



# Amandla Marine

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11 December 2012

Ports Regulator  
11<sup>th</sup> Floor  
The Marine Building  
DURBAN  
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Dear Sir

## **OBJECTION TO THE PROPOSED 2013 BUNKER FUEL LEVY IN THE PORT OF DURBAN**

Black empowered SMIT Amandla Marine (Pty) Ltd is a specialist marine services company operational in Southern Africa. In addition to services offered to oil industry, ship owners and various other target markets, the company offers bunker delivery services for vessels calling at 2 South African ports and operates 3 bunker barges – 'Smit Energy', 'Smit Lipuma' and 'Smit Bongani'. The 'Smit Energy' and 'Smit Lipuma' operate in the Port of Durban and the 'Smit Bongani' operates in the Port of Richards Bay. These bunker barges deliver Heavy Fuel Oil (HFO) to vessels calling at the ports. Fuel is a critical requirement for all vessels and one of the highest costs for ship owners and managers.

By way of background, bunker barges were introduced in the late 1990's in South to provide a more efficient bunkering services to ships calling in the Port of Durban. Research and recent operations show that bunkering by barge is considered to be safer than pipeline and contributes to a faster turnaround time for cargo ships in that operations do not have to be disrupted whilst the bunker barge is alongside and delivering fuel.

Of value locally, in terms of the current contracts for bunker delivery in the Port of Durban in place with SAPREF, bunker barge operators are required to be Level 3 B-BBEE compliant entities, thereby ensuring that Black South Africans participate in a sector with traditionally high barriers to entry.

The ability of South Africa to attract and service vessels calling at our ports and requiring bunkers relies on a cost effective, reliable service with minimal delays. In terms of pricing, our ability to attract specifically bunkers-only callers to the Port of Durban relies on us offering comparable bunker delivery rates to key bunkering ports such as Singapore, Port Louis and West Africa offshore supplies. South Africa is one of the most expensive Ports to bunker at in the world.

Aspects of the cost associated with taking bunkers that require management for the Port of Durban to be internationally competitive include the cost of the port call, the delivered cost of the bunkers as well as demurrage incurred whilst callers are delayed by berth



unavailability. It is therefore essential that all parties involved in this sector, including refiners (oil majors), oil traders and brokers, ships agents and barge operators, work together to prevent unnecessary costs which could exacerbate an already dire situation.

Over the course of the past decade, we have seen a steady decline in the amount of callers requiring bunkers at the Port of Durban in particular. Some of the reasons for this include:

- High port charges impacting on costs to the ship owner.
- The lack of a suitable bunkering berth for bunker-only callers, leading to unacceptable delays.

In recent years, the impact of the global economic recession has exacerbated the situation further. The increasing price of crude and the impact on the international shipping industry has resulted in ship-owners only "topping-up" and not taking full stems in an effort to maximize cash flow and reduce risk.

***Lowering the cost of this service is critical and TNPA has an important role to play in order to achieve this objective and to keep a critical sector in the maritime industry afloat.***

SMIT Amandla Marine therefore gives notice of its objection to the proposed TNPA bunker levy of R15 per ton for 2013.

Further matters to be taken into consideration include the following:

- TNPA did not engage the bunker industry, its representative body IBIA Southern Africa or SAPIA when discussing the planned levy
- TNPA has not outlined how it intends to recover this levy, which presents an administrative and practical problem.
- The reason given for the levy is the upgrade required to make the loading berth in the port more efficient – this is invalid because there is no lease agreement signed with SAPREF for the quay infrastructure.
- TNPA already derives benefit by way of an income stream from the 4 barges based in the port for port dues, pilot exemptions, navigation, light dues, bunkering licenses / etc.

The bunker market in Durban requires incentives in order to return bunker callers to South Africa and reduce cost. As such, SMIT Amandla Marine requests that The Ports Regulator rejects this proposed levy and instructs TNPA to go "back to the drawing board" to determine the most effective way of recovering the capital cost of the IV10 extensions to avoid a sector-collapse.

Yours faithfully,

Gerad Singh  
Business Unit Manager: Bunker Barges

A handwritten signature in black ink, appearing to be 'Gerad Singh', written over a white background.