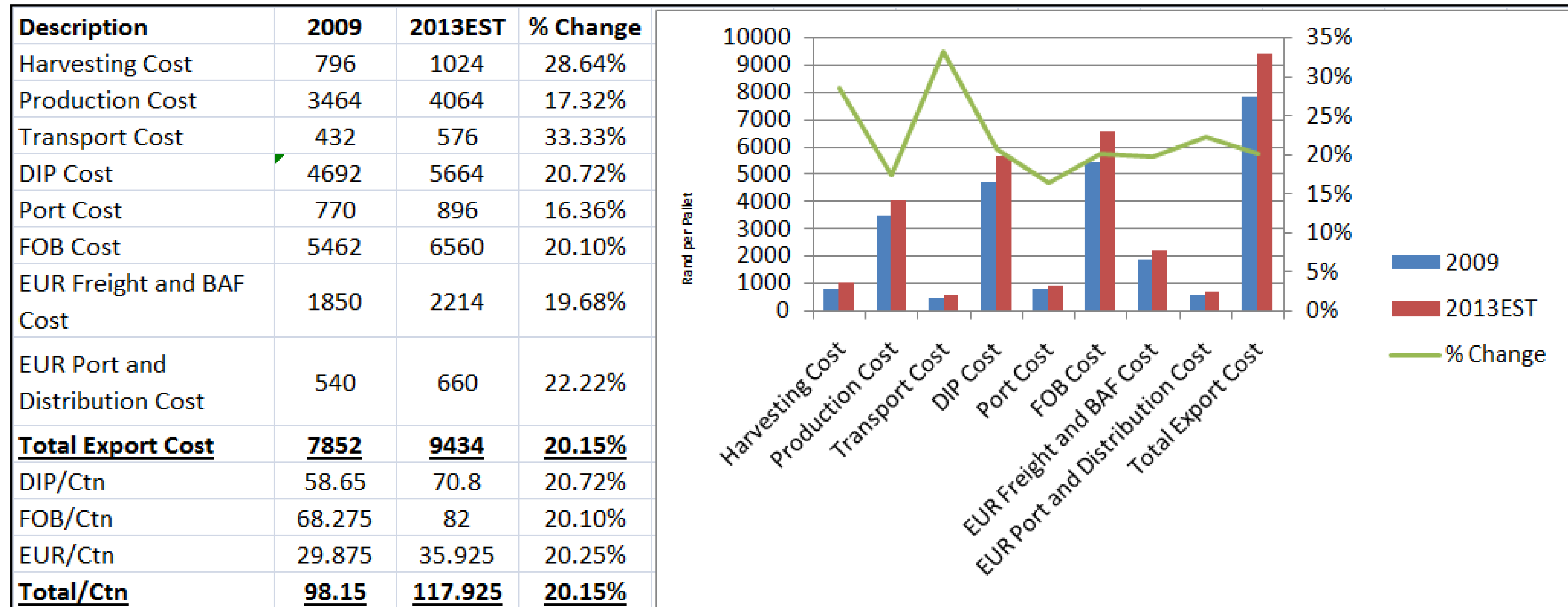
Some of the comments within the document may be conflicting opinion to the proposals of the Authority. However the Citrus Growers Association of Southern Africa would support the Regulator and the Authorities endeavours to modernize the port tariff system. The Association would put forward caution to:

1. The Authorities proposed overburden of rentals levied to terminal operators.
2. A base tariff rate for all commodities levied by cargo handling type.
3. The Authorities overstated Revenue Requirement rendering South African ports as uncompetitive.
4. A comparison of international port pricing strategies as a benchmark for pricing strategies for South African ports.
5. The Authorities conclusion that cargo dues are the single TNPA cost billed to the cargo.
6. The Authorities view that TNPA's costs to exporters are not a significant portion of total costs and have a minimal impact on competitiveness and profitability.
7. The Authorities proposal to reduce container cargo dues for the purpose of migration of exports to containers away from conventional handling types.

The Association would put forward support of:

1. A Revenue Requirement in line with the ports operating cost.
2. The majority of Required Revenue to remain levied directly to cargo owners (the cargo).
3. A differentiated cargo dues tariff by commodity, based on clearly identifiable rational.
4. Differentiated cargo dues tariff by commodity type handled by container.
5. The Beneficiation Promotion Programme which can be clearly defended by the Authority.
6. The promotion of efficient and effective management and operation of the South African ports, resulting in a reduction of the cost of doing business in South African.
7. A Rail Promotion Programme with clear incentives for utilization thereof.
8. Tariff rational that is not an overburden on port users.
9. A multiyear tariff approach fixed at a level which is defendable.

Table 1: Reflection of Citrus Export Costs 2009 – 2013 (Source CGA Data)



Description	2009	2013EST	% Change
Harvesting Cost	796	1024	28.64%
Production Cost	3464	4064	17.32%
Transport Cost	432	576	33.33%
DIP Cost	4692	5664	20.72%
Port Cost	770	896	16.36%
FOB Cost	5462	6560	20.10%
EUR Freight and BAF Cost	1850	2214	19.68%
EUR Port and Distribution Cost	540	660	22.22%
Total Export Cost	**7852**	**9434**	**20.15%**
DIP/Ctn	58.65	70.8	20.72%
FOB/Ctn	68.275	82	20.10%
EUR/Ctn	29.875	35.925	20.25%
Total/Ctn	**98.15**	**117.925**	**20.15%**