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Solutions sought for high port tariffs

SHIPPING industry players and port authorities are seeking to resolve the challenges that South Africa's high port tariffs represent and to make it easier to do business in the country, says chairman at shipping industry leader Maersk South Africa Fred Jacobs.

A recent World Bank report on South Africa suggested the reduction of charges exporters incurred for using ports, rail and telecommunications. This would improve competitiveness and encourage growth of small and medium-size exporters.

Ports are an important trade channel for South Africa, with up to 80% of trade between the country and its partner countries being maritime-based, according to Maersk. But costs could escalate if the Ports Regulator granted Transnet National Port's Authority's (TNPA's) application for an 8.5% tariff hike.

TNPA has said it needs the hike to fund its R2.4bn capital expenditure in the 2014-15 year. The tariffs will take effect from April 1, the start of the Transnet group's financial year.

"If we want to have global shipping companies using our ports then we have got to be competitive from a pricing point of view," Mr Jacobs said in an interview last week. The cost of doing business was essential.

He said challenges with port tariffs were not just a South African, but a global issue. Despite the challenges over tariffs, local port authorities were in constant, thorough consultation with industry players about tariffs and other issues.

Analysts said with the global economic conditions starting to improve, South Africa needed to position itself as an investment destination and trade partner.

Coface South Africa lead analyst Saijil Singh said there were contenders to South Africa's position as the gateway to Africa. Most global companies looking to expand into Africa had normally based their regional head-offices in South Africa, but this was changing.

"The Western world is now increasingly starting to look at countries like Nigeria and Angola," Mr Singh said. "In terms of proximity, a country like Nigeria is well placed and the US or Europe will find it cheaper to trade with them because they are closer."

Economic growth is also higher in most sub-Saharan African countries than it is in South Africa.

Nigeria's Finance Minister, Ngozi Okonjo-Iweala, recently projected the continent's second-biggest economy would grow 6.8% this year. South Africa is expected to grow about 2.9%.



P R E S S C O V E R A G E

Economic growth in South Africa has mostly been below potential in the recent past because of economic underperformance in its main trading partners. Further, strikes in key sectors such as manufacturing and mining have taken their toll.

Mr Jacobs said port activity in countries including Mozambique, Angola and Namibia was increasing. But South Africa still had an advantage over other ports on the continent because of the close links between its port and rail infrastructure.

The links allowed for goods to be speedily delivered from ports to inland. "South Africa has that advantage in place and that still puts us ahead of other African countries," he said.

Transnet, the parastatal responsible for ports and rail, was not available for comment.

<http://www.bdlive.co.za/business/trade/2014/02/10/solutions-sought-for-high-port-tariffs>