



Ports Regulator Global Port Pricing Comparator Study 1 April 2012

Interpretive Context Document

The Ports Regulator Global Port Pricing Comparator Study for 1 April 2012 represents an assessment of the global pricing context for ports with respect to a defined list of commodities, and contextualises South African port pricing in this global context. The study is based only on publicly available information and is only based on the level of charges that are faced by third party service users without “special” pricing arrangements (except for the automotive sector where the volume discount program was taken into account).

However, it is concerning that previous studies that had been published by the Regulator were almost invariably treated in the following way:

- Quoted out of context
- Over-emphasis was placed on the prices that were higher than global averages and those lower than global averages were ignored
- Copied without appropriate citation and used as “research” by third parties
- Not assessed in a sufficiently nuanced manner that allowed:
 - correct interpretation of the findings
 - assessment of how those findings reflected the different port stakeholder positions
 - analysis of the alignment between port pricing on the one hand and national economic development and transport policies on the other
 - assessment of how the differential treatment of South African companies v foreign companies was embedded appropriately or otherwise
 - analysis of the level of internal coherence between different role players and interests
 - analysis of the level of alignment with global port pricing
 - analysis of the competitive positioning of the country with respect to the extent that the economic development initiatives and the current structure of the economy was supported or impeded by port pricing
 - the coalescing of coherent and consistent positions that would inform the tariff reform debate
- It is of significant concern that affected or interested parties in the past have not considered the data sufficiently to ascertain what the findings were and what implications, lessons or appropriate responses could be drawn or developed therefrom. These parties have either spared no expense to attack the validity of the findings or any bases included therein, or have accepted the results without question. Neither of these approaches serve to promote any advancement in the process of ensuring appropriate pricing and efficiency of ports. A

critical but constructive engagement with the research would be appreciated. Including whether the research provides any value.

- The studies were conducted under a set of assumptions that will arguably open it up for debate. It is however clear that the anomalies in the results are significant enough that they require attention. Debating assumptions to the n^{th} degree might change the numbers somewhat but not change the important result, e.g. A 20% differential in the dollar price will not remove a 700% price premium over a global average, it would merely make it a slightly lesser premium.
- The process and outcomes of benchmarking port pricing is not an exact science. The global averages that we have defined in our studies do not represent what we should be charging in RSA ports. It rather gives us some indication of the direction that our pricing should be moving in, rather than the exact absolute level of pricing. It also provides us with a reasonable indication that would allow assessment of the alignment between port policy, port pricing and economic policy.

The research is therefore published, and the Ports Regulator trusts that the results presented in the studies will be responded to in a considered manner that contributes to the debate around port tariffs, and the Regulator welcomes any questions, corrections, criticism, and or comments to increase the appropriateness and value of future studies.

We do however ask that where parties wish to submit such, they please provide the following:

- An explanation as to why the information in the study is incorrect or inappropriately used.
- The correct information, if the information in the study is claimed to be incorrect, or a more appropriate use or exposition of information if the appropriateness or exposition of the information is questioned.
- The original public documents and or information that the correction is based on.
- The reason why an alternate view, if it is opinion-based such as the selection of different populations or indices, is more appropriate.

Corrections, questions, criticism, and/or comments can be addressed to tariffcomments@portsregulator.org.