



STRATEGIC PLAN

for

2017/18 to 2021/22



FOREWORD BY THE MINISTER OF TRANSPORT

The recent past has seen an up-swell in maritime activity and initiatives for South Africa. Not only has Operation Phakisa overseen the delivery of marine repair infrastructure projects, South African manufactured tug boats, and is now poised on the private sector participation in the concessioning of new repair facilities, but also strides have been made in policy development and regulation in the maritime transport sector that will lay the foundations for a much bigger turnaround in the years to come.

Cabinet has in the beginning of 2017 approved the draft Maritime Transport Policy for public comment and it is hoped that the maritime community will together with the maritime entities that assisted in drafting the policy, will engage with it and in recognizing the benefits to the sector in coastwise shipping opportunities, skills development, job creation for South Africans, and advancing and extending SA supply chains outside our borders, will criticize and contribute positively in taking forward this important document.

Not long ago we witnessed the first two international vessels to register under the South African flag, and the numbers have started to grow. I wish to congratulate the Ports Regulator for introducing incentives, amongst others, for SA flagging of commercial vessels as this process too will result in work opportunities and skills development for our people.

For the Ministry, alignment between its entities and the objectives of the Department is critical in responding to the service delivery challenges and the economic growth imperatives of our country. The Ports Regulator in crafting its Five Year Strategy and Annual Performance Plan must therefore ensure that the Members, management and staff have a shared vision and pull in the same direction, and the vision and direction should continue to enhance regulation, the port sector, as well as economic development of our country. Entities therefore need to demonstrate through their Annual Performance Plans how they respond to the injunctions as set out in the National Development Plan, the Medium Term Strategic Framework, the SONA, and other Government initiatives such as Operation Phakisa, and the Nine Point Plan. The Ports Regulator, as before, needs to clearly define its own unique role in meeting the common objectives set out in the policy instruments of Government within the context of its own mandate, sector conditions, capabilities and resources, and work consistently to achieve these.

The Ports Regulator must continue to hold the Ports Authority to account within its regulatory mandate, implement its Tariff Strategy in moving progressively towards cost reflective tariffs, assist in improving the efficiency and performance of SA ports, make strides in establishing a fair value of port assets, help improve transformation and BBBEE participation in the sector, and publish an overarching system of port tariff subsidies in the public interest that will support beneficiation and other economic imperatives. I look forward to the outcomes of this plan and would like to take this opportunity to thank the Chairperson, Members of the Regulator, the management and staff for their hard work and commitment in fulfilling their mandate.

A handwritten signature in black ink, appearing to read 'Dipuo Peters', written over a horizontal line.

MS DIPUO PETERS, MP
MINISTER OF TRANSPORT



FOREWORD BY THE CHAIRPERSON OF THE PORTS REGULATOR

It gives me great pleasure to present the five year rolling Strategic Plan of the Regulator for 2017/18 to 2021/22, prepared in terms of the National Treasury Framework for Strategic Plans and Annual Performance Plans, and in terms of Section 30 of the Treasury Regulations.

The Ports Regulator 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. But the tariff strategy is not unresponsive to South Africa's economic growth and job creation imperatives. The Tariff Strategy still maintains much lower prices for highly beneficiated South African manufactured cargo in export containers as well as SA manufactured export vehicles, in support of local manufacture and industrialization.

Also in support of economic development, the Regulator introduced an incentive for the registration of cargo carrying commercial vessels on the SA flag. The growing number of ships taking up this opportunity will improve SA involvement in the maritime sector, increasing jobs, skills and supply chain opportunities to South Africans beyond our boundaries. The Regulator has also in the past year ensured that automotive industry cargo dues equalized at full 60% discounted level. This reduces the cost of doing business to smaller SA auto manufacturers. In this regard, the Ports Regulator has been developing an overarching framework for port tariff incentives (the PTIP) which is due to be published this year.

The existence of the Ports Regulator has been to significantly lower approved tariffs resulting in a saving of more than R6 bn to port users over the few years of its existence whilst maintaining the continued sustainability of the National Ports Authority. It continues to be proactive and risk mitigating and maintains an Excessive Tariff Increase Margin Credit (ETIMC) of more than R2 bn available to offset future increases. In fact the 2017/18 tariff adjustment to a below inflation increase would not have been as low if it were not for the use of the ETIMC.

In the past year, the organisation produced the first Port Sector Review, and Regulatory Review done by stakeholder consultation and surveys. Other important work over the year included the Global Ports Pricing Comparator Study, Capacity utilisation study for SA ports, and the Ports Efficiency Benchmarking Study, all valuable to reduce the cost of doing business with South Africa, and vital to the success of the National Development Plan and our economic success as a country. The Regulator's compliance monitoring work included an audit of BBBEE compliance in our ports, and analysing Ports Act compliance and Members have proposed additional Ports Act amendments to the DoT.

It has been just under three years since the Ports Regulator published its first multi-year tariff methodology, and now it is poised to publish a revised methodology having continued its open and public approach to its work, conducting public hearings for both the Tariff Methodology as well as the Tariff Determination around the country at key centres, namely Durban, Cape Town, Port Elizabeth and Johannesburg.

Most delivery targets have been met or exceeded in the past year and the Ports Regulator achieved a "Clean Audit" for the second time, improving on its consistent "unqualified audit" status in previous years. In the years ahead the Regulator intends to expand its role in the transformation and BBBEE participation of the sector whilst continuing its analytical and compliance work. We hope to be able to

enhance the capacity of the Regulator as required by the NDP, fill key unfunded posts and strive to retain the skills we have assembled as greater financial resources become available.

This year we sadly said goodbye to a Member, Ms Patricia Mazibuko, who had resigned in December due to work pressures.

I would like to recognise the efforts of the Regulator Members, staff and management for their work in ensuring the success of the Regulator. I would like to thank Minister Peters, Deputy Minister Chikunga and the Department of Transport and on behalf of the Ports Regulator, and ask for their continued guidance, support and assistance of in the journey ahead.

A handwritten signature in black ink, enclosed in a yellow rectangular border. The signature is stylized and appears to read 'Mufamadi'.

Mr. Thabadiwa Mufamadi

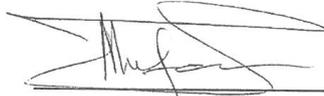
Chairperson: Ports Regulator of South Africa

It is hereby certified that this Strategic Plan:

Was developed by the management of the Ports Regulator under the guidance of the Members of the Regulator and takes into account all the relevant policies, legislation and other mandates for which the Ports Regulator is responsible. This plan accurately reflects the strategic outcome oriented goals and objectives which the Ports Regulator will endeavour to achieve over the period 2017/18 to 2021/2022.



Mr. Mahesh Fakir
Chief Executive Officer



Mr. Thaba Mufamadi
Chairman of the Ports Regulator

Approved by:



Honourable Minister
Ms. Dipuo Peters, MP
Minister of Transport
Executive Authority

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1. Introduction to the Ports Regulator

The Ports Regulator of South Africa (the Regulator) is the South African national economic regulator for the ports industry. The organisation came into being on 04 August 2005 with the promulgation of the National Ports Act, 12 of 2005 (the Act). The establishment of the Regulator was a key component of the “White Paper on National Commercial Ports Policy, 2002. The Act and policy establish the institutional framework for the ports industry as well as articulating a range of mechanisms crucial to the stable governance thereof from an economic perspective, and became operationally effective January 2007.

The Regulator is required to hear complaints and appeals as set out in Section (30)(2)(a) of the Act. In addition, the Regulator carries out a monitoring function in that it monitors the activities of the Authority to ensure that it performs its functions in accordance with the Act.

The organisation is established along five Programmes that are responsible for delivering on the mandate and strategic objectives set out herein. These include: i) Corporate Services – responsible for the development, implementation and maintenance of management systems for the effective operation of the Regulator in accordance with the regulatory compliance frameworks, ii) Economic Regulation – responsible for the development of policy, strategy, research and implementation instruments with respect to the economic regulation of the ports including tariff setting and tariff research, iii) The Tribunal, iv) Monitoring and Compliance, v) Industry Development – responsible for the research and development of strategies that enhance the effectiveness and efficiency of the industry.

The Regulator consists of a Chairperson and a minimum of six and a maximum of twelve other members, in terms of Section 39(1)(a) of the Act. The function of the Secretariat is to provide support to the Regulator. The office of the Secretariat is based in Durban, Kwa-Zulu Natal and is currently functioning with fifteen employees.

The work of the Regulator is supported by a budget of R 28, 860 000 in the 2016/17 financial year. In its ten years of existence it has expended approximately R134 million, and has produced revenue saving to port stakeholders and the economy of approximately R5 billion, a high return on investment indeed.

2. PART A: STRATEGIC OVERVIEW

The Ports Regulator of South Africa is an organisation now into its eleventh year of existence. Since its inception the organisation has made great strides in terms of achieving its mandate. With limited capacity and financial resources, it has made a profound impact on the South African economy as a whole through its regulation of the port sector. For example, since its inception there has been a smoothing of the tariffs charged by the National Ports Authority established in terms of the Act, to own, manage, control and administer all South African ports to ensure their efficient and economic functioning capable of contributing to the economic growth and development of our country.

The Regulator’s tariff decisions have translated into a saving to port users of approximately R5 billion, and its research studies have informed economic policy and assisted in rationalizing port tariffs to move closer in line with international trends, given that South African port dues are amongst the highest in the world. The Regulator has in addition, assisted users by creating a buffer through the Excessive Tariff Increase Margin Credit against excessive tariff increases due to large capital investments by the NPA.

Looking forward the Regulator aims to create greater regulatory certainty and predictability through a fairer tariff incidence as well as more accurate investment signals through a multi-year tariff methodology. It is required to perform a very strategic balancing act between ensuring the sustainability of the Authority as well as lowering the cost of doing business in South African shores and attracting new business and therefore investment.

The Regulator remains committed to ensuring that the organisation is indeed positioned as an efficient and effective economic regulator, the only one of its kind and a model on which any other regulators

may want to emulate. Its agenda must therefore effectively carry out its mandate which will ensure it remains relevant in a continually challenging environment.

The Strategy thus remains on its projected path, but in this next strategic cycle aims to enhance our operations and be seen as indispensable to the country, the NPA and industry.

2.1. VISION

The Ports Regulator Vision therefore remains as:

“The Ports Regulator will be regarded nationally and internationally as a world class institution which sets the standards for economic regulation in South African maritime ports”.

2.2. MISSION

As a creature of statute, the Ports Regulator’s Mission is largely defined by the explicit mandates of the legislation and the implied mandates of the Policy, Strategy and Initiatives of Government. The Mission therefore remains consistent with its regulatory and policy framework.

“The Mission of the Ports Regulator is to:

- i) exercise economic regulation of the South African ports system consistent with the government’s strategic objectives;**
- ii) promote equity of access to ports and to facilities and services provided in ports;**
- iii) monitor the activities of the National Ports Authority to ensure that it performs its functions in accordance with the National Ports Act, 2005.**
- iv) Consider the proposed tariffs of the National Ports Authority; and**
- v) Regulate the provision of adequate, affordable and efficient port services and facilities.**



3. Organisational Values:

The Ports Regulator initially established a value set that represented the articulation of its mandates as set out in legislative, regulatory and policy sources. These have been reviewed on an annual basis since inception. While there has been no significant change in any of the sources of the Regulator that would support a drastic amendment of these values, they have been articulated in a different way.

At the core of the Ports Regulator's value system is that we continually strive to be relevant and excellent in the performance of our mandate.

The Ports Regulator therefore continues to adhere to the Key Values of:

	Values	Behavioural Attributes
P	Protection of the values enshrined in the Constitution of human dignity, equality and freedom;	Being people centered in terms of protecting the rights of our staff enshrined in the Constitution and upholding the democratic values of Fairness, Integrity and Transparency.
R	Respect and Relevance	Respect for others at all levels, maintaining high ethical standards and trust especially with regard to the proper use of the resources entrusted to us by the public.
S	Service Delivery and Stakeholder focus	Striving to exceed stakeholder expectations, which engenders credibility
A	Accountability	Being accountable to the board of the Regulator, its Executive Authority and stakeholders for the decisions and actions it takes.

These values are the foundation upon which the corporate culture in the Regulator is founded and maintained at every level.

4. Legislative and Other Mandates

The Ports Regulator of South Africa is a Schedule 3A Public Entity¹ established in terms of Section 29 of the National Ports Act, 12 of 2005 (the Act). The Regulator, with a primary mandate of economic regulation of the ports industry, is required to regulate the activities of the ports industry in accordance with the policy and regulatory environment generally and more specifically, the Act. Its primary context is therefore to regulate economic aspects of the ports industry in accordance with the policy and legislative mandates of the state. There has been no change in the legislative environment since the previous iteration of the strategy. However, there have been changes to the economic and industrial policy environments that may require adjustment of the strategic trajectory of the Regulator but given the robust nature of its mandate, the mandate of the Regulator will be achieved in accordance therewith.

4.1. Constitutional Mandates:

The Constitutional base which supports the Regulator's mandate is Chapter 2 of the Constitution of the Republic of South Africa (1996), specifically Section 7(1) which is the cornerstone of our democracy and enshrines the rights of all people and affirms the democratic values of human dignity, equality and freedom.

Section 9(2) provides the constitutional context which further emphasises what the right to equality entails, and by extension provides the context for the mandate of the Regulator to ensure that it promotes the achievement of equity of access by all port industry stakeholders in accessing the port services and facilities in a manner that does not discriminate against any group or categories of persons, especially previously disadvantaged persons or categories of persons. This does not preclude the creation and implementation of measures to reduce enduring inequalities that have arisen from previous structures and systems that actively disadvantaged persons or groups of persons in the country.

In terms of the Act and Ports Regulations, the Regulator is mandated to monitor the activities of the Authority by ensuring that the Authority incorporates black economic empowerment in Agreements entered into in terms of Section 56 and when granting licenses in terms of Section 57 of the Ports Act, 2005.

Section 34 of the Constitution further provides that "every person has the right to have any dispute that can be resolved by the application of law decided in a fair public hearing before a court or, where appropriate, another independent and impartial forum." The Regulator, in terms of Section 30(2)(a) of the Act, has a quasi-judicial function in that it is required to investigate complaints and hear complaints and appeals against the Authority. The Regulator, through its quasi-judicial function, assists in the regulation of competition and ensures that access to ports and port facilities are provided in a non-discriminatory, fair and transparent manner.

4.2. Legislative Mandates

¹ In terms of the Public Finance Management Act, 1 of 1999

National Ports Act No.12 of 2005 –

Promulgation of the Act gives effect to the Regulator. Furthermore, Section (30)(1) the Act stipulates the mandate of the Regulator, which is to exercise economic regulation of the ports system in line with government's strategic objectives; promote equity of access to ports and ports facilities and services provided in the ports; monitor the activities of the Authority to ensure that it performs its functions in accordance with this Act; hear appeals and complaints, consider proposed tariffs of the Authority, promote regulated competition and regulate the provision of adequate, affordable and efficient port services and facilities.

Section 72(4) read with Directive 24 of the National Ports Act –

According to Port directive 24, the Authority must report annually to the Ports Regulator regarding all agreements entered into with port users for the variation of tariffs as contained in the tariff book which is approved by the Ports Regulator in terms of section 72(1) of the Ports Act.

Ports Regulations in terms of Section 80(1) of the National Ports Act –

The Ports Regulator is required to monitor the measures taken by the Authority in incorporating BBBEE into decision-making, section 56 agreements, granting or issuing of licenses in terms of section 57, monitor the manner in which the measures taken by the Authority have enhanced access to and participation in ports services and port facilities by previously disadvantaged individuals and to conduct an economic review of the ports.

Draft White Paper on National Commercial Ports Policy 2002 –

This policy aims to ensure that port users are able to access the port system in the most efficient way possible, ensure safe affordable, effective and efficient port services and promote Black Economic Empowerment and Small, Medium, and Micro Enterprises.

Public Finance Management Act No.1 of 1999 –

The PFMA must read together with the Public Finance Management Amendment Act (29 of 1999), together with the Treasury Regulations thereto. The PFMA gives effect to section 216(1) of the Constitution (together with other sections including section 217), which requires national legislation to establish a national treasury and prescribe measures to ensure both transparency and expenditure control in each sphere of government and within its entities, by introducing: i) generally recognised accounting practices, ii) uniform expenditure classifications; and iii) uniform treasury norms and standards. The main objects of this Act is to ensure secure, accountable and sound management of the revenue, expenditure, together with assets and liabilities are managed efficiently and effectively and provides for the responsibilities of person entrusted with financial management in the Public Entities to which it applies.

Broad-Based Black Economic Empowerment Act No.53 of 2003 –

Allows for the establishment of a legislative framework, which provides for the promotion of black economic empowerment.

The Basic Conditions of Employment Act, 75 of 1997 (as amended) –

To give effect to the right to fair labour practices referred to in section 23(1) of the Constitution by establishing and making provision for the regulation of basic conditions of employment

Preferential Procurement Policy Framework Act No.5 of 2000 –

Provides a framework for the implementation or development of preferential procurement policies, in order to protect or advance previously disadvantaged persons.

Promotion of Access to Information Act No.2 of 2000 –

Gives effect to the Constitutional right of access to any information held by the State and any

information that is held by another person and that is required for the exercise or protection of any rights.

Promotion of Administrative Justice Act No.3 of 2000 –

Gives effect to the right to administrative action that is lawful, reasonable and procedurally fair and to the right to written reasons for administrative action as contemplated in Section 33 of the Constitution of the Republic of South Africa, 1996; and to provide for matters incidental thereto.

4.3. Policy Mandates:

The Regulator's mandate is to be exercised in accordance with Government policy as set out in the National Commercial Ports Policy and the Medium Term Strategic Framework.

The basic principles of the National Ports Policy are as follows:

1. National needs, aspirations and requirements shall be of primary consideration;
2. Consideration of user and other stakeholder needs and views need to be embedded in all processes;
3. Port system development, management and enhancement will primarily remain a national function;
4. Regulation should be kept to a minimum, without compromising national aspirations, safety, health, security, efficiency and environmental sustainability;
5. Participants in the market should be treated equally and fairly;
6. The principle of user pays or cost recovery, benchmarked against international best practice to ensure that the costs are globally competitive will be applied as far as possible, including an appropriate return for infrastructure providers; and
7. Strategic port planning will include the integration of social and biophysical aspects at the earliest stages to ensure sustainable port development.

The Medium Term Strategic Framework (2014-2019) is government's strategic plan with an outcomes-based approach to guide government departments and their entities, and to which the Regulator is required to align itself. While not all strategic priorities are applicable to the Regulator, there are those that emphasize the need for a growth trajectory that will address the economy's structural constraints, expand the industrial base and create decent work opportunities on a large scale. There is enormous responsibility on government and its entities to contribute to the economic growth of our country. These priority areas for the Regulator include:

1. Speeding up growth and transforming the economy to create sustainable livelihoods;
2. Massive programmes to build economic and social infrastructure;
3. Strengthen the skills and human resource base;
4. Pursuing African advancement and enhanced international co-operation; and
5. Sustainable Resource Management and Use.

Regulatory Principles for the Regulator –

In exercising its mandate, the Regulator will apply the principle of cost-effectiveness through the responsible, effective and efficient exercise of its powers as defined in the Act. The Regulator has developed a set of Regulatory principles that establish its approach and sets the minimum standards that port stakeholders can expect in Regulator processes or decisions. The principles are prioritised as follows:

Consideration of user and other stakeholder needs and views:

The Regulator, in exercising its powers under the Act, will invite port users and other stakeholders to comment and will consider those comments in order to effectively and efficiently make decisions that are consulted and in the public interest.

Participants in the market should be treated equally and fairly:

One of the key functions of the Regulator is to ensure equity of access to ports and to services and facilities provided within port boundaries. The government's Black Economic Empowerment policies will be prioritized to ensure that small and medium-sized enterprises owned by historically disadvantaged groups have an equitable opportunity to participate in the operation of facilities in the ports environment and artificial barriers to the entry of new participants in the economy of the ports will be removed.

Regulation should be kept to a minimum, without compromising national aspirations, safety, health, security, efficiency and environmental sustainability:

The Regulator's mandate makes provision for the economic regulation of all service providers operating within the ports, including monitoring the granting of licenses and concession agreements with a view to ensuring transparency with regard to, inter alia, the control of pricing levels, minimum levels of service to be offered and the avoidance of anti-competitive practices. The Regulator is therefore required to intervene in a manner that is pragmatic, appropriate and not more onerous than is required to deliver on its mandate.

The principle of user pays or cost recovery, benchmarked against international best practice to ensure that the costs are globally competitive will be applied as far as possible, including an appropriate return:

The Regulator is undertaking research to ensure that South African ports are on par with other world class ports. Further research, using the limited resources of the Regulator, will be undertaken to identify and benchmark international best practice, which, when applied to South African ports, will make them globally competitive. The complexities of benchmarking aside, the global competitiveness is partially defined by the competitiveness of South African supply chains, of which the costs and efficiency of ports are key determinants.

The regulation of service quality is a means by which regulated competition in the provision of port services may be promoted:

Ensuring the implementation and monitoring of performance standards of port service providers at each stage in the ports value chain, to ensure efficiency and enhanced productivity.

5. Situational Analysis

South African Port Regulation Activities:

By far the bulk of all goods entering or leaving South Africa, come through the South African commercial ports system, comprising the ports of: Richards Bay, Durban, East London, Ngqura, Port Elizabeth, Mossel-Bay, Cape Town and Saldanha Bay. As an integral link in the global supply chain linking South Africa with the rest of the world, a sustainable, efficient and productive port system is necessary to enable the economic growth and development required in the South African context.

As such, recovering the cost of providing the infrastructure required to ensure a sustainable, efficient port system with the ability to install capacity ahead of demand remains a challenge and is central to a number of processes the Regulator is currently and will be engaged in over the medium term. A major challenge faced by the Regulator is that the overall structure of the South African port pricing is relatively higher in a number of categories as compared to the rest of the world. This has been shown in the numerous studies undertaken by the Regulator over the last two years. Despite large decreases in container cargo dues as well as export auto motives as announced in the Regulator's Records of Decision over the years, these charges remain much higher than world averages. The results of the Regulator's research show that significant pricing imbalances between cargo owners towards primary exporters and vessel owners persist. Although this has improved on an annual basis, cargo owners still face a premium to the global average while vessel owners face costs below the global average. In particular, the total NPA costs to users in container ports comes at a premium above the global average (similar results for the automotive sector applies) whilst bulk commodities are charged much lower total port costs than the global averages. Within this context and working within the framework of a Revenue Requirement model to set tariffs, the development of and implementation of the tariff strategy to correct these pricing signals is paramount.

The Ports Regulator must not only undertake economic regulation of the ports system in the country, it must also ensure equity of access to ports, facilities and services provided in the ports. In house capacity to monitor compliance of the Authority with the Act. In the upscale of its mandate in the next strategic cycle the Regulator aims to assess the port industry structure and develop required strategies and measures to ensure equity of access and enhance efficiency within the system.

In its Regulatory principles, the Regulator must promote regulated competition in the port system through service quality regulation i.e. setting and monitoring performance standards without prescribing the choice of method for setting such standards. The regulatory principles provides for the standards to be set through a process that includes public consultations. The Regulator will be focusing on the recently introduced Operator's Performance Standards (Terminal, Marine, Road and Rail) towards the measurement and improvement of South African commercial port's performance, productivity and efficiency. In addition to its own port performance and benchmarking research, this process will define the efficiency measures that will be a component of the Required Revenue Methodology. Performance measurement system work effectively when there is buy in from relevant parties with vested and divergent interests requiring effective stakeholder engagement and consultation.

The Authority's Capex expansion programme, intended to provide capacity before demand to ensure that the port system supports the projected levels of economic growth in the long run, is another area for significant stakeholder engagement. The required investments, estimated in Transnet Market Demand Strategy to be in the region of about R57b over a seven-year period (2012), through the Authority's Required Revenue but ultimately collected as revenue from the various categories of port users. Balancing the requirements of the Authority's long term port development framework and related Capex programme with the cost of the required investment in a sustainable manner requires that the Regulator continues with its stakeholder engagements and consultations.

The Regulator has over the past ten years received and dealt with various complaints and appeals on which recourse was sought against the Authority. The merits on the spectrum of matters have strengthened over time from simple misunderstandings to real contentions on pricing and fairness issues in the ports sector. The nature and the spread of complaints and appeals also continues to evidence the fact that the Regulator has managed to raise awareness across the country with regard to its functions as well as its credible services offered. The Regulator continues to receive complaints from the indigent and continues to help them through the process which appears complex to them. The decisions of the Tribunal on these issues have crafted the way forward on how the organisation is to regulate industry and continues to build its body of jurisprudence in this regard.

As part of its mandate, the Regulator is required to monitor the activities of the Authority to ensure that it performs its functions in accordance with the Act and in so doing ensure the regulation and adequate and affordable provision of port services and facilities. Given its gradual upscale of its mandate, the Regulator now has the capacity to ensure the compliance of the Authority with the precepts of the Act, as well as primary legislation such as the Constitution and the Public Finance Management Act, 1 of 1999. The Regulator has developed a Compliance Framework and in accordance therewith in the past year has conducted a compliance review of the Ports Durban and Richard's Bay with a view to upscaling these audits to all the commercial ports over this strategic planning period. The entity has in addition managed to strengthen its governance structures with the intention to fully comply with its key legislative framework, policies, procedures and regulations. This process of strengthening governance has also led to Members of the Regulator functioning as a strategic oversight body providing credibility and accountability to the Executive Authority for the resources entrusted to it which is used to discharge its mandate. Staying within the realm of the legal division of the organization is to submit a detailed report to the Department of Transport (DoT) on its proposed amendments to the Act, given that while the legislation has been extremely robust in its application many additional provisions have been identified to be inserted to the legislation to assist the Regulator achieve the full spectrum of its mandate, one such area is to allow the Regulator to legally enforce decisions made by it through its complaints and appeals process, much like that of the Competition Commission.

The original design context of both the Regulator structure and strategy and its operational planning was based on a full implementation of the Act in a shorter period than is the case. With the upscaling of its mandate over time the Regulator has consistently faced the challenge of a lack of financial resources as well as capacity implications, which has impacted such upscaling. However, the Regulator has always and will continue operating as a lean organization using the resources entrusted to us with credibility and accountability. Despite these challenges, the Regulator's impact both on the economy and within the industry has been felt in its short time in existence.

In the absence of actual corporatisation of the NPA, the Regulator operates as if there is an "artificial" separation of the Authority to better approximate the institutional architecture envisaged in the Act, in. The Authority has, in the most recent tariff application (2015/16 tariff application) and compliance audit, been audited as a stand-alone entity to ensure regulatory certainty in a very uncertain climate.

A further institutional shift has been clearly articulated by the DoT in its perspectives around the Single Transport Economic Regulator (STER). This consolidation of regulators presents a challenge to the Regulator in the short and medium term in so far as its planning has to take into account the possible removal of a stand-alone ports economic regulator.

The policy shifts in specific areas of economic regulation, further complicate the context in which the Regulator operates. As these policy shifts evolve, it would be appropriate for the Regulator to chart a path that does not create structural impediments to the implementation of the revised policy perspective. Our engagements with the Minister have clarified that the Regulator's most prudent course

of action is to develop itself in order to fulfill its complete mandate and build its capacity commensurate thereto in order to align itself to government's medium term strategic framework 'Outcome 6', to improve regulation especially of infrastructure as well as ensure operational efficiency, capacity and competitiveness of our logistics and transport infrastructure- thus port infrastructure.

The Regulator is therefore forging ahead with its immediate output requirements pragmatically approaching the short, medium and long term output requirements of the organisation. This pragmatic response requires that the Regulator prioritises its most immediate interventions to ensure that it deals with the most pressing concerns in the industry and the maritime economy as a whole. These include:

- Monitoring and promoting the passing of its completed amendments to the National Ports Act;
- Enhanced compliance monitoring and monitoring of transformation in the sector
- Implementing the Tariff Strategy and new methodology and expanding its regulatory knowledge and tools
- Appointing additional staff within its core functional areas to drive output, which is funding dependent.

Regulators in general are confronted by two main challenges: first, is to make sure that there are adequate levels of efficiency and investment to ensure that customers/users get reliable service, and second- to ensure that pricing levels are managed in a way that creates certainty and mitigates against major price increases due to increased investment.

The economic and port environment within which the Regulator must regulate has slowly been recovering from the fundamental shifts in the recent past. The continuing impact of the subdued global economic activity, has ensured the retention of significant caution in the Regulator activities in so far as it regulates port tariffs and intervenes in any structural issues in the industry. A further unknown is the dawn of the new Broad Based Black Economic Empowerment Maritime Codes and a change in the scorecards leaving industry and the Regulator at a disadvantage in terms of understanding the impact of this on industry and the economy as a whole. If the above issues are added to the fact that the port environment faces a significant and expansive capital enhancement program, through the Market Demand Strategy of the NPA and Operation Phakisa, the dilemma faced by the Regulator is between intervening effectively by balancing the cost of the capital requirements with the resultant cost implications on port users.

In the medium to long term resulting higher level of efficiency and lower costs structure is preferable aim of the Regulator as opposed to an immediate reduction in pricing that cannot be matched by an increase in efficiency to enable a resulting level of output appropriate for the economy with a multi-year Capex view being taken on tariff increases and tariff smoothing as the main principle. The Regulator will be monitoring closely the progress by the Authority in the development of a port performance monitoring system that is expected to be included in the tariff methodology in order to correct the incentive structure in the tariff setting methodology.

Over time the Regulator has seen an improvement in its engagement with stakeholders and the level and quality of submissions received from industry in its tariff setting process. This is especially so with regard to the approval of the new Multi-Year Tariff Methodology Manual, which suggests that the efforts of the Regulator to engage industry is paying off, and industry is beginning to become more aware of the benefits resulting from the Regulator.

With respect to the complaints and appeals regime, the Regulator continues to face many informal complaints that do not translate into formal processes, but there is a growing body of jurisprudence which the Regulator has begun to imprint and will make use of in future. Industry role players are

becoming increasingly aware of the quasi-judicial role played by the Regulator and have become more confident in bringing their complaints whether formal or informal to the Regulator. This is a direct indication of the enhanced credibility built by the Regulator over time in its processes and procedures. This process is a fine balancing act as the Regulator secretariat is faced with charting a path between the interventionist role in terms of trying to change things in the industry on one hand and the requirement to be a neutral arbitrator in the resolution of disputes between the Authority and the ports industry on the other.

5.1. Performance Environment

The Regulator has managed over the past financial years to consistently upscale the discharge of its mandated functions under challenging circumstances, with human resource as well as budgetary constraints. However, it can safely be said that the Regulator is in the phase of full implementation of all of its programmes. Some in their infancy stages, but none-the-less positive strides are being made in terms thereof.

Achievements over the past year has seen the full implementation of the Human Resource regime, compliance monitoring of the Authority. The entity has managed to strengthen its governance structures with the intention to fully comply with its key legislative framework, policies, procedures and regulations. This process of strengthening governance has also led to development and approval of policies and procedures that will govern the operating activities of the entity to achieve the output (both financial and non- financial) that will be in line with Annual Performance Plans (short-term) and strategic plans (long-term). This process is to be continued as the capacitation of the organisation allows a greater degree of separation between functions and therefore a greater level of substantive compliance with the governance requirements of an organisation of this type.

The Regulator aims to improve on industry performance and compliance monitoring and internationally benchmarking the port system and the regulatory methodologies, and furthermore to results of the Asset Valuation project and its analysis of the South African port system. Another task planned is the alignment of the strategy with the implementation of the Integrated Transport Sector Broad Based Black Economic Empowerment Charter in the Department of Transport and the new maritime sector codes. This will be implemented through internal capacity in co-operation with the DOT.

The Employment Equity targets, which are in accordance with the B-BBEE Act, that have been set by the Regulator are as follows:

Indicators		Description	Actual (projected)	Projected		
			2016/17	2017/18	2018/19	2019/20
Major Performance Indicators:						
1	BBBEE (Level 2)	Procurement from BBBEE as a percentage of total discretionary spend	75%	75%	75%	80%
2	Female Management	Female managers as percentage of total	(5) 50%	5 (50%)	5 (50%)	50%
3	Black Managers	Black Managers as percentage of management	(7) 70%	7 (70%)	7 (70%)	7 (70%)

The capacity of the Regulator is its key internally determined and developed resource. The Regulator Members (who are part-time) and CEO are appointed through a public process and sanctioned by Cabinet. The additional Members appointed by the Minister of Transport as of 1 September 2015, bringing the number of Members including the CEO to 12, is in keeping with government's Strategic Priority 2 contained in its Medium Term Strategic Framework (MTSF) to strengthen sector regulators and ensure entities perform in accordance with regulatory frameworks to boost investment and economic growth.

As this process has major implications for the Regulator and its operations, it is critical that the Regulator actively articulate its requirements in this process, and ensure that the amended legislation makes provision for an appropriate resourcing of the organisation, through its proposed enhanced funding model to ensure that its full complement of performance outcomes is achieved with a high level of quality as well as ensuring its long-term sustainability.

The Regulator re-iterates the centrality of capacity to the fulfillment of its mandate. One of the key determinants of organisational effectiveness would be the extent to which competence and capacity has been acquired, developed internally and the extent to which that competence has been effectively applied to the functions of the Regulator. The ports sector is a highly skilled environment and the Regulator will need to ensure that these highly skilled staff receive commensurate salary and benefit levels. This ensures that any exercise which is aimed at recruiting and maintaining a central coterie of specialists is bound to be expensive and difficult. As the Regulator is not sufficiently resourced to compete with other organisations that pay above market rates, a large part of its management effort must be targeted at developing its own skill pipeline. The internship programme at the Regulator has delivered significant benefits, in the core research functions of the Regulator and for a long time was a valuable repository of technical staff. This programme is aimed to be continued in this new strategic cycle.

The organization continues to face the challenge of expanding the depth and breadth of its functions and capacity given the increased demand for the services offered, with the increased complexity of its operations without losing the flexibility and ability to respond in the short cycle times that currently exist.

6. Development of the Regulator's Strategic Objectives

The process of developing the PRSA's Strategic Goals and Objectives, the organization factored all aspects of its Operational Environment Analysis, its Situational Analysis as well as its SWOT analysis taking cognizance of its Strengths, its challenges, opportunities and threats.

These revised goals and objectives sought to align the organization with the government's MTSF as well as its Economic Policy and the DoT's Strategic Objectives, but in strict accordance with its founding legislation the Act.

The strategic planning process also took into account the results of stakeholder feedback obtained from surveys conducted during the tariff strategy and tariff applications road shows and regulatory review summarised below. Respondents were requested to rate the Ports Regulator on the respective statements on a scale of 1 (bad) to 5 (excellent).

Overall rating on:	Sep-14	Jun-15	Sept-16
The efficiency of the PRSA	4.0	4.0	4.0
The effectiveness of the PRSA	4.0	4.0	3.9
The responsiveness of the PRSA	3.9	3.8	3.9
The neutrality of the PRSA	4.2	4.1	4.0
The independence of the PRSA	4.1	4.1	4.1
Decisions issued by the PRSA	3.9	3.9	3.9
Number of respondents	70	56	79

The results were generally positive and above the mean of 3.

From the 2015 electronic survey where 143 port users and stakeholder from Industry/Industry Association (72.7%), government (5.6%), the Authority (4.9%), other Transnet division (6.3%), Academic Institution (1.4%) and other (9.1%) suggestions were made that would further enhance the stakeholder management programme, namely; for the Regulator to have more regular engagements with stakeholders on pertinent issues and decisions, even those outside of the tariff and strategy processes; for the Regulator to use wider and more interactive channels in disseminating information about the Regulator; and have more engagements with private terminal operators.

6.1. Ports Regulator of South Africa: Strategic Key Performance and Operations Indicators

Strategic Objectives	Objective Statement	KPI	Audited Actual Performance		Reasons for Variance	
			2015/16	2016/17		
1.The running of an efficient and effective administration system		Expansion of Staff complement	2 critical positions filled	2 position filled plus interns	None- targets were achieved	
		Development of HR Strategy and skills plan	-	HR Strategy and Skills Plan developed by the organisation.	None	
		Skills Development and training plan developed and implemented	Plan developed but not finalised and implemented	Plan drafted and implemented	None	
		Effective data and document management within the various programmes	Purchase scalable IT modules in research, process and data management that are cost effective and appropriate for the Regulator	DMS procured and implemented within the relevant areas of the organisation.	-	None
		Develop sustainable funding model in consultation with the Executive Authority(DOT for the short to medium term	Engage the Department of Transport(DOT) and the Treasury to evaluate ways to supplement the Regulator's income to ensure its sustainability	-	Funding model developed and DoT engaged.	None
		Obtain and maintain clean audit	i)Draft outstanding financial and IT policies	Target partially achieved as financial policies were drafted and implemented	BCP & DRC developed still outstanding is the IT Governance Framework	Capacity and funding constraints
			ii)Quarterly financial and progress reports submitted	Quarterly financial and progress reports submitted	Quarterly financial and progress reports sent to	None

Strategic Objectives	Objective Statement	KPI	Audited Actual Performance		Reasons for Variance
			2015/16	2016/17	
		on time and on budget	on time in terms of DoT requirements	DoT timeously	
		iii) Address Audit and risk areas efficiently and effectively through Audit Committee.	Target achieved as Audit findings were addressed and risk areas highlighted were mitigated through the Audit Committee	Target achieved as Audit findings were addressed and risk areas highlighted were mitigated through the Audit Committee	None
2. Improvement of Economic Regulation of Ports	Medium-term Tariff Assessment Methodology and Tariff Strategy consulted and finalised	Tariff Methodology developed and approved	Medium-term Methodology developed and approved	Medium-term Methodology implemented	None
		Tariff Strategy developed and approved	Tariff strategy drafted and consulted and approved	Tariff strategy phased implementation started.	None
	Perform NPA 2015/2016 Tariff Assessment in line with methodology.	Tariff decision and Record of Decision published	2015/16 Tariff determination made, ROD published and Tariff book approved.	2016/17 Tariff Determination made, ROD published and Tariff book approved	None
	Long term integrated tariff approach agreed with DoT	Complete engagement with DoT on the long term tariff approach for economic regulators	Ongoing inputs made into the STER and part of the Steering Comm	Ongoing inputs made into the STER and part of the Steering Comm	None
	Annual Global Port Pricing Comparator study	GPPCS performed and published	Review completed for 4 commodities	Review completed for 5 commodities	None
3. Industry development and infrastructure	1.Support the Maritime Industry development	Provide industry development support to the DoT through PCC	Ongoing support provided to the PCC and the NPCC processes	Ongoing support provided to the PCC and the NPCC processes	None

Strategic Objectives	Objective Statement	KPI	Audited Actual Performance		Reasons for Variance
			2015/16	2016/17	
planning, integration and efficiency	programme of the DoT				
	2.Perform port benchmarking review year on year	Complete port benchmarking review on marine terminal infrastructure with a shared efficiency component	Review complete for 2015	Review complete for 2016	None
	Port capacity and utilisation review	Complete port capacity and utilisation review	Study completed	Study completed	None
4. Monitor the port industry and its compliance with the National Ports Act, Port Policy and other Regulatory Instruments.	Complete 100% of the compliance review of Durban and Richard's Bay and commence review of the remaining ports	i)Durban and Richard's Bay port level compliance review to be completed	Framework and Work plans drafted but compliance review not commenced	Project complete and report drafted and approved	Initially due to lack of legal personnel
		ii)Commence compliance review of East London, PE, Ngqura, Saldanha & Mossel Bay	Compliance review for remaining ports completed.	Documents requested and received and compliance review validated. Compliance monitoring framework developed and approved and quarterly monitoring commenced.	None- targets achieved
	B-BBEE status review of all s56 and s57 port facilities and service providers for port of Durban and Richard's	1. Complete Durban and Richard's Bay review. 2. East London/PE/Ngqura/Cap	Report received and compliance assessed and findings reported to the Regulator.	Report received and compliance assessed and findings reported to the Regulator.	None

Strategic Objectives	Objective Statement	KPI	Audited Actual Performance		Reasons for Variance
			2015/16	2016/17	
	Bay and thereafter commence other ports review	e Town/ Mossel Bay review complete			
	Draft a recommended amendments report to the National Ports Act, 12 of 2005 for submission to the DoT	Draft a report and submit to DoT for engagement	Target achieved	Target achieved	None.
	Draft revised directives on compliance filing and regulatory aspects	Revised directives are to be published for comment.	Draft directives approved not published for public comment.		None

	Outcomes	Key Performance Indicators	Medium Term Performance Targets				
			2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
1. The running of an efficient and effective administration system	Align Organizational and Employee performance management system with strategy and APP	Organizational Performance monitored and reported on to the Regulator quarterly.	Monitoring employee performance in order to achieve alignment with strategic objectives.	Monitoring employee performance in order to achieve alignment with strategic objectives.	Monitoring employee performance in order to achieve alignment with strategic objectives.	Monitoring employee performance in order to achieve alignment with strategic objectives.	Monitoring employee performance in order to achieve alignment with strategic objectives.
	Ongoing skills development of Members and staff to enhance the effectiveness and efficiency of the organisation. .	Regulator Members and staff training attendance on Regulatory matters reported annually.	Appropriate training sourced (internal/ external) for members and staff to attend and annually report to the Regulator on all regulatory training that has taken place in line with the organisational HR plan	Appropriate training sourced (internal/ external) for members and staff to attend and annually report to the Regulator on all regulatory training that has taken place in line with the organizational HR plan	Appropriate training sourced (internal/ external) for members and staff to attend and annually report to the Regulator on all regulatory training that has taken place in line with the organizational HR plan	Appropriate training sourced (internal/ external) for members and staff to attend and annually report to the Regulator on all regulatory training that has taken place in line with the organizational HR plan	Appropriate training sourced (internal/ external) for members and staff to attend and annually report to the Regulator on all regulatory training that has taken place in line with organizational HR plan.
2. Ongoing Improvement of Economic regulation of ports (Price, access, institutional	Develop a range of economic regulatory outcomes for medium and long term and strategy for achieving the regulatory outcomes	Develop outcomes and strategy for achieving outcomes	Identify issues and develop outcomes and strategy for achieving outcomes	Review and implement strategies	Review and implement strategies	Review and implement strategies	Review and implement strategies
	Extract key issues from the	Key opportunities	Identify issues from prior year compliance	Assess impact of prior	Assess impact of prior	Assess impact of prior	Assess impact of prior

	compliance processes that identify key opportunities for development and intervention across the PRSA that would enhance efficiency, effectiveness and the development of ports	identified and implemented Impact of intervention monitored	report and identify opportunities for intervention. Put strategy in place for extracting opportunity and implement strategy	year intervention Identify issues from prior year compliance report and identify opportunities for intervention. Put strategy in place for extracting opportunity and implement strategy	year intervention Identify issues from prior year compliance report and identify opportunities for intervention. Put strategy in place for extracting opportunity and implement strategy	year intervention Identify issues from prior year compliance report and identify opportunities for intervention. Put strategy in place for extracting opportunity and implement strategy	year intervention Identify issues from prior year compliance report and identify opportunities for intervention. Put strategy in place for extracting opportunity and implement strategy
	Continuous price and efficiency assessments against global practice	Number of research studies conducted	Research studies conducted on pricing and efficiency/performance	Research studies conducted on pricing and efficiency/performance	Research studies conducted on pricing and efficiency/performance	Research studies conducted on pricing and efficiency/performance	Research studies conducted on pricing and efficiency/performance
	Model port demand over the medium term	Port demand report	Preliminary trend analysis model on port demand	Finalise demand model			Update demand model
	Perform capital prudence assessment from demand modelling, capital programme and 'gap'	Capital prudence model developed	Develop capital prudence assessment criteria	Use valuation study to develop a comprehensive valuation model for the entire RAB Model capital rollout programme of	Value regulatory RAB on basis of capital prudence and valuation model	Stress test and model revised RAB for a particular port subsystem and extend model and impact across system	Model capital funding availability scenarios for revised RAB, and develop specific interventions to deal with unintended consequences

	analysis			infrastructure over the medium term at existing efficiency levels			
	Review and implement Tariff Strategy and methodology	Tariff methodology and strategy implemented and reviewed	Tariff methodology implemented and Tariff strategy reviewed and implemented	Tariff methodology implemented and Tariff strategy reviewed and implemented	Tariff methodology review and implementation and tariff strategy reviewed and implemented	Tariff methodology implemented and Tariff strategy reviewed and implemented	Tariff methodology implemented and Tariff strategy reviewed and implemented
3. Port performance monitoring and benchmarking	Completed report on port performance	Report covering the ongoing monitoring of port performance	One review report covering the ongoing monitoring of port performance	One review report covering the ongoing monitoring of port performance	One review report covering the ongoing monitoring of port performance	One review report covering the ongoing monitoring of port performance	One review report covering the ongoing monitoring of port performance
	Implement stakeholder engagement plan.	Draft and Implement Stakeholder engagement framework	Implement annual stakeholder engagement plan	Review and Implement annual stakeholder engagement plan	Review and Implement annual stakeholder engagement plan	Review and Implement annual stakeholder engagement plan	Review and Implement annual stakeholder engagement plan
	Develop baseline equity of access levels and develop strategy and implementation plan to respond to compliance findings	Equity access baseline report Develop and implement equity access strategy	Complete baseline study	Develop equity access strategy	Implement equity access strategy	Implement and monitor equity access strategy	Implement and monitor equity access strategy

	Develop planned infrastructure adequacy assessment	Adequacy assessment completed		Adequacy assessment report at existing efficiency levels			Adequacy assessment report at efficiency targets
	Develop infrastructure efficiency targets for existing infrastructure	Efficiency targets developed	Develop infrastructure operations and marine, service efficiency targets	Develop infrastructure operations and marine, service efficiency targets	Develop infrastructure operations and marine, service efficiency targets	Develop infrastructure operations and marine, service efficiency targets	Develop infrastructure operations and marine, service efficiency targets
	Five yearly Public Regulatory Review conducted as per Regulatory principles.	Completed Regulatory Review submitted to the Executive Authority.		-	-	-	-One organizational review report to the Regulator and the Executive Authority.
4. Monitoring the port industry and its compliance with the National Ports Act, Port Policy and other Regulatory Instruments.	Ongoing monitoring of compliance of Ports sector participants.	Compliance monitoring for all port participants conducted and reported.	4 Quarterly reports to the Regulator on the compliance issues and progress, if any, per quarter, and one annual compliance report to the Executive Authority.	4 Quarterly reports to the Regulator on the compliance issues and progress, if any, per quarter, and one annual compliance report to the Executive Authority.	4 Quarterly reports to the Regulator on the compliance issues and progress, if any, per quarter, and one annual compliance report to the Executive Authority.	4 Quarterly reports to the Regulator on the compliance issues and progress, if any, per quarter, and one annual compliance report to the Executive Authority.	4 Quarterly reports to the Regulator on the compliance issues and progress, if any, per quarter, and one annual compliance report to the Executive Authority.
	Develop a framework of rights to equity of access to port	Framework for rights to equity of access developed	Develop a compliance assessment framework for measuring equity of access across the port	Develop instruments for implementation	Monitoring compliance	Monitoring compliance	Monitoring compliance

	services and facilities and instruments of enforcement for such rights		system				
	Develop legal instruments required to enforce efficiency standards and lock standards into tariff methodology	Legal framework developed	Develop framework for legal instruments	Framework implemented	Monitoring and review of intended outcomes	Monitoring and review of intended outcomes	Monitoring and review of intended outcomes
	B-BBEE status review of all s56 and s57 port facilities and service providers for all the ports.	B-BBEE status of ports reviewed in accordance with the Regulations to the National Ports Act and reported to the Regulator, as well as the NPA.	Complete one annual B-BBEE compliance review of ports and provide report to the Regulator.	Complete an annual B-BBEE compliance review of ports and provide findings and transformation assessment report to the Regulator.	Complete B-BBEE an annual compliance review of ports and provide findings and transformation assessment report to the Regulator.	Complete an annual B-BBEE compliance review of ports and provide findings and transformation assessment report to the Regulator.	Complete an annual B-BBEE compliance review of ports and provide findings and transformation assessment report to the Regulator.
5. Operating an effective and efficient tribunal to hear complaints and appeals under the National	Tribunal to be consistently operated to receive new complaints and/or appeals and deal with existing	Performance assessment of case management, adjudication of matters and decision	Chairman supported by the secretariat to perform quarterly performance assessment regarding case management, adjudication and decision making of the	Chairman supported by the secretariat to perform quarterly performance assessment regarding case management, adjudication and decision making of the	Chairman supported by the secretariat to perform quarterly performance assessment regarding case management, adjudication and decision making of the	Chairman supported by the secretariat to perform quarterly performance assessment regarding case management, adjudication and decision making of the	Chairman supported by the secretariat to perform quarterly performance assessment regarding case management, adjudication and decision making of the

Ports Act.	complaints and/ appeals efficiently.	making.	Tribunal.	Tribunal.	Tribunal.	Tribunal.	Tribunal.
6. Ensuring good governance and sustainability of the organisation.	Governance and compliance framework in place, reported on and updated annually.	Governance and compliance reported on a quarterly basis to the Regulator as per framework.	Compile quarterly governance and compliance reports to the Regulator.	Compile quarterly governance and compliance reports to the Regulator.	Compile quarterly governance and compliance reports to the Regulator.	Compile quarterly governance and compliance reports to the Regulator.	Compile quarterly governance and compliance reports to the Regulator.
	MOUs to be concluded by PRSA with regulators and agencies on transversal issues	MOUs with identified regulators and agencies in place	Identify regulators and agencies that have overlapping jurisdiction Sign MOUs with willing agencies	Implement and monitor MOUs			

6.2. Strategic Objectives and Targets outlined for the Medium Term:

7. Organisational Environment

The Regulator is an independent ports regulatory body vested with legal personality², which is governed and constrained by the perimeters of the Act together with its Regulations and Directives. Section 30 of the Act specifically sets out the parameters of the functions of the Regulator, which is namely to:

- ✚ Exercise economic regulation of the ports system;
- ✚ Promote equity of access to ports and to facilities and services provided in ports;
- ✚ Monitor the activities of the Authority to ensure that it performs its functions in accordance with the National Ports Act;
- ✚ Consider and approve the proposed tariffs of the Authority³; and
- ✚ Must regulate the provision of adequate, affordable and efficient ports services and facilities

Over the past several years, the operating principles that are utilised by the Regulator are to extract the maximum regulatory impact from the lowest overhead cost. This *modus operandi* sees a core of critical personnel engaging with and managing a lean organisation that in-sources specialist expertise on an operational required basis in order to keep costs as low as possible. This approach while is in keeping with the precepts of the PFMA, and has worked for the Regulator to date, greater financial resources will be necessary in expanding its mandate areas faster in order to remain relevant in an evolving economic climate.

Its organizational focus for the period in terms of this strategic plan is to continue and enhance its Regulatory role, to enhance its human resource capacity and management capability, as well as to enhance its stakeholder engagements and management thereof through its various process such as the approval of the multi-year tariff methodology, the development and approval of a revised port tariff strategy as well as through its complaints and/appeals processes. In the ensuing period, a more structured stakeholder management and engagement process will be pursued to further heighten awareness of and access to the Regulator amongst port users and stakeholders.

Regulation:

The Regulator continues to be the only functional economic regulator within the port sector currently and will continue to use this uniqueness as a definite point of advantage. While there is much research about the role of economic regulators it is agreed that while they should have a fair amount of discretion in executing their mandates, their role is restricted to implementing public policy rather than making it. Regulation is therefore based on the rule of law. In promoting the rule of law as well as regulating the operations of the Authority within the sector the Regulator has a very important role to play in improving the ease of doing business in the maritime sector in order to facilitate trade to our shores and boost the economy of the country as a whole. This the Regulator has successfully done over the past six financial years through the tariff approval process, and allowing a saving to port users and the economy of approximately R6 billion.

It has further created regulatory certainty and transparency with the approval of the multi-year tariff methodology which will assist both the Authority and port users anticipate and plan for tariff increases over the next three years.

² Section 29 of the National Ports Act, 12 of 2005

³ Contemplated in section 72 of the Act, 12 of 2005

In terms of its regulatory function the Regulator is required to monitor, oversee and review the provision by the Authority of adequate, affordable and efficient port services and facilities, which includes it provides the correct and most effective infrastructure at the right times, as well as ensuring that it provides these facilities and services in accordance with a strict legislative framework. The compliance monitoring function is fairly new and the Regulator aims to enhance this area of its work over the period of this strategic plan.

In order to regulate effectively the PR requires the power to enforce decisions made by it, this has necessitated it identifying certain areas of legislative review in terms of its founding legislation, and it is hoped that with the approval of the amended National Ports Act by the Executive Authority and Parliament, it will further enhance the impact that the Regulator has had in the industry to date.

Human Resource Capacity and Management:

The Regulator requires a unique set of core skills in order to fulfill its mandate effectively. Given that the skills required were scarce the organization embarked on an aggressive training drive to grow its critical technical expertise base and to augment the core staff through training opportunities for interns, which among others has paid dividends to the organisation as those interns and staff who have benefited from such training and skills development programmes have been absorbed as permanent members of our critical staff base. This has allowed the secretariat to operate on higher level of unique expertise than was previously the case.

The process of the establishment of the Single Transport Economic Regulator ('STER') continues to impact on the planning and consolidation of the Regulator's operational capabilities over the medium term. As such, the Regulator has to acknowledge that the development of capacity in individual areas and in particular, the appointment of staff has to be performed in a context which may result in such positions or persons, being moved within the medium term to another province (Gauteng), which may cause instability in capacity given that some newly created positions and appointed staff may not want to move. This represents a significant area of uncertainty and ambiguity to the Regulator operationalisation of its mandates as potentially some staff appointments made may become redundant in future. In light of the engagements with the Minister, the Regulator shall operate on the basis that the STER is a certain event with an as yet uncertain implementation timeline. This would allow the Regulator to build capacity and its range of services while taking cognisance of the need to adapt in the future to a common economic regulatory platform, whatever institutional form it may take.

Stakeholder Engagement and Management:

The Regulator has continued to be guided by its commitment to ensuring transparency in the South African port system's port pricing and the tariff setting processes. The approach with respect to the ports industry stakeholders is to engage as widely as possible, as well as on a more frequent basis with industry associations that concentrate and co-ordinate the views of member companies into accepted positions for that subset of the port system. This is purposefully done to increase the level of reach that the Regulator has in terms of its decision making and the impact of those decisions within the industry it is meant to regulate and to leverage the maximum value for the industry components from the actions of the PR, while retaining its relevance. The port fora that have been established by the DOT in the Ports Consultative Committee processes has remained the focus of engagement, with specific matters being engaged in a public manner that aggregates all stakeholders across the specific issues requiring discussion and engagement.

To further enhance and retain the relevance of both the organisation and its interventions, the Regulator will continue to build and sustain a range of relationships with academic institutions within the public domain as well as foreign Regulators within the African port sector, that are targeted at sharing capacity and building further the staff capacity. Such relationships shall be further enhanced to further develop the Regulator's personnel in the various disciplines making its interventions not only

locally relevant but regionally as well.

The communication efforts of the Regulator will be further expanded to extend awareness of the rights and obligations of all port players and the role that the Regulator plays in the port system framework. While these efforts have gained significant traction in recent years, there appears to be a need to improve such efforts to a greater extent into the Regulator functions and processes as highlighted through feedback from survey respondents in the 5-year review of the Regulator which shows high regard for the decisions of the Regulator on port tariffs and lesser awareness of and engagement with the regulator's other functions (tribunal, compliance as it relates to port competition and access). The 2017/18 medium term strategic framework period presents an opportunity for the Regulator to enhance its programme accordingly.

7.1. Organisational Structure:

The structure of the Regulator as articulated below, follows its function and is designed in the context of adhering to its operating principle of running a lean organization.

In terms of the Act, the Regulator does not have a Board in the traditional sense of the word, but the Members of the Regulator form the Regulator, which functions as a board in terms of its oversight role and providing the organization with its strategic direction. The CEO is responsible for the day to day running of the Regulator, and can be delegated to perform functions of the Regulator with the approval of the Minister. The Regulator has established a range of sub-committees, with consideration of others, given its upscale of its mandate. These sub-committees exist to assist the board with the carrying out of its function. The Audit Committee also has statutory powers articulated in other legislation, such as the PFMA.

The Regulator Sub-committees are as follows:

- **The Regulatory Committee-**

This Committee, in terms of its terms of reference has been tasked with dealing with the i) tariff assessments and determinations and to make a final recommendation regarding same to the board, ii) the tariff strategy and iii) other economic regulatory and compliance matters, (such as the development and finalisation of regulatory accounts and monitoring of the Authority's capex and capex expenditure as well as quarterly compliance monitoring of the Authority's functions).

- **The Human Resources and Remuneration Committee-**

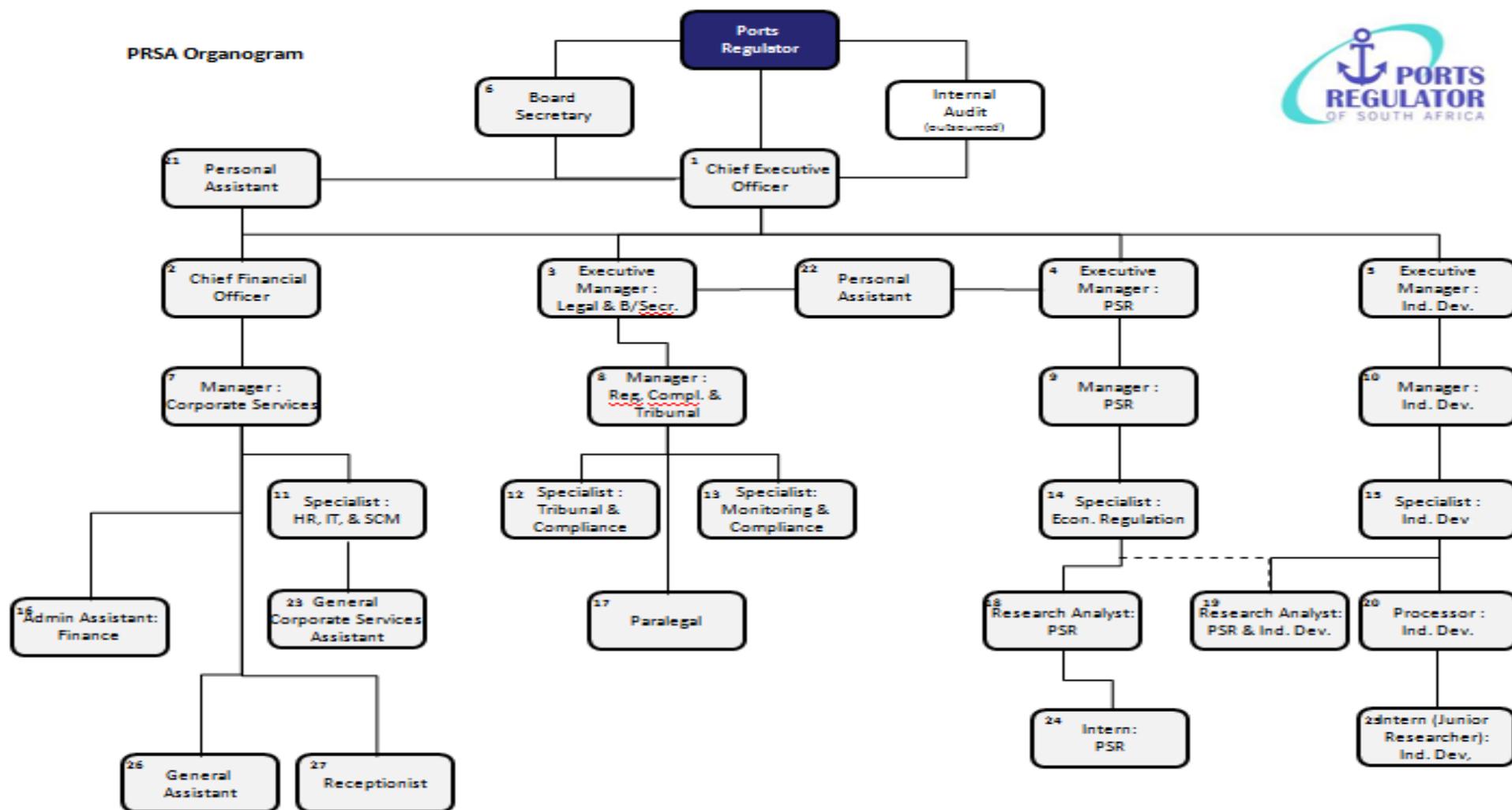
This Committee, in terms of its terms of reference, is responsible for all HR policy matters and oversight of the HR and remuneration matters for the Regulator.

- **The Audit Committee-**

This Committee performs all the financial oversight and accounting practice/policies of the organization, as well as the statutory audit committee functions related to the auditing of the organization-both internal and external, compliance, and risk matters.

The organisational structure of the Regulator is defined by the confluence of the mandates that are imposed on the organisation. Although a functionally defined organisational design is used, the programmatic nature of the Regulator's operations requires that a multi-disciplinary approach to programme and project management and delivery is used. This remains largely unchanged from that submitted in previous years. All the key result areas of the Regulator require the multi-disciplinary efforts across the organisation, but have accountability in the specific function delivering the output.

7.2. Organizational Structure:



The organisational structure is developed in the context of the following functional alignment:

	CEO	CFO	EM: Regulatory and Compliance (Legal)	EM: Economic Regulation	EM: Industry Development
Admin and Compliance	Accounting Officer OD, HRD and staff wellness Master systems planning	Delegated authority AO Finance Admin and IT HRM & SCM	Corporate Legal	None other than line	None other than line
Legal Regulatory and judicial	Co-ordinate regulatory development Legal and SPR Negotiate and engage stakeholders in process	Support to compliance function in finance area	Manage legal role in regulatory development and maintenance Tribunal administration and legal advice Investigations for complaints/appeals and tribunal hearings and decisions	Manage Economic regulatory policy, strategy and research for regulatory development	Support to judicial function in operations area where required Regulatory framework content development
Strategy, Policy, Research and Monitoring	Co-ordinate Policy and strategy High level negotiations Co-ordinate capacity, planning assessments into Tariff process	Systems design and integration Resource administration management Financial analysis for function	Support strategy and policy development process from regulatory framework perspective research and development Support investigations processes	Manage strategy, and policy development Manage research, monitoring and investigations	Capacity planning and assessments Industry development strategies Performance and benchmarking on licensing and port system

7.3. The Strategic Goals of the Ports Regulator of South Africa:

The Strategic Goals of the Regulator have been reviewed, and has determined that its goals and objectives should be derived directly from the Act. These have been consolidated as follows:

- Ensure implementation of all elements of the regulatory framework within its mandate;
- Enhance the capacity to deal with all the output requirements of the organization;
- Continue to maintain its reputation as an organisation with integrity focused on delivery and excellence;
- Ensure that all port sector participants comply with the Act; and
- Consider the proposed tariffs of the Authority and regulate the provision of adequate, affordable and efficient port services and facilities to ensure enhanced competition and investment.

Strategic Outcome Orientated Goal	Ensure implementation of all elements of the regulatory framework within its mandate
Goal statement	Implementation of the regulatory framework which is in place that ensures regulatory certainty and intervention in required areas in accordance with state policy, that responds to all appropriate stakeholder needs

Strategic Outcome Orientated Goal	Enhance the capacity to deal with all the output requirements of the organisation
Goal statement	Maintain and enhance where appropriate all systems, resources and staff competencies to ensure the delivery of the Regulator's mandate

Strategic Outcome Orientated Goal	Continue to maintain its reputation as an organisation with integrity focused on delivery and excellence
Goal statement	Ensure that it delivers the appropriate outcomes that are predictable, timeous, clear, and in alignment with policy and the regulatory framework and meet the needs of the country with integrity and excellence.

Strategic Outcome Orientated Goal	Ensure that all port sector participants comply with the National Ports Act, 12 of 2005
Goal statement	Monitor and intervene in the industry to ensure that the industry as a whole complies with the Ports policy and legislative requirements.

Strategic Outcome Orientated Goal	Consider the proposed tariffs of the Authority and regulate the provision of adequate, affordable and efficient port services and facilities to ensure enhanced competition and investment
Goal statement	Promote the equity of access to ports and port facilities and services, regulate the efficiency and effectiveness of the provision of port services and facilities by the Authority to enhance competition and attract new investment.

These strategic goals are incorporated across the functional areas of the organisation and find

expression in each of the Programmes of the Ports Regulator, namely:

- Economic Regulation and Tariffs;
- Legal Monitoring and Compliance;
- Tribunal complaints and appeals;
- Industry Development; and
- Corporate, financial & support services

The expenditure across these programmes reflects the strategic importance of the goals above over the period of establishment and consolidation of the Regulator and reflects the changing priorities of the Regulator over the period.

8. PART B: STRATEGIC OBJECTIVES

8.1. Strategic Programmes

In previous years the Regulator identified its Short to Medium-Term Objectives that are critical to delivering on its mandate as articulated in its founding legislation. These are required to be developed and delivered over the MTEF periods so as to embed the regulatory framework and give meaningful content to its actions. The last strategic plan saw changes to focus mainly on those outputs that were fully within the control of the Regulator without external dependencies, whilst remaining accountable to the Regulator members, the Executive Authority and industry stakeholders. Continuing in this approach the Regulator aims to remain accountable for and measure the efficiency of Regulator activities only. The exception is changes in the funding model – which can only be made by the Ministry of Transport - to enable the expansion of the programmes of the Ports Regulator allowing it to fully respond to its mandate as per the Act,

For the most part the objectives of the Regulator are multi-year and would not change in the short to medium term as they relate to a systematic program of reforming the South African port system, ensuring competition and creating access. Instead, owing to a phased approach necessitated in striking a balance with available capacity, focus is increased on existing objectives such that additional objectives are as a result of the Regulator's response to the Medium Term Strategic Framework and government programme such as Operation Phakisa: Blue Economy.

The summary of the previous objectives which are carried forward in the 2016/17 strategic planning period are as follows:

- Finalisation of Ports Regulatory Framework in terms of:
 - Piloting and implementation of the approved Tariff Strategy and support the enactment of regulatory instruments to encompass all aspects of the Regulator's mandate;
 - Engage and support the DoT in its review of the National Ports Act and all related maritime and regulatory policy; and
 - Articulate the requirement for better enforcement of Regulator decisions with attached sanctions.
- Establish the credibility of the Regulator as a fair arbiter that is decisive and consistent in its hearing of Appeals and Complaints and create a body of jurisprudence which evidences such credibility;
- Implement Directives which will enhance the efficiency of Tribunals and provide it with mechanisms to enforce Tribunal decisions;
- Expand the capacity, systems and procedures within the various programmes of the Regulator Secretariat to deal with the increased complexity of operations resulting from gearing up both scale and scope in the Regulator within the confines of resource availability;
- Establish the medium-term port compliance, monitoring and performance measurement framework and system:
 - Conduct research regarding the port benchmarking study to establish performance indicators of similar port environments;
 - Introduction of the monitoring of efficiency of port operators; and
 - Continue and develop the tariff comparator research programme.
- Expand Stakeholder engagement processes and fora, for industry sub-sectors and special interest groups to engage with the Ports Regulator on a meaningful level that will inform our work;

- Assess NPA infrastructure Capex planning over medium to long term; and
- Expand the compliance auditing framework of the PRSA over the National Ports Authority to ensure ongoing compliance auditing and
- Ensure ongoing good governance of the organisation.

The Regulator has the following Sub-Programmes / activities and their respective 2016/2017 budgets will be made up as follows:

- i) **Economic Regulation and Tariffs:** responsible for the establishment and implementation of all elements of an economic regulatory framework and the development of the ports system and port regulatory system architecture. This sub-programme has a total budget of R 3 917 000 for the 2017/18 financial year.
- ii) **Legal Monitoring:** responsible for the Authority and port sector participants' compliance with the Act. This sub-programme has a total budget of R2 480 000 for the 2017/18 financial year.
- iii) **Tribunal, Compliance and Governance:** responsible for compliance with the legislative framework of the Regulator as well as execute its quasi-judicial mandate in the operation of a tribunal to hear complaints and appeals under the Act. This sub-programme has a total budget of R2 625 000 for the 2017/18 financial year.
- iv) **Industry Development:** responsible for the support provided to the ports industry in the development of the port system and the port regulatory system architecture. This sub-programme is also responsible for benchmarking and monitoring port efficiency. This sub-programme has a total budget of R 3 559 000 for the 2017/18 financial year.
- v) **Administration:** responsible for the rendering of professional and cost effective, Finance, Human Resource, Procurement and Information Technology Services to support the core business of the Regulator. This sub-programme has a total budget of R 10 228 000 for the 2017/18 financial year.

8.2. Ports Regulator of South Africa: Financial performance per programme

Table A.2: Ports Regulator of South Africa											
	Audited Outcome	Audited Outcome	Preliminary outcome	Revised estimate	Average growth rate (%)	Expenditure/ total: Average (%)	Medium-term estimate			Average growth rate (%)	Expenditure/ total: Average (%)
R thousand	2013/14	2014/15	2015/16	2016/17	2013/14-2016/17		2017/18	2018/19	2019/20	2016/17 - 2019/20	
Administration	11 762	9 014	9 744	15 216	9.0%	55.9%	10 228	10 145	11 597	-8.7%	43.1%
Economic regulation	1 407	2 152	2 839	4 836	50.9%	12.9%	3 917	5 111	7 189	14.1%	19.0%
Tribunal	1 176	3 020	3 156	2 319	25.4%	12.0%	2 625	4 421	5 190	30.8%	13.2%
Industry development	938	2 618	2 535	3 897	60.8%	11.6%	3 559	3 741	4 828	7.4%	14.6%
Monitoring	1 042	968	1 907	2 694	37.2%	7.6%	2 480	2 552	3 330	7.3%	10.1%
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
Total expense	16 325	17 772	20 181	28 962	21.1%	100.0%	22 809	25 970	32 134	3.5%	100.0%

8.3. Strategic Objectives Explanatory Table:

Strategic Objective 1:	The running of an efficient and effective administration system.
Outcome 1	Human Resource capacitation enhanced to meet capacity requirements and improve organisational efficiency, as well as focus on ongoing skills development and training.
Justification	Fill critical technical positions contained on the organogram in order to upscale the fulfilment of the mandate to meet strategic goals

Strategic Objective 1	The running of an efficient and effective administration system.
Outcome 2	Enhanced Organisational and Employee Performance management and reporting to the Regulator
Justification	To effectively and efficiently manage human resources to ensure enhanced productivity and performance of the organisation.

Strategic Objective 1	The running of an efficient and effective administration system.
Outcome 3	Implement a sustainable funding model for the organisation.
Justification	Ensure phased in approach of the funding model to ensure the sustainability of the organisation in the long term.

Strategic Objective 1	The running of an efficient and effective administration system.
Outcome 4	Conduct annual policy and financial compliance review and report thereon to the Regulator
Justification	Ensure strict compliance with the Public Finance Management Act and Treasury Regulations.

Strategic Objective 2	Ongoing improvement of Economic Regulation of Ports
Outcome 1	Implement the Multi-year Medium-term Tariff Methodology. Consult on and finalise the Tariff Strategy to determine the pricing of port facilities and services charged by the National Ports Authority.
Justification	Review of variable aspects of the tariff approach for 2015/2016. Consultation on tariff assessment and tariff strategy.

Strategic Objective 2	Improvement of Economic Regulation of Ports
Outcome 2	Perform NPA 2015/2016 Tariff Assessment in line with the methodology.
Justification	Part of the Ports Regulator statutory mandate in terms of the National Ports Act , Regulations and Directives thereto

Strategic Objective 3	Conduct Economic Research Projects
Outcome 3	Annual Global Tariff Comparator Study for five cargo/commodity types. Complete the port traffic statistical review for dry bulk, break bulk and liquid bulk commodities.
Justification	Enhance the SA port system through the performance of research and policy development as well as assist in informing the regulator's tariff assessment and pricing strategy.

Strategic Objective 3	Industry Development and Infrastructure planning integration and efficiency.
Outcome 1	Perform Port efficiency benchmarking review 2015/2016 and capacity utilisation review
Justification	To provide the Ports Regulator and industry with data regarding performance of commercial ports against other comparable global ports

Strategic Objective 3	Industry Development and Infrastructure planning, integration and efficiency.
Outcome 2	Complete Regulatory Review Audit.
Justification	Provide inputs to and support on policy and industry engagement processes.

Strategic Objective 4	Monitor compliance of the National Ports Authority and the port industry with the National Ports Act, 12 of 2005, Port Policy and other Regulatory Instruments.
Outcome 1	Implement amendments to the National Ports Act once approved by the Executive Authority and passed by Parliament
Justification	To enhance governance, powers and capacity of the Regulator to fulfil its legislative mandate.

Strategic Objective 4	Monitor compliance of the National Ports Authority and the port industry with the National Ports Act, 12 of 2005, Port Policy and other Regulatory Instruments.
Outcome 2	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.
Justification	Part of the Regulator's statutory mandate.

Strategic Objective 4	Monitor compliance of the National Ports Authority and the port industry with the National Ports Act, 12 of 2005, Port Policy and other Regulatory Instruments.
Outcome 3	Conduct and complete compliance audits for each financial year in accordance with compliance framework and provide audit reports thereon.
Justification	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 National Ports Act.
Outcome 1	Tribunal to be consistently operated to receive new complaints and/or appeals and deal with existing complaints and / appeals.
Justification	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.
Outcome 1	Governance and compliance framework in place, reported on and updated annually.
Justification	Ongoing good governance within the organization.
Strategic Objective 6	Ensuring good governance and sustainability of the organisation.
Outcome 2	Ongoing skills development of Members and staff to enhance the effectiveness and efficiency of the organisation.
Justification	Ensuring good governance and ongoing skills development of both members and staff

8.4. Financial Analysis

Statement of comprehensive income	Budget	Audited Outcome	Budget	Audited Outcome	Budget	Preliminary outcome	Budget estimate	Revised estimate	Outcome/ Budget Average %	Average growth rate (%)	Expenditure/ total: Average (%)	Medium-term estimate			Average growth rate (%)	Expenditure/ total: Average (%)
R thousand	2013/14		2014/15		2015/16		2016/17			2013/14-2016/17		2017/18	2018/19	2019/20	2016/17 - 2019/20	
Revenue																
Tax revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-tax revenue	313	275	302	411	310	485	299	401	1.5%	13.4%	1.8%	320	351	360	-3.5%	1.3%
Sale of goods and services other than capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>of which:</i>																
<i>Administrative fees</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Sales by market establishment</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other sales</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other non-tax revenue</i>	313	275	302	411	310	485	299	401	1.5%	13.4%	1.8%	320	351	360	-3.5%	1.3%
Transfers received	15 900	15 900	16 852	16 852	27 627	27 627	28 561	28 561	98.5%	21.6%	98.2%	2 489	25 619	31 774	3.6%	98.7%
Total revenue	16 213	16 175	17 154	17 263	27 937	28 112	28 860	28 962	100.0%	21.4%	100.0%	22 809	25 970	32 134	3.5%	100.0%
Expenses																
Current expenses	16 213	16 325	17 154	17 772	27 937	20 181	28 860	28 962	100.0%	21.1%	100.0%	22 809	25 970	32 134	3.5%	100.0%
Compensation of employees	9 744	7 185	11 623	9 794	11 860	11 579	12 673	13 365	53.6%	23.0%	50.7%	14 764	16 769	19 070	12.6%	58.7%
Goods and services	5 599	8 803	5 089	7 554	15 778	8 170	15 497	15 205	43.6%	20.0%	47.4%	7 826	9 046	12 962	-5.2%	40.5%
Depreciation	870	337	442	424	299	432	690	392	2.9%	5.2%	2.0%	219	155	102	-36.2%	0.8%
Interest, dividends and rent on land	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenses	16 213	16 325	17 154	17 772	27 937	20 181	28 860	28 962	100.0%	21.1%	100.0%	22 809	25 970	32 134	3.5%	100.0%
Surplus/(Deficit)	-	(150)	-	(509)	-	7 931	-	-		100.0%		-	-	-	-	

Cash flow data	Budget	Audited Outcome	Budget	Audited Outcome	Budget	Preliminary outcome	Budget estimate	Revised estimate	Outcome/ Budget Average %	Average growth rate (%)	Expenditure/ total: Average (%)	Medium-term estimate			Average growth rate (%)	Expenditure/ total: Average (%)
	2013/14		2014/15		2015/16		2016/17		2014/15 - 2016/17	2013/14 - 2015/16		2017/18	2018/19	2019/20	2016/17 - 2019/20	
R thousand																
Cash receipts from stakeholders	16213	16 175	17 154	17 238	27 937	28 093	28 860	28 962	100.0%	21.3%	100.0%	22 809	25 970	32 134	3.6%	100.0%
Tax receipts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales of goods and services other than capital assets	-	-	-	3	-	-	-	-	-	-	0.0%	-	-	-	-	-
Transfers received	15900	15 900	16 852	16 852	27 627	27 627	28 561	28 561	98.7%	21.6%	98.3%	22 489	25 619	31 774	3.6%	98.8%
Fines, penalties and forfeits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and rent on land	283	275	270	309	305	466	295	401	1.2%	2.4%	1.5%	320	351	360	6.9%	1.2%
Unclassified revenue	30	-	32	74	5	-	4	-	0.1%	-	0.1%	-	-	-	-100.0%	0.0%
Tax benefit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Outside shareholders interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash paid to stakeholders	15 499	15 216	16 512	16 851	28 678	28 115	28 561	36 203	100.0%	23.4%	97.7%	20 413	20 525	23 472	-6.3%	85.1%
Current payments	15 499	15 216	16 512	16 851	28 678	28 115	28 561	36 203	100.0%	23.4%	97.7%	20 413	20 525	23 472	-6.3%	100.0%
Compensation of employees	10 392	7 188	11 623	9 794	11 860	11 579	12 673	12 673	52.0%	20.8%	46.6%	14 068	14 218	16 851	10.0%	63.6%
Goods and services	5 107	8 028	4 889	7 057	16 818	16 536	15 888	23 530	48.0%	25.6%	51.1%	6 345	6 307	6 621	-25.3%	36.4%
Interest and rent on land	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Outside shareholders interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash flow from operating activities	714	959	642	387	(741)	(22)	299	(7 241)	-	32.2%	2.3%	2 396	5 445	8 662	207.1%	-
Cash flow from advancing activities (Financial Institutions only)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan disbursements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan principal repayments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash flow from investing activities	-	(398)	-	(387)	-	22	-	(463)	-	-100.0%	-1.2%	-	-	-	-	-

Acquisition of property, plant, equipment & intangible assets	-	(398)	-	(474)	-	(2)	-	(463)	-	-100.0%	-1.3%	-	-	-	-	-
Other flows from Investing Activities	-	-	-	87	-	24	-	-	-	-	0.1%	-	-	-	-	-
Domestic	-	-	-	87	-	24	-	-	-	-	0.1%	-	-	-	-	-
Foreign	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash flow from financing activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing Activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Domestic	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repayment of finance leases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (e.g. issuance of shares, revaluations)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net increase / (decrease) in cash and cash equivalents	714	561	642	-	(741)	-	299	(7 704)		-18.9%		2 396	5 445	8 662	207.1%	

Financial position	Budget	Audited Outcome	Budget	Audited Outcome	Budget	Preliminary outcome	Budget estimate	Revised estimate	Outcome/ Budget Average %	Average growth rate (%)	Net change/ total: Average (%)	Medium-term estimate			Average growth rate (%)	Net change/ total: Average (%)
	2013/14	2014/15	2015/16	2016/17	2013/14 - 2016/17	2017/18	2018/19	2019/20	2016/17 - 2019/20							
Carrying value of assets	1 246	1 078	620	1 066	687	631	587	489	9.5%	-23.2%	9.6%	350	211	55	-51.7%	3.3%
of which:																
Acquisition of assets	-	(398)	-	(474)	-	(2)	-	(463)	-1.1%	5.2%	-4.1%	-	-	-	100.0%	-1.1%
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inventory	75	-	82	-	-	-	-	-	0.5%	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued investment interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables and prepayments	155	27	163	29	38	54	42	68	1.3%	36.1%	0.5%	72	81	88	9.0%	1.0%
Cash and cash equivalents	5 741	7 194	7 429	5 457	7 205	13 838	7 231	9 685	88.6%	10.4%	90.0%	7 239	7 021	6 025	-14.6%	95.7%
Non-current assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Defined benefit plan assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Derivatives financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	7 217	8 299	8 294	6 552	7 930	14 523	7 860	10 242	100.0%	7.3%	100.0%	7 661	7 313	6 168	-15.6%	100.0%
Accumulated surplus/(deficit)	5 469	6 596	6 748	6 087	6 096	14 040	6 156	7 848	75.4%	6.0%	86.4%	7 122	6 744	5 546	-10.9%	87.9%
Capital and reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reserve fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	80	-	-	-	-	-	0.2%	-	-	-	-	-	-	-
Finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade and other payables	2 659	1 482	846	120	1 484	161	1 335	2 025	19.4%	11.0%	10.1%	132	159	196	-54.1%	6.7%
Benefits payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capitalised value of pensions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provisions	299	221	620	345	350	322	369	369	5.0%	18.6%	3.4%	407	410	426	4.9%	5.4%
Managed funds (e.g. poverty alleviation fund)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Derivatives financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total equity and liabilities	8 427	8 299	8 294	6 552	7 930	14 523	7 860	10 242	100.0%	7.3%	100.0%	7 661	7 313	6 168	-15.6%	100.0%
Contingent liabilities	-	-	-	-	-	-	-	-				-	-	-		

8.5. Expenditure trends

The Regulator relies solely on fiscal transfers to fund operations and capital expenditure. Revenue is expected to increase to R20 million in 2017/18 due to a 5 per cent increase in transfers from the Department of Transport. Spending focus over the medium term will mainly be in the administration and economic regulation programmes.

Expenditure on compensation of employees over the MTEF period will increase by an average of inflation related increase. The significant increase in compensation from the 2013/14 to 2014/15 financial year is attributable to the entity filling all the funded vacant posts. The bonus system implemented will result in combined increase in expenditure over the medium term. Finalisation of salary benchmarking exercise will also result in increased personnel expenditure in the medium term. It must be noted that compensation of employees is the major expenditure item for the Regulator as it accounts for about 63% of total budget over the medium term. This is as a result that the entity is labour intensive and has no capital expenditure planned for the medium term and normal running expenses.

A marginal increase in expenditure on goods and services other than the normal running expenses will be on training and development. Spending on training the current work force will result in savings on consultants in the medium term. Goods and services are expected to increase at an average of 13.4 over the medium term due to increases in expenses such as travelling and venue bookings.

The Regulator will focus mainly on staff and systems to ensure it complies with its mandate and delivers the outcomes. The systems are mainly internal regulatory compliance systems and systems for monitoring, information management and information processing.

Having previously held back from investing in capital assets while the Single Transport Economic Regulator (STER) is being established, especially with regard to Information and Technology systems, the existing system is becoming obsolete due to the changes that happen in the this sector. To remain effective, the Regulator is forced to consider investing in an upgrade of our systems.

8.6. Resource considerations

The resources required to deliver on the organisational mandates, within the constraints of the fiscal allocations are as follows:

Salary level	Post status estimated for 31 March 2016			Number and cost ¹ of personnel posts filled/planned for on funded establishment													Number		
	Number of posts on approved establishment	Number of funded posts	Number	Actual			Revised estimates			Medium-term expenditure estimate			2019/20	Unit Cost	Average growth rate (%)	Salary level/total: Average (%)			
				2015/16		2016/17		2017/18		2018/19									
				Cost	Unit Cost	Number	Cost	Unit Cost	Number	Cost	Unit Cost	Number					Cost	Unit Cost	Number
Salary level	17	17	17	11 579	681	17	13 365	786	19	14 764	777	19	16 769	883	20	19 070	954	12.6%	100.0%
1 – 6	2	2	2	320	160	2	322	161	4	806	202	2	369	185	2	392	196	6.8%	13.3%
7 – 10	9	9	9	3 152	350	9	4 006	445	9	4 311	479	11	6 145	559	11	6 548	595	17.8%	53.3%
11 – 12	1	1	1	923	923	1	997	997	1	1 069	1 069	1	1 142	1 142	1	1 218	1 218	6.9%	5.4%
13 – 16	4	4	4	4 591	1 148	4	5 055	1 264	4	5 392	1 348	4	5 735	1 434	5	7 349	1 470	13.3%	22.7%
17 – 22	1	1	1	2 593	2 593	1	2 985	2 985	1	3 186	3 186	1	3 378	3 378	1	3 563	3 563	6.1%	5.4%
Detail																			
1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	2	2	2	320	160	2	322	161	2	344	172	2	369	185	2	392	196	6.8%	2.2%
6	-	-	-	-	-	-	-	-	2	462	231	-	-	-	-	-	-	-	0.8%
7	1	1	1	221	221	1	292	292	1	312	312	1	334	334	1	355	355	6.7%	2.0%
8	3	3	3	711	237	3	940	313	3	1 006	335	3	1 077	359	3	1 146	382	6.8%	6.6%
9	2	2	2	720	360	2	864	432	2	943	472	2	1 008	504	2	1 074	537	7.5%	6.1%
10	3	3	3	1 500	500	3	1 910	637	3	2 050	683	5	3 726	745	5	3 973	795	27.7%	17.8%
11	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	1	1	1	923	923	1	997	997	1	1 069	1 069	1	1 142	1 142	1	1 218	1 218	6.9%	7.0%
13	2	2	2	2 095	1 048	2	2 371	1 186	2	2 542	1 271	2	2 717	1 359	2	2 897	1 449	6.9%	16.6%
14	2	2	2	2 496	1 248	2	2 684	1 342	2	2 850	1 425	2	3 018	1 509	2	3 187	1 594	5.9%	18.5%
15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1 265	1 265	-	1.7%
17	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

18	1	1	1	2 593	2 593	1	2 985	2 985	1	3 186	3 186	1	3 378	3 378	1	3 563	3 563	6.1%	20.7%
19	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>of which</i>																			
<i>Performance bonus</i>				1 322			1 864			2 005			2 257			2 669			
Total	17	17	17	11 579	681	17	13 365	786.2	19	14 764	777.1	19	16 769	882.6	20	19 070	953.5	12.6%	100.0%

9. PART C: STRATEGIC RISKS

9.1. The key strategic risks facing the organisation include:

Human Resource Management

- The risk of adequate and sufficiently skilled staff remains present
- The HRD Strategy shall address the key elements of the skills availability risks within the confines of the resources
- The difficulty in recruiting appropriate staff remains, but is ameliorated by a re-assessment of salary grades for certain scarce skills positions that is underway
- Succession of key personnel risks remain over the medium term.
- Retention strategy with reward and recognition in place
- Employee wellness programme service provider now in place

Single Economic Regulator transition

The capacitation of the organisation is being implemented in accordance with what is the current mandate but also perceived STER requirements to ensure very limited possibility of redundancy and all staff are hired on the condition that the impending shift is a condition of their employment. The engagements with the Minister have reduced the risks as the organisation is proceeding on the prioritisation of its own needs in the short to medium term.

Credible economic regulation

The credibility of the organisation will always be an issue of risk as the regulator is required to increase the regulatory certainty over time by embedding the tariff methodology and commensurate strategy ensuring that the regulatory framework keeps pace with the requirements of the regulatory processes. Decisions of the Regulator are becoming more robust and due to conformity within the port sector, will increasingly be taken on review.

Single source funding

The Regulator is reliant on a single source of funding, from the DOT through the fiscus. This affects the sustainability of the organisation as well as its ability to expand its function. The current mitigation factors are that the Regulator has sound budgetary processes, effective austerity measures have been put in place and innovative delivery mechanisms, in addition to proposals to amend its funding structure to the Minister of Transport.

Stakeholder management

The Regulator constantly engages stakeholders and ensures that the regulatory outcomes are explained particularly when they are negative toward stakeholder expectations, as a means of reducing the risks attached to stakeholder apathy and discord. A more structured approach towards stakeholder management has been embedded in the regulatory system through the tariff application road shows; the call for public submissions on all aspects of the port tariff reforms processes; and port user perception survey and feedback at consultative events. The stakeholder management process will be further enhanced based on feedback from the 5 year public regulatory review.

Compliance and Governance

While the Regulator is increasing its staff compliment and reviewing all policies to ensure that the compliance capability is embedded and is constantly reviewing its processes and procedures to adapt to the compliance regime changes. Its governance risks have been mitigated with the appointment of a permanent Company Secretary.

Tribunal credibility

To ensure that consistent and timeous decisions are made and articulated in accordance with all requirements

under the regulatory framework to ensure that the tribunal credibility is established and maintained. This is also enhanced by ensuring sufficient tribunal availability. This reduces most of the credibility risks faced by the Tribunal.

Effective Internal Control and Audit regime

The Regulator has incrementally improved its system of internal controls to ensure compliance with the PFMA as well as achieve a clean audit in the 2015/16 financial year and thereafter strive to maintain that status. The Audit Committee is now fully functional and effective and maintains effective oversight of the financial, internal control environment and operational performance of the organisation.

The organisation's strategic risks will be actively managed throughout the period for which this strategic plan remains valid.

End