

**Review of the Port Tariff
Methodology – some few
comments on elements within
the existing Methodology**

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**Trevor Jones
Director – Unit of Maritime
Law & Maritime Studies
University of KwaZulu-Natal**

Very brief outline – three areas of concern

- Estimation of the Regulatory Asset Base (RAB)
 - Difficulty of valuation of port assets, notably assets associated with heavy infrastructure
 - Cost of the initial acquisition of certain assets
 - Longevity of key infrastructural assets
- Appropriate measure of the Authority's exposure to market (non-diversifiable) risk – the β
- Inclusion of a Claw-back (or give-back) mechanism
 - Disincentivisation of efficiency and performance improvements

The Regulatory Asset Base (RAB)

$$\text{RAB} = v - (d + w)$$

where **v = value of the assets used**
 d = depreciation
 w = working capital

Main concern is with “v”, notably:

- Difficulty of establishing appropriate values for certain assets
 - Heavy marine infrastructure (fairways, breakwaters, etc.)
 - Basic cargo-working infrastructure
 - Tugs, dredgers and even pilots (maybe much easier)
- How (if at all) is this affected by the cost of the initial acquisition of the assets? Implication if zero initial cost?

Simple example: the value of the approach channel, breakwaters and internal channels in East London? ...or in Ngqura??

The TNPA's exposure to market risk – the β

Context

A state-owned monopoly facing very limited regional inter-port competition (and insulated from the effects of such through the Claw-back?)

- Clearly substantially < traded firms
- Comparators from international public entities?
- Case for a β of zero (SAASOA, SAAFF position)?
- $\beta \sim 0.3$ (Martin)?

(Perhaps trivial) example:

The doubling of berth capacity for bunker barges at Island View 10 in Durban, and the resultant proposed bunker levy...

The Claw-back mechanism

A built-in disincentive for efficiency, productivity gains?

- Mitigated by proper implementation of TOPS, MOPS etc.?
- Challenging for intra-Transnet relations?

Qui custodet custodes?

Easier if the Authority established independently outside Transnet
in line with the Act

Thank you..