transport

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To : The Chairman: South African Ports Regulator

From : The National Port Consultative Committee

Subject : Proposals to Transnet National Ports Authority's Alteration of Tariffs for 2016/2017

Table of Contents

PROPOSALS TO TRANSNET NATIONAL PORTS AUTHORITY'S ALTERATION OF TARIFFS FOR 2013/2014

1. PURPOSE

The purpose of this memorandum is to submit proposals and recommendations in response to the Ports Authority's Tariff Application for the 2016/17 financial year to the Ports Regulator of South Africa from the National Ports Consultative Committee.

2. BACKGROUND

Section 82(1) of the National Ports Act, Act 12 of 2005, empowers the Minister of Transport in the appointment of the National Ports Consultative Committee (NPCC). The function of the NPCC, amongst others, is to consider the National Ports Authority's (NPA) tariff applications, to comment on those, and to propose meaningful alterations where it is felt that it is necessary to do so.

The current tariff application is the 5th submitted to be considered by the PRSA since the institution of the NPCC. As had been agreed on the first occasion, an ad-hoc meeting of the NPCC was convened to discuss the tariff application, and to formulate and record any alterations for submission to the Ports Regulator of South Africa (PRSA).

3. NPCC TARIFF RESPONSE DISCUSSION

The subject meeting was convened in Johannesburg held Thursday 8 October 2015 supported by NPCC Representatives. Participants had intensive deliberations on the Port Authority's tariff application with reference to the anticipated draft Tariff book and in particular issues submitted previously which were submitted but not considered by the PRSA. It was further noted that same issues still require attention. To this end the meeting resolved that issues:

- Compliance with the National Ports Act, Port Regulations, Directives and the issues raised by the PRSA in the 2015/16 Record of Decision.

- Content and Completeness: Consideration given in respect of the provision of sufficient information in the tariff application, or not.
- To judge whether the Application was Methodological Consistent, or not
- To comment on the Pricing Methodology applied by the NPA
- To comment on the Level of Content Detail provided in the Application
- To analyse and comment on the draft Tariff Book
- To make Recommendations deemed necessary

3.1 Compliance with the Act, Regulations, Directives and the Records of Decision for 2014/15

3.1.1 Section 72(2) of the National Ports Act, indicates that the Authority must, prior to any substantial alteration of tariffs, consult with the NPCC.

a. Directive 22(3) b-c: Given the lack of disclosure it is difficult to reconcile what was requested in the previous financial year with the execution programme to date in relation to what is being requested in this Application.

b. Capex Programmes – There is more coherence in respect of the authority consulting with the PCCs.

c. Directives23(1) a-g: The lack of resources on the PRSA side continue to benefit the TNPA and Transnet only, negatively impacts industry across the port system and compromise the role of the Ports Regulator in that it accepted the RAB value (using the DORC method) as a starting Regulatory asset base.

a. The Tariff methodology is flawed with the current valuation value. This further violates the principle of fairness amongst others.

d. Promotion of access to Ports and efficient and effective management and operation of Ports:

3.1.2 NPCC's recommendations

a. Capex consultation at a PCC level constitutes approval or rejection of Capex Plans.

   i. Incentives and penalties should be applied to underutilised or maximised assets. The entrance channel in Durban remains is an example where the Shipping lanes into the port silted-up and reduced the draft from 12.5m t 12.2m. This has a direct impact on vessels calling or leaving the port.

b. The National Ports Authority's Regulated Asset Base (using the DORC model) has to be acknowledged as incorrect and therefore incorrect in the calculation. It has to be further acknowledged that this is matter of national importance which requires urgent attention. The PRSA prioritisation of the valuation of the Ports Authority's Regulated Asset Base must be fast tracked. The incorrect Regulated Asset Base incorrectly informs the Revenue Required Model which contributes to the cost of doing business in South Africa.

c. The NPCC continues to maintain its stance as stated in previous submissions: *The NPCC continues to question the use of the Revenue Requirement (RR) Model as the most appropriate method for founding its tariff adjustment application. It appears that not only does it seek to ensure NPA's sustainability and profitability, but also that of the entire business of Transnet. Admittedly this could be seen as speculative, but that is because there is not a high enough level of transparency that would enable assessors to determine the facts with any degree of precision, so that anomalies inherent in the* *model, are not easy to understand, or resolve. The RR Model continue to present an opportunity to NPA to continuously upwardly evaluate its regulated asset base to increase its revenue requirement. It appears that in this process, the main motivation is profit enhancement and we have our doubts whether that takes into account the responsibilities imposed on the Authority in terms of broader benefits to the economy and the need to create an environment that facilitates trade.*

3.2 Contents and Completeness

The NPCC maintains the following position:

The NPCC gathers from the Tariff application that the current Real Estate tariff model is premised on typical land valuation approaches without much regard to the nature of the business operated thereon. Furthermore, by virtue of Transnet Port Terminals (TPT) being one of the divisions of Transnet Ltd, assets leased to this organisation by the Authority are not recorded at fair value as these are considered owner occupied in terms of the accounting standards. Hence, in calculating the revenue requirement of the real estate business on this basis and combining the outcome with the balance of the authority's business, the risk exists that cross subsidisation could occur, which cannot be interrogated. While the NPCC accepts that a case can be made for cross-subsidisation in certain areas, as stipulated in the Ports Act, it must be transparent and open to examination. Otherwise it is possible that low productivity and inefficiencies could develop in certain areas of Transnet's business. TNPA is considered to evaluate port property in relation to property such as the V&A waterfront in Cape Town which is considered to be unfair as it is an operational port and should not have the same property value as a tourist area.

NPCC's Recommendations:

The NPCC therefore recommends that the land leased to TPT should be leased at the same rates as it would be to non- Transnet port operators and would like to encourage the Authority in future to be transparent on the total value of rentals acquired. Prolonging the position where TPT enjoys preferential lease rentals continues to negatively impact the rest of the leaseholders who ultimately subsidises the TPT business. In much the same way as the cargo dues and marine tariffs are published, we feel that the income derived from rentals should similarly be published.

3.3 Methodological Consistency

3.3.1 The Regulatory approved multi-year Methodology applicable 2015/2016 – 2017/2017 serves as a mandatory guideline. Significant strides were made. It is appreciated that the said methodology allows for annual reviews and adjustments. The main concern remains the incorrect valuation of the NPA's Regulated Asset Base which informs the Revenue Requirement Model. This further linked to NPA's disregarding the persistent request for full disclosure has steadily turned in to a growing problem.

3.3.2 The methodology applied in this tariff application is the Revenue Requirement approach of determining the opening regulatory asset base and depreciation. The Revenue Requirement approach takes into consideration the calculation the revenue requirement in the tariff review year and the conversion of the revenue requirement into a tariff increase, taking into account estimated revenue for the current financial year.

a. The following formula used to calculate the Required Revenue: *= (cost of capital x RAB)* + *operating costs* + *depreciation* + *taxation expense – claw back – financing requirements costs of* *the previous year x (1 + cost of capital previous year) + financing requirements costs current year*

3.3.3 The NPCC Recommendation

a. It was initially accepted that this was an interim measure only. This being the fourth submission together with the PRSA resource limitations with no change insight suggests that this may not be a temporary measure. The NPCC maintains its request that urgent intervention is required. The methodology is accepted noting that DORC RAB calculation is in itself unacceptable.

b. *The following assertion was made previously and still hold true: The TNPA's RAB is at the centre of this calculation and has been upwardly evaluated several times previously. This unrestricted upward evaluation for the same asset base is vehemently opposed. It is understood that this is a widely accepted method of calculation. Consistent with our previous submission, it appears that there are no restrictions in terms of how NPA justifies a revenue requirement in excess of R10b.*

c. The NPA continues to use the current incorrect Regulated Asset Base. This calls for a strong motivation disclosing each and every item in the asset register.

d. The asset register should contain all assets up to 2005 and the value at the time. A separate register should list assets added per annum thereafter.

e. Depreciation – It is observed that the PRSA amended its depreciation calculation considering capital expenditure and inflation which may increase Revenue Required.

f. Inflation trending – CPI published by National Treasury must be used. Inflation trending approach supported.

g. Working Capital – It is of concern that approved capital, subsequently cut back may result in unintended risk exposure. Port of Mossel Bay an example of same.

h. Weighted Average Cost of Capital – considered the methodology inputs to formula.

i. Cost of Equity – calculation a key determinant in the tariff setting process.

j. Risk Free Rate - Regulatory risk free rate method supported.

3.4 Pricing Strategy

Objectives of the pricing strategy as articulated by the PRSA supported. The principle of differential strategic pricing is widely supported at a port PCC level and NPCC level. This further calls for a clear strategy from the NPA as the different areas of specialisation per port. This is currently an NPCC Agenda item.

a. The Port of Ngqura continues to be touted as a transhipment hub, little seems to have emerged in terms of a pricing strategy to support this strategic intent.

b. As previously recommended the Authority should re-categorised its business into Real Estate and Marine. Same was done however, there is a lack of transparency in its presentation of its real estate activities, which makes it difficult to properly assess the impact of this business on the overall operation. There is a lack of detail.

c. The NPCC maintains that in the previous application, the proportion of total revenue to be derived from real estate has increased markedly, with a concomitant decrease in the proportionate contribution from marine business, specifically cargo dues.

d. The logical inference is that tenants will need to increase their charges to cargo sharply. However, it appears that TPT (by far the largest tenant) continue to increase its tariff by more than the rate of inflation, and this anomaly requires further scrutiny. In the absence of any firm indications on TPT's proposed tariffs for 2016/2017, it is not possible for the NPCC to interrogate this in any great detail.

e. The current Application level of granularity remains questionable.

NPCC's Comments:

The NPCC maintains its position as follows:

a. ***The NPCC has noted that although the application goes into considerable detail in applying itself to the concept of Activity Based Costing, the results are not clear in the proposed tariffs, which still appear to contain many items that might be described as historical hangovers. To quote just one example, there is still a tariff for break-bulk coal. To our knowledge, coal is not shipped in that manner, and even if it was, how could it justifiably be shipped at the same rate (R6.00 per ton) as the bulk product? It therefore appears that the pricing strategy remains skewed, with over- and under collections in a number of areas. The concept of cargo dues, which does not exist in many other jurisdictions, militates against an activity based approach, since NPA does not itself engage in the physical activity of handling cargo, which is undertaken by the terminals to which it rents property. To that extent, cargo dues is viewed as an impost, rather than as payment for a service rendered. Similarly, this is an area that needs to be addressed.***

b. ***In the areas where NPA does render a physical service, namely marine services, the concept of activity-based costing is clearly more appropriate for NPA. Here, it is the view of the NPCC that pricing methodology still contains historical legacies that should be reviewed in terms of current competitive trends and activity-based***

costing. Pricing should take into account efficiencies and volume increases in each port and terminal.

c. ***The NPCC observed for example that tug charges do not take time and distance factors into account. The NPCC recommends that tug charges per port be differentiated depending according to the hangovers we have already mentioned, consider the proposed pilotage tariffs. Richards Bay and Durban are examples of same. Justification of same is questionable, further exacerbated by the fact that vessels calling at Richards Bay are generally of a much higher GRT than those that call at Durban in respect of time, distance, fuel consumption and tug type used. The Authority's tariffs appear to be skewed and open to assumption and interpretation.***

d. ***As an example of this, the NPCC recommends that tug fees for the Port of Ngqura be decreased as the port does not currently offer 24-hour service and is also able to share services with Port Elizabeth, thus resulting in efficiencies which should be reflected in the tariff.***

e. ***Conversely, tariffs for running lines should be the same at all ports as theoretically; there should be no differences in the cost of providing this service.***

f. ***The setting of cargo dues tariffs remains questionable. Analysis of individual tariffs indicates that the Authority has not yet fully migrated from a value base (wharfage) to a unit (weight or volume) base charge.***

g. ***The current tariff book does not differentiate between tug pilotage and helicopter pilotage. This presents a marked difference in price. It is strongly recommnded that the two be separated.***

NPCC's Recommendations

a. **As previously indicated the NPA has to clearly outline its strategy per port and how this ties into the overall Port system strategy both from a planning and a commercial perspective.**

b. **The NPCC strongly believe that in order to attract additional vessels/volumes routed through the port of Ngqura, NPA needs to look at means of incentivising this port by offering Shipping Lines a reduction in marine costs.**

   i. NPA's request to the shipping lines previously to re-route 400,000 TEUS over a 3 year period from Durban to Ngqura during the upgrading process of the Durban Container Terminal, can only be achieved at a huge cost to the shipping lines.

      Herewith an illustration of the additional cost incurred by a shipping line to tranship containers which were normally handled at Durban port to now tranship those same containers at Ngqura:

      A typical feeder vessel consumes 135 tons of fuel on average per day.

      Transit Time: Durban/Ngqura/Durban = 2 days

      2 days x 135 tons x USD700/ton = USD189 000.00

      @ r.o.e 8,5 = ZAR1 606 500.00

      This is just the price for bunkers incurred, extra per vessel, and excludes the additional port call expenses.

<u>NPCC Recommendation:</u>

The NPCC recommends that the NPA subsidize these additional expenses incurred, or provide incentives by way of reducing the marine charges at the port of Ngqura.

c. The other area which needs to be addressed in order to sustain the viability of utilising the port of Ngqura is the equalisation of rail rates from Ngqura to Gauteng region; equal to the rates from Durban. This has been adopted as an important NPCC initiative. It remains costly in the interim.

NPCC Recommendation:

The NPCC further recommends no further increases until such time that detailed transparent costing and cost benefit analyses are done and shared with Port Users.

d. The cost of slow decision making and administrative inefficiencies weighs heavily on all port users as indicated previously. This remains an issue. The Ship Repair concessioning process bears testimony to this.

NPCC's recommendations:

The NPCC recommends integrated planning across all modes of transport.

3.5 Content specifics

3.5.1. NPA's Regulated Asset Base

a. The NPCC maintain its observation that over a three year period the NPA moved from a RAB of R12bn to R48bn without adding any significant additional assets. This was primarily through a revaluation of existing assets. This revaluation has been carried out during a period when real estate values have been negatively impacted by the global financial crisis. How is it possible for the NPA to upscale its RAB so dramatically, thereby heightening the negative impact on the SA economy? This unprecedented artificial increase in the NPA's RAB presents a serious concern as it has a major impact on the current tariff calculation. While this approach may benefit Transnet and its shareholder, it has a lot to do with the cost of doing business in SA.

NPCC's Recommendation:

It is recommended that a more realistic valuation of historic assets be used in calculating NPA's RAB when preparing future tariff applications. Furthermore that a RAB workshop be held as a first step where NPA has to disclose all its assets to being the process.

b. It is further observed that NPA has not entirely cleaned up its asset base, with assets belonging to TFR and TPT still taken into account despite the migration of assets from NPA to TPT that was effected on 1 April 2012. This further increases an already inflated RAB.

E.g. Durban – Bay head shunting yard is only used by TFR. According to information available does TFR not pay any rental for the area? Reason given: - TNPA as landlord must provide access to their facility. This is not valid as it is only TFR using the rail and is not a multi user principle as with the road act.

TNPA also requested approval for maintenance work and improvements to be done in this area in the OPEX and CAPEX budget which had questions from the Durban PCC regarding the responsibility of maintaining this area. This was not yet clarified to date and as we cannot find a directive to that should be responsible for the Bayhead shunting yard we request the Port Regulator to make a ruling on this.

This is only but one example that was picked up and there should be many more such areas which inflates the Asset base, increase the OPEX & CAPEX budget and result in TNPA not receiving revenue for property used by a single user as in all other cases where land is leased to single tenants or operators where the user pay principle apply.

NPCC's Recommendations:

RAB

Valuation of the RAB has to be prioritised.

The NPCC supports that the RAB reviewed as a matter of urgency. . It is understood that PRSA's approach in revaluating a sample of assets forms part of the process of cleaning up the TNPA RAB. It must be noted that during the period in which TNPA upwardly evaluated its Asset Base most commercial property prices dropped sharply given the macro economic climate at the time and to date. Property prices are still on the road to recovery. Furthermore Port property should not be compared with the for example V&A property prices.

The TNPA asset base has to be scrubbed and separated from other Transnet divisions. All additions in the current RAB impacts positively on the TNPA strengthening its Revenue Required Methodology whilst negatively impacting Port users and increasing the cost of doing business.

3.5.2. **Return on Assets**

In respect of the gearing ratio the NPCC observed that the Transnet Group operates on a gearing preference of 50%. The Transnet Group gearing preference of 45% is not unusual for an established company, but in an organisation that generates such a strong positive cash flow, we question whether NPA needs to follow suit. With an EBIT margin of around 60%, it is felt that the gearing ratio is excessive and should be modified accordingly. However, the intentions and application of value generated is what must be understood. Direct correlation to the NPA's strong and reliable cash flow track record and in particular its push for what it considers in its Revenue Required Model for 2016/2017. Given the stability of the prime lending rate financing debt, we continue to maintain the proposed gearing ratio is not appropriate

NPCC's Recommendation:

The NPCC maintains its position that the gearing ratios is excessive and should be modified accordingly. It is further maintained that the gearing ratio should be a constant and not be manipulated year on year.

The NPCC considered material changes regarding the prime rate, inflation R/$ exchange rate, should there have been any.

3.5.3. Cost of Capital

The vanilla WACC as calculated in the application is generally in line with international practice, but the methods used to select the Beta, MRP and risk free rate can lead to substantial differences in the final derived funding requirement. These need further examination, but the NPCC wishes to record that it is extremely difficult to unpack this in the absence of a final agreed tariff methodology, which is still under review.

We note that the PRSA has already decided to accept TNPA's calculation in respect of these parameters so we confine our comments to other variables still to be reviewed.

3.5.4. Risk

The NPCC supports the PRSA assessment.

3.5.5. Risk free rate

NPCC supports the PRSA assessment.

3.5.6 Operating Costs

Labour Costs: Labour costs requires more detail. The NPA stated in its application that Labour cost is a function of delivering on the Authority's mandate. In terms of operations efficiency, oversight and maintenance. It is difficult to reconcile positions previously requested in relation to positions filled year to date. It is further questioned whether all of the NPA appointments add contribute positively to it delivering on its mandate. A good example is the current Operations centres where many of the Senior Operations Managers are battling with comings to grips with what they expected to carry authority on.

NPCC's comments:

The NPCC supports job creation and employment. It maintains that there has been no detailed breakdown to assess duplication of services to date. It seeks to further understand how this will stem the current level of inefficiencies which has added cost to the chain. In the current climate the NPCC cannot support any increase that is in excess of inflation. The NPCC supports that the Labour cost component increase be consistent with that determination. Previous and new appointments made must contribute positively to the NPA's mandate and deliverables.

Maintenance: The NPCC acknowledges that maintenance constitutes a very important part of any business. The number presented in the Application poses several questions. New equipment carry warranties which should reduce the need for maintenance in the same year. Not enough detail is provided. It is difficult to reconcile this number of with what was requested previously and actually followed through on. Similarly it is difficult to link this back to each of the Port PCC key projects.

Contract Payments: Very little information is provided.

NPCC's comments:

More information is required. This is to be explained.

Professional Services: NPA is suffering from Consultancy fatigue. NPA has become over riant on consults. This begs the question as to the current and proposed labour costs and particularly skills and competencies within the NPA.

NPCC's comments

The NPCC is of the opinion that NPA must explain this deviation and further explain projected expenses in this category. Once again It is required that the expenses be specified per port. The requested amount for HR consulting is considered an over estimation. This requires further explanation. NPA may have to consider the value currently generated by its HR component given the request for further consulting assistance to provide an in-house service.

Rental:

NPCC's Comments:

The NPCC maintain that NPA should provide a detailed breakdown per Port for each of the sub categories, i.e. internal and external land and buildings, machinery, equipment and furniture, etc.

This should be further unpacked in respect of Rentals catered for linked to Transnet and or other divisions. . A Rental breakdown to further explain NPA Buildings etc. that have been standing vacant is required.

Re-engineering, Integration, productivity and efficiency:

The NPCC questions as to the purpose of the current engineers and the engineers in training serve.

Sundry Costs: Too little detail was provided.

Group Costs: *NPCC's Comments*:

The NPCC resolved that increases in group costs remains excessive and previously requested a detailed breakdown of all related costs, as well as how this apportionment compares with the other Transnet Divisions. This view still holds. It is also difficult to extract the value currently generated by Group and to reconcile same with what the NPA has to deliver in respect of its mandate and deliverables.

NPCC's Recommendations:

The NPCC recommends that there be a three to four percent increase increase in this category. Furthermore that a detailed explanation be provided regards previous increases and value added.

Depreciation: ***NPCC's comments***

The NPCC maintains its position. It appears that the depreciation period of assets is something of a moving target; this figure also relates to the re-valuation of assets previously referred to.

NPCC's Recommendations:

The NPCC recommends that guidelines regards depreciation be clearly defined and agreed to.

Tariff Book

Comments:

It is noted that provision was made for flexibility in tariffs applying to transhipment charges between the Ports of Ngqura and Durban as approved by the PRSA. This however does not include Marine Charges.

NPPC recommendation:-

The NPCC recommends that TNPA subsidize these additional expenses incurred, or provide incentives by way of reducing the marine charges in order to compete against other global hubs ports offering similar transhipment facilities as *the reduction in cargo dues for transhipment containers has of little significance to the additional costs incurred by the Shipping line.*

Marine Services:

Pilotage: The applied methodology requires further explanation. Cape Town is generally lower than all the ports; Ngqura and PE appear to be penalised on their per 100 ton increments, and the Richards Bay anomaly has already been mentioned

NPCC's Recommendation:

The Committee request that the NPA explains the variance.

Tugs: The NPCC noticed that the Richards Bay surcharge is historical which has to be explained. The Port of Ngqura is being marketed as a transhipment hub, yet it appears to be penalised in the NPA's tariff application.

NPCC's Comments:

The NPCC resolves that NPA explains same. It is required that there be a differentiation in tug fees for different vessel sizes in the Port of Saldanha Bay.

The NPCC further recommends a 20% discount in Marine charges for the Port of Ngqura for all Transhipment vessels only.

Berth Dues: Positive; It was noted that berth delays are being considered to be billed directly to the Terminal Operator. However, To date this has not been formally communicated.

NPCC's Comments:

Same issue to be addressed.

Cargo dues:

At the outset, the NPCC records that the "one size fits all" approach often adopted in NPA's tariffs are not appropriate.

NPCC's Comments:

While there is no desire to revert to an ad valorem system, it is felt that (particularly in respect of containers); a more regional- and commodity-based approach is needed.

4. RECOMMENDATIONS

4.1 Labour

Labour costs remains the biggest contributor. This highlights the importance of the right skills at the tight level etc. Furthermore there is a clear indication that TNPA did not fill all its previous vacancies. It is a concern that inefficiencies in the Port system remains costly whilst NPA increases its headcount.

The NPCC previously questioned levels of employment in respect of getting the right skills at the right levels.

The Group's overhead labour cost increased represents several discrepancies in terms of what was previously requested. However, with the numbers as reflected in the current application personnel costs for 2015/16 constitutes 40% of the total Transnet Corporate Overhead costs? This represents a 71% increase on 2014/15 personnel costs.

The NPCC expresses its concern with this increase in head count at a group level particularly of NPA's increased need for Professional services and the long decision making process that adds to the cost of doing business in SA.

NPCC's Comments

The NPCC welcomes the initiative of the Authority to increase employment in the port sector, but such an increase must be justified in terms of volume, revenue growth and value-add, and not purely in terms of social responsibility. At the same time, employment policy must ensure that the requisite level of skills and experience be employed. Increase in

***employment in the port sector should not be a major justification for increasing tariffs*.**

NPCC's Recommendations:

The NPCC recommends, similarly to the recommendation last year, that a detailed study be carried out as to the number of people employed by all the Authority, Terminal Operators, Shipping lines, Shipping agents, Ship Repair / Building and Port Users across all Ports, so that an integrated picture of employment in the sector can be derived.

5. PREVIOUS RECOMMENDATIONS

Overall level of transparency and granularity – NPA to provide a greater level of detail throughout its Application as has been requested several times previously.

I. The TNPA asset base has to be scrubbed and separated from other Transnet divisions. All additions in the current RAB impacts positively on the TNPA strengthening its Revenue Required Methodology whilst negatively impacting Port users.

II. The NPCC therefore recommends that the land leased to TPT should be leased at the same rates as it would be to non- Transnet port operators and would like to encourage the Authority in future to be transparent on the total value of rentals acquired. Prolonging the position where TPT enjoys preferential lease rentals continues to negatively impact the rest of the leaseholders who ultimately subsidises the TPT business. In much the same way as the cargo dues and marine tariffs are published, we feel that the income to be derived from rentals should similarly be published.

III. Rentals - The NPCC resolved that NPA should provide a detailed breakdown per Port for each of the sub categories, i.e. internal and external land and buildings, machinery, equipment and furniture, etc. This should be further unpacked in respect of Rentals catered for, linked to Transnet and or other divisions. The Rental breakdown to further explain NPA Buildings etc. that have been standing vacant.

IV. The NPCC recommends, similarly to the recommendation previously, that a detailed study be carried out as to the number of people employed by all i.e. the Authority, Terminal Operators, Shipping lines, Shipping agents, Ship Repair / Building and Port Users across all Ports, so that an integrated picture of employment in the sector can be derived.

V. Previous recommendation that a world-wide comparative study be carried out assessing liquid bulk as the Ports Regulator has thus far benchmarked dry bulk items, coal and iron, only.

VI. Cargo Dues order Cancellation Fees: Way forward

6. It is recommended that the PRSA:

I. That the RAB valuation process be prioritised and in doing so that funds be made available to the PRSA to prioritise same.

II. Approves an increase of three to four percent.

III. That the same three to four percent increases apply to cargo dues, all marine related charges and leases.

IV. The NPCC proposes that Marine charges be discounted by 20% for the Port of Ngqura only. This discount should be applicable to Transhipment vessels only.

V. The NPCC proposes that the NPA carefully considers its need for ongoing consulting across its business and particularly where it borders on deliverables of executives and relevant senior staff who are required to have certain competencies.

VI. Vessels calling the Port of Durban not charged on GRT as the port has a draft restriction resulting in vessels not able to arrive fully laden. Discount on GRT for Durban should be given till such time that the port can accommodate the vessel with total GRT loaded.

VII. TNPA has made significant strides in its supplier development programme. However, much more has to be done in making the port space accessible to new entrants.

VIII. It is noted with concern that recommendations previously submitted have not been taken into account.

Submitted for the Chairman's consideration.