



Record of Decision

Redistribution of surplus R121 million from 2012/13 Rebate by the National Ports Authority

Introduction

1. During the 2012/13 Tariff determination the Regulator approved the implementation of a tariff discount structure totalling R1 billion. The aim of this rebate was to address traffic imbalances as well as port efficiencies and was applicable to the period of the financial year 2012/13.
2. The targets for this rebate were exporters of vehicles and full export containers. The rebate was structured as follows:
 - New South African manufactured motor vehicles on wheels – R200 per vehicle
 - 6m/20' Containers (full) – R 740 per container
 - 12m/40'/13.7m/45' Containers (full) – R 1820 per container
3. The applicable Export Cargo Dues tariff discount was automated through the National Ports Authority's ('NPA') invoicing system, triggered by the normal submission of cargo dues orders.
4. While the intention was that the Export Cargo Dues tariff discount program will operate on a first come, first serve basis and will cease once the rebate threshold of R1bn has been reached, this was not the case and a surplus of R121.3 million remained at the end of the financial year. This Record of Decision ("ROD") therefore provides the instructions for the distribution of the surplus by the NPA to cargo owners.

Table 1: Overview of distributed funds

	Sum of Discount (Rand)	Quantity (units)	Distribution
12m/40' & 13.7m/45' Container full rebate	482.29	264 993	54.89%
Port of Durban	271.57	149 216	30.91%
Port of Cape Town	153.54	84 363	17.47%
Port of Ngqura	30.64	16 835	3.49%
Port Elizabeth	24.36	13 382	2.77%
Port of Richards Bay	1.34	735	0.15%
Port of East London	0.84	461	0.10%
Port of Saldanha Bay	0.00	1	0.00%
6m/20' Containers full rebate	341.61	461 629	38.88%
Port of Durban	251.59	339 993	28.63%
Port of Cape Town	56.37	76 178	6.42%
Port of Ngqura	23.24	31 410	2.65%
Port of Richards Bay	6.88	9 296	0.78%
Port Elizabeth	3.13	4 230	0.36%
Port of East London	0.29	394	0.03%
Port of Saldanha Bay	0.09	128	0.01%
Cargo Dues Vehicle Rebate	54.74	273 695	6.23%
Port of Durban	34.25	171 269	3.90%
Port Elizabeth	10.59	52 963	1.21%
Port of East London	9.89	49 463	1.13%
Grand Total	878.63	1 000 317	100.00%

5. The 2013/14 ROD indicated that the remaining portion must be distributed in an equitable way with a prorated Weighted Average Cost of Capital (WACC) applied.

Table 2: Calculation of the Weighted Average Cost of Capital component on the R121.3 million

Total residual R million	WACC Return 2013/14	WACC Return 2014/15	Total additional WACC return	Total to be distributed
121.37	10.72%	10.39%	15.34	136.71

6. The WACC return for the period of 1 April to 31 May 2014 is calculated as follows:

$$= (\text{Total amount to be distributed} * \text{WACC})$$

7. The Weighted Average Cost of Capital to be used is a post-tax nominal rate and applied pro-rata up to the 31st of May 2014.
8. **The Regulator decided on the following approach after it considered the NPA's proposal as to the distribution, as well as considering a number of other scenarios, in distributing the surplus funds.**
9. The distribution of the surplus funds must be based on the total value of the rebate given as it provides a measure of the volume impact as well as the strategic intent contained in the

initial rebate allocation: namely, that it benefits 40' containers more in nominal terms as the bulk of South African manufacturing exports use the larger container types. It does however provide a significant benefit (16% additional rebate) to all beneficiaries.

Table 3: Breakdown of distribution of surplus funds

Distribution Breakdown	Total value discount granted R million	Distribution	Rebate per cargo type	Additional Rebate per unit R per unit	Original rebate per unit R	Total rebate (R)	Final rebate per cargo type R
12m/40' & 13.7m/45' Container full rebate	482.29	54.89%	75.04	283.17	1 820.00	2 103.17	557 326 140.44
6m/20' Containers full rebate	341.61	38.88%	53.15	115.14	740.00	855.14	394 755 715.67
Cargo Dues Vehicle Rebate	54.74	6.23%	8.52	31.12	200.00	231.12	63 255 818.95
Total	878.63	100.00%	136.71	429.43	2 760.00	3 189.43	1 015 337 675.27

Determination

10. The following determination has been made by the Regulator:

Additional rebate amounts must be paid to qualifying exporters of vehicles and full export containers during the 2012/13 tariff year as follows:

- New South African manufactured motor vehicles on wheels – R31.12 bringing the total rebate to R231.12 per vehicle
- 6m/20' Containers (full) – R115.14 bringing the total rebate to R855.14 per container
- 12m/40'/13.7m/45' Containers (full) – R283.17 bringing the total rebate to R2103.17 per container

11. The NPA is to credit the applicable accounts of *cargo owners* that exported cargo in the designated categories during the 2012/13 tariff year with the outstanding amount within sixty (60) days of the publication of this ROD.

12. The NPA is to submit a report to the Regulator on the status of the distribution process ninety (90) days from the publication of the ROD, detailing any funds that may not have been distributed and the reasons there for.

13. The original intention of the rebate was to support export activities of value added goods and as such the Regulator requires the NPA to ensure that the rebate is passed on to cargo owners by intermediaries or agents, where applicable.

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Dr Grove Steyn

Chair: Regulatory Committee
Ports Regulator of South Africa



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Ms Gloria Tomatoe Serobe

Chair: Ports Regulator of South Africa

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Date

29/05/2014
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Date