

1. EXECUTIVE SUMMARY:

- 1.1. Section 29 of the National Ports Act, 2005 (Act No. 12 of 2005) (the Act) requires the Ports Regulator of South Africa (PRSA) to exercise economic regulation of the ports system in line with governments strategic objectives.
- 1.2. In terms of Section 72 (1)(a) of the National Ports Act, 2005 (Act No. 12 of 2005) (the Act), Transnet National Ports Authority (TNPA) is required, with the approval of the Ports Regulator of South Africa (PRSA), to determine tariffs for services and facilities offered by the Transnet National Ports Authority (TNPA) and to annually publish a Tariff Book containing those tariffs.
- 1.3. In considering TNPA's proposed tariffs, and any subsequent proposed significant variations, PRSA to give due consideration to whether the final tariffs approved enables TNPA to:
 - 1.3.1. recover its investment in owning, managing, controlling and administering ports and its investment in port services and facilities;
 - 1.3.2. recover its costs in maintaining, operating, managing, controlling, and administering ports and its costs in providing port services and facilities; and
 - 1.3.3. earn a return commensurate with the risk of owning, managing, controlling, and administering ports and of providing port services and facilities.
- 1.4. The Act, Port Directives, Tariff Methodology and Tariff Strategy make up the regulatory framework used to determine tariffs. Whilst the same framework is used to prepare the Tariff Applications and issuance of Records of Decisions, the proposed (by TNPA) and subsequently approved (by PRSA) tariffs are different, year on year.
- 1.5. The Tariff Methodology determines the total revenues requirement whilst the Tariff Strategy considers the recovery of the total revenues from the three main customer categories namely, Cargo Owners (Cargo Dues), Shipping Lines (Marine Charges) and Lessees (Real Estate).

2. BACKGROUND

- 2.1. Prior to regulation, the South African tariff structure was severely imbalanced in that overall cargo dues revenue stream was extremely high (due to wharfage charges where cargo dues were calculated at ad-valorem basis depending on the value of the cargo), whilst marine charges to vessel lines and rental income from properties were relatively lower. The resultant tariff structure was skewed, non-transparent, subsidized, and had no resemblance to the actual cost to serve in usage of port infrastructure.
- 2.2. The introduction of economic regulation called for an urgent need for tariff reform. TNPA developed a Pricing Strategy detailing the direction for South African port pricing which was then proposed to the PRSA for consideration.
- 2.3. Following rigorous engagements with the PRSA on the Pricing Strategy, and stakeholder consultation by the PRSA, the Tariff Strategy for the South African port system was developed. The Tariff Strategy was approved in FY 2016/17 with implementation commencing in FY 2017/18. The intention was that the Tariff Strategy be implemented in a phased approach over a ten-year period, with the last year of implementation being FY 2026/27.
- 2.4. The Tariff Strategy supports infrastructure pricing and was premised on the user pay principle i.e. a port user would pay for the benefit derived from the use of infrastructure. The implementation of the user pay principle would result in the rebalancing of tariffs and the elimination of cross subsidies (save for that in the public interest).
- 2.5. As the current Tariff Strategy is applicable up to FY 2026/27, the PRSA has embarked on a process to review the Tariff Strategy.
- 2.6. In addition to the Tariff Strategy being up for review by the PRSA, in June 2024, the Economic Regulation of Transport Act, 2024 (ERT Act) was gazetted and will form

part of the regulatory frameworks and have an influence on tariff setting process. The ERT Act subjects regulated entities in the transport sector, including TNPA, to price regulation as determined by the Transport Economic Regulator. Given the periodic review of the Tariff Methodology by the PRSA and pending corporatisation of TNPA; the TNPA, through a separate assignment, is reviewing the appropriateness of the form of such methodology.

- 2.7. The charges relating to marine services is highly technical in nature, and TNPA may not have the necessary skills in house to undertake such a review. Additionally, the Transnet Board and TNPA Board requested a review of the Tariff Strategy to ensure a fit for purpose strategy.

3. SCOPE OF WORK AND DESCRIPTION OF SERVICE

- 3.1. The Tariff Strategy considers the determination of tariffs for cargo dues and marine charges.
- 3.2. The Scope of Work includes the following:
- 3.2.1. Comprehensive review of the PRSA Tariff Strategy (published for stakeholder comments) and description of the components thereof, taking into account the following (but not limited to):
- Does infrastructure/ asset pricing remain relevant for SA port pricing? If so, why and alternatively, what would be the best approach for SA Port Pricing?;
 - Appropriate asset allocation matrix on the basis of the progression of infrastructure/ asset pricing;
 - Appropriate implementation of the User Pay Principle: Ring-fencing of Real Estate Business (Market based rentals), Marine Charges/ Shipping Line Business and Cargo Dues Business;

- Appropriate tariff structures for the determination of marine charges for Port Dues, Berth and Running of lines, Tugs, Pilotage, Vessel Tracking Services and Light dues);
- Effectiveness of the factors used to determine cargo dues base rates (end state target rates) and use of historic data to determine future rates;
- Appropriate Ship-repairs tariffs for dry docks, floating docks and syncrolifts;
- Assessment of impact on tariff strategy due to any potential conflict between the Ports Act, ERT Act, and the regulatory framework;
- Potential misalignment with Tariff Methodology;
- Alignment with Government's objectives or policies including (but not limited to) the National Development Plan, the Mid-Term Strategic Framework, the National Commercial Ports Policy, the Comprehensive Maritime Transport Policy (CMPT), Black Industrialist Scheme (BIS), industrial policies;
- Assessment of financial sustainability of ports both individually and jointly as envisioned in the National Commercial Ports Policy; and
- Review of the Ports Tariffs Incentive Programme (PTIP) and proposals regarding beneficiation schemes.

Site: TNPA HQ – TARIFFS

Title/Scope of Service: Appointment of service provider: Review of the Port Tariff Strategy.



4. PROJECT MILESTONES

No	Activities
1.	KICK-OFF MEETING WITH SERVICE PROVIDER
2.	PROJECT PLAN BY SERVICE PROVIDER
2.1.	Develop Project Plan
2.2.	Final Project Plan
3.	Review of Tariff Strategy by Service Provider
3.1.	Research, analysis, and preliminary findings on detailed project deliverables as per Section 3
3.2.	Engagement with TNPA on preliminary findings
3.3.	Submission of first written comments by TNPA to service provider
3.4.	Draft report submitted by service provider
3.5.	Engagements with service provider on draft report
3.6.	Tariff Team second written comments to service provider
3.7.	Final report by the service provider with all comments from TNPA considered
4.	Supports from service provider during the PRSA consultation process & TNPA Internal Governance Process

5. SUPERVISION

- 5.1. The Service Provider shall carry out the work, as reflected in the contract at intervals specified by Head Office - Finance.

6. TO BE SUPPLIED BY SERVICE PROVIDER

- 6.1. The Service Provider shall be responsible for providing the required labour and ad-hoc services required for the proper completion of the works