



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

OFFICE OF THE DIRECTOR GENERAL

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Mr. Zolani Kgosie Matthews

Chairman
Ports Regulator
Private Bag X54322
Durban
4000

E-mail: comments@portsregulator.org

Dear Matthews,

RE: INVITATION TO COMMENT ON THE TARIFF APPLICATION BY TRANSNET NATIONAL PORTS AUTHORITY TO THE PORTS REGULATOR FOR 2021/22 – 2023/24

The e-mail dated 3 August 2020 in the above regard, refers.

The Department of Trade, Industry and Competition (**the dtic**) commends the positive role that the Regulator has been playing in the determination of port tariffs in previous years. We are encouraged in particular by the 3,8% overall increase in average tariffs for the 2021/22 financial year, as requested by Transnet National Ports Authority (TNPA), given the constrained global and domestic economic environment as a result of the pandemic.

the dtic notes that a new port tariff application has not been finalised and that the Port Regulator is presently engaged in a process of public consultation on a proposed new tariff regime.

In response to the above invitation to comment on the tariff application by TNPA, **the dtic** would like to submit the following input based on the latest tariff methodology approved by the Ports Regulator:

1. Comment regarding components of the tariff methodology used by TNPA in its tariff application:



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- a lower Regulatory Asset Base of R43 billion should be used in order to reduce Revenue Required which in turn has an impact on the tariff imposed,
 - the dtic supports the proposal of the Ports Regulator to use the equitable tax rate for TNPA 14,03% instead of the notional tax rate of 28%,
 - Given that that TNPA assets are not traded, it is proposed that the asset beta should be gradually reduced over time from its current level of 0,35%,
 - Consideration should be given to the inclusion of a debt beta in the TNPA's revenue requirement as this would allow for further reductions
 - Due to the anticipated recession both locally and globally as a result of the pandemic, the ETIMC should be used to assist both TNPA with necessary revenues and assist port users by reducing the port costs associated with doing business in and from South Africa.
- 2. Comment regarding the governance of TNPA as part of Transnet:** It is proposed that consideration be given to splitting TNPA out of Transnet by implementing section 27 of the National Ports Act, no.12 of 2005, and begin to implement accounting separation
- 3. Comment regarding the regulation of ports:** it is recommended that Ports Regulator supports the enactment of the Economic Regulation of Transport Bill 2020 and the establishment of the Single Transport Economic Regulator,
- 4. Comment regarding investment in port infrastructure:** the Ports Regulator should ensure that TNPA implements its planned investment in port infrastructure in 2021/22 – 2023/24 as outlined in its tariff proposal as this would allow for improvements in port efficiencies.



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It is our considered view that if our collective efforts are intensified in addressing the above concerns, government's industrial policy imperatives of growing value added exports and increasing jobs would be realised .

For further engagements on this matter, you may contact the following senior manager: Ms Zukiswa Kimani, Chief Director: Industrial Policy on (060) 967 1489 or zkimani@thedtic.gov.za

Yours sincerely ,

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Director-General

Date: 14 September 2020