



Press Statement

Ports Regulator Record of Decision on the Tariff Application by the National Ports Authority for the Tariff Years 2018/19-2020/21

On 1 December 2017, Mr. Mahesh Fakir, CEO of the Ports Regulator of South Africa stated:

“On 1 August 2017, the National Ports Authority (the NPA) applied to the Ports Regulator of South Africa (the Ports Regulator) in terms of Section 72 of the National Ports Act, 12 of 2005 (the Act) for approval of the tariffs for services and facilities offered by the NPA of an average of 8.45% increase for the period 1 April 2018 to 31 March 2019, together with indicative tariffs for the periods 1 April 2019 to 31 March 2020 and 1 April 2020 to 31 March 2021. This is the first tariff application in terms of the second multi-year Tariff Methodology (MYM2) published in March 2017.

After considering the application, including the re-application received on the 19th of October 2017 that corrected calculation errors made by the NPA, as well as the submissions by all stakeholders during the consultation period, and based on latest available data, the Ports Regulator has concluded that an appropriate overall increase in average tariffs for the financial year 2018/19 is 2.5%.

The Ports Regulator further concluded that all tariffs for 2018/19 are to increase as follows:

- marine services and related tariffs (Sections 1-8 of the Tariff Book, excluding Section 7 that deals with cargo dues) are to increase by 8.5%
- coal export cargo dues are to increase by 8.5%
- container cargo dues are to increase by 0%
- RoRo tariffs are to increase by 0%
- all other cargo dues are to increase by 5.4%
- All break-bulk tariffs are capped at R100/ton

In line with the previous years' decision, *all marine tariffs (Sections 1-8 of the Tariff Book, excluding Section 6 and 7 that deal with ship repair and cargo dues respectively) for existing commercial South African flagged cargo vessels as well as those registered in South Africa in 2016/17 will receive a 30% discount applicable year on year up to 31 March 2019. Those registered in South Africa in 2017/18 will receive a 20% discount up to 31 March 2019 and similarly those registered in 2018/19 will receive a 10% discount up to 31 March 2019. The discount will thereafter be reviewed.*

The above reductions only apply to vessels registered as part of chapter 4, part 1 of the Ships Registration Act (58 of 1998) but excludes the following vessels:

- 1. All “small” vessels as defined in the Merchant Shipping Act*
- 2. All “fishing” vessels as defined in the Merchant Shipping Act*
- 3. All non-cargo working vessels*

In conducting its assessment, the Ports Regulator takes a view on a number of cargo volume and market-related factors, including the inflation outlook and the cost of debt, the operational and cash-flow requirements of the National Ports Authority, as well as the implementation of the published Tariff Strategy aiming to rebalance the tariff structure to closer reflect the underlying cost and benefit to specific users of port infrastructure.

The Ports Regulator is therefore confident that the Record of Decision reflects a balanced and sustainable average negative real tariff change that will result in a 6.3% year-on-year increase in allowed revenue not only ensuring a “lower-than-inflation” or real decrease in most tariffs (except for coal and marine services that have both seen significant gains from the weaker South African Rand), but the NPA will be allowed to recover R12.414 billion vs the R12.665 billion applied for (comprising 98% of applied for revenue) ensuring their sustainability and also providing the financial space to ensure that the capital program included in the application totalling R3.053 billion is fully implemented. This is very important, because, whilst it may be tempting to cut back on capital expenditure in a downturn, it is critical as a facilitator of trade for our port system to be ready for the eventual upswing in economic growth.

As such, it must again be noted that operational as well as capital expenditure applied for was allowed for fully (even if adjustments to reflect an equitable contribution to Transnet Group tax were included in this assessment) thus ensuring the sustainability and further development of the South African ports infrastructure system. This was done by applying the Regulatory Manual in the best interests of South Africa and its people whilst still allowing a profit in excess of three billion Rands, commensurate with the National Port Authority’s risk in owning, and managing the ports system. This should support the perceived credit risk of the Authority thus leading to lower debt cost over the long term.

In addition, the Ports Regulator took cognisance of the expected subdued economic activity over the tariff period coupled with a strong capital expenditure program included in the application, and opted to add R345 million to the Excessive Tariff Increase Margin Credit (ETIMC) to ensure that overall average tariffs in the outer two years of the period under review and beyond, remain close to the inflation target band, as defined by the South African Reserve Bank mandate. The Regulator’s indicative tariff for 2019/20 and 2020/21 is 6% average or lower for each year.

The Ports Regulator is committed to both reducing the cost of doing business by achieving an average real decrease on all cargo dues, and at the same time achieving cost reflective tariffs by addressing areas of imbalances in the tariff system as per the Port Tariff Strategy over a ten-year period to 31 March 2027. The tariff thus announced, is considered the most prudent course of action for the 2018/19 tariff year.

In the interests of improving efficiencies and reducing the cost of doing business, the second multi-year tariff methodology (MYM2) provides for a performance based incentive called WEGO (weighted efficiency gain on operations) to the NPA to be included in the tariff determination process. The Regulator is currently considering the submissions on the appropriate key performance indicators (KPI's) to be included in the WEGO calculations as per the Tariff Methodology. As the Regulator is of the intention to commence measuring of the selected KPI's in the 2018/19 tariff year, the announcement on the specific KPI's will be made through a ROD in due course.

In addition, the Ports Regulator, in consultation with the National Ports Authority, the Department of Transport, the Department of Trade and Industry, and the National Treasury, have developed a new Port Tariff Incentive Programme (PTIP) in support of beneficiation, industrialisation, and localisation, through port tariff regulation in support of Government's strategic objectives. PTIP will be the mechanism and process by which we will determine which cross-subsidies are in the public interest, as well as quantify an affordable level of transparent cross-subsidisation within the port tariff system through various tariff incentives. After the launch of PTIP in December 2017 in four major cities, the public will be able to apply for tariff incentives within the next NPA tariff application cycle. In this regard, details and application forms will be made available on the Ports Regulator website, www.portsregulator.org."

End.

Mahesh Fakir

Chief Executive Officer: The Ports Regulator of South Africa
Work phone: +27(0)31 365 7801 | Cell: +27(0) 71 440 3945
Private Bag X54322, Durban, 4000, Republic of South Africa
11th Floor, The Marine, 22 Dorothy Nyembe Street, Durban
mail:maheshf@portsregulator.org | www.portsregulator.org