

## ERRATUM

6 October 2017

### AMENDMENT TO THE TRANSNET NATIONAL PORTS AUTHORITY (AUTHORITY) TARIFF APPLICATION FOR FINANCIAL YEAR 2018/19

#### INTRODUCTION

On 01 August 2017 the Authority submitted its Tariff Application for the tariff year 2018/19 ("FY 2018/19") to the Ports Regulator ("the Regulator") for approval. The application submitted is depicted in table 1 and 2 below:

**Table 1: Revenue Requirement as per the Tariff Application**

DETAILS	2017/18	2018/19	2019/20	2020/21
	ROD	Fixed Tariff Year	Indicative Tariff Years	
	R'm	R'm		
RAB	77 356	80 633	86 830	94 737
Vanilla WACC	5.71%	6.23%	6.52%	6.32%
Return on Capital	4 417	5 020	5 660	5 988
Plus: Depreciation	2 030	2 166	2 333	2 545
Plus: Operating Costs	5 961	5 938	6 258	6 616
Plus: Taxation Expense	1 050	1 150	1 288	1 370
Plus/Less: Clawback	-681	-1 531	106	-
Plus/Less: ETIMC	-593	-81	-	-
Revenue Allowed	<b>12 185</b>	<b>12 663</b>	<b>15 645</b>	<b>16 518</b>
Less: Real Estate	-2 798	-3 025	-3 279	-3 542
<b>Marine Revenue</b>	<b>9 387</b>	<b>9 638</b>	<b>12 366</b>	<b>12 976</b>

**Table 2: Marine Revenue for FY 2018/19 to FY 2020/21 as per the Tariff Application**

MARINE REVENUE	2018/19	2019/20	2020/21
	Fixed Tariff Year	Indicative Tariff Years	
	R'm		
Prior Year Revenue	8 646	9 638	12 366
Estimated Volume Growth	2.79%	2.79%	2.79%
Revenue after volume growth	8 887	9 907	12 711
Required Revenue	9 638	12 366	12 976
<b>Tariff Increase</b>	<b>8.45%</b>	<b>24.82%</b>	<b>2.09%</b>

The Revenue Requirement calculation considers the best available information premised on the latest economic indicators, assumptions and parameters.

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## DISCUSSION

Per the approved Tariff Methodology, the key purpose of applying a claw back is to ensure that neither the Authority nor port user gain or lose out from differences arising between forecasts made at the time of the tariff application and actual figures on the realisation of capital expenditure, operating expenditure, depreciation, taxation, volume and inflation (CPI).

The calculation of the claw-back included in the Tariff Application for tariff year 2018/19 was as follows:

**Table 3: Re-computation of RR for FY 2016/17 as per the Tariff Application**

CLAWBACK	FY2016/17 ROD	FY2016/17 ACTUALS
Return on asset	3 420	3 322
Depreciation	1 948	1 930
Opex + Group Costs	5 487	4 459
Tax	889	865
Clawback	-680	-680
<b>Revenue Allowed/Actual Revenue</b>	<b>11 064</b>	<b>9 896</b>
AFS Revenue	-	11 307
Clawback	-	-1 411
Clawback as per above		-1 411
Contract Revenue		-124
Reverse FY 2016/17 Clawback taken in FY 2017/18		-13
Estimated Clawback for FY 2017/18 (half)		106
Plus return on clawback account for FY 2017/18 @ 5.71% RoR		-88
<b>Net Clawback</b>		<b>-1 531</b>

The estimated 50% under-recovery of revenue allowed for FY 2017/18 was calculated to be R106m. There was an error in the Authority's initial calculation. The estimated 50% under-recovery of revenue allowed for FY 2017/18 should have been R371m, thereby reducing clawback in favour of customers by an additional R265m during tariff year 2018/19. The balance of the 50% under-recovery of R265m would need to be accommodated for in tariff year 2019/20.

Revised clawback computation is therefore as follows:

**Table 4: Revised re-computation of RR for FY 2016/17 as per the Tariff Application**

CLAWBACK	FY2016/17 ROD	FY2016/17 ACTUALS
Return on asset	3 420	3 322
Depreciation	1 948	1 930
Opex + Group Costs	5 487	4 459
Tax	889	865
Clawback	-680	-680
<b>Revenue Allowed/Actual Revenue</b>	<b>11 064</b>	<b>9 896</b>
AFS Revenue	-	11 307
Clawback	-	-1 411
Clawback as per above		-1 411
Contract Revenue		-124
Reverse FY 2016/17 Clawback taken in FY 2017/18		-13
Estimated Clawback for FY 2017/18 (half)		371
Plus return on clawback account for FY 2017/18 @ 5.71% RoR		-88
<b>Net Clawback</b>		<b>-1 266</b>

Owing to the revision of the Clawback calculation, Table 2, 3, 19 and 21 on pages 9, 45 and 46 that sets out the Authority's Revenue Requirement for FY 2018/19 would need to be amended with table 5 and 6 below, as follows:

**Table 5: Revised Revenue Requirement FY 2018/19 to FY 2020/21 without additional ETIMC**

DETAILS	2017/18	2018/19	2019/20	2020/21
	ROD	Fixed Tariff Year	Indicative Tariff Years	
	R'm	R'm		
RAB	77 356	80 633	86 830	94 737
Vanilla WACC	5.71%	6.23%	6.52%	6.32%
Return on Capital	4 417	5 020	5 660	5 988
Plus: Depreciation	2 030	2 166	2 333	2 545
Plus: Operating Costs	5 961	5 938	6 258	6 616
Plus: Taxation Expense	1 050	1 150	1 288	1 370
Plus/Less: Clawback	-681	-1 266	371	-
Plus/Less: ETIMC	-593	-81	-	-
Revenue Allowed	<b>12 185</b>	<b>12 928</b>	<b>15 910</b>	<b>16 518</b>
Less: Real Estate	-2 798	-3 025	-3 279	-3 542
<b>Marine Revenue</b>	<b>9 387</b>	<b>9 903</b>	<b>12 631</b>	<b>12 976</b>

**Table 6: Tariff Adjustment for FY 2018/19 to FY 2020/21 without additional ETIMC**

MARINE REVENUE	2018/19	2019/20	2020/21
	Fixed Tariff Year	Indicative Tariff Years	
	R'm		
Prior Year Revenue	8 646	9 903	12 631
Estimated Volume Growth	2.79%	2.79%	2.79%
Revenue after volume growth	8 887	10 180	12 983
Required Revenue	9 903	12 631	12 976
<b>Tariff Increase</b>	<b>11.43%</b>	<b>24.08%</b>	<b>-0.05%</b>

The Authority remains cognisant of the current economic situation and financial challenges confronting our customer base. In order to assist our customers the Authority proposes to utilize R265m of the Excessive Tariff Increase Margin Credit (ETIMC) facility in addition to the R81m per the original tariff application of 1 August 2017.

The revised Revenue Requirement submitted is therefore per amended table (with ETIMC at R346m):

**Table 7: Revised Revenue Requirement FY 2018/19 to FY 2020/21 with additional ETIMC**

DETAILS	2017/18	2018/19	2019/20	2020/21
	ROD	Fixed Tariff Year	Indicative Tariff Years	
	R'm	R'm		
RAB	77 356	80 633	86 830	94 737
Vanilla WACC	5.71%	6.23%	6.52%	6.32%
Return on Capital	4 417	5 020	5 660	5 988
Plus: Depreciation	2 030	2 166	2 333	2 545
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Plus: Taxation Expense	1 050	1 150	1 288	1 370
Plus/Less: Clawback	-681	-1 266	371	-
Plus/Less: ETIMC	-593	-346	-	-
Revenue Allowed	<b>12 185</b>	<b>12 663</b>	<b>15 910</b>	<b>16 518</b>
Less: Real Estate	-2 798	-3 025	-3 279	-3 542
<b>Marine Revenue</b>	<b>9 387</b>	<b>9 638</b>	<b>12 631</b>	<b>12 976</b>

The resultant tariff adjustment therefore remains unchanged for tariff year 2018/19 at 8.45% with 2019/20 growing to an indicative 27.49% and 2020/21 indicating a tariff reduction of 0.05%.

**Table 8: Tariff Adjustment for FY 2018/19 to FY 2020/21 with additional ETIMC**

MARINE REVENUE	2018/19	2019/20	2020/21
	Fixed Tariff Year	Indicative Tariff Years	
	R'm		
Prior Year Revenue	8 646	9 638	12 631
Estimated Volume Growth	2.79%	2.79%	2.79%
Revenue after volume growth	8 887	9 907	12 983
Required Revenue	9 638	12 631	12 976
<b>Tariff Increase</b>	<b>8.45%</b>	<b>27.49%</b>	<b>-0.05%</b>

**CONCLUSION**

The correction of the clawback calculation results in the Authority being entitled to an additional R530m revenue split over the tariff years 2018/19 and 2019/20. The proposal by the Authority to utilise the ETIMC to offset the significant tariff increase associated with this additional revenue renders the tariff increase request for FY 2018/19 indifferent to the original submission of 1 August 2017.

The Authority therefore maintains is request of a weighted average tariff increase of 8.45% differentiated as follows:

- An average 10.00% increase for Marine Services tariffs applicable to shipping lines:
  - Port Dues tariff to increase by 14.05%;
  - Berthing Services tariff to increase by 11.15%; and
  - Other including Pilotage, Towage, VTS to increase by 7.04%.
- An average 7.88% increase for cargo dues tariffs with:
  - FULL containers import and export tariffs to increase by 7.50%;
  - Automotive converted to unitary based tariff structure increasing by 5.00%;
  - Bulk tariffs increasing by 9.00% except:
    - Coal to increase by 10.00%; and
    - Ores and Minerals: Magnetite to increase by 10.00%.
  - Other cargo increases by 8.45%.

**END**

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