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STRATEGIC PLAN AND ANNUAL PERFORMANCE PLAN

PCOT Briefing
April 2016



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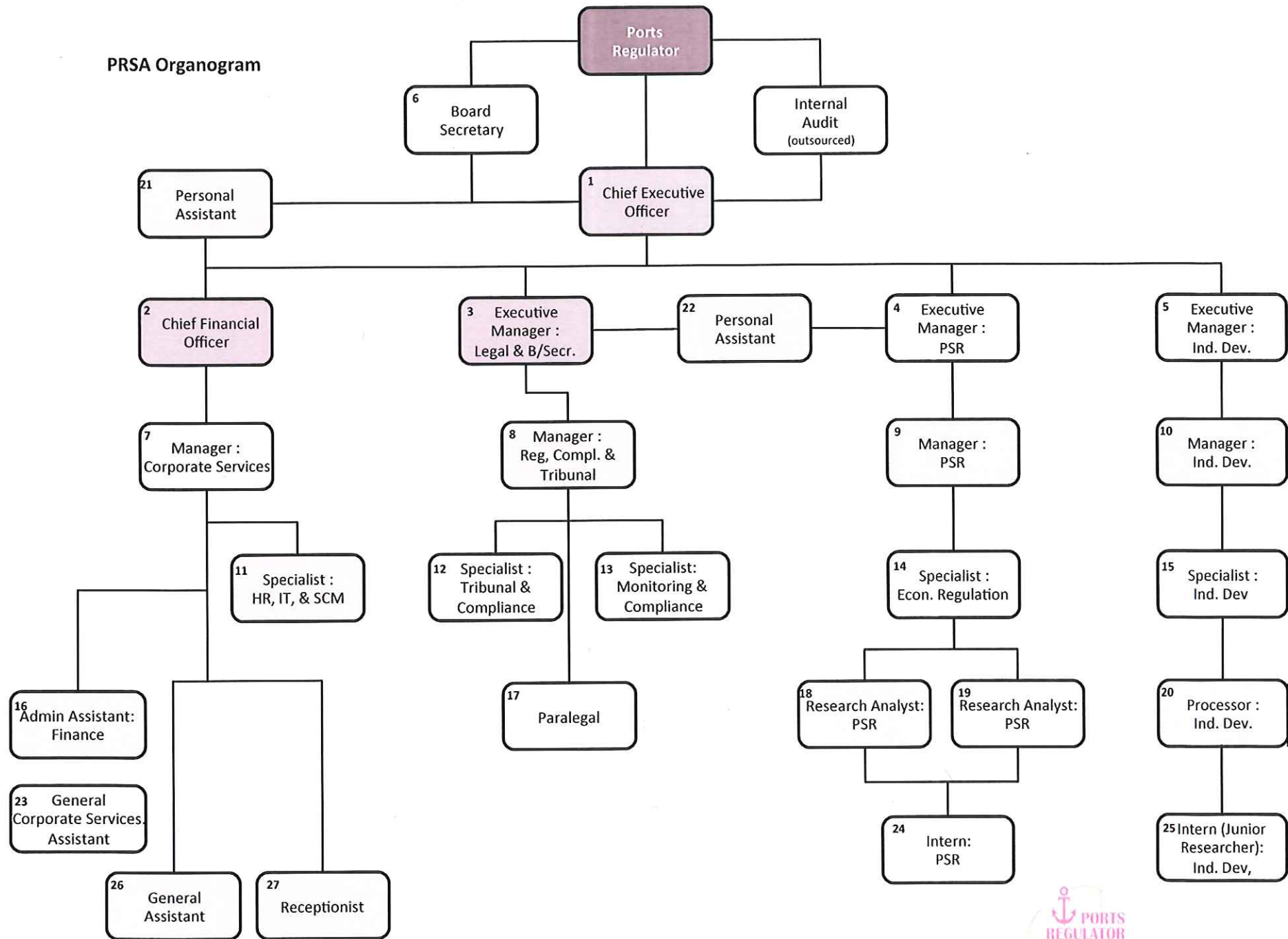
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Vision, Mission & Mandate

- **Vision:** The Ports Regulator will be regarded nationally and internationally as a world class institution which sets the standards for economic regulation in maritime ports.
- **Mission:** exercise economic regulation of the South African ports system consistent with the government's strategic objectives;
 - support the development of the ports industry and system;
 - promote equity of access to ports and to facilities and services provided in ports; and,
 - monitor the activities of the National Ports Authority to ensure that it performs its functions in accordance with the National Ports Act, 2005.”
- **Mandate:** has a primary mandate of economic regulation of the ports industry, it has to regulate the activities of the ports industry in accordance with the policy and regulatory environment generally and more specifically, the National Ports Act.

ORGANISATIONAL STRUCTURE

PRSA Organogram



Programmes of the Ports Regulator

- The organisation is established along 5 programmes that are responsible for delivering on the key aspects and objectives of its mandate.
- **Administration**
The development, implementation, maintenance and management of systems for effective operation of the Regulator as well as appropriate enhancement and management of all its resources in accordance with the regulatory compliance frameworks.
- **Economic Regulation**
The development of policy, strategy, research and implementation instruments with respect to economic regulation of ports. Included under this programme is:
 - tariff setting and
 - tariff research,
 - regulatory development processes for economic regulation of the ports system, including industry reform, institutional architecture implementation and market rules development.

- **Tribunal and Compliance**

The establishment and operation of a tribunal to hear and adjudicate complaints and appeals under the National Ports Act (2005), as well as the establishment and operation of a compliance team to ensure compliance of the National Ports Authority with the National Ports Act, but also ensuring the compliance of the organisation with its own regulatory and legislative framework.

- **Monitoring**

Monitoring and enforcement of economic regulation precepts, including economic transformation, access, tariffs and compliance with the Ports Act and the development of monitoring instruments across the sector.

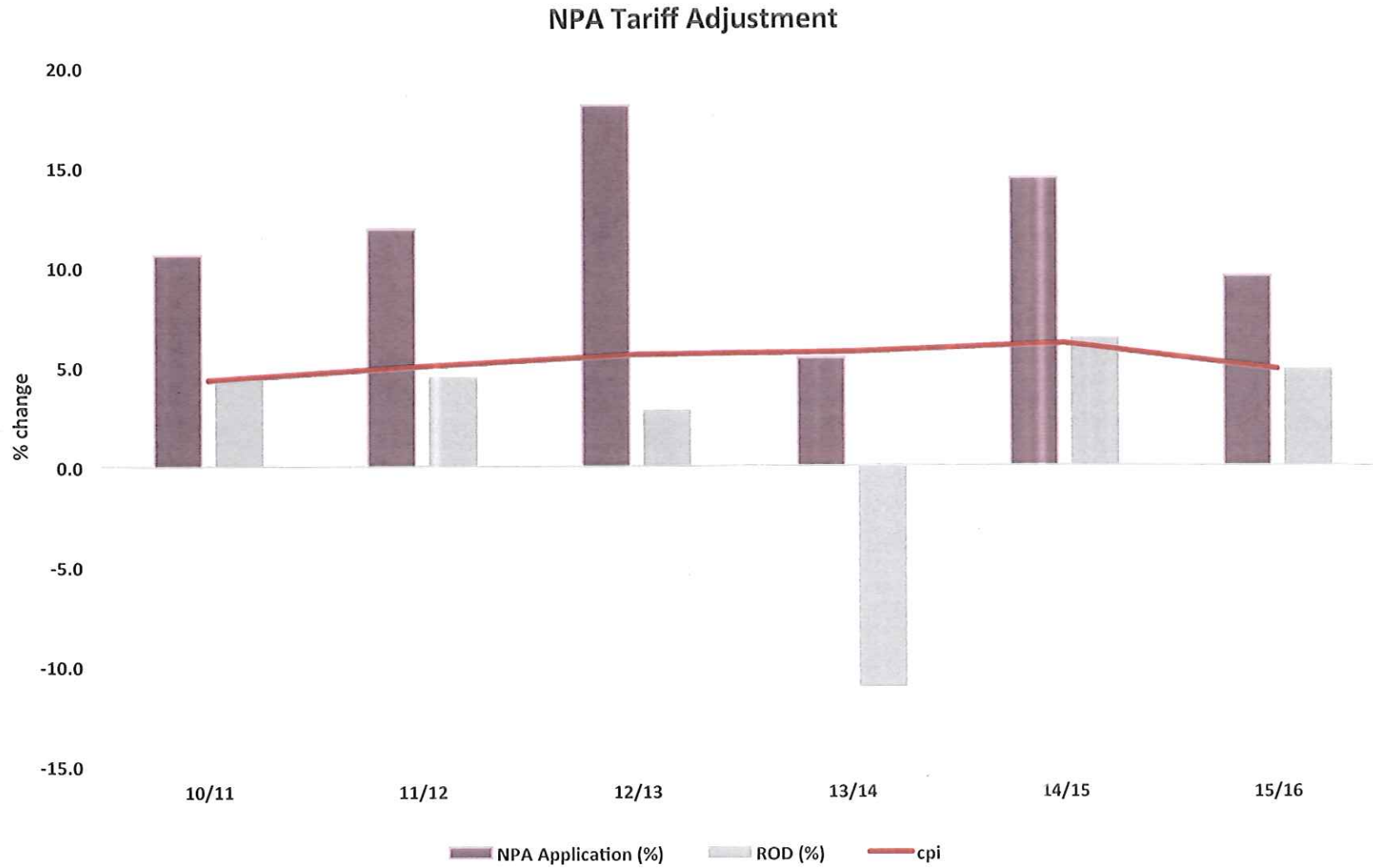
- **Industry Development**

Research and development of strategies and implementation approaches that enhance the effectiveness of the industry and its efficiency, as well as engaging all stakeholders and interested parties across the industry and the State. This programme includes planning, economic transformation initiatives, and benchmarking of the SA port system with respect to efficiency and effectiveness in comparison to other ports.

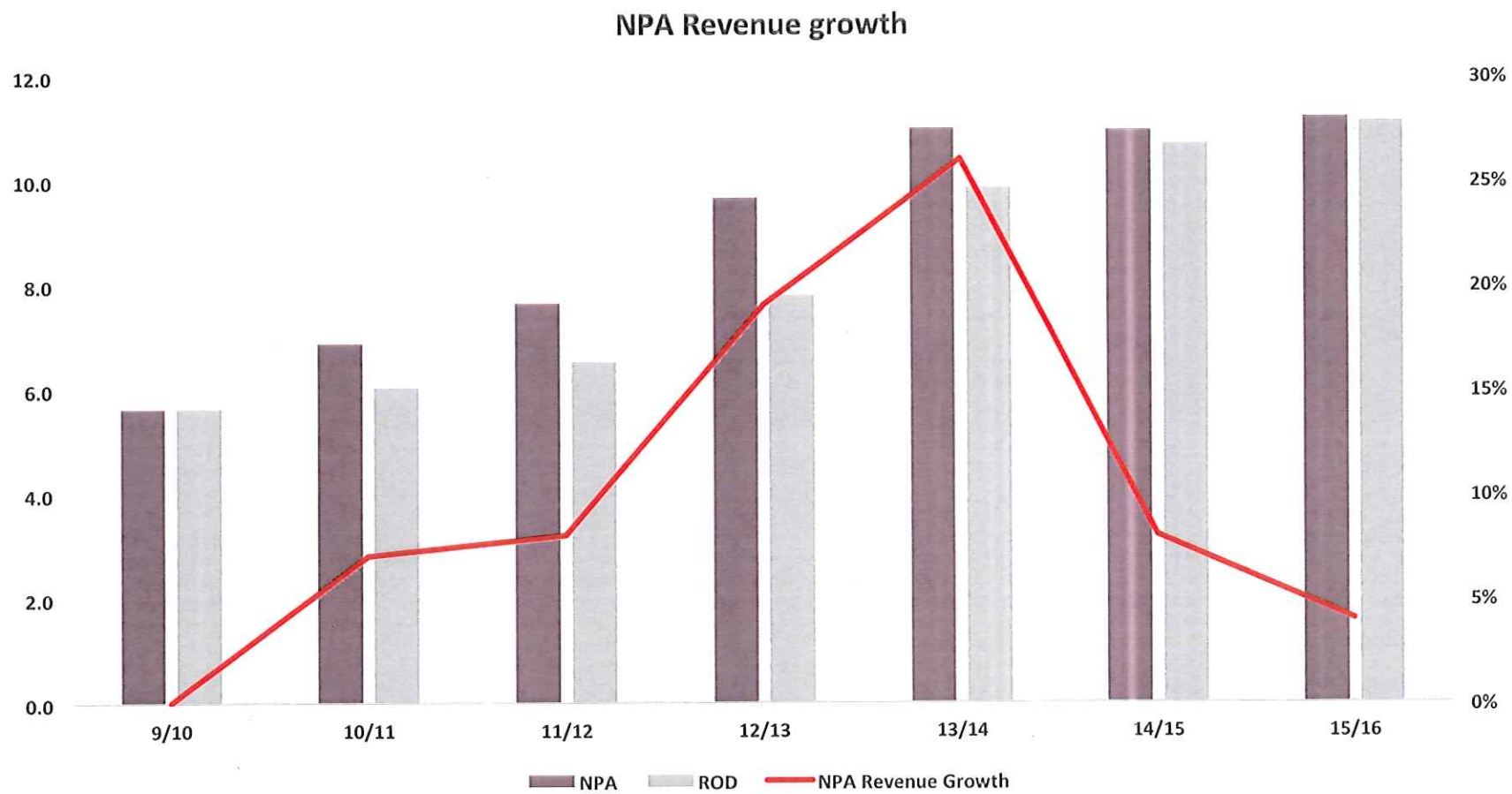
Economic Impact of the Regulator

- Rationalised Tariffs
 - R1 bn rebate
 - Significantly lower *approved* tariffs (approx R5.2 bn savings to port users)
 - Continued sustainability of NPA
 - Publication of a new long term tariff strategy for South African ports in July 2015
- Proactive and risk mitigating
 - Excessive Tariff Increase Margin Credit
 - R2.4 bn available to offset future increases
- Looking forward
 - Implementation of the tariff strategy for the next 10 years bringing about fair tariff incidence, rationalisation of the tariff book, cost reflective tariffs and a reduction of cross-subsidisation in the ports system.
 - Development of the next phase of the tariff strategy which will include:
 - Developing a beneficiation and incentive framework
 - Valuation of the assets of the National Ports Authority
 - Review and redesign the tariff methodology

Tariff determinations



Tariff determinations



STRATEGIC GOALS

No	Goal	Goal Statement
1.	Establish all elements of the regulatory framework within the port regulator's mandate	For the ports regulator to fulfil its entire mandate as prescribed by the National Ports Act 12, 2005 and in accordance with state policy that responds to economic and stakeholder needs
2.	Develop the capacity to deal with all the output requirements of the organisation	Maintain and enhance all systems, resources and staff competencies to ensure the delivery of the Regulator's mandate
3.	Establish and maintain the ports regulator reputation as an organisation with integrity focussed on delivery	Ensure that it delivers appropriate outcomes that are consistent, timeous, clear, in alignment with policy and the regulatory framework, and meets the needs of the country

STRATEGIC GOALS cont...

No	Goal	Goal Statement
4.	Ensure that all port sector participants comply with the National Ports Act, 12 of 2005	Monitor and intervene in the industry to ensure that the industry as a whole complies with the Commercial Ports Policy and legislative requirements.
5.	Support the development of the ports system and the ports regulatory system architecture	Support the development of the port system to comply with the outcomes intended by Policy and the Act, and to support the development of the South African economy as well as its transformation and structural outcomes.

STRATEGIC OBJECTIVES

No	Objective	Objective Statement
1.	Maintenance and enhancement of administration	Ensure sufficient staff complement to meet the capacity requirements of the organisation and reduce external resource utilisation, as well as enhance conditions of service.
2.	Skills Development and Training	Ongoing staff training and development in order to meet unique competencies required by the Regulator.
3.	Ensuring compliance with legislative framework applicable to the organisation	Map out legislative framework and evaluate compliance therewith and develop gap analysis together with action plans to ensure compliance

STRATEGIC OBJECTIVES cont....

No	Objective	Objective Statement
4.	Maintain clean audit.	Strict compliance with the PFMA and Treasury Regulations.
5.	Economic Regulation within the Port sector in terms of price setting, access, competition	Conduct annual tariff assessments and revise directives to include procedures for monitoring and compliance of all port industry participants
		Conduct economic research looking at global economic trends, as well as assessing port capacity and efficiency
6.	Support the development of the ports industry in planning, integration, efficiency and transformation	Providing direction and intervention in terms of private sector participation given the prescripts of the National Ports Act
		Provide input and direction at port consultative committee meetings and NPCC meetings.

STRATEGIC OBJECTIVES cont....

No	Objective	Objective Statement
7.	Draft amendments to the National Ports Act	Amendments to certain sections of the Act required to enhance the power of the Regulator in terms of policing decisions made by it as well as enhancing its governance structures in compliance with overarching legislation especially the PFMA.
8.	Monitoring the port industry and its compliance with the Act, the ports policy, and other regulatory instruments	Completing the compliance review by the National Ports Authority within the ports of Durban and Richards Bay, thereafter commencing with the other ports.
9.	Operating a sophisticated and effective tribunal to hear complaints and appeals under the National Ports Act	Tribunal to be operated as a quasi judicial system within the ports sector to hear and adjudicate complaints and appeals and set precedent within the sector.
10.	Governance structure effective and efficient to ensure compliance with PFMA and King III	Board and management structures to function effectively and efficiently in compliance with governance framework set out in the PFMA , Treasury Regulations and King Code on Good Governance.

Strategic objective 1: Running of an efficient and effective administration system (linked to strategic objective 6)

Outcomes (4)	Justification
Fill two or more posts on the organogram as funding becomes available.	Fill critical technical positions contained on the organogram in order to upscale the fulfilment of the mandates to meet strategic goals
Implement a sustainable funding model for the organisation	Ensure phased in approach of the funding model to ensure the sustainability of the organisation in the long run

Strategic objective 2: Ongoing improvement of economic regulation of ports

Outcomes (2)	justifications
<p>Implement the tariff strategy to reform port pricing over the next 10 years and develop the next phase of the tariff strategy, including beneficiation and incentive framework, asset valuation project, and review and resign of the tariff methodology.</p>	<p>As per consultation on approved tariff strategy</p>
<p>Peform NPA 2016/17 Tariff Assessment in line with the methodology</p>	<p>Part of the ports regulator statutory mandate in terms of the NPA, Regulations and Directives thereto</p>

Strategic Objective 3: conduct economic analysis research projects

Outcome	Justification
Conduct two or more studies on the port sector in line with Regulation and Industry Development, as per PRSA mandate to monitor the functions of the National Ports Authority.	National Ports act Section 30 (1) (c)

Strategic objective 4: Monitor legal compliance of the NPA and port industry with the Act, port policy and regulatory instruments

Outcomes (3)	Justifications
Implement amendments to the Act once approved by the Executive Authority and passed by Parliament	To enhance governance, powers and capacity of the Regulator to fulfil its legislative mandate
BBBEE status review of all s56 and s57 port facilities and service providers for all commercial ports in accordance with the Regulations to the Act	Regulators statutory mandate
Conduct and complete compliance audits for each financial year in accordance with compliance framework and provide audit reports	To assess compliance of the NPA with founding legislation and ensure equity of access to ports, and the provision of adequate, affordable and efficient port services and facilities

Strategic objective 5: operate an effective and efficient tribunal to hear complaints and appeals under the Act

Outcome	Justification
Tribunal to be consistently operated to receive new complaints and/or appeals and deal with existing complaints and appeals	Tribunal to effectively deal with all matters received in the year in accordance with Tribunal processes and timelines

Strategic objective 6: Ensuring good governance and sustainability of the organisation

Outcomes	Justification
Governance and compliance framework in place, reported on and updated annually	Ongoing good governance within the organisation

MTEF Budget (2016/17 -2018/19)

Expenditure per programme	2016/17	2017/18	2018/19
Administration	16 056	9 265	9 313
Economic Regulation	3 824	3 191	3 299
Tribunals	3 398	3 389	3 868
Industry Development	4 036	2 703	3 079
Monitoring	1 546	1 248	1 346
Total	28 860	19 796	20 905
Expenditure per Economic Classification	2016/17	2017/18	2018/19
Compensation of Employees	12 673	13 418	14 218
Goods and Services	15 497	6 083	6 385
Depreciation	690	295	302
Total	28 860	19 796	20 905

2014/15 Revenue & Expenditure

Actual 2014	Economic Classification	Actual Amount	Approved Budget	Variance
Revenue				
15 900	Transfers	16 852	16 852	0
275	Interest Received	309	302	7
0	Sundry Income	75	0	75
0	Profit/Gain on sale of asset	24	0	24
0	Sale of goods and Services	3	0	3
16 175		17 263	17 154	109
Expenses				
337	Depreciation and Amortisation	424	400	(24)
7 188	Compensation of Employees	9 794	10 623	829
8 800	Goods & Services	7 554	6 131	(1 423)
16 325		17 772	17 154	(618)
(150)	Surplus/(Deficit)	(509)	0	(509)

2015/16 Est. Revenue & Expenditure

Actual 2015	Economic Classification	Actual Amount	Approved Budget	Variance
Revenue				
16 852	Transfers	27 627	27 627	0
309	Interest Received	403	305	98
75	Sundry Income	24	0	24
24	Profit/Gain on sale of asset	0	0	0
3	Sale of goods and Services	0	5	0
17 263		28 054	27 937	122
Expenses				
424	Depreciation and Amortisation	433	299	(134)
9 794	Compensation of Employees	11 536	11 860	324
7 554	Goods & Services	8 036	15 778	(7 742)
17 772		20 005	27 937	(7 552)
(509)	Surplus/(Deficit)	8 049	0	(7 430)

STRATEGIC CHALLENGES

- Budgetary constraints to expand mandate. Additional baseline funding is required to capacitate the Regulator and implement programmes successfully and sustainably
- Capacity – 15/27 organogram posts filled – too small for the enormity of the task, as compared to other SA Regulators
- Need to strengthen the Regulator’s powers within the Act as well as enable a new self funding model that reduces fiscal reliance– Ports Act amendments required
- Going Concern Risk - change with regard to the regulatory architecture of the transport sector - STER

STRATEGIC RISKS AND ACTION PLAN

No	Risk	Contributory factors	Existing controls	Action Plan	Action owner
1.	Budgetary constraints	<p>Single source funding may not allow expansion of regulatory function/ services to a level and quality desired in the context of austerity measures desired by National Treasury.</p>	<ul style="list-style-type: none"> - Sound budgetary processes - Cost-cutting measures - Innovative delivery mechanisms 	<ul style="list-style-type: none"> - Engage Executive Authority for additional 5-10 million year on year motivated by outputs and impact of the Regulator - follow up on the funding model submitted during the previous year AGM. 	CEO
2.	Capacity constraints	<p>Unavailability of appropriately skilled staff</p> <p>- Succession planning</p>	<ul style="list-style-type: none"> - Internship program - Internal staff development program - Cross-skilling program - Performance management and incentive program 	<p>Enhance performance management and implement incentive program, as well as salary benchmarking to keep salaries competitive.</p>	CEO

No	Risk	Contributory factors	Existing controls	Action Plan	Action owner
3	Private Sector Participation in Ports Operations	Dilution of the reach and mandate of the Ports Regulator	Drafted a report to the DOT	Prioritise amendments to the National Ports Act to address this issue.	CEO with Executive: Legal
4	Future institutional structure and timelines of the Single Transport Economic Regulator	Change with respect to the regulatory architecture of the transport sector	- Playing an intrinsic role in the Single Transport Economic Regulator (STER) development and establishment process	Ensure that the Regulator stays involved in the process and provide inputs into the development of the legislative model	CEO
5.	Gaps in policies and procedures to enable and support understanding and execution of internal control objectives, processes, and responsibilities	- Regulator has limited resources - Small structure that is growing in complexity over time.	Specific circumstances arise based on the complexity and size of the organization, issues are either referred to CEO or regulator members for the determination of the matter. www.portsregulator.org	Annual policy review and gap analysis in order to evaluate what needs to be updated and/or drafted.	CEO with management team



No	Risk	Contributory factors	Existing controls	Action Plan	Action owner
6	- Regulator credibility	- Perception of Regulator capture - Disagreements with Regulator decisions - Negative outcomes/impacts of Regulator decisions - Failed or successful review of Regulator decisions	- Extensive consultation process - Transparency of decisions and decision making process - Communication and information availability - Outcomes/impact of Regulator decisions carefully modeled	Engage with other regulators such as NERSA and the Competition Commission to emulate their successes	CEO
7	Regulatory directives are ambiguous, restrictive and prohibits the effective and efficient functioning of the tribunal thus hindering the accomplishment of objectives	Gaps in the regulatory framework. Expensive litigation to enforce decisions.	Active case management Secretariat assisting parties through the process	Amendments to be made to legislation, regulation and directives to close any gaps in the regulatory framework. Approval to be sought from the Minister and go through legislative process	CEO

Initiatives to Transform the economy

- PRSA aims to reduce the cost of doing business with SA, and reduce cost of export of SA manufactured products to the world, through fair and well structured tariff methodology on which tariff determinations are based.
- In July 2015 the Ports Regulator published South Africa's long term Port Tariff Strategy, which seeks to reform port infrastructure pricing over a 10 year period, bringing greater fairness, cost reflectiveness and predictability in South Africa's port system.
- The Tariff Strategy maintains lower prices for highly benefited South African manufactured cargo in export containers as well as SA manufactured export vehicles, and will in the coming months develop further mechanisms for mineral beneficiation and other incentives in the next phase of the Tariff Strategy.
- Deal with the funding proposals of the NPA wrt Operation Phakisa

NDP/MTSF Alignment

- Being the Regulator of an infrastructure owning entity, the Ports Regulator derives most of its alignment with Outcome 6 of the MTSF which in turn aligns with the infrastructure Chapter of the NDP, as well as the PICC National Infrastructure Plan
- Key within Outcome 6 is government's intent to develop and capacitate economic Regulators within the MTSF period 2014-19
- Also with respect to the MTSF target of Review of Regulators, PRSA will be publishing a 5 Year Public Regulatory Review by end of Financial Year.
- A target in the MTSF (Outcome 6) for the establishment of a Single Transport Economic Regulator (STER) by December 2016 also finds resonance in the work of the Regulator
- Measuring the and benchmarking the efficiency of SA ports and port operations aligns MTSF metrics with work that is ongoing at the Regulator.
- The Regulator continues to build its capacity to align itself to government's initiatives to improve regulation especially of infrastructure as well as ensure operational efficiency, capacity and competitiveness of our logistics and transport infrastructure as per NDP

Additional Information

KPAs not achieved

Only one KPA was not achieved in the last financial year, and that was the implementation of the Asset Valuation Project due to the lack of funds

Interventions put in place to address that non-performance

Funding was applied for to the department and funds were made available in the adjustments budget. A tender was advertised and a supply chain process is underway

Performance Monitoring mechanisms put in place

The entity management meets and reports to the CEO monthly on performance on the APP, and quarterly to the Audit Committee and Regulator (Board)

How the entity is going to respond to 2016 SONA and 9 Point Plan

SONA and 9 point plan will be responded to within the tariff determination and the implementation of the next phase of the tariff strategy which includes developing a beneficitation and incentives framework

Plans to contain the cost of doing business

The Regulator complies with the National Treasury Cost Containment guidelines as also goes further. The CEO and Members fly economy class locally and use Group B hire cars. Extravagant conferences and events have been avoided.

Thank You

