

27 May 2013

Mr R. Khan,  
Chief Operating Officer  
The Ports Regulator of South Africa  
11th Floor,  
The Marine  
Dorothy Nyembe Street,  
Durban, 4001,

Dear Mr Khan,

**National Ports Authority – Proposed Tariff Methodology (PTM) and Proposed Pricing Strategy (PPS)**

Mining, Oil and Gas Services, MOGS, a subsidiary of Royal Bafokeng Holdings, has recognised a market opportunity to build a commercial crude oil storage terminal and a ship bunkering storage terminal and loading / discharge facilities in Saldanha Bay.

The crude oil storage terminal will consist of 12 X 1.1million barrel tanks and the bunkering storage terminal will have a capacity of 50 000mt for various grades of fuel oil and 10 000mt of various grades of diesel.

In order to pursue these opportunities MOGS wish to comment on the PTM and the PPS as follows:

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### **Cargo dues on crude oil**

Currently the transshipment cargo dues for the first 100 000 kilolitres (kl) per leg inward or outward is R3.62 per kl and R1.81 per kl for the remainder of the cargo. The transshipment period is for a maximum of 90 days. The commercial model of the storage of crude is being penalised by the high transshipment cargo dues and the length of time the cargo is allowed to be in transshipment mode. The crude oil will be stored, mixed and blended in the tanks and then shipped out. It is proposed that the transshipment cargo dues be reduced to R0.50 per kl, given that each shipment of crude oil will be of a huge magnitude of 450 000kl and the fact that it will attract more shipping into the port. The time for shipment should be increased to 24 months given the cycles of the crude oil market.

Another concern is the increases in rates that are requested by NPA on an annual basis which will or will not be approved by the Ports Regulator. This creates uncertainty for our customers and it makes it difficult for MOGS to sign up long term contracts. It is suggested that the proposed cargo dues be kept stable for a period of at least 5 years.

### **Cargo dues on Fuel oil and diesel designated for bunkering**

MOGS' understanding is that the applicable cargo dues are as follows:

1. fuel oil and diesel that is imported into the land based storage tanks from a supply tanker - cargo dues payable at R26.48 per kl
2. fuel oil and diesel loaded onto the barge from the land based storage tanks – no cargo dues
3. fuel oil and diesel transferred from the bunker barge onto the receiving vessel – no cargo dues
4. fuel oil and diesel transferred from a supply tanker barge onto the receiving vessel – transshipment cargo dues at R3.62 per kl for the first 100 000kl and R1.81 per kl thereafter.

It is proposed that the cargo dues payable on the bunker fuel oil and diesel, delivered into the bunkering storage terminal, which is designated for the supply to vessels, should be R0.50 per kl. The cargo cannot be seen as an import as it is shipped out in the same form i.e. the category remains the same, even though some blending or mixing may occur. It could be seen as a transshipment. This will attract ships into the port to load bunkers in Saldanha Bay, thus boosting the local economy and the increase in traffic into the port will increase the income to NPA on craft, pilot etc. utilisation.

There should be no differentiation between a bunker supply tanker and a bunker barge cargo given that both vessels perform the same function and therefore no cargo dues should be applicable.

#### **Port Costs on vessel entering the port for Fuel oil and diesel bunkering**

It is proposed that the vessels entering the port of Saldanha Bay for bunkers only should only pay up to 30% of the associated port cost for a full cargo handling port call. The reasoning being that the vessel will not use all the resources in the port that a full cargo handling call would use.

#### **Saldanha Bay Crude oil terminal Infrastructure**

The crude oil jetty was built by SFF Association in the 1980's and then handed over to the predecessors of the NPA at no cost. It is our contention that NPA should only be allowed to recover the cost of maintenance and the operation of the crude oil jetty, but not for the capital investment. MOGS therefore request that the historical hand over of the asset to NPA be taken into account when the asset is valued in the Regulatory Asset Base (RAB) evaluation process.

#### **Conclusion**

Apart from the economic benefits that these projects will bring to the greater Saldanha Bay area, the building and the operation of the terminals will provide employment and on-going skills development in the region. The social impact will be good for this poor area.

This is in line with the South African Government's drive for employment, skills and infrastructure development, while maintaining the beautiful South African environment. There will be a direct impact on the construction and shipping industries, with peripheral industries greatly benefitting as well.

In conclusion MOGS requests the Ports Regulator to consider the above proposals in the light of the public interest as the success of the project depends on the lowering of the cost base in order to attract business into the Port of Saldanha Bay.

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