



transport

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From : The National Port Consultative Committee

**Subject : Proposals to Transnet National Ports Authority's Alteration of
Tariffs for 2022 - 2023**

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PROPOSALS TO TRANSNET NATIONAL PORTS AUTHORITY'S ALTERATION OF TARIFFS FOR 2022/2023

1. PURPOSE

The purpose of this memorandum is to submit proposals and recommendations in response to the Amendment of the Ports Authority's Tariff Application as submitted by the National Ports Authority to the Ports Regulator of South Africa (PRSA) for the 2022/23 financial year from the National Ports Consultative Committee (NPCC).

2. BACKGROUND

Section 82(1) of the National Ports Act, Act 12 of 2005, empowers the Minister of Transport in the appointment of the National Ports Consultative Committee (NPCC). The function of the NPCC, amongst others, is to consider the National Ports Authority's (NPA) tariff applications, to comment on those, and to propose meaningful alterations where necessary to do so.

The Ports Regulator of South Africa's issued a Press Statement regards the "National Ports Authority Tariff Year 2022/23 – 2024/25 Proposed Tariff Application received 16 August 2021. The press statement invited port users and interested parties to comment and submit proposals on the proposed tariffs as received and published. As part of the NPCC processes, it was resolved that an ad-hoc NPCC meeting be convened to discuss the NPA tariff application and to formulate and record an official submission to the Ports Regulator of South Africa (PRSA). This was followed up by subsequent meetings.

The current tariff application is the 11th submission to be considered by the PRSA since the institution of the NPCC.

3. NPCC TARIFF RESPONSE DISCUSSION

The subject meetings were held 30th September, 1st October, 4th October, 12th October and 13th October 2021 supported by NPCC Representatives. The main aim of the discussion was to review and discuss current fin year 2021/2022 status and the proposed NPA's Tariff Application 2022/23 – 2024/25.

Key focus areas include the progress made towards improved efficiencies within the port system, ongoing challenges exacerbated due to the Ports Authority's modus operandi in comparison to what the Ports Act of 2005 envisaged. Increased levels of inefficiencies recorded and discussed at PCC meetings, Port Performance Roadshows and KPI Subcommittees. Further referencing PCC level KPI monitoring of TOPs per terminal. WEGO implementation and ongoing refinement with port users actively participating through PCC platforms amongst others.

The commencement of the corporatization process announced by the State President of SA has been well received across PCCs. This begins to establish the Ports Authority's independence and its influence in the execution of its mandate as envisaged in the Ports Act (Ports Act Chapter 2 (3 & 4) Establishment and Incorporation of the Authority). It is expected that this leg of the corporatisation of the Ports Authority will have a positive impact on the port system and the many challenges across the port system. It is further expected that it will repair the Authority's oversight role and its independence as a Ports Authority. Examples highlighted across PCCs include heightened inefficiencies, ongoing Capex underspend, ongoing lack of transparency (Island View Strategy and Durban Hub Strategy, National Container Strategy and Interim Changes observed with the port system in crises.

The level of transparency with the Ports Authority not having its independent financial results remains a challenge. It is expected that this will improve from the 1 April 2022 with the Ports Authority being a subsidiary of Transnet.

Following the meetings held it was resolved that the response addresses the following key issues:

- Compliance with the National Ports Act, Port Regulations, Directives and the PRSA 2019/2020 Record of Decision.
- Content and Completeness: Consideration given in respect of the provision of enough information in the tariff application, or not.
- Methodological Consistency: Methodology application.
- Revenue Requirement Model and Pricing Strategy: Comment on Ports Authority's application of the Pricing Methodology.
- Level of Content Detail: To comment on the level of content provided in the Application.
- To analyse and comment on the draft Tariff Book

- Recommendations: Propose Recommendations that are deemed necessary.

3.1 Compliance with the Act, Regulations, Directives and the Record of decision for 2019/20.

3.1.1 Section 72(2) of the National Ports Act indicates that the Authority must, before any substantial alteration of tariffs, consult with the NPCC.

Important to note that the Ports Authority has not consulted with the NPCC directly. The PRSA Tariff Application Roadshow provides an opportunity for consultation.

It is important to note that the Ports Authority has worked alongside the PCCs during the PCC Port Performance Roadshow held 25th May to 10th June 2021. In doing so presenting its Volume throughput and Economic Activity, Port Development Framework; The Port Capital Programme for all ports confirming 2020/2021, all ports current financial year 2021/2022 and some ports seven-year horizon starting with 2022/23 fin year; A high level overview of Weighted Efficiency Gains extracted from Operations was presented (WEGO) for all ports.

3.1.1.1 Directive 22(3):

- (a) The manner in which the tariffs have been calculated, and the model used by the Authority for determining and calculating tariffs;

It is understood that Ports Authority Tariff Application for 2022/23 – 2024/45 complies.

- (b) All operating and capital costs, expenses and revenues, incurred or generated from the port service or port facility, as well as the value of the capital stock;

The NPCC acknowledges efforts by the Ports Authority to disclose levels of detail of information. It is noted that Capex and Operating Expenditure remain a grey area lacking detail and on the Capex side execution. Important to note that this application shows less information compared to last year. Cross referencing Capex presented at the 2021 PCC and NPCC Port Performance Roadshow with this Application reflects several grey areas related to Capex. The Ports Authority's regional approach is noted. Not enough information indicating whether Port Managers are in fact empowered within the Port system. This noting the key role Port Managers and Harbour Master play.

Challenges related to Operations Phakisa and the details thereto remain to be clarified and resolved. This noting that DEFF instituted "Towards a South African Oceans Economy Master Plan" replacing what was previously known as Operations Phakisa.

Information provided borders on being inadequate. NPCC illustrates one example from a list of several, by referencing “Page 35: Strategic Capital investment Objectives” no linkages to specific ports. “Table 36: Major Capital Investment Projects and Table 37: Operation Phakisa Major Projects on page 69”. High level indication of some projects. No indication or addendum of specific studies done providing assurance that these projects will be executed. High Level capital expenditure with little or insufficient detail providing any assurance that the Ports Authority can execute its Capex Programme across the port system. The NPCC wish to note the Ports Authority continues unsuccessful implementation of its capex programme. Maintenance is noted. However, similar to Capex not enough information provided and no linkage back to specific ports. In an environment where the Ports Authority has a track record of reasonable Capex investment and Maintenance execution this Application may suffice. The status quo requires an intervention. The SA port system has deteriorated to the current crises status since the previous Tariff Application. Highlighting the importance of these aspects being addressed. The NPCC wish to highlight this concern. Given the current state of affairs this directive is not met.

- c. Directives 22(3) (c): the amounts to be invested and the revenues to be utilised in port development, safety, security and environmental protection;

The NPCC is mindful of the Ports Authority’s most recent Regional Approach to improving the status quo. The NPCC maintains that ongoing divisional Transnet processes continue to negatively impact the Ports Authority resulting in significant ongoing Capex and critical skills underspend or underinvestment. This negates the broader South African economic priorities in respect of the Ports Authority deliverables as articulated in the Ports Act of 2005 and approved by the PRSA.

Some level of Port development initiatives, some level of investment and detailed revenues are noted. High level “Re-engineering, Integration, Productivity and Efficiency; Safety, Risk and Effective Governance” are noted. Given the lack of detail it is difficult to conclude whether all the required areas have been addressed satisfactorily.

- (i) the manner in which the tariffs will affect the cost of doing business in the ports;

The NPCC wish to highlight again that institution of the PRSA methodology has resulted in significant strides being made in this area reducing the cost of doing business in SA. It is mindful that it requires the collaboration of all parties to play its role contributing to reducing the cost of doing business. The NPCC wish to highlight again that more work needs to be done in this area. There is no clear position

with regards to rental calculations and escalations. The PRSA may have to direct a methodological position in which port users across the port system can participate in.

(ii) The proposed profit margin or rate of return, together with a motivation to show why this margin or return is commensurate with the Ports Authority risk;

The NPCC supports the Ports Authority earning a return commensurate with the risk of owning, managing, controlling and administering ports and providing a port service facility as outlined in the Directives. The NPCC maintains that the Authority's Application does not differentiate between what it considers to be its investment risks impacting on its revenues and that of Transnet. The NPCC is aware that as a division within Transnet it does not borrow funds on the open market neither is it required to do so as the Revenue Requirement model provides that all funds be reinvested back into the Authority. Whilst not corporatized and a division within Transnet, the NPCC observes that the Authority's asset base is used by Transnet to raise funds in the open market. It is not clear how this is dealt with between the Authority and Transnet. The NPCC further considers the level of transparency lacking, as it relates to the Ports Authority's risk profile. It is further understood that as a subsidiary, the Ports Authority's risk profile will exclude Transnet.

(iii) The manner in which the factors set out in Directive 23 apply to the proposed tariffs.

Directive 22 (4): The Regulator may call on the Authority to provide any additional information which the Regulator required to consider the submission made in terms of sub directive 1 or 2 or to approve the proposed tariff.

Strides have been made under this directive. This application lack material information.

Directive 22 (6): The Authority shall maintain such financial and accounting systems as are necessary for the Regulator to verify the pricing principles and models used by the Authority to determine and calculate its tariffs.

The NPCC maintains that the Authority's audited statements, like the Airports Company of SA (ACSA), should be available to the SA public to scrutinise. This should allow for the PCCs and NPCC to have a better understanding regards the Authority's financials, governance and financial management.

The NPCC further notes that 1 April 2022 signals the Ports Authority being a subsidiary where after it will publish its own individual audited statements following the end of the financial year.

Directive 23 (1): In considering the proposed tariffs in terms of Directive 22, the Regulator must have regard to whether the proposed tariffs reflect and balance the following considerations: -

(a) A systematic tariff methodology that is applicable on a consistent and comparable basis;

The NPCC acknowledges the Authority's compliance with the updated Tariff Strategy updated in 2020 and current (third) Multi-Year Methodology as was published by the PRSA March 2020.

(b) Fairness;

Significant strides have been made by the PRSA to ensure increased levels of fairness within the Authority's tariff processes. Whilst this is noted, much more work is to be done to ensure transparency and fairness. The incorporation of the Ports Authority will further assist this process.

(c) The avoidance of discrimination, save where discrimination is in the public interest;

This is supported by the NPCC. It is difficult to monitor the Authority's application of same. Currently the Ports Authority discriminates by outsourcing its work to IDZs to facilitate major implementation programmes. The CDC serves as an example. The Ports Authority has an obligation to go out on an open market tender. This is an area requiring investigation.

(d) Simplicity and Transparency;

There is a need to enhance a greater level of transparency. This noting the Authority being a division of Transnet and by default being linked to the challenges within the Transnet Group. Lack of Capex information amongst other questions the level of transparency shown by the Ports Authority. The Ports Authority outsourcing large scale projects to IDZs and in particular the recent Coeca Development Corporation requires investigation.

(e) Predictability and stability;

The NPCC notes improvement in collaboration establishing predictability, and stability in respect of forecasts, actual volumes and industry participation. Underscoring the importance of ongoing collaboration. The PRSA has made great strides to ensure predictability and stability. The NPCC supports that this requirement is met.

(f) The avoidance of cross-subsidization save where cross-subsidization is in the public interest;
The Tariff Strategy has set out the manner in which cross-subsidization will be addressed.

The NPCC maintains support for cross-subsidization in the public's interest within the Port system. Similarly, the difficulty to monitor the degree to which the Authority may or may not be subsidizing Transnet Group or other Transnet divisions. This is an area which requires further investigation and communication. The PRSA is herewith requested to investigate same.

(g) The promotion of access to ports and efficient and effective management and operations in ports.

The NPCC has several concerns in this regard. These concerns include:

The Authority's lack of oversight exercising its role as an independent Ports Authority which include S56, 57 and 79 Licences respectively as articulated in the Ports Act of 2005 amongst others.

- Its delegation of Authority Framework linked to the Transnet Delegation of Authority Framework which is inconsistent with the Ports Act. This has a direct impact on decision making, Capex spending and efficiencies within the port system. This remains an area of contention resulting in increased cost of doing business in SA. Anecdotal evidence suggests that little progress has been made in this regard, notwithstanding the Authority's "Game Changer Strategy".
- The NPCC maintains that as a division within Transnet, the Authority is constrained in exercising its oversight role as envisaged in the Ports Act of 2005 and Port Regulations of 2007. Its capacity to exercise its oversight role is further compromised, resulting in it not being able to effectively regulate terminal operators amongst other, negatively impacting port efficiencies and the overall port system.
- The Authority's year-on-year lack of CAPEX spend is a further challenge linked to its capacity to manage the port system adequately. This has a direct impact on economic development and missed economic opportunities.

3.1.2 NPCC's recommendations

As highlighted above NPCC supports that the PRSA considers issues highlighted above and how same impacts the effectiveness of the Port system. Furthermore, consideration for the strides made by the Authority.

In conclusion whilst there has been an improvement in respect of Compliance with the Act, Regulations, Directives and the Record of decision for 2020/2021, the Authority is hamstrung in its current form. The NPCC supports the corporatisation process currently underway. It is expected that this will change the game.

3.2 Contents and Completeness of the proposed 2022/23 Tariff Application

The NPCC acknowledges progress has been made in respect of contents and completeness. Further information is required as per recommendations throughout this submission. Important to note that the Ports Authority provided less information this year compared to prior years.

NPCC's Recommendations:

3.3 Methodological Consistency

3.3.1 It is again acknowledged that significant strides were made by the PRSA. The current and third year Multi-Year Methodology was published March 2020. The PRSA published its Regulated Asset Base Valuation Methodology March 2018 which became applicable 1 April 2019. This Application is consistent with the Tariff Methodology including the updated Asset Valuation published by the PRSA effective 1 April 2020.

- a. The NPCC acknowledges the Methodological consistency.
- b. The NPA as a division of Transnet is recognised as not being a borrowing entity. This requires that the NPA articulates its financial ratios from a risk perspective in line with its credit metrics. During the PRSA NPA Tariff Application virtual Roadshow held 31 August 2020 – 1 September 2020 the NPA was requested to clarify its risk factors in line with the NPA's loan book activities. This is still to be clarified with the PRSA and to advise the NPCC. This aspect is still outstanding.

3.3.2 The NPCC Recommendation:

Whilst awaiting corporatisation of the Ports Authority, the NPCC requests and recommends that the NPA clarify its risk factors and how this relates to Transnet.

4. Pricing Application

The intention of the Tariff Strategy is to ensure sustainable system-wide pricing. The objectives of the pricing strategy as articulated by the PRSA is supported. The progressive move to cost-reflective tariff structures as guided by the PRSA, together with the development of an efficient pricing system, is supported.

4.1 Real Estate

The Tariff Strategy intends to ensure sustainable system-wide pricing. Objectives of the pricing strategy as articulated by the PRSA is supported. NPCC observes that there is no methodological approach to Real estate within the Ports Authority.

4.1.1 Introduction

The vision of the Authority's Real Estate business acknowledged ensuring that the property portfolio is managed adequately, efficiently, effectively as per the Act and policies of the Authority.

Rental from port land is an integral contributor to the Ports Authority profits for many years at the expense of the growth of the industry in the maritime sector. Some companies have relocated their offices elsewhere and only undertake services and other activities on rental premises in the port on a short-term basis.

This issue was raised in the previous NPCC Tariff submission of 2021/2022 and still persists. Please refer to the NPCC 2021/2022 submission.

The vision under Transnet is to maximise profits and squeeze port users as much as possible. The commercial ports are the gateways to international trade poised to bring economic growth to South Africa and labour opportunities in contributing towards reducing unemployment. Under Ports Authority, this is not possible.

A corporatized Ports Authority aim would be to similarly enhance the economic development and growth of the marine industry offering labour opportunities. Until this shift materializes the commercial ports will remain the same squeezing port users as much as possible for profits that will subsidize other Divisions of Transnet in the absence of transparency.

In so far as Rentals are concerned the NPCC submission considers the following rental categories:

- Base Rental of facilities in other locations
- Confidentiality of rental agreements
- Length of rental agreements
- The escalation in rental agreements
- Renewal of Rental Agreements

I. Confidentiality of Rental Agreements

The Ports Authority insist that rental agreements must be confidential. Companies in Cape Town pay up to three times the rental of Durban in certain categories of operation. This makes competition for local services uncompetitive. The NPCC maintains the rental agreements should be transparent and available to all port users.

TNPCC maintains that this be investigated and that the PRSA openly discuss the principles with the NPCC and industry. The NPCC maintains as follow:

II. Duration of Rental Agreements

The rental agreements run from five (5) years to fifteen (15) years. The NPCC propose that the duration of the rental agreements be at least ten (10) years, as an absolute minimum, allowing investments be written off in that period. Shorter rental agreements make port users uncompetitive to service local and international clients. The NPCC is aware that there are leases with a longer tenure. An example of this is the Transnet Port Terminals leases agreements where lease tenure are renewed without the challenges the ordinary Port Users (outside of Transnet) face. The Ports Authority should adjust the tenure of the rental agreement to the port user's investment in the facility.

III. Escalation of Rental Agreements

Ports Authority has pegged the escalation of rental of nine (9) per cent irrespective of the various indicators in the South African economy. It also appears that this rate is not standard and some tenants pay different escalations. The NPCC believes that the escalation should follow the South African economy. Any increases should be at best pegged to the actual escalation of costs. The current approach is a direct reflection of misusing the monopolistic position of the Authority.

IV. Renewal of Lease Agreements

The lease agreement states that fixed improvements become the property of Ports Authority upon expiry of the lease. The Ports Authority then recalculates the m^2 to reflect the added value of the improvements so that the next tenant pays a higher rate. The NPCC believes that the depreciated value of the improvement should be used.

In the case of renewal, the Ports Authority uses this calculation to increase the rent resulting in the same tenant that invested in the fixed improvements paying a second time, and repeatedly every lease renewal. The NPCC proposes that for renewal of a rental agreement to the same port user, the depreciated value of the improvements should be used.

V. Land use subsidised in the public's interest

Non-Profit Organisations within the port boundaries servicing the Maritime Industry offering holistic support to seafarers visiting SA shores whilst on duty. Similar services are offered internationally

financed through donations and grants. SA seafarers have the benefit of this service at their disposal when travelling regionally and abroad.

Covid19 highlights the plight of seafarers amongst others and the continuous support they required all around the world. The NPCC supports that NPOs such as the Mission to Seamen should pay subsidised rentals, which in this instance is in the interest of the public. This would allow them to continue to offer much-needed services to seafarers within the port boundaries and not be priced out of the port system. The Mission to Seamen sadly had to close its doors.

The NPCC recommends that the clause enabling subsidisation the public's interest be implemented supporting NPO's such as the Mission to Seamen within the SA Port system.

4.1.2 Mossel Bay, Saldanha, Cape Town, Richards Bay, Durban, East London, PE and Ngqura – Comments on the Ports Authority Property Portfolio

The NPCC wants to reflect on the perception of many port users that the TNPA keeps operating "out of touch" with their customers, despite all the good intentions it states in its mission and vision. It is perceived that the Authority seem to have little grasp of the devastating impact that the pandemic has left on many private companies, who cannot rely on a legislated, guaranteed profit, calculated from their asset base, and most of them still face the cold reality of survival in a real market. One area where this has been very evident is the apparent lack of any empathy demonstrated by the TNPA to the many lease holders in sectors where their businesses has been significantly affected by Covid 19 pressures. While various private business segments responded in support to their customers to help facilitate their survival (e.g. banks and commercial property owners), the NPCC is aware of several port lease holders who approach the TNPA for concessions, but without any success. This hard line approach taken to lease costs and escalations are adding to the hardship such port-based suppliers, and also many of the port users of their facilities face to keep their businesses afloat.

The unwillingness to support terminals and lease holders has resulted in above normal levels of port properties standing vacant, as the high lease costs drive many potential customers to rather pursue business activities outside port limits, if at all possible. As an example, there are currently 27

commercial facilities and buildings, representing a total area of more than 40 000m² standing empty in the port of Cape Town.

It is against the above backdrop that the NPCC has also discussed the important issue of current commercial land and properties, which may NOT be under the control or ownership of the TNPA, but does currently, or could in the future play an important role in the successful operation of ports post the Corporatisation of the TNPA. This include properties such as Culemborg Cape Town and the Ambrose Park land in Durban. It is critical that the Authority applies its mind about ALL such critical (current and potentially future) properties or land which, after corporatisation, ideally should be at the disposal of the TNPA. For the very ambitious Durban Hub strategy Port Masterplan, there may be several such properties, which currently may be under the control of Transnet Properties, which would be critical for the success of the future, expanded Durban port. This require an integrated approach and requires comprehensive scenario planning.

The NPCC wants to suggest that the Regulator considers launching (or lobby via the TNPA, DOT and other key government entities) for an independent comprehensive study with experts to help understand what critical land use changes may be needed to support a fully integrated, efficient logistics integrated port strategy post this leg of corporatisation. Such a study needs to move beyond the silos and agendas of the various Transnet logistics entities, the DOT and different local and regional government entity plans and strive for an integrated logistics and port system that will optimally serve the SA economy.

This part of the submission discusses both the Port of Cape Town and the Port of Saldanha respectively. Following the recommendations above. Below is a comparative overview.

4.1.3 Rental in other Countries

Following the NPCC discussions it was agreed that comparisons with other countries remain relevant. To this end the NPCC maintains its submission in this regard.

Local companies have several yards around the world and they have an exercise to calculate the price per square metre for those yards that they don't own but rent. The average m² price is 10 – 12 times

less than what they pay in the Port of Cape Town. The monthly rental in Cape Town is equivalent to one year's rent for a European rental.

Port	Rates (p anum / p m2)
Ghana / Tema port	0.50 \$ -1 \$
Gambia / Banjul	7.5-10 \$
Netherlands / Rotterdam	3-5\$
Singapore	16 \$
Ivory coast / Abidjan	10 \$
Nigeria / Port Harcourt	6 \$
South Africa / Cape Town	41 \$
South Africa / Durban	17 \$

Table 1: Rentals Rates Comparison

The table 2 below benchmarks Ports Authority shipbuilding and repair lease terms and conditions against international leases that were available via desktop research done for Aerospace Maritime and Defense Industries Association. (Lumec Pty Limited, 2019)

Lease Category	PORTS AUTHORITY Shipbuilding & Repair Leases	International Leases & Lease Policy
Lease period	5 years	<p>Gujarat: For shipyards with the capacity to build vessels greater than 30,000 DWT the period is a maximum of 30 years. For less than 30,000DWT the period is a maximum of 15 years.</p> <p>Portland: 25 years</p> <p>Melbourne: 25 years</p> <p>San Diego: 25 years</p> <p>Mumbai: 30 years.</p>

Table 2: Ports Authority Shipbuilding and Repair Lease Term Benchmark

Table 2 above and Table 3 below demonstrates how the international ports operate with leases and rentals. It is evident that for shipbuilding the lease must be extended so that work on shipbuilding can be completed before the lease expired. As a result, the lease must cater to this and international ports

require 15 years to depreciate the facility cost and allow the port user to make a sustainable business and profit. In the case in South Africa, the Ports Authority does not have the notion of sustainable business with a 5-year lease period before going out on tender.

Ship repair and rig repair can take 3 months to 12 months. For a 5 year lease period, the port user can only undertake 5 to 20 ship and rig repairs before the lease runs out. This is not a sustainable business and will put employment opportunities at risk and generate opposition from Labour Unions.

Renewal of leases internationally recognises that the original lease period of 25 years puts the port user in sustainable business. The NPA does not recognise that a 5-year lease is unsustainable for a business unless the renewal on the same terms is implemented to the port user without going on tender again.

The NPCC maintains that if the Ports Authority would be a private company with a 5-year lease it would not be a sustainable business given all the assets and capital expenditure in its portfolio at the end of its 5-lease period. The same applies to port users in South Africa and the Ports Authority must urgently examine this strategy.

The rental price has been demonstrated in Table 2 above.

The escalation rates are significantly lower than those of NPA escalation rates. If escalation rates are used, then the escalation rates are pegged at CPI. This demonstrates that NPA should revise its policy on escalation rates.

Improvements to the facilities must be taken into the lease arrangements, particularly if the leases are renewed.

Table 3 below considers how International ports operate in leases, rentals and escalation.

Lease Category	PORTS AUTHORITY Shipbuilding & Repair Leases	International Leases & Lease Policy
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Renewal and termination	<p>No option to renew in all except 1 lease, which has an option to renew for an additional 1-5 years.</p> <p>3 leases showed that both the landlord and tenant can terminate with notice, 2 showed that neither party may terminate the lease agreement, and 2 showed that only PORTS AUTHORITY could cancel the lease agreement.</p>	<p>Los Angeles: The port should solicit competitive proposals for the land, however, it has the discretion to negotiate with existing tenants instead of soliciting new proposals as it is the policy of the board to 'continue to build long term relationships with existing tenants.</p> <p>Melbourne: Maximum lease terms stipulated in the Port Charter and cannot be exceeded.</p> <p>Mumbai: Option to renew for additional 20 years. Both landlord and tenant can terminate the lease agreement for any reason, as long as notice is given. But if the termination is not due to reasons attributable to the other party (except breach of contract and bankruptcy), the terminating party shall be liable for penalties to other parties.</p>
Rental price	<p>Ranging from R20 to R50/m2 per month with an average of R40/m2 per month, which is R480/m2 per annum (\$34/m2 per annum).</p> <p>Price determinant not included in the lease agreement.</p> <p>Additional costs include a once-off admin fee, municipal rates monthly charges, sewage and refuse removal monthly charges and a refundable deposit (equivalent to up to 6 months of rental).</p>	<p>Gujarat: Rs.2,000 per metre of waterfront per annum (\$28.89/m per annum). Land lease rental is 10% of the land cost incurred to the port landlord for the acquisition of the land per annum.</p> <p>Melbourne: Price determined by the market standard. The pricing order issued by the ports regulator includes a rent capping mechanism that prevents the exercise of monopoly power in relation to leases.</p> <p>Los Angeles: Price determined by "the most probable rent that a property should bring in a competitive and open market" and the ports' return on investment goals. Pricing decreases as the distance from the waterfront increases.</p> <p>San Diego: 45 cents/ square foot/ year (\$4.86/ m2/ annum). Price determined by the market - for vacant land being rented for maritime industrial related uses.</p> <p>Massachusetts: Rent determined by 'fair market price' which should be determined taking all factors that would be taken into account by a real estate appraiser.</p> <p>Tema: Long lease ground rent: \$0.50 to \$1.00/ m2/ annum, depending on the location of the plot. Ground rent for the paved area at the operational area of the port: \$48 to \$72 /m2 /annum depending on usage</p> <p>Mumbai: Rental price not based on the area but rather on the business potential at the port. The landlord takes an annual fee and profit share.</p>
Escalations	9% flat rate annually for full lease term for all leaseholders.	<p>Gujarat: Escalation of 10% every three years (3.3% per year).</p> <p>Portland: Escalates according to the consumer price index CPI</p>

Table 3: International Ports benchmark Lease, Rentals and Escalations

Lease Category	PORTS AUTHORITY Shipbuilding & Repair Leases	International Leases & Lease Policy
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	Escalation determinant not included in the lease agreement and no leaseholders reported that they were aware of the methodology used to determine the escalation.	<p>Melbourne: Capped at consumer price index (CPI)</p> <p>Los Angeles: Escalates according to the consumer price index (CPI). Resets required no less than every five years.</p> <p>San Diego: No annual escalation. Price re-adjustment every 5 years according to the consumer price index (CPI) average over the previous 3 years, capped at 7% per annum or 35% per adjustment period (5 years).</p> <p>Massachusetts: Predetermined annual costs for the first 20 years. Adjustments are every 20 years thereafter based on 'fair market rent', which cannot be 5% less or 25% more than the lease of the previous year. Furthermore, 5-yearly adjustments from the 25th year onwards based on the cumulative change in the consumer price index over the five preceding years.</p> <p>Mumbai: 3% annually for Mumbai, no escalation in Kolkata but the fee is reviewed every 7 years.</p>
Improvements	Improvements are at the tenants' cost, no matter the state that the land/structures were in on occupancy. The lessee shall not remove any improvements to the site made by the lessee unless authorised by the Ports Authority. The Ports Authority will not compensate the lessee for the value of improvements. Should the lessee renew the rental agreement then the rental payments will be the market rental for the site, including any value attributable to the improvements.	<p>Portland: Lease incentivises cooperation and agreement for future capital improvements.</p> <p>Los Angeles: All improvements become the property of the port on termination of the rental agreement. Port may ascertain a need to acquire tenant-owned assets - straight-line depreciation is used to determine asset price. Such a provision should be included in the lease agreement.</p> <p>San Diego: Minimum investment required by the lessee as stipulated in the rental agreement. Years to be deducted from the lease should the improvements not take place in the required time frame. Improvements are strictly not to be taken into account when determining rental.</p> <p>Mumbai: There are no specific conditions for improvements in the agreement. Since the profit is being shared, the performance of the organisation shall be reviewed periodically for improvement in production.</p>
Dispute resolution	The lease states that the parties shall first endeavor to resolve the dispute by negotiation. If the dispute hasn't been resolved, then either party can submit the dispute to the Arbitration Foundation of Southern Africa.	<p>Melbourne: Port operator offers a market standard rent review mechanism with dispute resolution by an independent property market expert. Periodic review by the Regulator of whether the Port leaseholder has misused its market power in the setting of rents at the Port.</p> <p>Los Angeles: Any deviation from market rates and return on revenue goals must be brought before the Board and approved in open public session.</p> <p>San Diego: After notice by either party to the other</p>

Lease Category	PORTS AUTHORITY Shipbuilding & Repair Leases	International Leases & Lease Policy
		<p>requesting arbitration, one arbitrator shall be appointed by each party. The two arbitrators shall immediately choose a third arbitrator to act with them. All of the arbitrators shall be qualified, real estate appraisers. The award shall be the decision of not less than two of the arbitrators.</p> <p>Massachusetts: If the proposed rental is not suitable to the tenant but the difference is not more than 5% then the midpoint between the lessor and lessee proposed amounts shall be taken.</p> <p>Mumbai: Standard terms stipulated by Ministry of Shipping is applied since all these parties are under the said ministry</p>

Table 3: International Port Lease Benchmark Rentals and Escalations2019 continue

4.1.4 Rental of Fabrication, Ship and Rig repair on a Short-Term Basis.

Rental of fabrication, ship and rig repair on a short-term basis is also uncompetitive because the costs associated to rent space on a short-term basis must be written off on the project due to the nature of projects. The Port Authority will provide land in the port with minimal infrastructure. The fabricator or ship repairer must provide:

- a. Temporary offices
- b. Temporary workshop
- c. Electrical power in the form of a generator for 60Hz power instead of 50Hz that could be available
- d. Toilets and washrooms
- e. Canteen facilities
- f. Connection to water
- g. Communication infrastructure
- h. Floodlighting if required

The costs are to erect and dismantle the facilities after use as mentioned above makes South African industry uncompetitive versus other international ports.

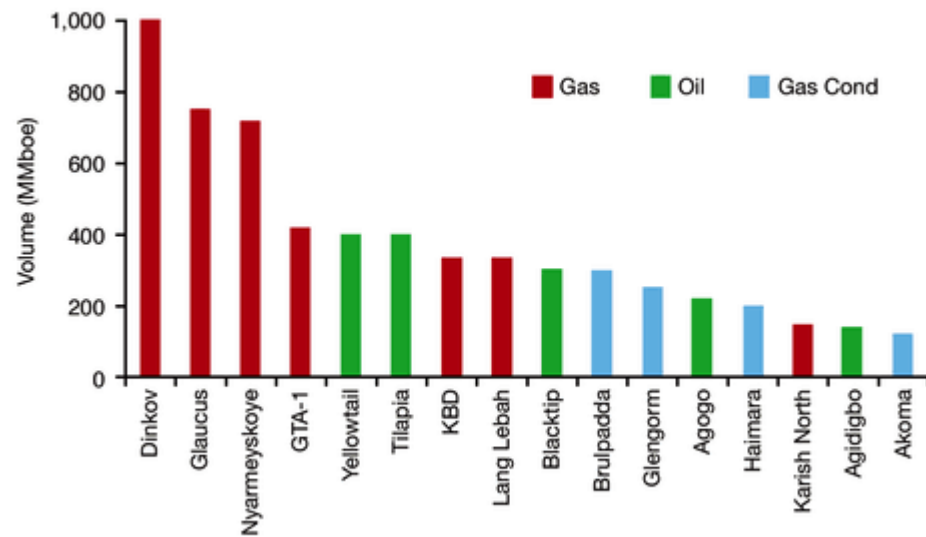
Under the above circumstances, Fabricators and Ship Repairers are unable to be competitive in the International market, given the cost of rental arrangements. The Saldanha facility lays dormant and the fabricator pulled out of this sub-contract agreement. A similar story emerged in Cape Town where the lessor handed back the facility to the Ports Authority has spent R35 million in upgrading A berth for rig repair and maintenance.

In conclusion, the NPCC supports that dedicated Ship-and-Rig repair-facilities be provided timeously, committing to this sector. In the Port of Saldanha Berth, 205 is set to be available 2027 as outlined in the Ports Authority's presentation during the PCC Port Performance Roadshow held Friday 24th – Thursday 30th July 2020. During the current year Port Performance Roadshow, the Ports Authority was silent on this matter. We therefore accept that berth 205 is set to be available 2027. The NPCC's concern is that this market may have moved altogether, given rapid developments on the continent in this area amongst others. This will negatively impact the Port of Saldanha community, the SBIDZ and the Port of Saldanha itself.

Considering current drilling opportunities off the coast of Mossel Bay Brulpadda/Luiperd championed by Total, Gazania championed by African Energy scheduled to drill at the of 2021 on the West coast awaiting Ministerial approval of joint ventures and East coast five wells championed by ENI South of Durban and near Richards Bay according to Petroleum Agency South Africa July 2020. An update by PASA as recent as 14 October 2021 confirmed that Total will produce gas by 2025. The East Coast drilling was initially scheduled for 2019/2021 but was delayed due to Covid19.

Servicing the Brulpadda/Luiperd wells, logistics services will be required in Mossel Bay, George and Cape Town requiring offshore bases. Brulpadda is rated the fifth largest discovery by the Westwood Global Energy Group recognised by the Energy Institute in the UK.

LARGEST DISCOVERIES OF 1H 2019



Source: Westwood Global Energy Group

Figure 1 International comparison of the largest Oil and Gas Discoveries

Activities offshore from South Africa requires relevant South African Ports to support offshore exploration and production of Oil and Gas, providing direct and indirect job creation opportunities.

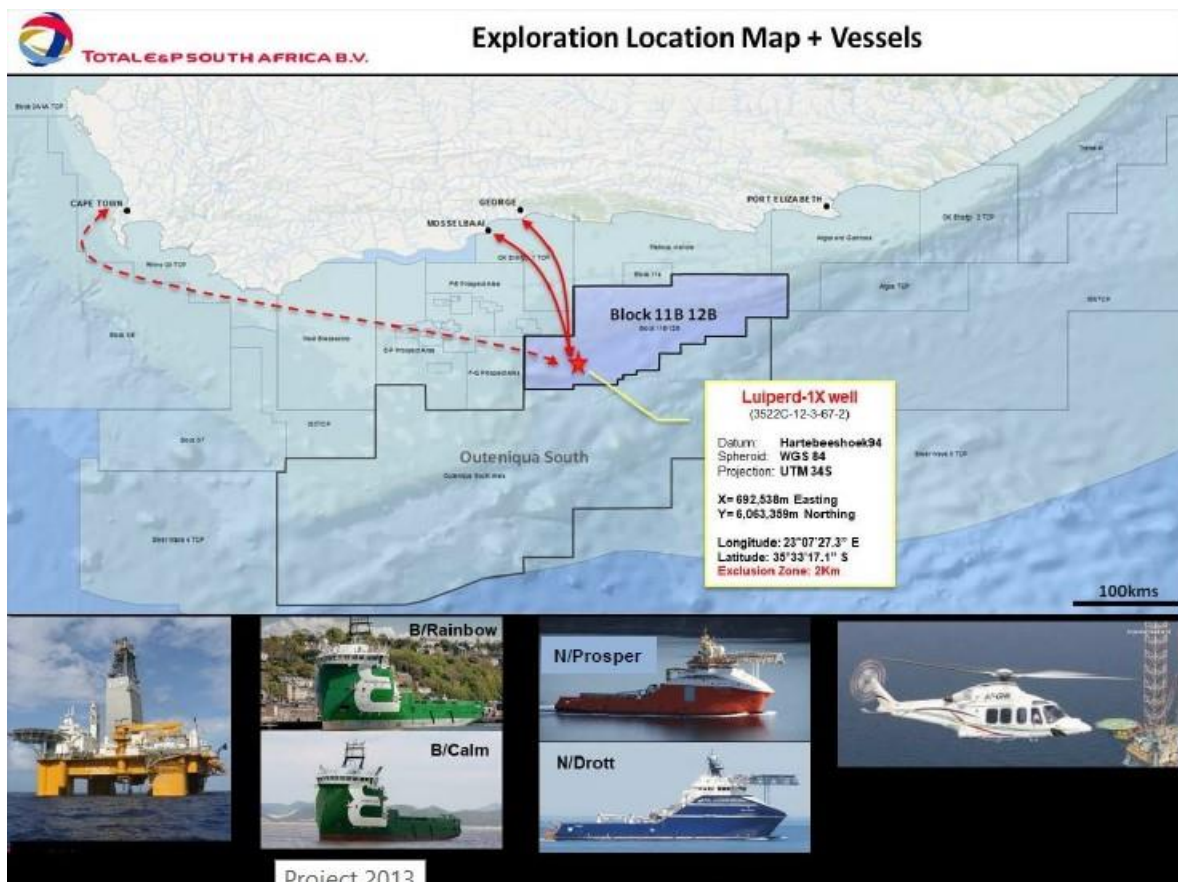


Figure 2 Brulpadda/Luiperd Use concerning Port of Cape Town and Mossel Bay Port Infrastructure

4.1.4 Use of Port Infrastructure

The use of the Ports infrastructure is the only alternative for fabricators and ship repairers which limits the size of the available opportunities. In this respect it would be limited to:

- 1) Dry Dock facilities
- 2) Repairs alongside
- 3) Synchro lift

All other fabrication would have been outside the port area and transported to the Port for installation onto ships, rigs and other Oil & Gas supply vessels. There is no entrepreneurial incentive for the fabricators or ship repairers to increase their offering to the international market.

Because of this intransigent attitude of the Ports Authority in terms of investment and cost of doing business in the ports, various companies have moved offshore to countries like Namibia, Angola, Nigeria and Ghana. These countries understand what is required to attract business, grow their

industry, earn foreign exchange and offer labour opportunities to their citizens. The same will happen as the East coast of Africa opens up. Companies are already moving to Mozambique.

The NPCC recommends that the Ports Authority prioritizes the creation and use of port infrastructure commensurate with the developments Oil and Gas Industry catering timeously for this market. In the instance of Total, it is not compelled to use South African port facilities to fabricate platforms and or to supply South Africa with the Oil and Gas produced as outline in the Upstream Petroleum Resources Development Bill 2019 awaiting Government approval which is estimated to be two (2) years away.

4.2 Marine Services informing the Tariff Structure

- 4.2.1 Terminal efficiencies and cost-effectiveness remain foundation components directly impacting tariffs. The threat of losing volumes to any of our neighbouring African countries who are constantly upgrading and investing in their port infrastructures remain. Port such as Namibia's Walvis Bay, Lüderitz, Angola's Port of Lobito and Luanda, Mozambique's Port of Maputo harbour to mention but a few (Refer to the Benguela Current Convention). Poor terminal efficiencies and excessive tariffs discussed throughout this submission, contribute towards increased cost of doing business.
- 4.2.2 Operations Phakisa – failure of rolling out or implementation of agreed initiatives have had and continue to have a detrimental impact on marine service amongst others. Referring to both superstructure and infrastructure investment across the port system.
- 4.2.3 Concerns remain regards Ports Authority oversight as it relates to Terminal Operator compliance, including TPT compliance and ramping up installed capacity with additional gangs in an effort to improve terminal performance. It must be noted that TPT is in the Transnet stable and any oversight of a sister organisation is likely to not be done for fear of retribution.
- 4.2.4 Vessel Surging remains a major concern in specifically Ngqura and Cape Town. The NPCC is aware of the Moor Master in Ngqura. Whilst Capex has been approved rolling out the Moormaster (fixture)/Shore Tension installation (mobile) to the other berths and ports. Little has happened and this remains a challenge.
- 4.2.5 Deepening of the Durban berths: Noted that berth outages in Durban project has been delayed and execution will now commence in 2021 and is reported to be completed by 2026, a detail update is necessary for forward planning. This highlights the continues date crawls of CAPEX project with huge ramifications to the regional and broader economy. This much-needed

capacity creation plan is going to put additional pressure on other ports and in particular Ngqura. The NPCC await the Authority's berth deepening proposed plan deviating cargoes ensuring that SA does not lose any cargo. This plan is still to be shared with the Shipping Lines too. Some shipping lines will have to move from DCT to Pier 1 which is not ideal as some vessels will battle to berth at Pier 1 due to vessels sizes. Update

- 4.2.6 The NPCC maintains that the cost of doing business in South Africa and in particular calling at Durban, Port Elizabeth or Ngqura and Cape Town is becoming extremely expensive for shipping lines. This is directly related to delays, congestion and inefficiencies, which all add significant non-tariff costs to shipping lines. The status quo requires an investigation further aligning with WEGO.
- 4.2.7 Diminishing cargoes and vessel calls: the following sliding scale is for the Cruise liners and Break-Bulk vessels.

Calls	Incentive	Rationale
0 to 3 calls	0% discount	All vessels
3 to 10 calls	10% discount	Cruise Liners: Contributing towards growing almost decimated maritime / tourism industry;
10 to 20 calls	15% discount	During cruise liner season October to May the following year. Break Bulk – Encourage breakbulk volumes noting the negative spiral trend.

Table 4: Proposed Sliding Scale for Cruise liners and Break-Bulk vessels

4.2.8 Deepening of 203, 204 and 205

Deepening of 203, 204 and 205 with current draft restrictions – deepening scheduled to be prioritized when the draft will be deepened to 16m. It is recommended that port dues not be based on GRT but capped on vessel allowed to load considering draft restrictions; this to be in force until such time that the deepening project in the Port of Durban has been completed as this will have a direct material

negative impact on the Shipping lines and their parcel sizes; Maydon Wharf dredged all berth to 11-12m. Channel not deepened.

4.3 Cargo Dues

4.3.1 Double Billing

NPCC maintains that double-billing for utilisation of quayside space between NERSA approved tariffs to recover investment and the Ports Authority tariffs exist

Cargo dues; a portion of the investment is still apportioned to cargo crossing the quayside; Same charge contention that a portion of cargo dues billed twice in that the cargo owner already pays the tariff set by the Energy Regulator; PRSA to explain and advise how this will be handled between the Authority and the NERSA. Furthermore, how this double billing will be corrected.

4.3.2 Transshipment of liquid bulk cargoes

Transshipment of liquid bulk cargoes to be allowed for three months where after the full cargo dues fee become applicable. The port cannot be turned into a storage area by increasing dwell times excessively. Noting this crude oil and heavy fuel oil tend to be in storage for lengthier periods and is stored outside the port boundaries in private, independent storage facilities, regulated by NERSA. It is further recommended that storage dwell time be considered consistent with the NERSA allocation mechanism process which allows for a three-month rolling nomination. Scheduling to consider prioritization of investment. Similar concerns were expressed in the Port of Ngqura. Noting this, market pricing and developments must serve to inform incentives and punitive measures. It is proposed that the Authority has the flexibility to use dwell times both as an incentive and punitive measure subject to capacity availability;

5. TNPA Business and Oversight

5.1 Private Sector Participation

Noted that the Ports Authority acknowledges its obligations as articulated in the Ports Act 2005. Issue of transparency and sound governance core to this process. It is recommended that the Ports Authority widens its perspective on PSP including how this aligns with Public Private Participation.

5.2 Regulated Asset Base

The PRSA capex resulted adjustments and correction to the current 2020/2021 financial year RAB is noted. In step with the RAB components calculations, RAB value for current financial year 2021/22 calculated R 73 237m. It is similarly expected that this calculation will be revised following the end of the financial year.

The Ports Authority calculation of its RAB of R79 382m for 2022/23 is not supported.

5.3 Capex

Capex spend remains a challenge. The Ports Authority has previously presented intentions of its Game Changer Programme which aim to ensure that approved projects are executed effectively dealing with the snag list of issues previously hindering Capex. However, to date the port system has seen little if any improvement in agreed Capex spend improvement.

The new DOA as advised at the NPCC and PRSA Ports Authority Tariff Application is yet to be tested. This remains a long-standing item. Cross-referencing back to Operation Phakisa where this was raised and committed to being addressed, there has been little progress if any to date. The NPCC maintains that CAPEX underspend success rate during the last ten years signals that an intervention is required superseding commitments made to date.

This Tariff Application lacks granular detail including feasibility studies carried out for projects herein. In summary there is little evidence of any progress on the Ports Authority's Capital investment obligation as set out in the Ports Act 2005. Long standing items such as the moor master remains outstanding negatively affecting the effectiveness of the port system.

It is a concern that very few new projects are shown across the port system. By way of example In the Port of Cape Town Table36 – the replacement of the 2 tugs / Pollution boat & New helicopter are all existing projects that are almost at completion; Table37 – all the projects listed for Cape Town have been around for a long time and most of them are almost at completion as well. It is a concern that these projects are rolled over to the new financial year, with no indication of new projects for CPT for the 2022/23 fin year.

6.2.1 Durban

6.2.1.1 Island View Strategy and new Durban Port Hub Strategy

It is understood that Island View Strategy is considered within the newly and still to be consulted Port Durban Hub Strategy. The Durban Hub strategy was introduced during February this year where after it was discussed at the Port of Durban PCC meeting. In both instances the Ports Authority was unable to respond to the questions raised from industry and the Port of Durban PCC. The Durban Hub strategy was once more discussed at the 11th June 2021 PCC and thereafter at the Port of Durban PCC meeting held in August. At the August meeting the Ports Authority requested that members read the previous Durban Dig Out Port Study in which answers were to be found. Several meetings regards the Durban Hub Strategy noted. It is therefore important to note that in respect of quality of consultation, consultation on this matter remains outstanding. Table 6 below provides dates of meetings held.

PCC Meetings	Dates	Comments
Emergency Port of Durban Master Plan meeting	18th February 2021	1st discussion – This was an emergency meeting.
KPI Review	4th March 2021	Context
3rd Quarter 2020/2021	11th June 2021	Various concerns raised at the meeting of the 18 th February 2021 was not responded to at this meeting.
1 st Quarter 2021/2022	19 th August 2021	At this meeting the Ports Authority agreed to share the Durban Dig Out Report which may answer the PCC concerns raised at the emergency meeting called by the Ports Authority.

Table 5: Port of Durban PCC dates linked to the Durban Hub Strategy

The NPCC notes that the Authority is still to clarify the changes to the Island View Strategy. Furthermore, that the intentions of the original Island View strategy will be integrated with the objectives of the new Durban Port Masterplan Hub Strategy project. The NPCC reconfirms concerns that this new direction for the finalisation of the future of the Island View precinct, will continue to delay the urgently required investment in maintenance and replacement of infrastructure in the precinct.

The previous comments regarding the lack of spend on maintenance, which increases operational risk is a national key point, also classified as a major hazard Installation, remains valid. The risk of a Beirut-type incident happening due to lack of maintenance close to the Bluff communities is something that nobody wants or can afford. Projected lease increases must be grounded within the PRSA TNPA Real Estate Methodology which is a missing component.

The new uncertainty that the new DPDP project has cast on the resolving of month-to-month leases, and what the future will hold for many of these current lease holders, requires a serious consideration of the affected parties and port users exposed to this precinct. Lease holders of infrastructure which may have to be relocated, as well as cargo segments facing relocation to Richards Bay, requires assistance from the Authority and the Regulator to ideally freeze immediate cost increases (leases and cargo dues), until clarity of the cost impact of the new plans on their businesses are obtained. Ignorance towards these potential massive cost increases to port users, required to pay for new infrastructure in Richards Bay, and new, more expensive supply chains to this port, may seriously harm the viability of segments of these businesses, that could result in a loss to the economy, including losses in jobs and foreign earnings.

5.2.1.2 Decongestion in the Port of Durban

NPCC acknowledges that great strides are being made in the collaborative efforts between the Authority, industry and Transnet and the various divisions to address this issue. Is encouraging noting that this has been on the PCC Agenda in the Port of Durban since 2011. MPT Terminal in Durban requires similarly focused attention. More needs to be done.

5.3 East London

Ongoing Capex underspend in the Port of East London remains a major challenge. Port users need a guideline in terms of when and how TNPA intend to engage with port users in the port of East London, specifically regarding input from port users, regarding the relocation of the container terminal from East bank to West bank and the planned Terminal design and operation.

The straddles are working well, and the Navis system is working but the after effects of their IT hack are still slowing down the system in all ports. Need some urgent intervention to resolve this matter. The port of East London must get new Tugs and also a new reach stacker. This has been long standing and requires intervention.

5.4 NPCC observation and recommendation

CAPEX underspend remains a major concern across the South African port system. The current Application does not provide assurance that the Authority prioritises this key aspect of its mandate across the port system.

5.5 Dredging

The NPCC is encouraged by the dredging programme as presented at the PCCs and executed with regular updates being provided.

5.6 Operation Phakisa -

The NPCC is mindful that the Department of Forestry, Fisheries and the Environment (DFFE) has produced a masterplan titled, "Towards a South African Oceans Economy", which discusses the same topics as Operation Phakisa. Presently, the DFFE is conducting the "Oceans Economy Master Plan Process" revising the Operation Phakisa targets. The Oceans Economy include Government Departments, SOE's and various Industry bodies which should be completed by the end of 2021.

The NPA's role and initiatives progress within the Marine Transport and Manufacturing Lab require focussed attention:

5.6.1 Initiative 1: Create a supportive funding Model – due date 1 January 2015.

To date, there has been little or no feedback or action. Metaphorically the foundation was never established hence Operation Phakisa limped along without making any real difference. The Authority has periodically referred to Initiative 1 with no feedback or action as can be gauged in the port system.

5.6.2 Initiative 2: Saldanha Bay 205

This should have been completed in 2019 according to the initial timeline. In the event where the Ports Authority continues to delay the implementation of this Initiative, it may lead to market loss which may negatively influence the IDZ and the broader Saldanha and port environment jeopardising potential employment opportunities and other related economic spinoffs.

5.6.3 Initiative 3: Align on implementation of Government policy

The role of the DPE and DOT required to have been finalised 8 November 2014. This was signed off by all relevant Ministers at the time. Status Quo: There is no indication as to the outcome of this initiative.

5.6.4 Initiative 4: Prioritise Transnet and Ports Authority funding allocation towards marine manufacturing facilities

The target date was November 2014. Transnet investment plan must prioritise marine engineering and Phakisa identified projects. Status quo: There is no indication as to the outcome of this initiative.

5.6.5 Initiative 5: Maintain and refurbish existing facilities

Target date was November 2016. "Execute maintenance and upgrade plan for the existing facilities to increase market share". Maintenance plans were circulated in some of the port PCCs during mid-2018 when PCCs continued to request same.

5.6.6 Initiative 6: Unlock investment in port facilities

Due date March 2015. Not realised to date. Efficiently appoint operators for existing and new port facilities. Secure shareholder approval on ownership and operating model for existing ship repair facilities. Execute S56 to appoint suitable operators. Build Ports Authority Administrative capability to manage S56 implementation.

5.6.7 Review Ports Authority's Delegation of Authority and streamlines S56 processes.

Set up monitoring and reporting mechanisms to ensure rapid turn-around time. Resolve the allocation of facilities for the support of aquaculture. Status Quo: No action to date or feedback given in this regard as can be gauged within the industry.

5.6.8 Initiative 7: Implement strategic prioritised projects in Richards Bay

Due date 2017. Initiative not realised to date. Quantify and unlock opportunities in Oil and Gas, Ship and Rig Repair and Maritime vessel building. Enhance container handling capacity. Explore feasibility

of Richards Bay establishing a liquid natural gas cluster. Allocate Waterfront land to IDZ in support of Maritime Manufacturing.

5.6.9 Initiative 8: Implement strategic prioritised projects in East London;

This too has not been realized. Refurbishment existing slipway, boat and shipbuilding industry to be provided with incentives in exchange for development commitments. Preferential access for IDZ in exchange for developmental commitments – August 2015

5.7 Operating Expenditure including Sundry services

5.7.1 Labour

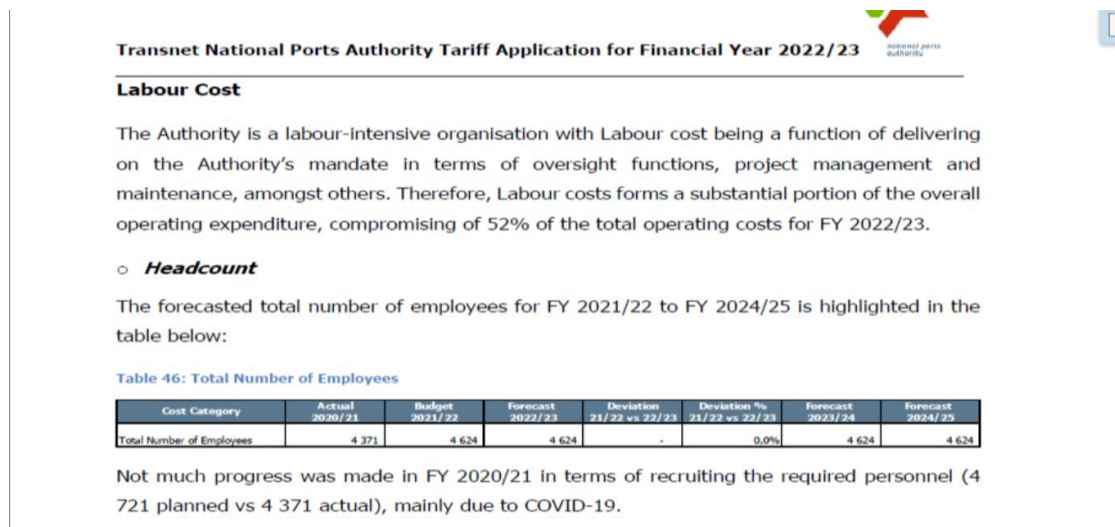


Figure 3 Extract from the Ports Authority Tariff Application 2022/23 to 2024/2025

- i. NPCC notes the proposed reduction in the Authority's Labour cost from the budget of R 2 903m to the proposed 2022/23 budget of R 2 800m. This noting that the current year actual is at R 2 589m. The NPCC is aware of Transnet and the Ports Authority offering Voluntary Service Packages to all staff including critical skilled staff and in terms of the head counting replacing same with a reduced cost. This is a concerns in terms of the loss of key and critical skills within the port system. The Ports Authority's rationale does not justify the risks inherent in letting go of key and critical skills. The 4 % reduction in labour cost is noted. Reference Fig 3 above.
- ii. Further concerns noted in terms of the current and prevailing service offering within the SA Port system. The SA Port system is advertised as a 24 hour, 7 day, 365 days a year port. This is currently not the case. The Ports Authority Labour Component in its totality poses a serious risk adding to the cost of doing business in SA and must be addressed.

- iii. In terms of the OSH Act, there are 21 regulations which must be implemented within the port system. This indicates that the Ports Authority must employ Government Competency Certificate (GCC) engineers in all the ports in compliance with the OSH Act. The metrics involve the storage and use of energy. The OSH Act 181 of 1993 and the 21 Regulations. The recent ROD in the matter between Avedia Energy vs the Ports Authority and Sunrise Energy in the Port of Saldanha illustrates the lack of GCC engineers in the Port of Saldanha by way of example.
- iv. The Ports Authority has oversight of its tenants in all its Ports. It is unclear whether the tenants comply with the OSH Act in having GCC Engineers in the facilities in its Port operations. To date the Authority has not been able to confirm this. This has been a standing action item on the Port of Saldanha PCC which remains unresolved.

5.7.2 Maintenance

The NPCC Supports the increase in Maintenance and questions whether the budget is enough for the maintenance required. This links back to the original Operation Phakisa initiatives.

Detail in the Maintenance budget was minimal. It is not clear what exactly the increased budget will cover.

Important to note that all the Ship Repair WHARF cranes in CPT have been condemned/scrapped. Some are safety hazards. Also damaged/missing planks on Syncrolift which constitute safety hazards. Clarity needed as to what exactly the "... increased maintenance on the ship repair business" was spent? The maintenance budget for this year is going up from R295m to R573m, an increase of R153m! – No detail provided. Clarity is need.

5.7.3 Rates and Taxes

Currently different rates and taxes apply between CPT & DBN. There is a need to be consistent and transparent. This should be applicable to all ports.

5.7.4 Pre-feasibility studies ad Research and Development

Industry would like to see progress and participate within the next 12 months with the: i. Hull Cleaning and ii. Study for the development of New Dry Dock

5.7.5 Energy

NPCC maintains that the cost of energy is rising with ESKOM tariffs. NPCC recommends that the Ports Authority explores self-generation energy options.

5.7.6 Professional Services

Noted that Professional services have increased from R20m to R 123m with no explanation.

5.7.7 Group Corporate Overhead Costs Ports Authority Allocation

It is noted that the Ports Authority was allocated 13.72% of the Total Group Corporate Overhead costs. Translating to R485m reduced from R 491m. a decrease of 1.2%. No indication is given as to exactly what this allocation is in return to. Consistent with the Ports Authority corporatisation as a subsidiary within Transnet it is proposed that this be reduced to R 122m. In the absence of detailed information of the original allocation this the proposed 25% will aim to compensate Transnet Group for treasury services, facilitation and management of pension funds and salaries etc. duties it may be providing whilst the Ports Authority develops the required competencies.

6. Volume Projections

Volume Projections as indicated by the Ports Authority is noted. No referencing or assumptions noted as to what informs the stated volume projections. Year on Year understated volumes acknowledged.

7. Tariff Book

NPCC wishes to acknowledge the year on year improvement in the Tariff Book.

7.1 Section 6 Clause 3 Penalties – Tariff Book Page 34

Penalty incurred of 40% will be offset to the dues for the vessel which is delayed. Why should TNPA benefit and not the ship owner whose vessel is delayed.

Recommend deleting Floating dock as TNPA do not own any floating dock unless this has changed.

7.2 Section 6, Clause 8 Wharf Cranes Page 40:

TNPA do not have any Wharf Cranes.

Amendment should read: One MOBILE crane will be provided per vessel, inclusive of the dues during normal working hours. Outside ordinary working hours only. Irrespective of the crane lifting capacity, per hour R 1129.46

8. Port efficiencies

The NPCC recognises the efficiency challenges within the port system fuelled by lack of CAPEX investment. As acknowledged by the Ports Authority”, all ports with the exception of Mossel Bay performed below the 10% efficiency cap. Concerns expressed that there is no proper feedback forthcoming.

This in turn speaks directly to the oversight role of the Ports Authority amongst others. These measures are being closely monitored by the PCC Subcommittees in each of the ports.

8.1 P60: item 9 Port Efficiency.

Port performance indicators to include Ship Repair Operator Performance Standards (“SROPS”) Industry needs standard delivery indicators against which to measure performance for all the services offered in the tariff book, e.g. launch/tug hire – Lead time from application to be defined whether it is 2 hours or 2 days or 2 weeks?

8.3 P61: item 9.2 Management of Poor Performance in line with Item 9.4 KPI's

Quote *‘PIP will serve as a guideline to be used by the Port Oversight Committees (“POC”) to execute the Authority’s oversight role with regards to the management of the terminal operators’ AND SHIP REPAIR MANAGEMENT performance.’* Unquote. ISO 9000 requires customer satisfaction feedback for services rendered. This is needed for TNPA services

8.4 P62: Item 9.4 Benchmarking

This should include KPI's for TNPA ship repair management team. To include all services sold to industry. Benchmarking should be visible and accessible

9. Port Tariff Incentive Programme

It is proposed that the Ports Authority include a sliding scale incentive for all international ship owners docking more than one vessel in our Graving docks and Syncrolift within any 12-month cycle. This aims to encourage vessels calling for Ship Repair.

10. Consultation with the PCCs and NPCC

The National Ports Act 2005 Chapter 11 – 81. (3) States that:

“The Authority must consult the Ports Consultative Committee regarding-

(a) “any major scheme relating to the expansion or development of a particular port”

Experience at the PCCs is that very scant information is provided by the Authority and does not allow for responsible decisions to be made on capital expenditure and timing. The Authority must provide reasonable information to allow PCC's to make e informed and educated decisions on developments and capital expenditures that will benefit South Africa and its stakeholders.

The Ports Act Chapter 8 Section 72 (2) requires that the Ports Authority must,

- “prior to any substantial alteration of a tariff consult with the National Ports Consultative Committee”.

This is further supported by the Port Regulations of 2007.

Quarterly PCC meetings were held as scheduled. The Ports Authority Port Development, Port Performance and Capex are key agenda items across the port system PCC meetings. The Port Performance Roadshow consultation sessions were held 25th May – 10th June 2021. Consideration given to changing adjusted Lockdown levels and positive impact on staff and volume throughput. In so far as port efficiencies are concerned poor port performance registered with great concern.

Table 6 below indicates the Port Performance Roadshows held during the current financial year.

PORT	DATE	TIME
East London	Tues, 25 th May 2021	09H00 – 12H00
Ngqura	Wed, 26 th May 2021	09H00 – 12H00
Port Elizabeth	Thurs, 27 th May 2021	09H00 – 12H00
Mossel Bay	Tues, 1st June 2021	09H00 – 12H00
Saldanha	Wed, 2nd June 2021	09H00 – 12H00
Cape Town	Thurs, 3 rd June 2021	10H15 - 14H15
Richards Bay	Tues, 8 th June 2021	09H00 – 14H00
Durban	Thurs, 10 th June 2021	09H00 – 14H00

Table 6 PCC Port Performance Roadshow 2021/2022

During 2021 PCC and NPCC consultation Roadshow Port Users were invited to participate in the Port Performance Roadshow process. It is the second year that these consultations were held online consistent with social distancing requirements. Virtual sessions enabled port users across the port system to participate in multiple port consultation session where they may have an interest. Key focus areas included: The Port Development Framework Plan for each individual port within the Port system; The Port Capital Programme reflecting 2021/2022 linked to the PDFP and seven- year horizon; and The Port Operations Performance Standards, Planned and Actual performance and its alignment with the Weighted Efficiency Gains from Operations (WEGO) process.

All Port Users were invited to participate in the consultation sessions cross the port system. Key focus areas were: The Port Development Framework Plan for each port within the Port System; The Port Capital Programme reviewing 2021/22 focussing on 2022/2023 linked to the PDFP and Capex seven-year horizon; The Port Operations Performance Standards Planned and Actual performance and its alignment with the Weighted Efficiency Gains from Operations (WEGO) process.

The questions were submitted to the Ports Authority to which the Authority partially responded to. Reference Addendum A and B Port Performance Roadshow Questions and Answers from the Ports Authority for the current and previous calendar year. Addendum C cross references Capex presented at the 7th Annual Port Performance Roadshow as it compares to what was presented in this Tariff Application.

Capex investment remains a challenge across the SA port system. This is an area requiring intervention. This Tariff Application does not provide assurance that this may be improved. Kindly find

attached Addendum A: Capex Cross Referencing Capex in this Application. Addendum B: Partially answered 2021 Port Performance Roadshow Questions and Addendum C 2022 Port Performance Roadshow Questions and Answers.

11. NPCC Observations and Recommendations:

It is recommended that the PRSA considers Observations and recommendations made throughout this submission including:

10.1 Valuation of the Regulated Asset Base

The NPCC does not support the Authority's calculation of its RAB of R 79 382m. Given the current year Capex performance and little Capex information provided for 2022/2023 there is no justification for this RAB.

10.2 Ports Authority Oversight

The NPCC maintains considering anecdotal evidence signalling that the Authority has not acted within the prescripts of the Ports Act and Port Regulations in respect of exercising its oversight role. In its capacity as a division within Transnet, it is rendered powerless in ensuring that all port users including Transnet divisions are held accountable through the various agreements legislated instruments. Its lack of Capex spent, long decision processes, which has been on the NPCC Agenda, amongst others, of which the last nine years bears testimony to this. There have been many good intentions on the Authority's side but little progress due to the Authority's current constraints in its current form. The NPCC wish to draw the PRSA's attention to the Operation Phakisa delivery failure, the quantum thereto and implications across the port system and its impact on the economy of South Africa. Most recent changes do not provide any indication that Port Managers and Harbour Masters are empowered to manage the ports within the SA commercial port system.

10.3 Abdicating of Ports Authority Mandate.

In recent months it is noted that the Ports Authority is abdicating its mandate to other parties.

10.3.1 In a recent announcement the Ports Authority has appointed the Coega Development Corporation (CDC) to design and implement the Manganese plant in the Port of Coega. This was done without going through a tender process in terms of section 56 of the Port

Act. The CDC has no experience of a manganese plants and is recruiting unknown skills from the industry to implement this project. Noting that these skills already exist with the Ports Authority it is difficult to monitor or measure whether these skills are competent or not in terms of ECSA. Furthermore the recently published article by Engineering News highlighted “ ...Coega Development Corporation (CDC) has issued a request for proposal (RFP) for service providers able to offer a technical solution for a proposed greenfield manganese export terminal at the deep-water Port of Ngqura, in the Eastern Cape” (Engineering News, 2021).

10.3.2. In a recent PCC meeting in Saldanha Bay, The Saldanha Bay IDZ screened a presentation that included a parallel jetty to the existing jetty from the Mossgas fabricating site. Further to this an enquiry was issued by the SBIDZ for an EIA study for the dredging of the Port of Saldanha to access the proposed new Jetty. In the budget plans of the Ports Authority no mention is made of a new jetty to be installed. Reference Fig 4 below.

From the above it is surmised that:

- That the Ports Authority is abdicating their authority to the IDZ in their Ports
- The engineering and project management skills that were relocated from Transnet Capital Projects (TGC) to the Ports Authority do not have the skills to design and implement Ports Authority developments.
- The Chairman of the PCC's and NPCC requested that engineering and project management skills that were relocated from Transnet Capital Projects (TGC) to the Ports Authority be reviewed on their competencies. The Ports Authority has refused to give details of the qualifications or professional registrations of the design engineering and project management staff.

The NPCC herewith express its concerns with the Ports Authority outsourcing a core competency to IDZs. This is contradictory to the Authority's inherent mandate as articulated in the Ports Act of 2005 and Port Regulations of 2007. This mandate abdication constitutes a risk of the oversight functions of the Ports Authority and create confusion within the market place. Furthermore, questions the integrity of developments within the Port system.

Addendum 1: Project Phase(s) Figures

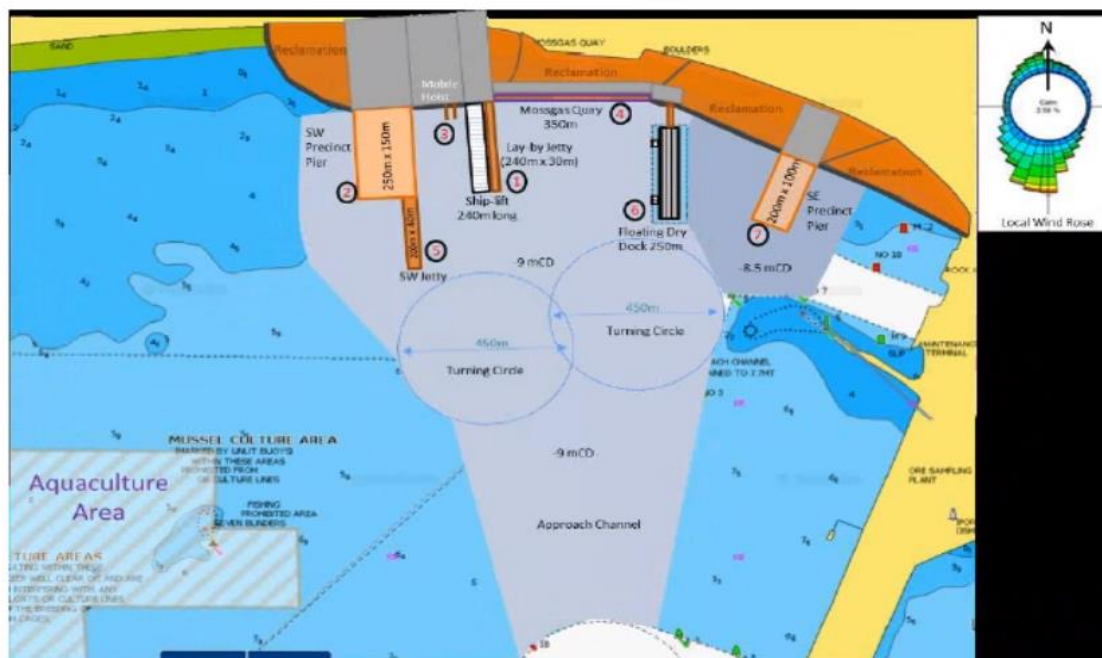


Figure 1: Master Plan (source: PRDW, 4 December 2020)¹

Figure 4: SIDZ Marine Infrastructure EIA Process; Concise Project Description

10.3 Real Estate:

The NPCC maintains its proposal that the PRSA investigates current agreements and all legal instruments as set out in the Act, Regulations and details in directives and which the Authority is required to both be compliant with and ensure compliance with port users. In doing so consider compliance, fairness and competitiveness within those agreements and the measures required to follow through on areas of non-compliance. NPCC notes that the criteria used by the Authority are not consistent throughout the port system which enforced is not consistent either. The current Delegation of Authority (DOA) has been a discussion point for at least eight years and has not come to ahead. The Authority's ambitious plans to upgrade its DOA is noted. However, it is almost too late. Leases must be sufficiently long-termed to enable economic activity and allow for recouping the investment. DOA must contribute to an enabling environment. This is but one example.

10.4 Efficiencies linked to WEGO

The NPCC supports WEGO being imbedded as part of the Ports Authority port oversight mechanism grounded in the Tariff Methodology. The prevailing poor performance across the port system is

concerning particularly given this Tariff Application request with little evidence of efforts made to improve port performance. NPCC wish to express its concern that the Ports Authority may be modifying key performance areas to minimise penalties instead of considering best case for maximised port efficiencies. Consistent with the PCC and NPCC it is accepted that the PRSA obligation to determine KPIs in consultation with industry is noted. The Ports Authority has an obligation to ensure that that the Port system performs to efficiency standards showing meaningful progress and improvements.

10.5 Full Implementation of the Ports Act: Corporatisation

The NPCC acknowledges and supports the steps taken by the President and shareholding Minister to commence the process of corporatizing. Furthermore, the maintains that the many challenges linked to the Ports Authority constitutes a function of its current form and which necessitates that the Authority become complaint with the Ports Act of 2005 and Regulations of 2007. Current long-standing challenges have a direct bearing on the effectiveness and management of the Port system negatively impacting the competitiveness of the South African economy.

Ports Act Chapter 2; Section 3 (1) (2) (3) (4) has been long delayed and therefore in breach of the Act. The NPCC maintains that current challenges which have continued with soft periodic Band-Aid interventions be addressed. The NPCC commends the President of SA and Minister of Public Enterprises and Transport respectively for following through on the Ports Act of 2005. And in so doing beginning the recover ground lost and realising the value to the broader SA economy. It is again proposed that various scenarios be modelled to look at an end state Transnet without the Ports Authority and what support it may require to operate fully. The NPCC recommends that the contemplation of the Ports Authority corporatisation end state in relation to its value creation to the SA economy be prioritised and ensure that it is fully corporatized with its Board reporting separately to the Department of Public Enterprises as an independent Ports Authority SA (Pty) Ltd as set out in the Act of 2005 Chapter 2 Section 3 and 4.

Noting the complexity, the NPCC supports the first step that the Ports Authority be a subsidiary of Transnet by 1 April 2022.

10.6 Ports Authority lack of oversight

The Ports Authority's current lack of oversight bears evidence across the port system. This is reflected in poor performance across terminals across all eight commercial ports. The June series of KPI sessions per port reflects the dire straits the port system is in. The issue of accountability and

following through on performance improvement plans remains a challenge. This linked to a DOA yet to be tested and insufficient information to the Authority's Capex and Maintenance plans.

It is clear, now more than ever, that the Ports Authority does not understand its identity as a Ports Authority articulated in the Ports Act of 2005 and Port Regulations of 2007. The incorporation of the Authority as a subsidiary will assist in correcting this process.

It is recommended that the PRSA carefully considers the ROE allowed. The NPCC is supportive of the Ports Authority recovering its costs and making a reasonable return consistent to be reinvested into the port system. Its risks are yet to be meaningfully contextualised once a subsidiary. Abnormal market conditions are noted.

The assessments and recommendations speak to the business of the Ports Authority as stipulated in the Ports Act. The Ports Authority judgement and oversight may be clouded by the management and obligations of Transnet impacting good corporate governance and sound business management to ensure economic growth servicing and growing the market.

It is noted that it is difficult to argue that an increase is allowed when sub-standard services are as evidenced by the WEGO results in most ports. Noted that there is operational expenditure which must be recovered together with the marginal Capex spend in comparison to what was allowed by the PRSA. The Authority's lack of Capex spent, and lack of maintenance has and continues to have dire consequences for the SA economy negatively impacting the competitiveness of SA. This whilst many African ports are fast investing in port development and making relevant decisions. The Game Changer initiative is once more acknowledged.

The NPCC supports that the PRSA considers issues highlighted above and how same impacts the effectiveness of the Port system. Furthermore, consideration for efforts made by the Authority evidenced by its Game Changer Initiative.

The NPCC maintains that the Authority is hamstrung in its current form and similarly the port system, port community at large whilst awaiting the corporatization of the Authority. The current Voluntary Severance Packages (SVP) offered to all staff including highly competent Ports Authority officials constitutes a potential risk and skills drain. This noting that the Ports Authority head count is not changing. Instead that its labour cost budget is reduced by R100m. The NPCC expresses its concern regards the Ports Authority's potential skills drain.

The proposed R 3.1 bn profit is a concern in an economy that is on its knees and struggling to recover. Capex performance has to be ringfenced. In the preparation of this leg of corporatisation it is important for the NPCC to understand the what the real risks are impacting the Authority's future borrowing ability.

The NPCC maintains its recommendation that the PRSA investigates all land and water rentals. In doing so it is recommended to appoint an independent valuator to accurately benchmark land use and evaluate market-related rentals in line with international standards.

The NPCC recommends that the Ports Regulator considers the following which is common to all the ports within the SA Port system:

- a. Rejects the 23.9% overall escalation together with the smoothing out of same using the ETIMC facility translating this into a 9.4% increase.
- b. The PRSA's attention is directed to Page 47 of the Ports Authority's Tariff Application. Table 27 deals with the Authority's Tariff Definitions. The Rental Application definition, "Rental arrangements including escalations are negotiated on a case-by-case basis and are not reflected in the Tariff Book". This definition is vague and could border on rentals based on what the market can bear in principle. The case-by-case basis further suggests inconsistencies within a particular port and across the port system. The NPCC recommends a transparent Real Estate Methodology within all port users can way and contribute towards a methodology that works for all. This includes that the duration of rentals be commensurate with the value of upgrades that the tenants spend on their facility and the sustainability of the service provided. (e.g. Ship and rig repair and shipbuilding minimum 15 years, Liquid bulk minimum 15 years, Dry-bulk minimum 15 years, cruise terminals minimum 15 years). And that renewal of leases to be valued at the depreciated cost. There is a need for trade-offs within lease agreements to ensure fair competition. NPCC request PRSA to investigate all leases, the foundation principles guiding all leases, consistency or variances and how this contributes towards the competitiveness of the port system.
- c. The NPCC rejects any rental increase above 3% or inflation whichever is lower given the current market conditions.
- d. Supports that the Ports Authority be fully corporatized to be empowered to make meaningful decisions, positively benefitting SA's economy.

- e. Consistent with the role of the Ports Authority as envisaged in the Ports Act of 2005 and Port Regulations of 2007 it is recommended that the Authority applies its mind from a good governance perspective and the implications benefitting the South African economy.
- f. It is further recommended that the PRSA considers practices either resulting in port user's withdrawal from the Port system or trapping port users of which neither is beneficial for the economy of SA.
- g. The NPCC recommends that the clause enabling subsidisation the public's interest be implemented supporting NPO's such as the Mission to Seamen within the SA Port system. This is supported by Directive 23 (1): In considering the proposed tariffs in terms of Directive 22, the Regulator must have regard to whether the proposed tariffs reflect and balance the following considerations: -“(f) *the avoidance of cross-subsidisation, save where cross-subsidisation is in the public interest*”. The NPCC supports that this is in the Public's interest.
- h. The NPCC Recommends that the current proposed R 3.1bn profit partially be used to smooth the proposed Tariff guided by the PRSA.

Whilst awaiting corporatisation of the Ports Authority, the NPCC requests and recommends that the NPA clarify its risk factors and how this relates to Transnet.

10.7 Tariff: Recommendation

The NPCC herewith request your careful consideration and support for recommendations throughout this submission. Furthermore, that the overall increase proposed to be zero to inflation but not exceeding three percent and ETIMC to be used to a maximum of R800m. That the proposed R 3.1bn profit be used partially to smooth spikes guided by the PRSA.

Thank you for your consideration.

Submitted for the Chairman's consideration.

Addendum A

CROSS REFENCING OF CAPEX PLANS FOR ALL PORTS AS PRESENTED AT THE 2022/2023 PORT PERFORMANCE ROADSHOW 25 MAY - 10 JUNE 2021 COMPARED TO WHAT IS IN THE TARIFF APPLICATION FOR 2022/23

PORT	PROJECT NAME	FINANCIAL YEAR
		2022/2023

Mossel Bay	Project Name	Port Performance Roadshow	Tariff Application
	Minor Works	✓	?
	Remove and replace asbestos roofing in port - Capital refurbishment	✓	?
	Replacement of Tug Crane	✓	?
	FEL3 Breakwater refurbishment	✓	?
	FEL4 Upgrading of service networks (electrical) in Port	✓	?
Saldanha		□	
	Provision of dedicated facilities for Marine Engineering	✓	?
	Ore Expansion Phase 2 - Storage Land Requirements and Berth	✓	?
	Electrical Refurbishment of the Oil Jetty	✓	?
	Aids to Navigational	✓	?
	Dredging Requirements in the Port	✓	?
	Electrical Refurbishment at Small Craft Harbour	✓	?
	Road & Rail Upgrade - Phase 2 : Small Craft Harbour Road	✓	?
	Upgrade and Replacement of Water Pipelines: Phase 2	✓	?
	Marine Fleet Requirements	✓	?
	Refurbishment of Main Breakwater and Causeway Rock	✓	?
	Replacement of Aids to Navigation Structures	✓	?
	Port Entrance Requirements	✓	?
	Road & Rail Upgrade Phase 3	✓	?
	FEL 4 Port Commercial Park	✓	?
	FEL 4 Road & Rail Upgrade - Phase 1: Haul Road	✓	?
	FEL 4 Reconfiguration of the Oil Jetty	✓	?
	Refurbishment quay and jetty infrastructure - Mooring Hooks	✓	?
	Refurbishment quay and jetty infrastructure - Concrete Works	✓	?
	Additional berth capacity : Break Bulk / Marine Eng Facility	✓	?
	Acquisition of property SLD, Erf 16000 (LPG import terminal)	✓	?
Cape Town		□	
	Consolidation of Port Engineer's Workshops	✓	?
	Two replacement tugs (plus 1 RCB return)	✓	✓
	Two replacement launches	✓	?

	Minor Works CPT	✓	?
	Civil Infrastructure Upgrades	✓	?
	Upgrade of Marine Infrastructure Maintenance Depot	✓	?
	Siltation Filter for outflow canals	✓	?
	Implementation of an Emergency Evacuation System for the Port of Cape Town	✓	?
	Refurbishment of TNPA House	✓	?
	TNPA National Fire Services infrastructure and Equipment Upgrade Project - CPT	✓	?
	Acquisition of a Pollution control vessel	✓	✓
	Replacement of Robinson Drydock floating caisson	✓	✓
	Upgrade of Electrical Infrastructure	✓	?
	Port Lightning and Infrastructure Upgrade	✓	?
	Upgrade of Roads and Services	✓	?
	Sturrock Dry Dock Pump System Upgrade - FEL 3 & 4	✓	✓
	Sturrock dry Dock Electrical Upgrade (FEL 3&4)	✓	✓
	Replacement of Sturrock Drydock Inner Caisson	✓	✓
	Replacement of Capstans on all docks	✓	✓
	Robinson Dry Dock Pump System Upgrade - FEL 3&4	✓	✓
	Expansion of Container Terminal CPT Phase 2B - FEL3&4	✓	
	Acquisition of new Helicopter	✓	✓
	Helicopter hangar, office and fuel bowser	✓	?
	Replacement of Air-conditioning at various buildings in port	✓	?
	National Signage Upgrade Project (New)	✓	?
Durban	Feasibility Maydon Wharf channel deepening	✓	?
	Replace Major Aircon Plant at the TNPA Buildings	✓	?
	Execution: Lighting investigations & upgrade Port of Durban	✓	?
	Feasibility: Increase Electricity Supply Capacity	✓	?
	Execution: Fire fighting infrastructure at berth 9 Island View	✓	?
	Minor works: DBN	✓	?
	Execution: Dry Dock Capstans Upgrade	✓	✓
	New Tug Jetty - FEL4	✓	✓
	Replacement of helicopter ZS-HDP	✓	✓
	Execution: DCT berth deepening 203 to 205	✓	?
	Provision of 3 paraplegic lifts at Marine Building, OTB, and Hlanganani building	✓	?

	Execution: IV sea walls	✓	✓
	Replace water pipelines & building system	✓	✓
	Feasibility: Langeberg Road Civil & Electrical Infrastructure Upgrade	✓	?
	Feasibility: Bayhead Road Civil & Electrical Infrastructure Upgrade	✓	?
East London		<input type="checkbox"/>	
	Latimers Landing Refurbishment	✓	?
	Additional Administrative Facilities & Office Consolidation	✓	?
	Rehabilitate Port View Road	✓	?
	Reconstruction of Quay 3	✓	✓
	Replacement of Graving Dock - JIB Cranes	✓	✓
	Construction of Port Security fence and Fishing Facilities	✓	?
	Rehabilitation of underground wet services	✓	?
	Emergency Fire Escapes and Fire Detection System	✓	?
	Security Guard House	✓	?
	National Signage Project	✓	?
Ngqura		<input type="checkbox"/>	
	LNG Terminal & breakwater	✓	?
	NMB Ports Maritime Skills Training Centre	✓	?
	Roads and services for Treatment Plant	✓	?
	Tug noise reduction	✓	?
	Replacement of Palisade Fencing	✓	?
	Automated Mooring System 'Mooring Unit Replacement	✓	?
	Provision of new water line strainers and new water meters for the Port water network	✓	?
	Replacement of Roof Sheetting at Entrance Plaza and Substation Buildings	✓	?
	Refurbishment of Klub Road (Coego River to Port Control	✓	?
	Tug Tsitsikamma midlife refit	✓	?
	Green water initiatives	✓	?
	Green energy initiatives	✓	?
	Services at Logistics park area	✓	?
	Fencing of cadastral boundary (incl, lighting, cameras etc)	✓	?
	Surge Mitigation at NCT	✓	?
	New Western Emergency Entrance to the Port	✓	?
	Workshop offices, offices and facilities for Infrastructure Department	✓	?
	Wind mitigation	✓	?

	Manganese project	✓	✓
	Sand bypass major refurbishment (COPEX)	✓	?
	Plant for infrastructure Department (Truck with HYAB, Dumper trucks, TLB, forklifts etc)	✓	?
	Fender components (Copex)	✓	?
	Minor work: NGQ	✓	?
Port Elizabeth		□	
	Marine Infrastructure Upgrade	✓	?
	Port of PE Waterfront	✓	?
	TNPA National Fire Services Infrastructure and Equipment Upgrade Project PE	✓	?
	1200 ton Slipway cradle project	✓	✓
	Solar Photovoltaic Generation	✓	?
	National Signage Upgrade Project	✓	?
	Road Upgrade - Flemming and MPT area	✓	?
	Revetment Rehabilitation Tanker Berth & Berth 14	✓	?

Addendum B

7TH ANNUAL PORT CONSULTATIVE COMMITTEE PORT USER PORT PERFORMANCE CONSULTATION SESSIONS HELD 25 MAY – 10 JUNE 2021 VIA MICROSOFT TEAMS

1. Port of East London held 25 May 2021

Comment: Port development plans very disappointed. If MBSA is going to withdraw, it is very bad news for the region. The PM is trying her best and the Mayor is also meeting with the Port. The PM has the support of the industry.

Comment: We know that it is business unusual, seems to be too much talk and no action. As SMME, they support the Port Manager. DOT is the missing link in this. Nothing has changed in the last seven years. Nothing has improved. Tired of talking, let take action as it would be really sad if MBSA decides to leave East London.

Question: R2billion has been earmarked for East London, two years later, nothing is happening. All talk, ignoring East London is not an option. Has PPP been considered? Who is blocking development at the Port of East London?

Answer: the R2bn is based on a 7 year period and broken down per annum. The Port has recently spend CAPEX as reported on various projects , eg Phakisa (Caisson gate, crane rails, pump refurbishment), foreshore protection project, sheetpile wharf replacement, etc. The bulk of the R2bn is earmarked for the Deepening and widening of the port entrance channel project which is in FEL 2 at this stage.

Comment: fully support the Port Manager. PPP request has been put on the table at the PCC & NPCC. Has anyone approached local businesses? TNPA HQ moving to Ngqura. The focus is on developing the western part of the Eastern Cape. Looking at PDFFP but no interaction from Head Office to discuss strategy.

Comment and Question: For the last 5 years, TNPA has not been able to spend CAPEX. Transnet approval processes must be looked at. PRSA has never declined any CAPEX request. Through the PCC process, there have been fights for DOA for Port Managers. Local Authority should not wait for the Authority. They must be proactive. Grain elevator project – mothballing. What has happened regarding the Grain Elevator project?

Answer:

1. There is a team reviewing the entire CAPEX composition, resources and project management to curb underspending throughout TNPA. In the next year, there should be an increase in actual CAPEX spending at TNPA.
2. Afgri withdrew from the Grain elevator project for East London and Durban. ELS Grain Elevator mothballed by TPT to allow them the opportunity to review strategy and decide whether to remain in the grain operations market or withdraw. At present the volumes are too low to warrant operations, however, the terminal does import direct into trucks as is done in other Ports.

Response by Port Manager: Port Expansion question – Unfortunately decisions to invest lays with Transnet and not the Port Managers. Therefore the point made by the PRSA re DOA is not giving the PM authority to make decisions. Look at the strategy, the Port of East London does not feature there. The ball is in the court of the Transnet Board to decide whether the Port of East London will be expanded. New board – new ideas.

Mayor has been voicing the need for expansion. The industry is in full support as to what the Port is trying to do. The Port indicated to the Board that if they don't have capital, engage the private sector to contribute. Port is trying.

With regards to the question of capacity – the slides should the installed berth capacity – takes into account the berth that the port currently has. As the Port Authority, we design berth and back up space based on a designed capacity requirement. The installed capacity is done by the terminal operator who would allocated resources based on the throughput demand.

Comment: Chamber is taking an active role in the development of the Port. Stakeholders are tired of making plans and nothing happens. Stop playing politics. Move from conversation to implementation.

Question: Why is there no budget for R & D. Looking at goals and aspirations of the Port – what informs numbers for goals and aspirations?

Response: R & D – has not been quantified. As soon as concept projects are approved, R&D funding will be sought and allocated in the Port's budget.

Question: Decisions still with Transnet. What's happening to corporatisation? TNPA being held to ransom.

Response by PRSA: The Act put the responsibility of corporatisation on the Minister. It is said to be happening by the end of June 2021. No communication received that the deadline has been extended. Importantly, the valuation of assets methodology has been conditional on the corporatisation process.

Past 2 years PRSA has not used full asset methodology. PRSA will implement a full asset base which will indicate lower port prices. PRSA was invited by DPE for a session but the study was one dimensional.

2. Port of Ngqura held 26 May 2021

Question: What measures are in place to recover expenditure on CAPEX over the medium term in the Port of Ngqura and PE in particular?

Response: Measures put in place for CAPEX underperformance. Port of Ngqura has been performing very well for the last 10 years. In the past financial year – COVID has made lots of impact on the spending.

Question: On licenses, can the NPA confirm implementation with the 2020 ROD on reduction of license fees and payment throughout the license. what has the uptake been?

Response: No significant changes with licensing. Will provide information to the PRSA.

Question: Update on the OCTG facility and when it will be commissioned.

Question: How much is the NPA Ngqura spending on R&D, if not, why is that so

Response: Yes, there is R17m available for R & D at the port.

Question: Note the low expenditure by the Port which is a serious concern, we will provide our suggestion on this later when we comment via the secretariat.

Comment: Would like to see a project on GAN charts something like "Process Improvement" that results in Efficiency Improvements. Maybe this could be looked at in future.

Question: Will all Manganese Operations move from PoPE to Coega? MPT and BOT?

Comments: Stakeholders talking to different Transnet divisions who are all acting in silos by not communicating with each other.

Comment: Container volumes are 20% down from last year and the port is expecting a 9% growth, vessels are still bypassing the port – Why

Response: Container volumes down – no TPT representative. 3 vessels have bypassed. TNPA has daily meetings with TPT. Ships from South America arrived 8 days late and ship agents decided to bypass. In Africa service is being reintroduced. Efficiencies in the terminal area of concern. COVID severely impacted the Port. Eight gangs available but not enough equipment Short-tension issue is being resolved.

Comment: Ngqura can be used as iron-ore export, where will it be stored? Manganese and iron-ore to be shipped and this can contaminate each other. Throughput is affected by internal infrastructure – PE & Ngqura cable theft

Response to cable theft – Team at GC office looking at cable theft- in the road has been made.

Question: With regards to the iron -ore issue, is there an application being done to DAFF? Must that process be followed?

Response: No formal application received yet. There are presentations done but no formal applications. At the moment the focus is only on manganese.

3. Port of Port Elizabeth held 27 May 2021

Question: As the industry is the port aware of the performance limitations, impacting on a container not making it and vessel bypassing to Ngqura or PE?

Question: TPT Dawn Sayster response: TNPA nor TPT has no input on Shipping line to bypass or not even calling SA, we have a line service said they will not call SA, to your question on vessels turning around or bypassing Ngqura or PE, you must approach the shipping lines for the reasons to bypass PE or Ngqura terminals? Chairperson checked if Mignon was happy, she said thanks, appreciate.

Comment: Automotive is a big up at the moment, but there is an increase in airfreight and as freight forwarders more by air due to vessel delays, the contingencies and rapid responses must fasten

Question: Are we engaging with shipping lines to understand our industry , there is no direct vessel to PE, vessels have to tranship and this causes 14-20 days and is crippling our industry.

TNPA Port Manager response (to 1,2,3): The golden thread to all the strategies throughout SA is to reduce the cost of doing business, making us more competitive, gateways to economy and % of cargo flows through the system. We are aware of the delays, acutely aware of, system failure, the end-user consumer in SA economy suffers most, we working very closely with people to change the narrative, first is to increase communication at all levels, to ensure better planning across the full spectrum of the logistics chain, better execute and invest in our equipment, effect deviation management at a touch of a button to address delays, we must start doing wash-ups and operational meetings, TNPA's strategic initiative is the port operational centre, to track the flow of vessels and cargo through the logistics chain, we started this and wanting to mature and encourage to join daily planning meetings and wash-up

meetings after the vessel had sailed to understand challenges and co-create solutions, would welcome the cost implications and would aid in our armoury for motivating capital we require to bring about this fundamental change in the narrative and change in the industry.

Question: Is the port aware of the impact on all the cancellations? because having an airport with no plans, is now having ports with no vessels, we going back to feeder's vessels with mother vessels, do you understand the ramifications of not meeting budget, crippling us sooner, old hand required for us to collaborate.

Comment: To go back to the previous question (Mignon) and comment, in my view the decision of shipping lines bypassing has to do with Port Authority and Terminal Operator performance, Has PE done a forecast and benchmark study on TEUS for the next 10 years, for PE we have seen a decline in operations due to the complimentary Port of Ngqura whether the complementary status of the two ports is not hindering performance, PE is one of the best positions located in the world and should be used as the selling point, shipping lines are moving away because of poor performance, TNPA and TPT need to use. Paulk Klackers agrees with this speaker

Port Manager response: You touch on a critical issue, as Nelson Mandela Bay we are the only City with two ports, visiting this complimentary status and optimize to industry, it is aligned with our thinking and strategy

Question: Capex and underspending, it would be nice for the Port Manager to advise what happens to that money underspent, does it get carried forward?, we all know the impact on Covid-19 and we still sitting with Covid, is the trend of underspending even before Covid going to continue? What assurance will TNPA give to achieving all its Capex spend?

Port Manager response: Sadly Paul, we have underspent, would not use Covid-19 as an alibi, an enormous ability to deliver on our capital, I can give assurance and rethought our delivery on capital, we focus completely on a dedicated capital delivery unit, HQ Capital Delivery Unit representative to comment further.

Question: With the position that TNPA holds and the oversight responsibility to port users, what are they doing to ensure they are performing and what they doing on performance?, we see from World Bank Report that PE is ranked 348 out of 351 and what are they doing about this?

Port Manager response: We will intensify TNPA oversight responsibility, we got various systems in place, we will intensify, we got legislations and lease agreements to ensure Terminal Operators operate efficiently, we will intensify oversight not only on paper to the quayside, to record online at the quayside to bring fundamental change in our philosophy and improved to performance, WEGO both a penalty and incentive, to be used together with the different tools to incentive and penalize poor performance in the port sector

Question: Capex underspent, I would like to reiterate the question that Paul Klackers asked on Port infrastructure for the good of the economy, TPT got infra that they grossly underutilize, they give targets and provide TNPA, and TNPA just accepts, this was asked before, we getting the same answer today.

Question: Ship Repair Infrastructure. TNPA spent 188m, port spends another 225 on existing infra, still do not know what the plan would be to realize investment returns on the infra.

Question: The stakeholder said that he is worried about who is supposed to play oversight with regards to TNPA, we are in these meetings, only now we able to critique and correct some of the challenges, somewhere there is a missing link if you see the port of EL, Ngqura and PE, we are missing targets, port struggles with an appetite to fix efficiencies if you listen on comments from DOT, PRSA, do we need to wait for these meetings to find there is a discourse, even the PCC's is quarterly it is too long, what is the alternative to fix efficiencies and performance and do not wait, I like the Port of Ngqura plan discussed yesterday if we have to wait till August, why can't we give a time limit for the one report to be fixed, so that we know something is being done.

Question: In line with what Mr Sonti has raised, what is it that we do as stakeholders to hold each other accountable in terms of the commitment that we make, I would want to in this meeting that all of us commit to all the comments and questions raised, through the secretariat get the plans from relevant authority on what is it they will do to address the issues that port users have raised, capital delivery unit challenges on CAPEX and benefits, plans in place, written responses.

4. Port of Mossel Bay held 01 June 2021

Comment: I have lived in Mossel Bay for 19 years and have always been happy with the Port and PetroSA. Port Performance, Port efficiencies, offloading of cargo, mooring of vessels – very happy with the port.

Should like to see a flat tariff for ports. It will help with port disbursements – equal marine tariffs.

Response: The Port Manager advised that he was referring to a surcharge. Way of making revenue. It is decided on a national level not on a port to port basis. PRSA said that in this financial year the PRSA is working on a Marine tariff strategy. Mr Baker to submit PRSA and will be concluded with during the drafting of the strategy.

Comments and Question: Figures reflected by TNPA – a decline of activity – is of concern. Must attract the export industry. Would like to sit down with Authority and the export industry. Is the Port open to sitting down with exporters? Can exporting be a new stream for the Port of Mossel Bay?

Question: If the port wants to expand will the Authority look at PPP?

5. Port of Saldanha held 02 June 2021

The chairman commented in his opening address “As a country is growing, its ports need to grow as well”. We as an industry wholeheartedly agreed and welcome the comments.

From where we are sitting and having navigated a road of consultation the past 2 – 3 years, we find it difficult to see the exact fruits of this goal in mind with a view on MPT operations and will explain as follows, framed on the following 2 questions:

1. How is TNPA/TPT ensuring that modern-day vessels can be accommodated at MPT Saldanha Bay?
2. How is TNPA/TPT ensuring capacity demand is met?

Quick overview:

1. In October 2018 at the PCC level it was reported that a problem exists in that TPT are limiting the vessel LOA of vessels to 190m which excludes modern-day Ultramax vessels of LOA 200m.

2. Jan 2020, a comprehensive report (Impact Assessment Report) was produced by SAASAO in consultation with shippers & shipping lines to give articulated details about shipbuilding trends demonstrating the expedient growth of Ultramax fleets vs others and also the freight rate impact to shippers who are restricted to charter smaller more expensive vessels (190m).
3. If we can fast forward to today: it is only possible to fit 1x 200M + 3x 190m vessels at MPT. Various customers are not able to book the market favoured vessel without risking the upset of the entire logistics chain from the rail, to storage to quayside planning.
4. As it stands currently, during the past 6 – 9 months TPT has formally been refusing access to new interested parties to ship tonnage thru Saldanha Bay whilst the Terminal is not running at capacity which is evident from the Berth Occupancy data being submitted at the PCC during the past 2 quarters. Not only is this a concern for new entrants however how does it address the growing demand for existing customers of TPT?
5. The current TNPA presentation talks about addressing future demand and vessel size forecast however in our view serious problems are existing already whilst the immediate solution is required thru the planning methodologies applied, and in the view of industry medium-term solution beckons thru either berth extension or adding of an additional Berth.

Questions to the TNPA after presentation under Q&A session:

1. **Page 10, point 3:** What is the current installed capacity? What is the new capacity target to cater for?
2. How does this address the immediate demand not being met (TPT shutting out new business)?
3. Side point in contrast of point 3 on Page 10; the details of the volume broadcasted on page 16 & 17 for Dry Bulk & Breakbulk is being understated by at least 20 – 25% for both financial years (2019/2020 & 2020/2021). The concern here is that if the actual port volumes are understated how does it influence strategy discussions when needing to revise installed the capacity of MPT?
2. **Page 12, point 1:** Since 2018 free access to all TPT customers to book Ultramax vessel is not available and this at great cost on a P.M.T. freight rate basis to shippers.

b. How do we address the current challenge that only 1x 200m vessel can fit in at MPT which excludes 75% of customers whilst anyone who does attempt to book an Ultramax vessel does so at their own risk and expense if a berthing delay is encountered if unable to fit when arriving at Port for loading. In today's market, the daily hire rate is in the region of \$ 25 000 to \$ 40 000 per day.

c. Whilst intention and awareness exist thru details shared in the presentation and notwithstanding the efforts of TPT and TNPA during the past 2 years, clarity is not available when exactly and what CAPEX plans exist in the medium term to address the berth length to unlock additional capacity.

Question: What is happening at Boegoebaai?

Comment & Question: Local Chief of Xhoisan - worried that plans do not land on the ground. No communication and they feel like onlookers. Not being included in any processes – the local community is very angry at losing all the opportunities.

Comment: Equipment shortage – vessels arrive and are delayed – equipment failure.

Question: no talk of safety in the ports. Port handles very rough materials, are we licenced?

Comment: In terms of labour laws, safety is of utmost importance.

6. Port of Cape Town

Question: TNPA slide 8: Damen Shipyards occupies the Elliott Basin SE and Springbok Quays and Anchora the Hamlet Quay. That leaves Outeniqua and SW Quays for fishing vessels. Fishing vessels are already trebly banked. Are you proposing to bring more fishing vessels into Elliott Basin or simply maintaining the status quo?

Question: Are you moving to the yacht club, if so where to?

Question: TNPA slide 9: How does the re-purposing of the Elliott basin affect Damen Shipyards?

Question: The filling in of a berth stimulates a knee jerk reaction as the costs to build a berth is astronomical. Alternatives should be looked at as berthing space is a premium.

Question: Currently we have heard (not sure if it is true) that container ships are bypassing Cape Town Harbour due to various reasons. Do you know the reasons and what have you put in place to address them? Apologies not sure if this is relevant to the discussion.

Question: Where is the vision to expand the port, add additional berth space?

Comment: The frustration for the ship repair industry is that there is so much potential for growth and significant job creation, but we cannot grow without TNPA's cooperation as we are reliant on port infrastructure.

Question: How do we ensure we increase ship and rig repair capacity for South Africa inc at our ports?

Question: We are still having huge challenges removing import containers from the port due to Blocks being deemed "inaccessible" or Man Working Areas. A recent example was the MSC Branka, which completed on the 31st of May, and yet containers in Block D only available to collect from today 3rd June. This is surely adding to congestion within the port and not conducive to improving efficiencies. Importers are then in danger of being charged equipment detention costs by the shipping line for the late return of equipment. Comments?

Question: The global freight market is declining and forecasts are not looking great. Would it be feasible to expand to plan for 10 million TEU's? Are there forecasts done to support these developments?

Question: The "re dust" problem in Saldanha is not going to go away. How will you move oil and gas support from Cape Town to Saldanha when it's evident that there are higher corrosion rates on steel/metal in Saldanha Bay because of the iron ore activity.

Question: Right now ship repair lacks 3 C's. Cranes, Caissons & Capstans. There are many long term plans with huge numbers attached, but a lack of urgency rating to what is required now to make the system work. All Cranes being condemned at the same time points to a lack of planning which maintenance should have highlighted.

Question: The issue of leases and costs of services has also been raised - Cape Town Port is seen as a very expensive Port - have you looked at the value offered.

Question: Please explain the logic behind the helicopter when there are helicopters for hire evidenced by machines being available to fight fires.

Question: Why has it taken since 2014 to get the cranes for RDD and SDD replaced?

Question: The question raised by Mr Felix with regards to the positioning of the Power ships in the Ports?

Question: Our ports are rated amongst the lowest in the world yet our port rentals are equivalent to that of major hub ports. Has this been considered?

7. Port of Richards Bay held 08 June 2021

Question: Is TFR aligned with the port expansion and development. Expanding the port with no flow into the port will not suffice?

Question: With berth 709 planned to replace berth 708, how will the current commodities (e.g Pitch) offloading from Berth 708 be accommodated?

Question: With Bulk Connection expected to relocate to R/Bay, will they/have they been offered berth #605 opportunity ?...under the understanding that Bulk Connections has a lease or so.

Question: With the proposed berth extensions, Was the LOA of vessels considered for all berths extensions considering that vessels are getting bigger and longer?

Question: Presently Richards Bay Pilotage / Tug delays are the highest in the country. Per your Master Plan, you intend to build an additional 6 berths which are going to create even more pressure on your present Marine Services. How are the present delays going to be resolved and then more importantly how will you handle the additional vessel volumes?

Question: Victor, if I heard you well, the new berth 709 will be earmarked for chrome coming from Durban. What is the rationale for bringing chrome from Durban?

Question: Regarding the PSP, Which projects require PSP? And Who should one engage?

Question: Can I request that the performance presentation is shared with all attendees via Email

Question: Do you have stats of customer complaints experienced against your organisation?

Question: It is always easy to find excuses when there are troubles. Far more difficult to find a solution. The drop of 9% of efficiencies has affected our business seriously. We have been addressing these issues every single year and every year the situation is worse.

Question: It was mentioned at the beginning of the meeting that security in the port is of utmost importance, what is the ports long term plan with regards to this? we have seen an increase in security incidents at BTT, I believe our neighbours are also being affected by this. The impression is that it is fairly easy for individuals to enter the port and end up stealing infrastructure, causing disruptions.

Comment: Thank you Mbongi for again highlighting my concern in bringing a product from Durban to Richards Bay. This needs to be relooked at in more detail. Richards Bay is struggling from an efficiency

point of view ie vessel TAT, trucks congestion, train congestion etc. Shipping lines are reluctant to call on Richards Bay due to the enormous delays. If anything, shippers are looking at alternative ports, such as Durban, Maputo etc, so how is it that we move from better-performing ports to a lesser performing port like Richards Bay

Question: We are in desperate need of change within the Terminal structure of works, right now most commodities are struggling to grow due to space constraints and low-performance levels Terminal ends.. what is within a 5 year reach for urgent change TNPA and Terminal end for the Industry (Shippers and Cargo owners) ... we are sitting with huge unemployment level and we are sure the Industry can not wait for the next 15 years for implementation of change...

Question: The expansion of berths is welcome however the turnaround of vessels will still be an issue because of ageing TPT equipment. Are there any plans to increase Terminal Operators? cause TPT can't do it alone.

Question: For the past 7 years TFR did not reach railing to the RBCT nameplate capacity of 91Mt per year. TFR hovers on 72-76Mt per year max. Now the port expands towards more bulk commodities. Are you not creating a stranded asset? or are you going to allow capacity to new users at the port at the expense of longstanding customers. The problem is not port expansion but TNPA should not expand while the feed into the port is not resolved. I do not believe that the alignment is done fully.

Question: Small Craft Repair Quay - What about a short term plan to dredge out the sand bar which would allow the full 300m LOA to be utilised. As it currently stands, only 190m is permitted for vessel LOA at this berth. This would also allow for passenger's vessels with LOA over 190m, to be accommodated at the Repair Quay, which is the more suitable Passenger vessel berth and would alleviate the already congested 6-series berths (which used for Passenger vessels over 190m LOA).

Question: With the proposed berth extensions, Was the LOA of vessels considered for all berths extensions considering that vessels are getting bigger and longer?

Question: Understanding that Government/SOE have got some financial constraint, just curious if these big projects will be executed any time soon?

Question: There is still the issue of a tug that is underwater at a small craft?

Question: Is that the last information we received from TNPA, was that the contract awarded and plans to have the sunken tug removed by the end of Jun'21. Is it still on track for the end of June 2021?

Question: The session initiated by the Port Manager is welcome and the comments by the new TPT executive; Question to the SA Ports Regulator – to what degree can TNPA be held accountable for

value destroyed by TPT and TNPA not exercising its legislated oversight. What is the process to follow?

8. Port of Durban held 10 June 2021

Question: What was the highest number of containers handled in the Port of Durban? what year?

Comment: The appointment brief for the international consultant evaluating these plans should be shared with the PCC and other govt/private stakeholders so they can input into this before the appointment. We don't want to have a situation where the international assessment is contested later in the EIA and regulatory processes.

Question: Moshe, it is expected that terminal operators invest in infrastructure to improve efficiencies in the port of Durban. How is this possible if TNPA is not extending and granting long term leases?

Comment: This is the cold response we always get from TPT and states there is a problem. Exactly what highlighted here in this that it seems as if we are reactionaries instead of being proactive same as the response that we are getting now which is only being inspired by the heated comments and I must say the defence response does not solve the problem. Also, we that TPT for acknowledging the challenges but it does not end there. Let's gather for solutions.

Question: TPT, what are your plans to improve productivity in handling breakbulk cargoes safely and without any damages?

Comment: The situation this morning at DCT underlines what is being discussed. Stack levels are at 90% there are 61 straddles available compared to an ideal of 85. No booking system works if the service being supplied is not at a level consistent with the number of allocated slots. We are beginning to see truckers either withdrawing from the business or in some case failing. The potential for there to be real truck capacity constraints are real.

Comment: At DCT we have way too many "extraordinary weeks" for one reason or another.

Comments from the PCC representative for Cargo Owners, Freight Forwarders, Stevedores, Landside Logistics

- Port Performance: Containers -

The Port of Durban has been experiencing challenges for many years in its efforts to become a more efficient port. Various initiatives and projects have been launched over these years, and in the last 18 months, a more concerted effort seems to have been made to resolve the issues, especially with inefficiency at the container terminals. The decay in the integrated port system, with the many parts that

all are required to work together to ensure overall efficiency, appears to have been so far advanced, that the apparent progress made in some areas, still has overall largely failed to deliver in practice. The result experienced is that trucking companies STILL bears the brunt of the net inefficiencies, and many operators are struggling to remain afloat with the poor

utilization they achieve on vehicles caught up in the systemic inefficiency. There is a growing sense of disillusionment with the decongestion project efforts, and transporters are generally not trusting the publicized results of this project.

A few key points to take note of is:

- The slot booking system, that on face value, and in public statements of the Authority, appears to have been a significant success, simply has pushed the inefficiency back to truck yards, loading sites and other nodes of activity. There remains a total lack of visibility into the system for transporters, despite the repeated raising of these concerns by the HCA at de-congestion workstream meetings. Transporters are constantly struggling to obtain slots that fit the need of their customers, and often this unavailability of slots leads to containers only being picked up after the free time in port has expired – with known secondary consequences. The inability to readily obtain slots close to planned date & times, also severely disrupt their ability to service export customer pick-ups as well as to execute transshipment movements in an optimal planning model. This leads to massive wastage of resource time (trucks & drivers), and poor service to customers. This inability to plan truck and driver utilization over the last year has worsened, despite the delivery and commissioning of the much-publicized new straddle carriers

It is the opinion of transporters that the booking system superficially has improved traffic flows on the service roads around the terminals, but has not provided any benefit to truck operators, as it still has not materially improved the rate of container handling and movements through the terminals, which is on average unacceptably slow. This rate of cargo movement through the container terminals remains the major stumbling block to overall system efficiency. Until the TPT Terminals achieve consistent, reliable efficiency to maintain acceptable system-wide productivity, the situation for transport in the port will not significantly improve.

- The long downward spiral for the container transport sector in Durban has already resulted in many operators closing down. This needs to be urgently addressed, as the negative business environment it represents may soon result in a critical loss of capacity, or significant increases in rates charged for services, for operators to remain

sustainable. This situation also increases risks regarding neglecting vehicle maintenance, which is unacceptable from a safety perspective.

- A significant further loss of transport capacity in this segment can bring a new service bottleneck and add yet another unnecessary step-change in container supply chain costs that importers and exporters will have to absorb.

The situation reflected above is in total conflict with all objectives of the **3rd Strategic Pillar** of the TNPA as reflected in the TNPA presentation provided for the 11 June 2021 PCC meeting for Durban, and urgent attention to this matter is now required.

Bulk Liquid Chemicals

- The port performance in the liquid bulk sector has not dramatically changed over the last year, although the Chemical sector has expressed appreciation to the TNPA Durban management for how the port has dealt with and managed the protracted Covid 19 pandemic's impact on their shipping activities. There is consensus that the chemical tanker segment has seen very limited impacts. There remain concerns that the marine services equipment availability can still be improved, especially the service levels enjoyed by the helicopter service for pilots. The insights into and responsiveness of the TNPA to address or help resolve matters affecting this sector however also has room for improvement. This is evident in the long, drawn-out challenge to resolve the issues of ships encroaching from IV3 onto IV4, causing delays and extended berth occupancy by chemical tankers when this happens. This issue, if not properly resolved, will start impacting the long-awaited IV5 (and likely IV6) once IV5 becomes operational in the second half of 2021.

NEW PORT DEVELOPMENT PROPOSALS FOR DURBAN (and RICHARDS BAY)

The new PDF for Durban (and hence also Richards Bay), has been considered, and there are expectations that the system-wide impacts of the proposed changes could add new inefficiencies to the export supply chains of selected cargo owners, and hence is shortly highlighted in this submission.

The stakeholders of the constituencies served by the author have generally expressed significant concerns re the proposed new PDFFP, and engagements to date have NOT yet moved beyond initial exchanges, with promises of more engagements to take place.

- It is inevitable for the Bulk Chemical Industry that the proposed port changes will add SIGNIFICANT COST to their supply chains for exporting, especially for Sasol, who currently exports all products manufactured in Sasolburg via Durban. The radical shift to move all relevant chemical storage to Richards Bay is bound to add significant storage and transport costs (and risks), with potentially fatal consequences for selected chemicals, where the shift may render these products unsustainable in the long term. Closing down of such plants will lead to job losses and loss of forex for South Africa, and possibly negatively affect the Manufacturer's upstream manufacturing operations. The closing down of

a select few sub-process plants in the Secunda factory could have a direct impact on fuel production which is of National importance. The first engagement with Sasol took place, where there was a mutual agreement to spend more detailed efforts to clarify specific impacts, and potentially assess the alternative options. This needs to be followed through during the next quarter to ensure a speedy resolution that would be acceptable to this key port user.

On the containerized side there have already been direct engagements with SAAFF, representing many importers and exporters. Their concerns have been highlighted, and there are WIDESPREAD CONCERNS regarding the basic assumptions, realism and logic that underpins the new PDFP.

The PCC is hereby formally requested to place these concerns on record for future unpacking and debate via a special PCC focus team for this matter, to ensure that a transparent and mutually inclusive process has run its course, resulting in a revised PDFP which enjoys the full support of the PCC, before the Authority is allowed to start with the implementation of these plans.

Addendum C

Port Performance Roadshow Q & A

**6TH ANNUAL PORT CONSULTATIVE COMMITTEE PORT USER PORT PERFORMANCE
CONSULTATION SESSIONS HELD 21 – 30 JULY 2020 VIA MICROSOFT TEAMS**

PORT OF MOSSEL BAY HELD 21 JULY 2020

Question: OPEX: The proposed repairs to replacing asbestos roofing need to be planned and executed with carefully vetted professional company avoiding as much business interruption as possible. Funds need to be put aside for mobile offices in case of business interruption.

Continual roads upgrading required.

Redundant buildings belong ing to TNPA Prop/Spoornet need to be maintained, refurbished and brought back into commission. The much mentioned transfer of properties can hold up maintenance process or these buildings will be lost completely.

Answer:

Asbestos Project:

All removal will be done by an approved Asbestos Abatement Contractor as stipulated by the Department of Labour. Temporary office accommodation is being catered for in project plan to have limited disruption to tenants. Recreational road will be upgraded during 2020 and 2021. Other port roads are still in good condition. TNPA will assume the refurbishment responsibilities once it becomes our asset.

Question: Wish to see the funds allocated for the further and more permanent keeping of harbour brought forward.

The levelling and development of TNPA open land which houses unused structures etc. Cannot simply wait for Total to make further announcements.

Answer:

Studies for Port Expansion will be budgeted for under Research and development. The land and houses will be developed once it becomes the asset of TNPA. Development plans will be aligned to the Port development framework plans. The Ports Authority is in constant contact with Transnet Properties to engage them unused properties under their jurisdiction.

Question: CAPEX: Seriously relook tariffs applied to leases of offices, land etc as TNPA are not competitive in any way at all in the smaller ports and am aware many opportunities lost in this manner with unrealistic rates applied. This cannot be a one fits all approach with a simple take it or leave it mentality. This results in TNPA saddled with unused space generating a zero income. The application suggests TNPA would rather not see these areas leased at all. Lease agreements remain a huge red tape exercise with unrealistic time lines.

Answer:

The rate applied to lease contracts are based on valuations done by TP. The rate per square will be determined from the valuation report and applied accordingly. The lease Manual and other relevant legislation guide the processes and policies that Transnet undertakes to manage its property portfolio.

PORT OF SALDANHA HELD 30TH JULY 2020

a. Port Development Framework Plan

With the failure of Operation Phakisa to establish Quay 205 by 31 Dec 2017 as promulgated, and no new deepwater quayside planned for the next decade.

How does TNPA expect the Oil and Gas Industry to operate in Saldanha?

Answer

Without going back to the history resulting in the delays of the operation Phakisa programme for Saldanha, industry was briefed in 2018 in a session facilitated by the DoT and updated program dates via a briefing facilitated by TNPA in 2019.

Oceans Economy draft paper taking the revised dates into account. Master Plan for Oceans Economy will revalidate these and other initiatives residing in the program.

Industry will be updated accordingly once these validations are completed.

b. Oversight

Question: TPT AEL for manganese has been set aside by Minister DEFF on 17 Jan 2020.

What is TNPA doing about its oversight Environmental responsibility to ensure that TPT ceases carrying on a Listed Activity without an AEL or EIA as directed in Min DEFF RoD?

Answer:

We can confirm that TNPA is aware of the PAEL for TPT (Manganese) has been revoked with that notice only having been received in the first week of June 2020 although dated January 2020 by the relevant minister.

TNPA is continuing to provide oversight over the Terminal Operator on this activity in the port. There appears to be difference in the interpretation of the regulations between Brian and the TNPA. The legal position received is that there are restrictions to this activity but can continue. The industry partners have also been informed of this revocation of the PAEL.

TNPA will take the relevant sections of the regulations as mentioned by Brian into consideration and to discuss same with our legal and compliance and environmental colleagues.

Port Operations:

Question: I wish to clarify/add to the question on the crude oil jetty. The stakeholders are concerned around the operations of the crude oil terminal operator's ability to effectively meet the requirements of the ships berthing and loading/discharging. I tried to articulate it neutrally, but there are serious questions around the ability of the Port of SB to meet the current requirements and future requirements of trying to build SB as a crude oil hub and even a crude oil pricing marker!

We will be addressing this with NERSA as NERSA has directed OTMS to use the existing underutilized SFF infrastructure, but the OTMS operations are being affected by the performance of the terminal operator.

Answer:

TNPA welcomes the comments and will engage further with OTMS and SFF on the licensing considerations currently residing with NERSA. Further engagements will also then be arranged between NERSA and TNPA thereafter.

PORT OF CAPE TOWN HELD 24 JULY 2020

Port Development Framework Plan Related Questions

Question: Ship repair – what has happened to SDD & RDD cranes?

Answer: The current cranes at SDD have been put out of commission due to them having reached their useful life following a condition assessment which was conducted by an independent service provider. The cranes at RDD were also put out of commission and scrapped some years prior to SDD. There is currently a National project listed on the corporate plan for the replacement of the Ship Repair cranes to commence in FY 2023/24.

Question: We all knew that CTCT & MPT have ageing equipment but for both Terminal were is their schedule for procuring new equipment as in cranes which are big-ticket items as the ship turnaround time on CTCT will not be increased until the number of cranes increases. Can they explain?

Answer: Investment in cranes and other terminal infrastructure does not lie with TNPA, but rather, the terminal operator. The terminal operator has been engaged to determine their investment strategy with regards to equipment, and the feedback received detailed a 5 year CAPEX plan that included 5x RTG's, 72x Hauliers, 70x Trailers, 14x Straddle Carriers, as well as equipment to handle Manganese (Front End Loaders, Reach Stackers, Tippler Trucks, Hauliers & Trailers, Forklifts and Skips). Included in the CAPEX plan is also a plan to refurbish 8x STS Cranes and RTG's in the terminal.

Question: Why do we see the same PDFP year in and year out? Every time we question what is happening to ship repair then we are told they will be squashed into the area of the yacht club.

What happened to the lay-up ship who want to berth 700, 701, 702, 703 & 4 for the synchro-lift will this area become an extension of the container terminal?

Answer: In terms of the current approved PDFP, there are plans to increase the Sturrock Dry Dock capacity in the long term (beyond 2048) by infilling the Royal Yacht Club area.

Yes, berths 700 – 704 will become an extension of the container berths when CTCT Phase 3 is implemented in the medium term.

Question: Additional berth space should be included in the long-term projection for CPT. The port is expanding the container terminal but no additional berth space. Berth space currently and will always be in high demand. Shipowners are continuously looking for berthing space to layup ships which will eventually lead to repair or alternatively opportunity for recycling.

Answer: The container terminal expansion envisaged in the medium term includes the construction of an additional berth. In order for operational efficiencies not to be compromised the footprint of the terminal also needs to increase so that berth capacity is aligned to landside capacity. In our long term plans, we intend to extend the container berths and alter the breakwaters to possibly reduce long wave challenges. This will be backed by a study.

Comment: TNPA needs to create a breakwater/quayside to make the port of Cape Town more sheltered from the rough weather.

CAPEX RELATED QUESTIONS

Question: As I have received no feedback on the below, my main point that I want to raise is the purchase of the helicopter, which I cannot accept the cost in the region of R100m? Has a proper analysis been done as to cost of purchasing vs cost of hiring as and when required? This when the terminal is in dire need of equipment upgrade with regards to the gantries?

Answer: The port is of the view that the costing for the new helicopter is based on market research. There is a national project which includes the acquisition of a helicopter for Cape Town as well as other ports. The Port will engage the National Programme Manager to enquire on the results of the costing analysis of hiring vs purchasing and provide feedback.

Question: Ship repair industry would like to have a meeting to discuss this side as every year the 7-year projections move to the right. Do TNPA have any plans to achieve completing these projects?

Answer: A session can be arranged to address the concerns, there is a standing bi-monthly meeting with the Ship Repair Industry and this issue can also be addressed at that session. An arrangement will be made for this item to be added on the next scheduled engagement session and the programme manager and the project managers will discuss timelines for the ship repair projects in the Phakisa programme.

Question: In particular why are the Capstans tender still not been awarded? We have been advised by TNPA that only one signature is required since January 2019.

Answer: The CAPSTAN project has had some challenges in terms of the tender process and market responses. The project has gone out to the market on two occasions, the 1st iteration resulted in the project being declared a non-award due to the bidders not meeting certain requirements. The 2nd iteration also resulted in a non-award due to technicalities with the tender process. The team will be requesting permission from Treasury to re-approach the market.

PORT OF RICHARDS BAY HELD 29 JULY 2020

a. Port Development Framework Plan

Question: What are the plans for Berth 702 on DBT conversion from import to export.

Response: TNPA to discuss with TPT and TPT Response – in discussion internally at TPT with projects but will provide feedback to TNPA. Feedback was sent to the PCC Secretariat and Mr. Mbongi Qwabe on 29/07/2020 at 15h50

b. Oversight

TNPA is not playing an active oversight role on terminal operators, in particular towards sister division, TPT. If TNPA has actively played an oversight role as per the response provided at the roadshow, we should not have seen the deterioration of performance levels that are being experienced since July 2019 roadshow.

Please provide actions that have been taken by TNPA.

Answer

The issue has been noted at two of the six terminals. There are various challenges at terminals, which include the shortage and ineffective management of resources such as material handling equipment, poor plant reliability leading to high frequency of breakdowns, lack of effective asset maintenance and repairs, handling an inconsistent commodity mix, etc.

It's the Port Oversight Committee (POC) which plays an oversight role in the Port. POC engages monthly on performance/efficiencies of the port, as well as quarterly monitoring of Terminals on key performance areas as per the agreed TOPS targets. The terminals are held accountable through the TOPS performance improvement process's as presented to all stakeholders during the TOPS consultation process.

Issues raised are dealt with and addressed at the various industry platforms e.g. SAASOA, Chrome Channel Optimisation Team (COT), Woodchips Industry Meeting, Coal COT, PCC etc.

c. CAPEX

Question: CAPEX – presentation strong on the process. What are the specific expansionary and sustaining projects? What are the risks if these projects are not done. For current FY, the reason for underspend all due to COVID-19 or is it problems with implementation? What are we doing about these? Transnet mitigating plans against COVID-19 and how the industry can play a role and participate.

We have been engaging with the port management about adding the capability to handle the loading of bunker barges at least one more place in the port. Currently, bunker barges fill up ONLY at Berth 209, which add delays to our commercial vessels calling the same berth. There is currently NO second port for barges to load bunkers. The Port has taken some actions to assist, but I do not see any capital plans for re-commissioning berth 301 (1st Coal berth where bunker loading historically took place) e.g, or adding a point elsewhere. Perhaps it is covered in the "Minor Works" item, but the port must have a formal plan to alleviate pressure on the liquid/gas berths. This is a concern, especially since there are 2 capital projects listed that involve Berths 208 and 209 (our liquid berths). If during such projects any one of the berths is to be shut down for extensive periods, we may have more disruption and

demurrage costs linked to calling R-Bay if suddenly we do not have the option of the second berth, AND all bunker barges have to still load ONLY at the liquid berths!

Liquid & Gas vessels now sacrifice productivity to help all other vessels to be able to receive bunkers from a barge, without any disruptions to their berths.

Answer

Most of the underspending is from the projects that have taken away from TFR-RME and are undergoing a seven month procurement process. The Covid 19 has impacted the progress on the projects both in the procurement process (suspension of it) and the progress on site (some the project had to be halted). The recovery strategies are underway.

d. Port Efficiencies

Question: Why are we not seeing the desired efficiencies – same issues year-on-year. Deal with fundamental principles.

Answer

The issue has been noted at two of the six terminals. There are various challenges at terminals, which include the shortage and ineffective management of resources such as material handling equipment, poor plant reliability leading to high frequency of breakdowns, lack of effective asset maintenance and repairs, handling an inconsistent commodity mix, etc.

Question: Who is responsible and accountable for the performance/efficiencies of the port?

Answer

It's the Port Oversight Committee (POC) which plays an oversight role in the Port. POC engages monthly on performance/efficiencies of the port, as well as quarterly monitoring of Terminals on key performance areas as per the agreed TOPS targets. The terminals are held accountable through the TOPS performance improvement process's as presented to all stakeholders during the TOPS consultation process.

Once issues are raised there is no clear way to deal with responses

Answer

Issues raised are dealt with and addressed at the various industry platforms e.g. SAASOA, Chrome Channel Optimisation Team (COT), Woodchips Industry Meeting, Coal COT, PCC etc.

e. General

SMME, need to be included in these discussions to be part of the solutions that can be implemented. Job creation and inclusivity in the economy.

Answer

The capital investments outlook for TNPA is positive towards improving jobs in the particularly in the King Cetshwayo District. However, the alignment to policies and procedures related to job creation and transformation notably remains a challenge. TNPA has been consistently exceeding its target on BBBEE spend. There are projects directed to make in impact on both operational efficiencies and growth in the economy. Key to the success of small business is integrated skills development and the training that responds to the demands of the labour market.

PORT OF DURBAN HELD 29TH JULY 2020

a. Port Development Framework Plan

Question: I listened to the Facebook live recording of the session held on Wednesday. The session entailed a lot of information relevant to the Port and stakeholders, however, not necessarily to Cargo owners and users of the port. The one thing that stood out for me though was the discussion around congestion experienced and how this is being tackled. I am pleased about the automated booking system for trucks entering the ports and hope that this will ease congestion at the port gates which will result in a smoother entry and turn around time for the transporters collecting or stacking TEU's. The comments noted regarding the future prospect of Bayhead road widening and possibly a 2nd entrance being introduced. From my side as a cargo owner and user of the Port. I would like to stress the congestion and delays experienced at the port do impact negatively on our ability as exporters to commit to timelines.

Answer

The comment is acknowledged, hence the port has established various initiatives to address the congestion in the port including the following:

- Decongestion Working Committee
- Daily Operational Morning Meetings with port stakeholders to addresses traffic management issues for the entire port including the waterside and landside operations.

- In the long term plan, there are plans to de-proclaim the Maydon road which will assist with access control points to the precinct and truck calling system for all terminals to alleviate congestion on the roads.
- Truck staging areas outside the port limit for terminal operators
- Introduction of Barge Operators in the port

b. CAPEX

Question: Investments and Efficiency and TNPA budget

I do not have any specific items to comment on or challenge. I, however, have a general comment that the TNPA sometimes will take decisions or a position driven by their cost position or budget considerations to avoid spending the extra money to expedite, fast track, resolve issues etc. This may e.g. be having to arrange 24/7 work on repairs, getting suppliers or labour to work overtime at extra cost or extra teams, getting extra lighting to allow night work etc etc. They currently often rather follow the route that protects their budget, very often having cost impacts of a couple times more to the port user.

I would like that there be a mindset that the TNPA must be allowed to have additional budget for such specific eventualities, i.e. something like an “expediting budget” (for the lack of a better word), that allows them to execute things faster to save the port user from incurring 3 or 5 or 10 times more than what their additional cost would have been! There must be some oversight over such additional cost decisions and justifications.

Answer

The comment is acknowledged, however it must be noted that the port always endeavour to spend all the allocated budget notwithstanding the challenges that are always encountered. The following initiatives have in the recent past been undertaken to ensure that budgeted monies are spent:

- Approval of business cases well in advance to facilitate projects execution e.g. business cases for projects for 2020/21 financial year projects are all approved.
- Capacitating the procurement/sourcing teams to fast track appointment of service providers
- Ranking and prioritisation of projects in line with organisational strategic intent

c. Port Efficiencies

I believe the Ops target the port sets for Berth Occupancy of 70-80% is too high, especially as defined (I have no issue with actual KPI definition). I believe that an efficient port should provide infrastructure for ships calling that will on average not result in average berth occupancies above 65%. That could mean that for some months certain specific berths may see occupation levels above that (perhaps up to 70%), but that the AVERAGE occupancy over a year should NOT exceed 65%.

The reality is that such levels of occupation translate into excessive delays for vessels for too big a portion of their port calls, resulting in costs to industry. I will propose that berth occupation targets should be set to 60-70% max, with an AVERAGE max of 65% for any set of berths commonly serving a community of users dependent on the same family of ships calling the port (e.g. fuels, containers, chemicals, ro-ro etc).

Answer

The comment is acknowledged. It must be noted that the port uses UNCTAD guidelines to determine the targets based on the number of available berths.

These targets are discussed and agreed with industry.

PORT OF EAST LONDON HELD 21 JULY 2020

a. CAPEX

Question: As the EL port representative I would like to bring the following to the port regulator to consider in the tariff submission.

We as port users cargo owners of the port of EL are tired and frustrated with Transnet. We have been talking and knocking on various doors for help to invest in the port of EL. We also had the Transnet board members here, where we expressed our concerns of the dying picture of the port of EL. We need some serious intervention to ensure we are ready to trade with the rest of the world. We have a state of the art manufacturing plant on the doorstep of the port of EL but cannot use it. Not to mention the old and broken equipment and infrastructure. The big container vessels cannot come into the port of EL and is redirected to PE, where our containers are transshipped on feeder vessels and most of the times it is road hauled to EL. Our logistics cost is at times double due to the inefficiencies of the EL port. We pay more for services due to poor supply chain infrastructure in the port of EL.

There seems to be a very slow pace of investment in the EL Port by TNPA in terms of tug replacement, deepening and widening and the inclusion of Public-Private Participation. While Transnet board is procrastinating on the port of East London development proposals, the rest of the world is getting ready to facilitate TRADE. Our window of opportunity is rapidly closing and it may already be too late to make this the best and most productive port serving Eastern Cape and Gauteng.

We need the port expansion project on the Capex Plans. We need to see the delivery dates of new straddle Carriers and other much-needed equipment. We need to see plans in place to upgrade the Latimers Landing area and design it into the waterfront. This will create jobs for in our province which has an extremely high unemployment rate. We need to make socio-economic decision to revive the port of EL for the better of all port users and cargo owners to facilitate trade and open up our imports and exports to the rest of the world.

When can we as port users, sit down with the CEO of TNPA to discuss PPP??.... We cannot wait another 6 months for nothing to happen.”

Answer

Since the Transnet Board visited the port of East London in March 2019, a working team was established to work on an integrated investment plan for East London. The Strategic Investment Road Map (SIR) was developed by the working team and presented at various Organisational Divisions EXCO's for support. The aim was to present the SIR to the board for approval however due to various changes in the organisation, the project progressed slower than it was planned. In terms of the new timelines the SIR will be presented to the board in November 2020. Some of the major projects linked to the SIR are:

Deepening and Widening of Entrance Channel

- ☐ New Container terminal and Berths
- ☐ Container terminal equipment
- ☐ Replacement of 4 Straddle Carriers in the 2020/21 financial year
- ☐ Back of Quay
- ☐ Expansion to the car terminal.
- ☐ Waterfront Development
- ☐ Replacement of 2 Tugs
- ☐ Replacement of Dry-dock Cranes
- ☐ Refurbishment of Main and Branch lines to support the port activities

The above is just some of the projects included in the SIR in order to revive the economy of the Eastern Part of the Eastern Cape

PORT OF PORT ELIZABETH HELD 28 JULY 2020 -

a. Port Development Framework Plan

Question: Container Terminal, PCC representative, Paul Klackers, Hamburg Sud, (PK), said it is shared with ski trainers (Berths 102, 103), What are your plans for the future? move skiptainers to a different location, 101, so to allow one mother and one feeder vessel whilst using skiptainer vessel

Response: The Charl Malan Quay (CMQ) is used for Automotive and Containers cargo. Mn Skiptainers provides the PoPE an opportunity optimize the PECT. Whilst the TNPA PoPE is being strategically positioned as a premier Automotive Hub, the TNPA would not want to impede, the PDF plan and long term strategy of deepening the PECT (and related infrastructure) as supported by the PCC and NPCC. The port is doing an economic review and business case and has had numerous engagements with port users regarding the deepening of PECT.

The short term initiative is to optimize the use of the PECT and to fully exploit available capacity (Capacity is 400 000 TEU's and forecasted volume is 100 000 TEU's), by considering other related operations such as skiptainers in the short term.

Furthermore, in terms of optimization of berths 101, there are two considerations:

1. Due to **SHEQ requirements and the nature of cargo handled at berth 101**. Most of the manganese handled at 103 does not impact Auto's at 101.
2. **Depth issue**, at 101 it is around 10-10.5m versus 12.2m at 102 and 103.

Question: What is the turnaround strategy concerning Covid-19, looking at Q1 achieved and Covid-19 has hit us hard, is there a plan to catch up in the rest of the year, go back to the pre-feasibility studies or are these actions to be executed?

Response: It will take a while to recover from COVID-19 and that Capex is not immune to the negative impacts of this pandemic. Whilst the TNPA PoPE have activated CAPEX recovery plans, it is projected that the TNPA PoPE would not meet its targeted capex spend by the financial year end (March 2021).

Question: Why is Tanker Berth going to be upgraded while Tank Farm is going to be decommissioned?

Response: The Tanker Berth is an aged facility, and is nearing the end of its economic useful life. To ensure safe operations and SHEQ compliance, the facility requires periodic repairs and maintenance and capex injection as and when required. This facility is critical to ensure uninterrupted fuel supply to Nelson Mandela Bay (NMB). A few years ago, this facility was taken out of commission to conduct breakdown repairs and this had a negative impact on the fuel supply (and associated negative impacts) to NMB.

Question: Deepening, PRSA asked to update on deepening of PECT?

Response: This matter is currently before the technical committees at PCC and NPCC. The TNPA PoPE in consultation with port stakeholders, are undertaking an economic study and a formulating a business case study to deepen PECT. TNPA confirmed hosting a few engagements with port users and having formulated a brief to procure the services of an independent consultant to assist with the said studies. Considering the restrictions imposed by COVID- 19 the TNPA PoPE. will endeavour, conclude the said studies in the shortest possible timeframe

Question: PDFP's, PRSA asked have you had interface PDFP updates and any timeframes?

Response: The TNPA have conducted extensive research and development into the PDFP. The TNPA have held numerous reviews of the new revised draft PDFP at different levels within TNPA and once the draft PDFP are finalised this will be followed by stakeholders engagements. It is envisaged that these stakeholder engagements will take place before end of this calendar year

Question: Deepening (budget), Paul Klackers asked it talks to whose budget? HQ or PE?

Response: Transnet SOC Limited complies with IFRS (International Financial Reporting Standards). IFRS defines and differentiates between Opex cost and Capex cost. Essentially this demands that all cost prior to final designs is Opex cost and all cost from final design, construction and bring the asset into use is capex cost. Both OPEX and CAPEX cost directly associated with a port is both budgeted for and recorded at a port level.

Question: Future plans Tank Farm space?, Jabulani asked what will space be used for, and refers to 14% actual performance

Response: The PDFP is informed by comprehensive research & development and is extensively workshopped with all stakeholders, including but not limited to port users, local & provincial government. In terms of the approved PDFP, the land currently occupied by the Tank Farm will be used for commercial maritime activities which include leisure and recreational activities.

Question: What were the two CAPEX projects that were not awarded that impacted on actual expenditure?

Answer: TNPA PoPE reported that the two project were the:

1. Rail Upgrade, due to shortage of rail supply on the international front;
2. Refurbishment of slipway cradle, as a result of non award by the Divisional Acquisition Committee of TNPA

Question: Capex Spend, Programme Director Selma Schwartz (SS) asked confirmation that for 2019/20 R129m was submitted to PRSA, it was adjusted to R62.5m and your actual spend was R31.7m?

Answer: TNPA confirmed and referred to slide 42

Comment: SS responded in the context of opportunity cost lost to port users and is a matter across the country.

PORT OF NGQURA HELD 28TH JULY 2020

Question: If we can please get an update on the Manganese and Tank Farm relocation project. With an increase in the Manganese Ore Exports in Ngqura - Will TNPA open up to additional terminal operates.

Answer:

Manganese:

Transnet is envisaging closing the BOT by 2023/24. The economic challenges and the financial downgrade have necessitated Transnet to review the Mega project timeline for PoN. This has allowed Transnet to handle manganese at the different channels across the port system. The multi-channel has handled 15.2mt of manganese from PoPE Bulk Operating Terminal and Multipurpose Terminal and Port Elizabeth Container Terminal through Skiptainers; PoN Finger Jetty and D103; Port SLD MPT, Port of CT MPT, Port of RCB MPT and Port of DBN MPT. Transnet is undertaking an FEL2 study to ascertain the cost effective viable channel to handle manganese.

Liquid Bulk:

OTGC has experienced challenges in terms of shareholding. Oil Tanking has pull out of the consortium due to the reconfiguration of their operations in Africa. Grindrod and Calulo are in the process of finalising the replacement of OT. Transnet National Ports Authority is continuing with the construction work of all the packages. Covid 19 has impacted the construction work but companies are slowly coming online and restarting the construction. This has impacted then on the delivery of the Tank farm for PoN. Progress timelines will be confirmed once the agreement with the replacement entity has been finalised.

Question: Citrus Industry is growing in SEZ but is very sensitive to delays. Due to previous season's, go-slows this impacted severely on this industry.

Answer:

Yes that is very true and TPT was in the spotlight for almost 6 months last year with Citrus industry very vocal.

Question: Is there any way we can give these clients confidence that there are contingencies plans to address future delays during there peak season.

Answer:

The Terminal have implemented certain interventions for this season e.g. weekly Reefer Supply Chain meetings chaired by TPT HQ (National Planning) discussing the challenges on a weekly basis with CGA, Pack Houses and Shipping Lines.

TPT have a weekly Reefer Do-Ability session also chaired by National Planning looking at the readiness of all Terminals.

Question: One slide indicates a loss of 30,000 TEU to Port Louis (transshipment) - what is being done to reclaim these volumes?

Answer:

NCT have two separate sessions planned and driven by Commercial HQ to approach both MSKL & MSC for additional transshipment cargo as the GCE has given NCT a volume target of 1 million TEU's. MSKL has indicated that they have an appetite to move more cargo through NCT. MSC is also keen to return their EA service to NCT, which is currently turning around in Maputo.