
TRANSNET
delivering freight reliably

# TNPA TARIFF APPLICATION FY 2022/23 TO FY 2024/25

Transnet National Ports Authority
Roadshow Presentation

14 – 16 September 2021

# CONTENTS

# TRANSNET MANDATE

## Our Mandate

| 1. | 2. | 3. |
|---|---|---|
| Assist in lowering the cost of doing business in South Africa | Enable economic growth | Ensure the security of supply by providing appropriate port, rail and pipelines in the most cost-effective and efficient manner, within acceptable benchmarks |

**Mandate and strategic objectives are aligned with national plans and the Statement of Strategic Intent.**

# NATIONAL PORTS AUTHORITY

## For National Ports Authority Reimagined, our BOLD and FOCUSED
## **Vision, Mission, Goals and Shared Values**

TRANSNET
national ports authority

| | |
|---|---|
| **VISION** | Enablement of a Transformed & Sustainable World Class Port System |
| **MISSION** | To stimulate a transformed maritime economy through adaptable infrastructure that is fit for purpose. |
| **GOALS** | 1. Accelerate Capital Program Delivery<br>2. Improve efficiency<br>3. Empowered and skilled workforce<br>4. Lower the cost of doing business<br>5. Integrated and modern Systems<br>6. Retain and Attract New Business |
| **SHARED VALUES** | 1. Service Excellence<br>2. Honesty<br>3. Innovation<br>4. Freedom of expression<br>5. Trust<br>6. Accountability<br>7. Integrity<br>8. Mutual respect |

***Senza Kwenzeke, We make it happen!***

# NATIONAL PORTS AUTHORITY

## We are focusing on the basics, which is necessary but not sufficient

| From | To | How |
|---|---|---|
| **1.** Weak oversight of all Terminal Operators | Competitive Terminal Operators | • Enforcement of the Terms & Conditions of the Terminal Agreements<br>• Integrated IMS & reporting systems |
| **2.** High cost of doing business | Globally competitive pricing framework | • Quicker decision turn around time<br>• Adequately resourced operations & eliminate bureaucracy<br>• Rebalanced pricing framework |
| **3.** Overly bureaucratic SCM systems | Efficient, Automated, Simplified and Compliant SCM framework | • Consolidate some approval structure<br>• Streamline the requirements for the gate approvals<br>• Train staff sitting in the approval structures |
| **4.** Chronic underspending on Capital Infrastructure and maintenance | Centre of excellence on Asset Management – creation and maintenance of infrastructure | • Enhancement of professional competencies<br>• Streamlined & simplified SCM process<br>• Application of integrated performance management tools |
| **5.** Low Employee morale | Empowered, well informed and knowledgeable work force | • Intensive staff engagement & communication<br>• Targeted training<br>• Shorter decision<br>• Delegation of Authority |
| **6.** Inefficient Port System | Globally competitive Port System | • Assigning Authority close to operations<br>• Establishing lines of sight through out operations<br>• Implementation of longstanding proposed corrective action |

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# SEVEN CORE FUNCTIONS OF THE NATIONAL PORTS AUTHORITY

1. TNPA created as a landlord port authority.
2. Responsible for safe, efficient and effective economic functioning of the national ports system.
3. Section 11 of the Ports Act prescribes the functions of the National Ports Authority.

Core functions of the authority

| | Function | Description |
|---|---|---|
| 1 | **Landlord** | Promote the use, improvement and development of ports, and **control land use within the ports**, having the power to **lease port land** under conditions it determines |
| 2 | **Master planner** | **Plan**, improve, **develop** and **maintain** port infrastructure |
| 3 | **Controller of ports navigation** | Make and apply **rules to control navigation** within port limits and approaches, ensure protection of the environment and ensure **safety and security** within port limits |
| 4 | **Controller of ports services & facilities** | Enter into **agreements or issue licences** to parties to provide services/use port facilities. |
| 5 | **Marketer & administrator** | Ensure that **adequate, affordable, equitable and efficient port services** and facilities are provided for **port users** |
| 6 | **Change agent** | Ensure **non-discriminatory, fair, transparent access to port services and facilities**; advancement of **previously disadvantaged people**; promotion of **representivity** and participation in **terminal operations**; enhanced transparency in port management |
| 7 | **Coordinator with state agencies** | Advise on all matters relating to the port sector, and **liaise with all stakeholders** |

Source: National Commercial Port Policy, White Paper

# FOUR CORE SERVICES OF THE NATIONAL PORTS AUTHORITY

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As the Landlord and Authority, NPA's focus is on the following core services:

## PORT INFRASTRUCTURE

Port Infrastructure planning, provision and maintenance

- Breakwaters, Quay walls, Entrance channels, Basic Services (water, electricity, fencing, lighting, rail lines) outside terminal boundaries

## LANDLORD/REAL ESTATE

Control land use within ports;

Land utilization through Terminal Operator Agreements/Land Leases to provide port services and port facilities at the ports

Real estate development

## MARITIME SERVICES

**Marine Operations**

- Pilotage, Tugs, Berthing; (Pilotage is a compulsory service responsible for the safe navigation of vessels in and out of the port)

**Dredging Operations**

- Maintenance dredging and hydro graphic survey of all ports

**Aids to Navigation**

- Lighthouses, radio aids to navigation, buoys, beacons and other devices and systems used to assist with the safe navigation of vessels along the coast and within port limits

## REGULATORY COMPLIANCE & OVERSIGHT

Licenses;

Legislative and Environmental Compliance;

Safety – OSHACT;

Security – ISPS;

Terminal Operations Oversight;

Landside supply chain oversight/influence.

Source: National Commercial Port Policy, White Paper

# NATIONAL PORTS AUTHORITY'S STRATEGIC FOCUS

***NPA's current strategy focus is driven by economic transformation, customer centricity and people; and is anchored in Transnet's five levers namely: Customer service, People, Asset utilization, Safety and Cost control.***

### Systems

Streamlining & Simplification of operational systems e.g. SCM

### People and Assets

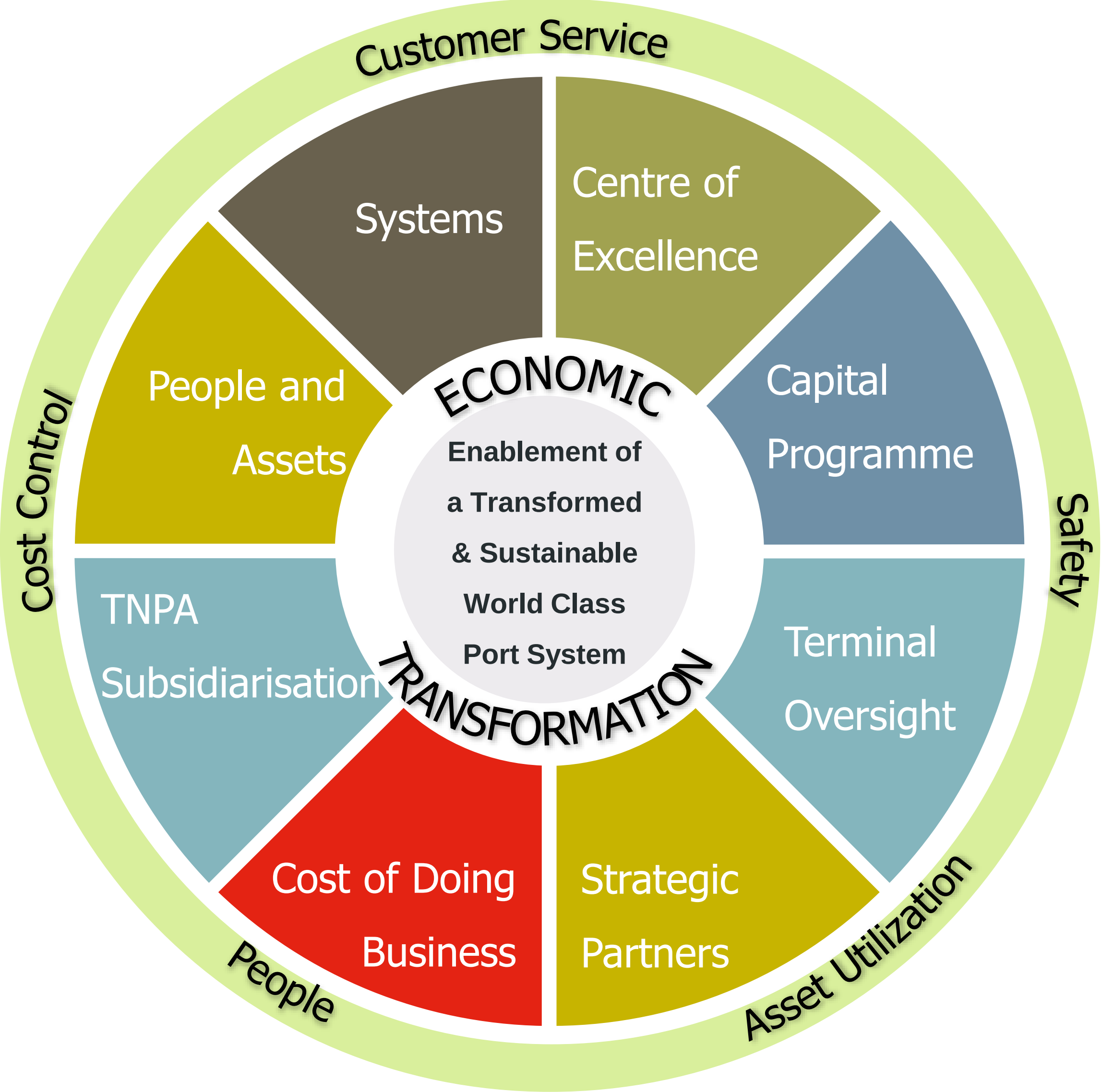
A Motivated, Empowered & Skilled Workforce with Requisite Tools of Trade, Plant & Equipment

### TNPA Subsidiarisation

Adapting to a final Determination of the Regulatory Issues – on Subsidiarisation

### Cost of Doing Business

Lowering the Cost of Doing Business and Diversification into Non-tariff Based Income Stream




### Centre of Excellence

Centre of Excellence for Asset Creation & Maintenance

### Capital Programme

Focused & Efficient Delivery of the Priority Capital Programme

### Terminal Oversight

Effective Monitoring of All Terminal Operators

### Strategic Partnership

Strategic Partnerships Domestic, Continentally & Globally

# NATIONAL PORTS AUTHORITY'S OPERATING STRUCTURE

### OPERATIONAL

- Activities

### REGIONAL

- Proximity of authority to the epicenter
- of Port Management and Authority
- Sub-systems

### NATIONAL

- Systems


To be able to implement the new TNPA Operating Model, we need an operating structure that is fit for purpose and capacitates the relevant teams to build a TNPA reimagined. Our structure acknowledges that the Ports/Operations are the drivers of the strategy and need to be resourced accordingly.

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# TRANSNET SEGMENT STRATEGIES

Extreme **financial pressure**

Poor customer satisfaction

Mounting **regulatory pressure**

Low return on **asset base**

COVID-19 pandemic

**WE HAVE REACHED AN INFLECTION POINT**

**We cannot afford to stay in business**

The segment strategies represent a **fundamental change** for Transnet, away from a **silo**, **modal service offering** to **strategic participation** and planned collaboration in **integrated commodity supply chains**.

**Focus on what we're good at**

**Get help where it's needed**

**Collaboration means that the whole economy benefits**

**Let's give ourselves a fighting chance to fund our future**

The segment strategies represent fundamental **mind-set changes** for Transnet:

- We are a **derived demand** service – we only grow when the industries we support grow;
- We recognise that we are (one of the) critical links in integrated commodity **supply chains** and that our performance directly impacts South Africa's **competitive advantage**;
- We understand that **we can best support** south Africa's supply chains by harnessing the capabilities of the private sector to provide support in areas where they are better suited;
- **Collaboration** in the supply chain is the only viable way to support sustainable **growth** and **resilience** of **all players** in that supply chain; and
- **A monopoly environment cannot keep up with growth demands, and holds back the entire economy, including itself. Transnet needs to evolve to being a competitive strategic partner in the supply chains it supports.**

# BROAD SEGMENT STRATEGIC OBJECTIVES

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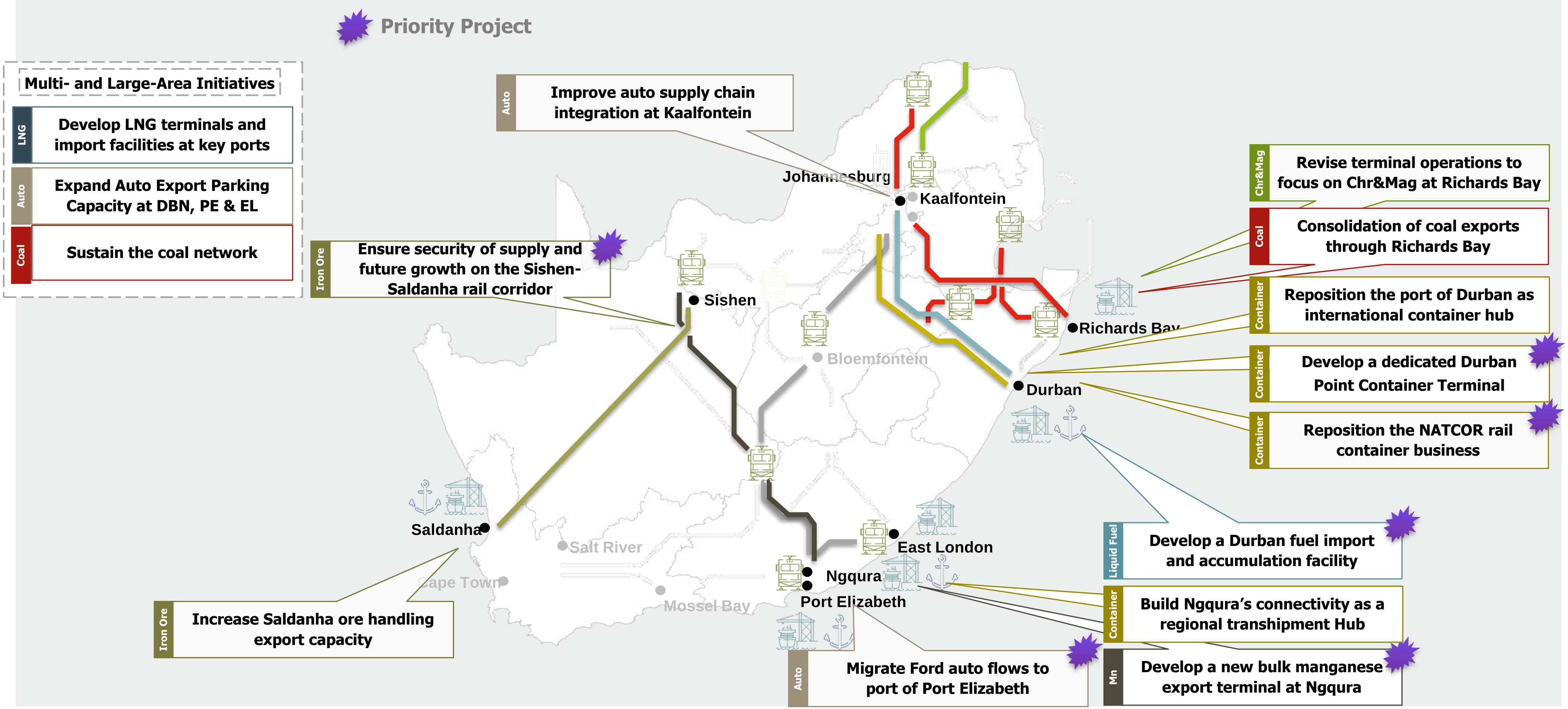
| Segment | Objective |
|---|---|
| **Iron Ore** | Leverage private sector capital and operational capabilities to stabilize delivery and support **growth in the iron ore sector to ~67 million tons per annum (mtpa)** |
| **Manganese** | Migrate manganese exports from Port Elizabeth to Ngqura and introduce private sector capital and capabilities into terminal operations to support sector **growth** to **~22mtpa** |
| **Coal** | **Reduce the cost of logistics** to competitively maintain South Africa's export coal capacity at **~81mtpa** |
| **Chrome & Magnetite** | **Maintain** South Africa's global position as **preferred, leading chrome exporter** through customer centric partnerships and strengthen export channels via the Ports of Richards Bay and Maputo |
| **Auto & Containers** | Partner to expand the **regional hub port system for clean commodities** in the **port of Durban**<br>Leverage PSPs to **reposition** the auto & container **rail and port terminal businesses** |
| **Fuel & Gas** | Use public and private partnerships to grow refined fuel **import capacity** & **new entrant** access and **develop the gas infrastructure network** as building blocks towards a sustainable energy portfolio |

# SEGMENT STRATEGY IMPLEMENTATION ROADMAP




**Source:** Transnet Strategy and Planning, 2021

# FIXING, OPTIMISING AND GROWING THE CORE

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## 1 Fixing the business

**Immediate tactical response focusing on:**

- Improve **utilisation of current assets**
- **Containment of cost** in operations
- **Enhancing** employee **skills** to align with industry demands
- Improve and simplify **business processes**
- Enhance customer service and meeting of service expectations

## 2 Optimising the business

**Benefits derived from tactical interventions will:**

- Reposition the organisation to focus on core segments that we serve (based on revenue and strategic capability)
- Leverage focus on core segments to identify opportunities for logistic enhancement and market expansion

## 3 Growing the business

**Optimisation responses as outlined will:**

- Enhance operational focus and performance in areas where we have comparative advantage
- Form partnerships that enable growth in areas where we do not have funds to invest
- Implement market segment strategy for focused growth
- Support the transformation supply chains

**Fixing, optimization and growth initiative will be undertaken concurrently to support the repositioning**

# DERIVING VALUE FROM OUR STRATEGY

## Value for the economy

- Reduce **total cost of logistics**
- Leverage **private sector** for infrastructure, rolling stock and operations
- **Integrate** the **South African economy** – regionally and globally
- Support **market competitiveness**
- **Modernisation** and **renewal** of south Africa's transport and logistics infrastructure
- **Road-to-rail migration** – preserving road infrastructure

## Customer value

- **Predictable, reliable** customer freight movement
- **Customer-centric** business innovations
- **Distinctive** product and service **designs**
- **Cost-efficient**

## Socio-economic value

- Optimise **social and economic impacts** of all our operations
- Corporate social investment initiatives that contribute to the socio-economic **well-being of communities** in the vicinity of our operations
- Activities that **enhance** rather than deplete the **natural environment**

## Value for suppliers

- An **ethical, fair, transparent** and **effective** procurement process
- A **proactive and collaborative** approach to local **supplier development**
- **Simple and efficient** procurement processes

## Value for employees

- **Employer of choice**
- **Safety and integrity** in all we do
- **Opportunities to grow** personally, professionally and academically
- **Democratic** workplace

## Value for financial partners

- A **funding strategy** based on **strategic priorities** and sound environmental, social and **corporate governance** principles
- Capital investments likely to yield **superior financial** and social **returns**
- A **reliable and credible borrower**, which secures debt on the strength of its financial position **without Government guarantees**

## Value for our Shareholder

- **Sustained financial returns** and broad **socio-economic value**
- **Regulatory compliance**, accountable business practices, ethical leadership and responsible corporate citizenship
- **Investment priorities** closely aligned with **Government's infrastructure programme**

# TARIFF METHODOLOGY

**Revenue Required Computation FY2022/23**

**R13.482bn**

***9.40%***

Containers | Liquid Bulk | Iron Ore | Coal | Manganese | Break Bulk | Auto-motives | Shipping Lines | Light & Nav. Services | Ship Repair | Real Estate

RAB
R79.382bn
(incl. Capex)

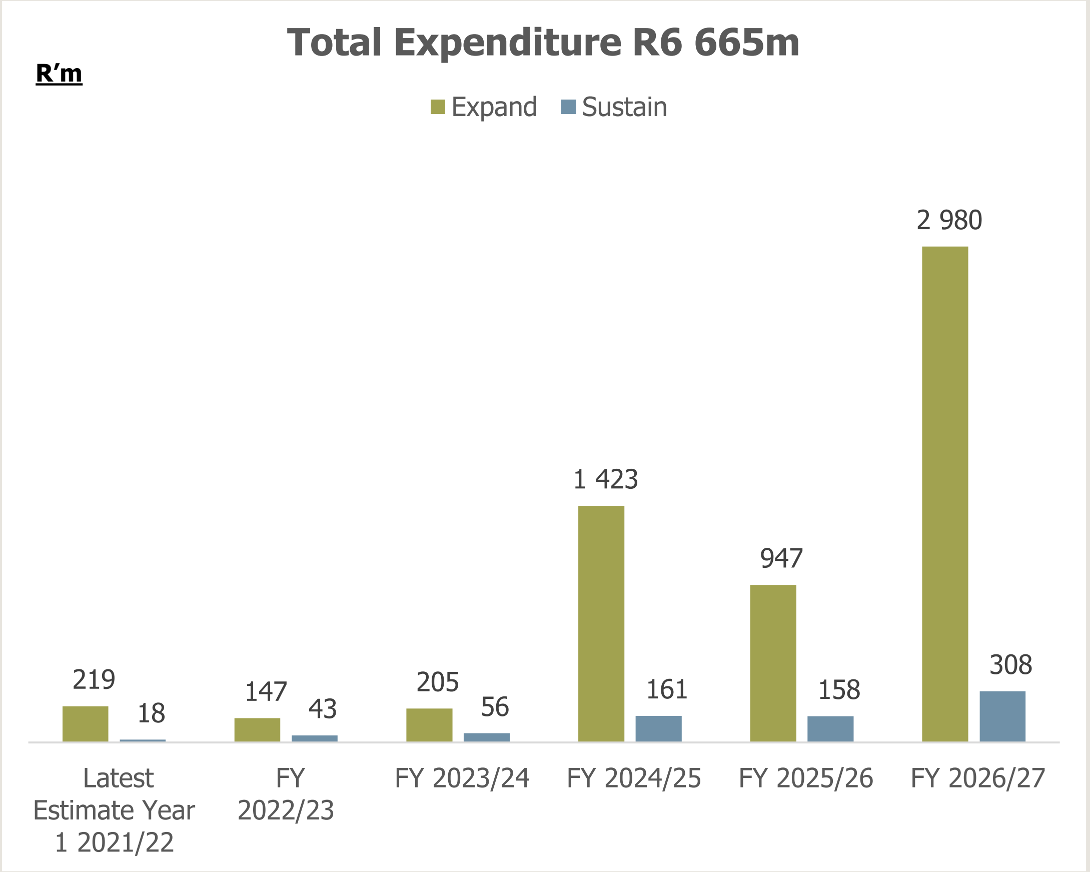
Capex
R2.454bn

Opex
R5.919bn

ETIMC
R1.251bn

# CONTAINERS

## Capex




## Infrastructure

**MAJOR CAPEX PROJECTS**

- Execution: DCT Berth deepening 203 to 205 (DBN)
- Acquisition of associated land sites linked to DIA Site acquisition
- Expansion of container terminal : Phase 2B – FEL 3 (CPT)
- Pier 1 Phase 2 Infill (Salisbury Island)
- Marine Infrastructure Upgrades

**SECTION 56 PROJECTS**

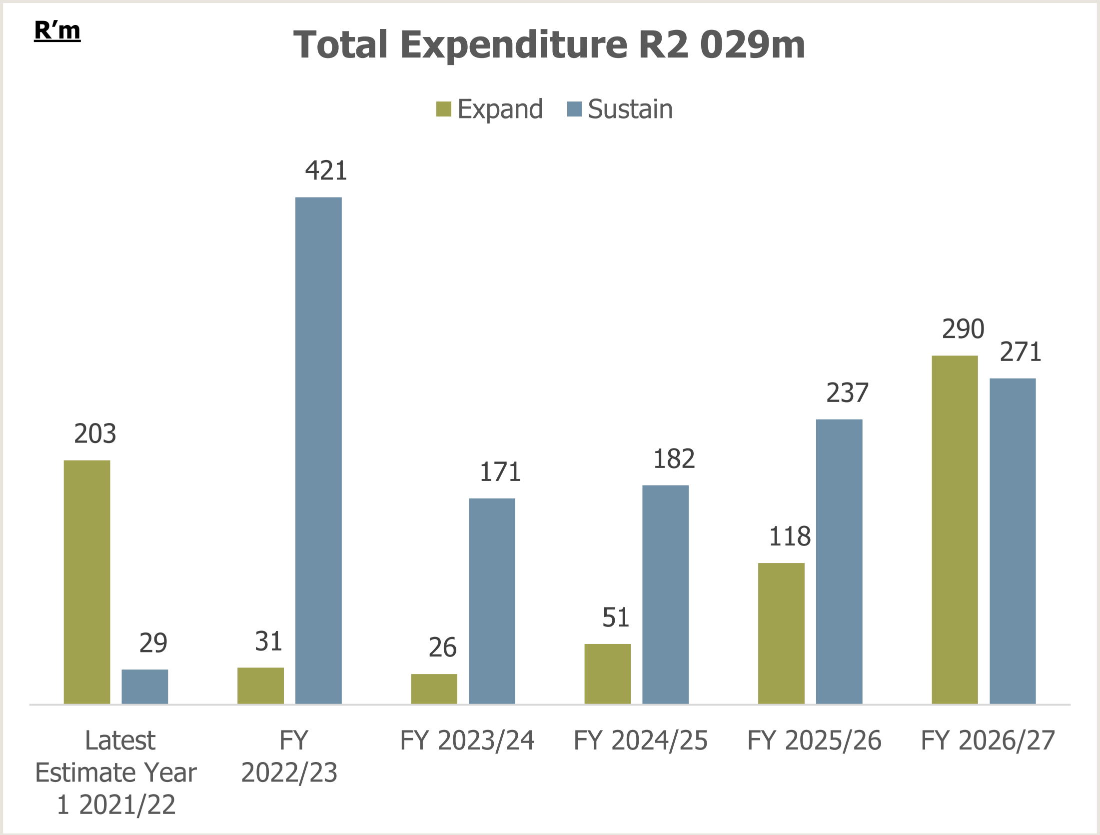
- Durban Point Container Terminal

**COMPLEMENTARY MAINTENANCE WORKS**

- Dredging
- Fenders, Bollards and supporting Bulk Services

# LIQUID BULK

## Capex




## Infrastructure

**MAJOR CAPEX PROJECTS**

- Provide additional Bulk Liquid berth 207 (RCB)
- Execution: Fire fighting infrastructure at berth 9 Island View (DBN)
- Tank farm Equip Berth B100, roads, port entrance and services (NGQ)
- Rehabilitate Island View seawall's (DBN)
- Upgrade various Berths at Island View(DBN)

**SECTION 56 PROJECTS**

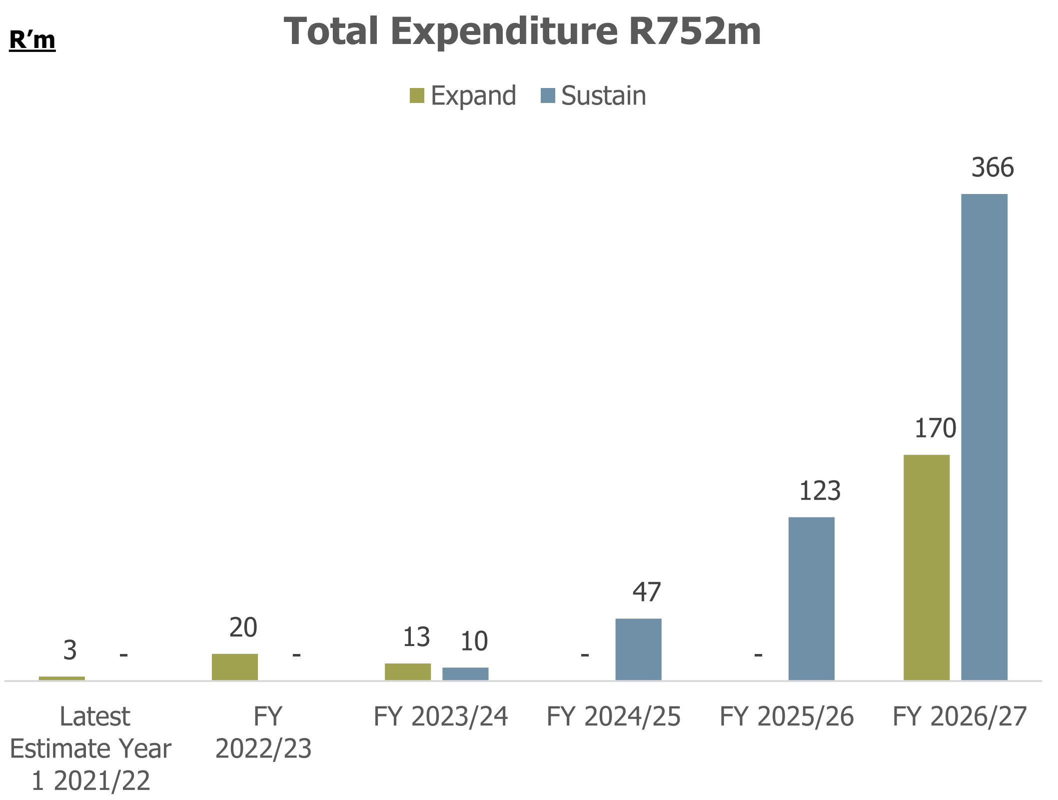
- Cape Town Liquid Bulk Terminal x 2
- East London Gately Site
- Richards Bay Bunkering Fuel Terminal

**COMPLEMENTARY MAINTENANCE WORKS**

- Dredging
- Quay Wall Rehabilitation (Jetties)
- Upkeep of CFI Systems and Equipment

# BREAK-BULK

## Capex




## Infrastructure

**MAJOR CAPEX PROJECTS**

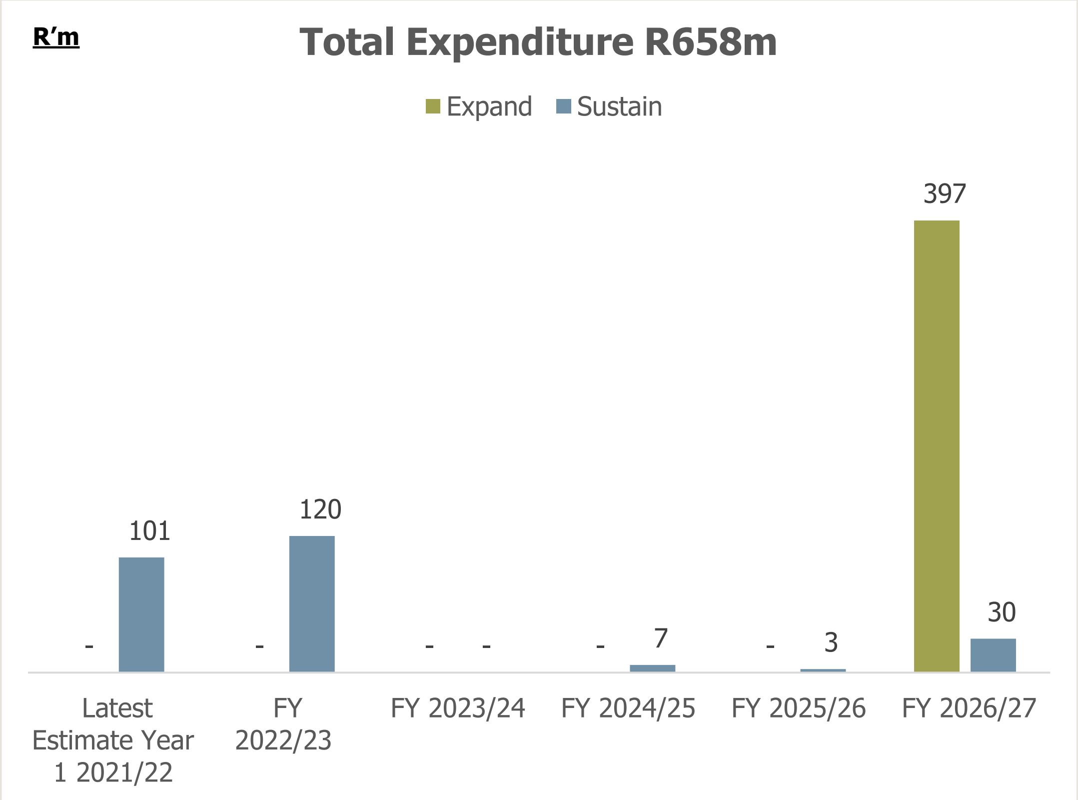
- Maydon Wharf Channel Deepening (Feasibility)
- Construction of Break bulk Berth B101 and associated services (NGQ)
- FEL 4 Quay 4 rehabilitation (MSB)
- Provision of dedicated facilities for Rig repair (Mossgas quay) (SLD)

**COMPLEMENTARY MAINTENANCE WORKS**

- Dredging
- Quay Wall Rehabilitation
- Quay Walls, Fenders and Bollards
- Road and Rail Networks

# IRON ORE

## Capex




## Infrastructure

**MAJOR CAPEX PROJECTS**

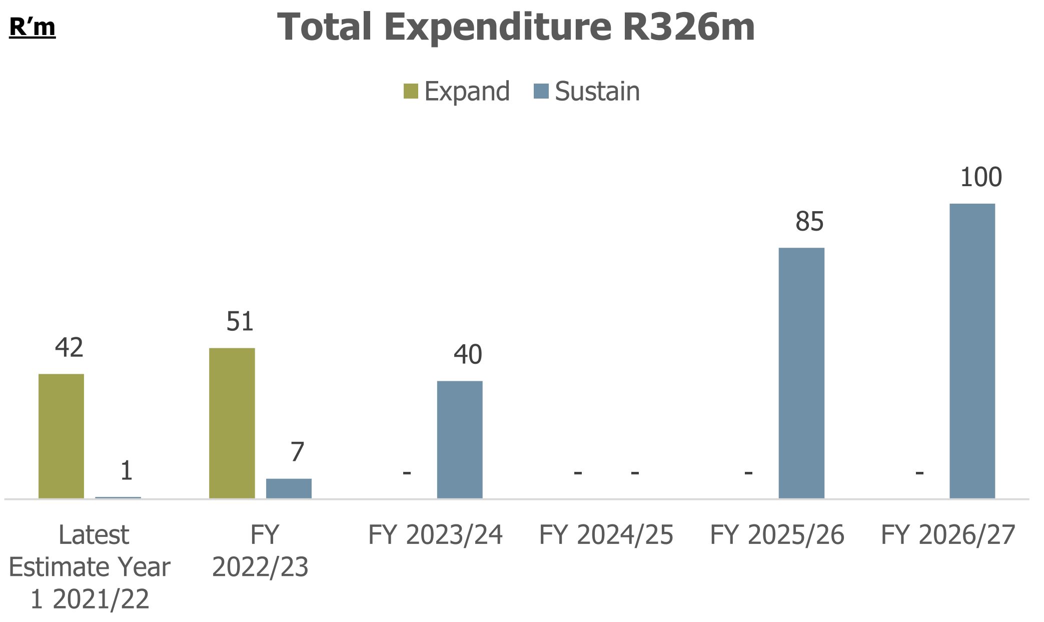
- Bulk electrical power supply related to Third tippler (SLD)
- Ore Expansion Phase 2  Berth Construction (SLD)
- Pneumatic Fender & Storage Area rehabilitation- Phase 2 (SLD)

**COMPLEMENTARY MAINTENANCE WORKS**

- Fenders, mooring hooks, staircases, gangway platforms
- Electrical and Water Networks Rehabilitation
- Building Structures (Substation Security, etc.)

# COAL

## Capex




## Infrastructure

**MAJOR CAPEX PROJECTS**

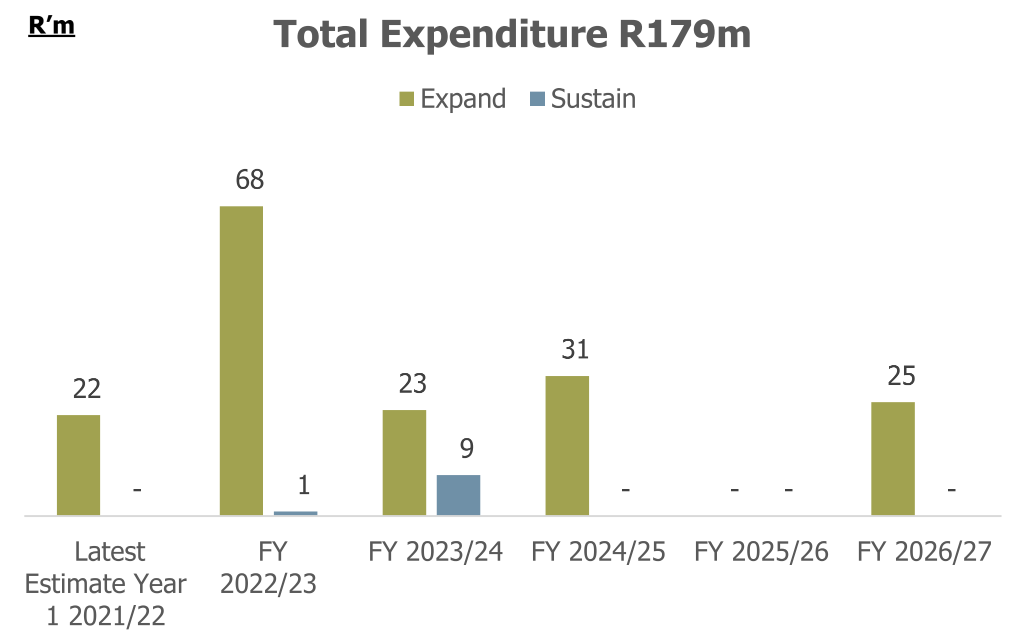
- Deepening of RBCT Berth (RCB)
- Rehabilitate fenders: Berths 301 to 306 (RCB)

**MINOR CAPITAL WORKS**

- Dredging
- Electrical and Water Networks Rehabilitation
- Road and Rail Networks

# MANGANESE

## Capex




## Infrastructure

**MAJOR CAPEX PROJECTS**

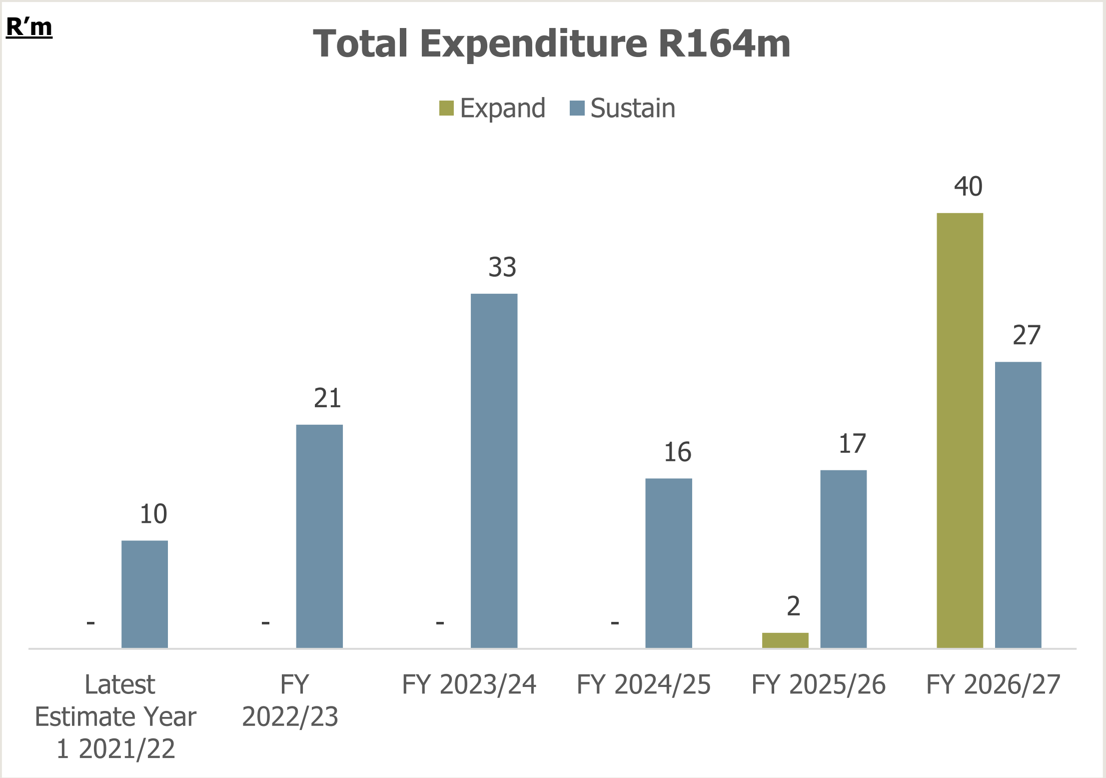
- Manganese Terminal (NGQ)
- Capital Rehabilitation of Terminals

**COMPLEMENTARY MAINTENANCE WORKS**

- Dredging
- Quay Surfacing Rehabilitation
- Building Structures (Substation)

# AUTOMOTIVES

## Capex




## Infrastructure

**MAJOR CAPEX PROJECTS**

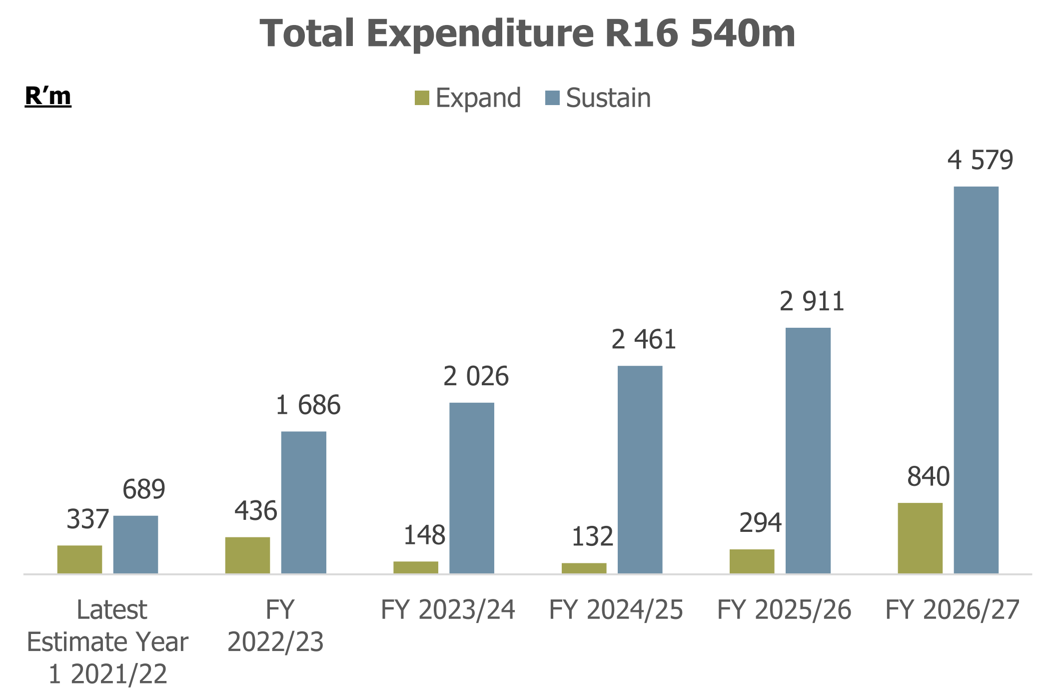
- East London Port Expansion - Extend main breakwater, deepen entrance, etc
- Rehabilitate Port View Road
- Road Upgrade - Flemming and MPT area
- Rail Infrastructure upgrade
- PE New Automotive Terminal

**COMPLEMENTARY MAINTENANCE WORKS**

- Dredging
- Quay Wall Rehabilitation
- Quay Wall, Fenders & bollards

# OTHER (INCL. LHS & BULK SERVICES)

## Infrastructure Investment




## Infrastructure

**MAJOR CAPEX PROJECTS**

- Purchase of flight simulator - DBN
- Provide new Admin facilities at B berth (FEL3 & 4) - DBN
- Extend main breakwater and deepen entrance - ELS
- New Tug Jetty - FEL 4
- Replace Water Pipelines & Billing System
- Roads Connectivity Upgrades (DBN)

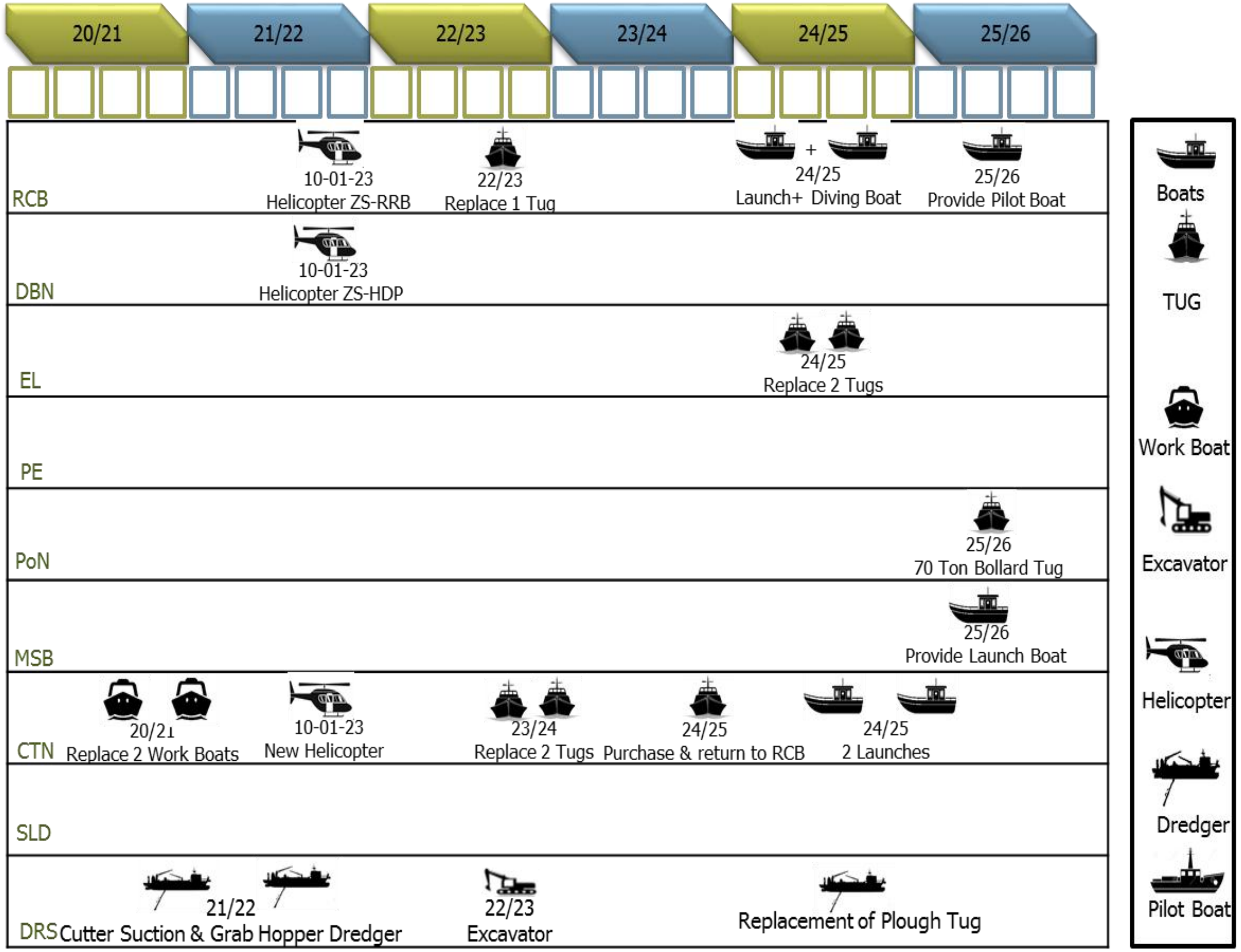
**MAJOR PHAKISA PROJECTS**

- Refurbishment of Graving Dock - Jib Cranes - ELS
- Replacement of 10 cranes for Ship Repair facilities - CPT
- Sturrock Dry Dock Pump System Upgrade – FEL 3&4 – CPT

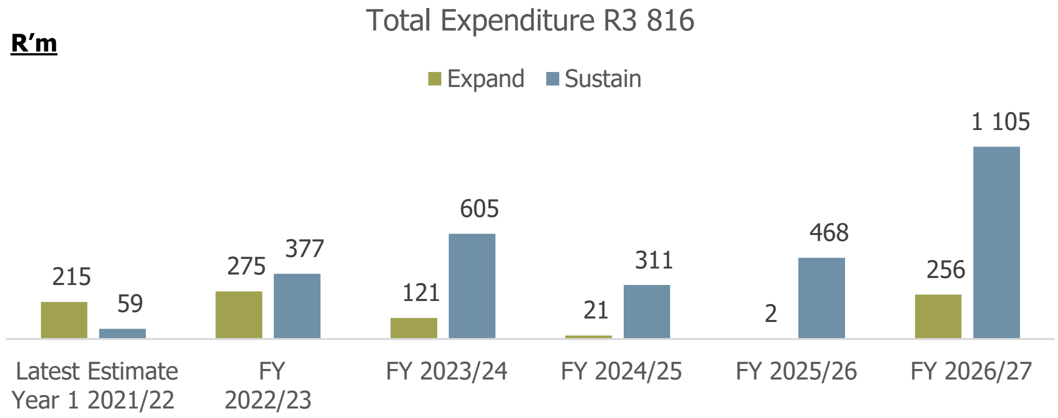
**COMPLEMENTARY MAINTENANCE WORKS**

- Navigational Aids
- VTS Equipment
- Break Water Crane
- CCTV
- Access Control systems
- Civil Related Works & Bulk Services (Water, Electrical, Sewers, Roads)

# FLEET - CRAFT & DREDGING SERVICES




## Fleet - Craft & Dredging Services Investment




**MAJOR CAPEX PROJECTS**

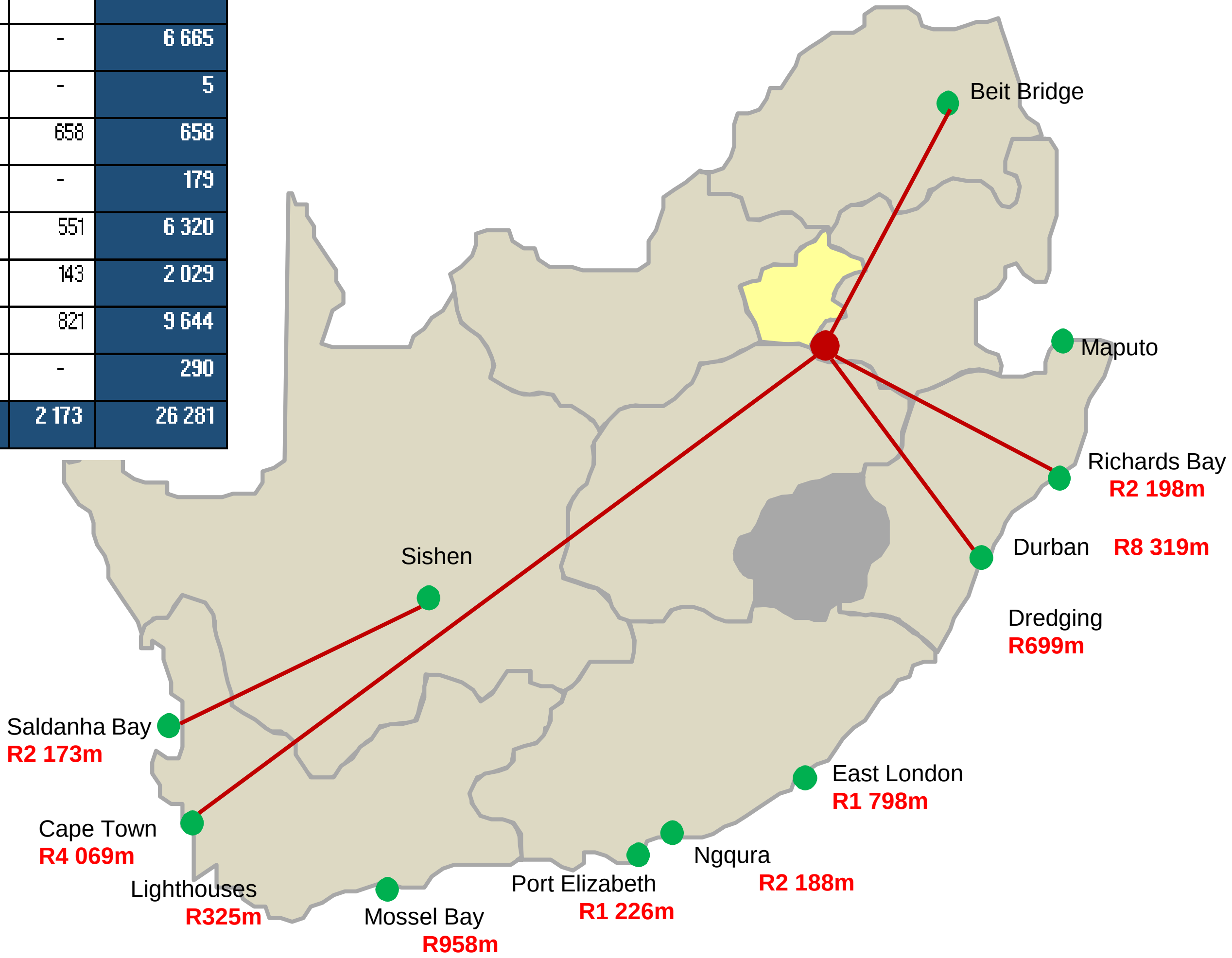
- Replacement of helicopter ZS-RRB (RCB)
- Replacement of tug, Launch & Pilot boat
- Replacement of helicopter ZS-HDP (DBN)
- New Replacement Tugs (various Ports)
- Acquisition of new Helicopter (CPT)
- Replace two work boats, two tugs and two launches (CPT)
- 2nd Grab hopper dredger (DRG)

**MINOR CAPITAL WORKS**

- Modifications to the new pilot boats to address stability issues.
- Marine Craft rehabilitation

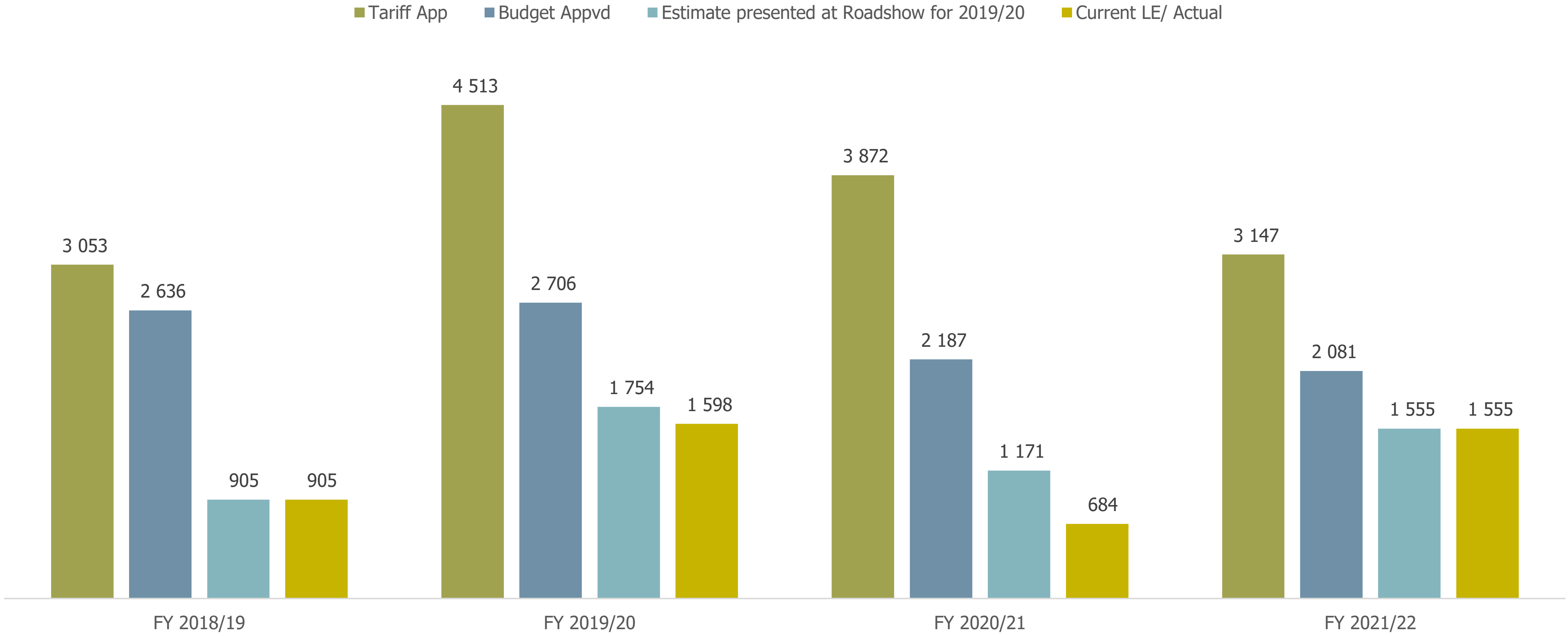
# PORT INVESTMENT PLANNING – PORT DISTRIBUTION

| Commodity | CPT | DBN | DRS | EL | HO | LHS | MSB | NGQ | PE | RCB | SLD | Grand Tot |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | FY 2021/22 to FY 2026/27 | | | | | | | | | | | |
| | R'm | | | | | | | | | | | |
| Auto Segment Enablers | - | - | - | 53 | - | - | - | - | 111 | - | - | 164 |
| Coal Segment Enablers | - | 35 | - | - | - | - | - | - | - | 291 | - | 326 |
| Container Segment Enablers | 330 | 4 509 | - | - | 1364 | - | - | 211 | 252 | - | - | 6 665 |
| Gas Segment Enablers | - | - | - | - | - | - | - | 5 | - | - | - | 5 |
| Iron Ore Segment Enablers | - | - | - | - | - | - | - | - | - | - | 658 | 658 |
| Manganese Segment Enablers | - | - | - | - | - | - | - | 179 | - | - | - | 179 |
| Enabling - All Segments | 1433 | 823 | 684 | 595 | - | 288 | 27 | 466 | 72 | 1381 | 551 | 6 320 |
| Liquid Segment Enablers | - | 861 | - | - | - | - | - | 951 | 56 | 17 | 143 | 2 029 |
| Other Segments & Supporting Infrastructure | 2 306 | 2 091 | 15 | 1151 | 964 | 37 | 931 | 376 | 735 | 218 | 821 | 9 644 |
| Chrome & Magnetite | - | - | - | - | - | - | - | - | - | 290 | - | 290 |
| **Grand Total** | **4 069** | **8 319** | **699** | **1 798** | **2 328** | **325** | **958** | **2 188** | **1 226** | **2 198** | **2 173** | **26 281** |



# CAPITAL EXPENDITURE: TARIFF APP VS BUDGET VS ACTUAL

## HISTORICAL 3 YEAR VIEW




Underspend in FY 2018/19:

- Berth deepening placed on hold

Underspend in FY 2019/20:

- Berth deepening termination of main marine contract.

Underspend in FY 2020/21 Budget vs LE:

- COVID-19 and lockdown of economic activity

Underspend Projections largely due to:

- Business case delays
- Procurement delays
- Contractual Issues

# TURNING AROUND PROJECT DELIVERY

## Bold Steps taken….

a. A new infrastructure strategy that focuses on:
   i. Seamless technical and project management integration
   ii. Consolidated in-house design team with developed expertise on marine infrastructure
   iii. In-house focus on project management
   iv. Contractor support for expedited execution timelines
   v. Dedicated SMME and industrial-action support to project teams

b. Focused attention on Procurement and Governance:
   i. New GM Procurement position
   ii. Strengthened teams
   iii. Dedicated support to projects

c. War Room with tactical monitoring, active risk management

d. Redirected resources to support PSP initiatives and oversight requirements.

e. Appointment of an Implementing Agent to support high short-term workload and specialist requirements

# PROJECT WAR ROOM

## Objectives of the project war room

- Provide **tactical** and real time flow of critical information for **project monitoring and agile execution responses**
- Track **enablers** and leverage on these
- **Focus on the most important areas for action and intervention**
- Identify **cross linkages and project interdependencies**
- **Quantify and actively manage** main project execution **risks**
- **Link operational KPIs with overall project and programme targets** to ensure plans are executed on time and on budget
- **Joint Recovery Committee (JRC)** to provide oversight and support

## … will support the project team to drive performance and excellence

- Maintains a **high pace** on field productivity with daily reporting and a 2-week look ahead
- Proactively addresses problems or conflicts using **leading indicators & early warnings**
- **Makes decisions using real-time information** aligned with the project schedule and goals

# SECTION 56 PROJECT PIPELINE

## Richards Bay

Liquid Bulk (Bunkering) Terminal

Public Process: Q4 FY

## Durban

Point Container Terminal

Public Process: Q4 FY

## East London

1) Request for Information (EOI) – HFO Site

Public Process: Q4 FY

2) Liquid Bulk Terminal(s) – Gately Site

Public Process: FY 2022/23

## Ngqura

LNG Terminal

Public Process: TBA

## Cape Town

1) Liquid Bulk Terminals (x2)

Public Process: Q4 FY

2) Expression of Interest (EOI) – A-Berth Site

Public Process: Q4 FY

# OPERATIONS HIGHLIGHTS: FY 2020/21

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1. Implemented JOC interface and port stakeholder collaboration initiatives to enable integrated planning, performance tracking and incident management
2. "Integrated Decongestion" Team - Port of Durban: Bringing all stakeholders together in identifying challenges, opportunities and developing solutions
3. Comprehensive joint stakeholder engagement platforms developed and in place across the ports system.
4. Terminal Performance: Proposed penalty/incentive model has been developed in consultation with internal stakeholders.
5. Introduction of a Dynamic Ship Turnaround Time process where stakeholders were engaged for effective vessel planning process
6. Operationalization of the Performance Improvement Process (PIP) to enforce the implementation of remedial action where required.
7. Improvements in Marine Services Delays through close monitoring of operations and Continuous Improvement initiatives.
8. Marine Fleet Asset Maintenance improvements resulting in higher percentage of tugs availability
9. Simulations to assess stability of pilot boats completed in the Port of Cape Town

# PORT OPERATIONS
## COVID 19 - POSSIBLE RECOVERY PLANS

**1. Customer Value Creation**

- **Regular customer engagements on the impact of COVID-19:**
  - Monitoring terminals' recovery plans;
  - Identify and address challenges, as well as to reflect on the performance of each terminal
  - Identify possible opportunities to attract volumes

**2. Asset Utilization and Cargo Flow**

- **Port of Port Elizabeth:**
  - Focus on expanding automotive export capacity
  - Continue Fruit Exports through MPT & PECT (possibly into Oct/Sept) in light of "bumper" fruit season
- **Port of Cape Town:** Continue Fruit Exports through other facilities in the port like TPT's MPT, FPT's MPT and A-Berth due to upcoming fruit season
- **Port of Durban:** intensify the "Integrate to Decongest" initiative to support free flow of trucks in the Durban Precinct

**3. People - Employee Value Creation**

- Awareness initiatives targeting behavioral change and embedding the new COVID-19 culture
- Fixed term contractors (FTC) backup in the event that COVID-19 infections increase in a particular port
- Use of technology to maintain and enhance business performance through the Joint Operations Centres

# PORT OPERATIONS 2021-2022

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**General**

- **Stakeholder Engagements:** Enhance relationships through regular communication/ meetings with port users and license holders.

**Containers**

- **Port of Ngqura:**
  - Increase number of Gangs from 7 to 8
  - Hydraulic tension unit (D101) to alleviate surge by end of 2nd Quarter ending Sept 2021.
- **Port of Durban**: "Integrate to Decongest" - full implementation of the multi-stakeholder initiative continue to track and monitor
- **Port of Cape Town**: Hydraulic Mooring Units

**Liquid Bulk**

- **Port of Durban**: Integrated Bayhead decongestion which involves:
  - Island View Booking system within Terminal
  - Truck staging area outside the port limit – Terminal Operators
- **Port of East London**: engagement with terminal operators and future planning with TOA's expiring 31 Dec 2021

**Automotives**

- **Port of Durban**: Point Precinct Truck Booking System to incorporate trucks destined to FPT and TPT (go live September 2020)
- **Port of East London**: Plans to deepen N berth at the Car Terminal from the existing 8.5m to around 10.4m.
- **Port of Port Elizabeth**: Commissioning of 2nd rail line at berth 100 to expedite and increase export of Automotive units via automotive terminal

**Coal, Iron Ore & Manganese**

- **Ports of Richards Bay, Saldanha, Ngqura**
  - Terminal Maintenance Audits

**Marine**

- **Recruitment:** Critical positions to strengthen the functions of fleet maintenance, marine safety inspections:
  - Marine Technical Managers
  - Maintenance Planners
  - Chief Marine Engineers

# COMPLIANCE & OVERSIGHT INITIATIVES 2020-2022

TRANSNET

| General | |
|---|---|

**General**

- **Port Oversight**:
- POC engages monthly on performance/efficiencies of the port, as well as quarterly monitoring of Terminals on key performance areas as per the agreed TOPS targets.
- Operationalization of the Performance Improvement Process to enforce the implementation of the remedial action.
- External stakeholder engagement in the roll-out of the proposed penalty/incentive model.
- Review of the performance clauses on TOL/TOA to enhance the proposed penalty/incentive model.
- Implementation of KPI Alignment project in consultation with key stakeholders per Port per cargo type.
- Recruitment of Occupational Safety Officers, to enable ad-hoc oversight
- Recruitment of Marine Safety Inspectors

- **Compliance:**
- Formulation and implementation of a risk based audit methodology
- Development of an Investigation protocol as per Section 62(5) of the National Ports Act
- Development & implementation of a "duly authorized" management system in terms of Section 63 of the National Ports Act

- **Digitisation:**
    - Dedicated Oversight Portal
    - Dedicated Licensing Portal
    - Virtual Oversight Audits

**Liquid Bulk**

- **Safety and Best Practice:**
- Development and implementation of:
    - Leading Indicator Process Safety Engineering program
    - Tank Hydrostatic testing approval process
    - Technical standards:
        - Physical Petro-Chemical Pipeline Identification
        - Mandatory Requirements for Decommissioning
        - Mandatory Requirements for Safety, Health, Environment, Process Safety, Civil, Structural, Mechanical & Electrical Engineering

# TARIFF APPLICATION APPROACH: PORT DIRECTIVES

- The Port Directives were approved on 13 July 2009 (gazetted on 06 August 2009) and amended on 29 January 2010.
- Directives require the Regulator to ensure that the Authority's tariffs allows it to:

**Recover its investment**

**Recover its costs**

**Make a profit commensurate with the risk**

# TARIFF APPLICATION APPROACH: REVENUE REQUIREMENT

- The tariff methodology considered a multi-year approach and prescribed the following Required Revenue formula:

**Revenue Requirement**

**= Regulatory Asset Base (RAB) x Weighted Average Cost of Capital (WACC) + Operating Costs + Depreciation + Taxation Expense ± Clawback ± Excessive Tariff Increase Margin Credit (ETIMC) ± Weighted Efficiency Gains from Operations (WEGO)**

# TARIFF APPLICATION APPROACH: INDEPENDENT SUBSIDIARY

- The Tariff Application FY 2022/23 has been prepared on the basis of the Authority being a subsidiary of Transnet:
  - **RAB:** TNPA has continued with the implementation of the Trended Original Cost ("TOC") approach as per Tariff Methodology
  - **Tax Rate:** Corporate Tax rate of 28% utilised in accordance with Tariff Methodology;

**Announcement by President Ramaphosa (22 June 2021)**

Establishment of the Authority as an independent subsidiary of Transnet as part of the Economic Reconstruction and Recovery Plan of the country

# KEY PRINCIPLES OF THE TARIFF METHODOLOGY

| Component | Details |
|---|---|
| **Regulatory Asset Base (RAB):** | • The RAB represents the value of assets that the Authority is allowed to earn a return on.<br>• Independent Subsidiary: TOC Asset Valuation Methodology |
| **Vanilla Weighted Average Cost of Capital (WACC)** | • A real WACC is applied, given that the RAB is indexed by inflation. |
| **Operating Costs** | • Represents the day to day operating costs of the Authority including maintenance of assets.<br>• The Authority is required to provide a detailed and complete motivation for each of the expenses applied for. |
| **Depreciation** | • Straight line depreciation based on the asset specific depreciation rates<br>• Capital Works In progress (CWIP): No depreciation allowance until commissioning of relevant asset |
| **Taxation Expense** | • Transnet OD: The RR formula considers the tax expense on an equitable basis assumption based on the Transnet OD's profits before tax contribution.<br>• Independent Subsidiary: Corporate Tax Rate |
| **Claw-Back** | • Adjusts for differences between forecasted and actual expenditure<br>• Total impact of over/under recovery of revenue is spread over a period of two tariff determinations. |
| **Excessive Tariff Increase Margin Credit (ETIMC)** | • The Regulator considers it prudent to avoid future tariff spikes by retaining and increasing the Authority's ETIMC. |
| **Weighted Efficiency Gains from Operations (WEGO)** | • It is an agreed efficiency gain through operations, excluding the effect of market driven volume growth. |

# REVENUE REQUIREMENT COMPONENTS

- Valuation of the RAB takes into consideration Depreciation, Inflation Trending, Capex and Working Capital:

| REGULATORY ASSET BASE | FY 2022/23 | FY 2023/24 | FY 2024/25 |
|---|---|---|---|
| | Fixed Tariff Year | Indicative Tariff Years | |
| | R'm | | |
| Opening book value | 78 447 | 81 792 | 85 587 |
| Add :Capex | 2 454 | 2 666 | 4 425 |
| Add: Inflation Index | 3 452 | 3 733 | 3 823 |
| Indexed Asset Base | 84 353 | 88 191 | 93 835 |
| Depreciation | -2 560 | -2 604 | -2 585 |
| Closing Book Value | 81 792 | 85 587 | 91 250 |
| | | | |
| Average Asset Base | 80 119 | 83 689 | 88 418 |
| Less :Working Capital | -738 | -770 | -988 |
| **Regulatory Asset Base** | **79 382** | **82 920** | **87 431** |

# REVENUE REQUIREMENT COMPONENTS (CONTINUED…)

TRANSNET

- The Real Vanilla WACC is determined as follows:

| REAL RATE OF RETURN | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|
| Inflation forecast | 4,35% | 4,51% | 4,38% |
| | | | |
| Nominal Risk-free rate | 9,33% | 9,33% | 9,33% |
| Real risk free rate | 4,77% | 4,61% | 4,74% |
| MRP | 5,10% | 5,10% | 5,10% |
| Asset beta | 0,35 | 0,35 | 0,35 |
| Equity beta (using Hamada) | 0,60 | 0,60 | 0,60 |
| Gearing | 50,00% | 50,00% | 50,00% |
| Debt/equity ratio | 100,00% | 100,00% | 100,00% |
| Nominal Weighted Average Cost of Debt (WACD) | 10,75% | 10,75% | 10,75% |
| Tax rate | 28,00% | 28,00% | 28,00% |
| | | | |
| Real Cost of equity (post-tax) | 7,84% | 7,68% | 7,81% |
| Real WACD (pre-tax) | 6,14% | 5,97% | 6,10% |
| | | | |
| **Real Vanilla WACC** | **6,99%** | **6,83%** | **6,96%** |

***Explanatory notes:***

*Risk Free Rate: KBP2003M, calculated over a five yearly average from April 2016 to May 2021 for FY 2021/22*

*MRP: Geometric mean with the use of the DMS studies over the full period available dataset (118 years)*

*Inflation: BER Forecasts*

*Cost of Debt: NPA's actual, embedded (adjusted for an effective weighting) debt costs*

*Tax Rate: Corporate Tax rate of 28% utilised due to imminent subsidiarisation of the Authority*

*FY 2022/23 MRP & RFR figures are used as proxies for MRP & RFR figures for indicative years FY 2023/24 & FY 2024/2*

# REVENUE REQUIREMENT COMPONENTS (CONTINUED...)

- Taxation calculation is highlighted below:

| Taxation | FY 2022/23 | FY 2023/24 | FY 2024/25 |
|---|---|---|---|
| Equity Return | 3 113 | 3 184 | 3 414 |
| Depreciation | 2 560 | 2 604 | 2 585 |
| Opex | 5 919 | 6 221 | 6 510 |
| **Gross income** | **11 592** | **12 009** | **12 508** |
| Depreciation | 2 560 | 2 604 | 2 585 |
| Opex | 5 919 | 6 221 | 6 510 |
| **Total Deductions** | **8 479** | **8 825** | **9 095** |
| Taxable Income | 3 113 | 3 184 | 3 414 |
| Grossup factor | 0,72 | 0,72 | 0,72 |
| Grossed up taxable income | 4 323 | 4 422 | 4 741 |
| **Tax @ 28%** | **1 211** | **1 238** | **1 328** |

# REVENUE REQUIREMENT COMPONENTS (CONTINUED...)

- Operating Expenditure is highlighted in the table below:

| Cost Category | Actual 2020/21 R Million | Budget 2021/22 R Million | Forecast 2022/23 R Million | Dev 21/22 vs 22/23 R Million | Dev 21/22 vs 22/23 % | % of Opex 22/23 | Forecast 2023/24 R Million | Forecast 2024/25 R Million | CAGR 2022/23 - 2024/25 |
|---|---|---|---|---|---|---|---|---|---|
| Labour Costs | 2 589 | 2 903 | 2 800 | -103 | -4% | 52% | 2 985 | 3 151 | 6% |
| Rates & taxes | 411 | 429 | 431 | 2 | 0% | 8% | 453 | 474 | 5% |
| Maintenance | 295 | 420 | 573 | 153 | 36% | 11% | 563 | 585 | 1% |
| Contract Payments | 8 | 49 | 21 | -28 | -56% | 0% | 23 | 24 | 6% |
| Energy | 549 | 639 | 671 | 32 | 5% | 12% | 724 | 777 | 8% |
| Professional services | 20 | 49 | 123 | 74 | 150% | 2% | 128 | 133 | 4% |
| Material | 52 | 95 | 138 | 43 | 45% | 3% | 149 | 154 | 6% |
| Computer & Info systems | 113 | 151 | 153 | 3 | 2% | 3% | 161 | 168 | 5% |
| Rental | 56 | 56 | 61 | 4 | 8% | 1% | 64 | 67 | 5% |
| Security costs | 144 | 156 | 156 | 0 | 0% | 3% | 166 | 175 | 6% |
| Pre -Feasibility Studies | 17 | 93 | 141 | 48 | 51% | 3% | 104 | 96 | -18% |
| Sundry operating costs | 604 | 114 | 164 | 50 | 44% | 3% | 186 | 187 | 7% |
| ***Total operating cost (excluding depreciation)*** | ***4 859*** | ***5 156*** | ***5 434*** | ***278*** | ***5%*** | ***100%*** | ***5 706*** | ***5 991*** | ***5%*** |
| **Group Costs** | 374 | 491 | 485 | (6) | -1% | | 515 | 519 | 3% |
| **Total operating cost (Including Group Costs)** | **5 233** | **5 647** | **5 919** | **272** | **4,8%** | | **6 220** | **6 510** | **5%** |

## Cost Saving Initiative

- Utilization of own property versus leasing premises to provide occupancy to employees; closer to operations
- Relocation of Head office to the Port of Ngqura occurred on 06 September 2021
- Savings will be enduring as a nett permanent benefit to port users.

# REVENUE REQUIREMENT COMPONENTS (CONTINUED…)

- Key Cost Component – Decrease in overall labour costs

| Cost Driver | Details |
|---|---|
| **1. Labour** | • Manning levels contained to minimize port costs;<br>• Re-positioning of Head Office closer to Operations;<br>• Devolve authority and functions to Ports and introduce regional structures to consolidate port strategic and support structures;<br>• Increase in headcount from FY 2020/21 due to the following (capped at FY 2021/22 levels):<br>o Employment of port engineering personnel in order to create adequate port infrastructure capacity ahead of demand and maintaining existing and new assets;<br>o Meeting minimum manning levels of marine at 100% service and matching manning levels with number of tugs required per shift linked to meet the operational requirements of the Ports & comply to South African Maritime Safety Association (SAMSA) Legislation;<br>o Manning of the port operational centres to ensure systematic views of port performance;<br>o Increase Fire Services personnel to ensure correct manning levels i.t.o. operating of new fire trucks; |

# REVENUE REQUIREMENT COMPONENTS (CONTINUED…)

- Key Cost Component – Decrease in overall labour costs (Continued..)

| Cost Driver | Details |
|---|---|
| **1. Labour** | • Increase in headcount from FY 2020/21 due to the following (capped at FY 2021/22 levels):<br>o Enterprise Risk Management (ERM) personnel to ensure oversight and compliance with risk management requirements;<br>o Security personnel to assist with CCTV monitoring, access control and overall safety within the ports. Also assist with the daily operations of the Security Department and align to DoT;<br>o Trainees required for marine succession pipeline to ensure continuity in specialist marine positions i.e. Chief Marine Engineering Officers and Tug Masters;<br>o Additional support services staff to complement increase in core operational personnel and ensure compliance to increased legislative and regulatory requirements; and<br>o Phasing in manning of the Procurement to improve procurement deliverables. |

# REVENUE REQUIREMENT COMPONENTS (CONTINUED…)

- Key Drivers for the increase in Operating Expenditure is as follows:

| Cost Driver | Details |
|---|---|
| **2. Energy** | • Increase in electricity costs; and<br>• Larger bollard pull capacity of the new craft for improved efficiencies, which results in higher fuel consumption. |
| **3. Maintenance** | • Catch-up of maintenance due to the COVID-19 impact.<br>• Ongoing maintenance of ageing infrastructure and marine dredging fleet. |
| **4. Rates and Taxes** | • Rates and taxes relate to municipal rates. |
| **5. Computer and Information Systems** | • Network costs, software licences, information system support, development cost, computer consumables and on-going maintenance thereof |
| **6. Rental** | • Rental costs relates to the hiring of construction equipment, the hiring of internal land and buildings, leasing of vehicles, equipment, computers and furniture. |

# REVENUE REQUIREMENT COMPONENTS (CONTINUED…)

- Key Drivers for the increase in Operating Expenditure is as follows:

| Cost Driver | Details |
| --- | --- |
| **7. Material** | Directly linked to maintenance activity and influenced by the following:<br>• Slipway material required to maintain ship repair facility;<br>• Safety equipment required by the Marine Department; and<br>• Material for structural maintenance of buildings. |
| **8. Pre-Feasibility Studies & Professional Fees** | • Includes: Replacement of sheet piles for Quay 3; Quay 4 refurbishment; Development of Service Masterplan and Port Development Precinct/Framework Plans; Pre-Feasibility for electrical & water networks; Container Terminal Deepening: Port of Port Elizabeth; IPOSS Maintenance, etc. |
| **9. Sundry Operating Costs** | • Sundry Costs include expenses relating to insurance, stationery and printing, transport, promotions and advertising, and other miscellaneous operating expenditure. |

# REVENUE REQUIREMENT COMPONENTS (CONTINUED…)

- Claw-back is the difference between allowed and actual revenues.
- The draft unaudited results for FY 2020/21 and the latest estimates for FY 2021/22 results in a Net Claw-back of R355m in favor of customers and is determined as follows:

| CLAWBACK | FY2020/21 R'm ROD | FY2020/21 R'm ACTUALS |
|---|---|---|
| Return on asset | 5 248 | 5 986 |
| Depreciation | 2 321 | 2 476 |
| Opex + Group Costs | 6 149 | 5 233 |
| Tax | 556 | - |
| WEGO | 130 | 130 |
| Clawback | -1 201 | -1 201 |
| ETIMC | -567 | -567 |
| **Revenue Allowed/Actual Revenue** | **12 635** | **12 058** |
| AFS Revenue | | 11 527 |
| Clawback | | 530 |
| | | |
| Clawback as per above | | 530 |
| Contract Revenue | | -92 |
| Reverse FY 2020/21 Provisional Clawback taken in FY 2021/22 | | -764 |
| Estimated Clawback for FY 2021/22 (half) | | 7 |
| Add return on clawback account for FY 2020/21 and FY 2021/22 | | -37 |
| **Net Clawback** | | **-355** |

# WEGO RESULTS FY 2020/21

**Results audited by PRSA**

| 2020/21 Financial Year - Provisional Annual WEGO Report | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **WEGO Key Performance Indicators** | **Port of Richards Bay** | **Port of Durban** | **Port East London** | **Port of Ngqura** | **Port of Port Elizabeth** | **Port of Mossel Bay** | **Port of Cape Town** | **Port of Saldanha** |
| Vessel Service Delays | 1,2% | -9,2% | -17,6% | -31,4% | 0,3% | -20,0% | -3,4% | -65,0% |
| Ship Working Hour | -0,5% | -1,5% | -3,2% | -4,5% | -2,5% | 0,0% | -2,2% | -0,5% |
| Berth Productivity | -0,6% | 0,3% | -3,6% | -5,9% | -4,2% | 0,0% | -6,5% | -1,1% |
| Ship Productivity Indicator | -3,8% | -7,8% | -6,9% | -2,8% | -4,6% | -32,5% | -10,9% | -1,7% |
| Ship Turnaround Time | -1,9% | -2,2% | -10,7% | -1,5% | -7,4% | -14,2% | -16,2% | -2,4% |
| **Port Efficiency Gain** | -5,7% | -20,4% | -42,1% | -46,1% | -18,4% | -66,7% | -39,1% | -70,7% |
| **Capped at 10%** | -5,7% | -10,0% | -10,0% | -10,0% | -10,0% | -10,0% | -10,0% | -10,0% |
| **Revenue Weighting** | 14,5% | 49,1% | 1,4% | 6,0% | 4,9% | 0,7% | 14,3% | 9,1% |
| **Weighted Port Performance** | -0,8% | -4,9% | -0,1% | -0,6% | -0,5% | -0,1% | -1,4% | -0,9% |
| **TNPA WEGO** | **-9,37%** | **LEGEND:** | | **White** | No Change from Previous Best Performance | | | |
| | | | | **Green** | Improvement from Previous Best Performance | | | |
| | | | | **Red** | Decline from Previous Best Performance | | | |

| | |
|---|---|
| RAB FY 2020/21 | 75 368 |
| Ke FY 2020/21 | 8,56% |
| Gearing | 50% |
| **Return of Equity** | **3 226** |
| Composite Port Efficiency Gain | -9,37% |
| WEGO Multiplier | -0,937 |
| WEGO Multiplier Cap | 5,00% |
| **Gain/(loss)** | **-151** |

# REVENUE REQUIREMENT CALCULATION: NO ETIMC

| DETAILS | FY 2022/23 | FY 2023/24 | FY 2024/25 |
|---|---|---|---|
| | Fixed Tariff Year | Indicative Tariff Years | |
| | R'm | | |
| RAB | 79 382 | 82 920 | 87 431 |
| Vanilla WACC | 6,99% | 6,83% | 6,96% |
| Return on Capital | 5 549 | 5 660 | 6 082 |
| Plus: Depreciation | 2 560 | 2 604 | 2 585 |
| Plus: Operating Costs | 5 919 | 6 221 | 6 510 |
| Plus: Taxation Expense | 1 211 | 1 238 | 1 328 |
| Plus/Less: Clawback | -355 | 7 | - |
| Plus/Less: ETIMC | - | - | - |
| Plus/Less: WEGO | -151 | - | - |
| **Revenue Allowed** | **14 733** | **15 731** | **16 504** |
| Less: Real Estate | 4 085 | 4 339 | 4 634 |
| ***Marine Revenue*** | ***10 648*** | ***11 391*** | ***11 870*** |

| MARINE REVENUE | FY 2022/23 | FY 2023/24 | FY 2024/25 |
|---|---|---|---|
| | Fixed Tariff Year | Indicative Tariff Years | |
| | R'm | | |
| Prior Year Revenue | 8 163 | 10 648 | 11 391 |
| Estimated Volume Growth | 5,24% | 5,07% | 1,71% |
| Revenue after volume growth | 8 590 | 11 188 | 11 586 |
| Required Revenue | 10 648 | 11 391 | 11 870 |
| ***Tariff Increase*** | ***23,96%*** | ***1,81%*** | ***2,45%*** |

# REVENUE REQUIREMENT CALCULATION: ETIMC

| DETAILS | FY 2021/22 ROD R'm | FY 2022/23 Fixed Tariff Year R'm | FY 2023/24 Indicative Tariff Years R'm | FY 2024/25 Indicative Tariff Years R'm |
|---|---|---|---|---|
| RAB | 73 237 | 79 382 | 82 920 | 87 431 |
| Vanilla WACC | 7,03% | 6,99% | 6,83% | 6,96% |
| Return on Capital | 5 151 | 5 549 | 5 660 | 6 082 |
| Plus: Depreciation | 2 293 | 2 560 | 2 604 | 2 585 |
| Plus: Operating Costs | 5 503 | 5 919 | 6 221 | 6 510 |
| Plus: Taxation Expense | 471 | 1 211 | 1 238 | 1 328 |
| Plus/Less: Clawback | -185 | -355 | 7 | - |
| Plus/Less: ETIMC | -1 201 | -1 251 | -499 | - |
| Plus/Less: WEGO | -62 | -151 | - | - |
| **Revenue Allowed** | **11 970** | **13 482** | **15 232** | **16 504** |
| Less: Real Estate | 3 861 | 4 085 | 4 339 | 4 634 |
| ***Marine Revenue*** | ***8 109*** | ***9 397*** | ***10 892*** | ***11 870*** |

## Total Revenue Requirement FY 2022/23

**R13 482m compromising of Marine Business Revenue of R9 397m and Real Estate Business Revenue of R4 085m**

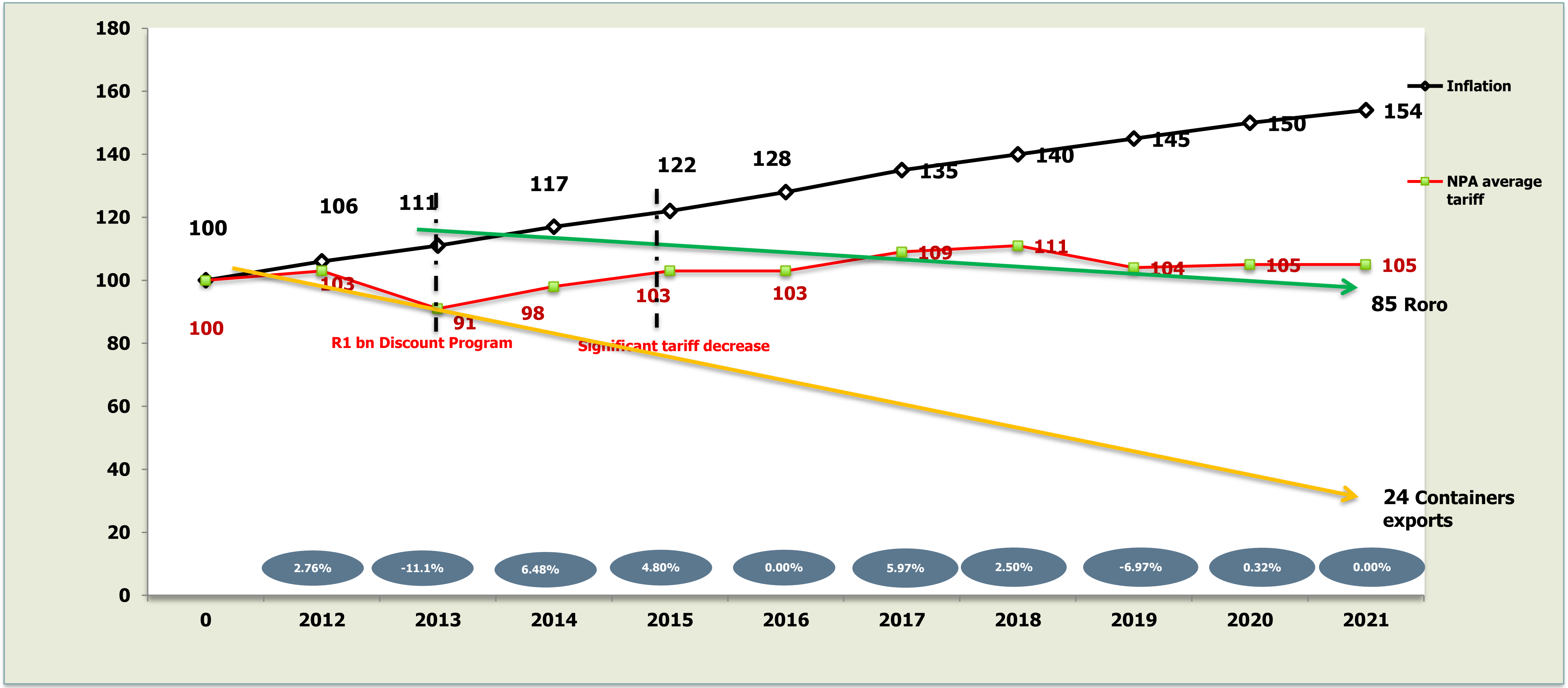
# TARIFF ADJUSTMENT FY 2022/23

| MARINE REVENUE | FY 2022/23 | FY 2023/24 | FY 2024/25 |
|---|---|---|---|
| | Fixed Tariff Year | Indicative Tariff Years | |
| | R'm | | |
| Prior Year Revenue | 8 163 | 9 397 | 10 892 |
| Estimated Volume Growth | 5,24% | 5,07% | 1,71% |
| Revenue after volume growth | 8 590 | 9 874 | 11 078 |
| Required Revenue | 9 397 | 10 892 | 11 870 |
| ***Tariff Increase*** | ***9,40%*** | ***10,31%*** | ***7,15%*** |

**Total Revenue Requirement FY 2022/23**

**R13 482m compromising of Marine Business Revenue of R9 397m and Real Estate Business Revenue of R4 085m translates to a weighted average tariff adjustment of 9.40%**

# THE AUTHORITY'S ADMINISTERED PRICING



# TARIFF STRATEGY & DIFFERENTIATED TARIFF INCREASES

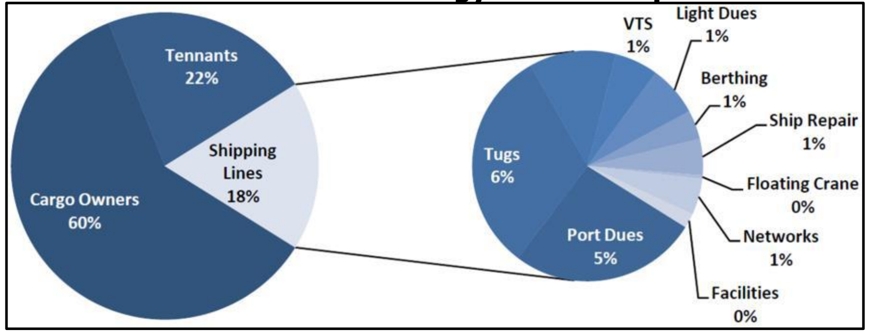
- Tariff Strategy:
  - Sets out a strategic direction for the South African port system;
  - Provides a transparent view of port tariffs over the next couple of years;
  - Premised on the user-pay principle;
  - Moving towards infrastructure based charges; and
  - Implementation results in differentiated tariff increases for marine services and within the various cargo dues categories.

**Asset Valuation**
**Critical in determining cost reflective tariffs**

- Proposed Differentiated tariffs: Balance between implementation of Tariff Strategy and encouraging trade

# TARIFF STRATEGY

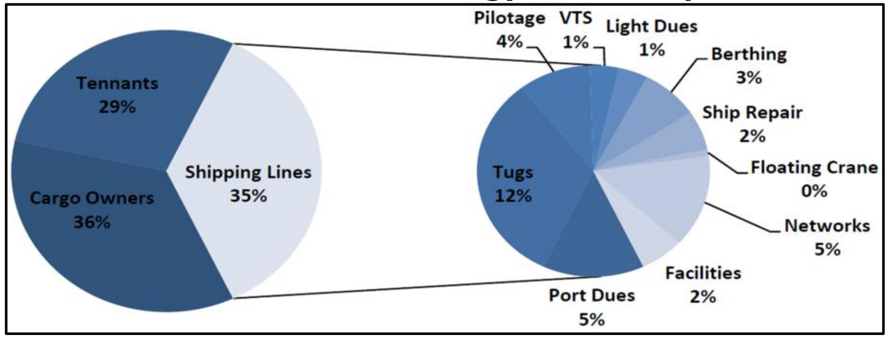
## Pre-Tariff Strategy Revenue Split




Reducing Overall Revenue Requirement Trend over time

## Tariff Strategy 2015

### Post-Tariff Strategy Revenue Split

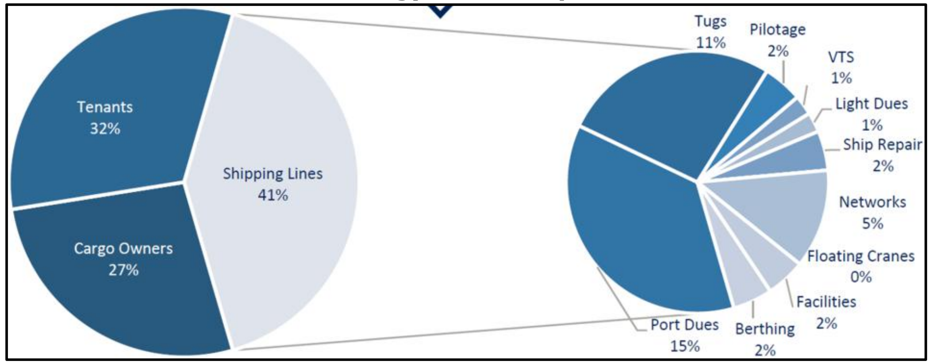



Revision of Tariff Strategy 2020: Values updated whilst principles remain the same.

Update of values based on the Trended Original Cost valuation methodology.

## Revised Tariff Strategy 2020

### Post-Tariff Strategy Revenue Split




Cargo Owners ▪ Tenants ▪ Port Dues ▪ Tugs ▪ Pilotage ▪ VTS ▪ Light Dues ▪ Ship Repair ▪ Floating Crane ▪ Networks ▪ Facilities ▪ Berthing

# TARIFF STRATEGY & DIFFERENTIATED TARIFF ADJUSTMENTS

TRANSNET

**CONTAINERS**

- Exports: Support the export/consumption of locally manufactured/produced goods
- Imports: Support to local manufacturers that import raw material/ automotive components
- Below RSA CPI of 4.37%: Aligned to Tariff Strategy tariff trajectory
- Supportive of the TNPA's and Transnet segment strategy
- Enable volume growth (due to negative growth of real GDP)

**AUTOMOTIVES**

- Exports: Enable competition between local Original Equipment Manufacturers ("OEM") and global sister companies.
- Below RSA CPI of 4.37% and G7/Global inflation of 1.8%
- Aligned to Tariff Strategy tariff trajectory
- Enable volume growth (due to negative growth of real GDP)

**LIQUID BULK**

- Aligned to Tariff Strategy tariff trajectory and Financial Year 2022/23 Base Rates

**BREAK BULK**

- Aligned to Tariff Strategy tariff trajectory and Financial Year 2022/23 Base Rates

**DRY BULK**

- Aligned to Tariff Strategy tariff trajectory & and Financial Year 2022/23 Base Rates
- Supportive of the TNPA"s and Transnet segment strategy
- Coal & Magnetite Export: "Catch- up" to base rates & GPCS 2020/21 reports indicating coal below global sample average (61%) and Tariff Strategy Dry bulk target tariff (11%)

**Economic Conditions, Market Factors & Tariff Strategy**

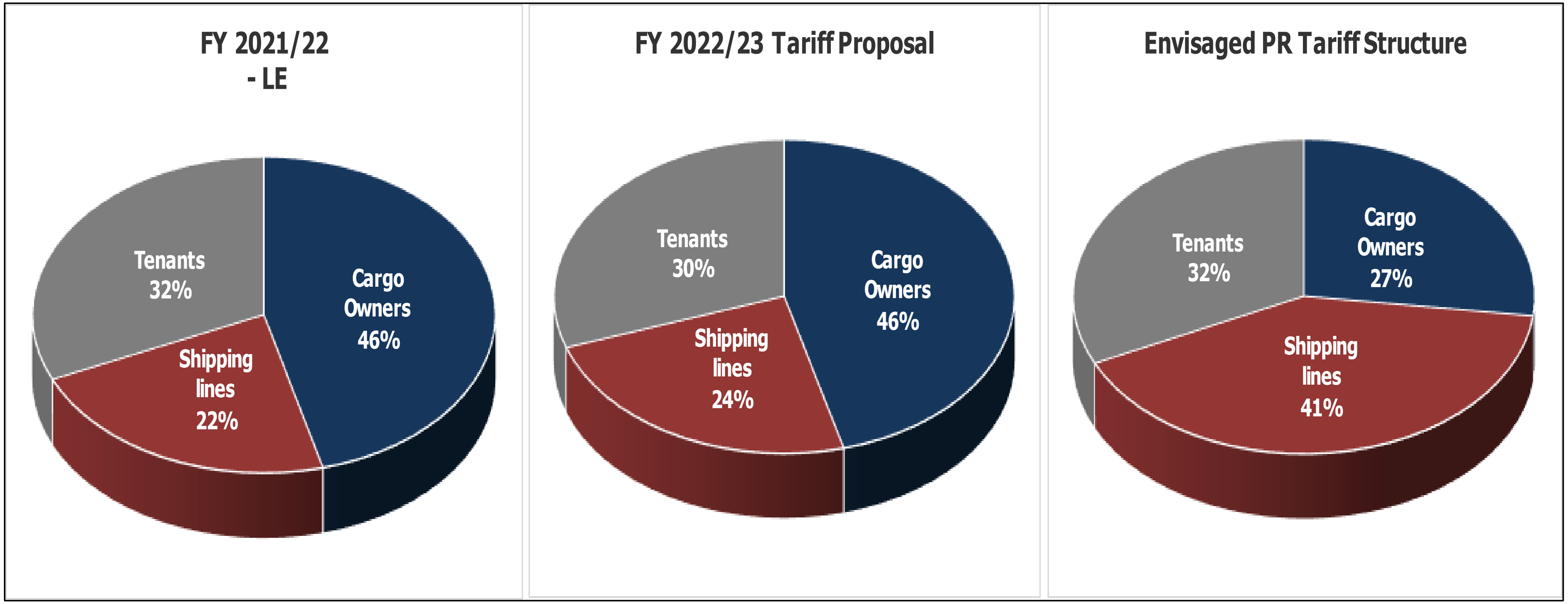
| Tariff Differentiation | Tariff Adjustments FY 2022/23 | |
|---|---|---|
| | Imports | Exports |
| Cargo Dues | 5,47% | |
| - Containers | 3,10% | 3,10% |
| - Automotives | 0,00% | 0,00% |
| - Liquid Bulk | 9,40% | 9,40% |
| - Break Bulk | 9,40% | 9,40% |
| - Dry Bulk | 9,40% | 9,40% |
| - Coal Exports | 12,00% | |
| - Magnetite Exports | 12,00% | |
| Marine Charges | 17,83% | |
| **Average Tariff Adjustment** | **9,40%** | |

**Marine Services**

- Aligned to Tariff Strategy proposed end state: 60% of RR
- User pays principle: Significantly cross-subsidized tariffs
- Historical benefit of depreciating Rand against the Dollar.

# TRANSITION TO THE TARIFF STRATEGY

- The proposed tariff differentiation is depicted in the diagram:



# TARIFF BOOK CHANGES FY 2022/23

| Reference to Tariff Book FY 2021/22 | Current Tariff Book Reading /Wording | Proposed Changes |
|---|---|---|
| Page 53 Section 8, No 4 'AMENDING ORDERS' | New addition to Tariff Book | **Amendment:**<br><br>The first amendment made to a cargo dues order within 7 days of initial submission, including weekends and public holidays, and which does not impact on the value of the initial invoice, will not attract an amending/cancelling fee.<br><br>**Rationale:**<br><br>Provides clear understanding and emphasis that only the first amendment is excluded from the charges. |
| Section 6<br><br>Clause 3. Penalties.<br><br>Page 34 | Clause 3. Penalties<br><br>Should the booking not be taken up or cancelled within 60 consecutive days prior to the booked date, the deposit will be forfeited. If the booking is cancelled greater than 60 days, a full refund will be given | **Amendment :**<br><br>Vessels that exceed their allocated scheduled booking dates for the dry-dock, floating dock and synchro lift occupancy period will incur a 40% penalty on dry-dock, floating dock and synchro lift dues for each subsequent 12 hour period of the vessel's overstay on the ship repair facility.<br><br>**Rationale:**<br><br>The overstay penalty should be applied to encourage adherence to the booking schedules. It would eliminate unnecessary overstay in the ship repair facilities that may result in vessel scheduling backlogs, lack of client confidence, possible reputational risk and revenue loss to the company. |

# TARIFF BOOK CHANGES FY 2022/23

| Reference to Tariff Book FY 2021/22 | Current Tariff Book Reading /Wording | Proposed Changes |
|---|---|---|
| Section 6<br><br>Clause 6. Dry-dock, Floating Dock and Synchro lift Dues.<br><br>Page 36 | Clause 6. Dry-dock, Floating Dock and Synchro lift Dues<br><br>All charges below are subject to the minimum charges as specified in Clause 6.5 on page 38. | **Amendment:**<br><br>All charges under clause 6 below are subject to the overstay penalties as specified in Clause 3 on page 34.<br><br>**Rationale:**<br><br>Footnote to be added to draw the customer's attention to the applicable overstay penalties. |
| Section 6<br><br>Clause 8. Wharf Cranes<br><br>Page 40 | Clause 8.1<br><br>Outside ordinary working hours only:<br><br>Irrespective of the crane lifting capacity, per hour…… R 1129.46 | **Amendment:**<br><br>One crane will be provided per vessel if required, inclusive of the dues.<br><br>**Rationale:**<br><br>Confirmation of TNPA position and clarification of crane allocation at the ship repair facilities. |

# TARIFF BOOK CHANGES FY 2022/23

| Reference to Tariff Book FY 2021/22 | Current Tariff Book Reading /Wording | Proposed Changes |
|---|---|---|
| Clause 1.2 Berth Dues<br><br>Page 23 | 1.2 BERTH DUES<br><br>Exemptions<br><br>• SAPS and SANDF vessels;<br>• Vessels lying alongside a berth for the sole purpose of taking in vessel's stores and/or coal and liquid fuel for own consumption are exempted for only 48 hours where after the fees specified are payable;<br>• Vessels resorting under Section 4, Clause 2 but only at their registered port;<br>• Vessels calling for the sole purpose of landing survivors;<br>• Vessels calling for the sole purpose of obtaining medical assistance;<br>• Passenger vessels on normal business;<br>• Vessels being fumigated prior to taking in cargo. | **Amendment:**<br><br>Addition of "SA Medical & Research vessels" to the list<br><br>**Rationale:**<br><br>Alignment to exemptions relating to Port Dues |

# CONCLUSION

- The Authority submitted a Tariff Application for FY 2022/23 to FY 2024/25 (based on Tariff Methodology) with resultant Required Revenue of R 13 482m:
  - ❑ Translating into a weighted average tariff adjustment of 9.40% for FY 2022/23
  - ❑ Indicative tariff adjustments of 10.31% and 7.15% for FY 2023/24 and FY 2024/25 respectively.
- In accordance with the objectives of the Tariff Strategy, amongst others, the following differentiated tariff adjustments (Section 8.3.2.6) are proposed for approval by the Regulator:
  - ❑ Tariff increase of 17.83% on Marine charges (shipping lines)
  - ❑ 3.10% on Containers Imports & Exports;
  - ❑ 9.40% on Break Bulk Imports & Exports;
  - ❑ 9.40% on Dry Bulk Imports & Exports;
    - ❖ 12.00% on Coal & Magnetite Exports
  - ❑ 9.40% on Liquid Bulk Import & Export; and
  - ❑ 0.00% on Automotive Imports & Exports.
    - ❖ Equates to an average of 5.47% increase in Cargo Dues.
- The aforementioned differentiated tariff adjustments result in a weighted average tariff adjustment of 9.40% for FY 2022/23.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