1. Introduction

On 30 September 2014, following the Roadshows held by the Ports Regulator, the Authority received additional questions/information requests on the Tariff Application FY 2015/16. The Authority's responses to the additional questions are captured below.

2. Additional Questions/Information Requests

2.1 Tenant Revenue

STAKEHOLDER QUESTION	AUTHORITY'S RESPONSE
2.1.1 For each FY from FY 2013/14 to FY 2016/17, please provide a breakdown of the Actual/Projected Tenant Revenue as follows: • Total revenue from all tenants • Revenue from existing tenants (including those who have entered into new agreements) • Revenue from new tenants (reduced vacancy)	• Refer to Table 1 below
2.1.2 Is the Gross Lettable Area approx. 27km²? Please provide a breakdown of the approximate lettable area attributable to each Cargo Handling Type?	• The Gross lettable area is approximately ***27 mil m²*** • In accordance with the Record of Decision for FY 2014/15, the breakdown of lettable area per cargo handling type will be considered as part of the Pricing Strategy and hence this detail has not been covered in this tariff application.
2.1.3 Please provide high level rental income figures, across all tenants and ports, relating to each Cargo Handling Type for FY 2013/14 to FY 2016/17 i.e. How much rent is attributable to tenants handling: • RoRo • Containers • Dry Bulk • Break bulk • Liquid Bulk	• In accordance with the Record of Decision for FY 2014/15, the rental income figures for each cargo handling type will be considered as part of the Pricing Strategy.
2.1.4 Is the Authority empowered, in terms of the Ports Act or through the SOC, to curb excessive (above inflation) increases in the charges levied by its Tenants on port users?	• There are differing views as to whether the Authority can regulate Terminal Handling Charges (THCs). This will be a discussed with the Ports Regulator and will be considered as part of the implementation of the Pricing Strategy.
2.1.5 Is the Regulator empowered, to act as per "e" above?	• ***For response by the Ports Regulator***

Table 1: Breakdown of Real Estate Revenue

DETAILS	ACTUALS	BUDGET	ESTIMATE		
	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18
REVENUE (R'm)					
TOTAL EXTERNAL REVENUE	924	1 045	1 042	1 164	1 309
LEASING - DIVISIONAL	837	898	1 001	1 081	1 169
SUB-TOTAL	***1 761***	***1 943***	***2 043***	***2 245***	***2 477***
OTHER RECOVERIES	352	267	340	359	381
TOTAL REVENUE FROM TENANTS	**2 113**	**2 210**	**2 383**	**2 604**	**2 859**
REVENUE FROM NEW TENANTS	59	62	66	70	74
TOTAL REVENUE	**2 172**	**2 272**	**2 449**	**2 674**	**2 932**

2.2 Operation Phakisa

STAKEHOLDER QUESTION	AUTHORITY'S RESPONSE
2.2.1 Is capital expenditure for "Operation Phakisa" expected to be included in the Authority's general expansion plans, with costs recoverable by all port users, or will the project be ring-fenced and financed through the national budget?	• The Authority is currently engaging with the Presidency and Transnet with regards to Operation Phakisa. Once this is finalised, discussions will be held with the Ports Regulator in terms of funding hereof.

2.3 Terminal Operator Performance Standard

STAKEHOLDER QUESTION	AUTHORITY'S RESPONSE
2.3.1 With the "TOPS" efficiency programme having been operational for over a year now (since July 2013), can the Authority kindly provide a list of the different KPI's used (including the metrics and parameters) and what improvement in efficiencies have been achieved?	• Refer to Table 2 below • Refer to Table3 below • Table 2 highlights that overall the average dwell time achieved is close to the targets. Automotive terminals are sensitive to dwell times with regards to the efficiency and capacity of the terminals. There is clearly a need to bring the achieved dwell times as close as possible to the design dwell times in order to realise capacity of the terminal. In this regard, the Authority will hold discussions with the terminal operator and Original Equipment Manufacturers (OEMs) in order to shorten cargo dwell time without disrupting the various auto supply chains.

Table 2: TOPS definitions of Measures and calculations

TOPS DEFINITIONS OF MEASURES AND CALCULATIONS				
NB: These may apply differentially as per the nature of the terminal operations				
Measure	**Definition**	**Calculation**	**Applicable**	**Exclusions**
Terminal Berthing Delays	The average delay per vessel as a direct result of the terminal expressed in hours	Total of all (vessel actual berthing time – vessel planned berthing time) / total number of vessels delayed for a given period	Terminals with dedicated berths only	Force Majeure (Weather delays) Surge, under currents
Berth Productivity	Total volume handled during the total time vessel is on berth expressed in tons/hour, kl/hour, TEU's/hour, Units/hour	Total volume for a given period (in tons, kl, units or TEU's) / Total time vessel is on berth. Total time vessel is on berth and is the sum for all vessels during the month (last rope untied – first rope tied)	Terminals with dedicated berths only	
Ship Working Hour	Total volume handled during the total productive working hours for the vessel expressed in tons/hours, kl/hour, containers/hour or units/hour	Total volume for a given period (in tons, kl, units or containers) / Total vessel productive. Total vessel productive time is the sum for all vessels during the month (last swing or cargo move) – (first swing or cargo move)	All Terminals	Force Majeure (Weather delays) Surge, under currents External power supply failures
Truck Turnaround Time	The average service time of road haulers within the terminal expressed in minutes or hours	Total of (gate time out – gate time in)/total number of haulers for the period	Terminals using road trucks	Force Majeure (Weather delays) External power supply failures
Truck Queuing Outside Terminal	The truck congestion on public roads outside the terminal resulting from unmanaged truck arrival patterns. Average waiting time for trucks outside terminal expressed in minutes or hours.	Total of all (truck gate in time minus truck arrival in queue) / number of trucks per sample	Terminals using road trucks	Trucks not en-route to terminal or without firm delivery / upliftment order External power supply failures
Rail Turnaround Time	The average service time of trains arriving and departing the terminal expressed in hours	Total of (yard time out – yard time in) / total number of trains for the period	Terminals using rail	Rolling stock in holding in rail yards Force Majeure (Weather delays)

TOPS DEFINITIONS OF MEASURES AND CALCULATIONS				
NB: These may apply differentially as per the nature of the terminal operations				
Measure	**Definition**	**Calculation**	**Applicable**	**Exclusions**
				External power supply failures
Cargo Dwell Time in Terminal	The average period that cargo stays within the terminal between the times of arrival to loading and vessel discharge until terminal gate exit expressed in hours or days. Imports, Exports and transhipments to be indicated separately.	Total dwell time per container, ton, Kl or units / Total Units through the system for the period.	All commodities except liquid bulk	Commercial arrangements borne in mind
	For liquid bulk terminals, the average dwell time is to be the tank turn days	Tank turn = volume for the period divided by tank capacity Tank turn days (which should be the average dwell time) = Available days divided by the tank turn	Liquid Bulk Terminals	Planned outage days
Terminal Throughput	Total cargo handled (imported, exported and Transhipped) by the terminal over a given period expressed in tons, Kl, TEU's or units	Total of imports + exports + transhipments handled by the terminal over a given period	All terminals	Volume of refinery product stored in port is not regarded as import or export cargo but included in capacity.

Table 3: Summary of Terminal Operator Performance against TOPS Year 1 for Automotive Terminals

- **Durban**

Measure	Automotive Terminal Durban			COMMENTS
	Target	Average actual	Performance	
Berthing delays (hours)	0	0	-	• Standard has been met
Ship Working Hour (units/h)	120	137	114%	• Standard exceeded. TOPS SWH for Year 2 will be set at safe working levels.
Truck Turnaround Time (minutes)	45	42	93%	• Standard exceeded
Rail Turnaround Time (hours)	N/A			• This measure will be reflected in Year 2
Cargo Dwell Time (days)	Imp: 6 Exp: 13 Tx: 10	Imp: 4.3 Exp: 10 Tx: 12.6	Imp: 72% Exp: 77% Tx: 126%	• Terminal capacity is significantly impacted by dwell time. The design dwell time for this terminal is Import (3 days) and Export (10) days. Dwell times in excess of targets result from contractual arrangements. • The 126% reflected for transhipments indicates 26% longer than planned.
Throughput (units) September 2013 - June 2014	311250	324895	104%	• Standard exceeded

- **East London**

Measure	Automotive Terminal East London			Comments
	Target	Average actual	Performance	
Berthing delays (hours)	0	0	-	• Standard has been met
Ship Working Hour (units/h)	150	171	114%	• Standard has been exceeded. TOPS SWH for Year 2 will be set at safe working levels.
Truck Turnaround Time (minutes)	OEM driven	OEM driven	OEM driven	• OEM driven
Rail Turnaround Time (hours)	N/A			• This measure will be reflected in Year 2
Cargo Dwell Time (days)	Imp: 4 Exp: 14	Imp: 3 Exp: 12	Imp: 75% Exp: 85%	• Standard exceeded
Throughput (units) September 2013 - June 2014	33 476	29 664	89%	• The strike in the steel industry caused disruptions in the supply of components which impacted production negatively. • The introduction of the new export programme for Mercedes Benz went through a start-up phase. • The import volumes Chrysler and Fiat did not materialise.

- **Port Elizabeth**

Measure	Automotive Terminal Port Elizabeth			Comments
	Target	Average actual	Performance	
Berthing delays (hours)	0	0	-	• Standard met
Ship Working Hour (units/h)	150	180	120%	• Standard has been exceeded. TOPS SWH for Year 2 will be set at safe working levels.
Truck Turnaround Time (minutes)	OEM driven	OEM driven	OEM driven	• OEM driven
Rail Turnaround Time (hours)	N/A			• This measure will be reflected in Year 2
Cargo Dwell Time (days)	Imp: 10 Exp: 16	Imp: 5.2 Exp: 8	Imp: 52% Exp: 50%	• Standard exceeded
Throughput (units) September 2013 - June 2014	94 500	100 318	106%	• Standard exceeded

2.4 Operating Costs

STAKEHOLDER QUESTION	AUTHORITY'S RESPONSE
2.4.1 Why are there such high annual variations in maintenance costs (FY 2013/14 to FY 2017/18)?	• Higher maintenance costs is attributed to the following: - Certain maintenance costs are cyclical in nature i.e. does not occur every year, hence the fluctuation in costs. - An increased asset base (owing to capex) results in increased maintenance - Furthermore, ageing infrastructure requires higher levels of maintenance resulting in maintenance costs above inflation.
2.4.2 Why is the projection for FY 2014/15 so low when compared to the other years?	
2.4.3 The actual amount for Group Costs in FY2013/14 was only 64 % of the budgeted amount. Has this been taken into consideration for the budgets for FY2014/15 to FY 2016/17?	• Yes it has been considered. The main drivers for the increase in Group Costs is attributed to Depreciation and Amortisation, electronic data costs, fuel costs, material costs and personnel costs as detailed in the tariff application.
2.4.4 Can the TNPA disclose the direct costs (including CAPEX) specific to RoRo operations for the Ports of Durban, East London and Port Elizabeth?	• In accordance with the Record of Decision for FY 2014/15, the direct costs specific to RoRo operations will be considered as part of the Pricing Strategy.

2.5 Differentiated Tariffs

STAKEHOLDER QUESTION	AUTHORITY'S RESPONSE
2.5.1 The Authority has proposed reduced Tariff Increases for certain export cargo (containers and RoRo) and increased Tariffs for Marine Services, when compared to the across the board 9.47% in alignment with the PPS and previous ROD's. Would it not have been prudent to also propose Tariff Increase differentials for Un-beneficiated Exports of raw materials such as Iron Ore, manganese and Coal in line with the previous ROD and the PPS?	• As stated in the tariff application, the process of setting tariffs depends largely on both the micro and macro-economic factors. It is also important to take note of the fact that the South African economy is heavily reliant on the export of raw materials (Dry Bulk) for growth and as a result dependent on the economic performance of major trading countries (which is currently sluggish). • Whilst higher tariff increases may have been possible (i.e. as shown in the past ROD's), as they could be offset/absorbed by increase in volume, growth prospects for the dry bulk category has shown subdued signs for FY 2015/16 and the two indicative years afterwards (FY 2017/18 and FY 2018/19). • The Authority is in the process of engaging with the Ports Regulator on the proposed Pricing Strategy which will result in a refined

STAKEHOLDER QUESTION	AUTHORITY'S RESPONSE
	(piecemeal) tariff adjustment process (i.e. providing the period of time required to normalise the tariffs) which will be formulated and communicated with the industry. • It is in this process that the differentiated tariff strategy (also measuring the impact of the proposals made), particularly for beneficiation or any other state driven economic policies will be outlined and port users will participate. • It must further be noted that the Authority's proposal for differentiated tariffs is in response to the approved tariff methodology document which states that "*the Authority is required to submit as part of the application any proposed changes to the existing tariff book that will reflect increases (or decreases) different from the average tariff increase applied for*". • It therefore remains the prerogative of the Ports Regulator to consider the proposal made by the Authority and to decide on the tariff differentiation and levels thereof.

End.