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Report on discussions at the Public Consultations held by the Ports Regulator for the National Ports Authority's 2019/20 – 2021/22 Tariff Application

The program for the roadshows was the same in Durban (14 September), Johannesburg (17 September), Port Elizabeth (18 September) and Cape Town (19 September). The CEO of the Ports Regulator opened the sessions, after which the National Ports Authority (the NPA or "Authority") presented its Strategy and 2019/2020 – 2021/22 Tariff Application followed by an overview of Regulatory process was done by the Ports Regulator (presentations are attached). The Authority did not implement the Valuation of Asset Methodology to the Regulatory Asset Base as required in the Record of Decision on the Valuation of Asset Methodology, published in March 2018.

In introducing the Authority's presentation, the Chief Executive of the National Ports Authority explained to port users why the NPA submitted a tariff application based on the approved tariff methodology of March 2017 instead of the Valuation of Asset Methodology published on 28 March 2018 as follows: *"The Authority and Regulator has been involved in the exercise to determine the fair value of the RAB. The discussions took place through working committee's that are set up to deal with such technical matters. The final outcomes of the asset valuation has not been shared with the Authority prior to the new methodology being published for comments in Feb 2018. The draft methodology for valuation of assets that was issued in February 2018 proposed an approach which is vastly different from the discussions held at the working committee and also vastly different from the traditional approaches to asset valuation. The Authority participated in the commentary process which closed in March 2018 highlighting the financial impact and financial sustainability of the Authority which needed to be considered carefully given the role that the Authority plays. The Regulator thereafter issued a ROD on the methodology to calculated the starting RAB and RAB to be implemented with the tariff application for the financial year 2019/20. The Authority has made approaches to the Regulator raising concerns associated with the implementation of the VOA methodology in its form. There has been quite a number of discussions and session at a working committee level which resulted in the simulated numbers that are highlighted in page 28 of the current tariff application. Unfortunately, the Authority and the Regulator still needed to have a more robust engagement at a higher level on the VOA and its implementation. So, the issues remained unresolved at the time of the tariff application. The Authority respects the Regulatory process and endeavour to work very closely with the Regulator to achieve the spirit that is embodied in the National Ports Act. The issue at hand however is critical to the financial sustainability of the organisation and in order to meet the deadline of 1 August 2018, the submission of the Tariff Application for the financial year 2019/20 and the calculation of the revenue requirement was made in accordance with the approved tariff methodology of 2017 whilst the Authority awaits the workshop with the Regulator to discuss VOA further which workshop will assess the VOA, revisiting the ROD and* *also agree on an appropriate implementation plan to achieve the tariffing basis for the port users whilst ensuring that the Authority is sustainable. The Authority is committed, just like the Regulator, to reduce the cost of doing business in SA for the benefit of all South Africans whilst ensuring that the organisation is sustainable.*"

The Chief Executive Officer of the Regulator clarified the applicability of the valuation methodology by reading an extract from the last page of the Record of Decision on the RAB: "Applicability of the RAB valuation methodology - This methodology is applicable in its approach to the valuation of the regulatory asset base and the calculation of required revenue from the date of application for the 2019/20 tariff expected on 1st August 2018 and future tariff years until reviewed or updated by the Regulator. Any part of the current applicable multi-year tariff methodology published March 2017 that contradicts this valuation methodology is hereby replaced by this methodology. This was signed by Mr. Thabadiawa Mufamadi, chairperson of the Board on 28 March 2018. Accordingly, the applicability of the RAB Valuation methodology was for the current application.

The Group Chief Executive of Transnet – made a request to regularise the NPAs tariff application in terms of the directive from the Chairperson of the Board in the ROD of the 28th March 2018 which request was for the Authority to be allowed to make an amendment in the application to request that it (NPA) continues with the old methodology for the current tariff application, to deal with the issues that it want to address with the Regulator regarding the RAB and valuation methodology. He indicated that the Authority is incapable of applying the "VOA" in the current year and that it can be implemented in the new multi-year application next year.

Discussions during the question and answer session are recorded below. They follow no particular order and are grouped per city they were raised. Although not a verbatim recording of the issues raised, care was taken to provide as accurate as possible reflection of the questions raised and responses thereto.

Durban, 14 September 2018.

REGULATORY ASSET BASE AND TARIFF METHODOLOGY

Question/Comment – University commentator

Comment: Acknowledged and applauded the implementation of the tariff strategy with regards to adjustments and increases in previously under-priced dry-bulk.

Question: Inquired why the debt to equity ratio is 100% in the calculation of WACC, and whether a beta of 0,5 is appropriate for a monopoly company.

Regulator response: With regard to the Tariff Methodology, the ratio is 50/50 and not 100% i.e. 50% of debt and 50% of equity which equates to (1).

Regarding the beta, the Ports Regulator took a decision with regard to Beta of the Ports Authority which is fixed for the period under consideration in terms of the tariff methodology. At the start of regulation, the NPA had applied with a Beta that suggested that it was a high-risk company. With the current methodology the actual BETA is 0 and it is set at an asset Beta of 0.5 by the Regulator.

The Regulator highlighted that the tariff methodology will be up for review with the CEO of the Regulator encouraging submissions on how this should be dealt with going forward, especially from academia based on their research.

Question/Comment – SAAFF member

Comment: An attendee from the South African Association for Freight Forwarders highlighted that industry has raised concerns about the Regulatory Asset Base for the last few years and applauded the Regulator for investigating the value of the Asset Base which addresses the concerns of the industry.

Question: The attendee sought clarity on whether the Ports Authority used the Valuation Methodology for assets in its application and what the impact of the Valuation of Assets methodology would have on the Authority noting concerns with the timing of the implementation of the methodology which would remove R3b from Transnet which *will be quite painful for them*.

Regulator response:

The Regulator has not taken a decision to wipe out R3.8b in one go, there are a number of options that can be considered in implementing the VALUATION OF RAB. However, the notion that the Ports Authority would run at a loss is incorrect as the tariff methodology allows for all operational expenditure, interest of loans, capital expenditure and all the expenses that the Authority must cover.

The RAB is also used to calculate depreciation which, in the regulatory system, talks to capital redemption i.e. the amount given to the Authority towards redeeming loans taken to finance infrastructure. The other part is the interest on loan which is treated as an expense. The other part of the effect of the RAB is the extent of profit where in the Regulatory equation the return to the Authority is the RAB x WACC. A reduction in the RAB will result in the reduction of profit and not the elimination of profit and not a loss. The valuation methodology addresses the latter part where the RAB grows based on re-valuation and assignment of higher values and not necessarily, the addition of more assets. It should not be that the only way of increasing profit by the Ports Authority is through inflating the value of the Regulated Asset Base. Therefore, Required Revenue tariff methodology incentivises building of new assets and not just re-valuing existing assets much higher, as every time more assets are built and added to the RAB, the Authority will earn a higher return. This is why there is also concern with the lack of implementation of the Authority's Capex which adds assets to the RAB. Overall, there should not be a loss to the Authority but rather reduced profits based on a lower RAB value.

On when port users will know about the implementation of the VOA methodology – the CEO indicated that the process should allow a process of workshopping these further with the Authority and Transnet. It is a decision that the Regulator must make. In the meantime, comments must be submitted to the Regulator in writing including the request by the Group Chief Executive – Transnet. It must be formally communicated to the Regulator. The Regulator will keep port users informed about the process.

On the request for a one-year delay to the implementation of the VOA methodology – the CEO highlighted that in considering the request, cognisance will also be made on the possible escalations and the impact thereof on the Value of the RAB.

VOLUMES

Question: It would be appreciated if the information on current volumes increase vs projected volume increase, is made available to the industry as volume forecasts for the next few years are quite arbitrary.

***NPA response*:** the NPA agreed that it will make information on volumes available and noted that for the Last tariff process, the NPA forecasted volumes of 1,8%, the PRSA decided on 2,79 % in the RoD. The NPA closed off the year just short of 2% so closer to their indication than what the Regulator forecasted.

PORT LANDSIDE PERFORMANCE AND NPA's OVERSIGHT

Question/comment - Harbour Carrier Association

An attendee from the Harbour Carrier Association raised concerns about efficiencies of operations on the land side noting that the Ports Authority "has all the ducks are in a row on the water side" but nothing on the land side. Where 80% of everything that enters or leave ports is through road, the NPA has not mentioned anything about efficiencies on the Haulier's side i.e. Haulier Operator Performance Standards. He highlighted a number of operational and logistics system challenges were trucks currently stays over 6 hours in some instances up to 36 hours before they enter the terminal. This should be below 6 hours. The cost of congestion where if a vessel stays at the berth for 24 hours, it is charged about R450 000 (US$ 25 -30k) yet on the roadside with truck queues stretching back 10km and at 100 vehicles per kilometre on a discount rate of R400 this amounts to a cost of R400 000 per hour. Against this backdrop, why is there only a focus on Terminal Operator Performance Standards, Rail Operator Performance Standards and Marine Operators Performance System and not on Hauliers Operator Performance Standards (HOPS). The landslide efficiency through HOPS must be included in the (WEGO) indicators.

He reflected on delays with projects and ineffective planning highlighting that five years ago, berth deepening was supposed to happen and Point and Maydon Wharf roads were upgraded spending millions of Rands. Last year when Point road was needed it was not fit for purpose, all the equipment where money was spent was not there or had been run down or transferred.

On NPA's oversight on terminal operators - two and a half years ago at DC Pier 2 out of 123 straddle carriers, 50% of them were out of service which bring into question what maintenance is being done. At that same time shipping lines were waiting up to 14 days for a berth. Last year out of 19 Ship to shore cranes down to 17, they were using on average 10 instead of 13 or 14. If one STS costs R350m and three are not used, it is almost R1b that is earning no return for the full year because they cannot cope. Although there is some progress through engagements with the Authority, the land side has to be sorted out. Vehicle turnaround within the terminal must reduce to below 6 hours. With the current fleet with consistent turnaround of less than 6 hours in the terminal can handle 5m TEUs without increasing the fleet, reducing the cost to the South African economy.

NPA Response:

The Chief Operating Officer of the NPA acknowledged that with 80% of cargo getting to ports by road, roads become very important in feeding the port. She highlighted that the NPA has a four-stage approach to address issues of congestion on roads as well as defining the approach and measures for Haulier Operator System (HOPS). The NPA has engaged with trucking companies and although the HOPS was started, the Authority has encountered some *"hiccups"* in establishing the system. Where it was supposed to be executed in the current year, implementation has been pushed out. The NPA is also trying to digitise the HOPS process, including the registration of trucks entering the port. She highlighted that there is a process of engagement with role-players within the port of Durban in addressing the problem with truck accessing and leaving the port, and invited the speaker to engage further with that process.

Follow up comment – although every day documents are released (by the Authority) with TOPS measures, when every vehicle spends over 6 hours waiting to enter the port, it is an indication that the system is not working. The Authority must not hide the cost of delays to doing business, when the cost is highlighted, then the problem can be dealt with.

It was noted that further engagements between port users and the Authority were necessary on this matter and an opportunity for inclusion of HOPS into WEGO must be considered through the WEGO KPI sub-committee of the Port Consultative Committees (PCC).

Question/Comment – National Port Consultative Committee Secretariat

- The NPCC secretariat noted the three categories of users were well represented in the ports of Durban and Richards Bay and that these members have a responsibility to consult with the constituencies they are representing and therefore speak on behalf of the users they represent.
- Port users registered with concern the disdain demonstrated by the NPA when it chose not to use the Valuation of Asset Methodology in this tariff application.
- Noted that the NPA has not fulfilled the mandate of reporting on their oversight role in terms of CAPEX with the NPA consistently requesting CAPEX and consistently underspending on the allocation made. Further, there seems to be a disconnect between what the port says and what head office reports.
- Port users through the NPCC will be suggesting that when the Regulator approves CAPEX, the human error should be removed in order for the CAPEX to be actually spent.

Question on Broad Based Black Economic Empowerment: How can small BEE companies conduct business with or access the port? For currently there is a huge challenge that big companies are creating barriers for small up and coming port users. i.e. what process need to be followed to become a ship agent?

NPA response: In order to do business with the Authority you need to follow the open tender processes. Section 56 for concession agreements, 57 for licensing and Section 62 for commercial leases depending on the nature of your business. The NPA does not provide the business, however through the licence ownership you may operate within the port. The Authority will provide information about the licensing of service providers to perform different activities in the system.

Comments from the Department of Transport representative

The representative of the DOT noted that consultations being held are part of the implementation of the National Ports Act. On whether the Authority should be incentive to spend on CAPEX, he indicated that it is a scary question. Why should you incentivise someone *"for eating their favourite meal"* i.e. doing what they are supposed to do? This is because the backbone of the National Ports Act is the implementation of infrastructure by the NPA therefore they shouldn't be incentivised for doing what they're supposed to be doing. The main object of the Regulator is to ensure the Authority remains financially sustainable and to ensure that port users are protected in terms of what they pay. This is to ensure the long-term viability and sustainability of the Authority for the country.

He indicated further that the NPA should not be revenue(profit) driven, rather it should be able to perform its objectives and the objectives of the country/ government and to discharge its oversight role such that every port tenant is charged correctly – *this is the expectation of the Minister of Transport*.

Infrastructure must be provided ahead of demand and the Department of Transport is concerned with lack of and slow implementation of CAPEX by the NPA which presents port users with significant opportunity cost. The NPA is urged to implement CAPEX.

He requested the Chief Executive of the NPA to apply for CAPEX in a segmented manner so that it is clear which projects will be implemented for Operation Phakisa to allow the Department of Transport, in turn, to measure progress on implementation of Operation Phakisa.

Regarding the section 56 processes, the Department was/is urging the authority to ensure that berths in section 56 concessions remain common user facilities. Berths should not be for the exclusive use of concessionaires as they(berths)are state owned through the Authority – exclusive use tied to the concession creates port authorities within the port system where there is one Authority.

He requested clarification on Inkunzi crane in the Port of Cape Town where according to the management there the crane is to be refurbished, but the tariff application does not reflect this.

Questions and Answers from JHB, 17 September 2018.

Question/Comment – National Port Consultative Committee Secretariat

The same comments were made in Durban emphasising that port users view the NPA's non-compliance with the Valuation of Asset Methodology as the Authority being arrogant and showing disdain to the Regulator.

NPA response: NPA acknowledged the comments of port users both in Durban, as well as here in Jhb. The NPA accepts the point of underspend CAPEX and whilst they aren't comfortable with it, they are working to get CAPEX implementation under control. The NPA accepts the fact that it is their role to implement CAPEX and they should not be incentivised to do so, it's their responsibility to the country.

With regards to the Valuation of Asset, it is unfortunate that it comes across as arrogance or disdain, that is not the intention. It is true that the Methodology was shared, but only the NPA commented on it, not any other port user. He is glad that there is some correlation betwee n remaining useful life results that is comforting as it is the first time he has heard it and is part of the feedback they expected and never received. The NPA could have not put a number in the application, R3,8 billion, but they chose to out it out for engagement. They hope to engage over the course of the Roadshows and show it wasn't arrogance or disdain, but serious concerns.

The COO of the NPA indicated that the organisation is certain that it is no longer business as usual, they know there is a need for change and have noted the areas of concern including those that were raised at PCC level (ship repair, expenditure on CAPEX, reviewing of the implementation process). The NPA indicated that they are working on these and will be sharing some of their plans at the upcoming National Port Consultative Committee meeting.

PRSA response: The PRSA indicated that the intention of the Valuation Methodology is not to make the NPA unsustainable but rather to address the issue that has always been raised about the value of the Regulatory Asset Base on which the NPA earns a return. He highlighted that the methodology ensures that the Authority funding requirements are met, including its ability to implement capex, opex and the components covered in the Required Revenue formula. Using the analogy of a home-loan repayment vs. the outcome of a property valuation by the municipality where in the repayments are based on the original mortgage and not the new and higher values due to re-valuation. The CEO further explained that the Valuation of Assets methodology introduces change in how historical assets and assets created after 1990 were valued to ensure that through the tariffs port users pay repay the loans taken by the Authority to fund investment in infrastructure (repayment approach) rather than the replacement cost of the infrastructure based on regular re-valuation of the same assets based on their replacement cost.

Comment by Transnet Chief Operations Officer – The Transnet CEO indicated that in implementing the Valuation of Assets Methodology cognisance should be taken of the fact that the decisions that are made today will have to be lived with in the future. He also highlighted a concern with regard to benchmarking, where Transnet would like to see the PRSAs benchmarking information in order for everyone to be on the same page.

Comment PRSA: The PRSA indicated that the Authority and Transnet should provide financial and ratio information to the Regulator and port users that shows how the methodology will affect NPA's sustainability so that both the port users in preparing their submissions and the Regulator in making the determination are informed by such information which will make the process open and transparent.

Comment port user Chemical sector, Durban.

With regards the CAPEX challenges, the chemical cluster in Durban have attempted to calculate the impact of the lack of availability of infrastructure in the form of berth 5 at Island View on their sector. Island View Berth 5, which was taken out of commission in 2009 and despite it being minuted in engagements with NPA in 2013 that the berth will be handed over to port users very soon. It is now 2018, is still not operational. The sectors estimate of the cost to shipping line over that period is about R500 million in demurrage. The sector is still waiting to see what the NPA CFO means when he says they have plans to address capex challenges.

With regard to sustainability of the NPA, the philosophy is to ensure ports are efficient and the Authority is sustainable. Why does the tariff methodology say the NPA must make a profit commensurate with their risk? What risk does the NPA carry and what level of profit should they make? Are the many port users that feel NPA should be a zero-profit business not fair?

NPA response- The NPA acknowledged there is a problem with CAPEX and understand the implications of the opportunity cost and they definitely will take back. Regarding sustainability, it could be argued that they are risk free, but the NPA does not see it that way. He noted that the methodology is coming up for review next year and these issues should be taken up in the discussions next year.

PRSA response- The PRSA encouraged a more nuanced discussion on this (the Authority's risk and return based thereon) when the Methodology is up for review next year. It was noted that the issue of the Authority making profit is worded such that it is allowed 'if deemed desirable'. Until this point the PRSA has granted the Authority a profit. The discussion is on how large the profit should be. The Valuation of Asset methodology sets the principle for the Regulated Asset Base, upon which the Authority earns a return.

Regarding the NPA's risk level, in the early days of Regulation, the PRSA compared Authority with various infrastructure companies listed on the JSE and concluded that the NPA has a lower risk rate, even better than the sovereign risk. The methodology set the risk rate such that over the years the NPA ends up with a beta of 0 because there is no correlation between the NPA returns and that of the market. However, the Authority is not risk free. For example, if everyone in the port went on strike, there would be no revenue, and therefore it does face some risks.

A factor to be considered is that the profits from the ports are supposed to be reinvested back into the port and judging from the lack of expenditure on CAPEX as presented, it is clear that the Authority is not re-investing in the ports system which highlights the need for more transparency and information sharing.

Port Elizabeth, 18 September 2018.

At the start of the NPA's presentation, the GM for strategy reiterated the message communicated in Durban and Johannesburg about the implementation of the Valuation of Asset Methodology i.e. that the Authority did not receive the actual valuation results and thus did not apply the methodology to the RAB as applied for.

The CEO of the Regulator clarified that the PRSA did not conduct a valuation of all the assets in the RAB, merely a sample of assets to determine a set of principles to be used in the valuation process which are articulated in the Valuation of RAB Methodology. The approved Valuation of RAB methodology does not make the Authority to run at a loss as the Regulator's revenue required methodology would not allow for that to happen.

Comment – Shipping line representative on PCC and NPCC

He commended the PRSA for the role it has and continues to play in South Africa's port tariff reforms. He indicated that everyone agreed that the WEGO concept is fantastic and everyone is prepared to pay to turn ships around faster because at the moment SA port efficiencies are not at global standard and there's a lot of work required. As a shipping line, they are getting the highest increase and they look at port efficiency and competitiveness, and those are the two functions and indicators that are most important to shipping lines. He indicated that trans-shipment is very volatile thus performance and efficiency is mandatory to keep and attract those volumes. He urged the NPA to put more pressure on terminal operators to perform. Shipping lines will submit their thoughts and comments on the 2019/20 NPA tariff Application.

Comment by Transnet Group representative:

Through-out the roadshows, she has realised that there are a lot of issues being discussed relating to operations which requires more thorough debate which is not necessarily possible due to the structure of the road show program and the time frames. She therefore requested that there be a technical session between the Regulator and Transnet after the tariff road show process.

Secondly, with regard to perceptions coming out of PCC and NPCC, they take cognisance of the fact that the NPA may need to pay more attention and focus on reporting and their interactions in these forums. She is sure that in the next roadshow they will not be talking about the Authority's perceived arrogance.

PCC/NPCC Committee representative

Comment: Highlighted comments made by PCC Port user representatives and noted apologies. Industry raised concerns regarding the Authority for not being in compliant with the new RAB Valuation methodology in their 2019/20 tariff application. The Authority is in disdain of the Regulator in not adhering to the processes of the Regulator. Further, the industry is concerned that the Authority is not in support of Operation Phakisa projects. There were also concerns regarding the Sunrise facility, as the Authority seems to be excited and confirms that it is now in operation, but much has been said about the facility not being compliant with the provisions of the Act, and thus clarification in this regard is required.

Answer (NPA): Welcomed and noted all the comments raised by the industry, PCC and NPCC. The Authority takes this process very serious thus the issue of VOA is very critical and must be addressed in a manner that does not put the sustainability of the entity at risk.

PRSA response: The NPA was requested, as per the letter that was sent by Regulator, to provide the information and data that will show how its/Transnet's sustainability will be affected by the implementation of the Valuation Methodology to allow for not only the Regulator but also port users to make an informed decision. The tariff setting process must be open and transparent and the requested information will enable a pragmatic decision to be made in the interest of the NPA and port users.

Questions and Answers from CT, 19 September 2018.

Chairman of Ship Builders and Repairer's forum

Comment: He thanked the Regulator for the work it is doing and wished Mr. Mahesh Fakir all the best in the future. He also acknowledged that presentation by the NPA noting the strategy presented and mentioned that that they are working very well with Ms. Mpumi Dweba, the Port Manager for Cape Town.

Question: On page 20 of 60 of the tariff application document, the NPA needs to achieve 75% of B-BBEE status in property contracts. However, when they do apply, the rules from NPA require 51% of B-BBEE. The question is regarding the correlation of level 4 B-BBEE and the NPA criteria.

Answer: The NPA put out to the market Section 56 contracts which are long term contracts running a period of 20 – 25 years. The long-term contracts have a minimum requirement of 51% black ownership. However, this requirement is not applicable to leases contract for they are short term but they need to satisfy the Level 4 B-BBEE requirement.

Question: Requested a definition of tenants as on page 43 of 60 in the tariff application document.

Question: Beside the rentals, they need to review the lease years they have, at the moment they only have five years to a lease and they cannot build an industry and invest for a period of five years. They require at least 10 years to recover their investment.

NPA Response: The duration of leases and how they enable investment by lessors is being looked into in the NPA to ensure that lease duration consider investment requirements, where applicable.

Suggestion: With regard to rates and taxed which are expected to increase by 6,3%, they would like that to be back to back increase with municipal rates and not a marked up rates.

NPA response: Suggestion noted.

Question: Nowhere in the presentation does it say where money for Operation Phakisa and the funding of all the investments is coming from, they require clarity regarding this component.

NPA response: In terms of Operation Phakisa, the drive is to get private sector participation for the new projects. The projects utilising old facilities have been budgeted for. The floating dock, which is a new facility, is being put out for private sector participation. The budgeted processes have been included in the CAPEX spend articulated in the presentation.

Port of Saldahna Bay PCC representative

Question: Enquired from the Regulator about the overlap between liquid bulk cargo dues and the NERSA tariffs, why are they being charged twice for infrastructure.

PRSA response: The cargo dues component in the tariff strategy does not pay for infrastructure in the port, the lease is largely to pay for infrastructure. The cargo dues is the shared contribution to shared assets.

Question: He also requests that the Authority consider the timing differences between dwell times for trans-shipment and liquid bulk cargoes. The target time cannot be the same because the liquid bulk cargo takes longer than container**.**

Answer: The Authority welcomed the suggestion and requested the port user to provide more information on the issue in their submission.

Shipping Line representative

Question: In the application the Authority stated that it has engaged with all its customer on volume growth projections. Maersk raises concern that they are the biggest client in Cape Town but were never consulted to provide inputs on volume growth.

NPA Response: Indicated that on a weighted average, the Authority had forecasted 2,3% growth and they came in just under 2%. This is not an exact science, when making an application they are forecasting what volumes will be like 20 months later. On an annual basis a joint team undertakes consultations with cargo owners including shipping lines and they will discuss how they can do that better. The Authority's General Manager for new business was introduced (Ms Linda Saroko) and made a commitment to take Maersk contact details and invite them on their upcoming consultations.

Question: Regarding energy costs, the NPA application shows their rates for energy use going up, everywhere else people are trying to be more efficient with energy, what is the NPA doing about this.

NPA Response: NPA has been focusing heavily on reducing their energy usage and reducing their carbon footprint. Operational conditions inform the increasing usage. For example, the new fleet of 9 tugs are a higher bollard pull and thus use relatively more fuel compared to the old 45 ton bollard pull. The teams are working on energy saving initiatives and significant progress is being made.

Question: Looking at the tariff book and comparing it across Africa, South Africa has the most complex tariff book. Enquired if the Regulator could look into simplifying the tariff book for it is very complex which then increases the admin burden to shipping lines.

Answer (PRSA): The PRSA echoed the sentiment that the tariff book is too complicated and the Tariff Strategy aims for a base rate tariff that characterises the handling of goods and not specific rates for different goods. That is the direction of the tariff book and after the asset valuation process, the amounts assigned to different categories may change.

PCC representative – Port of Cape Town

Question: The industry would like to know a bit more about what is going to happen with the Regulatory Asset Base. Understanding that there will be a process, they do think that taking away four billion from the NPA is going to be problematic.

Comment: He would like commend the PRSA for the role they have played regarding WEGO everyone agreed that the concept is fantastic.

NPCC representative

She reflected on the comments of the PCC, port users and all stakeholders are members to the process, at times, it requires transparency and could be an inconvenience. She outlined the PCC process indicating that the PCCs consider the CAPEX program and port performance matters which port users through their representatives have a say on.

Answer PRSA: In terms of the issue of RAB versus sustainability, the Regulator will always be in favour of keeping the Authority and the port system sustainable. But the Regulator must address certain inconsistencies in the current handling of the RAB. The challenge is that every time the Authority revalue its assets, they earn more on the return in terms of the methodology when in effect capex has reduced and there is little being added to the Asset Base. The Regulator will have engagements with the Authority on the implementation of the methodology and industry will be informed of the outcome.

The End.