NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SOUTH AFRICA

PO BOX 40611, ARCADIA 0007
TELEPHONES: (012) 323-2980/1 – 323-2003
TELEFAX: (012) 326-3232
WEB ADDRESS: www.naamsa.co.za
E-MAIL ADDRESS: naamsa@iafrica.com
OFFICES: 1st FLOOR, NEDBANK PLAZA
Cnr CHURCH AND BEATRIX STREETS
ARCADIA, PRETORIA 0083

N29

May 31, 2013

Mr Riad Khan

Chief Executive Officer

Ports Regulator

Dear Mr Khan

NPA Pricing Strategy 2013: SUBMISSION BY NAAMSA ON BEHALF OF THE SOUTH AFRICAN INDUSTRY (VEHICLE MANUFACTURERS, EXPORTERS AND IMPORTERS)

The National Association of Automobile Manufacturers of South Africa (NAAMSA) welcomes the process of engagement with the Ports Regulator which has contributed significantly towards a better understanding of the dynamics of the automotive industry in South Africa.

NAAMSA takes pleasure in submitting their comments that supports the strategic intent of the SA Ports Authority's Proposed Pricing Strategy. These comments will also complement this intent by suggesting measures that if implemented will enhance the competitiveness of the SA automotive industry and in so doing will improve the long term sustainability of the industry and positively contribute to SA in the form of greater GDP, reduction in unemployment levels and reduction in poverty.

NAAMSA appreciates the role of the Regulator in this matter and trusts that any determined outcome will yield a win-win solution for country and industry.

Please do not hesitate to contact me if you have any queries.

Yours faithfully

Vishal Sharma

Chairperson NAAMSA Supply Chain Working Group

Index

1 Introduction and Background

The National Association of Automobile Manufacturers of South Africa (NAAMSA) deems the process of engagement with Transnet and the Regulator that began in 2011 as pivotal in ensuring the long term sustainability of the SA automotive industry. NAAMSA believes the Authority's decision to review the Tariff Methodology and Pricing Strategy is a direct result of such engagement between industry and government. NAAMSA therefore welcomes the opportunity to provide comments on the NPA Proposed Pricing Strategy and the FY's 2014/15 – FY2018/19 Tariff application.

NAAMSA represents the interest of 22 manufacturers' motor vehicles and 21 vehicle importers and distributors. All the represented vehicle manufacturers are involved in the manufacture, import and export of both component parts and well as fully built up vehicles making extensive use of the South African ports and rail infrastructure.

The automotive manufacturing sector is the largest manufacturing sector in the economy and contributes about 15% of South Africa's manufacturing industry output. The industry is highly dependent on international trade and more specifically a competitively priced ports network which will allow the South African automotive sector to effectively compete with other global automotive manufacturing sources for export contracts.

2 Port Charges in relation to the National Development Plan 2030

The National Development Plan (NDP) 2030 issued in August 2012 by the National Planning Commission (which forms part of the office of the Presidency), provides a blueprint for the South African economy to eliminate poverty and reduce inequality by 2030. The plan essentially aims to elevate South Africa's growth and development, to reduce unemployment and create a sustainable future for all who live in South Africa.

The NDP contains several sections which provide direction with relation to port charges to stimulate growth and employment within the manufacturing sector. Firstly, the NDP identified that South African "…ports are characterised by high costs and substandard productivity relative to global benchmarks." (NDP, 2012, p183). Furthermore the NDP (2012, p148) also argues that,"...to compete, the country's cost structure requires an emphasis on productivity, products and logistics. The most important contributions to manufacturing expansion will be in relation to the business environment. Challenges relate to the availability and cost of electricity; the efficiency of the logistics platform; the quality of telecommunications; and fast-rising administered pricing for electricity, transport, fuel, and fertilizer…".

"South Africa is a relatively small market, far from major trading partners. In addition, it has a history of economic development skewed by isolation and apartheid. These factors have resulted in major sectors of the economy developing in an uncompetitive manner, leading to a high cost structure. In a number of sectors, public and private monopolies have used their market dominance to charge high prices." (NDP, 2012, p116)

South Africa's national ports infrastructure represents an example of a public monopoly characterised by market dominance and excessive pricing.

3 Port Charges and Automotive Manufacturing Export Competitiveness

International competitiveness is imperative for the survival of the SA Automotive industry.. The commencement of new Automotive Production Development Program (APDP) in 2013 is testament to government's and Industry's shared vision to double vehicle production in the country to 1.2 million units by 2020. However inflationary pressures, currency volatility, higher electricity tariffs, above inflation wage agreements – that are not linked to productivity improvements – impacts on the cost of doing business within the country. In addition to this, high transportation costs due to the higher oil price and South Africa's geographic position in relation to major markets (US and Europe) also influence the attractiveness of SA as global cost competitive producer of goods.. Therefore in addition to measures such as the APDP, there has to be other progressive mechanisms at play that make SA cost competitive.

Inbound and Outbound logistics cost directly contributes to almost 20% of the vehicle value (when exporting) and the competitive pricing of port charges is a significant factor in determining export competitiveness within the automotive and other manufacturing export sectors within the economy. New vehicle export contracts are tendered through a competitive bidding process where several global manufacturing plants tender for the same model and export markets. Sourcing decisions are then based on a process where the "Total delivered cost" (TdC) of each of these vehicle manufacturing plants are compared by mapping the total cost value chain from the manufacturing source to market. Total delivered cost includes:

- Inbound logistics cost
- Purchasing/Parts Cost
- Manufacturing cost
- Outbound logistics cost
- Warranty and recall cost and
- Research and Development cost

The table below shows an estimation of the contribution of Port Costs to the total vehicle TdC value assuming 50% localisation on a locally manufactured vehicle (*see next page*)

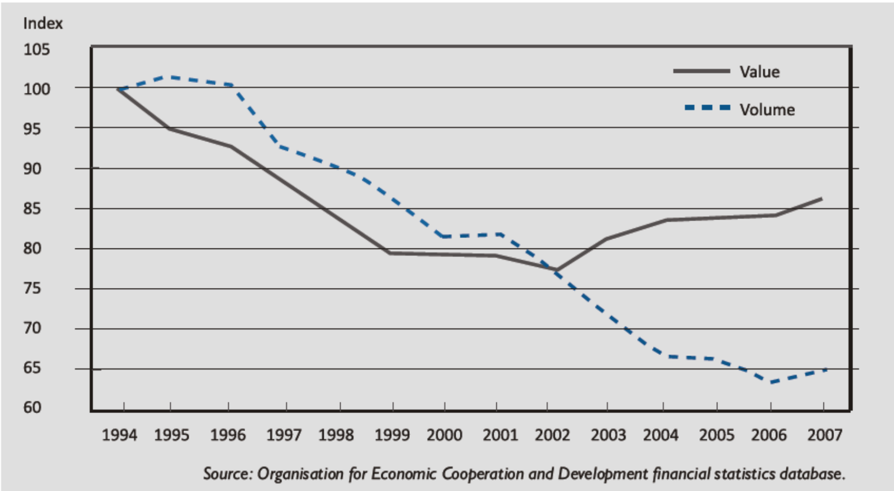
Cost Element	Contribution to TdC	Port Cost as % of Cost element	Port Cost as % of Total Veh. TdC
Inbound Logistics	9%	15%	1.35%
Parts Cost	65%	2.6%	1.7%
Manufacturing Cost	8%	0%	0%
Outbound Logistics	10%	10%	1%
Warranty and Recall	3%	0%	0%
R & D Cost	5%	0%	0%
Total	**100%**		**4.0%**

Therefore, within South Africa - Port charges contribute to about 4% of the vehicle's total delivered cost. Therefore, any reduction in port charges would directly contribute to improving the export competitiveness of South African vehicle manufacturers by reducing the TdC value. More competitive export pricing would result in more manufacturing tenders being awarded to South African companies – Directly translating into new job opportunities (for every additional c18 vehicles produced per annum, 1 new direct job is created) and higher tax revenue with the additional Foreign Direct Investment (FDI) and revenue ultimately contributing to the South African economy through the multiplier effect. Importantly, it would contribute to the realisation of the SA government's vision for the Industry to produce 1.2 million vehicles per annum by 2020.

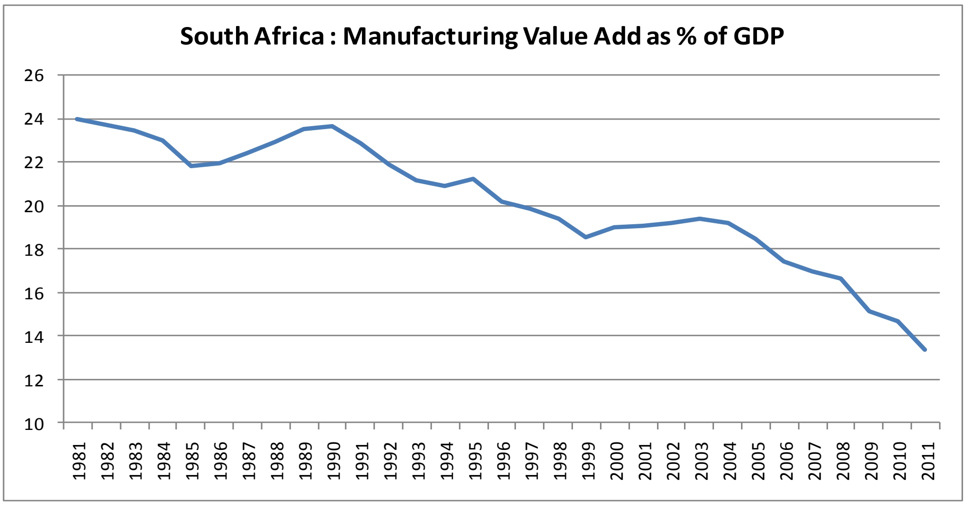
4 High Port Charges – Impact on South African Manufacturing Industry

The Department of Public Enterprises is quoted in the TNPA pricing strategy road show document (2013, p8) as saying that “Port tariffs do not consider the potential damage they do to the South African economy”. There is no question that high port charges has significantly damaged South Africa’s industrial export competitiveness over the last two decades. The graph below shows South African exports’ world market share, with a baseline index of 100 in 1994. (*Sourced from the NDP 2030 document*)

South African Exports – World Market Share (1994 = 100)

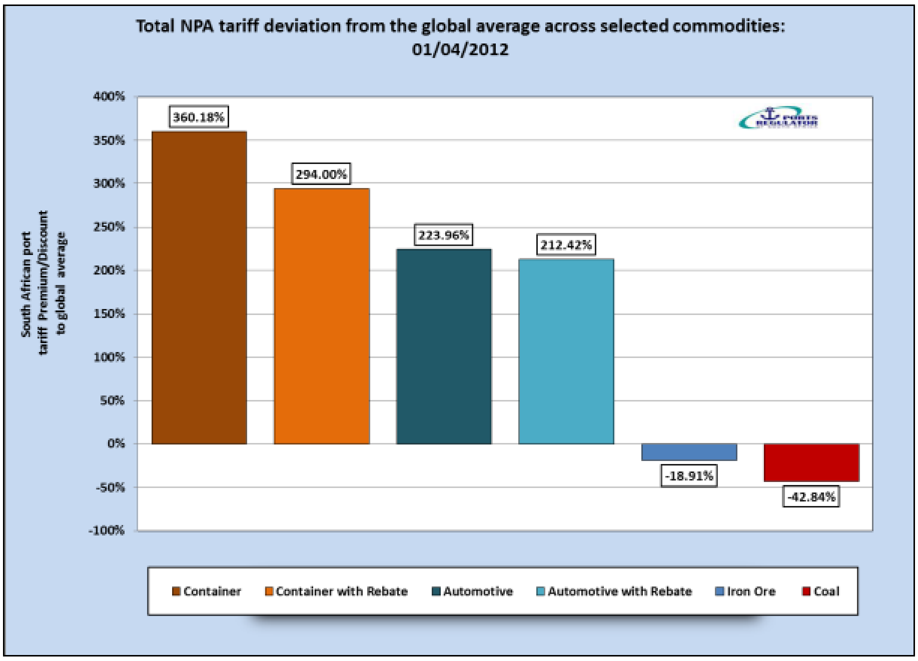


It is clear from this graph that South African exports have decreased both in volume and value terms over the last 20 years. The Manufacturing industry was particularly hard hit; with the contribution of Manufacturing value add as a % of GDP dropping from 24% in the early 80s to less than 14% at the end of 2011 (*see graph below*).



Source: The World Bank

Several recent benchmark studies all indicate that South Africa's existing port costs are probably the highest in the world. The "Global Port Pricing Comparator Study" conducted by the Ports Regulator of South Africa at the end of FY2012, indicated discrepancies of between 224% (on vehicles) and 360% (on containers) as compared to the global average charge.



Source: SA Ports Regulator Global Port Pricing Comparator Study

The situation for Cargo owners is even worse with South African automotive companies paying a premium in excess of 700% for both vehicle and container port charges compared to its peers in other parts of the world.

Source: SA Ports Regulator Global Port Pricing Comparator Study

This study supports the findings of the port benchmark study conducted by the Automotive Industry Development Centre (AIDC) in Sep 2010 which found that Durban was the most expensive global port sampled in terms of total port authority tariffs (incl. Cargo Dues) per ship call.

As a supporting document, please also find attached the latest information comparing fully built-up vehicle port charges for other countries competing for vehicle export contracts against South African manufacturers *(see attachment "Schedule_1_Comparative Port Charges").*

4.1 Local Benchmark (Maputo) and Risk to SA Ports

Certain manufacturers (including automotive) located in the Gauteng region have over the last few years diverted some of their cargo to the Port of Maputo due to the high costs and low efficiency levels at SA Ports. Maputo is a Southern African port and it is more cost competitive than SA ports. Maputo can therefore be deemed to be a 'local' benchmark should the NPA deem Ports in Europe, Asia and the US to be structured differently from Southern African Ports.

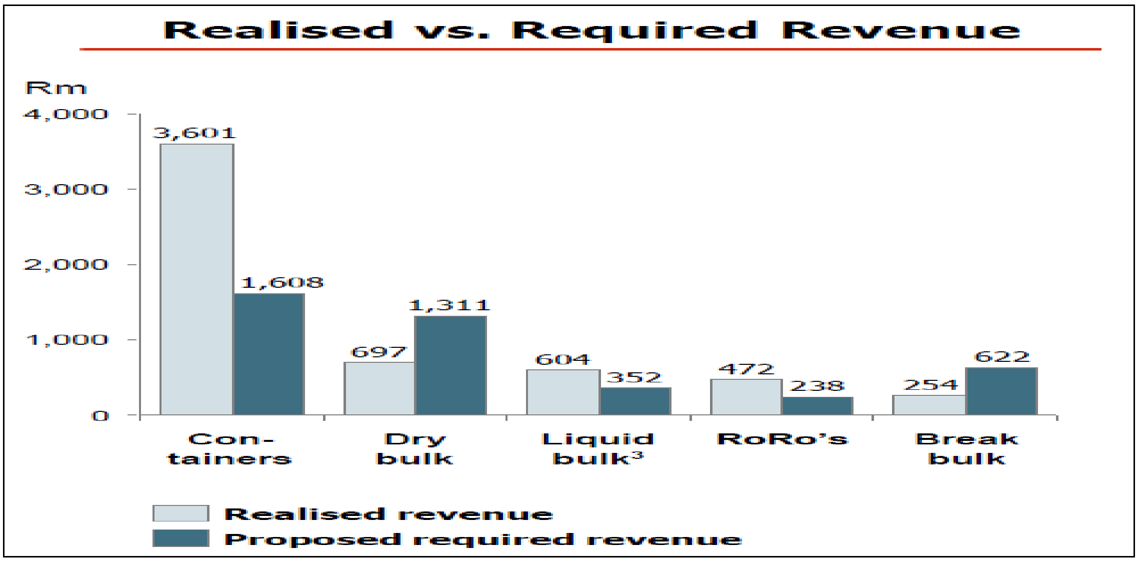
NAAMSA is not in favour of SA ports losing business and it would be rather unfortunate if business is lost to other Southern African ports due to inefficiencies and high cost structures at SA ports and.

5 TNPA Charges: The Way Forward

In a recent report issued by the National Treasury department on Administered Prices in the Transport sector the following issues were identified on Port charges: "The cross subsidisation of other business units that is largely funded by port revenues creates distortions and places an undue burden on exporters. The implications of flawed price-setting processes in port charges could be significant as excessive or inefficient port charges amount to a trade tax and tend to aggravate imported inflation in times of Rand weakening."

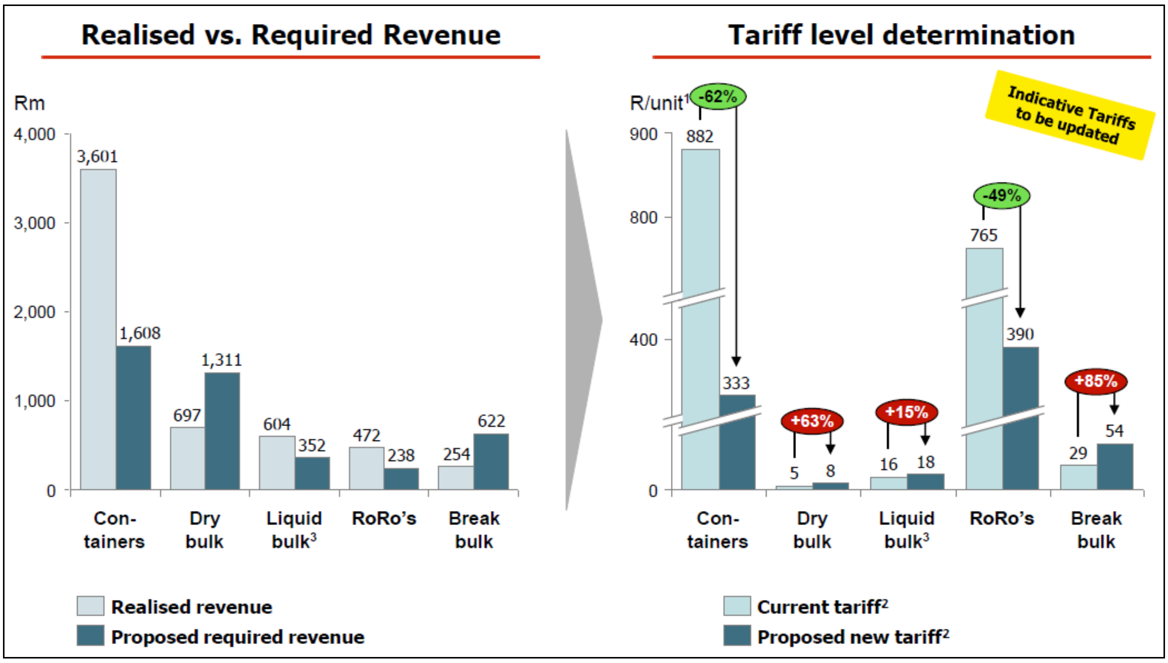
We applaud the Port Regulator's efforts in identifying and addressing these concerns and identifying the price disparities between manufactured goods (container cargo and vehicles) and bulk minerals. It is clear that both the automotive as well as the South African manufacturing industry as a whole was severely disadvantaged by the current pricing structures resulting in an additional "trade tax" on manufactured goods. The final approved changes to cargo dues for the FY 2013/14 was the first step in addressing these concerns. Significant further reductions over the next few years are however required to reduce and eventually eliminate the disparities identified in the Ports Regulator benchmark study.

NAAMSA also applauds the efforts of TNPA to address these disparities by suggesting a revision in revenue sourcing between the various commodities as per the graph below:



Source: NPA Pricing Strategy Road show Presentation March 2013

This translated into specific targeted reductions on both container and RoRo port tariffs not yet realised in the FY 2013/14 (*see graphs below*)



Source: NPA Pricing Strategy Road show Presentation March 2013

We however struggle to reconcile the above intent with the request for a CPI + 4% increase for FY 2014/15 to FY2018/19. The multi-year tariff adjustment must consider:

- Port prices as compared to other global ports as explained in *Section 4*

- Current pricing discrepancies negatively impacting on the manufacturing and automotive sectors (*see Section 4)*
- Impact of the change on the export competitiveness these changes will have on the export competitiveness of the sector and
- The impact of the tariff changes on job creation and the achievement of the National Development Plan 2030 objectives.

With this in mind, NAAMSA believes that our objectives are indeed aligned to the objectives of both the National Development Plan 2030 (*see Section 2*) and the objectives of the National Ports Act of 2005 which aims to "…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".

The next section explores specific concerns on the tariff calculation methodology and also highlights discrepancies in the calculation methodology which needs to be considered when determining the final rates revision.

6 Exploring the Tariff Calculation Methodology

6.1 TNPA Volume Projections

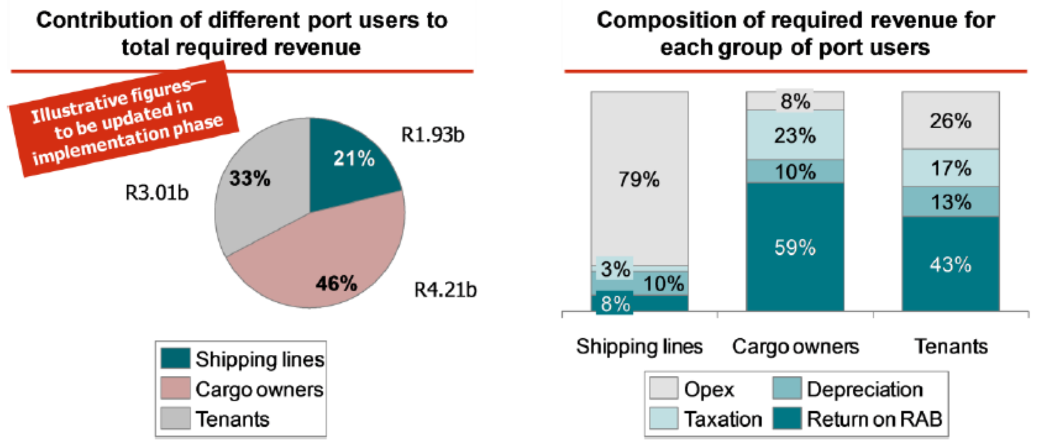
As highlighted in NAAMSA's previous submission, NAAMSA believes that the TNPA vehicle volume projections used to calculate the projected realised revenue are understated. Attachment *"Schedule_2_NAAMSA Volume Budget 201314 - Automotive"* represents the most recent projections of export and import figures as produced by each of the NAAMSA members. It is evident that by using these projections directly from the cargo owners both export and import tariffs will reduce. (*Detailed explanation provided in previous NAAMSA submission dated 14 Dec 2012*). NAAMSA however regards these projections as exactly that and will always be subject to market fluctuations.

6.2 RAB (Realised Asset Base)

NAAMSA would further like to challenge the valuation of the property portion deemed as Investment property by Transnet. In response to a question posed at the recent proposed Tariff methodology Q & A, the NPA indicated that "For the purposes of investment property, fair value determination, Transnet Properties, (division of Transnet SOC Ltd) has undertaken the valuation …" (NPA Proposed Tariff Q&A, 2013, p6)

This in itself implies that the market valuation was not done by an external valuation company, but rather by a Transnet internal department, that would benefit from an undue high valuation. As can be seen from the graphs below the most significant portion of the Cargo owners' required revenue calculation is informed by the "Return on RAB", which is directly affected by the actual valuation of the assets.

Figure 2: Breakdown of Required Revenue for Groups of Port Users
Note: all numbers illustrative



Source: TNPA response to pricing strategy questions 02 April 2013

The method used to revalue assets in 2008, "The Depreciated Optimised Replacement Cost (DORC)"…which bases the Replacement Cost (RC) on "the minimum that it would cost, in the normal course of business, to replace the existing asset with a technologically modern equivalent new asset with the same economic benefits."(NPA Proposed Tariff Q&A, 2013, p7) also seems to try and maximise the valuation of the asset for the same reason as mentioned above.

6.3 *No incentives to improve port efficiencies*

The negative effect of the current financing model (Capital Asset Pricing Model) is that, unless the Ports Authority intervenes, there is no real incentive to:

- Improve port efficiencies and/or

- Invest Capex only in productive assets.

Any increase in both operation cost, the required rate of return on the assets, the actual asset valuation and depreciation are simply passed onto the users of the port. The normal market factors which reduce costs and improve efficiencies in a non-monopolised environment does not apply, therefore we rely on the Ports Regulator's to limit the damage to our industry through the regulatory process.

At the same time industry is however exited at the prospect of lower rates within the short term brought about by the introduction of new state of the art "ship to shore cranes" able to handle two 12 meter containers or four 6 meter containers and lift up to a maximum of 80 tons. As noted by Minister Gigaba in a recent Transnet press release (dated 13 May 2013) "These capabilities will see a massive jump in productivity with gross crane moves per hour (GCH) - a key measure of terminal efficiency and how well equipment is used - jumping from the current 26 to 33 GCH over the next three years." In the same press release it was also noted that "Ship working hour (SWH), the rate at which a terminal is able to load and offload container ships in an hour…, will improve from the current 68 containers to 85." We also believe that these productivity increases brought about by the new technology should be discounted in calculation of rates structures which should lead to a further reduction in container tariffs.

NAAMSA believes that the RAB methodology does not promote competitiveness of the industry. Once the NPA decides its revenue requirement, it merely recovers this from port users via volume throughput. In the event the volume projections don't materialise, the NPA merely restates the recovery for the following year i.e. increased rates. Unfortunately NAAMSA members can't afford this luxury. NAAMSA can't increase vehicle selling prices to sustain profits if markets decline, they need to drive down costs and often these cost cuts result in huge job cuts which negatively impacts the economy.

Our suggestion to the NPA would be not only to share in the joys of the economy but also to share in the spoils. NAAMSA members employ market pricing methodologies commonly used in competitive environments to price their products. It starts at the level of what the customer is willing to pay rather than what the manufacturer wants as a return or profit. This is the fundamental difference of the RAB methodology used by the NPA versus the methodology used in competitive environments.

In addition to this there is no capital expenditure investment earmarked for the Automotive (RoRo) industry in the Transnet 7 year Market Demand Strategy, therefore the automotive industry should not and cannot be subjected to any increases in tariffs other than those that are inflationary driven.

6.4 Transnet Port Terminal (TPT) Charges

NAAMSA notes with concern the above inflation increases requested from NAAMSA members by TPT for the last few years as a tenant of TNPA. It was stated by TNPA in the pricing strategy road show that “All Terminal Operators – including TPT – are expected to recover their increased costs primarily by improving their operational efficiency and through processing higher volumes over time” (TNPA response to pricing strategy questions, 2013, p8). In the same discussion TNPA also stated that “…relatively minor improvements (<10%) in terminal handling productivity/turnaround times would allow them (TPT) to handle incremental volumes generating incremental revenues that will offset the increase in rent even without an increase in THCs” (TNPA response to pricing strategy questions, 2013, p9).

TPT (SA Ports Operator) currently charges NAAMSA members Terminal Handling Charges (THC’s) for imported and exported motor vehicles and containers. The charge is deemed to be for the following major services;

1. Transit Storage/Rental
2. Labour
3. Capital
4. IT and General Administration

The following information will demonstrate the excessive costs currently incurred by NAAMSA members as a result of THC’s on vehicles.

1. Average charge per vehicle = R700.
2. Assuming the storage/rental portion of this cost is conservatively about 65%.
3. Therefore NAAMSA members pay an average rental of R57/m^2 and R227/m^2 per month on export and import vehicles respectively at SA ports.

4. Current market related rentals for storage space within 25kms of major ports in SA are +/- R19/m^2 per annum.

NAAMSA members pay Cargo Due fees to TNPA and Handling Charges to the TPT however both charges appear to encompass a portion of a storage/rental cost. This is purely a duplication of costs and as cargo owners NAAMSA members carry this unnecessary burden. Therefore since the THC's cannot be justified from a value based addition perspective neither from storage/rental component that is market related, NAAMSA believes that future THC's could be used as mechanism to recover the increased 'rentals' levied on TPT by the NPA.

NAAMSA understands that the "NPA is empowered to cap excessive increases in THCs" (TNPA response to pricing strategy questions, 2013, p9 and Figure 43, Page 50 of Proposed Pricing Strategy) and would therefore request support from the NPA to ensure these tenant increases are not simply passed onto the cargo owners – which would eliminate the recent gains made through the reduction of cargo dues. NAAMSA would like the Regulator and the NPA to mandate TPT to disclose their cost structures to NAAMSA members to enable members to understand the costs they pay and subsequently have this linked to value based additions.

An alternate to 'capping' the THC's would be to introduce new entrants into the market to operate SA Ports. It is within the NPA's and the Regulator's mandate to award port operating licences and it is perhaps worth consideration that this mandate be exercised should the current operator be unable to contain excessive THC increases. New entrants will introduce 'competition' within the port operating system and competition ostensibly should result in benefits to the end user i.e. cargo owners.

6.5 The Proposed Tariff Structure (Page 13, Pricing Strategy Roadshow)

NAAMSA believes the redistribution of the required revenue structure between Shipping Lines (21%), Cargo owners (46%) and 33% (Tenants) is fair and supports the strategic intention of the NPA. NAAMSA's views on each of these components has reference to Figure 44 (Summary of Proposed Port Charges) on Page 51 of the Proposed Pricing Strategy are as follows;

1. Shipping Line

   No major concern on this component. The user pays principle is fair and the value proposition for the basis of the charge is clearly defined.

2. Cargo Owner

The biggest portion of the NPA tariffs would be obtained from the cargo owners. NAAMSA welcomes the NPA's proposals to reduce the cargo dues on containers and vehicles and fully supports that the determination of these rates is linked the Beneficiation Promotion Programme (BPP) (Section 7.4.3 of the Pricing Strategy). It is in this area that NAAMSA would like the Regulator to play an active role ensuring that this intention is met in the years ahead.

3. Rental

   This is the area that NAAMSA deems to carry the most risk for its members where the reduced cargo dues may be recovered by way of Terminal Handling Charges levied by the Port Operator. NAAMSA believes that the Regulator and the NPA can play a proactive role in this regard by capping the THC's and linking the charge to value based additions or market related rentals. These comments have been repeated earlier however it is only because of the severity of its nature and the risk NAAMSA deems it poses to what is otherwise a great pricing strategy.

   NAAMSA members are cargo owners and as the end users are therefore subjected to all costs that need to be recovered by other parties i.e. shipping lines and terminal operators. Transnet as a group renders various services directly to NAAMSA members and indirectly to NAAMSA's service providers. Inevitably these costs are recovered from cargo owners (NAAMSA members). See attachment "*SA_Automotive_Logistics_Chain_Transnet_Costs_20130528*."

7 Concluding Remarks and Recommendations

NAAMSA welcomes the reduction in cargo dues on both container cargo and vehicles implemented within the FY2013/14 cycle. The pricing discrepancies between bulk tariffs and container/vehicle cargo is however still significant as highlighted in Section 4. South African manufacturing industry will require significant reductions in Cargo dues to eliminate the >700% on-cost compared to our global competition with reference to port charges. We therefore propose further multi-year negative adjustments to both container cargo dues as well as vehicle cargo dues to move the South African port structures closer to global best practise. The South African government has prioritised the manufacturing sector for support since it has recognised its crucial role in achieving sustainable growth in the country. The beginning of 2013 saw the implementation of the APDP and programmes such as this is evidence of Government's recognition that its objectives can only be achieved through government stimulating advancement in these priority sectors such as the domestic automotive industry.

NAAMSA also recognises that whilst its competitors may enjoy much cheaper Port Costs elsewhere in the world (See attachment 1), the SA environment is structurally different. NAAMSA does however appreciate the phased approach of the new Port Pricing strategy that will over time enable NAAMSA to achieve its global cost benchmarks and contribute to the growth of the SA economy. Our final recommendation is therefore that port cargo dues be reduced according to the following phased implementation plan.

		Current Tariff				
Category	**Sub Category**	**FY2013/14**	**FY2014/15**	**FY2015/16**	**FY2016/17**	**FY2017/18**
RoRo (Rate x 2 x length of vehicle)	Exports Cargo Dues	R 86.80	R 74.36	R 63.70	R 54.57	R 9.35
	Annual reduction (43% over 3 years)		**14.33%**	**14.33%**	**14.33%**	**0.00%**
	Beneficiation Promotion Programme		**80.00%**	**80.00%**	**80.00%**	
	Net Export Cargo Dues	R 86.80	R 12.74	R 10.91	R 9.35	R 9.35
	Imports Cargo Dues @ 2 x Export Rate	R 217.06	R 25.48	R 21.83	R 18.70	R 18.70
Containers 6m / 20’	Exports Cargo Dues	R 614.35	R 514.01	R 430.05	R 359.81	R 60.21
	Annual reduction (49% over 3 years)		**16.33%**	**16.33%**	**16.33%**	**0.00%**
	Beneficiation Promotion Programme		**80.00%**	**80.00%**	**80.00%**	
	Net Export Cargo Dues	R 614.23	R 86.01	R 71.96	R 60.21	R 60.21
	Imports Cargo Dues @ 2x	R 1 866.23	R 172.02	R 143.92	R 120.42	R 120.42
Containers 12m / 40’ , 13,7m/45’	Exports Cargo Dues	R 1 228.45	R 1 027.80	R 859.93	R 719.47	R 120.39
	Annual reduction (49% over 3 years)		**16.33%**	**16.33%**	**16.33%**	**0.00%**
	Beneficiation Promotion Programme		**80.00%**	**80.00%**	**80.00%**	
	Net Export Cargo Dues	R 1 228.45	R 171.99	R 143.89	R 120.39	R 120.39
	Imports Cargo Dues @ 2x	R 3 731.13	R 343.97	R 287.79	R 240.78	R 240.78

The NAAMSA Preferred Option

NAAMSA prefers this option because it is linked to the DTI beneficiation framework (BPP, Figure 35, Page 42 of Pricing Strategy) and the APDP with some minor revisions. NAAMSA's products conform to the Stage 4 level of beneficiation as per the DTI framework. The production of these products generate maximum FDI for SA, contribute to job creation, reduce poverty and will over time improve the trade balance of SA therefore positively contributing to the SA fiscus.

1. Cargo Dues on Vehicles (RoRo)

The NPA suggests an 80% discount in the case of products that are deemed to have undergone 'Stage 4 Beneficiation.' Therefore NAAMSA suggests that exported motor vehicles be granted this 80% discount rate over and above the planned decrease of 43%.

2. Cargo Dues on Containers

In terms of containers, NAAMSA suggests that the imported rate on containers bringing in components to be used in the manufacture of motor vehicles be also aligned to the BPP and subsequently be further discounted or incentivised over and above the 49% proposed decrease. These components would be deemed to fall under Stage 4 (80% discount) (Figure 35, Page 42 of Pricing Strategy).

NAAMSA would also like for the import rate for vehicles and components to remain at twice that of the Export Rate to encourage manufacturing exports. NAAMSA also does not want to be faced with a situation where discounts on the export rates are recovered from increased import rates.

In the event that the BPP cannot be implemented in its entirety for the 2014/15 year or even thereafter, NAAMSA requests that the current discount table be therefore applicable until such time that the BPP is fully implemented.

Number of Units	% of Discount Applicable
0 - 10,000	0
10,001 - 20,000	10
20,001 - 25,000	15
25,001 - 30,000	20
30,001 - 35,000	25
35,001 - 40,000	30
40,001 - 50,000	35
50,001 - 60,000	40
60,001 - 70,000	45
70,001 - 80,000	50
80,001 +	60

Current Discount Threshold Table

NAAMSA deems 3 years to be sufficient to fully implement this plan. NAAMSA further suggests that the Regulator set key milestones and targets for the NPA that can be appropriately measured and managed. NAAMSA will fully support an approach of this nature since it secures some form of sustainability for their industry and the NPA has a target to work towards. This is a win-win for all parties and NAAMSA believes that this is the only way the regulator can assist in improving the competitiveness and sustainability of the industry in the long term.

Ultimately whatever benefits NAAMSA receives in the form of more competitive port pricing should ensure that such benefits find their way to the end customer i.e. the man on the street. Competitive Port pricing will ensure that high port costs are not passed on to the end customer but rather be used as a contributing enabler (amongst others) to make new cars more affordable in SA. In addition to this the sustainability of lower costs will ensure future investment in the automotive industry either through the existing manufacturers and perhaps enable new players (manufacturers currently not in SA) to set up manufacturing in SA by reducing the barriers to entering SA. This will further improve the SA economy and increased competition will only benefit the end consumer.

Finally NAAMSA would like to express their appreciation to the Regulator for facilitating this process of engagement. NAAMSA sees this as a kick-off to further engagements with the Regulator and the NPA and looks forward to jointly exploring the contents of this submission through a series of future face to face meetings. NAAMSA believes that this process has provided a platform where the role of the Regulator and subsequent rulings will forever change the landscape of doing business in SA not just from a Port costs perspective but from a total cost of doing business in SA perspective. A positive ruling in favour of the NAAMSA recommendations will cement SA's position as a truly global automotive manufacturer and help country and industry reach their goals together.