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Reg. No. 1992/005770/07

The Chairperson
Ports Regulator
11th Floor, The Marine Building,
22 Dorothy Nyembe Street
Durban, 4001
South Africa

14th October 2015

RE: Tariff Adjustment Submission

Dear Mr Mufamadi,

As one of the biggest shipping lines in South Africa, Maersk Line appreciates the opportunity given by the Ports Regulator to comment on the 6.8% tariff increase proposed by TNPA. In this letter Maersk Line would like to argue why these continuous annual increases have a negative impact on the South African economy and consumers - concerns that relate to the core function of your esteemed organisation.

"Objects of Act 40
The objects of this Act are to-
(a) promote the development of an effective and productive South African ports industry that is capable of contributing to the economic growth and development of our country;
(c) promote and improve efficiency and performance in the management and operation of ports;"

The negative impact on the South African economy and consumer

South African GDP has been dropping consistently over the last 3 years and, in a recent report from the International Monetary Fund (IMF), the growth is projected to be below 1.5% for the next two years. In line with this report, Maersk Line expects 0% growth for our South Africa volumes over the same period.

In the current fragile economic environment, we consider it to be imperative for the Ports Regulator to assist the various shipping lines with the promotion of trade and stimulation of economic growth. We strongly believe that the proposed TNPA tariff increase will have a negative impact on the South African economy and consumer.

As our costs increase, so do the associated surcharges that the shipping lines are obliged to pass on to our customers in order to survive. These increases have a subsequent impact on the end-consumers in the market place who will ultimately pay for any TNPA increase.

Instead of increasing tariffs at this time, Maersk Lines recommends that savings should be found by TNPA through raising operational efficiency levels. As the Ports Regulator, we ask that you support this strategy.

Raising competitiveness through operational efficiencies

Maersk Line operates in a global environment where profits are under continuous pressure. Freight rates are reducing week on week and we have been implementing innovative cost-cutting measures on our vessels and in our operations to survive. This exercise has proven to us that cutting operating costs is the only way to continue to offer competitive rates to our customers.

Maersk Line freight rate – fixed bunker, (USD/FFE)

Notes: Bunker price fixed at 2012 level of 662 USD/FFE. Comparison of freight rate with 2004, 2008 and 2010 based on yearly freight rate average.
Source: Maersk Line

Unit cost, (USD/FFE)

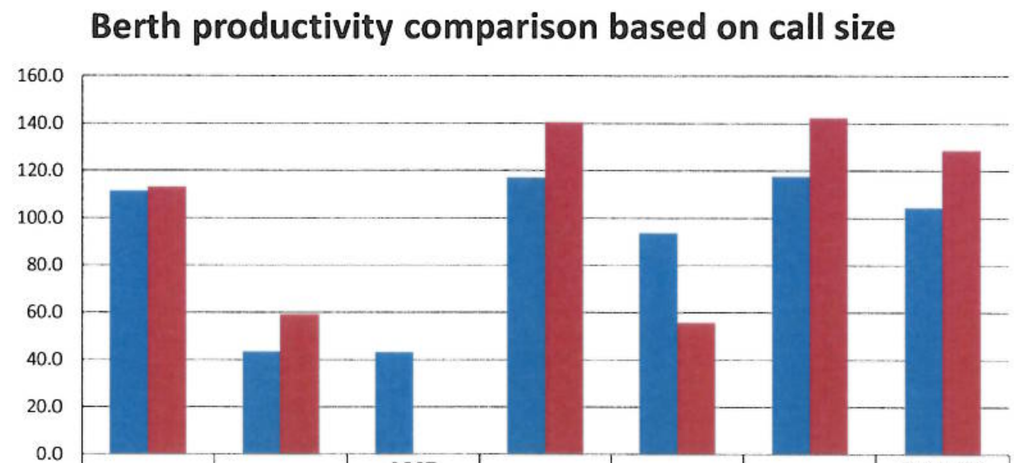
Note: Unit cost excluding gain/loss, restructuring, share of profit/loss from associated companies and including VSA income. Unit cost at fixed bunker price calculated based on 400 USD/Ton all years.
Source: Maersk Line

It is our belief that TNPA can improve its profitability through developing and implementing its own efficiencies instead of continuously increasing its tariffs to the detriment of all associated parties.

When comparing South African ports to similar large ports around the world, the local ports are far behind when comparing Berth Productivity.

MAERSK LINE

Berth productivity comparison based on call size



	ALGECIRAS	DURBAN	PORT ELIZABETH	SALALAH	SAVANNAH	SINGAPORE	TANJUNG PELEPAS
VI 2500-3000	111.4	43.4	43.1	117.1	93.7	117.6	104.3
VII >3000	113.2	59.3		140.5	55.8	142.5	128.7

The potential for TNPA to improve and attain a high standard on the world stage is evident and far beyond what can be gained through tariff increases.

It is therefore also of great concern to Maersk Line that TNPA is now proposing a decrease in operational efficiency for 2016 compared to that delivered in 2015. This is surely not in the nation's best interest.

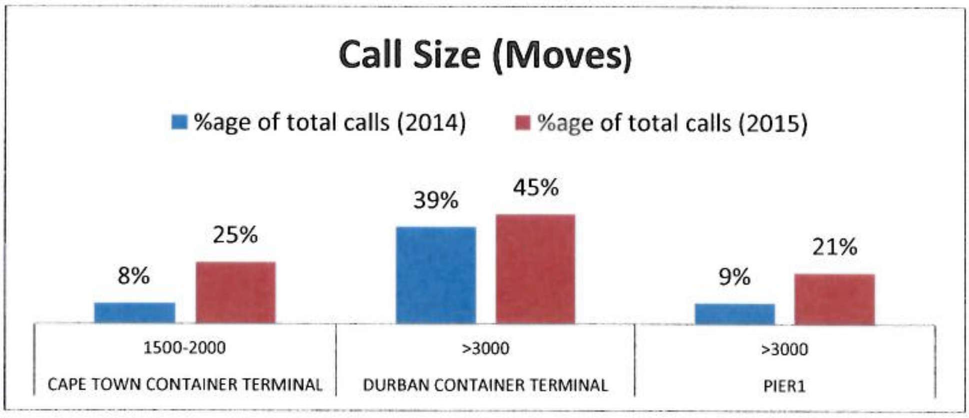
Key performance area and indicator	Unit of measure	2014 Actual	2015 Target	2015 Actual	2016 Target
Dry bulk					
- Coal (RBCT)	hours	45.00	46.00	43.00	45.00
- Iron ore (Saldanha)	hours	47.00	54.00	46.00	50.00
- Manganese (Port Elizabeth)	hours	73.00	78.00	70.00	78.00
Berth occupancy					
- Durban	%	76.00	70-80	70.00	70-80
- Cape Town	%	67.00	60-70	68.00	60-70
- Port Elizabeth	%	55.00	55-65	52.00	65-75
- Ngqura	%	68.00	70-80	57.00	70-80
Berth utilisation (%)					
- Durban	%	76.00	70-80	70.00	75-80
- Cape Town	%	62.00	50-60	62.00	70-80
- Port Elizabeth	%	51.00	55-65	42.00	65-75
- Ngqura	%	70.00	75-85	56.00	75-85
- East London	%	31.00	n/a		
- Richards Bay	%	73.00	n/a		
Market segment competitiveness					
Volume growth					
Containers ('000 TEUs)	'000 TEUs	4 641	4 844	4 699	4 905
Break-bulk (million tons)	million tons	8.72	9.97	9.46	8.60
Liquid bulk (million kilolitres)	million kilolitres	39.28	36.38	42.78	36.80
Dry bulk (million tons)	million tons	159.46	166.97	171.60	172.70
Vehicles (units)	units	692 287	667 333	668 322	650 821
Tariffs					
Average tariff increase ****	%	0.0	8.5	6.6	4.8

Key performance area and indicator	Unit of measure	2014 Actual	2015 Target	2015 Actual	2016 Target
Capacity creation and maintenance					
Capital expenditure	R million	[illegible]	[illegible]	2 006	[illegible]
Operational excellence					
Productivity					
Anchorage waiting time					
Durban	average hours	[illegible]	[illegible]	41.00	[illegible]
Cape Town	average hours	[illegible]	[illegible]	31.00	[illegible]
Port Elizabeth	average hours	[illegible]	[illegible]	37.00	[illegible]
Ngqura	average hours	[illegible]	[illegible]	32.00	45.00
Richards Bay	average hours	[illegible]	[illegible]	59.00	60.00
Average ship turnaround time					
Durban	[illegible]	[illegible]	[illegible]	51.00	55.00
Cape Town	[illegible]	[illegible]	[illegible]	27.00	[illegible]
Port Elizabeth	[illegible]	[illegible]	[illegible]	26.00	[illegible]
East London	[illegible]	[illegible]	[illegible]	59.00	[illegible]
Richards Bay	[illegible]	[illegible]	[illegible]	78.00	[illegible]
Ngqura	[illegible]	44.00	[illegible]	34.00	[illegible]

Source: http://www.transnet.net/InvestorRelations/Transnet%20Reports/Integrated%20Report%202015.mht
Transnet IR 2015 Pg 77

Despite investments by TNPA in preceding years, Maersk Line has experienced slight improvements in operational efficiency at the South African ports. With potential tariff increases on the horizon and no sign of any eagerness from TNPA to improve efficiencies, we consider that this will surely hamper Maersk Line's ability to help the shipping industry as a whole to grow the South African economy.

Despite operating in a very difficult market, Maersk Line has managed to grow its business in South Africa in the last two years as shown in the graphic below (moves per call).



With this growth, Maersk Line has been able to justify bringing bigger vessels to South Africa, which should have brought about better utilisation and lower cost. Unfortunately, it has resulted in a higher cost due to the poor productivity we have experienced.

Maersk Line has been in dialogue with Transnet on deploying larger vessels from the beginning of 2016 on our SAECS service between South Africa and Europe. However, the addition of more tonnage to South Africa is threatened by the potential increases in the TNPA tariffs, which do not assist our Headquarters when making the decision to upgrade the vessels.

The easy route for TNPA to address increasing costs year-on-year is by requesting a higher tariff. However, it is our recommendation that the Ports Regulator requires TNPA to implement plans to improve their operational efficiency levels. Only by allowing no tariff increases or demanding a tariff decrease from TNPA can you drive that behaviour.

We continue to offer our full support to the Ports Regulator in order for you to fulfil your mandate and promote the development of South African ports through the introduction of operational efficiencies thereby contributing to the economic growth and development of South Africa.

We await your positive response.

Yours sincerely,

MAERSK SOUTH AFRICA (PTY) LTD. P.O. BOX 27, CAPE TOWN, 8000

Rob C. J. BRUMMER

Head of Africa Liner Operations Cluster
Maersk Line