Press statement

On 29 February 2016, Mr. Thaba Mufamadi, Chairman of the Ports Regulator of South Africa stated:

"The National Ports Authority, on 1 August 2015, applied to the Ports Regulator of South Africa for the approval of the tariffs for port services and facilities offered by the National Ports Authority for the period 1 April 2016 to 31 March 2017, and indicative tariffs for the following two years. This is the second tariff assessment since the introduction of the multi-year tariff methodology in 2014; progression continues to soar towards increased levels of transparency and consistency in port tariffs.

After considering the National Ports Authority's Tariff Application, together with submissions made by all stakeholders during the consultation period, the Ports Regulator declined the National Ports Authority's proposed average 5.9% tariff increase. After considering all the relevant information at its disposal, the Ports Regulator decided that an average tariff increase of 0%, for the tariff year 2016/17, is applicable as follows:

All cargo dues for 2016/17 shall increase by 0%, except marine services and related tariffs (Sections 1-8 of the Tariff Book, excluding Section 7 that deals with cargo dues) which are to increase by 3.0%. Full container exports will, in support of the under-threat South African manufacturing sector, decrease by 10%. In addition, automotive volume discounts shall be equalised for all users at the maximum 60% level discount and replaced by a single export and a single import tariff; thus substantially levelling the playing field in the automotive sector whilst significantly reducing the cost of doing business in the sector.

The drought and the expected impact on food price inflation, especially maize, as a key staple in South Africa, is a concern for all South Africans. Therefore, as part of the holistic approach to limit the impact of the drought on the people of South Africa, maize will receive a 50% discount on cargo dues, capped at 5 million tonnes, for the 2016/17 tariff year.

All marine tariffs for existing commercial South African flagged vessels as well as commercial vessels registered in South Africa in 2016/17 will receive a 30% discount applicable year on year up to 31 March 2019. Vessels registered in South Africa in 2017/18 will receive a 20% discount up to 31 March 2019 and similarly a vessel registered in 2018/19 will receive a 10% discount up to 31 March 2019. The discount will thereafter be reviewed.

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 requirements of the National Ports Authority, as well as relative port pricing benchmarking. The Ports Regulator is therefore confident that the Record of Decision reflects a balanced and sustainable average tariff change that will result in only a slight (-0.3%) decrease in allowed revenue, despite the large claw back due to previous year's' over recoveries.

It must be noted that operational as well as capital expenditure applied for was allowed for fully thus ensuring the sustainability 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 R2bn commensurate with the National Port Authority's risk in owning, and managing the ports system.

In addition, the Ports Regulator took cognisance of the expected subdued economic activity over the tariff period and will, if required, use the ETIMC to maintain overall average tariffs close to the inflation target band, as defined by the South African Reserve Bank mandate, over the outer years.

The Ports Regulator is committed to reducing the cost of doing business within the South African ports system and the average 0% increase on all cargo dues, whilst addressing areas of imbalances in the tariff system elsewhere, is considered the most prudent course of action for the 2016/17 period."

End quote.

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