

Watchdog probes Transnet for excessive pricing and preferential treatment

By Andiswa Maqutu

8 Jul 2016

The Competition Commission is investigating Transnet for "excessive pricing" in port charges and the preferential treatment of some clients to the exclusion of others. SA's port charges are excessive by global standards and have long been identified as an impediment to business.



tpsdave via [pixabay](#)

On Thursday, the commission said that areas of focus of the investigation would be charges for terminal handling for containers and those relating to automotive exports.

These were much higher than the global average, it said. These particular tariffs are set by Transnet directly, while most other port charges - such as port calling charges - are set by the Ports Regulator of SA.

Possible exclusionary practices and abuse of dominance

Transnet would also be investigated for exclusionary practices. "Information in the possession of the commission indicates that Transnet may have engaged in exclusionary conduct through preferential berthing windows, capped export capacity, minimum export tonnage requirements and preferential lease agreements," said Competition Commission spokesman Itumeleng Lesofe.

Transnet spokesman Molatwane Likhetho said on Thursday the state-owned company would cooperate with the inquiry. "Transnet is comfortable and confident that its processes are fair, just and in line with relevant legal requirements," Likhetho said.

In terms of the Competition Act, Transnet would be viewed as a dominant firm. Abuse of dominance through excessive pricing or discriminatory pricing is an offence under the act.

Report finds charges are above global average

A recent port tariff benchmarking report by the regulator found that Transnet's terminal handling charges were 56% above the global average in 2015-16. Port regulator Mahesh Fakir said the charges being probed by the commission were those levied by Transnet Port Terminals - the operator of the ports - and were not regulated.

Tariffs charged by Transnet's National Port Authority, which owned and managed the eight commercial ports in the country, were determined by the regulator and have been regulated since 2009. These include port calling charges levied on ships docking at the country's ports, container and automotive handling as well as commodities.

Fakir said the regulator had conducted studies which showed that port charges in SA were expensive when compared with those in other countries in terms of containers and automotive handling. But charges were lower in terms of coal, iron ore and marine charges.

But while Transnet terminal handling charges are high, the National Port Authority - which is regulated - is a far worse offender. The benchmarking study showed that charges for containers levied by the port authority were 267% above the global average in 2015-16 while charges for automotive handling were 541% above the global average in 2014-15.

Both are significant decreases on previous years as the regulator has been regulating downwards. "Because we are regulating, we are slowly bringing down the cost over the years. Essentially our idea is to look at how we are faring compared to others to see if we are higher or lower in relation."

Biggest issue not with TPT charges

Transport economist Andrew Marsay said the biggest issue was not with Transnet Port Terminals charges but those levied on ships by Transnet Port Authority as the "landlord". "The port calling charges by the authority are excessively high," Marsay said. "However, the Competition Commission has every right and duty to be chasing Transnet Port Terminals because they are not regulated."

Lesofe said the role of the ports regulator in determining tariffs would be considered as part of the investigation. "There is also a Memorandum of Understanding between the Competition Commission and the Ports Regulator governing how a matter of this nature should be handled, given our respective legislative mandate," Lesofe said.

The commission had started the investigation and "depending on the complexity of the issues under investigation" it would be concluded in a year, Lesofe said.

In March, the port regulator granted Transnet a zero percent increase in port tariffs due to "cargo volumes and market-related factors". Transnet CEO Siyabonga Gama said it would result in a R600m loss for the state-owned company.

Source: BDpro