

Port Tariff Incentive Programme

PTIP



Introduction

- PRSA recognises that policy needs to be responsive to the current needs of the economy and a mechanism is required to support national objectives
- Mechanism must allow for periodic change but must also provide long term certainty on duration of support
- PRSA's approach to 'the use of port tariffs through cross-subsidies to support national objectives through beneficiation and specific industry support' has been carefully considered
- Takes into consideration the Nine-Point Plan, IPAP, CMTP, and Commercial Ports Policy

Supporting Economic Activity through the Use of Port Tariffs

What?

- Set a process whereby policy objectives are supported by the port tariff structure
- Policy Objectives: to support specific types of economic activity e.g. beneficiation etc.

Why?

- The Tariff Strategy provides cost reflective tariffs, in some cases a cross subsidy will be required to achieve certain objectives. A mechanism to achieve this is required.

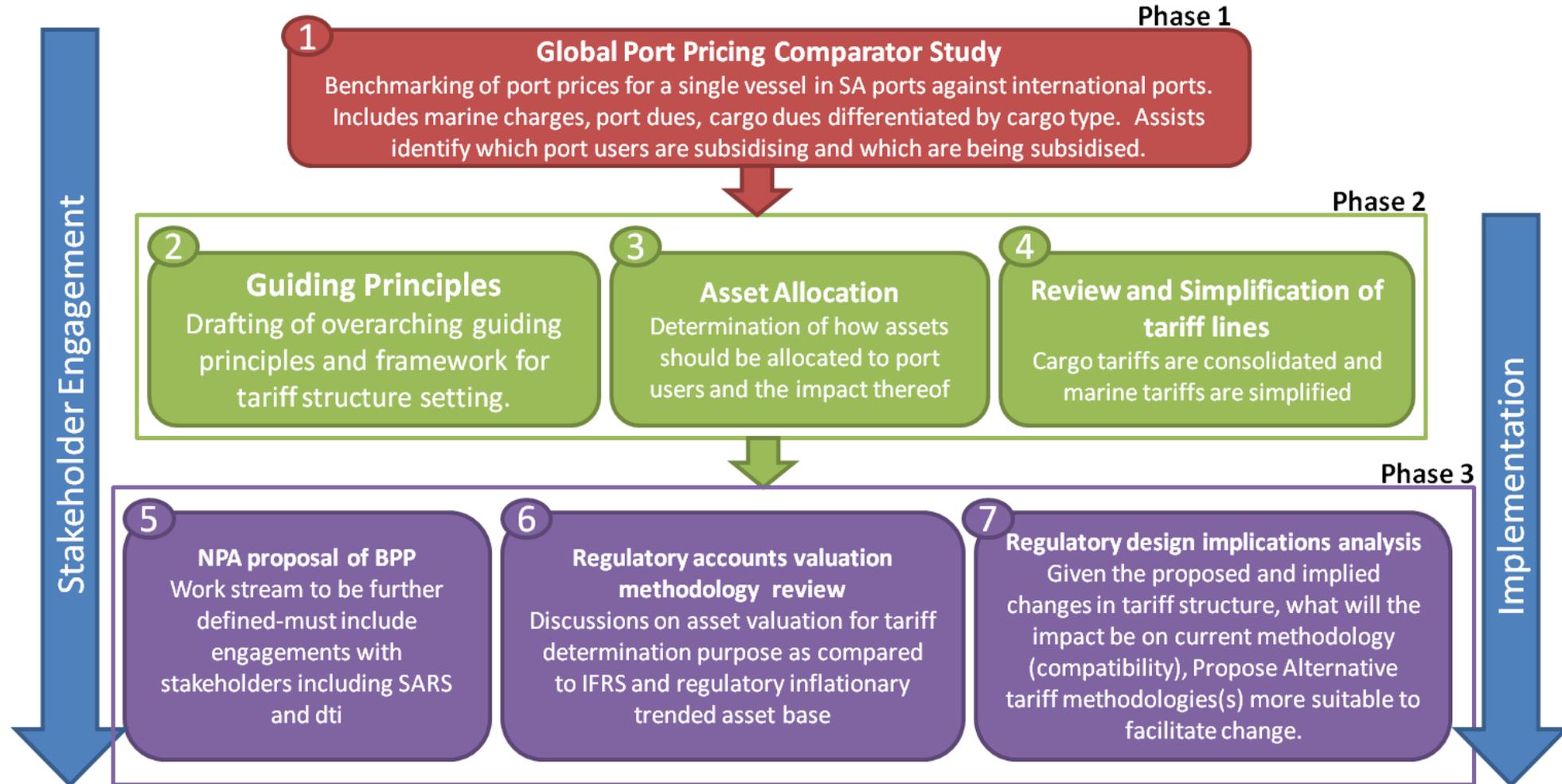
How?

- Allowing and quantifying various levels of cross-subsidisation in the port system for specified time periods

When?

- Applications are open

Expanding on the Tariff Strategy



The Tariff Strategy – the role of PTIP

- The Strategy aims to create a fair, transparent, and cost-reflective port pricing structure which will allow port infrastructure investment to occur, and in turn create employment and boost trade
- Tariff Strategy does not address the use of tariffs as an incentivisation tool for policy objectives but leaves a space for such tool
- Incentive Process not linked to specific industry / sector / tariff / service but broad-based and will apply on a tariff level
- Adding an incentivisation tool to the Tariff Strategy also formalises the process of using tariffs as a tool for the SA government's wider objectives
 - Providing access to the Regulators decision making processes

Using Tariffs as Strategic Incentives the context

- Primary objective of NPA is to provide port capacity, recover costs and make a profit commensurate with the risk
- PRSA interprets this mandate to mean that tariffs must be cost reflective to allow full recovery of costs and level of profit
- The Tariff Strategy additionally provides space for use of incentives, through either cross-subsidies or commercial risk taking by NPA
- The PRSA must ensure that proposed tariffs adhere *inter-alia* to Directive 23 (1) (f): *The avoidance of cross-subsidisation save where cross subsidisation is in the public interest*
- This process must determine whether a cross-subsidy will be in the public interest
- Exception rather than the rule

Port Tariff Incentive Programme (PTIP)

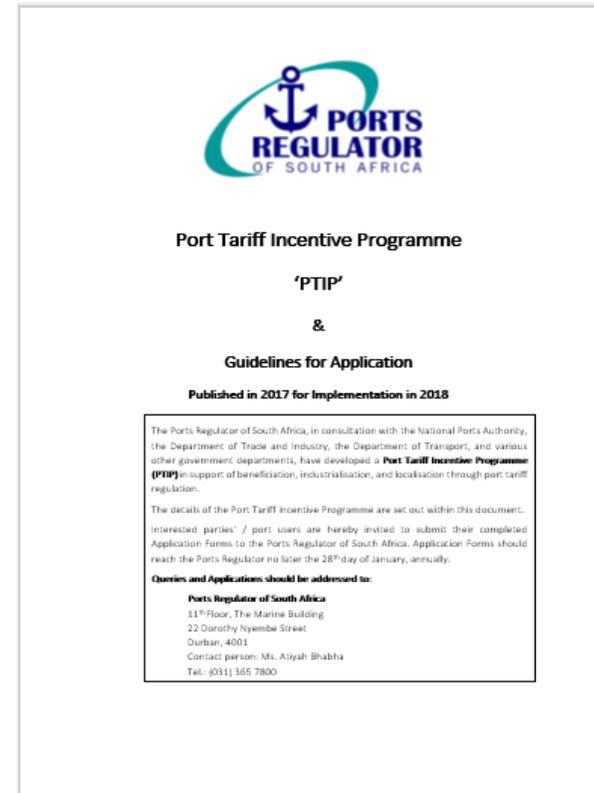
- Intended to support Beneficiation, Industrialisation, and Localisation through Port Tariff Regulation.
- The Port Tariff Incentive Programme was developed as a response to the need for a mechanism to implement state policies and respond to the need for beneficiation in the ports sector.
- State policies include Operation Phakisa, the newly launched Comprehensive Maritime Transport Policy, the Commercial Ports Policy, the Nine-Point Plan, as well as the various international trade agreements South Africa is bound by (World Trade Agreements).
- The port tariff process and the requirements thereof for South African ports is set out in the National Ports Act, 12 of 2005, as well as its Directives and Regulations.
- The Act further requires that any cross-subsidisation existing within the ports be 'fair and in the public interest'.
- The PTIP allows for cross-subsidies to be fair, transparent, in the public interest, as well as quantifiable.
- A reduction in tariff – if justified – will be granted through the amendment of a specific tariff line.
- The effect will be monitored throughout the period of the reduction and will be subject to a sunset review.

Process Guidelines – The Stages



The PTIP Process – Step 1

- The PTIP is a six step process that may result in an amendment to a line item in the NPA's tariff book.
- Step 1: The Application
 - Members of the public, port users, and industry bodies may apply to the Regulator for a discounted tariff.
 - Application forms may be found on the Regulator's website (www.portsregulator.org) , as well as the official PTIP process which contains Guidelines for Application.
 - Application submissions require substantial information in terms of trade data, financial information, industry data etc.. Application Forms require both text and excel submissions.



The PTIP Process – Step 2 & 3

- Step 2: Policy Endorsement
 - Application forms, as received by the Regulator, will be submitted to either the Department of Transport, or the Department of Trade and Industry, dependent on the nature of the Application.
 - The Application will be reviewed in terms of its alignment with the various policies.
 - Application Forms will remain with the Department for their analysis and will be submitted to the Regulator by the 28th day of March.
 - An endorsement from the Department confirming alignment with policies will accompany the Form.
- Step 3: NPA Analysis
 - The NPA will receive all applications, along with the policy endorsements on 31 March for their analysis.
 - This will occur in the form of financial, economic, revenue analysis and a administrative analysis.
 - The NPA's final recommendation will accompany their annual Tariff Application to the Regulator which occurs on 01 August every year.

The PTIP Process – Step 4

- Step 4: PRSA Analysis and Decision
 - The Application's policy endorsement and NPA recommendation will form annexures to the Tariff Application and will follow the same process in terms of publication for stakeholder comment.
 - All confidential and financial information will not be published.
 - An Application Summary as contained within the Application Form will be published for comment on 02 August.
 - The Regulator will take into account received comments as well as conduct its own economic analysis.
 - A final decision will be published by the Regulator, on 01 December in the annual Tariff Record of Decision.
- Step 3: Monitoring and Evaluation
 - Monitoring and evaluation will occur for the duration of the incentive and will be unique to each incentive dependant on industry specifics, policy provisions, etc.
 - Monitoring may take the form of the submission of reports, financials, trade data, etc.
- Step 4: Sunset Review
 - All incentives will be subject to a sunset review, after which the incentive, the quantum thereof, and the impact will be reviewed and assessed. A decision to renew the incentive, or terminate the cross-subsidy will be taken by the Regulator after consultation with the NPA, the dti, and the DoT.

The PTIP Process – Timelines

- 28 January: Closing Date for PTIP applications. Applications to be submitted to the Ports Regulator (ptip@portsregulator.org)
- 30 January: Applications will be received by the relevant policy department for their analysis and endorsement.
- 28 March: Policy endorsements will be submitted, by the Department to the Ports Regulator.
- 31 March: Application Forms together with Endorsements will be submitted by the Regulator to the National Ports Authority.
- 01 August: The NPA's recommendation will accompany the annual Tariff Application and the summary thereof will be published for stakeholder comment.
- 01 December: the Regulator's final decision regarding the incentive will be published in the annual Tariff Record of Decision along with the stated duration thereof and requirements.

Concluding Remarks

- PTIP recognizes the delicate balancing act that industrial policy plays by being flexible but also by providing long term certainty.
- This can not be achieved in a vacuum-collaborative effort with many stakeholders
- PTIP has balanced these requirements by defining a set process where tariffs may be used to support industrial objectives.
- The process allows for constant change to the scheme, but will also provide longer term certainty based on the merits of each case.

Contact Us

- The documentation relating to the Port Tariff Incentive Programme may be found on the website of the Ports Regulator www.portsregulator.org
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Additional reading to assist in your application

- Port Tariff Strategy (July 2015)
- Port Tariff Incentive Programme + guidelines
- Port Tariff Methodology 2018/19-2020/21
- The National Commercial Ports Policy
- Comprehensive Maritime Transport Policy
- Industrial Policy Action Plan
- Nine Point Plan
- SA's Trade Policy and Strategic Framework
- Etc.

Q/A