TRANSNET

national ports authority

TRANSNET NATIONAL PORTS AUTHORITY

TARIFF APPLICATION FOR FINANCIAL YEAR 2025/26

Picture: UMKHOMAZI & LOTHENI TUG BOATS (PORT OF DURBAN)

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ABBREVIATIONS AND ACRONYMS

BER	Bureau of Economic Research
CAGR	Compounded Annual Growth rate
CAPEX	Capital Expenditure
CWIP	Capital Works in Progress
DCT	Durban Container Terminal
DES	Desired End State
DoT	Department of Transport
DTIC	Department of Trade, Industry and Competition
ETIMC	Excessive Tariff Increase Margin Credit
EV	Electric Vehicle
FAR	Fixed Asset Register
FY	Financial Year
CAGR	Compounded Annual Growth Rate
GDP	Gross Domestic Product
GLA	Gross Lettable Area
GNU	Government of National Unity
GPCS	Global Port Comparative Study
GRT	Gross Registered Tonnage
HDP	Historically Disadvantaged Persons
ISO	International Organisational Standard
KAM	Key Account Manager
KPI	Key Performance Indicators
KZN LH	Kwa-Zulu Natal Logistic Hub
LE	Latest Estimate
LHS	Lighthouses
LMM	Lease Management Manual
LNG	Liquefied Natural Gas
LPG	Liquified Petroleum Gas
LSCI	Liner Shipping Connectivity Index
MPT	Multipurpose Terminal
NCPP	National Commercial Ports Policy
NDP	National Development Plan
NERSA	National Energy Regulator of South Africa
NGQ	Ngqura
NPA	National Ports Authority
NPP	National Ports Plan
OD	Operating Divisions
Opex	Operating Expenses
PCCs	Port Consultative Committees
PDFPs	Port Development Framework Plans

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PE	Port Elizabeth
PTIP	Port Tariff Incentive Programme
PwC	PricewaterhouseCoopers Incorporated
R&D	Research & Development
RAB	Regulatory Asset Base
RBCT	Richards bay Container Terminal
RCB	Richards Bay
RR	Required Revenue
ROD	Record of Decision
RR	Revenue Requirement
SAMSA	South African Maritime Safety Authority
SS	Shared Services
SHE	Safety Health and Environment
SLD	Saldanha Bay
SOC	State Owned Company
TFR	Transnet Freight Rail
TCC	Transnet Corporate Centre
TEU	Twenty-foot Equivalent Unit
TOA	Terminal Operator Agreement
TOC	Trended Original Cost
TOPS	Terminal Operator Performance Standards
TP	Transnet Properties
UNCTAD	United Nations Conference on Trade and Development
US	United States
VTS	Vessel Tracking System
WACC	Weighted Average Cost of Capital
WEGO	Weighted Efficiency Gains from Operations
WEO	World Economic Outlook

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1. Executive Summary

In terms of Section 72 (1)(a) of the National Ports Act, 2005 (Act No. 12 of 2005) (the Act), the Transnet National Ports Authority (the Authority), a division of Transnet SOC Limited (Transnet) is required, with the approval of the Ports Regulator of South Africa (the Regulator), to determine tariffs for services and facilities offered by the Authority and to annually publish a Tariff Book containing those tariffs.

The Port Directives were approved on 13 July 2009 (gazetted on 06 August 2009) and amended on 29 January 2010 (the Directives). In terms of the Directives, when considering the proposed tariffs for the Authority, the Regulator must ensure that such tariffs allow the Authority to:

a) **recover its investment** in owning, managing, controlling and administering ports and its investment in port services and facilities;
b) **recover its costs** in maintaining, operating, managing, controlling and administering ports and its costs in providing port services and facilities; and
c) **earn a return commensurate with the risk** of owning, managing, controlling and administering ports and of providing port services and facilities.

The Authority shall on an annual basis by 1 August or at such longer intervals as the Authority and Regulator may agree, submit its application setting out its proposed tariffs for all services and facilities offered by the Authority for the following financial year for approval by the Regulator. The Directives prescribe a period of 4 months from the date of receipt of the submission upon which the Regulator shall make a decision. The Directives further allows the Authority to submit to the Regulator a proposal for the amendment of any tariff for any services and/or facilities offered by the Authority at any port from time to time.

The Authority's tariff application/ proposal ensures compliance with the regulatory framework in place. The regulatory framework consists of, amongst others, the Port Tariff Methodology and the Tariff Strategy.

The Tariff Methodology is based on the Required Revenue (RR) or Rate of Return methodology and embodies the principles of the Port Directives by aiming to ensure the Authority's RR allows it to recover its cost, investment and a profit commensurate with

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risk. The current Tariff Methodology was approved by the Regulator on 31 March 2023 and is applicable for FY 2024/25 to FY 2026/27 (the Tariff Methodology) applicable for the Financial Years 2024/25 to FY 2026/27. Whilst the Tariff Methodology is applicable until FY 2026/27, FY 2027/28 was included in this tariff application to provide an indicative view.

The Tariff Methodology prescribes the use of the RR formula as follows:

RR Formula

= Regulatory Asset Base (RAB) x Weighted Average Cost of Capital (WACC) + Operating Costs + Depreciation + Taxation Expense ± Claw-back ± Excessive Tariff Increase Margin Credit (ETIMC) ± Weighted Efficiency Gains from Operations (WEGO)

On 22 June 2021, President Cyril Ramaphosa pronounced the establishment of the Authority as an independent subsidiary of Transnet. Following the pronouncement, the Authority has prepared the Tariff Application FY 2022/23 to FY 2024/25 on the basis of the impending corporatisation of the Authority. Given the significant strides made to ensure implementation of the pronouncement, and additionally given the National Treasury guarantee condition issued to Transnet that requires the corporatisation of the Authority by 30 April 2025, the Tariff Application FY 2025/26 has been prepared based on the Authority becoming a subsidiary of Transnet.

The determination of the Tariff Application FY 2025/26, in accordance with the Tariff Methodology, has therefore, amongst others, considered the following:

- **RAB:** The Authority has continued with the implementation of the Trended Original Costs (TOC) asset valuation methodology as the Tariff Methodology indicates that "*should the Authority be corporatised (stand-alone SOC or subsidiary), the Regulator will consider applying TOC until credit metrics like the cash interest cover ratio have been proven to be within sustainable limits*";
- **Tax treatment:** In accordance with the Tariff Methodology, and considering the subsidiarisation of the Authority, the Tariff application has been prepared based on the corporate tax approach for the forecasted tariff years.
- **Clawback:** The tax determination for the clawback relating to FY 2023/24 has been determined on the equitable tax approach.

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- **Properties outside port limits:** In accordance with the Regulators Record of Decision FY 2023/24, that requires promulgation of land parcels outside port limits prior to inclusion or consideration in the regulatory model, the Authority has excluded all land acquisitions, Capital Expenditure, Operating Expenditure and rental recoveries associated with such land parcels for the fixed tariff year of FY 2024/25. It must be noted that the Authority does not agree with this position taken by the Regulator and continues to engage on this matter.

Table 1 demonstrates the RR as determined after due consideration of the Authority's business needs, latest economic and market data available, and using the Tariff Methodology.

Table 1: Revenue Requirement FY 2025/26 to FY 2027/28

DETAILS	2024/25	2025/26	2026/27	2027/28
	ROD	Fixed Tariff Year	Indicative Tariff Years	
	R'm	R'm		
Return on Capital	5,880	6,202	6,630	7,301
Plus: Depreciation	2,754	2,822	2,745	2,735
Plus: Operating Costs	6,430	6,854	7,522	7,870
Plus: Taxation Expense	1,251	1,303	1,392	1,529
Plus/Less: WEGO	-226	-217	-	-
Plus/Less: Clawback	-2,643	-1,301	83	-
Plus/Less: Reversal of Impairments	-	-	-	-
Plus/Less: ETIMC	983	-	-	-
Required Revenue	***14,429***	***15,663***	***18,372***	***19,435***
Less: Real Estate	-4,838	-5,026	-5,316	-5,545
Marine Revenue	***9,590***	***10,637***	***13,056***	***13,890***

Application of the RR formula, results in an RR of R15 663m for FY 2025/26 comprising of Marine Business revenue of R10 637m and Real Estate Business revenue of R5 026m (excluding recoveries from properties outside port limits). The RR for FY 2026/27 and FY 2027/28 is R 18 372m and R19 435m, respectively.

Table 2 illustrates the resultant tariff adjustments, considering the projected volume growth for each of the financial years. Amongst others, micro and macro market and economic conditions are considered in the determination of the volume growth and detailed in Section 7.3.

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Table 2: Marine Revenue FY 2025/26 to FY 2027/28

MARINE REVENUE	2025/26	2026/27	2027/28
	Fixed Tariff Year	Indicative Tariff Years	
	R'm		
Prior Year Revenue	9,519	10,637	13,056
Estimated Volume Growth	3.56%	3.48%	3.77%
Revenue after volume growth	9,858	11,007	13,548
Required Revenue	10,637	13,056	13,890
Tariff Increase	**7.90%**	**18.61%**	**2.52%**

Per the Tariff Methodology, the resultant tariff adjustment for FY 2025/26 is 7.90%. Accordingly, the indicative tariff adjustments for FY 2026/27 and FY 2027/28 are 18.61% and 2.52% respectively.

The Tariff Strategy (Revised 2020) sets out the strategic pricing direction for the South African (SA) port system and guides tariff setting, in accordance with the Port Directives that require tariffs to among others, be fair, simple and transparent, predictable and stable, and avoid discrimination and cross-subsidies, unless in the public interest. In accordance with the objectives of the Tariff Strategy, amongst others, the following differentiated tariff adjustments are proposed for approval by the Regulator:

- Tariff increase of 14.19% on Marine charges (shipping lines);
- 4.57% adjustment on Ship Repairs (Drydock, Floating dock and Syncrolift);
- 4.57% increase on Containers Imports & Exports;
- 6.67% increase on Deepsea Container Empties;
- 4.57% on Coastwise Containers & Transhipments;
- 6.69% increase on Container Empty Transhipments;
- 4.57% on Break Bulk Imports & Exports;
- 4.57% on Dry Bulk Imports & 7.90% on Dry Bulk Exports;
- 4.57% increase on Liquid Bulk Import & Export; and
- 4.57% increase on Automotive Imports & Exports.

The differentiated tariff adjustments result in a weighted average tariff adjustment of **7.90% for FY 2025/26**.

The proposed average tariff adjustment of 7.90% for FY 2025/26 is supportive of the business requirements of the Authority and is further aligned to the Authority's Desired End State (DES) strategy. Amongst others, the DES aims to influence development and growth in the South African economy through the provision of world class port

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infrastructure that is fit for purpose, competitively priced, efficiently operated, and in line with global benchmarks and is in accordance with the State of the Nation Address, 2024, by President Cyril Ramaphosa which states that *"to deal with severe inefficiencies in our freight logistics system, we are taking action to improve our ports and rail network and restore them to world-class standards. We have set out a clear roadmap to stabilise the performance of Transnet and reform our logistics system."*

2. Introduction

The Authority is responsible for the safe, efficient, and effective economic functioning of the national ports system which it manages, controls and administers. The key business activities of the Authority are to provide and manage port infrastructure, maritime services, and real estate. In a broader context, the Authority also undertakes to facilitate the development of trade and commerce through market collaboration for the economic benefit of the national economy of SA.

In line with the functions of the Authority, the Tariff Application allows for the effective recovery of the Authority's investment; recovery of costs; and a return commensurate with the risk, and further allows for efficient port pricing signals to be sent to the market.

3. Legal Basis and Regulatory Requirements

The regulatory framework for the Authority's tariffs is informed by the Act, the Directives, and Ports Regulations

4. Tariff Methodology

The Tariff Methodology was issued by the Regulator on 31 March 2023 and is applicable for a period of three (3) years, from FY 2024/25 to FY 2026/27. The Tariff Methodology provides the rule set for the Authority to prepare a Tariff Application as an Operating Division (OD) of or as a subsidiary of Transnet. The Tariff Application FY 2025/26 has been prepared based on the Authority becoming a subsidiary of Transnet by 30 April 2025 per the National Treasury guarantee conditions.

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5. The Business of the Authority

5.1 Introduction

The Authority occupies a strategic position in the country's transport logistics chain, managing nine (9) ports in South Africa. Eight (8) are commercial seaports, namely Saldanha, Cape Town, Mossel Bay, Port Elizabeth, Ngqura, East London, Durban and Richards Bay. The ninth, Port Nolloth, does not handle any commercial cargo and is in its entirety leased to De Beers Consolidated Mines. The ports under the control of the Authority span the South African coastline, which measures approximately 2 800km.

Port users fall into three main categories, namely, terminal operators, shipping lines and cargo owners. Whilst numerous other parties utilise the port, they do so to a lesser extent than these primary port users.

5.2 The Authority's Strategy

The Authority's Desired End Strategy (DES) envisions the Authority becoming a world-class sustainable port system. DES seeks to create a reimagined port system that transcends the landlord role, within the ambit of the National Commercial Ports Policy (NCPP) and Ports Act, by stimulating the country's maritime economy, thus making South Africa and the region a competitive location for doing business.

The Transnet Segment Strategy, the NCPP, and the Act serve as the foundation for the Authority's established strategy, which focuses on Marine Services; Authority and Regulatory; Infrastructure and Landlord functions.

The key objective of the strategy is to elevate the role of the Authority in the economy by influencing development and growth through adaptable and integrated infrastructure that is fit for purpose, competitively priced, efficiently operated, and in line with global benchmarks. To this end the key elements of the DES are premised on the following strategic pillars:

i. **Port infrastructure**: Provide adequate infrastructure capacity aligned to projected demand;

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ii. **Port operations performance**: Improve port efficiencies as well as the quality of port infrastructure and fleet assets;

iii. **Landside transport connections**: Enhance integration of the port system in the transport and logistics network;

iv. **Vessel connectivity**: Improve vessel connectivity through hub ports, cost competitiveness and influencing industrial development;

v. **Export/ Import processing efficiency**: Enhance digitisation of operations and digital integration of ports with the port community to improve export/ import processing efficiency; and

vi. **Regulatory compliance and oversight**: Ensure legislative and regulatory compliance and effective oversight of operations.

The Authority has embarked on a journey of change to achieve the DES of becoming a financially sustainable, least cost smart port system that is enabled by an empowered workforce and a seamless value chain strategically positioned to unlock economic growth in an environmentally sustainable manner. To achieve the targets set out in the DES, the Authority must excel in the following seven (7) main strategic levers:

1) Financially Sustainable Least Cost Port System:

The aim of the Authority is to become a least cost port system through focusing on Cost optimization, Financial Sustainability, and Public and Private Partnerships.

2) Environmentally Sustainable Port System:

The effects of climate change play a huge role in marine infrastructure; therefore, all infrastructure must be designed with effects of global warming in sight. The Authority is adopting Green Port Operations and striving towards Environmental Sustainability as key focus areas.

3) Landlord Port Authority:

The identified areas of focus, in order to excel as a Landlord Port Authority, are, Asset Management, Change Agent, as per the Act, Lease Management, and Debtors Management.

4) Operationally Excellent Port Authority:

The strategy of the Authority is to drive the organisation to focus on Operational Excellence to improve and address systemic weaknesses and requires the adoption

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of High-Performance Work Teams, Strategy Execution, Robust Terminal Operations Oversight, Process Excellence, and Performance Excellence to ensure the efficient functioning of the Port System.

5) World Class Port Infrastructure:

The Authority's intention is to have World Class Port Infrastructure and the focus area herein is to deliver safe and reliable infrastructure, Terminal Oversight, and Infrastructure Maintenance.

6) Smart Port System:

For the Authority to compete and excel in the global market, Smart Port Technologies are being adopted to optimise and automate future processes.

7) People-Centric Employer:

The Authority Re-imagined ensures that it is people centric by ensuring that the Culture is conducive and by investing in employees thus ensuring availability of skilled workforce within the organisation across all levels.

Furthermore, the Authority has developed a Recovery Plan, in line with Transnet's Recovery Plan, which largely focuses on fixing the operational efficiencies of the Authority itself rather than a fundamental change of the business model. The plan is constituted by four management pillars, namely:

- **Financial**: Judicious debtors management including aggressive collection of bills owed to the entity and a reduction of clawbacks through the overall improvement of the performance of the authority and landlord functions;

- **Operational**: The operational interventions are aligned with the mandate of the Authority, which is threefold:
  - **Marine services**: The focus is to achieve 85% availability of tugs across the port system through the acquisition and refurbishment of marine craft and helicopters, an enhanced maintenance regime as well as the optimisation of human resource capacity to ensure reliability and efficiency of service to customers;
  - **Regulatory and authority**: Robust monitoring and transparent oversight of terminal operators as part of the Authority's regulatory function. The Oversight Regulatory Framework is being refined and operationalised

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including enforcement of the Penalty and Incentive Directive aimed at improving the operational efficiency of terminal operators thereby improving South Africa's logistics competitiveness;

  - **Landlord and infrastructure**: Various interventions are aimed at driving the implementation of modernised infrastructure maintenance and delivery systems that ensure effective and efficient utilisation of the allocated budget;

- **Customer**: Focusing on significantly improving port performance with the Key Performance Indicators (KPIs) reflecting port efficiencies such as port turnaround time, ship turnaround time, cargo waiting time, anchorage waiting time and marine services delay; and

- **Reform**: In line with the Act and the guarantee conditions imposed by National Treasury, Transnet must facilitate the corporatisation of the Authority into a subsidiary of Transnet. This will involve various stakeholders including the Department of Planning, Monitoring and Evaluation (DPME), Department of Transport (DoT), National Treasury, Transnet and the management of the legal, financial and regulatory conditions and dependencies.

5.3 Functions of the Authority

The NCPP requires that the Authority be responsible for the management of the national commercial port system as a landlord port authority. This policy position has found expression in Section 11 (1) of the Act in terms of which the Authority is required, as its main function, "*to own, manage, control and administer ports for their efficient and economic functioning.*"

5.4 Tariffs in Perspective

The Authority generates revenue by charging tariffs for the services and facilities offered. The tariffs are approved by the Regulator and are set out in the Authority's Tariff Book in detail.

The Authority's core services, as specified in the Act (provision of basic port infrastructure and operational services to port users), results in a few revenue streams, that relate

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mainly to Lease income (Real Estate), Cargo Dues (Cargo Owners) and Marine Charges (Shipping Lines).

The revenue generated from the Authority's services is utilised inter alia to:

- Maintain basic port infrastructure;
- Provide future port infrastructure;
- Maintain and provide the current and future marine fleet; and
- Maintain and provide current and future ship repair facilities.

The South African port system is distinct (funding through the tariff) from most global ports, wherein, some port capital costs are funded through State or Municipal budgets.

6. Port Infrastructure Development Plan and Capital Expenditure

6.1 Port Investment Planning

Section 11(1) of the Act sets out the main functions of the Authority, which amongst others, requires the Authority to plan, provide, maintain and improve port infrastructure.

The Authority's investment spending is supported by detailed capital planning and strategic planning initiatives aimed at providing adequate port infrastructure and capacity ahead of demand to improve vessel and cargo turnaround time; and improve the use of assets to attract and sustain both new and existing business.

In developing the Capex Plans, the following activities are considered by the Authority:

- ***Long-term Port Development Framework Plans***: The Authority in accordance with the Act must develop and periodically update its Port Development Framework Plans (PDFPs). The Authority, thereafter, publishes its PDFPs which contain port development plans for each of the Authority's eight (8) commercial ports. The PDFPs are updated every two (2) years, and the National Ports Plan (NPP) is rebased every five (5) years. The PDFPs 2022 update has been taken through the governance process and published on the Authority's website. The last rebased NPP was completed in FY 2019/20, however was not published, therefore resulting in last published NPP in FY 2014/15. It is envisaged that the next rebased NPP will be

published in the 2025 calendar year (inclusive of the stakeholder consultation process required);

- ***Capacity studies***: The Authority conducts capacity studies to assess the current infrastructure and to determine the timelines for each development required. This process is aligned with the NPP and PDFP process wherein the development plans are periodically updated;
- ***Volume Studies:*** The Authority uses a demand forecast which is based on client interaction, assessing the national as well as global markets, and analysis of existing port activities. The interactions with clients ensure that clients' planned demand forecasts are also incorporated. The Authority's demand forecast is mainly used for the short-term development plans;
- ***Prioritisation:*** Projects are aligned to strategy and prioritised by compliance, sustainability and to meet forecasted demand;
- ***Maintenance Plans:*** Projects are aligned to maintenance programs to sustain existing port capacity and the safety of port infrastructure;
- ***Fleet Plans:*** The Authority has a robust fleet plan that informs maintenance, replacement and investment in marine and air fleet (tugs, pilot boats, survey boats, dredging vessels and helicopters);
- ***Port Consultative Committees (PCC)***: The Authority adopts a consultative approach to the drafting of the Capex program and the execution of the resultant Capex Plan. PDFPs projected for the short, medium and long term, as well as 7-year Capex have been consulted with port users. This consultation was conducted on a port-by-port basis during a process facilitated by the Department of Transport (DoT), with South African Maritime Safety Authority (SAMSA) as secretariat, between July 2022 and June 2023. The same process of consultation will be followed in 2025 for the NPP and PDFPs. These plans will be informed by various research and capacity studies undertaken; and

6.1.1 KZN Logistics Hub Port:

The KZN Logistics Hub Portfolio (KZN LH) was established as a Regional Mega-Project Infrastructure Delivery Unit to drive the execution of the Eastern Region Port Master Plans that respond to both the Transnet Segment and DES strategies.

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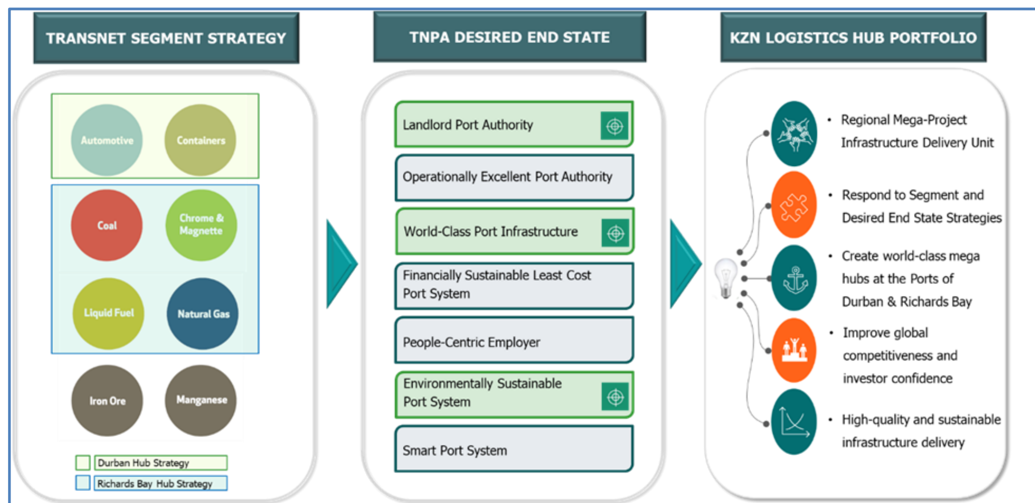
Figure 1: Strategic Alignment of the KZN LH Portfolio



The Durban and Richards Bay Programmes are underpinned by the following concepts:

- The Port of Durban is to be positioned as a Container Hub and a premier terminal for the Automotive sector;
- The Port of Richards Bay will become a specialised Dry and Liquid Bulk Hub inclusive of dry bulk commodities relocated from the Port of Durban and will also handle Liquefied Natural Gas (LNG) in the South Dunes precinct; and
- The SA Navy base is to be relocated from Salisbury Island in Durban to the Naval and Pelican Islands in the Port of Richards Bay with a Satellite Station being established at the Port of Durban.

Through the execution of its flagship projects, the purpose of the KZN LH is to create world-class mega-hubs at the Ports of Durban and Richards Bay to improve the Authority's global competitiveness and strengthen investor confidence in the organisation. Ultimately, the KZN LH is striving to develop fit-for-purpose infrastructure that ensures the long-term sustainability of the KZN port system.

6.2 Key Focus Areas of Capital Investment Program: FY 2024/25 to FY 2027/28

In accordance with the DES, the capital investment programme of the Authority, is aimed at, amongst others, increasing productivity and efficiency, ensuring a safe and compliant

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port system; whilst optimising human resources. The capital investment programme of the Authority is highlighted in Table 3.

Table 3: The Authority's Capital Programme

Strategic Objective	Detail	LE	Projections					
		2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Total 6 Yr
		(R'm)						
Re-engineering, Integration, Productivity and Efficiency	To maximise return on investments by obtaining additional volumes	477	355	1,876	2,887	2,591	1,857	10,042
	To maximise return on investments by improving operating efficiencies	698	739	595	372	154	85	2,643
	To preserve current revenue streams without obtaining additional volumes (ie. revenue protection)	1,688	1,468	2,112	1,496	505	362	7,632
Safety, Risk and Effective Governance	Ensure Safety Optimisation	426	501	561	348	348	-	2,185
	Optimise Business Enterprise Offerings	112	124	49	-	-	-	286
	Optimally Satisfy Social Investments (non economic value creating projects)	-	-	-	-	-	-	-
	Environmental	88	136	173	200	150	-	746
Human Capital	Optimise Human Resources	65	103	100	69	73	79	489
Total (excl. borrowing cost)		**3,553**	**3,426**	**5,467**	**5,373**	**3,821**	**2,383**	**24,022**
Total Land Acquisition and Land Development Costs		(87)	(75)	-	-	-	-	(162)
Total (excl. expenditure for land outside port limits)		**3,466**	**3,351**	**5,467**	**5,373**	**3,821**	**2,383**	**23,860**

In accordance with the Record of Decision FY 2023/24, the Authority has excluded Capex related to properties outside port limits. This resultant Capex Program for FY 2025/26, FY 2026/27, and FY 2027/28 amounts to R3 351m, R5 467m and R5 373m respectively.

Table 4 highlights the major Operation Phakisa projects to be undertaken at the various Ports.

Table 4: Operation Phakisa Major Projects

OD Programme	Project Name
MSB	Feasibility: Replacement of sheet piles for Quay 3
EL	Replacement of 2 Graving Dock Jib Cranes
DBN	Drydock Blocks
DBN	Drydock Jib Cranes
CPT	Replacement of 10 cranes for Shiprepair
CPT	Replacement of Robinson Drydock floating caisson
CPT	Replacement of Sturrock Drydock Inner Caisson
CPT	Sturrock Dry Dock Electrical Infrastructure Upgrade (FEL 3&4)
CPT	Sturrock Dry Dock Infrastructure Upgrade

The Authority's unwavering commitment to the revitalization and enhancement of the port system remains at the core of our strategic vision. The Authority's planned capital investment over the next six (6) years is R23 860m. This substantial capital infusion aims to ensure the enduring durability and optimal functionality of our existing port infrastructure.

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Planned upgrades and innovations are geared towards fostering competitiveness and enabling South African ports to reclaim its positions as a prominent player in the global stage. The impact of this revitalization will extend beyond South African borders, attracting increased trade, bolstering economic growth, and reinforcing SA's role in the global trade landscape.

The detailed Capex schedule is highlighted in **Annexure A**.

6.3 Capital Delivery Model

In accordance with the objectives of the DES, Authority continues to refine its approach to delivering on capital investments.

In FY 2023/24, the Authority realised progress in the implementation of its capital investment programme with investments in key projects, relating to, amongst others; the acquisition of seven (7) tugboats, completion of the Tug Jetty at the Port of Durban, modification of the 1200-ton Slipway Cradle at the Port of Port Elizabeth, and Scour Protection at the A - B Berths at the Port of Durban. The Authority's actual capital spend for FY 2023/24 represents 76% of the Authority's approved budget.

In FY 2024/25, the Authority aims to maintain the momentum of "**Fixing the Core**". This involves the implementation of a revised operating structure to better position the Authority for accelerating capital investment and infrastructure acquisition. The revised operating structure is anchored on the principles of the International Organization for Standardization (ISO) in asset management and systems. Similarly, reconfigurations have proven successful in globally renowned ports and at other Infrastructure intensive sectors/ organisations.

The primary focus of the revised operating structure includes:

- Re-envisioned **Infrastructure Department Value Creation** and the associated delivery ecosystem to align with customer requirements;
- Strong emphasis on empowering the ports as centres of delivery;
- Enhancing data collection, benchmarking, and leveraging big data analytics and artificial intelligence to support asset creation and management;
- Streamlining structures and processes; and

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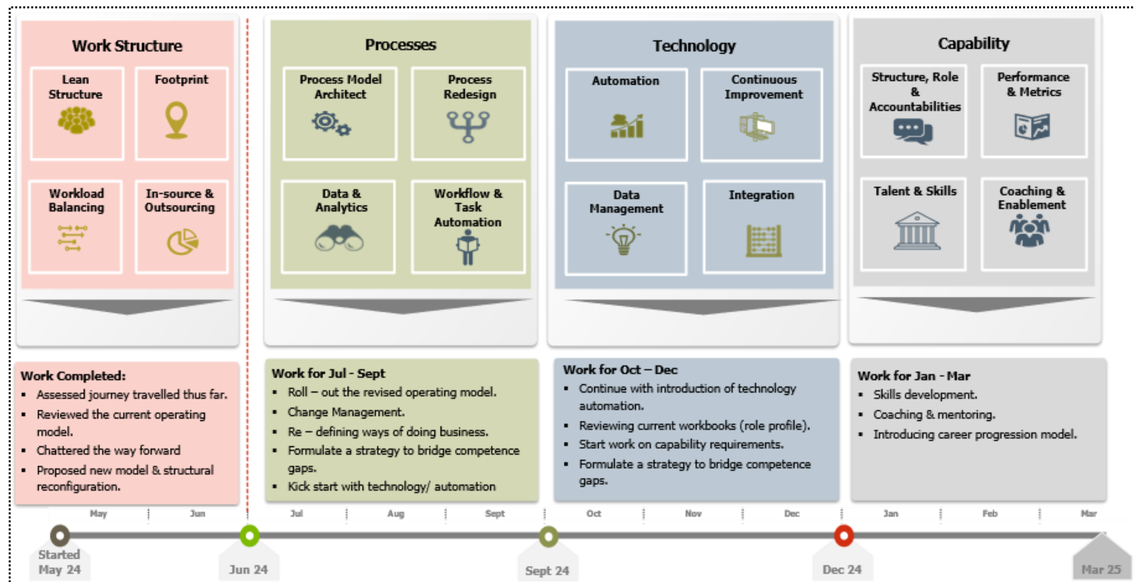
- Establishing clear accountability for functional units and lines of reporting and recognizing and rewarding high performance.

The plan to repurpose the Infrastructure Department of the Authority is as outlined below:

Figure 2: The Authority's Revised Operating Structure



Central to "fixing the core" is having the necessary resources to implement the Capex programme. As such, the Authority is currently supplementing its human capital by recruiting fixed-term contractors and has begun to onboard external professional service providers to acquire the essential technical and project management skills, ensuring effective execution of the Authority's capital investment initiatives. Additionally, The Authority has moderated its ambitious capital investment plan to allow achievement of the Capex plan as detailed in Table 3. The commitment of ensuring that the capital investment budget in the Tariff Application is supported by approved business cases continues with the Authority ensuring that business cases are approved for a five-year (5) period from FY 2025/26 to FY 2029/30.

7. The Authority's Total Revenue

7.1 Real Estate Revenue

In line with the Act and organisational policies, the Authority's Real Estate business has developed a robust strategy to effectively manage its property portfolio and provide

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support to the Authority's core operations. The overarching goal is to maximise the value of the portfolio whilst optimising revenue. This is achieved through lease management strategies that are designed to enhance value for port users and generate revenue for the Authority. Central to this approach, is the identification of the underperforming assets and implementation of improvement strategies. As such, there is a need to ensure sustainable and effective financial support for the strategic initiatives associated with the portfolio to ensure that the results contribute towards a globally competitive port system whilst creating a strong asset base. The determination of the revenues and cash flows required to support such strategic investments, is therefore of paramount importance.

The Real Estate optimization strategy aims to identify underperforming assets, develop strategies for improvement, and regularly evaluate the composition of the portfolio to strike the optimal balance between risk and return.

The Real Estate Strategy is built upon five (5) key pillars namely, revenue growth; portfolio optimisation; land use and strategic developments; total facilities management; and human resources capacity building, that guide the management of the property portfolio.

The Authority's portfolio comprises a vast range of leases that support the import and export activities of the port. The total gross lettable area measures approximately 26million m^2 of which approximately 26% is vacant and includes serviced as well as virgin land. The number of leases in the portfolio per port is detailed in Table 5.

Table 5: Different Types of Leases Split across Ports

Port	Total Leases	Commercial	Incorporated	Wayleaves
Durban	367	171	74	122
Cape Town	146	113	12	21
Richards Bay	61	44	15	2
Port Elizabeth	88	55	26	7
Saldanha	43	36	5	2
Ngqura	10	6	3	1
East London	30	16	8	6
Mossel Bay	26	25	1	0
Lighthouses	17	17	0	0
Total	**788**	**483**	**144**	**161**

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The various types of leases may be defined as follows:

- **Commercial leases**: Contractual agreements where the Authority leases property for commercial purposes without the necessity for an operating license. These leases are typically for businesses that do not engage in port operations that would require regulatory oversight.
- **Incorporated leases**: Leases that necessitate operating licenses under Section 56 of the Act. These leases are integral for entities that perform operational activities within the port and are subject to stringent regulatory compliance to ensure safety and adherence to port standards.
- **Wayleave agreements**: Arrangements that facilitate the support of operators in the logistics chain, allowing them to move their cargo, access networks, and utilize infrastructure that is critical for the seamless flow of goods. These agreements are essential for maintaining the efficiency of port operations and ensuring that the operators have the necessary permissions to use the land or assets that belong to the port authority for their transit routes and utility networks.

The Lease Management Manual (LMM), read together with other applicable policies and legislative frameworks, provides a guideline for lease management and mitigation of risk of non-compliance and encompasses the various approaches specific to each property in ensuring optimisation of the asset value. The Authority awards leases in a manner that is consistent with section 217 of the Constitution of South Africa i.e., in accordance with a system that is open, fair, equitable, transparent, competitive and cost effective.

In ensuring security of revenue for the Authority and security of tenure for lessees, the Authority ensures that the lease process commences with the initiation of the market engagement process at least six (6) to twelve (12) months prior to the expiry date of the existing lease to ensure seamless transitions. The key aspects of the Authority's Real Estate portfolio are highlighted in Table 6:

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Table 6: Real Estate Salient Features

Salient Features of Real Estate Business	FY 2023/24 Actual	FY 2024/25 LE	FY 2025/26	FY 2026/27 Projections	FY 2027/28
Number of Commercial Ports	8	8	8	8	8
Gross Lettable Area	26million m²	26million m²	26million m²	26million m²	26million m²
Number of Leases	802	788	788	788	788
Terminal Operator Leases	144	144	144	144	144
Terminal Operator Licenses	94	94	94	94	94
Vacancy Factor	26%	26%	26%	26%	26%
Average Term of Leases	5-25 years	5-25 years	5-25 years	5-25 years	5-25 years
Actual/ Estimated Revenue[1]	4,552m	4 745m	5 026m	5 316m	5 545m
Forecasted Revenue Growth	240m	193m	281m	290m	229m

The escalation projections applied are based on current market conditions. However, the forecasted average revenue growth rate per annum may face uncertainties due to the lingering impacts of a sluggish economy and fluctuating market conditions which can threaten the survival of some businesses and result in lease terminations. The introduction of strategic projects that require capital injections to upgrade run-down properties, redevelop and refurbish properties to suite market requirements, will result in better security of tenants allowing the Authority to create a sustainable and thriving real estate business that supports its core objectives.

7.2 Private Sector Participation in the Port Sector (Concession Programmes)

The Authority is mandated by the Act to ensure that activities within ports encourage the development of trade and commerce for the economic benefit and interest of the South African economy. The Authority thus plays a critical role in balancing public interests and commercial interests whilst executing its mandate.

In many instances, the Authority is required to enter into concession agreements with the private sector to facilitate economic development in the port environment. The concession agreements (Section 56 process or a S79 Directive) entered into by the Authority aims to, amongst others:

- introduce new activities and players into the port system;
- enable renewal of old port facilities;

[1] Excludes recoveries for properties outside port limits

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- facilitate development programmes aligned to national economic objectives; and
- encourage participation in port activities by businesses owned by Historically Disadvantaged Persons (HDP) in accordance with legislative requirements.

To date the following Terminal Operator agreements have been concluded across the port system, and are as follows:

Table 7: Concluded Terminal Operator Agreements

No.	Port	Sector	Concessionaire	Date Signed
1.	Durban	Liquid Bulk	Mnambithi Terminals (Pty) Ltd	23 May 2024
2.	Richards Bay	Liquid Bulk	Vopak SA Developments (Pty) Ltd	10 November 2022
3.	Port Elizabeth	Multi-purpose	Bidfreight Port Operations (Pty) Ltd	30 September 2018
4.	Durban	Passenger	Kwa Zulu Cruise Terminal (Pty) Ltd	17 September 2018
5.	Saldanha	Offshore Supply Base	Saldehco (Pty) Ltd	23 April 2018
6.	Cape Town	Passenger	V and A Waterfront Holdings (Pty) Ltd	14 December 2015
7.	Cape Town	Liquid Bulk	Burgan Cape Terminal (Pty) Ltd	03 July 2013
8.	Saldanha Bay	Liquid Bulk	Sunrise Energy (Pty) Ltd	03 June 2013

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Details of the Authority's efforts around planned concessions are highlighted in Table 8:

Table 8: FY 2024/25 Concession Programme

SEGMENT	PORT	PROJECT NAME	GREEN FIELD	BROWN FIELD
Liquid Bulk	Cape Town	Liquid Bulk Terminal		X
		Liquid Bulk Terminal		X
		Liquified Petroleum Gas Terminal		X
	Richards Bay	Bunkering Fuel Terminal		X
		Liquid Bulk (5 sites)	X	
		LNG Terminal	X	
	Durban	Liquified Petroleum Gas Terminal	X	
		Liquid Bulk	X	
	East London	Liquid Bulk Terminals		X
	Ngqura	Liquid Bulk Terminal	X	
	Ngqura	LNG Terminal	X	
	Saldanha	LPG Terminal	X	
		LNG Terminal	X	
	Mossel Bay	SPM		X
MPT	Durban	Citrus and Break-Bulk Terminal	X	
	Durban	Fruit Terminal		X
Container	Richards Bay	Container Handling Facility	X	
Dry Bulk	Durban	Agri Products	X	
Dry Dock	Durban	New Dry Dock	X	

7.3 Marine Business Revenue

The Authority generates revenue by providing services to port users, which include terminal operators, shipping lines, ship agents, cargo owners and the clearing and forwarding industry. Port Infrastructure and maritime services are available for use in the five (5) commodity market sectors namely, containers, dry bulk, liquid bulk, break-bulk and automotive. Revenue is generated through the charging of tariffs, which the Authority must, with the approval of the Regulator, determine for services and facilities

offered by the Authority. In determining the tariffs, various economic and market factors, including the volume growth of the Authority are considered.

7.3.1 The Authority's Volumes

The volumes as presented in this part of the application, showcases the commodity cargoes that flow through South Africa's eight (8) commercial ports as well as the movements of marine vessel traffic.

Projections for the Authority's volume budget process, on an annual basis, usually commence in October and continues to be refined until the Transnet Board approves the budgets in February of the following year. These forecasts present the annual probable demand, on commodities which are handled through the Authority's infrastructure within the port system. This process normally depicts the current year's latest estimates, considering the previous year's performance. Forecasts extend to the following year's volumes (budget period) with projected volumes for the four (4) years. The volume demand is one of the critical elements considered as it guides the organisational planning to ensure the availing of capacity ahead of demand whilst at the same time facilitating efficient and optimal utilisation of current capacity.

The cargo volumes budget compilation follows a bottom-up approach from the port level to the Authority's validated budget. The process starts with the Authority's Key Account Managers (KAM's) communicating and liaising with customers on their operational and strategic plans (i.e., how this translates into volume forecasts for the tariff period under review). The KAM's also liaise across the port system with Port Terminals and other operators, to achieve alignment within all cargo categories. Consolidation of the volume projection feedback is subject to a budget evaluation process which includes assessment against historic, prevailing and anticipated market conditions, operational efficiencies, and infrastructure capacity levels and anticipated improvements. In conjunction with Transnet, a formal interaction platform with key customers to validate customer volume forecasts is undertaken. All divisions of Transnet participate to ensure synchronisation across the entire commodity value chain which further aids for integrated planning within the Transnet Group thereby affording customers an efficient end-to-end logistic offering.

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To ensure that the Tariff Application FY 2025/26 contains the latest updated information, the volumes forecasts informing the Tariff Application are re-assessed by the Authority and updated where necessary.

7.4 Cargo

In 2023, the Authority operated in a global economy characterized by modest economic growth. The global economic outlook for 2024 and 2025 continues to point to modest growth of 3.2% in both years according to the recent revisions of the World Economic Outlook report (WEO). Considering the shocks the global economy has been subjected to over the past few years, this trajectory indicates a positive outcome which speaks to a resilient and stable global economy. Factors such as longer-term effects of the COVID-19 pandemic, the ongoing war in between Russia and Ukraine, and slow productivity growth continue to impact the global economic landscape. Rising geopolitical tensions add another layer of potential risk. Despite the above-mentioned headwinds, a positive trend emerges around inflation. Global headline inflation is projected to decline, transitioning from an annual average of 6.8% in 2023 to 5.9% in 2024 and further down to 4.5% in 2025. Notably, advanced economies are expected to achieve their targeted inflation levels sooner than their emerging market counterparts.

South African economy remained relatively sluggish in 2023. This economic slow growth has extended to the first quarter of 2024 as the domestic economy contracted by 0.1%, providing a strong indication that the country's economic stagnation is still present. However, with some improvements in energy supply during the second quarter of the year, South Africa's economy is expected to see some recovery in the second half of 2024. Additionally, the economy is projected to grow at a moderate rate (averaging 1.3%) over a six-year (6) period (2024-2029) as structural constraints, and other anticipated domestic challenges persist.

Given the short- to medium-term slow growth in the local economy, the Authority growth in volumes will be dependent on favourable global trade conditions and its recovery plan to grow cargo volumes over the review period. The formation of the Government of National Unity (GNU) creates an opportunity for potential policy reviews in several key economic sectors that can stimulate growth and trade.

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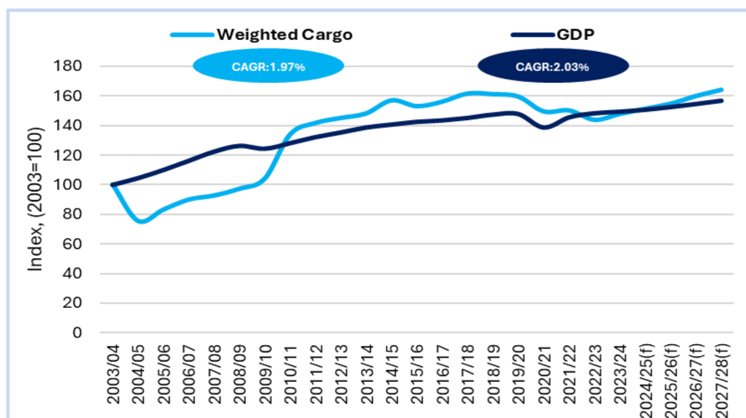
The weighted cargo volumes handled by South African ports improved by 2.8% in FY 2023/24, despite the domestic economy's marginal growth of 0.7% in 2023. This improvement in cargo volumes was mainly due to the Transnet recovery plan that was put into place in the second half of the FY 2023/24. The Authority and other Transnet Operating Divisions continue to oversee the implementation of the Transnet recovery plan, with the support of key stakeholders who are vital to the South African trade value chain. The projected moderate economic outlook is likely to contain further growth of commodity volumes handled by our ports, however, the projected global demand is expected to boost exported volumes over the medium-term. The Authority remains optimistic for commodity volume recovery to at least pre-pandemic performance levels over the medium-term. Over the past 20 years, there has been a correlation between cargo volumes and economic growth as illustrated in figure below.

Figure 3: Correlation between cargo volumes and Gross Domestic Product (GDP)



Source: The Authority and Stats SA data, 2024

The weighted cargo volumes are projected to grow by 2.7% [Compounded Annual Growth Rate (CAGR)] to pre-pandemic performance levels over the next four (4) financial years under review. This cargo volume growth projection is expected to be driven by dry bulk (4.1%), Automotives (3.2%) and Containers (2.9%). In contrast, a downward trajectory is projected for the break bulk and liquid bulk over the period under review.

The Authority's volumes are estimated as follows:

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Table 9: Authority's Cargo Volume Projection

	Actual 2023/24	Budget 2024/25	% change	Forecast 2025/26	% change	Forecast 2026/27	% change	Forecast 2027/28	% change	Forecast 2028/29	% change	CAGR
Container (TEUs)												
Deepsea Full: Imports	1,489,811	1,468,417	-1.4%	1,566,361	6.7%	1,613,719	3.0%	1,653,498	2.5%	1,657,626	0.2%	2.2%
Deepsea Full: Exports	1,179,405	1,247,372	5.8%	1,287,303	3.2%	1,309,901	1.8%	1,341,247	2.4%	1,382,273	3.1%	3.2%
Transhipments	655,848	665,468	1.5%	619,507	-6.9%	648,421	4.7%	671,169	3.5%	683,553	1.8%	0.8%
Other	935,977	1,034,743	10.6%	1,082,866	4.7%	1,111,389	2.6%	1,139,593	2.5%	1,160,761	1.9%	4.4%
Total	***4,261,041***	***4,416,000***	**3.6%**	***4,556,037***	**3.2%**	***4,683,430***	**2.8%**	***4,805,507***	**2.6%**	***4,884,213***	**1.6%**	**2.8%**
Vehicles (Units)												
Vehicles: Imports	281,171	379,275	34.9%	397,678	4.9%	407,957	2.6%	416,704	2.1%	426,411	2.3%	8.7%
Vehicles: Exports	438,794	387,229	-11.8%	407,266	5.2%	401,047	-1.5%	425,008	6.0%	427,896	0.7%	-0.5%
Other	51,172	61,096	19.4%	62,315	2.0%	63,205	1.4%	64,111	1.4%	65,030	1.4%	4.9%
Total	***771,137***	***827,600***	**7.3%**	***867,259***	**4.8%**	***872,209***	**0.6%**	***905,823***	**3.9%**	***919,337***	**1.5%**	**3.6%**
Break Bulk (Tons)												
Break Bulk: Imports	3,485,838	2,914,096	-16.4%	2,819,275	-3.3%	2,867,287	1.7%	2,916,896	1.7%	2,970,423	1.8%	-3.1%
Break Bulk: Exports	2,414,024	1,603,177	-33.6%	1,617,429	0.9%	1,655,452	2.4%	1,694,840	2.4%	1,723,537	1.7%	-6.5%
Other	42,851	45,274	5.7%	49,128	8.5%	54,435	10.8%	59,730	9.7%	65,011	8.8%	8.7%
Total	***5,942,713***	***4,562,547***	**-23.2%**	***4,485,832***	**-1.7%**	***4,577,175***	**2.0%**	***4,671,465***	**2.1%**	***4,758,971***	**1.9%**	**-4.3%**
Dry Bulk (Tons)												
Dry Bulk Imports	10,450,706	8,915,614	-14.7%	9,323,680	4.6%	9,515,912	2.1%	9,705,133	2.0%	9,866,498	1.7%	-1.1%
Coal Exports	63,266,912	68,358,293	8.0%	76,766,240	12.3%	78,401,617	2.1%	80,168,227	2.3%	81,966,856	2.2%	5.3%
Iron Ore Exports	52,057,060	58,121,692	11.6%	58,122,908	0.0%	58,124,138	0.0%	58,125,379	0.0%	58,126,633	0.0%	2.2%
Manganese Ore Exports	20,622,175	20,858,361	1.1%	21,965,733	5.3%	22,288,319	1.5%	22,515,721	1.0%	20,100,968	-10.7%	-0.5%
Other Dry Bulk	20,887,967	20,406,040	-2.3%	23,260,063	14.0%	24,235,306	4.2%	25,157,468	3.8%	25,983,608	3.3%	4.5%
Total	***167,284,820***	***176,660,000***	**5.6%**	***189,438,624***	**7.2%**	***192,565,292***	**1.7%**	***195,671,927***	**1.6%**	***196,044,562***	**0.2%**	**3.2%**
Liquid Bulk (kl)												
Petroleum	32,660,000	27,220,757	-16.7%	27,097,602	-0.5%	27,477,902	1.4%	28,873,543	5.1%	30,511,875	5.7%	-1.4%
Chemicals	1,284,158	2,455,816	91.2%	2,504,107	2.0%	2,522,484	0.7%	2,541,013	0.7%	2,559,693	0.7%	14.8%
Other Liquid bulk	4,946,155	4,973,327	0.5%	5,142,029	3.4%	5,263,508	2.4%	5,708,171	8.4%	5,790,830	1.4%	3.2%
Total	***38,890,313***	***34,649,900***	**-10.9%**	***34,743,738***	**0.3%**	***35,263,895***	**1.5%**	***37,122,727***	**5.3%**	***38,862,398***	**4.7%**	**0.0%**
Weighted Cargo (Tons)	**287,234,739**	**293,976,847**	**2.3%**	**309,370,106**	**5.2%**	**315,191,124**	**1.9%**	**322,506,633**	**2.3%**	**326,087,371**	**1.1%**	**2.6%**

Source: The Authority's data, 2024

7.4.1 Containers

As global economic conditions continue to improve, container movement also shown some further marginal growth at 0.7% in 2023. An improved global economic growth was among key drivers for an improved container throughput. Inflation, though expected to be declining in most regions, remains high and hence consumers continue to experience a squeeze on their purchasing power. However, the global container throughput is projected to regain momentum from 2024 driven by expected improved global economic growth with optimistic view for geopolitical situation starting to normalise. Global container outlook remains positive at 2.5% (CAGR) over the period between 2024 and 2028. The container throughput in the African region is projected to grow by 2.6% (CAGR) driven by some aggressive economic growth plans in certain regions of the continent. Container throughput growth in the African continent is expected to be led by the North Africa at 3.2% (CAGR), while Southern Africa (2.1%, CAGR) and East Africa (0.7%, CAGR) regi

ns form part of the least growing regions.

South Africa's container throughput recovered by 3.8% from the contraction that was recorded in FY 2022/23. The number of containers handled by South African ports increased from 4.1 million TEUs in FY 2022/23 to 4.3 million TEUs

in FY 2023/24. The country's industrial sector improvements and ports' recovery plan that was implemented in the second half of FY 2023/24 contributed to this improved container handling. The Port Authority forecasts a robust growth over the period between FY 2024/25 and FY 2028/29. This projected container growth is expected to be supported by the recovery plan interventions by the Port Authority, industry players, and the government to strengthen enablement for South Africa's industrial sector.

The Port Authority maintains its optimistic forecasting approach for container volume in FY 2024/25 after evaluating the prognosis for container volume and the risks associated to the key industries that are driving container growth. The Port Authority is projecting a 3.6% and 3.2% container volume growth over the FY 2024/25 and FY 2025/26, respectively. This projection is based on expected demand and industrial production for country's recovery amid energy supply, logistic value chain and port efficiency improvements. It is anticipated that container volume growth will stabilize thereafter and improve at moderate growth over the remaining period of the forecast period.

7.4.2 Automotives

The global automotive sector is expected to expand in 2024, albeit at a slower rate than the strong recovery that was seen in 2023. Although sales growth is anticipated to slow down, overall volumes are predicted to surpass 92 million units and 2018 levels, setting new records. This predicted expansion comes after 2023, which had a notable rebound in sales, rising by over 11% on an annual basis due to eased supply chain restrictions and restocked dealer inventories. Vehicle manufacturers, however, anticipate a minor drop in output in 2024. The rationale behind this change is twofold - firstly, a quicker than expected replenishment of dealership inventories in 2023, and secondly - a perhaps more cautious consumer purchasing climate.

It is anticipated that the US light vehicle industry would continue to grow in 2024, with sales predicted to reach 15.9 million units, which might be a record high since 2019. This optimistic forecast comes after a strong 13.1% year-over-year rise in 2023. China continues to lead the world in vehicle sales with an

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estimated rise of 11.9% in 2023. China is also in the forefront of the worldwide Electric Vehicle (EV) market, accounting for more than one-third of new vehicle sales in 2023. It is anticipated that by 2026, EVs may have surpassed a 50% market share in this trend. It is anticipated that European vehicle sales will continue to rise in 2024, propelled by expansion in the markets of Western and Central Europe. This follows a positive performance in 2023, particularly in countries like France, Italy, and Spain, which each witnessed significant double-digit increases in new car registrations.

Established vehicle manufacturers and rising interest in EVs are driving the demand in the South African passenger car industry. Customers now have more options and may pay less due to increased competition from foreign businesses. Additionally, South African customers are demonstrating a greater capacity to purchase and maintain new vehicle brands, with some even owning multiple vehicles. New models are being introduced by major manufacturers in response to market demand. It appears that as EVs gain popularity and the market environment continues to change, the South African passenger car industry will provide greater opportunities for development and innovation.

During FY 2023/24, the auto segment's performance declined, falling 6.6% short of projected volumes. In addition, there was a notable 11.6% decrease in the number of vehicles passing through South African ports, where imports suffered the most at -36.6%.

Going forward, the Authority anticipates a positive turnaround, as auto volumes for FY 2024/25 are expected to increase by 7.3%, which will be followed by a 6.0% increase forecasted for FY 2025/26 and normalize thereafter.

7.4.3 Break Bulk

In the recent past, the construction sector noted an increase in economic activity due to increased public investment and surge in government-backed infrastructure projects is driving demand for breakbulk cargo. The commodities primarily responsible for the increase in breakbulk volumes include the importation of agricultural products, steel, and cement.

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The South African government is implementing a comprehensive plan to enhance its infrastructure with the goal of promoting economic growth and improving the welfare of its people. Important industries including energy, water management, and transportation networks (roads) are given priority in this strategy.

The Infrastructure Fund is the main component of this program. It is a blended finance initiative which combines public and private capital, where the public sector commitment entails a R100 billion spread out over ten (10) years. There has been significant progress where 34 of the 50 specified infrastructure projects are in the execution phase. Out of the R340 billion total planned, these projects represent a combined investment of R281 billion.

In the agricultural sector, the recent weather pattern shift from El Niño to La Niña is encouraging for agricultural output. Increased rainfall is usually linked to La Niña, which might greatly improve agricultural output in several subsectors. This is especially true for South Africa, where the production of all fruits and vegetables depends on irrigation. With the livestock and poultry sectors accounting for about half of the agricultural economy in the country, positive indicators of recovery are emerging. After a period of difficulties caused by avian influenza and animal diseases, these subsectors are benefiting from better grazing conditions due to rainfall.

The horticultural industry, which includes fruits and vegetables, has had a promising start to 2024. This performance can be linked to things like increased irrigation dam levels, a steady supply of energy, and the possibility of a bumper crop. Notwithstanding these encouraging signs, there are still difficulties facing the agriculture industry. Field crops have suffered greatly because of the midsummer drought, where the summer harvest of grains and oilseeds in 2023–2024 is estimated to result in a decrease of 20% year-on-year. This downturn might temper overall agricultural growth statistics in the second half of 2024.

The Authority's records show that breakbulk volumes exceeded expectations in the FY 2023/24 by 51.4%. However, it must be noted that in FY 2024/25 it is

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expected that breakbulk volumes will decline by 23.2%. This will likely be followed by a period of relative stagnation at 0% growth in FY 2025/26.

7.4.4 Coal

The global trade of coal increased by around 100 million metric tons in 2023, reaching a record high. China's increasing imports, surged by 150 million metric tons as local output fell short of surging demand, resulting in this significant increase. Approximately 80% of the world's coal imports came from the Asia Pacific area. In the meantime, the European Union has been expanding the sources of coal it purchases, with increased imports from the US, Australia, Colombia, South Africa, and other nations, displacing Russian supplies.

Unlike the rest of the globe, 2023 saw some setbacks for South Africa's coal sector. Reduced demand for coal was the outcome of local power utility Eskom's continuous problems with power plant operation. Not to mention the considerable logistical obstacles Transnet Freight Rail (TFR) had to overcome added to this problem. South Africa was unable to fully benefit from the good market circumstances due to TFR's inability to move coal to the Richards Bay Coal Terminal (RBCT) in an effective manner, despite record export prices and anticipated upgrades.

As such, the volume of coal that was handled through the Authority's ports decreased by 0.7% in FY 2023/24 as compared to the previous year, noting the decline is anticipated to be temporary as forecasts for FY 2024/25 indicate an 8.0% increase in coal volumes, signalling a recovery in throughput supported by Transnet Freight Rail through the Transnet Recovery Plan. It is anticipated that an upward trend will continue in the medium term.

7.4.5 Iron Ore

A pronounced deceleration in global demand, particularly in critical consumer regions like China, Japan, Korean, Taiwan, and Europe (collectively accounting for roughly 95% of global seaborne iron ore imports), has significantly dampened the market. While concerns regarding logistical and operational disruptions that could potentially restrict supply have somewhat receded due to

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accumulated inventories. This has yielded a new challenge for a market grappling with weak demand.

Iron ore prices have experienced an excessive decline plummeting from USD$140 per dry metric tonne at the beginning of 2024 to USD$108 per dry metric tonne by the close of the first quarter. Several factors are contributing to this downturn, which includes a weakened demand within the steel production sector, is putting downward pressure on prices. Additionally, an abundance of iron ore supply, particularly evident towards the end of the first quarter, has outpaced demand. Furthermore, China, a key consumer nation, is experiencing rising stockpiles of iron ore. The absence of further economic stimulus measures has also fuelled a bearish market sentiment, impacting iron ore prices.

The market's dynamic has also undergone a notable transformation, wherein its was previously characterized by low inventory levels that rendered iron ore prices highly sensitive to even minor fluctuations in supply and demand, the current market, with its built-up inventories, exhibits reduced volatility. Prices now more accurately reflect the underlying supply and demand balance, which skews heavily towards a surplus.

The ramifications of this global slowdown are expected to directly impact South Africa. The nation's iron ore exports are projected to experience a negative compound annual growth trajectory of 2.4% between 2023 and 2028. Considering these headwinds, the South African iron ore industry must strategically adapt to subdued demand and potentially lower prices.

The Authority's data shows that iron ore export volumes in FY 2023/24 were 11.1% short of the budget. Nevertheless, there was a favourable development with a 2.7% annual increase in the amount of iron ore passing through South African ports. A strong rebound in iron ore shipments is anticipated with the forecast for the FY 2024/25 anticipating an increase in export volumes of 11.6%. A period of relative stability is expected to ensue, with no growth predicted from FY 2025/26 to FY 2027/28. This stagnant growth is associated, amongst other things, to the construction industry's projected slow recovery growth, which is the main driver of steel demand, and uncertainties surrounding the anticipated

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introduction of iron ore and the steel technology roadmap, which aims to reduce greenhouse gas emissions to meet global energy and climate goals.

7.4.6 Manganese Ore

The global market for manganese, an essential part of the steel industry, is going through a phase of subdued growth. The global demand for manganese, which is used to improve steel strength and eliminate impurities, is slowing down, even though South Africa holds a prominent position in the market, providing around 25-33.5% of global manganese production. There is a general economic slowdown occurring at the same time as this downturn, especially in China's critical steel industry. Accordingly, market projections anticipate a phase of stagnation in the world's manganese demand, with its prospects closely tied to the course of the steel sector, which is also faced by impending uncertainty.

While there is a noticeable rise in the volume of manganese exported from South Africa, Brazil, and the Ivory Coast to nations bordering the Baltic Sea, such as Estonia, Latvia, and Lithuania.

Manganese volumes going through South Africa’s ports recorded a growth of 1.4% during the FY 2023/24 when compared to previous financial year. Despite falling short (5.8%) of targeted manganese volumes, the Authority anticipates further growth of 1.1% in manganese volumes handled at the ports for the current financial year. However, a 0.4% contraction in volumes is forecasted in FY 2025/26, 0.2% and 0.9% growth are expected in FY 2026/27 and FY 2027/28, respectively. Manganese is anticipated to grow at a CAGR of just 0.5% during the forecast period.

7.4.7 Liquid Bulk

The medium-term outlook for the global oil market is complex. Changes in the structure are impacting trade flows and the demand for oil, noting increased oil supply may put downward pressure on prices in the short- to medium term. The divergence of regional economic growth paths is causing a global slowdown in oil consumption e.g., oil consumption in industrialized nations is predicted to fall dramatically, while rising economies in Asia, especially China and India, are likely

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to drive all the world's future demand increase. Furthermore, the increasing adoption of energy-efficient and clean technology is a contributing factor to this trend, which will eventually cause the demand for oil to plateau towards 2030.

In South Africa, there is notable increase in activity particularly in the country's offshore oil and gas sector. Encouraged by recent discoveries and a government keen to bolster domestic energy security, exploration efforts by energy companies are intensifying. However, this newfound optimism is tempered by two (2) significant considerations namely, the potential environmental impact, and the ongoing global transition towards renewable energy sources.

On the one hand, a consortium of energy majors, including TotalEnergies and Africa Oil is strategically deploying resources to define the boundaries and extent of underground oil and gas reserves. This exploration push, coupled with the government's planned auction for onshore shale gas exploration blocks, has the potential to significantly enhance South Africa's medium-term energy independence. The ultimate objective is to diversify the nation's energy mix, lessen reliance on imported fuels, and cater to its growing energy demands.

It must be noted that the pursuit of fossil fuel resources faces staunch opposition from environmental advocacy groups. Seismic surveys, a critical component of the exploration process, have been successfully challenged in court due to concerns regarding their potential disruption to marine ecosystems. The protracted passage of the Petroleum Resources Development Bill through parliament adds another layer of uncertainty. This legislation, designed to streamline regulations for exploration and production activities, remains stalled creating an uncertain investment environment for potential stakeholders.

The liquid bulk volumes surpassed (31.1%) budgeted volumes during the FY 2023/24 and recorded a growth of 9.7% when compared to the FY 2022/23. During FY 2024/25, 10.9% decline in liquid bulk volumes is anticipated. A recovery of 2.3% is expected in FY 2025/26 before a contraction of 5.5% in FY 2026/27.

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7.5 Marine Services

Marine Services volumes comprise of the number of vessels arriving at the Authority's ports and their associated Gross Registered Tonnage (GRT). Marine Services revenue is influenced by the average vessel size and ship turnaround time.

Globally, over the past two (2) decades, vessel sizes have been increasing to optimize costs through economies of scale. The current largest vessel has a capacity of 24 346 Twenty-foot Equivalent Units (TEUs) (Marine Insight, 2023). According to the United Nations Conference on Trade and Development (UNCTAD), ship sizes have increased much faster than trade volumes and as the sizes increase, the number of services decline if the ships remain fully loaded. The South Africa port system has struggled to keep up with the container vessel evolution, which has led to some poor performance and a low ranking in terms of global competitiveness. Improving port efficiencies is one of the key focus areas outlined in the current recovery plan.

According to UNCTAD, most of the larger ships are deployed to Asia-Europe, whereas African countries like Ghana, Mauritius, Togo, and South Africa receive mostly 15 000 TEU ships. Despite rising freight volumes, revenue from these services has remained relatively static. Additional expenses are incurred because of fewer vessel calls due to larger vessels and longer port stays due to greater parcel sizes; nevertheless, this is not a substitute for recoveries achieved through more frequent vessel calls with shorter stays.

Furthermore, the UNCTAD warns that gains from economies of scale arising from the deployment of larger vessels may not always benefit ports and inland transportation service providers since they frequently raise total transportation costs across the logistics chain. This phenomenon has proved to have a serious adverse impact on South African port performance because of the ongoing truck congestion caused by the rail system's persistent challenges, which are primarily caused by infrastructure related struggles. An increase in the average call or ship size often results in peak demand for trucks, yard space, and intermodal connections, as well as increased investment needs for port infrastructure, dredging, and equipment (e.g., bigger cranes).

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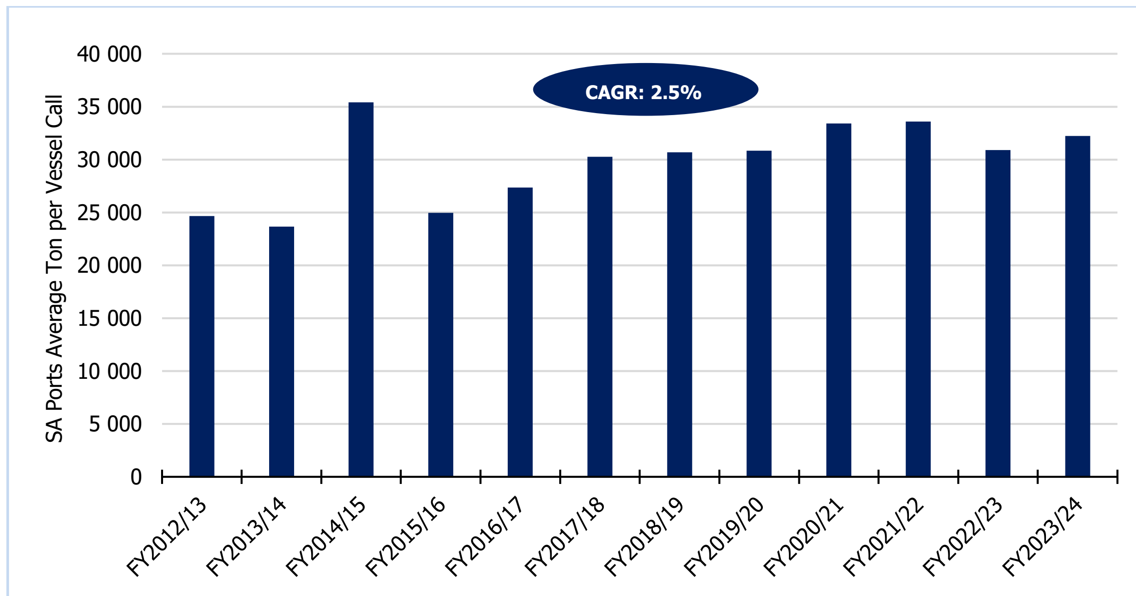
Despite the downward trajectory in the number of vessels calling at the Authority's ports over the past decade (FY 2012/13 to FY 2023/24), the average tonnage per vessel calls at South African ports has improved by 2.5% (CAGR) over the review period.

Vessel traffic is demand-driven and is dependent on an increase in cargo volumes. Despite projected moderate economic growth for South Africa, the outlook for commodity volume over the next four (4) years is positive. Over the projected period, the Authority predicts volume increases in main cargo categories, which will result in an increase in marine services. The figure below illustrates an upward trend for average tonnage per vessel call at South African ports.

Figure 4: Average Tonnage Per Vessel Call



Source: The Authority's data, 2024

Figure 5 below illustrates the Authority's historic number of vessel arrivals by cargo type over the period between FY 2012/13 and FY 2023/24. In contrast to the average tonnage per vessel, vessel call trends have been declining at 2.2% over the period under review. This decline in vessel calls has been recorded in four (4) cargo types with major decrease in general cargo vessel calls (-6.0) followed by container vessel calls (-4.9%). On a positive note, calls from tanker and passenger vessels have improved by 5.4% (CAGR) and 2.4% (CAGR), respectively.

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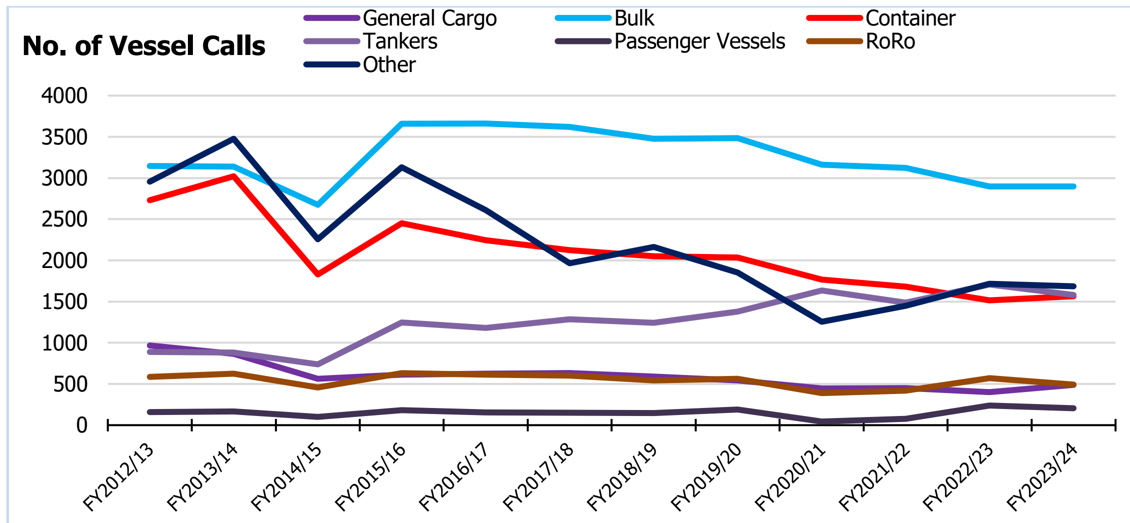
Figure 5: Port Vessel Calls by Cargo Type



Source: The Authority's data, 2024

According to UNCTAD, Liner Shipping Connectivity Index (LSCI) data indicates a diminishing trend in South Africa's ports' connectivity to the world's liner shipping network over the past decade. The LSCI as an index is the measurement to assess a countries or port's integration into global liner shipping network. The three (3) major ports of Durban, Cape Town and Port Elizabeth have seen significant declines over the years under review. Persistent challenges in port efficiencies may be associated to the decline in connectiveness of our ports. As such, trade competitiveness and cargo growth could be negatively impacted by this, however, the Cape of Good Hope containership diversion due to challenges in the Suez Canal and geopolitical tensions which have affected the Red Sea route may improve and restore South Africa's ports connectivity with the global liner shipping network. This further aligns to the State of the Nation Address, 2024, wherein the President Cyril Ramaphosa indicated that "*with the current conflict in the Middle East affecting shipping traffic through the Suez Canal, South Africa is well positioned to offer bunkering services for ships that will be rerouted via our shores".*

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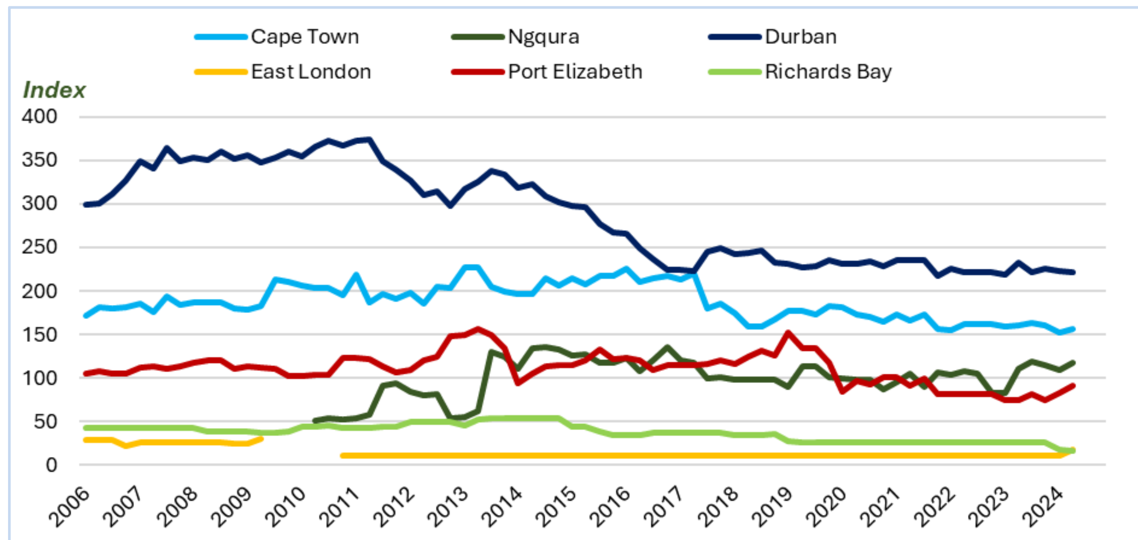
Figure 6 illustrates LSCI for South African ports over the period between quarter one of 2006 and quarter 2 of 2024.

Figure 6: Port liner shipping connectivity index



Source: UNCTAD data, 2024

8. Tariff Application Approach

The Authority's mandate and strategy informing its business requirements and forecasted Capex and Opex; together with the latest market and economic factors, are considered within the rules of the Tariff Methodology resulting in the Authority's Tariff Application.

8.1 Revenue Requirement Formula

The Tariff Application has been prepared in accordance with the approved Tariff Methodology. The prescribed formula is as follows:

Table 10: Revenue Requirement (RR)

RR = Regulatory Asset Base (RAB) X Weighted Average Cost of Capital (WACC) + Operating Costs + Depreciation + Taxation Expense ± Claw back ± Excessive Tariff Increase Margin Credit (ETIMC) ± Weighted Efficiency Gains from Operations (WEGO)

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The application of this formula is demonstrated in the sections that follow.

8.1.1 Regulatory Asset Base

Methodology for the valuation of the Authority's RAB

Based on the Authority becoming a subsidiary of Transnet, the RAB has been valued based on the TOC asset valuation methodology. Use of the TOC approach is considered appropriate as the Tariff Methodology states that should the "*Authority be corporatised (stand-alone SOC or subsidiary), the Regulator will consider applying TOC until credit metrics like the cash interest cover ratio have been proven to be within sustainable limits*".

8.1.1.1 RAB

The Authority's Regulatory Fixed Asset Register (FAR) is adjusted on an annual basis to account for all acquisitions, disposals, and write-offs. In line with the principles of TOC, assets with useful lives of more than five (5) years are trended and depreciated, annually. Additionally, the RAB excludes properties outside port limits per the ROD FY 2023/24 and Capital Works In Progress (CWIP) in accordance with the Tariff Methodology, whilst engagements with the Regulator continue on these matters.

8.1.1.2 Depreciation

Depreciation for assets has been determined based on the remaining useful life of each asset. This results in a depreciation expense of R2 822m for FY 2025/26, R2 745m for FY 2026/27 and R2 735m for FY 2027/28.

8.1.1.3 Inflation Trending

In accordance with the Tariff Methodology, the Authority has utilised the latest forecasts published annually by the Bureau for Economic Research (BER) (Source: BER July 2024) for indexation/ trending of the RAB and for determination of the WACC. The Authority is of the understanding that the Regulator will use the most recent inflation forecast at the time of the issuance

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of the Record of Decision, and most likely resulting in a different tariff determination than the Authority's application[2].

8.1.1.4 Capital Expenditure

Capex is informed by the Authority's capital investment programme. Actual Capex of R1 769m has been recorded for FY 2023/24, with projected Capex of R3 466m for FY 2024/25[3]. The forecasted Capex for FY 2025/26 is R3 351m; R5 467m and R 5 373m for FY 2026/27 and FY 2027/28, respectively. Detailed information relating to capital expenditure is demonstrated in ***Annexure A: Capital Expenditure***.

8.1.1.5 Working Capital

The Authority's net working capital is determined as follows:

Table 11: Working Capital

Working Capital	2023/24	2024/25	2025/26	2026/27	2027/28
Indexation					
Volume Growth		3.94%	3.56%	3.48%	3.77%
Inflation		5.10%	4.57%	4.55%	4.39%

AFS 2023/24 - rolled forward to FY 2023/24	2023/24	2024/25
	R'm	
Current Assets		
Trade receivables	2,386	2,480
Inventories	69	73
Current Liabilities		
Trade Payables (including VAT liability)	4,210	4,425

Working Capital Calculation for FY 2025/26 - FY 2027/28	R'm	R'm	R'm
	2025/26	2026/27	2027/28
Current Assets	**2,644**	**2,737**	**2,841**
Trade receivables	2,568	2,658	2,758
Inventories	76	79	83
Current Liabilities	**4,906**	**5,293**	**5,498**
Trade Payables (including VAT liability)	4,627	4,837	5,050
CWIP Payables (1/12)	279	456	448
Working Capital	**-2,262**	**-2,556**	**-2,657**

8.1.2 WACC

The Tariff Methodology prescribes the data sets and economic data to be used to determine the WACC. The key components used to determine the Real Vanilla WACC are highlighted in Table 12 below.

[2] Given the sensitivity of inflation on Required Revenues and tariff determination, the approach of the Authority and the Regulator using different inflation rates based on timing of application vs Regulator decision needs to be revisited in order to bring certainty to the process.

[3] FY 2024/25 and FY 2025/26 excludes Capex for properties outside port limits

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Table 12: WACC

REAL RATE OF RETURN	2025/26	2026/27	2027/28
Inflation forecast	4.57%	4.55%	4.39%
Nominal Risk-free rate	9.93%	9.93%	9.93%
Real risk free rate	5.12%	5.15%	5.31%
MRP	5.06%	5.06%	5.06%
Asset beta	0.35	0.35	0.35
Equity beta (using Hamada)	0.61	0.61	0.61
Gearing	50.00%	50.00%	50.00%
Debt/equity ratio	100.00%	100.00%	100.00%
Nominal Weighted Average Cost of Debt (WACD)	11.09%	11.09%	11.09%
Tax rate	27.00%	27.00%	27.00%
Real Cost of equity (post-tax)	8.19%	8.21%	8.37%
Real WACD (pre-tax)	6.23%	6.25%	6.41%
Real Vanilla WACC	**7.21%**	**7.23%**	**7.39%**

Explanatory notes:
Risk Free Rate: KBP2003M, calculated over the full period from January 1960 to May 2024 for FY 2025/26
MRP: Geometric mean with the use of the DMS studies over the full period available dataset (124 years)
Inflation: BER Forecasts
Cost of Debt: NPA's actual, embedded (adjusted for an effective weighting) debt costs
Tax Rate: Corporate Tax rate of 27% utilised due to imminent subsidiarisation of the Authority
FY 2025/26 MRP & RFR figures are used as proxies for MRP & RFR figures for indicative years FY 2026/27 & FY 2027/28

8.1.3 Valuation of the RAB

In accordance with the RAB formula, the valuation of the RAB is highlighted in Table 13 below:

Table 13: Regulatory Asset Base

REGULATORY ASSET BASE	FY 2025/26	FY 2026/27	FY 2027/28
	Fixed Tariff Year	Indicative Tariff Years	
	R'm		
Opening RAB	85,967	90,657	97,830
Inflation Index	4,161	4,453	4,614
Indexed RAB	90,127	95,109	102,444
Add: Capex	3,351	5,467	5,373
Depreciation	-2,822	-2,745	-2,735
Closing RAB	90,657	97,830	105,082
Average RAB	88,312	94,243	101,456
Less: Working Capital	-2,262	-2,556	-2,657
Regulatory Asset Base	**86,050**	**91,688**	**98,799**

8.1.4 Taxation

Given the impending corporatisation of the Authority, the tax expense is based on the corporate tax rate of 27% and is calculated as highlighted in Table 14.

Table 14: Tax Calculation

Taxation	2025/26	2026/27	2027/28
Equity Return	3,522	3,764	4,134
Depreciation	2,822	2,745	2,735
Opex	6,854	7,522	7,870
Gross income	**13,198**	**14,031**	**14,739**
Depreciation	2,822	2,745	2,735
Opex	6,854	7,522	7,870
Total Deductions	**9,676**	**10,267**	**10,605**
Taxable Income	3,522	3,764	4,134
Grossup factor	0.73	0.73	0.73
Grossed up taxable income	4,825	5,156	5,663
Tax @ 27%	**1,303**	**1,392**	**1,529**

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8.1.5 Operating Costs

The Authority's Opex reflects the organisation's expenditure required, amongst others, to sustain its day-to-day operations, deliver on its mandate as well as support the DES and Transnet recovery plan. Most of the Authority's operating costs are largely of a fixed nature.

Table 15 highlights the Authority's Opex. The total Opex for FY 2025/26 is projected at approximately R6 854m (excluding Opex for properties outside port limits); inclusive of Group Costs of approximately R555m. The forecast Opex for FY 2026/27 and FY 2027/28 is R7 522m and R7 870m, respectively.

Table 15: Operating Costs Including Group Costs

Cost Category	Actual 2023/24	Budget 2024/25	Forecast 2025/26	Dev 24/25 vs 25/26	Dev 24/25 vs 25/26	% of Opex 25/26	Forecast 2026/27	Forecast 2027/28	CAGR 2025/26 - 2027/28
	R Million		R Million		%		R Million		
Labour Costs	3,026	3,099	3,140	41	1.3%	49.7%	3,708	3,860	10.9%
Fuel	338	380	399	19	5.0%	6.3%	427	457	7.0%
Electricity	550	582	597	15	2.6%	9.5%	597	627	2.5%
Maintenance	664	760	829	69	9.1%	13.1%	838	880	3.0%
Material	172	240	276	36	15.1%	4.4%	265	278	0.2%
Informations systems	111	163	170	7	4.5%	2.7%	178	186	4.5%
Insurance Operations	98	60	63	3	5.0%	1.0%	66	69	5.0%
Professional services	30	57	55	-2	-3.1%	0.9%	60	65	8.5%
Rental & Leases	35	37	38	2	4.2%	0.6%	40	42	4.3%
Rates & taxes	552	455	550	95	20.9%	8.7%	560	578	2.5%
Water	326	120	180	60	50.0%	2.9%	159	176	-1.2%
Pre -Feasibility Studies	47	101	106	5	5.0%	1.7%	148	155	20.9%
Security costs	180	147	159	12	7.9%	2.5%	166	173	4.5%
Sundry operating costs	-180	-223	-248	-25	11.1%	-3.9%	-265	-281	6.4%
Total Operating Cost	***5,949***	***5,977***	***6,315***	***337***	***5.6%***	***100.0%***	***6,947***	***7,264***	***7.3%***
Group Costs	322	580	555	-25	-4.3%		575	606	4.5%
Total operating cost	***6,271***	***6,558***	***6,870***	***312***	***4.8%***		***7,522***	***7,870***	***7.0%***
Less: Properties Outside Port Limits	-19	-20	-16	4	-20.5%				
Total Operating Cost (Excl. Properties outside port limits)	***6,251***	***6,538***	***6,854***	***316***	***4.8%***		***7,522***	***7,870***	***7.2%***

Annexure B provides detailed Opex information.

8.1.6 Revenue Claw-back

In accordance with the clawback rules, the net claw-back results due to the actual claw-back (based on audited results) for FY 2023/24 and provisional claw-back for FY 2024/25 is illustrated in Table 16.

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Table 16: Net Clawback Calculation

CLAWBACK	FY 2023/24 R'm	
	ROD	ACTUALS
Return on asset	5,253	4,939
Depreciation	2,665	2,732
Opex (Including Group Costs)	6,066	6,251
Tax	1,121	-
WEGO	-204	-204
Clawback	-840	-840
Reversal of impairments	-544	-544
ETIMC	484	484
Revenue Allowed/Actual Revenue	**14,002**	**12,820**
AFS Revenue [excluding lease smoothing revenue (R900m) and revenue for land outside port limits (R98m)]		14,005
Clawback		-1,186
Clawback as per above		-1,186
Contract Revenue		-
Reverse FY 2023/24 Provisional Clawback taken in FY 2024/25		-70
Estimated Clawback for FY 2024/25 (half)		83
Add return on clawback account for FY 2023/24 and 2024/25		-129
Net Clawback		**-1,301**

It must be noted that actual revenue for the Authority has been adjusted to exclude lease smoothing revenue and expenditure for properties outside port limits.

8.1.7 ETIMC

The ETIMC is used as a smoothing mechanism to influence tariff levels, including but not limited to, spikes in tariffs due to a sharp increase in Capex, volatilities in volumes, or any other market related factor. The Authority has elected not to trigger the use of ETIMC - given the 0% average tariff adjustment for FY 2024/25, cashflow requirements of the business and importance of ensuring that pricing signals delivered to the market is commensurate with Transnet's recovery plan and Capex programme.

8.2 Revenue Requirement

In summary, the Authority has determined a Required Revenue of R15 663m, comprising of marine revenue of R10 882m and Real Estate revenue of R5 026m for FY 2025/26. Indicative Required Revenues for FY 2026/27 and FY 2027/28 is R18 372m and R19 435m, respectively.

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Table 17: Revenue Requirement from FY 2025/26 to FY 2027/28

DETAILS	2024/25 ROD R'm	2025/26 Fixed Tariff Year R'm	2026/27 Indicative Tariff Years R'm	2027/28 Indicative Tariff Years R'm
Return on Capital	5,880	6,202	6,630	7,301
Plus: Depreciation	2,754	2,822	2,745	2,735
Plus: Operating Costs	6,430	6,854	7,522	7,870
Plus: Taxation Expense	1,251	1,303	1,392	1,529
Plus/Less: WEGO	-226	-217	-	-
Plus/Less: Clawback	-2,643	-1,301	83	-
Plus/Less: Reversal of Impairments	-	-	-	-
Plus/Less: ETIMC	983	-	-	-
Required Revenue	***14,429***	***15,663***	***18,372***	***19,435***
Less: Real Estate	-4,838	-5,026	-5,316	-5,545
Marine Revenue	***9,590***	***10,637***	***13,056***	***13,890***

Revenues related to volume growth for FY 2025/26 of 3.56% is determined per Table 18.

Table 18: Revenues related to volume growth (FY 2025/26)

Revenue	FY 2024/25 Latest Estimate R'm	FY 2025/26 Weighted Average Revenue: Volume Increase %	FY 2025/26 Revenue: Volume Increase R'm
Containers	3,343	5.87%	196
Break Bulk	131	-1.61%	(2)
Dry Bulk	1,511	3.52%	53
Liquid Bulk	929	0.19%	2
Automotive	398	4.88%	19
TOTAL CARGO DUES	**6,313**	**4.26%**	**269**
Marine & other revenue	3,206		70
TOTAL TARIFF BOOK REVENUE	**9,519**	**3.56%**	**339**
Real estate revenue	4,745		281
Total Revenue	**14,263**	**4.35%**	**620**

Table 19 illustrates the required tariff adjustment considering the projected volume growth of 3.56% for FY 2025/26, 3.48% and 3.77% for FY 2026/27 and FY 2027/28, respectively:

Table 19: Marine Revenue for FY 2025/26 to FY 2027/28

MARINE REVENUE	2025/26 Fixed Tariff Year R'm	2026/27 Indicative Tariff Years R'm	2027/28 Indicative Tariff Years R'm
Prior Year Revenue	9,519	10,637	13,056
Estimated Volume Growth	3.56%	3.48%	3.77%
Revenue after volume growth	9,858	11,007	13,548
Required Revenue	10,637	13,056	13,890
Tariff Increase	**7.90%**	**18.61%**	**2.52%**

The tariff adjustments are based on application of the Tariff Methodology and due consideration of market and economic factors, the Authority's achievement of the

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objectives of the Act and Port Directives; and effective delivery on its mandate and the DES; and Capex projects in the short to medium term.

8.3 The Tariff Strategy

The approved[4] tariff strategy sets out the strategic direction for the South African port system, to provide port users and stakeholders with a clear view of the port tariffs over the next couple of years.

The implementation of the Tariff Strategy results in a rebalancing and rebasing of tariffs. The underlying principle of the tariff strategy is the user pay principle where infrastructure cost-based tariffs are formulated based on an appropriate asset cost allocations mechanism.

8.3.1 Tariff Book Proposal for FY 2025/26

In aligning the tariffs to the tariff strategy, the impact (i.e., feasibility and affordability) of the tariff adjustments are considered for each user group; whilst also ensuring that the Authority remains revenue neutral.

8.3.1.1 SA GDP Impact and the Authority's Volume Growth

Table 20 below highlights GDP growth over the past five (5) years and highlights that over the period there has been an overall negative growth of real GDP in all cargo segments, except for Automotives, and Manganese exports:

Table 20: SA GDP vs. Volume Growth[5]

Details	2018	2019	2020	2021	2022	2023	Average
GDP	1,5	0,3	-6,3	4,9	2,0	0,6	0,5
Container	5,2	-7,1	-10,0	8,3	-4,4	-2,4	-1,7
Dry Bulk	1,4	3,6	-4,3	-3,0	-2,4	-1,6	-1,0
Coal Exports	2,5	-4,6	-2,1	-11,9	-0,4	-3,9	-3,4
Iron Ore Exports	0,0	8,4	-8,7	3,7	-11,6	2,2	-1,0
Manganese Exports	11,4	10,9	5,0	0,0	7,7	5,6	6,8
RoRo	1,3	10,5	-35,8	30,5	28,1	0,0	5,8
Liquid Bulk	-4,2	-1,2	-1,3	-2,4	-9,1	4,0	-2,4
Break Bulk	2,9	-20,8	-32,2	42,1	12,0	7,8	1,9

[4] Originally approved on 31 July 2015 (revised March 2020)

[5] Coal, Iron Ore, and Manganese relate to exports only as approximately 95% of the Authority's total volumes (import and export) relates to the export of these commodities. For other commodities, the picture is for both imports and exports.

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8.3.1.2 Differentiated Tariff Proposal

The differentiated tariffs proposed by the Authority are in line with the requirements of the Tariff Strategy approved by the Regulator, and further consider the market and economic conditions and business requirements. The proposed tariff differentiation further supports the DES; and considers economic factors such as the impact of the SA GDP growth on the Authority's volumes (discussed above), and the Regulator's Global Port Comparator Study (GPCS) FY 2023/24.

In summary, the Authority proposes the following tariff differentiation for the Regulator's approval:

- Tariff increase of 14.19% on Marine charges (shipping lines);
- 4.57% adjustment on Ship Repairs (Drydock, Floating dock and Syncrolift);
- 4.57% increase on Containers Imports & Exports;
- 6.67% increase on Deepsea Container Empties;
- 4.57% on Coastwise Containers & Transhipments;
- 6.69% increase on Container Empty Transhipments;
- 4.57% on Break Bulk Imports & Exports;
- 4.57% on Dry Bulk Imports & Exports;
- 7.90% on Dry Bulk Coal & Magnetite Exports;
- 4.57% increase on Liquid Bulk Import & Export; and
- 4.57% increase on Automotive Imports & Exports.

The outcome of the Authority's proposed tariff differentiation is highlighted in Table 21.

Table 21: Differentiated Tariff Approach results

Revenue	FY 2024/25	FY 2025/26				
	Latest Estimate	Weighted Average Revenue: Volume Increase	Revenue: Volume Increase	Revenue: Tariff Increase	Weighted Average Revenue: Tariff Increase	Required Revenue
	R'm	%	R'm	R'm	%	R'm
Containers	3 343	5,87%	196	163	4,60%	3 702
Break Bulk	131	-1,61%	(2)	6	4,57%	135
Dry Bulk	1 511	3,52%	53	84	5,37%	1 648
Liquid Bulk	929	0,19%	2	43	4,57%	974
Automotive	398	4,88%	19	19	4,57%	437
TOTAL CARGO DUES	**6 313**	**4,26%**	**269**	**314**	**4,8%**	**6 896**
Marine & other revenue	3 206		70	465	14,18%	3 741
TOTAL TARIFF BOOK REVENUE	**9 519**	**3,56%**	**339**	**779**	**7,90%**	**10 637**
Real estate revenue	4 745		281	-		5 026
Total Revenue	**14 263**	**4,35%**	**620**	**779**	**5,23%**	**15 663**

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The differentiated tariff adjustments result in a weighted average tariff adjustment of **7.90% for FY 2025/26**.

The rationale for the proposed tariff differentiation is as follows:

- **Marine Charges (Shipping Lines):**
  - In accordance with the Tariff Strategy envisaged end-state FY 2027/28 (see Figure 7) cargo owners are to contribute 27% of the Authority's total revenue with Shipping Lines contributing 41%, with significant rebalancing of revenue contributions still required from these user groups. The proposed increase of 14.19% means that, on average, revenue received from cargo dues (cargo owners) will increase by R314m and revenue contribution from Marine and other revenue will increase by R465m. This means that 60% of the required increase will be fetched from Shipping Lines.
  - This approach is further supported by the increased activity (resulting in higher fuel costs) due to the purchase of marine fleet, with four (4) tugs having reached South Africa shores, and an additional three (3) tugs expected to be delivered by the end of August 2024. The proposed increase is further supported by planned capital investment of more than R2 billion on floating craft over the FY 2024/25 to FY 2027/28 period.
  - The proposed increase in marine service tariffs is also supported by the planned capital investments in quay walls, berths, jetties, vessel repair infrastructure which according to the Tariff Strategy must partially be recovered from shipping lines. Some of the key projects relate to the Durban Container Terminal (DCT) berth deepening project and the Drydock Jib Cranes at the Port of Durban.
  - In addition to the above, the Ports Regulator's recent GPCS indicates that the Authority's tariffs for marine services have been below the global average from FY2012/13 to FY2023/24. The study further indicates that the Authority's tariffs for marine services are below the tariffs charged by other African ports for marine services

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- Marine Services tariffs are significantly cross-subsidised; and the proposed differentiated tariff increase aims to progress the user-pay principle. In addition, over the years, shipping lines have historically enjoyed the benefit of the depreciating Rand against the Dollar. The proposed tariff increases for marine further looks at the remaining years of implementation of the Tariff Strategy to ensure cost reflective tariffs.

- **Ship Repair**

  - The proposed tariff adjustment of 4.57% is in line with inflation s and relates to Drydock, Floating dock and Syncrolift tariffs. The proposed tariff increase aims to support the Authority's planned capital investment in ship repair infrastructure in support of Operation Phakisa. The key Operation Phakisa projects include the Drydock Blocks and the Drydock Jib Cranes at the Port of Durban, the replacement of 10 Cranes for Ship repair and the replacement of Robinson Drydock Floating Caisson at the Port of Cape Town, and as well as the replacement of 2 Graving Dock Jib Canes at the Port of East London.

- **Cargo Dues (Cargo Owners)**
  - **Containers Imports & Exports**:
    - The proposed tariff increase of 4.57% is in line with inflation and aligns with the Tariff Strategy, premised on the user pay principle. It aims to support the Authority's intensive planned capital investment for containers of more than R3 billion to create new capacity for containers over the next five (5) years. The major projects for containers as shown in Annexure A include the Execution: DCT berth deepening 203 to 205, and the Development of Durban Point Container Terminal.
    - The tariffs for Container Empties and Empty Container Transhipments are adjusted to that of the Coastwise Empty Containers tariffs to ensure alignment of all empty container tariffs in the Tariff Book (further detailed in Annexure C).

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- **Break Bulk Imports & Exports**:

  - The proposed tariff increase of 4.57% is in line with inflation and aims to progress the Tariff Strategy and user pay principle. The proposed tariff adjustment further aims to progress alignment to the breakbulk base rates per the ROD FY 2024/25 to ensure cost reflective tariffs.

- **Dry Bulk Imports & Exports:**

  - Dry bulk imports and exports to increase by 4.57% in line with inflation, in support of the Tariff Strategy;
  - Coal & Magnetite Exports:
    - The proposed increase of 7.90% to align to the dry bulk base rate of R7.50/ton as per the ROD FY 2024/25;
    - Alignment with the Global Port Comparator Study 2023/24 which indicates that South African cargo dues for coal is 50% below the global sample average;
    - Consideration of the surge in demand for South African coal and other market factors such as the coal spot price.

- **Liquid Bulk Imports & Exports:**

  - The proposed tariff increase of 4.57% is in line with inflation and below the proposed average tariff increase of 7.90% and aims to align to the Tariff Strategy.
  - The inflationary adjustment is supported by the Authority's planned Capex of R113 million for FY 2025/26 on liquid bulk related projects inclusive of the refurbishment of fenders, Tank Farm Equip Berth B100, LNG Terminal in the Eastern Mole Reclaim Area – Port of Cape Town, amongst others.

- **Automotive Imports & Exports**:

  - The proposed tariff increase of 4.57% is below the proposed overall tariff increase of 7.90%, with the aim to align the tariffs for automotives to requirements of the Tariff Strategy. The positive

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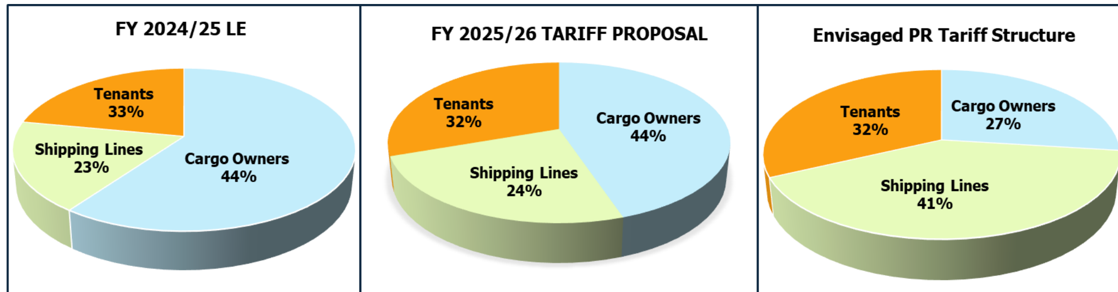
outlook anticipated in the automotive sector further supports this proposal.

The result of the proposed tariff differentiated adjustments is depicted in the following diagram:

Figure 7: Transition to the Regulator's Tariff Strategy



8.4 Update/ Amendment to clauses in the Tariff Book

The tariff book contains all tariffs payable by port users for the use of facilities and/or services offered by the Authority and includes all the terms and conditions regarding cargo dues and marine service charges, applicable for each service or port infrastructure utilised in the port.

To ensure alignment with the Tariff Strategy and to give effect to the cost recovery and user pay principles, the tariff terms and conditions are reviewed, on an annual basis. These enhancements include, amongst others, definitions, exemptions and most importantly business processes and documentation (i.e., Section 8 of the tariff book). These changes are reflected in **Annexure C** (Tariff Book Changes).

8.5 Port Tariff Incentive Programme (PTIP)

PTIP is an incentive implemented by the Regulator, in consultation with the Authority and the Department of Trade Industry and Competition (the dtic), the DoT, and other government departments, in support of beneficiation, industrialisation and localisation through port tariffs.

The PTIP incentive is available, amongst others, to port users, organisations, and industry bodies to apply for a discounted tariff as per the official tariff book. The discount is then

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afforded to the entire industry in the form of an amendment to the item in the tariff book.

For FY 2025/26, no applications have been received from the Regulator for consideration by the Authority.

9. Port Efficiency

The NCPP of 2002 and several subsequent pieces of related policies, and the Act, sets the basis on which ports must be managed to drive economic growth. The primary role of the Authority is to provide port capacity and to ensure that the full set of productive services exists at a port to serve demand. It is not only the provision of infrastructure capacity that is necessary in achieving the Authority's objectives, but improved efficiencies are also critical in ensuring that the Authority is playing its oversight role. The Authority's focus will remain on strengthening the terminal oversight function as follows:

- **Marine services**: to provide on-time marine services for all vessel calls thus ensuring global competitiveness;
- **Infrastructure and landlord**: focus on providing sufficient infrastructure that supports the country's economic requirements; and
- **Authority and regulatory**: ensure adherence to all port rules and precepts of the Ports Act.

The Authority continues to strengthen its oversight mandate to promote efficiencies in the port system, with the following focus areas:

i. Oversight Management Enforcement Framework;
ii. Terminal Operators Performance Standards (TOPS) target setting process;
iii. Creating visibility in the Port Value Chain;
iv. WEGO 2023/24 Performance;
v. Data integration with terminal operators; and
vi. WEGO Penalty & Incentive Cascading.

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9.1 Oversight Enforcement Framework

As part of enhancing its oversight role, the Authority has recognised that effective oversight requires an integrated approach by all the oversight functional areas. To this end, the Authority developed an Oversight Enforcement Framework, which was approved in February 2024 for Operations and Safety Health and Environment (SHE) areas. The framework serves as the Authority's guiding tool to aid effective execution of its operations oversight responsibilities, and promoting integration amongst various areas of oversight, thus enhancing compliance and overall performance within the port system. The Authority is in the process of consulting with stakeholders on the framework and its application, and it is expected that consultations will be concluded by the end of FY 2024/25.

9.2 Setting of Terminal Operator Performance Standards for FY 2025/26

The Authority is currently in the process of reviewing the TOPS framework which will form the basis for the TOPS review process going forward. Additionally, the framework will also include some of the recommendations contained in the benchmarking study that was concluded by PricewaterhouseCoopers Incorporated (PwC) on behalf of the Authority to ensure that the port system continues to pursue higher levels of performance through the adoption and implementation of best practices.

Upon completion of the framework, the Authority will embark on a public consultation process with terminal operators and port users through the Port Consultative Committees (PCCs). By the end of 31 March 2025, it is envisaged that the TOPS targets will be set for the three-year (3) rolling period starting from FY 2025/26.

9.3 Creating Visibility in the Port Value Chain

The Authority plays an oversight role in the operations of over 90 terminal operator licences in all eight (8) commercial ports. This includes berthing, sailing and shifting of vessels, arrival and departure of trucks and rail, and loading and offloading of cargo from these intermodal transporters. Operations data integration therefore becomes an important part of monitoring performance, to allow for quicker responses in managing and reporting performance. Thus, the focus on improving operations data integration

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between the Authority and terminal operators remain a key focus area with ongoing engagements on the performance data integration project.

9.4 WEGO Penalty & Incentive Cascading for FY 2022/23

In this context, the Authority, terminal operators and other port logistics value chain players contribute to port wide performance. As such, the Authority took a decision to cascade proportioned penalties/ incentives received from the Regulator through the WEGO model to terminal operators, to incentivise efficiencies and address inefficiencies in the port system. The decision was communicated to all terminal operators in March 2022, to be effective from 01 April 2022. It is against this background that the Authority in May 2024 issued final invoices to the terminal operators that contributed to the penalty.

9.5 Weighted Efficiency Gains from Operations (WEGO)

WEGO measures port wide performance and considers Key Performance Indicators (KPIs) as approved by the Regulator. The WEGO results for FY 2023/24 based on the approved KPI's is illustrated in Table 22 below:

Table 22: WEGO Results FY 2023/24

2023/24 Financial Year - Provisional WEGO Performance Report								
WEGO Key Performance Indicators	**Port of Richards Bay**	**Port of Durban**	**Port East London**	**Port of Ngqura**	**Port of Port Elizabeth**	**Port of Mossel Bay**	**Port of Cape Town**	**Port of Saldanha**
Vessel Service Delays - TNPA Marine Services	-7.0%	-710.7%	-32.9%	-35.7%	5.8%	0.0%	0.0%	0.0%
Vessel Service Delays - Terminal Operators	-10.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Ship Working Hour	-2.7%	-1.9%	-2.4%	-2.5%	-1.7%	0.0%	-3.7%	-1.0%
Berth Productivity	-1.8%	-0.6%	-2.2%	-4.8%	-2.1%	0.0%	-5.5%	-0.4%
Ship Productivity Indicator	-4.3%	-7.7%	-1.8%	-2.9%	-3.8%	-24.7%	-14.1%	-5.0%
Ship Turnaround Time	-5.3%	-2.5%	-20.5%	-10.8%	-21.8%	-30.4%	-57.1%	-10.2%
Port Efficiency Gain	**-31.1%**	**-723.4%**	**-59.9%**	**-56.6%**	**-23.6%**	**-55.1%**	**-80.5%**	**-16.6%**
Capped at 15%	**-15.0%**	**-15.0%**	**-15.0%**	**-15.0%**	**-15.0%**	**-15.0%**	**-15.0%**	**-15.0%**
Revenue Weighting	**13.1%**	**52.7%**	**1.8%**	**5.1%**	**5.5%**	**0.6%**	**13.0%**	**8.2%**
Weighted Port Performance	**-2.0%**	**-7.9%**	**-0.3%**	**-0.8%**	**-0.8%**	**-0.1%**	**-2.0%**	**-1.2%**
TNPA WEGO	**-15.0%**	LEGEND:		White	No Change from Previous Best Performance			
				Green	Improvement from Previous Best Performance			
				Red	Decline from Previous Best Performance			

RAB FY 2023/24	77,618
Ke FY 2023/24	7.45%
Gearing	50%
Return of Equity	**2,891**
Composite Port Efficiency Gain	-15.00%
WEGO Multiplier	-1.000
WEGO Multiplier Cap	7.50%
Gain/(loss)	**-217**

Key issues pertaining to the WEGO Methodology that the Authority would like the Regulator to consider:

- WEGO Methodology uses "Previous best performance" principle to assess performance, this methodology does not consider the following factors:
  a) Operational environmental changes and market conditions;
  b) Increases parcel size increased Ship Turnaround Time;
  c) Number of parcel sizes brings complication in operations and may affect Ship Working Hour;
  d) Cargo viscosity and temperature may affect flow of cargo; and
  e) Cargo density affect cargo handling rate.

- Misalignment of WEGO KPIs with the Authority's TOPS KPIs resulting in different performance results.

10. Conclusion

The Authority's DES aims to influence development and growth in the South African economy through the provision of world class port infrastructure that is fit for purpose, competitively priced, efficiently operated, and in line with global benchmarks and is in accordance with the State of the Nation Address, 2024, by President Cyril Ramaphosa which states that *"to deal with severe inefficiencies in our freight logistics system, we are taking action to improve our ports and rail network and restore them to world-class standards. We have set out a clear roadmap to stabilise the performance of Transnet and reform our logistics system."*

To deliver on the DES and the Authority's mandate, significant capital expenditure will be required in the short to medium term. Per the Regulator approved Tariff Methodology, the resultant tariff adjustment for FY 2025/26 is 7.90%. Accordingly, the indicative tariff adjustments for FY 2026/27 and FY 2027/28 are 18.61% and 2.52% respectively.

In accordance with the objectives of the Tariff Strategy, amongst others, the following differentiated tariff adjustments are proposed for approval by the Regulator:

- Tariff increase of 14.19% on Marine charges (shipping lines);
- 4.57% adjustment on Ship Repairs (Drydock, Floating dock and Syncrolift);
- 4.57% increase on Containers Imports & Exports;

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- 6.67% increase on Deepsea Container Empties;
- 4.57% on Coastwise Containers & Transhipments;
- 6.69% increase on Container Empty Transhipments;
- 4.57% on Break Bulk Imports & Exports;
- 4.57% on Dry Bulk Imports & 7.90% on Dry Bulk Exports;
- 4.57% increase on Liquid Bulk Import & Export; and
- 4.57% increase on Automotive Imports & Exports.

The differentiated tariff adjustments result in a weighted average tariff adjustment of **7.90% for FY 2025/26**.

The proposed average tariff adjustment of 7.90% for FY 2025/26 is supportive of the business requirements of the Authority and is further aligned to the Authority's Desired End State (DES) strategy.

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Annexure A: Capital Expenditure

The Authority's investment spending for FY 2024/25 to FY 2029/30 is segregated into various categories to demonstrate the strategic objectives, major projects considered and the impact of such capital expenditure. The tables that follow provide an analysis of the capital expenditure:

Table 23: Expansion Business vs. Maintenance of Current Business

FY 2024/25

Details	Total TNPA	RCB	DBN	EL	NGQ	PE	MSB	CPT	SLD	DRS	HO	LHS	Transversal
	LE												
	FY 2024/25												
	Rm												
Expand	875	172	86	100	146	8	57	91	40	175	-	-	-
Sustain	2,678	395	403	265	86	110	34	430	271	140	4	7	535
Total (Excl. borrowing cost)	**3,553**	**567**	**489**	**365**	**231**	**118**	**91**	**520**	**311**	**316**	**4**	**7**	**535**
Properties outside Port Limits	(87)												
Total	**3,466**												

FY 2025/26

Details	Total TNPA	RCB	DBN	EL	NGQ	PE	MSB	CPT	SLD	DRS	HO	LHS	Transversal
	Projections												
	Year 1 2025/26 (Rm's)												
	Rm												
Expand	931	139	123	20	103	101	23	51	-	370	-	-	-
Sustain	2,495	407	464	316	115	150	28	263	209	28	4	7	505
Total (Excl. borrowing cost)	**3,426**	**546**	**587**	**336**	**218**	**250**	**51**	**314**	**209**	**398**	**4**	**7**	**505**
Properties outside Port Limits	(75)												
Total	**3,351**												

FY 2026/27

Details	Total TNPA	RCB	DBN	EL	NGQ	PE	MSB	CPT	SLD	DRS	HO	LHS	Transversal
	Projections												
	Year 2 2026/27 (Rm's)												
	Rm												
Expand	2,536	953	303	32	433	18	43	39	-	407	-	-	310
Sustain	2,930	600	1,107	335	50	71	24	324	149	13	4	7	246
Total (Excl. borrowing cost)	**5,467**	**1,553**	**1,409**	**367**	**483**	**88**	**67**	**363**	**149**	**420**	**4**	**7**	**556**

FY 2027/28

Details	Total TNPA	RCB	DBN	EL	NGQ	PE	MSB	CPT	SLD	DRS	HO	LHS	Transversal
	Projections												
	Year 3 2027/28 (Rm's)												
	Rm												
Expand	3,364	534	1,216	-	728	-	32	108	-	156	-	-	590
Sustain	2,008	793	626	219	11	58	4	187	96	3	5	8	-
Total (Excl. borrowing cost)	**5,373**	**1,327**	**1,842**	**219**	**739**	**58**	**36**	**295**	**96**	**159**	**5**	**8**	**590**

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Table 24: Port Related Spending by Asset Type

FY 2024/25

Asset Group	Total TNPA	RCB	DBN	EL	NGQ	PE	MSB	CPT	SLD	Transversal	LHS	DRS	HO
Computer Equipment	60	-	-	-	-	-	-	-	-	60	-	-	-
Floating Craft	929	1	16	209	-	-	-	208	4	178	-	313	-
Port Infrastructure	1,628	489	229	139	173	105	23	179	291	-	-	-	-
Security Equipment	24	17	-	-	-	-	7	-	-	-	-	-	-
Buildings & Fixed Structures	263	37	190	-	26	-	-	-	-	10	-	-	-
Land Acquisitions	57	-	-	-	-	-	57	-	-	-	-	-	-
Port Equipment	311	7	39	13	-	-	-	11	10	231	-	-	-
Other Furniture & Equipment	102	15	14	5	30	5	4	6	7	3	7	3	4
Vehicles & Aircraft	125	1	1	-	-	8	-	115	-	-	-	-	-
Intangible Assets	27	-	-	-	-	-	-	-	-	27	-	-	-
Lighting & Power Supply	2	-	-	-	2	-	-	-	-	-	-	-	-
Telecommunication Equipment	25	-	-	-	-	-	-	-	-	25	-	-	-
Total (Excl. borrowing cost)	**3,553**	**567**	**489**	**365**	**231**	**118**	**91**	**520**	**311**	**535**	**7**	**316**	**4**
Properties outside Port Limits	(87)												
Total	**3,466**												

FY 2025/26

Asset Group	Total TNPA	RCB	DBN	EL	NGQ	PE	MSB	CPT	SLD	Transversal	LHS	DRS	HO
Computer Equipment	72	-	-	-	-	-	-	-	-	72	-	-	-
Floating Craft	607	60	10	-	-	-	-	56	-	86	-	395	-
Port Infrastructure	1,890	455	311	317	205	173	47	181	200	-	-	-	-
Security Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings & Fixed Structures	284	3	244	-	8	19	-	-	2	8	-	-	-
Land Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-	-
Port Equipment	322	-	7	14	-	-	-	17	-	284	-	-	-
Other Furniture & Equipment	133	16	14	5	5	58	4	7	7	3	7	3	4
Vehicles & Aircraft	66	12	1	-	-	-	-	53	-	-	-	-	-
Intangible Assets	49	-	-	-	-	-	-	-	-	49	-	-	-
Lighting & Power Supply	-	-	-	-	-	-	-	-	-	-	-	-	-
Telecommunication Equipment	3	-	-	-	-	-	-	-	-	3	-	-	-
Total (Excl. borrowing cost)	**3,426**	**546**	**587**	**336**	**218**	**250**	**51**	**314**	**209**	**505**	**7**	**398**	**4**
Properties outside Port Limits	(75)												
Total	**3,351**												

FY 2026/27

Asset Group	Total TNPA	RCB	DBN	EL	NGQ	PE	MSB	CPT	SLD	Transversal	LHS	DRS	HO
Computer Equipment	49	-	-	-	-	-	-	-	-	49	-	-	-
Floating Craft	505	-	25	-	-	-	-	29	-	34	-	417	-
Port Infrastructure	3,779	1,498	1,057	359	478	43	63	143	138	-	-	-	-
Security Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings & Fixed Structures	300	-	271	-	-	27	-	-	3	-	-	-	-
Land Acquisitions	310	-	-	-	-	-	-	-	-	310	-	-	-
Port Equipment	186	-	10	3	-	-	-	10	-	163	-	-	-
Other Furniture & Equipment	94	17	15	6	5	19	4	7	8	-	7	3	4
Vehicles & Aircraft	244	38	32	-	-	-	-	174	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Lighting & Power Supply	-	-	-	-	-	-	-	-	-	-	-	-	-
Telecommunication Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (Excl. borrowing cost)	**5,467**	**1,553**	**1,409**	**367**	**483**	**88**	**67**	**363**	**149**	**556**	**7**	**420**	**4**

FY 2027/28

Asset Group	Total TNPA	RCB	DBN	EL	NGQ	PE	MSB	CPT	SLD	Transversal	LHS	DRS	HO
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Floating Craft	156	-	-	-	-	-	-	-	-	-	-	156	-
Port Infrastructure	4,136	1,215	1,732	213	733	52	32	70	88	-	-	-	-
Security Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings & Fixed Structures	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Acquisitions	590	-	-	-	-	-	-	-	-	590	-	-	-
Port Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Furniture & Equipment	85	17	16	6	6	6	4	7	8	-	8	3	5
Vehicles & Aircraft	406	94	94	-	-	-	-	218	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Lighting & Power Supply	-	-	-	-	-	-	-	-	-	-	-	-	-
Telecommunication Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (Excl. borrowing cost)	**5,373**	**1,327**	**1,842**	**219**	**739**	**58**	**36**	**295**	**96**	**590**	**8**	**159**	**5**

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Table 25: Capital expenditure and throughput per commodity

Containers

Details	LE Latest Estimate 2024/25 (Rm's)	Year 1 2025/26 (Rm's)	Year 2 2026/27 (Rm's)	Year 3 2027/28 (Rm's)	Year 4 2028/29 (Rm's)	Year 5 2029/30 (Rm's)	Major Capital Projects
Containers	**238**	**314**	**413**	**1,066**	**1,097**	**1,125**	-Execution: DCT berth deepening 203 to 205 (DBN)
Expand	43	74	250	1,066	1,097	1,125	-Development of Durban Point Container Terminal - FEL 3 & 4 (DBN)
Sustain	194	239	163	-	-	-	-Feasibility: New Container Handling Berth 605 (RCB)
							-Fender components (Copex) (NGQ)
							-Feasibility: Expansion of Container Terminal : CPT Phase 2B (DBN)
Volumes (TEUs)							-Feasibility: Maydon Wharf channel deepening (DBN)
Budget & Projections	4,416	4,556	4,683	4,806	4,884	5,095	-Acquisition of 66 Hydraulic Tension Units (Port Wide)
Capacity	7,250	7,250	7,250	9,750	9,750	9,750	
Total Capex Spend over the 6 Year Period				**4,251**			

Liquid Bulk

Details	LE Latest Estimate 2024/25 (Rm's)	Year 1 2025/26 (Rm's)	Year 2 2026/27 (Rm's)	Year 3 2027/28 (Rm's)	Year 4 2028/29 (Rm's)	Year 5 2029/30 (Rm's)	Major Capital Projects
Liquid	**240**	**113**	**442**	**354**	**759**	**732**	-Refurbish fenders - berths 209 to 208 & 801+804 (RCB) -Berth 208/209 Upgrades (Nav Light/ FF installation/ surveillance/ Walkway/ Servitudes) (RCB)
Expand	181	23	85	167	753	732	
Sustain	59	89	358	187	5	-	-Execution: IV sea walls (DBN) -Upgrade of Fire-Fighting Infrastructure at Island View, Port of Durban (Phase_2) - (DBN) -Execution: Replacement of Tanker Berth Fire Fighting Monitors (PE) -Construction of Liquid bulk Berth A100 and associated services (NGQ) -Execution: Fire fighting infrastructure at berth 9 Island View (DBN) -Revetment Rehabilitation Tanker Berth & Berth 14 (PE) -Liquified Petroleum Gas (LPG) Terminal In The Eastern Mole Reclaim Area – Port Of Cape Town -Feasibility: Reconfiguration of the Oil Jetty (SLD) -Tank farm Equip Berth B100, roads, port entrance and services (NGQ)
Volumes (kl)							-Feasibility: New SPM and associated infrastructure (MSB)
Budget & Projections	35	35	35	37	39	41	
Capacity	109	109	112	123	123	123	
Total Capex Spend over the 6 Year Period				**2,640**			

Coal

Details	LE Latest Estimate 2024/25 (Rm's)	Year 1 2025/26 (Rm's)	Year 2 2026/27 (Rm's)	Year 3 2027/28 (Rm's)	Year 4 2028/29 (Rm's)	Year 5 2029/30 (Rm's)	Major Capital Projects
Coal	**95**	**95**	**-**	**-**	**-**	**-**	-Refurbish fenders - berths 301 to 306 (RCB)
Expand	20	20	-	-	-	-	-New port entrance and road access package 3, 4 & 5 (RCB)
Sustain	75	75	-	-	-	-	-Feasibility: Berth 708,606 and 208 Extension (RCB)
							-Provide additional rail facility for Duine area (RCB)
Volumes (mt)							
Budget & Projections	70	79	80	82	84	85	
Capacity	114	114	114	114	114	114	
Total Capex Spend over the 6 Year Period				**190**			

Break-Bulk

Details	LE Latest Estimate 2024/25 (Rm's)	Year 1 2025/26 (Rm's)	Year 2 2026/27 (Rm's)	Year 3 2027/28 (Rm's)	Year 4 2028/29 (Rm's)	Year 5 2029/30 (Rm's)	Major Capital Projects
Break Bulk	**38**	**8**	**60**	**-**	**-**	**-**	-Feasibility: Berth Deepening M/Wharf 5-11 & 15 (DBN)
Expand	3	8	60	-	-	-	-Feasibility: New Berths 709 & 710 for Neo Bulk (RCB)
Sustain	35	-	-	-	-	-	-Bayvue Railyard Infrastructure Upgrade (RCB)
Volumes (mt)							
Budget & Projections	5	4	5	5	5	5	
Capacity	27	27	27	27	27	27	
Total Capex Spend over the 6 Year Period				**106**			

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Automotives

Details	LE Latest Estimate 2024/25 (Rm's)	Automotives Year 1 2025/26 (Rm's)	Year 2 2026/27 (Rm's)	Year 3 2027/28 (Rm's)	Year 4 2028/29 (Rm's)	Year 5 2029/30 (Rm's)	Major Capital Projects
Automotives	**149**	**91**	**262**	**189**	**42**	-	-Point Automotive Terminal: Demolitions and Relocations (DBN)
Expand	134	63	59	-	-	-	-Deepening and Strengthening of N-Berth (EL)
Sustain	15	28	203	189	42	-	-Execution - Port Logistics Park (PE)
							-Execution: Reconstruction of Quay 3 (EL)
Volumes (Units)							-Rehabilitate Port View Road (EL)
Budget & Projections	827,600	867,259	872,209	905,823	919,337	993,263	
Capacity	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	
Total Capex Spend over the 6 Year Period					**734**		

Other (including Fleet – Craft and Dredging Services)

Details	LE Latest Estimate 2024/25 (Rm's)	Other Year 1 2025/26 (Rm's)	Year 2 2026/27 (Rm's)	Year 3 2027/28 (Rm's)	Year 4 2028/29 (Rm's)	Year 5 2029/30 (Rm's)	Major Capital Projects
Other	**2,549**	**2,546**	**3,172**	**2,694**	**1,196**	**526**	-Execution: Upgrade Breakwaters Dolosse (RCB) -20 MW Renewable Energy Electricity Generating System (RCB) -Feasibility & Execution: Port Operational Roads Rehabilitation (Rehabilitation & Repair of Newark. Silver Ocean. Urania Road (5 Yearly) (RCB)
Expand	430	593	965	1,062	227	57	-Execution: Replace Water Pipelines & Billing System (DBN) -Drydock Jib Cranes (DBN) -20 MW Renewable Energy Electricity Generating System (SLD)
Sustain	2,119	1,954	2,207	1,632	970	469	-Replacement of 10 cranes for Shiprepair (CPT) -2nd Grab hopper dredger -2nd Cutter Suction Dredger and Self-propelled Split Hopper Barge

Table 26: Multi-Year Port Related Spending by Asset Type

Asset Group	LE Latest Estimate 2024/25 (Rm's)	Projections Year 1 2025/26 (Rm's)	Year 2 2026/27 (Rm's)	Year 3 2027/28 (Rm's)	Year 4 2028/29 (Rm's)	Year 5 2029/30 (Rm's)	Total 6 Yr
Computer Equipment	60	72	49	-	-	-	181
Floating Craft	929	607	505	156	-	-	2,196
Port Infrastructure	1,628	1,890	3,779	4,136	3,465	2,114	17,012
Security Equipment	24	-	-	-	-	-	24
Buildings & Fixed Structures	263	284	300	-	-	2	850
Land Acquisitions	57	-	310	590	-	-	957
Port Equipment	311	322	186	-	-	-	819
Other Furniture & Equipment	102	133	94	85	89	93	595
Vehicles & Aircraft	125	66	244	406	267	173	1,281
Intangible Assets	27	49	-	-	-	-	76
Lighting & Power Supply	2	-	-	-	-	-	2
Telecommunication Equipment	25	3	-	-	-	-	28
Total (Excl. borrowing cost)	**3,553**	**3,426**	**5,467**	**5,373**	**3,821**	**2,383**	**24,022**
Properties outside Port Limits	(87)	(75)	-	-	-	-	(162)
Total	**3,466**	**3,351**	**5,467**	**5,373**	**3,821**	**2,383**	**23,860**

Table 27: Multi-Year Port Related per Commodity

Commodity	LE Latest Estimate 2024/25 (Rm's)	Projections Year 1 2025/26 (Rm's)	Year 2 2026/27 (Rm's)	Year 3 2027/28 (Rm's)	Year 4 2028/29 (Rm's)	Year 5 2029/30 (Rm's)	Total 6 Yr
Automotives	149	91	262	189	42	-	734
Break Bulk	38	8	60	-	-	-	106
Coal	95	95	-	-	-	-	190
Containers	238	314	413	1,066	1,097	1,125	4,251
Iron Ore	120	60	-	-	-	-	180
Manganese	30	50	340	575	615	-	1,610
Other	2,549	2,546	3,172	2,694	1,196	526	12,684
Dry Bulk	3	9	80	-	-	-	92
Liquid	240	113	442	354	759	732	2,640
Chrome & Magnetite	2	6	22	-	-	-	30
Gas	54	85	676	494	112	-	1,421
Agriculture	35	50	-	-	-	-	85
Total (excl. Borrowing Costs)	**3,553**	**3,426**	**5,467**	**5,373**	**3,821**	**2,383**	**24,022**
Properties outside Port Limits	(87)	(75)	-	-	-	-	(162)
Total	**3,466**	**3,351**	**5,467**	**5,373**	**3,821**	**2,383**	**23,860**

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Annexure B: Operating Expenditure (Opex)

The Authority's operational costs reflect the organization's expenditure, required to sustain its day-to-day operations. Consequently, most of the Authority's operating costs are largely of a fixed nature.

Table 28 below highlights the Authority's Opex for FY 2025/26 of approximately R6 854m; inclusive of Group Costs of approximately R555m and excluding expenditure for properties outside ports limits.

Table 28: Operating Expenditure

Cost Category	Actual 2023/24	Budget 2024/25	Forecast 2025/26	Dev 24/25 vs 25/26	Dev 24/25 vs 25/26	% of Opex 25/26	Forecast 2026/27	Forecast 2027/28	CAGR 2025/26 - 2027/28
	R Million		R Million		%		R Million		
Labour Costs	3,026	3,099	3,140	41	1.3%	49.7%	3,708	3,860	10.9%
Fuel	338	380	399	19	5.0%	6.3%	427	457	7.0%
Electricity	550	582	597	15	2.6%	9.5%	597	627	2.5%
Maintenance	664	760	829	69	9.1%	13.1%	838	880	3.0%
Material	172	240	276	36	15.1%	4.4%	265	278	0.2%
Informations systems	111	163	170	7	4.5%	2.7%	178	186	4.5%
Insurance Operations	98	60	63	3	5.0%	1.0%	66	69	5.0%
Professional services	30	57	55	-2	-3.1%	0.9%	60	65	8.5%
Rental & Leases	35	37	38	2	4.2%	0.6%	40	42	4.3%
Rates & taxes	552	455	550	95	20.9%	8.7%	560	578	2.5%
Water	326	120	180	60	50.0%	2.9%	159	176	-1.2%
Pre -Feasibility Studies	47	101	106	5	5.0%	1.7%	148	155	20.9%
Security costs	180	147	159	12	7.9%	2.5%	166	173	4.5%
Sundry operating costs	-180	-223	-248	-25	11.1%	-3.9%	-265	-281	6.4%
Total Operating Cost	***5,949***	***5,977***	***6,315***	***337***	***5.6%***	***100.0%***	***6,947***	***7,264***	***7.3%***
Group Costs	322	580	555	-25	-4.3%		575	606	4.5%
Total operating cost	***6,271***	***6,558***	***6,870***	***312***	***4.8%***		***7,522***	***7,870***	***7.0%***
Less: Properties Outside Port Limits	-19	-20	-16	4	-20.5%				
Total Operating Cost (Excl. Properties outside port limits)	***6,251***	***6,538***	***6,854***	***316***	***4.8%***		***7,522***	***7,870***	***7.2%***

The Opex for the Authority is projected to experience growth slightly above inflation in FY 2025/26. This anticipated increase of approximately 5.04% amounts to R329 million more than the previous financial year budget. This growth reflects the essential daily expenses associated with running the ports and business units, and its encompassing costs such as personnel, energy, maintenance, utilities, and other operational necessities.

Appreciating the dynamic nature of the port operating environment, the Authority aims to ensure it can allocate resources effectively to sustain operational effectiveness and meet evolving demands. These adjustments are considered crucial for maintaining competitiveness and operational efficiency in the face of changing operational realities.

Looking ahead beyond the tariff application period, Opex is expected to grow at an average rate of approximately 7.3% (excluding group costs). This longer-term projection underscores the Authority's strategic planning to manage and accommodate rising operational costs while

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continuing to enhance operational capabilities. Overall, the projected increases in Opex are not only a response to current operational needs but also a proactive measure to support future growth and efficiency within the Authority's operations.

The Opex projected in the Tariff Application is largely premised on the experience of the Authority as a division of Transnet. Whilst it is envisaged that the Authority will be corporatised by 30 April 2025, the additional costs associated with an corporatised entity as opposed to a division is yet to be established and has not been included in this Tariff Application.

Labour Cost

Labour costs are a substantial component of Opex constituting 49.7% of total Opex (excluding group costs) for FY 2025/26. This underscores the labour-intensive nature of port operations which is crucial for overseeing responsibilities such as project management and maintenance.

Labour costs are anticipated to marginally increase by 1.3% from FY 2024/25 to FY 2025/26, which is below the inflation rate of 4.57%. The increase only considers headcount adjustments and does not factor in anticipated salary increments as salary negotiations for FY 2025/26 are still underway.

The approach to managing labour costs aligns with its broader goal of financial sustainability while addressing evolving workforce needs. This strategic focus ensures that labour resources are optimally allocated to maintain operational effectiveness and meet regulatory mandates.

Lastly, the Authority's management of labour costs reflects a balanced approach, as it incorporates competitive compensation, workforce development initiatives, and strategic cost containment measures. These efforts are crucial for sustaining operational efficiency and supporting the Authority's long-term objectives amidst a dynamic operating environment.

Fuel & Electricity

The increases in fuel and electricity costs are influenced by global market dynamics and efforts to secure reliable energy sources amidst fluctuating prices. This increase can be attributed to various factors, including the average electricity tariff hikes approved by the National Energy Regulator of South Africa (NERSA) for Eskom and municipal distributors for FY 2025/26, which serve as an indicative basis up to FY 2027/28. Moreover, the replacement of marine tugboats

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with newer vessels boasting larger bollard pull capacities has resulted in improved operational efficiencies. However, this upgrade has also led to higher fuel consumption.

Maintenance

Maintenance expenditures are estimated to increase by 9.1% with an average increase of 3.0%, over the three-year (3) tariff application period. This increase underscores the Authority's proactive approach to equipment upkeep and facility integrity to ensure operational continuity. These costs encompass the preservation and upkeep of both aging infrastructure and routine maintenance for newer infrastructure assets, including marine craft. Additionally, there is an increased focus on maintenance related to the ship repair business.

This commitment to maintenance is crucial for ensuring the continued functioning of Aids to Navigation infrastructure and other assets, which in turn contributes to the overall safety of navigation and protection of the marine environment.

The costs are mainly attributed to or in upkeep of the projects below:

1. CCTV systems and Babylon Access maintenance;
2. Maintenance of marine craft, ensuring compliance to SAMSA requirements;
3. Maintenance of Port Facilities, Road, Rail & electrical network;
4. Quay Infrastructure, Quay Fenders and Quay wall repairs;
5. Handling of larger container vessels with a very small under keel clearance, necessitating a higher frequency of maintenance dredging; and lease building maintenance and roof repairs;
6. Refurbishment of Mess and ablutions in the Port and Adhoc R&M IDA with RNC;
7. Buildings, Fence, etc Repairs and Maintenance Services which will be performed through long term contracts;
8. Long quay repairs;
9. Road repairs;
10. Various Inter R&M (Tunnel pump replacement, Replacement of RDD and Repair quay cable, Smart metering support);
11. Repair and maintenance of Rail infrastructure (3-year IDA with RNC);
12. Repair and maintenance of Stormwater and Roads infrastructure (3 YEAR IDA with RNC);

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13. Various R&M (Traffic signal repairs, Chiller plant repairs, Air-con repairs, Sewer plant repairs contract, lift contract);
14. Dry Docking of two (2) tugs;
15. Sewer Network Repairs;
16. Cable repair and replacement and Smart metering;
17. Truck staging grading;
18. Repairs to waterline;
19. Sturrock Dry dock concrete rehabilitation;
20. Vessel Tracking System (VTS) Equipment Maintenance; and
21. Servicing of Air - Conditioning / UPS / Generators.

Material

Material costs are expected to rise by 15.1%, primarily due to supply chain disruptions and price volatility, prompting the Authority to explore alternative sourcing strategies and cost-effective materials. Material costs relate to material used in the maintenance of marine fleet and civil maintenance and are therefore directly influenced by maintenance activity. The significant increase in material costs from FY 2024/25 to FY 2025/26 is mainly attributed to the following:

- Material required to deliver on the maintenance mentioned above;
- Safety equipment required by the Marine Department;
- Material for structural maintenance of buildings and other infrastructure; and
- Material required to maintain ship repair facility.

Information Systems Expenses

Information Systems expenses increased by 4.5%, reflecting the Authority's commitment to enhancing its technological infrastructure. This investment is crucial for optimizing operational efficiency, data security, and digital transformation initiatives. By bolstering Information Systems capabilities, the aim is to streamline processes, improve decision-making agility, and ensure seamless integration of advanced technologies across the Authority's operations.

These increases in Information Systems costs reflect the evolving technological landscape and the Authority's ongoing investments in ensuring robust and efficient computer and information systems. By accounting for these anticipated increases, the Authority can effectively plan and allocate resources to support the development, maintenance, and optimization of its computer

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and information systems infrastructure. The increase includes cyber-security, which measures to safeguard sensitive data and optimize operational efficiency, whilst maintaining data integrity.

Insurance Operations

Insurance Operations increases by 5.0% due to evolving risk profiles and stringent regulatory requirements. Insurance costs relate to all operational related insurance premiums. These premiums include asset all risk, marine liability, marine equipment, public liability, riot, workmen's compensation, and open market insurances. This rise emphasizes the Authority's proactive risk management approach, ensuring comprehensive coverage and financial protection against unforeseen liabilities and operational disruptions. By expanding the insurance coverage and enhancing risk management strategies, the Authority strengthens its resilience against potential risks while safeguarding its assets, personnel, and stakeholders.

Professional Services

Professional fees encompass expenses associated with Operational Audits and Transnet ISO Certification, as well as Real Estate projects involving Land Use Audit projects, Anticipated Section 56 consultants, and Investment Property Valuation Fees. Professional fees are mainly driven by the following projects:

1. Data Automation/ Systems Integration Project;
2. occupational hygiene surveys;
3. TP Geospatial contract - This is related to an SLA agreement with Transnet Properties for building plans and drawing;
4. Geotech contract which covers for the ground feasibility surveys;
5. Oversight Enforcement Framework Implementation;
6. Benchmarking Study Recommendation Implementation;
7. TNPA Operations and Self-Audits initiative;
8. Penalties & Incentive Model;
9. Develop a code of practice Manual for Marine Operators;
10. Implementation of ISO Quality Management systems;
11. SHE Legal Register Maintenance;
12. BCM ISO Certification;
13. ISO Programme – Phase 2; and

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14. SHE Legal Compliance contract.

Rental & Leases

Rental & Lease expenses increased by 4.2% compared to the prior year budget, attributed to market-driven lease renewals and expansion of operational facilities to meet growing demands. Rental costs encompass expenditures associated with the utilization of internal land and buildings, as well as the leasing of vehicles, construction equipment, computers, and furniture. Also, taking into account the increase attributed to the need for leasing IT equipment and additional properties from Transnet Properties (TP). These projections account for the evolving requirements of the Authority and the corresponding need for additional leased properties to support its operations effectively.

Rates and Taxes

Rates & Taxes increased significantly by 20.9%, reflecting updated tax regulations and assessments, prompting us to reassess our fiscal strategies and optimise tax efficiencies. Rates and Taxes pertain to the municipal rates imposed in accordance with the methodology prescribed by municipalities under the Municipal Rates and Taxes Act. Typically, the escalation of costs in this category surpasses the inflation rate. Primarily influenced by the property values associated with the Ports.

Water

Water costs also increased significantly by 50.0%, largely due to regional water scarcity and compliance with stringent environmental standards, necessitating sustainable water management practices. Water expense encompass the overall water usage within the ports. The increase pertains largely to:

1. Additional costs pertain to land the Authority purchased from TP increases the overall water usage billed to the Port;
2. Under estimation of water during budget for FY 2024/25; and
3. This significant increase can be attributed to various factors, including the water leaks and tariff hikes approved for FY 2025/26. Capital projects to address water leaks have been identified and budgeted for and will result in improvements in the Authority's actual water spend in later years.

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Pre-Feasibility Studies

Pre-feasibility studies expenses are expected to increase by 5.0%, driven by comprehensive market assessments and feasibility studies to support strategic investment decisions and mitigate project risks. These studies are undertaken to determine future capital investments in a pre-feasibility phase to determine the best alternative for construction, preliminary design work and costing to assess the overall viability of the project.

The Authority will be embarking on the following pre-feasibility and Research & Development projects to deliver on future Capex plans and revenue protection:

1. Precincts Plans;
2. South Dunes development Study (Liquid bulk services);
3. Development of Service Masterplan and Port Development Precinct/Framework Plans;
4. SEA (Strategic environmental assessment);
5. Casarina Impact Assessment (Forest Mapping);
6. South Dunes Liquid Bulk Development Project;
7. Dry Bulk Demand Study;
8. Truck Staging Facilities;
9. Fire compliance assessment and upgrade of firefighting system;
10. Topography and underground studies for Port of Durban
11. Terminal Operator Asset condition assessment;
12. Update of Strategic Environmental Assessment;
13. Pre-electric shore supply to vessels;
14. Use of Artificial intelligence at the clinics;
15. Navigational Risk Assessment;
16. Condition assessment on marine craft (incl. Tugs);
17. Berthing and mooring systems;
18. Marine workshops (Climate, Energy, and incident management
19. Early warning and alert system of weather conditions; and
20. Craft Monitoring systems and sensors.

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Security Costs

Security Costs escalated by 7.9%, reflecting the Authority's commitment to safeguarding assets and personnel through enhanced security measures and threat mitigation strategies Security costs relate to the use of private security firms at the port. The budget has increased compared to the prior year due to additional security services required in line with Port Growth and Demand.

Sundry Operating Costs

Sundry Costs include expenses relating to dredging, insurance, stationery and printing, transport, promotions and advertising, and other miscellaneous operating expenditure. The detailed costs relating to sundry expenses are highlighted below.

Table 29: The Authority's Sundry Operating Costs

SUNDRY OPERATING COSTS	Actual 2023/24 R Million	Budget 2024/25 R Million	Forecast 2025/26 R Million	Dev 24/25 vs 25/26 R Million	Dev 24/25 vs 25/26 %	% of Opex 25/26	Forecast 2026/27 R Million	Forecast 2027/28 R Million	CAGR 2025/26 - 2027/28
External property anxilary costs	-361.9	-424.6	-450.1	-25.5	6.0%	181.6%	-476.7	-505.2	5.9%
Intra NPA recoveries	-466.9	-473.9	-515.5	-41.6	8.8%	208.0%	-532.5	-564.4	4.6%
Intra cc recoveries	321.9	297.9	328.3	30.5	10.2%	-132.5%	334.7	354.8	3.9%
Intra cc charges	77.0	85.0	85.0	0.0	0.0%	-34.3%	95.5	101.2	9.1%
Miscellaneous revenue	-142.9	-43.8	-45.5	-1.7	3.9%	18.4%	-54.4	-52.4	7.3%
External Audit Fees	38.2	30.0	31.4	1.4	4.5%	-12.7%	32.8	34.2	4.5%
Entertainment	7.5	6.5	6.8	0.3	4.3%	-2.7%	7.1	7.4	4.3%
Environmental management	30.9	24.3	25.3	1.0	4.3%	-10.2%	26.4	27.5	4.3%
Fines and Penalties	26.4	-	-	-	0.0%	0.0%	-	-	0.0%
Health and Sanitation	59.9	57.8	60.3	2.5	4.3%	-24.3%	62.9	65.6	4.3%
Legal Costs	33.9	37.7	39.4	1.7	4.5%	-15.9%	41.2	43.1	4.5%
Consulting fees	0.8	8.6	8.6	0.0	0.1%	-3.5%	9.3	9.7	6.5%
Internal Audit	16.8	25.3	26.6	1.3	5.0%	-10.7%	27.9	29.3	5.0%
Membership Fees	6.6	8.0	8.4	0.4	4.5%	-3.4%	8.7	9.1	4.5%
Bank Charges	0.2	-	-	-	0.0%	0.0%	-	-	0.0%
Catering Costs	2.0	2.0	2.1	0.1	4.5%	-0.8%	2.2	2.3	4.5%
Claims Paid	1.0	-	-	-	0.0%	0.0%	-	-	0.0%
Commission Paid	-	-	-	-	0.0%	0.0%	-	-	0.0%
Discount Allowed	-	-	-	-	0.0%	0.0%	-	-	0.0%
Gifts	-	0.1	-	-0.1	-100.0%	0.0%	-	-	0.0%
License Fees	2.9	4.7	4.9	0.2	4.5%	-2.0%	5.1	5.4	4.5%
Magazines, Books and Periodicals	0.6	0.3	0.4	0.0	4.4%	-0.1%	0.4	0.4	4.5%
Newspapers	-	-	-	-	0.0%	0.0%	-	-	0.0%
Nursery / Flower Expenditure	8.9	12.0	12.5	0.5	4.5%	-5.1%	13.1	13.7	4.5%
Other 1	19.0	15.7	16.0	0.3	1.8%	-6.4%	17.2	18.2	6.7%
Contract Payments	22.8	22.9	24.1	1.2	5.4%	-9.7%	25.5	26.9	5.5%
Navigation, Landing and Parking	0.1	3.0	1.8	-1.2	-40.1%	-0.7%	3.3	3.4	38.0%
Postage	0.0	-	0.0	0.0	0.0%	0.0%	0.0	0.0	385.8%
Printing and Stationery	10.8	12.4	12.9	0.5	4.3%	-5.2%	13.5	14.1	4.3%
Promotions and Advertising	8.0	18.3	19.1	0.8	4.3%	-7.7%	19.9	20.8	4.3%
RDP Costs / Social Investment	-	-	-	-	0.0%	0.0%	-	-	0.0%
Regional Services Levies	-	-	-	-	0.0%	0.0%	-	-	0.0%
Telecommunication Services	15.2	7.5	8.6	1.1	14.7%	-3.5%	9.0	9.4	4.5%
Transport Cost : External	9.9	2.5	2.4	-0.1	-3.4%	-1.0%	2.7	2.9	8.7%
Travel Benefits / Concessions	-	-	-	-	0.0%	0.0%	-	-	0.0%
Travel - Local & Overseas	70.5	36.8	38.4	1.6	4.5%	-15.5%	40.2	42.0	4.5%
Other operating expenses	-	-	-	-	0.0%	0.0%	-	-	0.0%
Total sundry operating expenses	**-180.2**	**-223.1**	**(247.8)**	**(24.7)**	**11.1%**	**100.0%**	**-265.0**	**-280.7**	**6.4%**

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The main cost drivers relating to sundry expenses are as follows:

1. Internal Audit expenses: increased by 5.0%, emphasizing the Authority's commitment to rigorous internal controls and operational transparency. This investment strengthens our governance framework, ensuring accountability and enhancing trust among stakeholders.
2. Contract Payments (operational outsourcing) increase by 5.4% and refers to the practice of contracting out certain business functions relating to, amongst others, helicopter and lift maintenance, and outsourcing of resources for clinics. The Authority has employed this strategy to improve efficiency, reduce costs, and allow itself to focus on its core competencies.
3. Telecommunication Services: increased by 14.7%, facilitating improved external communications and operational connectivity. This investment supports seamless collaboration and enhances responsiveness to customer needs, crucial for maintaining operational efficiency and customer satisfaction.
4. Travel costs (Local & Overseas): Increased in line with inflation by 4.5%, and supports business development and ensures effective client engagement, market presence, and business growth opportunities within the Authority's operational regions.

Other Sundry Costs

Other 1 cost refers mostly to consulting fees, corporate identity, corporate social investment, conferences, and intra charges.

Table 30: Breakdown of Other 1 Cost

Cost Category	Actual 2023/24 R Million	Budget 2024/25 R Million	Budget 2025/26 R Million	Dev 24/25 vs 25/26 R Million	Dev 24/25 vs 25/26 %	% of Opex 25/26	Budget 2026/27 R Million	Budget 2027/28 R Million	CAGR 2025/26 - 2027/28
Contributions	0.2	0.2	-	-0.2	-100.0%	0.0%	-	-	0.0%
Corporate Identity	0.7	3.6	3.8	0.2	5.5%	23.6%	4.1	4.3	5.5%
Bouquets & Wreaths	0.0	0.1	0.1	0.0	5.1%	0.3%	0.1	0.1	5.3%
Sponsorships	-	1.3	1.4	0.1	5.5%	8.7%	1.5	1.6	5.5%
Corporate Social Investment	7.0	10.0	10.6	0.6	5.5%	64.7%	11.1	11.7	5.5%
Suspense Account	9.9	-	-	-	0.0%	0.0%	-	-	0.0%
Strike Related Cost	-	-	-	-	0.0%	0.0%	-	-	0.0%
Interest Paid	0.3	-	-	-	0.0%	0.0%	-	-	0.0%
Conference: Portnet	0.3	0.4	0.4	0.0	5.4%	2.5%	0.4	0.5	5.6%
Foreign Exchange Cost	0.6	-	-	-	0.0%	0.0%	-	-	0.0%
Intra Pad Miscellaneous Charges	0.0	0.0	0.0	0.0	6.5%	0.2%	0.0	0.0	5.0%
Total Other 1	**19.0**	**15.7**	**16.3**	**0.7**	**4.2%**	**100.0%**	**17.2**	**18.2**	**5.5%**

Major cost drivers for other 1 include:

1. **Corporate Identity**: Costs have risen by 5.5%, reflecting strategic investments in branding initiatives, including logo design, brand guidelines, and digital presence

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enhancements. These efforts are essential to maintaining a strong market position and ensuring consistent brand messaging across all touchpoints. These incremental investments in corporate identity and hospitality expenses are integral to our long-term strategy of building trust, enhancing visibility, and fostering a supportive and positive corporate culture. By prioritising these areas, the Authority aims to strengthen our brand equity and maintain strong connections with our stakeholders, positioning ourselves for sustained growth and success in a competitive market environment.

2. **Bouquets & Wreaths**: Costs have increased by 5.1%, supporting our dedication to fostering positive relationships with stakeholders through thoughtful gestures and acknowledgments. These expenses contribute to enhancing corporate hospitality and reinforcing partnerships with clients, suppliers, and employees.

These adjustments underscore the Authority's proactive approach to managing costs while investing strategically in key areas that drive operational efficiency, regulatory compliance, and stakeholder value. By prioritising these expenditures, the Authority aims to strengthen its competitive edge and sustain long-term growth in a dynamic economic landscape.

Group Overhead Costs

The services provided by each Transnet corporate cost centre to the respective ODs vary in accordance with the OD requirements and the nature of its activities. Shared costs are based on a top-down cost centre allocation approach as opposed to a top-down expenditure line-item allocation approach.

This means that the total costs relating to a particular cost centre are allocated to the OD using a cost driver predetermined by and agreed with the cost centre managers for that cost centre. Consequently, this informs the allocation of the expenditure line items such as personnel costs, fuel costs etc. within that cost centre.

Furthermore, where possible, identified costs per general ledger account that could be traced to ODs are allocated directly without the use of predetermined cost drivers. These may include but are not limited to the incentive bonuses provision, impairments on trade receivables and other internal income and expense recoveries.

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Year on year differences in allocated corporate overhead costs or differences between budgeted cost and actual cost allocations is due to changes in spending priorities and changes in cost driver percentages (per cost centre) with cost drivers remaining the same.

Transnet's external auditors perform agreed upon procedures on the corporate overhead cost allocation for both actuals and projections to assess whether the allocation was carried out in a manner compliant with Transnet's methodology and to ensure that the allocation is reasonable and fair.

An allocation of 9.92% of the total Group Corporate overhead costs for FY 2023/24 has been allocated to the Authority. The remaining 90.08% has been allocated to other Transnet ODs.

Table 31: Group Overhead Costs

TRANSNET GROUP OVERHEAD COSTS	FY 202324	FY 2022425	FY '202526	Difference	Var %	FY 202627	FY 202728
	Actual	Budget	Projections				
	Rands						
Revenue external	(10,669,855)	-	-	-	0.0%	-	-
Revenue internal	(60,000)	-	-	-	0.0%	-	-
Revenue	**(10,729,855)**	**-**	**-**	-	0.0%	**-**	**-**
Net operating expenses excluding depreciation and amortisation	**293,912,366**	**508,766,932**	**495,408,228**	**(13,358,703)**	**-2.6%**	**518,117,930**	**542,018,444**
Personnel costs	225,135,060	306,335,778	290,836,914	(15,498,864)	-5.1%	304,196,873	318,205,674
Fuel costs	671,297	984,212	533,246	(450,965)	-45.8%	557,584	583,396
Electricity costs	540,513	1,440,793	610,094	(830,699)	-57.7%	638,159	667,514
Material costs	1,767,616	264,658	273,377	8,719	3.3%	285,927	299,101
Other operating costs	65,797,881	199,741,491	203,154,596	3,413,105	1.7%	212,439,388	222,262,760
Accommodation and Refreshments	1,581,266	752,310	724,235	(28,075)	-3.7%	757,435	792,374
Professional Fees	16,662,882	34,346,784	35,926,736	1,579,952	4.6%	37,579,366	39,308,017
Electronic Data Costs	34,985,411	64,311,823	67,269,808	2,957,985	4.6%	70,364,209	73,600,972
Internal Audit	6,321,495	14,646,530	15,320,270	673,740	4.6%	16,025,003	16,762,153
Social Investment	16,867,154	17,169,367	17,959,158	789,791	4.6%	18,785,279	19,649,402
Miscellaneous Costs	(10,620,328)	68,514,678	65,954,389	(2,560,288)	-3.7%	68,928,097	72,149,843
Profit from operations before depreciation, amortisation and items listed below	**283,182,511**	**508,766,932**	**495,408,228**	**(13,358,703)**	**-2.6%**	**518,117,930**	**542,018,444**
Depreciation and amortisation	6,687,205	37,272,423	23,959,670	(13,312,753)	-35.7%	18,901,190	24,994,276
Profit from operations before the items listed below	**289,869,716**	**546,039,355**	**519,367,899**	**(26,671,456)**	**-4.9%**	**537,019,120**	**567,012,721**
Impairment of assets	2,721,559	-	-	-	0.0%	-	-
Post-retirement benefit obligation costs	28,124,272	34,459,516	36,044,654	1,585,138	4.6%	37,702,708	39,437,033
Fair value adjustments	1,143,212	-	-	-	0.0%	-	-
Profit from operations before net finance costs	**321,858,758**	**580,498,871**	**555,412,553**	**(25,086,319)**	**-4.3%**	**574,721,828**	**606,449,753**
Transnet Capital Projects	-	-	-	-	0.0%	-	-
Total Overhead Costs	**321,858,758**	**580,498,871**	**555,412,553**	**(25,086,319)**	**-4.3%**	**574,721,828**	**606,449,753**

Transnet Corporate Centre (TCC) will not generate revenue from FY 2024/25 as the blue train operation is transferred from TCC to the Transnet Freight Rail Operating Division.

Group costs can be categorised further as follows:

Table 32: Breakdown of Group Overhead Costs

Details	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Shared Services	42,251,734	50,169,399	52,479,189	54,893,232	57,418,321
Transnet Academy	29,185,075	113,617,346	67,143,886	66,969,516	72,816,824
Other TCC overhead costs	250,421,950	416,712,126	435,789,477	452,859,080	476,214,609
Total Overhead Costs	**321,858,758**	**580,498,871**	**555,412,553**	**574,721,828**	**606,449,753**

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Annexure C: FY 2025/26 Tariff Book Changes

Table 33: Proposed Tariff Book Changes

Reference to Tariff Book FY 2024/25	Current Tariff Book Reading /Wording	Proposed Changes
Section 4 Clause 4.1.1: PORT DUES Page 22	Clause:4.1.1 PORT DUES A reduction of 10% will be allowed to certified double hulled liquid bulk tankers, liquid bulk tankers equipped with segregated ballast tanks and liquid bulk tankers in possession of a "Green Award." The reduction is applied for any one certification or a combination thereof with a maximum of 10%. Proof of aforementioned need to be submitted to the Authority prior to vessel sailing.	**Amendment:** A reduction of 10% will be limited to liquid bulk tankers in possession of a "Green Award" Certification. Proof of this must be submitted to the Authority prior to Vessel sailing. **Rationale:** There is no need for an incentive for the other two requirements.
Section 4 Clause 4.1.2: BERTH DUES Page 23	Clause 4.1.2: BERTH DUES Statement of Facts for each voyage must be submitted to the Authority within 24 hours after vessel departs. Fee for non-submission of Statement of Facts………………………….1 926.96	**Amendment:** **Voyage Performance Report** Voyage Performance Report must be submitted electronically on the Integrated Port Management System (IPMS), within 24 hours after vessel departs. Penalty for non-submission of Voyage Performance Report…………………1 926.96**.** **Rationale:** The Statement of Facts (now Voyage Performance Report and relates to non-confidential information in the Statement of Facts) was only required for the Port of Saldanha – this is now being extended across the port system to enable easier marine operations performance monitoring at the Ports, by the Authority.

End

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