27 May 2013

Submission to the National Ports Regulator

SUBJECT: TRANSNET NATIONAL PORT AUTHORITY TARIFF METHODOLOGY AND PRICING STRATEGY

This submission is made on behalf of the Fresh Produce Exporters' Forum (FPEF).

Tariff Methodology:
The Tariff Methodology outlined in the document under review is largely identical to that in the Authority's application for the 2013/2014 financial year. The Regulatory Asset Base (RAB), Weighted Average Cost of Capital calculation (WACC), Beta, Tax Treatment and other relevant calculations were addressed in depth in submissions made to the Regulator in response to that application by various bodies -, all of which identified material elements in the application which inflated the Authorities' revenue requirement. Stakeholders also identified serious shortcomings in Terminal efficiencies and unsupportable pricing.

Multi Year Tariff Application Approach: The FPEF supports the notion that Tariffs be fixed for a period extending beyond one year as this will be to the benefit of all port users who will be able to plan for future trade and investment in the knowledge that unsupportable increases will not occur. The FPEF understands that this will also be of real benefit to the Authority not only in terms of revenue certainty but also release resources currently invested in annual tariff applications. However the FPEF has real concerns; it was clear from the Authorities tariff application for 2013/14 that the intention is to fix annual increases above the consumer price index and to roll such increases forward to 2018/19. (Page 46 Table 29 and text of the NPA's 2013/14 tariff application) If this is indeed the intention, the FPEF finds this completely unsupportable. In documentation supporting past tariff applications the Authority mentions; **"Transnet's commitment to reducing the cost of doing business in South Africa**". The FPEF questions whether this "commitment" is in fact genuine if the Authority believes it is fulfilled by tabling future annual increases over a five year period of 3% above inflation). Though the Authority's tariffs are not the sole cause of South Africa's high logistics costs, the Regulator's past decisions have signalled to industry stakeholders that unsupported tariff increases in the ocean supply chain have over many years severely impacted on this country's trade competitiveness and consequent economic growth.

Proposed new tariff structure: The most important shortcomings in the proposed new are the following : the lack of transparency, clarity and pricing equity, subsidisation of one area of activity at the expense of another, the high level of cargo dues compared to other income streams, the low level of rental income and maritime service costs. The proposed 65% increase in cargo dues for break bulk vessels is of major concern.

Cargo dues: Cargo dues should not be used to subsidise port development and other services. The FPEF supports any move which addresses the uncoordinated structure of cargo dues tariffs presently in place. A reduction in the number of separate tariff items, merging of the same and similar categories of traffic and appropriate rates depending on handling type are all long overdue.

Port costs in relation to total industry costs: The rebate must be excluded in these calculations as it was a once off discount to cargo owners via cargo dues. The FPEF believes that support for export in the form of logistics subsidies should be financed by the national fiscus.

Conclusion: The FPEF supports the efforts of the National Port Authority and the Port Regulator to modernise and simplify the tariff methodology and pricing strategy and ensure a fair distribution of port costs to all users. The FPEF encourages the NPA to increase its efforts to improve terminal and overall port user efficiency in terms of its legislated mandate.