



Press Statement
Ports Regulator Record of Decision
on the
Tariff Application by the National Ports Authority
for the Tariff Years 2020/21-2022/23

Tariff Record of Decision

On 29 November 2019, Mr. Mahesh Fakir, CEO of the Ports Regulator of South Africa stated as follows:

- ❖ “The Minister of Transport, Honourable Fikile Mbalula MP appointed an interim Regulator (board) comprising Mr. Thaba Mufamadi (Chairperson), Mr. Lindelwe Mabandla, Advocate Gugulethu Thimane, Professor Didibhuku Thwala, Mrs. Anjue Hirachund, and Ms. Gerdileen Taylor, on 22 November 2019. The CEO, Mr. Mahesh Fakir remains Regulator Member, *ex officio*.
- ❖ On 01 August 2019, the National Ports Authority applied to the Ports Regulator of South Africa in terms of Section 72 of the National Ports Act, 12 of 2005 for approval of the tariffs for services and facilities offered by the NPA of an average of 4.80% increase for the period 01 April 2020 to 31 March 2021, together with indicative tariffs of 18.22% for the period 01 April 2021 to 31 March 2022 and 8.5% for 01 April 2022 to 31 March 2023.
- ❖ After considering the application, roadshow reports and the submissions by all stakeholders during the consultation period, and based on latest available data, the Ports Regulator has concluded that an appropriate overall increase in average tariffs for the financial year 2020/21 is 0%. In particular:
 - Marine services and related tariffs (Sections 1-8 of the Tariff Book, excluding Section 7 that deals with cargo dues) are to increase by 5.5%
 - Container (full) export cargo dues to decrease by 20% and all other container cargo dues to remain unchanged
 - All RoRo cargo dues to remain unchanged
 - Coal export cargo dues to increase by 10%
 - Magnetite export cargo dues to increase by 10%
 - All other cargo dues are to remain at 2019/20 tariff levels with caps applicable as follows:
 - All Break bulk cargo dues are to be capped at R31.50/ton;
 - All Dry bulk cargo dues are to be capped at R18.00/ton; and
 - All Liquid bulk cargo dues are to be capped at R37.00/kl

- ❖ All marine tariffs (Sections 1-8 of the Tariff Book, excluding Section 7 that deals with cargo dues) for existing commercial South African flagged vessels as well as commercial vessels registered in South Africa in 2019/20 will receive a 30% discount applicable year on year up to 31 March 2022. Vessels registered in South Africa in 2020/21 will receive a 20% discount up to 31 March 2022 and similarly a vessel registered in 2021/22 will receive a 10% discount up to 31 March 2022. This incentive will be reviewed thereafter.

In line with the Multi-Year Tariff Methodology of March 2017, the Ports Regulator projects that the indicative overall average tariff adjustment for the 2021/22 and 2022/23 tariff years will be below the 6% inflation target band.

Tariff Assessment

In conducting its assessment, the Ports Regulator takes a view on a number of cargo volume and market-related factors, including the inflation outlook and the cost of debt, the operational and cash flow requirements of the National Ports Authority, as well as the implementation of the published Tariff Strategy aiming to rebalance the tariff structure to closer reflect the underlying cost and benefit to specific users of port infrastructure. In addition, the Ports Regulator was cognisant of the poor economic climate in the country as well as the Government's call for the lowering of port administered prices. In this regard, the Ports Regulator is of the opinion that an overall 0% tariff increase as well as an export biased lowering of container cargo dues would be in the best interest of stimulating local manufacture, beneficiation, and employment creation.

For 2020/21, the Ports Regulator approved revenue of R13.203 billion vs the NPA applied for amount of R13.145 billion. The Ports Regulator is confident that this will ensure the sustainability of the NPA and provide the financial space to ensure that the capital program included in the application totalling R3.872 billion is fully implemented, despite previous under-expenditure on CAPEX. In this context, whilst it may be tempting to cut back on capital expenditure in a downturn, it is critical as a facilitator of trade for the port system to be ready for the eventual upswing in economic growth.

As such, it must again be noted that besides capital expenditure allowed, operational cost amounting to R 6.149 billion, including Group overhead costs amounting to R481 million was allowed for fully, thus ensuring both the sustainability and further development of the South African ports infrastructure system.

In addition, the Ports Regulator took cognisance of the expected subdued economic activity over the tariff period coupled with a strong capital expenditure program included in the application, and opted to largely sustain the lowered prices that were announced in the Tariff Record of Decision in November 2018. In this regard, it was decided to use R567 million of the Excessive Tariff Increase Margin Credit (ETIMC) saved last year, bringing its balance to R2.797 billion.

Draft Tariff Methodology For Tariff Years 2021/22 – 2023/24

The Ports Regulator had previously embarked on a process to review the Multi-Year Tariff Methodology and has approved, for publication, a draft Tariff Methodology applicable to tariff periods 2021/22 – 2023/24 for public comment. This serves as the third multi-year tariff methodology published by the Regulator since the inception of regulation in 2007. The draft Methodology may be found at www.portsregulator.org. Interested parties and port users are hereby invited to submit comments on the Methodology by close of business Monday, 03 February 2020.

Queries and comments should be addressed to “The Chairperson, Ports Regulator, 1101 The Marine Building, 22 Dorothy Nyembe Street, Durban, 4001”. Alternatively, comments may be emailed to comments@portsregulator.org.

Conclusion

The Ports Regulator is committed to reducing the cost of living and the cost of doing business through fair pricing within the South African ports system, and this balanced tariff decision is considered the most prudent course of action for the 2020/21 period.”

The official tariff Record of Decision for 2020/21 – 2022/23 may be found on www.portsregulator.org.

End.