



public enterprises

Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA

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Mr Mahesh Fakir
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Dear Mr. Fakir

Amendments To the Regulatory Methodology

I would like to thank you for the engagement that took place with officials from the Department on 20 November 2018.

I am informed that the regulator will shortly be announcing its decision on the National Ports Authority (NPA) tariff application. I understand that there were some challenges with respect to the tariff application originally submitted by Transnet. This was partly due to changes to the tariff methodology that were being introduced by Ports Regulator. I am informed that the changes in the methodology may result in the allowable revenue for the NPA decreasing by as much as R3.8 billion, equivalent to around one third of the authority's total revenue, which could have a negative impact on the financial sustainability and operations of Transnet, the NPA and the ports sector.

Although the Department is in favour of lowering ports costs, which is also in line with the objectives set out by the President as part of the stimulus package announced in September, the longer term implications of the new methodology must be carefully assessed. The Department would welcome the opportunity to engage further on the tariff methodology via appropriate structures, to ensure that a sound methodology in line with international best practice is applied. This should ensure a smooth tariff path, balance the needs for a sustainable NPA and protect customers. This would align with the primary objectives of the Ports Act of promoting the development of effective and productive South African ports that are capable of contributing to the economic growth and development of our country. It would be appreciated, if the implementation of the amendments could be postponed to allow for thorough engagements.

I would also like to inform you that the Minister is giving consideration to initiating the implementation of Section 3(2) of the National Ports Act, 2005. The decision will be informed by an assessment of the impact of the implementation of the Act. Your support on the matter will be welcomed.

I trust that the above is in order.

Regards



Thuto Shomang
Acting Director-General

Date: 29/11/2018