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**Transnet National Ports Authority
Tariff Application FY 2015/16
Ports Regulator Roadshows**

15 – 22 September 2014





- **NPA Strategic Focus – Aligned to Transnet MDS**
- **Functions of the Authority**
- **Services within the Ports**
- **Regulation of Port Services and Facilities**
- **Port Investment Planning**
- **Tariff Application Approach**
- **Tariff Application FY 2015/16**
- **Pricing Strategy**
- **Operation Phakisa**
- **Port Efficiency**
- **Conclusion**



NPA Strategic Focus – Aligned to Transnet MDS



NPA Strategic Focus – aligned to Transnet MDS

Strategic Intent

“To enable the effective, efficient & economic functioning of an integrated port system to promote economic growth”

Driven by a 3-tier strategy and 6 goals

NPA 3-tier strategy

NPA Strategic Objectives

Create & manage Infrastructure capacity ahead of demand

1. Effective port system
2. Economic port system

Improve Port efficiencies (oversight role)

3. Efficient port system
2. Economic port system

Enhance the ports' position as integrated gateways for trade

4. Integrated port system.
5. Grow the market

6. Organizational capacity / readiness

Aligned to Transnet MDS strategy

Capital Investment

Create & manage Infrastructure capacity ahead of demand

Effective port system

Economic port system

Volume growth

Enhance the ports' position as integrated gateways for trade

Integrated port system

Grow the market

Operational Efficiency &

Improve Port efficiencies

Efficient port system

Economic port system

Financial sustainability

Capital Delivery + Service Levels + Integration = Increased Volumes, Revenue and contain Costs

Strategy embodies the landlord functions set out in the Ports Act



- Transnet R300bn capex programme is essential to SA's economic growth and development strategy – *Honourable President Jacob Zuma*
- As a SOC, Transnet is required to align its strategic orientation and technical capacity with the requirements of the developmental state

Shareholder Statement of Strategic Intent

- *Reduce cost of logistics as a percentage of transportable GDP;*
- *Effect and accelerate modal shift by maximising the role of rail in the national transport task;*
- *Leverage the private sector in the provision of both infrastructure and operations where required;*
- *Integrate South Africa with the region and the rest of the continent; and*
- *Optimise the social and economic impact of all interventions undertaken by the Company in the achievement of the above objectives.*



Functions of the Authority



Core Functions of Port Authority - Ports Act Section 11

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Landlord

Promote the use, improvement and development of ports, and control land use within the ports, having the power to lease port land under conditions it determines.

Master planner

Plan, improve, develop and maintain port infrastructure.

Controller of ports navigation

Make and apply rules to control navigation within port limits and approaches, ensure protection of the environment and ensure safety and security within port limits.

Controller of ports services & facilities

Ensure that port services and facilities are provided, and may enter into agreements or licence other parties to provide these.

Marketer & administrator

Ensure that adequate, affordable, equitable and efficient port services and facilities are provided for port users.

Change agent

Ensure non-discriminatory, fair, transparent access to port services and facilities; advancement of previously disadvantaged people; promotion of representivity and participation in terminal operations; enhanced transparency in port management.

Coordinator with other state agencies

Advise on all matters relating to the port sector, and liaise with all stakeholders.





Services within the Ports

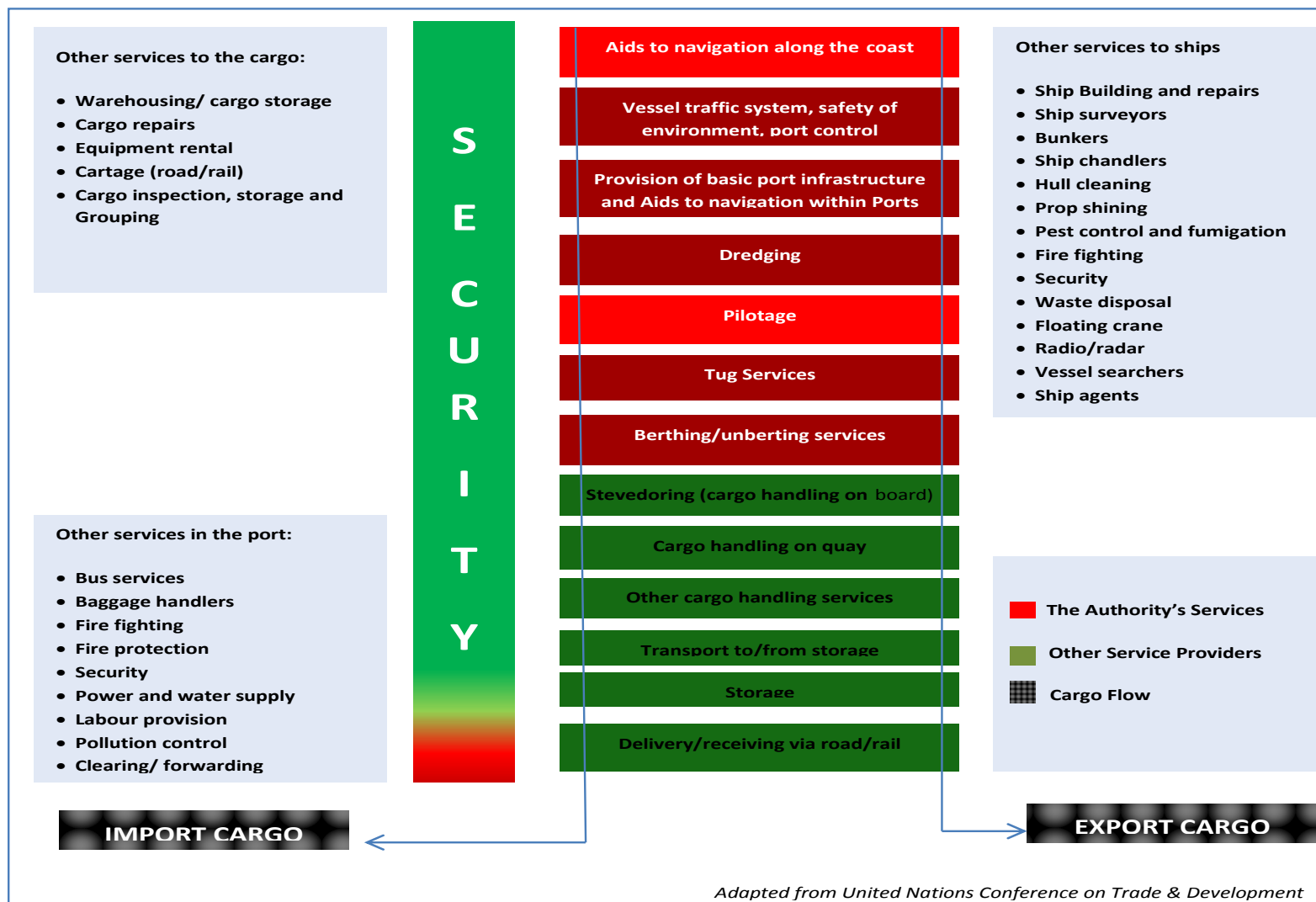


Services Provided within the Ports

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Adapted from United Nations Conference on Trade & Development



Port Infrastructure		Revenue Stream
Port land and Terminals	Lease port land to terminal operators and other port service and port facility providers in the port(s).	Lease income (rentals)
Wet infrastructure	Lighthouse services infrastructure (lighthouses, buoys, beacons and electronic / radio navigation equipment) , port control and safety, entrance channels, breakwaters, turning basins, aids to navigation within port limits, vessel traffic services, maintenance dredging within ports.	Light dues, port dues, vessel traffic services fees
Dry infrastructure	Quay walls, roads, rail lines, buildings, fencing, port security, lighting (outside terminals), bulk services and in certain cases terminal infrastructure	Cargo dues, berth dues
Ship repair services	Provide and maintain ship repair facilities as well as the cranes utilised in such facilities.	Preparation fee, docking and undocking fees (vessels at repair facilities), Berth dues (vessels at repair quays)
Marine services	Pilotage, tug assistance, berthing, running of lines, floating cranes	Pilotage dues, tug assistance fees, berthing fees, running of line fees, floating crane hire fees



Regulation of Port Services and Facilities



- The Authority exercises control in accordance with the provisions of the Act, by means of agreements, licences and permits.

Port Rule special longer-term access permits

Port Rule licences and registrations

Section 57 licences

Section 65(5) and 65(3) licences

Section 56(1) agreements

- Terminals (at end of current contracts & new)
- Future ship repair facilities
- Future off-shore cargo handling facilities

Existing operators of:

- Cargo terminals
- Waste disposal
- Private floating cranes

- Stevedoring
- Waste disposal
- Private floating cranes
- Existing off-shore cargo handling facilities

Licences:

- Fire protection and maintenance services
- Diving
- Bunkering
- Pollution control
- Pest control
- Registrations:
- Agents (ships, clearing and forwarding)

- Road transport operators
- Rail transport operators
- Bus services and bus tour operators
- Labour brokers
- Vessel contractors

High ← Degree of Regulation → Low



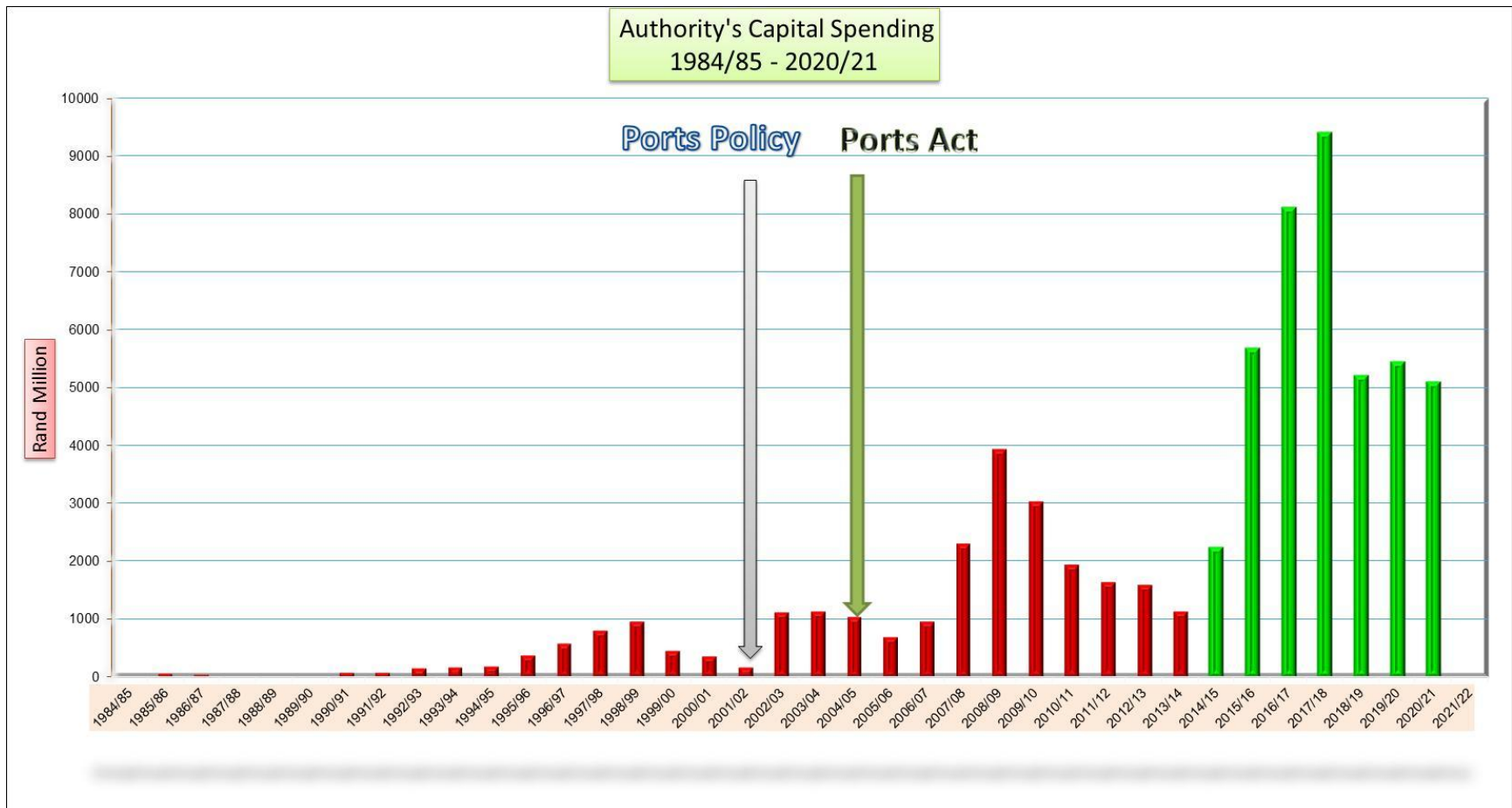
Port Investment Planning



- The main function of the Authority is to **own, manage, control** and **administer** ports to ensure their **efficient and economic** functioning, and in doing so the Authority must —

- a) plan, provide, maintain and improve port infrastructure;*
- b) prepare and periodically update a port development framework plan for each port, which must reflect the Authority's policy for port development and land use within such port;*
- c) control land use within ports, and has the power to lease land under such conditions as the Authority may determine;*
- d) provide or arrange for road and rail access within ports;*
- e) arrange for such services such as water, light, power and sewerage and telecommunications within ports;*
- f) maintain the sustainability of the ports and their surroundings;*

- Capital spending at Ports: Pre & Post Port reform (in real terms)



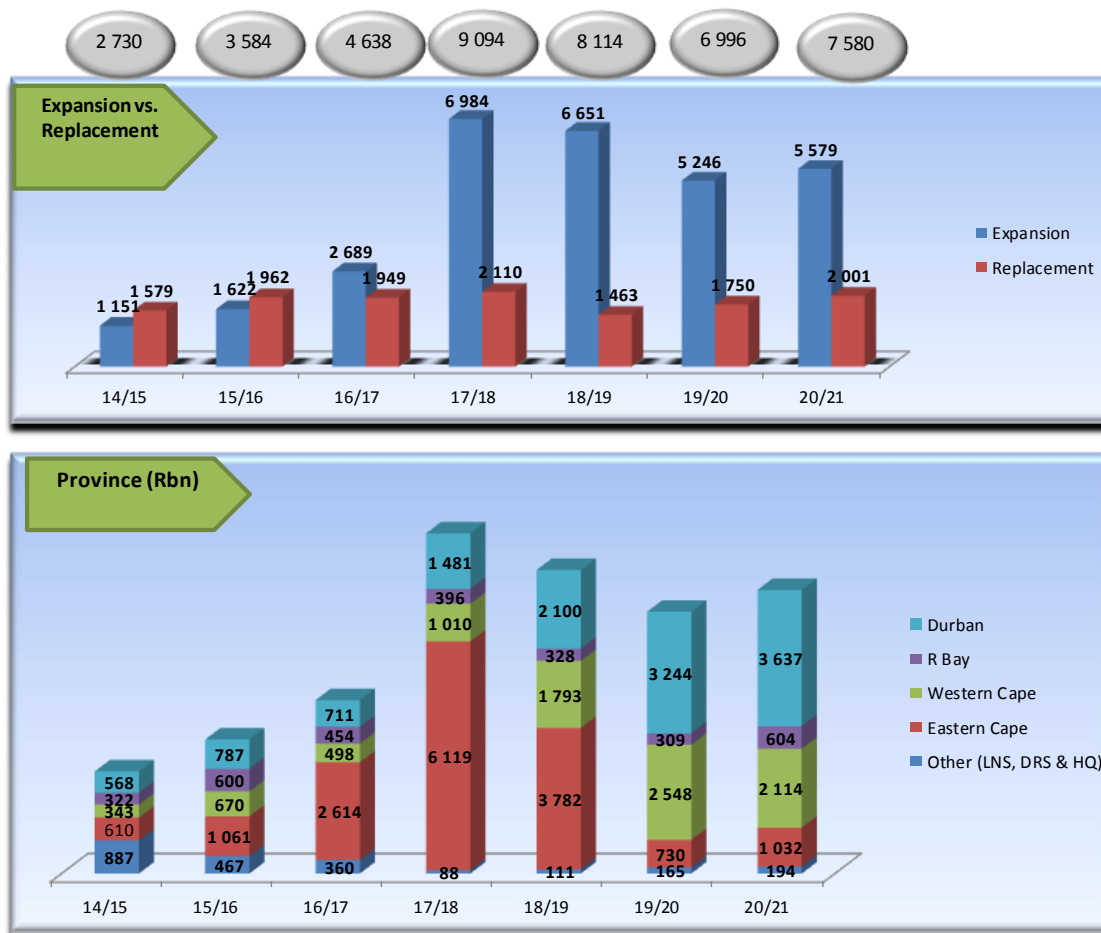


Port Investment Planning (continued)

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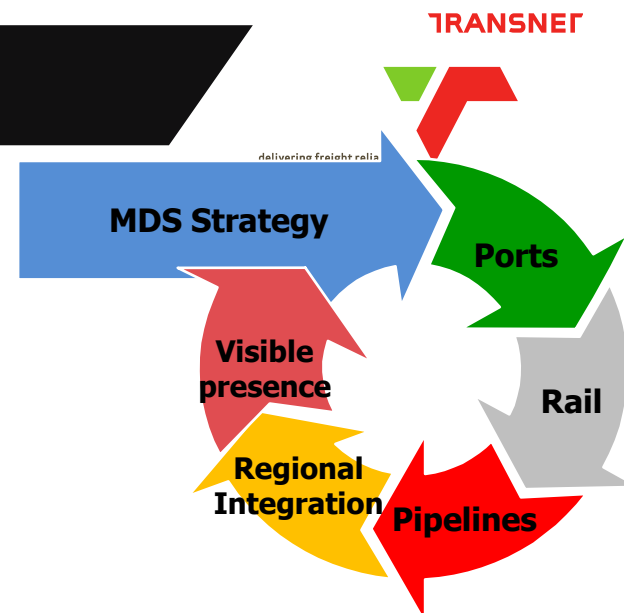
- Transnet MDS : R312.2bn capex programme
- The Authority's capital plan: R42.7bn (exclusive of land associated with DIA)





Port Investment Planning (continued)

Strategic objective		Target	Projections		
			Fixed Tariff Year	Indicative Tariff Years	
Strategy	Details	2014/15	2015/16	2016/17	2017/18
		Rm	Rm	Rm	Rm
Re-engineering, Integration, Productivity and Efficiency	To maximise return on investments by obtaining additional volumes	969	918	2 389	6 787
	To maximise return on investments by improving operating efficiencies	611	943	543	553
	To preserve current revenue streams without obtaining additional volumes (ie. revenue protection)	806	974	1 081	1 015
Safety, Risk and Effective Governance	Ensure Safety Optimisation	252	447	285	518
	Optimise Business Enterprise Offerings	51	150	148	47
	Optimally Satisfy Social Investments (non economic value creating projects)	-	6	90	86
	Environmental	10	75	32	19
	Human Capital				
	Optimise Human Resources	31	72	71	70
Total (excl. borrowing cost)		2 730	3 584	4 638	9 094



Asset Type	Target	Projections		
	2014/15	2015/16	2016/17	2017/18
	Rm			
Buildings and structures	352	597	599	766
Aircraft	-	-	-	70
Land	6	1	91	18
Machinery, equipment and furniture	242	602	1 608	4 314
Permanent way and works	-2	15	83	169
Vehicles, Rolling stock & containers	-	5	6	57
Port Facilities	2 130	2 330	2 248	3 695
Pipelines networks (etc)	1	35	3	5
Total (excl. borrowing cost)	2 730	3 584	4 638	9 094





Port Investment Planning (continued)

- Major Capital Projects FY 2014/15 to FY 2020/21

Durban Container Terminal

**Deepening of Pier 2 berths -16m CD
Pier 1 Phase 2 Infill Salisbury Island**

Port of Ngqura

Operationalisation of the Port

Bulk

**Increase SLD Iron Ore capacity from 60mtpa to 82mtpa
16mtpa Manganese Terminal at the Port of Ngqura
Coal handling facility at EL
Tank Farm Berth A100, roads, port entrance and services at Ngqura
LNG Terminal and additional Bulk Liquid at RCB**

Break Bulk

**Reconstruct sheetpile quay walls at DBN Maydonwharf
Extension of Moss gas quay including dredging works at SLD**

Fleet Replacement

Fleet Replacement ito Tug Boats, Pilot Boats, launches and Dredgers (All Ports)



Tariff Application Approach



- The Port Directives were approved on 13 July 2009 (gazetted on 06 August 2009) and amended on 29 January 2010.
- Directives require the Regulator to ensure that the Authority's tariffs allows it to:
 - recover its **investment**;
 - recover its **costs**;
 - make a **profit** commensurate with the risk.



- Regulatory framework is absent of a tariff methodology
- A tariff methodology assists in the application of the regulatory framework to determine revenue for the Authority which is fair and reasonable
- The tariff methodology should aim for simplicity, clarity and certainty whilst being compliant to the Ports Act and Directives

- On 31 July 2014 the Regulator issued a Regulatory Manual (“Tariff Methodology”) applicable for the tariff years 2015/16 to 2017/18.
- The approved Tariff Methodology will be multi-year in its approach (3 years)
- The methodology further allows for an annual review and an annual adjustment of tariffs within the three year period as opposed to fixing the prices for the full period.
- This translates into a fixed tariff application for FY 2015/16 with indicative tariff adjustments for FY 2016/17 and FY 2017/18
- The Tariff Application for FY 2015/16 has been prepared in line with the approved methodology.



Tariff Application FY 2015/16



- The Tariff Methodology prescribes the following Required Revenue (RR) formula:

Revenue Requirement

$$\begin{aligned} &= \text{Regulatory Asset Base (RAB)} \times \text{Weighted Average} \\ &\quad \text{Cost of Capital (WACC)} + \text{Operating Costs} + \\ &\quad \text{Depreciation} + \text{Taxation Expense} \pm \text{Claw-back} \pm \\ &\quad \text{Excessive Tariff Increase Margin Credit (ETIMC)} \end{aligned}$$



Key Principles of Tariff Methodology:

- The key principles included in the Tariff Methodology is as follows:

Component	Details
<i>Regulatory Asset Base (RAB)</i>	<ul style="list-style-type: none">The RAB represents the value of assets that the NPA is allowed to earn a return on.
<i>Vanilla Weighted Average Cost of Capital (WACC)</i>	<ul style="list-style-type: none">A real WACC will be applied, given that the RAB is indexed for inflation.
<i>Operating Costs</i>	<ul style="list-style-type: none">The NPA is required to provide detailed and complete motivation for each of the expenses applied for.
<i>Depreciation</i>	<ul style="list-style-type: none">The depreciation of the assets in the RAB will be calculated as a straight line 40 year on the opening balance of the RAB.
<i>Taxation Expense</i>	<ul style="list-style-type: none">The Regulator will use the pass-through tax approach where the vanilla WACC will be applied to the average RAB for the period under consideration
<i>Claw-Back</i>	<ul style="list-style-type: none">The Regulator will spread the total impact of over/under recovery of revenue over a period of two tariff determinations.
<i>Excessive Tariff Increase Margin Credit (ETIMC)</i>	<ul style="list-style-type: none">The Regulator considers it prudent to avoid future tariff spikes by retaining and increasing the NPA's ETIMC.

- Valuation of the RAB takes into consideration Depreciation, Inflation Trending, Capital Works in progress (CWIP)/Capex and Working Capital:

Details	FY 2015/16	FY 2016/17	FY 2017/18
	Fixed Tariff Year	Indicative Tariff Years	
	R'm		
Opening Net Book Value	66 686	72 366	79 218
NBV Inflated	70 589	76 548	83 741
Less: Depreciation	(1 807)	(1 968)	(2 201)
Add: Capex	3 584	4 638	9 094
Closing NBV	72 366	79 218	90 634
Average Opening and Closing	69 526	75 792	84 926
Less: Working Capital	(2 526)	(2 797)	(3 394)
RAB Final	67 000	72 995	81 532

Explanatory Notes:

- Durban International Airport (DIA):** The RAB does not include DIA land acquisitions as the tariff methodology states that as the site has not been legislatively incorporated and established as a port within the ambit of the National Ports Act.
- Manganese Terminal Operator:** The RAB includes Terminal Operator capex for the Ngqura Manganese Terminal.

- The Vanilla WACC as prescribed by the Regulator is as follows:

Details	FY 2015/16	FY 2016/17	FY 2017/18
	Fixed Tariff Year	Indicative Tariff Years	
Risk Free rate (nominal)	8.43%	8.43%	8.43%
<i>Real risk free rate</i>	2.58%	2.68%	2.87%
MRP	5.60%	5.60%	5.60%
Asset Beta	0.50	0.50	0.50
Equity Beta (Using Hamada)	0.86	0.86	0.86
Gearing	50%	50%	50%
WACD (nominal)	9.68%	9.88%	9.96%
Inflation	5.70%	5.60%	5.40%
Tax rate	28.00%	28.00%	28.00%
Cost of Equity (real)	7.40%	7.50%	7.69%
WACD (real, pre-tax)	3.77%	4.05%	4.33%
Vanilla WACC	5.59%	5.78%	6.01%

Explanatory Notes:

Risk Free Rate: Calculated over a five year period from August 2009 to July 2014 for FY 2015/16.

MRP: Geometric mean with the use of the DMS dataset over a full 113 year period.

Inflation: Based on latest Bureau of Economic Research (BER) forecasts

Cost of Debt: Average embedded Transnet group cost of debt

FY 2016/17 & FY 2017/18: The Risk Free rate and MRP for FY 2015/16 is used as a proxy to determine an indicative WACC as these indices are based on historical data



Required Revenue Components (continued)

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- Taxation calculations as per the RR formula is highlighted below:

Details	FY 2015/16	FY 2016/17	FY 2017/18
	Fixed Tariff Year	Indicative Tariff Years	
	R'm		
Gross Income	9 306	10 194	11 241
Pre Tax debt return	-	-	-
Equity Return on RAB	2 479	2 737	3 135
ETIMC	-	-	-
Clawback	-	-	-
Depreciation	1 807	1 968	2 201
Opex	5 020	5 489	5 905
Deductions	6 827	7 457	8 106
Depreciation	1 807	1 968	2 201
Opex	5 020	5 489	5 905
Taxable income	2 479	2 737	3 135
Gross up for tax	3 443	3 801	4 354
Tax at 28%	964	1 064	1 219



Required Revenue Components (continued)

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- Operating Expenditure is illustrated below:

Cost Category	Actual 2013/14 R Million	Budget 2014/15 R Million
Labour Costs	1 767	1 877
Rates & taxes	290	302
Maintenance	296	273
Contract Payments	56	60
Energy	399	424
Professional services	20	28
Material	85	87
Computer & Info systems	100	117
Rental	61	61
Security costs	64	71
Pre -Feasibility Studies	47	51
Sundry operating costs	51	67
Total operating cost (excluding depreciation)	3 237	3 419
Group Costs	398	591
Total operating cost (Including Group Costs)	3 635	4 010

Forecast 2015/16 R Million	Dev '14/15 vs 15/16 R Million	Dev '14/15 vs 15/16 Percentage	% of Opex 15/16 Percentage
2 159	282	15.0%	49%
328	25	8%	7%
405	132	48%	9%
69	9	14%	2%
526	102	24%	12%
41	13	47%	1%
107	20	23%	2%
171	54	46%	4%
68	6	10%	2%
80	9	12%	2%
220	169	328%	5%
228	161	240%	5%
4 401	982	29%	100%
619	28	5%	12%
5 020	1 010	25%	112%

Forecast 2016/17 R Million	Forecast 2017/18 R Million	CAGR 2015/16 - 2017/18
2 439	2 657	7%
345	364	4%
468	539	10%
73	77	4%
565	611	5%
54	57	11%
114	119	4%
180	190	4%
71	75	4%
71	75	-2%
194	190	-5%
265	270	6%
4 840	5 223	6%
650	681	3%
5 489	5 905	1%

• Key Drivers for increase in Operating Expenditure:

Cost Driver	Details
Labour	<ul style="list-style-type: none"> - Marine Services Quad Shift implementation for remaining ports - Helicopter pilots for insourced service - Gradual provision of security in-house as opposed to outsourcing - Increase human capacity within the ship repair business to support the ship repair strategy - Engineering staff for maintenance and projects - Training pipeline for critical marine and engineering skills - Real Estate personnel - Oversight personnel
Maintenance	<ul style="list-style-type: none"> - Cyclical maintenance on infrastructure, marine fleet and helicopters - Increased maintenance focus on the ship repair business
Energy	<ul style="list-style-type: none"> - Eskom tariff hike and price of crude oil
Professional Fees	<ul style="list-style-type: none"> - Legal fees ito litigation and S56 matters
Computer & Information Systems	<ul style="list-style-type: none"> - Software development, licensing to administer oversight and network costs
Pre-Feasibility Studies	<ul style="list-style-type: none"> - FEL 1 and 2 studies informing capex programme endorsed by NPCC as well as Marine Engineering investment requirement
Sundry Operating Costs	<ul style="list-style-type: none"> - Consultant and other costs relating to S56 processes for: <ul style="list-style-type: none"> - <i>Ngqura Container and Manganese Terminals</i> - <i>Cruise Terminal</i> - <i>Oil Rig repairs and Supply Bases</i>



Required Revenue Components (continued)

- Claw-back considers the differences between allowed and actual revenues.
- The re-computed RR for FY 2013/14 is as follows:

Re-computed Revenue Requirement FY 2013/14	FY 2013/14 Re-computed	
RAB	58 701	
WACC	5.21%	
Return		3 058
Opex	-	3 662
Depreciation		1 562
		8 282
Plus: Tax		844
Re-computed Revenue Requirement		9 126



Required Revenue Components (continued)

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- Total claw-back calculated is as follows:

Actual Clawback	FY 2013/14 R'm
Re-computed Revenue Requirement	9 126
Less: Clawback taken	(1 218)
Plus: ETIMC	1 378
	9 286
2013/14 AFS Revenue	9 850
Clawback FY 2013/14	-564
Provisional allowed in ROD FY 2014/15	-51
Final Clawback FY 2013/14 (Adj in FY 2015/16)	-615

Estimate Clawback	FY 2014/15 R'm
Allowed Revenue per ROD FY 2014/15	10 674
Latest Estimate Revenue	10 054
Estimated Clawback	620
50% Clawback Adjustment in FY 2015/16	310
Total Clawback due to customers FY 2015/16	
Clawback FY 2013/14	(615)
Return on Clawback FY 2013/14	(23)
Estimate FY 2014/15	310
Net Clawback FY 2015/16	(328)

- The final claw-back of R615m is indexed by a finance cost of R23m resulting in a total claw-back of R638m due to customers.
- The estimate claw-back for FY 2014/15 equates to R620m due in favour of the Authority (R10 674 less latest estimate revenue of R10 054m).



Required Revenue Calculation



Details	FY 2015/16	FY 2016/17	FY 2017/18
	Fixed Tariff Year	Indicative Tariff Years	
	R'm		
RAB	67 000	72 995	81 532
Vanilla WACC	5.59%	5.78%	6.01%
Return on Capital	3 745	4 219	4 900
Plus: Depreciation	1 807	1 968	2 201
Plus: Operating Costs	5 020	5 489	5 905
Plus: Taxation Expense	964	1 064	1 219
Plus/Less: Clawback	(328)	310	-
Revenue Allowed	11 208	13 050	14 225
Less: Real Estate	(2 449)	(2 674)	(2 933)
Marine Revenue	8 759	10 376	11 292

Application of the RR formula per the Tariff Methodology results in a Total Required Revenue of R11 208m for FY 2015/16, comprising of

- ***Marine Business: R8 759m***
- ***Real Estate: R2 449m***



Volume Growth FY 2015/16

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- The Authority's estimated weighted average volume growth for FY 2015/16 is as follows:

REVENUE	2014/15 Revenue Budget R million	2015/16 Weighted Average Revenue Volume Increase %	2015/16 Revenue: Volume Increase R million	2015/16 Revenue: Before Tariff Increase R Million
Containers	3 645	4.7%	172	3 816
Break Bulk	220	9.6%	21	242
Dry Bulk	915	5.5%	50	966
Liquid Bulk	533	6.5%	35	568
Automotive	508	5.0%	25	533
TOTAL CARGO DUES	5 821	5.2%	303	6 125
Marine & other revenue	1 962	-4.3%	(84)	1 878
TOTAL TARIFF BOOK REVENUE	7 783	2.8%	219	8 002
Real estate revenue	2 271	7.9%	178	2 449
TOTAL REVENUE	10 054	4.0%	397	10 452



Tariff Adjustment FY 2015/16

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Marine Revenue	FY 2015/16	FY 2016/17	FY 2017/18
	Fixed Tariff Year	Indicative Tariff Years	
	R'm		
Prior Year Revenue	7 783	8 759	10 376
Estimated Volume Growth	2.80%	2.20%	2.20%
Revenue after volume growth	8 001	8 952	10 604
Required Revenue	8 759	10 376	11 292
Tariff Increase	9.47%	15.91%	6.49%

Marine Business Revenue for FY 2015/16 of R8 759m is compared to estimated revenues of R7 783m for FY 2014/15 and increased with the forecasted weighted average volume increase of 2.8%

The Authority applies to the Regulator, based on the application of the Tariff Methodology, for the following revenues and tariff adjustments:

Revenues	FY 2015/16	FY 2016/17	FY 2017/18
	Fixed Tariff Year	Indicative Tariff Years	
Revenue Allowed	11 208	13 050	14 225
- Marine Revenue (Rm)	8 759	10 376	11 292
- Real Estate (Rm)	2 449	2 674	2 933
Tariff Increase (%)	9.47%	15.91%	6.49%



Pricing Strategy



1

Sustainable

- Allows for ongoing investments to maintain and extend the SA port system appropriately

2

Comprehensive

- Provides sufficient detail for regulation
- Covers all Required Revenues
- Addresses all charges
- Clarifies all pricing modifiers

3

Defendable / compliant

- Based on clear principles
- Aligned with regulatory directives and expectations of the Ports Regulator
- Supported by a robust methodology

4

Simple

- Enhances ease of understanding and administration
- Rationalises charges
- Simplifies charges for port users

5

Competitive

- Comparable to other global ports
- Protects market share
- Supports SA economic development
- Fair on all port users
- Allows for competition within ports

6

Implementable

- Complies fully with legal and regulatory requirements
- Addresses impact on customers



Design principles

Description

Application

Cost recovery

Each tariff should recover the cost of infrastructure and services provided

Cost recovery at port system level, not individual ports

User pays

Each port user should contribute for use of port facilities and services

Port users include shipping lines, terminal operators, cargo owners

Required Revenue

Revenue driven by tariff methodology on a disaggregated level

Individual tariffs set to meet Required Revenue at expected volumes

Competitiveness

Market implications of new tariff structure considered

Market expectations, best and common practices considered



Distribution of charges across Port users (User Pay Principle)

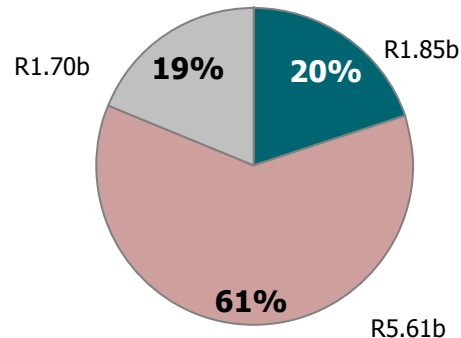
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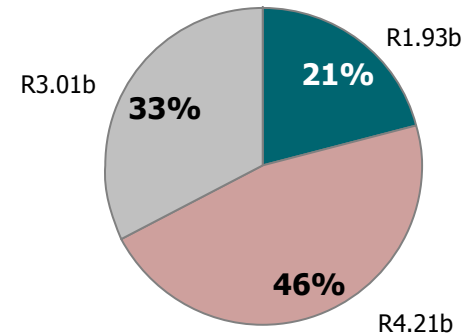
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Based on FY 2012/13 budget Required Revenue (*Indicatively*)

Current tariff structure



Proposed tariff structure



Indicative Tariffs
to be updated

Shipping lines
Cargo owners
Tenants

High level
assessment

Weak justification
for tariff levels



Rental too low for
landlord port



Based on defensible
principles and approach



Charges to tenants aligned
with international norms



Implementation of Pricing Strategy since provisional asset allocation exercise

➤ FY 2013/14

- Container full export cargo dues reduced by 43.2%
- Container full import cargo dues reduced by 14.3%
- Motor vehicles exported on own wheels (Ro-Ro) cargo dues reduced by 21.1%

➤ FY 2014/15

- 8.15% for dry bulk commodities (Coal, Manganese and Iron Ore)
- 5.9% (inflation) for all other commodities

- The Authority continues to support government economic objectives of differentiation between export and import tariffs (i.e. ensures industrial development on value adding activities).
- However there is a need to balance between these objectives to ensure economic growth since SA is reliant on exports of minerals as well as, a slower world economic growth including major trading partners (e.g. Germany and USA)
- Therefore proposed tariff increase as follows:
 - **8.5% on cargo dues for export of containers (full)**
 - **8.5% on cargo dues for export of automotives (Ro-Ro)**
 - **9.6% on the remaining cargo dues and marine charges**

This results in a weighted average tariff increase of 9.47% (of which 2.8% is volume contribution)



Operation Phakisa



- Cabinet mandated the implementation of Operation Phakisa to accelerate Gross Domestic Product (GDP) growth and job creation in the Marine Transport and Manufacturing (MTM) sector.
- The Authority has been mandated to accelerate the creation of port infrastructure to support marine manufacturing, offshore oil and gas exploration and aquaculture at South African ports.
- This includes the following:
 - urgent refurbishment and upgrade of existing ship repair facilities
 - the creation of purpose built oil and gas support infrastructure
 - the establishment of facilities to support boat building and support for aquaculture facilities.



- The Authority has therefore brought forward relevant infrastructure projects contained in the Transnet Corporate Plan and has included several new infrastructure requirements
- This has been considered together with the associated operating costs within the next five years.
- The Presidency and Department of Environmental Affairs responsible for facilitating Operation Phakisa will shortly release specific details of the programme.
- Given the timing of this tariff application, the accelerated programme and impact on funding is not reflected in the tariff application.

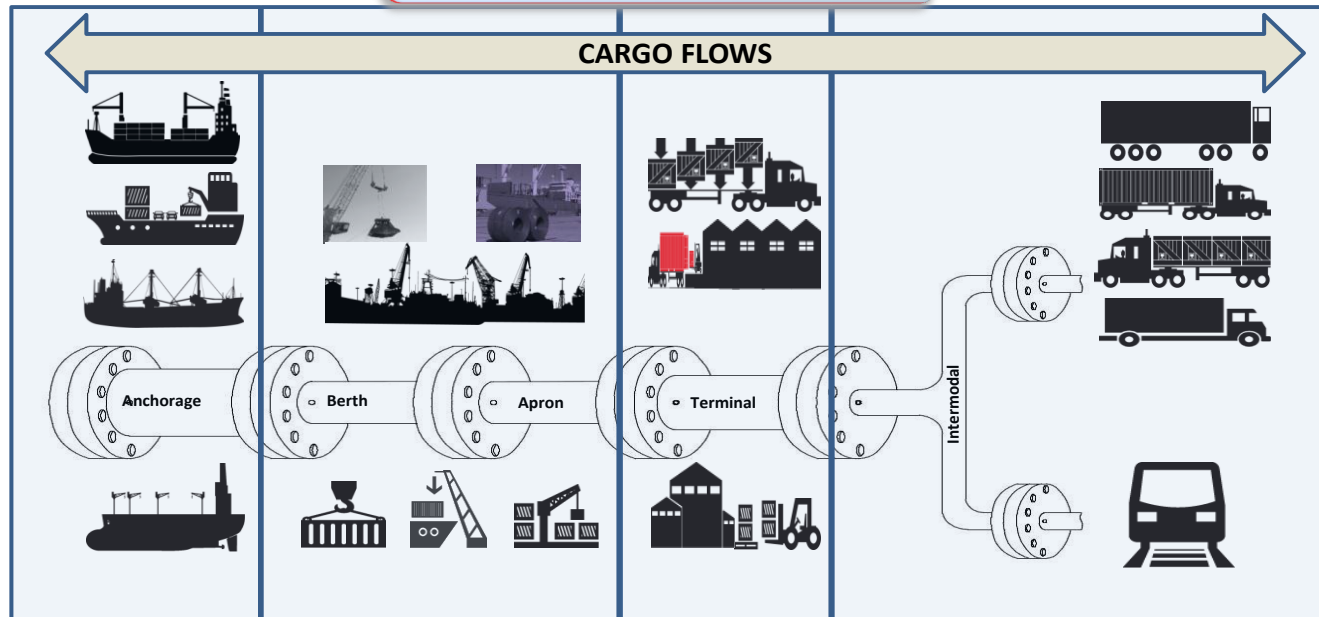


Port Efficiency



- The Authority has been repositioned through a comprehensive operations strategy defined by three broad spheres:
 - *Port performance monitoring based on pre-determined levels of productivity,*
 - *Implementing the Authority's mandate at port level and*
 - *Optimisation of existing port capacity.*
- Implementation of the strategy has commenced through Terminal Operator Performance Standards (TOPS)
- TOPS is informed by factors such as terminal capacities, demand and commercial arrangements, amongst others.
- Port Operations Centres has been established at all Ports to:
 - *track and monitor performance*
 - *continuously improve port efficiency, productivity and performance.*

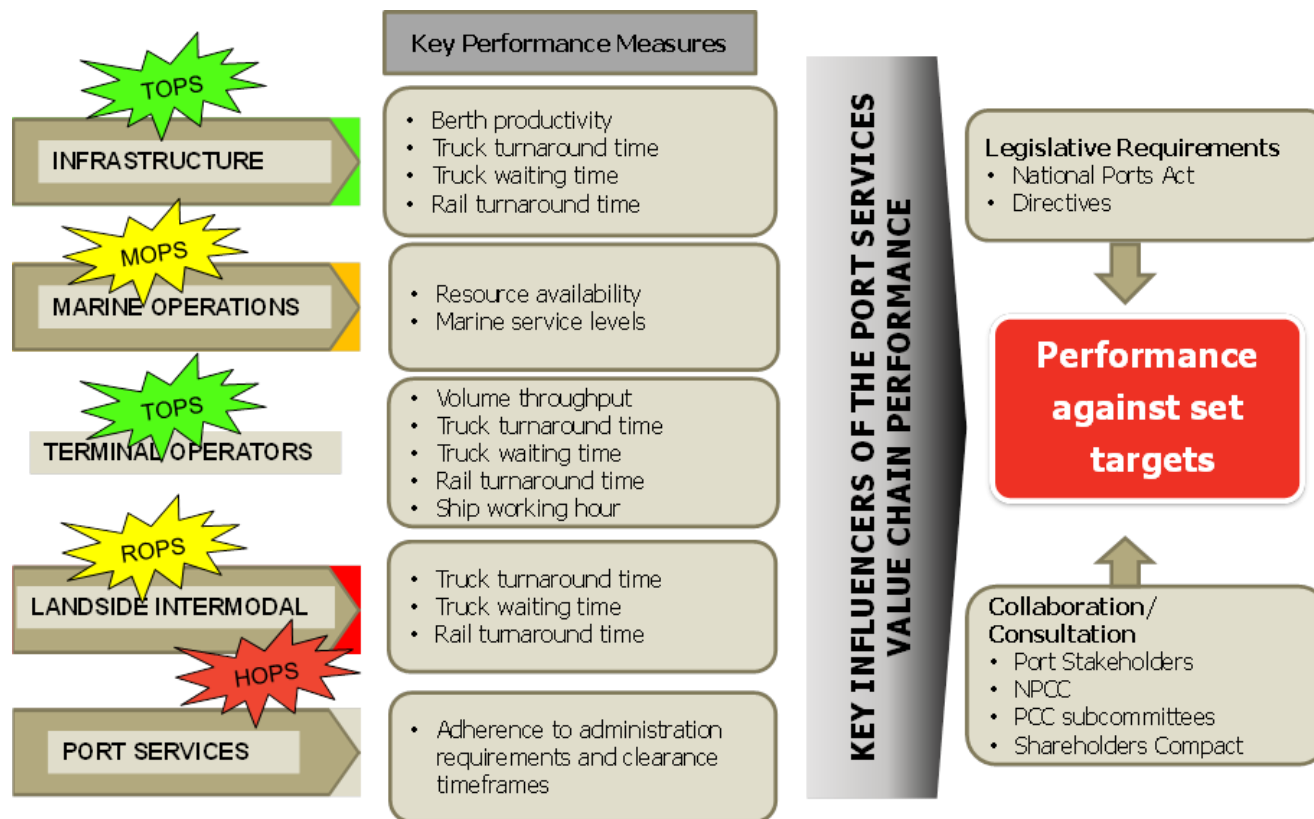


Port performance model

- Port is viewed as holistic supply chain focusing on:
 - total port vessel dwell time
 - total port cargo dwell time
- The approach facilitates:
 - Quantification of Port Capacity (Infrastructure)
 - Quantification of installed capacity (Superstructure)
 - Performance standards
 - Monitoring performance per responsible party

Way Forward

- The development of efficiency improvement initiatives for supporting operational services such as port rail and port road services which are key to the port supply chain are in progress





Conclusion

- In accordance with the Tariff Methodology for FY 2015/16 the Authority applies to the Regulator for the following revenues:

Revenues	FY 2015/16	FY 2016/17	FY 2017/18
	Fixed Tariff Year	Indicative Tariff Years	
Revenue Allowed	11 208	13 050	14 225
- Marine Revenue (Rm)	8 759	10 376	11 292
- Real Estate (Rm)	2 449	2 674	2 933
Tariff Increase (%)	9.47%	15.91%	6.49%

- For FY 2015/16, the **9.47%** overall tariff adjustment is differentiated as follows:
 - 8.5% on cargo dues for export of containers (full)**
 - 8.5% on cargo dues for export of automotives (Ro-Ro)**
 - 9.6% on the remaining cargo dues and marine charges**



- This revenue is necessary in order for the Authority to:
 - *recover its investment;*
 - *recover its costs;*
 - *make a return commensurate with the risk involved; and*

***Thereby sustainably fulfilling its role and
delivering on its mandate to the
National Ports Act***

TRANSNET



delivering freight reliably



Thank you

