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The Chairman,
Ports Regulator,
22 Dorothy Nyembe Street,
Durban

Contact person: Mr. Phakade Sicwebu

Dear Sir

RE: Ports Regulator of South Africa – Annual increase

As JF Hillebrand, we represent 65% of the South African Wine Industry as well as numerous other Exporters and Importers. A tariff increase of this size has a major effect on the competitive viability of not only the Wine Export market, which is under severe pressure from other wine producing countries, but also various other Export Sectors. We already are subject to extremely high costs and it appears that TNPA are not aware or frankly do not care about a situation that really reflects negatively on our economic situation.

There are limits to what a business can absorb as increases, but when margins are already very low, losing business is the only end result of new increases. On the Import side the market is under huge pressure on prices with the late depreciation of the ZAR, this contributed to huge losses on margins, preventing growth and creating new employment. The forecasts for the next 12 months confirm a further depreciation on the ZAR.

The concept to fund expansions by increasing rates exceeding inflation will have a detrimental effect on the South African export business. Importers/Exporters need to manage the increase in cost and to remain competitive within the global market where inflation is far less than within South Africa. Sound business practise is to fund capital investment through the generation of cash flow from profits within a business, increase in volumes and working capital management. This may include initiatives to decrease cost or to improve efficiencies which will all jointly contribute to an increase in cash flow. The Ports Regulator need to be managed as a business which needs to apply sound business principles and practises to manage growth and expansions required. The fact that the capital investment requirement will decrease beyond 2017/18, but no decrease in tariffs will be experienced, seems to be more inflation (current CPI Aug 2014 6.4%) related at 6.49%, is of concern. This will mean the Ports Regulator will generate additional income which will form part of their "business as usual" with no "kick-back"/decrease in tariffs to their customers.

The fact is that within today's global market, businesses will not be able to survive or grow when cost-push is beyond normal inflation, which will mean that they will not be able to remain competitive.

Rina Hertog
JF Hillebrand SA