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To: **Ms. Shulami Qalinge**  
Chief Executive Officer  
National Ports Authority of South Africa  
30 Wellington Road  
Parktown  
2193

PER EMAIL

Dear Ms. Qalinge

**RE: ADDITIONAL REQUIREMENT: NPA TARIFF APPLICATION 2019/20**

The NPA tariff application submitted on 1 August 2018, refers.

The Ports Regulator has considered your application for a revised tariff as duly submitted on 1 August 2018, at its meeting on 23 August 2018, and has noted with concern that your application was not aligned to the Regulator approved and published Methodology for the Valuation of the Regulatory Asset Base. Whilst your application acknowledges that you have purposefully not applied the valuation methodology and cites potential sustainability issues for not having done so, the Regulator requires the following from the National Ports Authority for public consumption and for discussion at its Tariff Application Roadshows by Friday 7 September 2018:

- a. An addendum to the NPA tariff application for 2019/20, consisting of essential tables and calculations of the proposed tariffs over the next three years, based on the Regulator approved and published Methodology for the Valuation of the Regulatory Asset Base.
- b. As part of the addendum, a section is required outlining the calculation of key sustainability related financial ratios (for the past three years and following three years) that are believed to become breached due to the implementation of the Regulator approved and published Methodology for the Valuation of the Regulatory Asset Base
- c. As part of the addendum, and the financial sustainability section, audited financial statements should be included as an annexure for public information and verification of the ratios for the three preceding financial years as well as forecasts and assumptions informing the next three years.

In addition, as part of the Tariff Application for 2019/20, the Ports Regulator requires that the National Ports Authority provides the following additional information:

1. Annual Financial Statements

As per the required information request set out in the Tariff Methodology,

- 1.1. Audited Annual Financial Statements for the National Ports Authority for 2017/18;
- 1.2. Audited Annual Financial Statements for Transnet Group for 2017/18; and
- 1.3. Port level financial statements for 2017/18.

2. CAPEX Information

2.1. Reasons for the underspend of CAPEX for financial year 2017/18 as well as the expected underspending in 2018/19.

As per the required information request set out in the Tariff Methodology,

2.2. Business Cases for all proposed CAPEX spend above R10 million for the 2019/20 tariff year; Please note that due to the instability in the capex implementation process the Regulator will assess the applied for CAPEX projects on an annual basis.

2.3. All proposed acquisition of land and other Capital Assets (including motivation thereof); and

2.4. All proposed disposal/or removal of land and assets (including motivation thereof).

3. Port Tariff Incentive Programme

3.1. Detailed volume information on a per tariff line, both historical and a three-year forecast.

4. Debt Information

4.1. Credit rating sustainability and ratio analysis that was presented to the CEO on 22 June 2018, including all relevant underlying data, forecasts, and assumptions;

4.2. Debt information and agreements that will be affected by the implementation of the Valuation of Assets Methodology;

4.3. Transnet's debt allocation criteria and policies and how this applied to the NPA.

5. Lease Information

5.1. Lease Register setting out all lease information;

5.2. Copies of all new agreements and licences entered into or issued in the quarter, as well as the supporting documentation thereof, including Sections 79s, 72s, 56s, 57s, and lease agreements (inclusive of all annexures, including but not limited to updated rentals and terminal operator tariffs); and

5.3. All applicable B-BBEE certificates for the abovementioned licences and agreements;

6. Maintenance

6.1. Itemized maintenance schedules for the next three years for all planned and unplanned maintenance projects above R1 million, categorized as OPEX as well as "capitalized maintenance".

Please do not hesitate to contact the office of the CEO if you have any queries.

Yours faithfully,



Mr. Thabadiawa Mufamadi

Chairman of the Ports Regulator of South Africa

Date: 23/08/2018