

**No. R. 641**

**2 June 2009**

**PETROLEUM PRODUCTS ACT, 1977  
(ACT NO 120 of 1977)**

**REGULATIONS REGARDING THE LEVYING, COLLECTION AND  
REIMBURSEMENT OF INCREMENTAL INLAND TRANSPORT COST  
RECOVERY LEVIES**

The Minister of Minerals and Energy has under Section 2 (1) (b) of the Petroleum Products Act, 1977 (Act No 120 of 1977, made the regulations as set out in the schedule hereto.

## SCHEDULE

### DEFINITIONS

1. In these regulations, unless the context indicates otherwise, any word or expression defined in the Act has the meaning given to it therein and -

**"CEF (Pty) Ltd"** means the Central Energy Fund (Pty) Ltd.

**"Incremental Inland Transport Recovery levy"** means a levy included into the pricing structures of products to finance incremental transport costs related to the alternative mode of transportation of regulated petroleum products and jet fuel from the coast to a set of nominated pipeline zones due to capacity constraints on the pipeline which transports these fuels from the coast to the inland region.

**"Incremental Inland Transport Costs Recovery System"** means a system, administered by the Department of Minerals and Energy and the CEF (Pty) Ltd to collect the Incremental Inland Transport Costs levies on product and the reimbursement thereof to licensed wholesalers submitting certified Form A claims on a monthly basis and the Agreed Upon Procedures Form B report on an annual basis, issued by the registered wholesaler's external auditors, in respect of incremental inland transport costs.

**"Jet fuel"** means a high quality kerosene grade used primarily as fuel for most commercial aircraft engines.

**"Licensed Distributor"** means a licensed distributor as defined in the Customs and Excise Act, 1964 (Act No 91 of 1964) and shall be any person who obtains fuel levy goods from a licensee of a customs and excise warehouse anywhere in the Republic of South Africa for removal to a purchaser in Botswana, Lesotho, Swaziland and Namibia or for export.

**"Licensed Wholesaler"**: means any wholesale company licensed by the Department of Minerals and Energy to undertake wholesale activities in the South African liquid fuels industry.

**“Magisterial District Zones”** means a number of magisterial districts grouped into a Magisterial District Zone for determining the pipeline transport costs of product and jet fuel from Durban to each Magisterial District Zone.

**“Regulated petroleum product”** means petrol and diesel of all grades that is sold in South Africa.

**“the Act”** means the Petroleum Products Act, 1977 (Act No 120 of 1977), as amended.

**“Undertaking”** means any licensed manufacturer or importer as per the Import and Export Guidelines.

**“Inland refineries”** means the Synthetic fuel refineries at Secunda (Sasol Two and Three) and the NATREF refinery (jointly owned by Sasol and TOTAL) at Sasolburg.

**“DJP”** means the pipeline whereby fuels are transported from Durban to the inland area and operated by Transnet Pipelines.

**“Contracted volumes”** are volumes of petroleum product and jet fuel that the registered participants are legally bound to (a) uplift from inland refiners and (b) transport through the DJP.

**“Actual volumes”** are volumes of petroleum product and jet fuel that the registered participants (a) uplift from inland refiners and (b) transport through the DJP.

2. Regulated petroleum products and jet fuel delivered and sold in the Magisterial District Zones listed hereunder, will qualify for the reimbursement of the incremental inland transport costs. The magisterial areas in the Magisterial District Zones are published on the Department of Minerals and Energy’s website at [www.dme.gov.za](http://www.dme.gov.za) from time to time.

- 5C;
- 6C;
- 7C;
- 8C;
- 9C;

- 
- 10C;
  - 11C;
  - 12C;
  - 13C;
  - 14C;
  - 15C;
  - 16C;
  - 17C;
  - 57C;
  - 58C;
  - 60C;
  - 61C;
  - 62C;
  - 63C;
  - 64C; and
  - 67C.
3. (1) The Director-General of the Department of Minerals and Energy may, from time to time, and the manner provided for in subregulation (4), publish rail and road transport tariffs for the transportation of regulated petroleum products and jet fuel from Durban to nominated pipeline depots, as reflected in **Form A** hereto.
- (2) Rail tariffs will be based on Transnet Freight Rail block train transport tariffs from Durban to the nominated pipeline depots as referred to in **Form A**.
- (3) Road transport tariffs will be based on transport tariffs published by the Road Freight Association for transporting regulated petroleum

products and jet fuel by 45,000 litre and 40,000 litre capacity road tank cars respectively from Durban to the nominated pipeline depots as referred to in **Form A**.

(4) Rail rates and road transport tariffs will be published on the Department of Minerals and Energy's website from time to time.

4. (1) (a) The difference between the transport tariffs referred to in regulation 3(1) and the zone differentials of products as reflected in the product price structures; and  
(b) the difference between the transport tariffs referred to in regulation 3(1) and the applicable pipeline tariff for jet fuel  
will be reimbursed to registered licensed wholesalers based on the submission of certified **Form A** claims forms.

(2) Claims Forms must be directed to the Central Energy Fund, P O Box 786141, Sandton, 2146 (for the attention of Ms H Van Der Merwe, Group Accountant) not later than 30 working days after the end of each month.

(3) Claim forms received after the period referred to in subregulation (2), will not be processed.

5. (1) At the end of June and December each year, a claim reconciliation will be done by the Director-General of the Department of Minerals and Energy.

(2) The claims reconciliation will be based on the following methodology for the calendar year in question:

- i) Registered participants must submit within 30 days of the end of June and December respectively :
  - a) Contracted volumes;
  - b) Actual volumes;
- ii) The Controller of Petroleum Products is hereby empowered to act as the sole and final arbitrator in any dispute between the registered participants and CEF in regard to the Contracted and Actual volumes submitted.
- iii) Where the actual volumes are equal to or more than the contracted volumes there will be no adjustment to the bi-annual claim submitted on a monthly basis by the registered participant.
- iv) Where the actual volumes are smaller than the contracted volumes the bi-annual claim will be reduced by the percentage under lift. That is to say, the percentage of actual volumes over contracted volumes will be applied to the claim submitted by the registered participant for the year in question.
- v) Participants will be required to reimburse to CEF any over-payment within 30 days of written notification thereof.

6 Claims for the period 1 January 2007 to April 2008 must be submitted on certified claims **Forms A** to the Department of Minerals and Energy, Private Bag X59, Pretoria (for the attention of Mr H Baak) not later than 60 days after the date of promulgation of these regulations.

7. (1) Registered participants must submit the Agreed Upon Procedures report **Form B**, issued by the registered wholesalers' external auditors, to CEF (Pty) Ltd at the end of February each year whereafter CEF (Pty) Ltd will determine the differences between the cumulative claim as per Agreed Upon Procedures and the cumulative monthly claims reimbursed for the preceding calendar year.

(2) Over payments must be paid into the account of CEF as contemplated in regulation 9(2) and under payments will be reimbursed by CEF (Pty) Ltd not later than the end of March each year.

8. Undertakings must submit to the Central Energy Fund (Pty) Ltd on a monthly basis and in electronic format, not later than 30 days after the end of an Undertaking's accounting month, a copy of DA 159 or DA 160 as required by Rule 19A.06 to the Customs and Excise Act, 1964 (Act No 91 of 1964).

9. (1) Undertakings must, on a monthly basis, pay the cumulative Incremental Inland Transport Recovery levy income for product (volumes as per DA159/160 X applicable product Incremental Inland Transport Recovery levy for that month) to CEF (Pty) Ltd.

(2) Undertakings must make a direct payment, within 60 days after the end of the Undertakings' accounting month, into the Central Energy Fund (Pty) Ltd's bank account at ABSA Bank, Rosebank, Account Number: 1790750361.

10. In the case of imported petrol or diesel taken into a manufacturing warehouse, the imported product will, for the purposes of these regulations, be treated as a locally manufactured excisable product.

11. Licensed distributors may claim a refund from the Central Energy Fund for products uplifted from local refineries and the purchase of these products in Botswana, Lesotho, Swaziland and Namibia or destined for the export market. Such a claim must be accompanied by a certified copy of DA 66.

12. In the case of late payments by Undertakings, the Central Energy Fund (Pty) Ltd must issue an invoice for interest to the undertakings in accordance

with section 80(1)(b) of the Public Finance Management Act, 1999 (Act No.1 of 1999), as amended.

13. Undertakings will be penalised by R2,000.00 for the non-compliance with regulations 8 and 9 respectively.

14. These Regulations will come into effect on Wednesday, 3 June 2009.



## FORM A

INCREMENTAL INLAND TRANSPORT RECOVERY SYSTEM  
CLAIM FORM

Company:.....

CLAIM FOR THE MONTH OF .....

Zones	Reference depot. Used to calculate the primary bridging differential	(a) Petrol volumes (litres) delivered by road	(b) Diesel volumes (litres) delivered by road	(c) Jet volumes (litres) delivered by road	(d) Petrol volumes (litres) delivered by rail	(e) Diesel volumes (litres) delivered by rail	(f) Jet volumes (litres) delivered by rail
5C	Ladysmith						
6C	Ladysmith						
7C	Bethlehem						
8C	Kroonstad						
9C	Pretoria						
10C	Pretoria						
11C	Pretoria						
12C	Pretoria						
13C	Pretoria						
14C	Pretoria						
15C	Pretoria						
16C	Pretoria						
17C	Pretoria						
57C	Ladysmith						
58C	Ladysmith						
60C	Pretoria						
61C	Pretoria						
62C	Pretoria						
63C	Pretoria						
64C	Pretoria						
67C	Pretoria						
TOTAL							

Zones	(g) Petrol: Accumulated difference (Rands) between road transport tariff and pipeline transport tariff in price structure	(h) Diesel: Accumulated difference (Rands) between road transport tariff and pipeline transport tariff in price structure	(i) Jet: Accumulated difference (Rands) between road transport tariff and pipeline transport tariff in price structure	(j) Petrol: Accumulated difference (Rands) between rail transport tariff and pipeline transport tariff in price structure	(k) Diesel: Accumulated difference (Rands) between rail transport tariff and pipeline transport tariff in price structure	(l) Jet: Accumulated difference (Rands) between rail transport tariff and pipeline transport tariff in price structure	(m) Petrol Claim: Total of (g) and (j) in Rands	(n) Diesel claim: Total of (h) and (k) in Rands	(o) Jet claim: Total of (i) and (l) in Rands	(p) Total claim: Total of (m), (n) and (o)
5C										
6C										
7C										
8C										
9C										
10C										
11C										
12C										
13C										
14C										
15C										
16C										
17C										
57C										
58C										
60C										
61C										
62C										
63C										
64C										
67C										
TOTAL										

## DECLARATION SIGNED ON BEHALF OF THE WHOLESALE COMPANY

We hereby declare that the information contained on this form has been correctly prepared and checked by the following:

Prepared by: .....  
(name) (signature) (date)

Checked by: .....  
(name) (signature) (date)

**FORM B****AGREED UPON PROCEDURES REPORT ON THE INCREMENTAL INLAND  
TRANSPORT SYSTEM BY THE INDEPENDENT AUDITORS**

**PREPARED FOR:** (*Wholesale company*).....

**Period:** (*Date/year to Date/year*)

We, (*name of audit company*) have performed the procedures as described in the Procedure Summary below with respect to the Incremental Inland Transport Costs Recovery System, set forth in the accompanying schedules of (*Wholesale company*) for the year ended (*Date/year*). Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in determining the volumes of Petrol, Diesel and Jet fuel transported from the coast to the inland market using each mode of transport; being road, rail and pipeline.

**Procedure Summary**

The procedures are summarised as follows:

1. In respect of **Annexure C** [*Incremental Inland Transport Recovery System-Registration form (previous Schedule)*]
  - 1.1 We obtained the volumes of petrol, diesel and jet fuel transported by pipeline in (*year*) from the company's stock system using a Management Information report, and agreed it to **Annexure C**.
  - 1.2 We obtained Transnet Pipelines statements for all (*year*) pipeline movements and agreed the total injections from the coast to the total volumes reported in **Annexure C**.

- 1.3 We obtained the planned volumes of petrol, diesel and jet fuel to be transported by pipeline in (year) from the accountable manager and agreed it to the volumes reported in **Annexure C**.
2. In respect of **Form A** (*Incremental Inland Transportation Recovery System-Claim form*):
- 2.1 We agreed the tariffs per **Form A** to the tariffs per the Department of Minerals and Energy (DME).
- 2.2 We obtained the DME table of all bridging zones in South Africa and re-performed the allocation of the company's depots and major customers per **Form A** to these zones.
- 2.3 Using a management information report, we obtained the (year). road and rail movements from the company's ERP system and agreed the total road and rail movements per product to the total per **Form A**.
- 2.4 We randomly selected 25 of the movements and performed the following:
- 2.4.1. Agreed the volume and discharge location to the ERP system.
- 2.4.2. Agreed the volumes, load and discharge locations to the invoice obtained from the transport contractor.
- 2.4.3. Agreed the volumes to the proof of delivery obtained from the depot or customer.

The findings are summarised as follows:

1. The volumes per Form A.
2. ....
3. ....
4. ....

**Disclaimer**

Because the procedures do not constitute either an audit or a review made in accordance with the International Standards on Auditing and International Standards on Review Engagements, we do not express any assurance on the primary bridging volumes for the year ended *(year)*.

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with the International Standards on Auditing and International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the items specified above and does not extend to any financial statements of *(wholesale company)*, taken as a whole.

**SIGNED BY:** .....

**DESINATION:**.....

**DATE:**.....

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