

Transnet's Molefe 'tried to impose terms' says BHP Billiton

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Transnet tried to force BHP Billiton to give up 1m tons of its annual export capacity through Richards Bay as a condition for signing a take-or-pay railage contract, says Manie Dreyer, asset president for BHP Billiton Energy Coal SA.



Spat between Transnet and BHP Billiton over tariffs and quantities. Image: Transnet

He was responding to a series of allegations made against BHP Billiton last week by Transnet's chief executive Brian Molefe.

Dreyer said Transnet was trying to impose a similar condition on other coal exporters. He rejected comments by Molefe that BHP Billiton had benefited from an interim monthly tariff arrangement and said the group had been subject to substantial rail tariff increases.

Transnet and the coal exporters have been negotiating since 2005 over the introduction of a take-or-pay railage contract.

In terms of such a contract the coal exporters have to commit to railing specified volumes of coal. Should they not be able to produce that coal for whatever reasons they will still be obliged to pay for the railage charges on the contracted volumes.

Transnet said such contracts - which are already in place on the Sishen-Saldanha iron-ore line - are required before it will commit to the considerable capital expenditure to raise capacity on the line to the Richards Bay Coal Terminal (RBCT). The coal exporters are cautious about signing such a contract as their sales volumes are subject to volatile market conditions.

Take-or-pay arrangement

Last week, Molefe said: "We are trying to sign a 10-year take-or-pay agreement and we have been negotiating the BHP contract for the past three years. BHP has been benefiting from the fact that there have not been tariff increases during that period because we have been using month-on-month contracts."

Dreyer replied: "BHP Billiton is keen to sign a long-term agreement and has actively engaged Transnet towards this end. However, BHP Billiton is not able to sign such a contract because the company is not prepared to accede to Transnet's condition that BHP Billiton give up 1m tons of its export entitlement.

"We are aware that the majority of RBCT participants also have not signed long-term agreements for similar reasons," he added.

Turning to the issue of railage tariff increases Dreyer said, the introduction of the monthly tariff arrangement by Transnet has imposed a substantial increase in rail tariffs on BHP Billiton which, reluctantly, it has been obliged to accept.

"Additionally, it should be noted that, on an annual basis, we have seen price increases on the monthly tariff arrangement in line with the escalation mechanism proposed in the long-term agreement," he added.

The relationship between Transnet and the coal exporters has clearly deteriorated since October 2010.

At that time, then acting Transnet chief executive Chris Wells, referring to the long-term contract negotiations confirmed that a new draft contracts have been drawn up and were being circulated. He said at the time that discussions are under way and the governance processes at the mining groups have begun.

Source: Business Day via I-Net Bridge

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