



Record of Decision

Weighted Efficiency Gains from Operations

1. Introduction

In 2017/18 the Ports Regulator of South Africa (the Regulator) published a Multi-Year Tariff Methodology, applicable to the 2018/19 – 2020/21 tariff periods. The Methodology, whilst following the basic Required Revenue principles, introduced an efficiency incentive in the form of Weighted Efficiency Gains from Operation (WEGO). WEGO allows up to 5% additional profit to the National Ports Authority (the NPA) for a 10% increase in year-on-year improvements on a basket of key performance indicators (KPIs), and similarly up to 5% decrease in profit for a 10% decline in performance. The Methodology required the NPA and the Port Consultative Committees (PCCs) to submit to the Regulator their suggested KPIs as well as suggested weightings on a per port basis. The Regulator will take the decision regarding the final basket of KPIs and their weightings on an annual basis.

2. The Process

Stakeholder consultations on the WEGO initiative were held by the Regulator at each of the PCC port performance road shows and the subsequent PCC sub-committee meetings during 2017. The purpose of these engagements was to provide guidance to both the PCCs and the NPA in determining their KPIs and their weightings for submission to the Regulator. In selecting the KPIs, PCCs and the NPA in each port were requested to take into account the particulars of the port's operating context, its efficiencies or inefficiencies, and its strengths or weaknesses. The basket of selected KPIs were to, in as far as possible, cover performance across the whole port value chain including water and land side performance indicators. It is anticipated that the actual performance results year-on-year will iteratively feedback into future KPI baskets resulting in weightings that address performance realities more closely in the future.

3. Selecting and assigning weights to KPIs

Each of the KPIs have been selected at a port level across the different cargo handling types. This means a selected KPI will be applicable for all cargo services rendered by the port, for instance, berth productivity in a port that handles containers, dry bulk, liquid bulk, automotive, etc., will be measured across all these. Further, these will be weighted based on vessel calls per terminal.

It must be noted that this process does not set performance targets. Instead, the previous best performance will be the baseline for the next year's measurements. Performance in 2017/18 will be the starting baseline and increases/ decreases in performance in 2018/19 will determine the WEGO profit/ loss multiplier for 2019/20.

The significance of a KPI or set of KPIs to a port will be reflected by the weight assigned to the KPI which would all add up to 100% as set out in the multi-year methodology published in March 2017.

In assessing the inputs from port users and the NPA, the Regulator considered both submissions regarding the appropriate weights to be assigned to the different KPIs and further took into consideration the comments made regarding the appropriateness of the KPIs to be included. The Regulator has decided to exclude all but the KPIs listed below due to safety concerns as expressed in the submissions. In addition, KPI's aimed at CAPEX implementation and or maintenance were considered as falling outside of the scope of 'operations' and thus the Regulator will not be considering them. In line with the Methodology, this basket of KPI's will be reviewed on an annual basis.

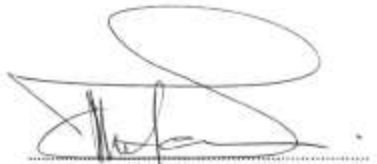
4. Approved KPI's and weightings

In defining the appropriate KPI's to be included in the basket, as well as the related weight apportionment, the Regulator took into consideration the fact that WEGO is being implemented for the first time and therefore a more cautious approach is required. As such, the Regulator decided on an initial approach of equal weight distribution (20%) between the five approved KPIs to be appropriate and it will apply this approach on a port level for the 2018/19 tariff year. The Key Performance Indicators and weights are outlined in the table below.

No.	Key Performance Indicator	Description	Calculation	Approved Weight
1.	Ship Turnaround Time	“Total hours’ vessels stay in port (breakwater-in to breakwater-out) divided by total number of vessels.” Excludes: <i>force majeure</i> (weather delays), surge, under currents, and external power supply failures.	$STT = \sum (BWO - BWI) / (\sum \text{vessels})$ Where: STT= Ship Turn Around Time BWO = Breakwater Out BWI = Breakwater In	20%
2.	Ship Productivity Indicator	Total number of TEU (for containers) or tons handled (for breakbulk and bulk cargoes) divided by total hours in port.	$SPI = \sum (Vol / STT)$ Where SPI = Ship Productivity Indicator Vol = Volume STT = Ship Turn Around Time	20%
3.	Vessel Delay at Anchorage	The average delay to vessels as a direct result of X (terminal, marine services). Total of all (vessel actual berthing time - vessel planned berthing) / total number of vessels delayed. Excludes: <i>force majeure</i> (weather delays), surge, under currents, and external power supply failures.	$VDx = ABT - PBT / \text{No. of VD}$ Where X is the type of delay (terminal, tug, pilotage, shipping line). ABT = Actual Berthing Time PBT = Planned Berthing Time. VD= number of vessels delayed	20%
4.	Berth Productivity	Total number of TEUs (for containers), tons handled (for breakbulk and bulk cargoes), kilolitres (for liquid bulk) and number of units (for Auto/RORO) divided by Total time of ships alongside.	$BP = \sum (Vol / (LLU - FLT))$ Where LLU =Last Line Untied FLT= First Line Tied	20%
5.	Ship Working Hour	Total volume handled during the total productive working hours for the vessel. Total volume for a given period, number of moves (for containers) tons handled (for breakbulk and bulk cargoes), kilolitres (for liquid bulk) and number of units (for Auto/RORO) divided by Total vessel productive time i.e. (Sum for all vessels during the month (last swing) – (first swing). Excludes: <i>force majeure</i> (weather delays), surge, under currents, and external power supply failures.	$SWH = \sum (Vol / (LL - FL))$ Where LL = Last lift FL= First Lift	20%

5. Other arrangements

The Regulator will establish a technical working committee consisting of PCC (port user) representatives, as well as the NPA. This committee will have a mandate to monitor performance, verify results, and develop and agree on future KPIs and their weightings. The objective would be to better define target performance areas for inclusion in the WEGO calculation going forward.



Mr. Thabadiwa Mufamadi
Chairperson: Ports Regulator of South Africa

29 March 2018