
GENERAL NOTICES

NOTICE 473 OF 2015 DEPARTMENT OF TRANSPORT

THE 2015/16 – 2019/20 PERMISSION FOR AIRPORTS COMPANY SOUTH AFRICA

REGULATING COMMITTEE

DRAFT PERMISSION TO LEVY AIRPORT CHARGES

It is hereby published for general notice that on 8 May 2015 the Regulating Committee established by Section 11 of the Airports Company Act (Act 44 of 1993), issued in terms of Section 12 (5) of the said Act to the Airports Company, the Permission set out in the Schedule. This Permission will be effected from 01 October 2015 to 31 March 2020.

The closing date for comments is 29 May 2015.



Unathi Mntonintshi

Chairperson of the Regulating Committee

May 2015

SCHEDULE

PERMISSION TO LEVY AIRPORT CHARGES FOR 2015/16 – 2019/20

In this Schedule any word or expression to which a meaning has been assigned in the Aviation Act, 1962 (Act No. 74 of 1962) or the Airports Company Act, 1993 (Act No. 44 of 1993), shall have the meaning so assigned to it, unless the context otherwise indicates.

Subject to the provisions of the Airports Company Act, 1993 (Act No. 44 of 1993), the Airports Company of South Africa (the Company) is hereby authorised to levy airport charges and conduct relevant activities from 1 April 2015 to 31 March 2020 on the following conditions:

1. Limits on airport charges

- (1) The tariff structure will be of the same mathematical format and apply under the same circumstances as immediately before the date of the issuing of this permission.
- (2) In the event of the Company contemplating modifying the structure of airport charges, the Company shall satisfy the Regulating Committee that the resultant charges will have the same material effect as the conditions on airport charges of this permission.
- (3) Notwithstanding subsection (5), the Company shall submit annually to the Committee a report on the implementation of the adjusted tariff structure.
- (4)
 - (a) The Company may during the period of validity of this permission alter the level of airport charges to the maximum limit set by the following formula:

$$RWPTI_t \leq (CPI_t - X_t + CF_t) + K_t$$

Where:

$RWPTI_t$ = the sum of the revenue weighted percentage tariff increases in year t

CPI_t = the CPI forecast at the beginning of period t for the period t

X_t = the subtractive X factor for year t set out in subsection (c)

K_t = the K factor for year t set out in subsection (d)

CF_t = $(CPI_{t-2} - X_{t-1} + CF_{t-1} - (RWPTI_{t-2} - K_{t-2})) \times (1 + Pr_{t-2})$

Where:

CPI_{t-2} = actual CPI for the year $(t-2)$

Pr_{t-2} = predominant prime overdraft rate

$RWPTI_{t-2}$ = the sum of the permitted revenue weighted percentage tariff increases in year

(t-2)

The Regulating Committee may, in exceptional circumstances only, implement a further regulatory adjustment to tariffs, where it deems such an adjustment necessary in fulfilling its duties per the Airports Company Act, 1993 (Act No. 44 of 1993).

(b) The CPI as determined by the independent forecast for the Regulating Committee shall be:

- 5.7% in financial year 2015/16
- 5.6% in financial year 2016/17
- 5.4% in financial year 2017/18
- 5.3% in financial year 2018/19
- 5.4% in financial year 2019/20

(c) X shall be:

- 48.2% in financial year 2015/16
- 1.5% in financial year 2016/17
- 10.4% in financial year 2017/18
- 10.6% in financial year 2018/19
- 1.4% in financial year 2019/20

An efficiency component has been included in the X factor.

In arriving at the X factors for the Permission period, the Committee has taken into consideration the permission application presented by the Company including, inter alia, the anticipated traffic volumes, capital expenditure and cost efficiencies as well as the rates of return anticipated, the claw-back and the proceeds from the sale of Durban International Airport.

In estimating a reasonable rate of return for the Company, the Committee has taken into consideration the various economic and market indicators, including bond yields, market risk premiums, the industry risk profile, cost of debt and ideal gearing levels, as well as factors specifically applicable to the Company.

Based on the above, the Committee estimates that a reasonable rate of return for the Company should approximate a 2.9% premium to the risk free rate on average over the period of the permission.

Clearly, the rate of return is only one of several considerations in applying the price-cap regulation and factors such as actual inflation, capital expenditure, cost efficiencies and traffic volumes would affect the anticipated returns.

(d) K factor

The K factor provides for extraordinary or especially lumpy once-off capital expenditures which are so extensive that they can neither be financed under the terms of the permission in place nor, for strategic reasons, delayed until the next permission. Similarly, where a major capital expenditure programme is significantly curtailed or cancelled, a negative K factor may be required.

At the time of publishing this permission, the K factor is set at nil.

If such circumstances arise during the period of this permission that the Regulating Committee deems it necessary and appropriate, a K factor may be published by the Regulating Committee during the period of this permission.

(e) Correction factor

The performance of the Company for the 2013/14 financial year has been considered. A correction factor of nil has been allowed in respect of this financial year.

(f) Base tariffs

The movement determined as set out in section 1 (4) (a) to (e) of this Schedule for the financial year 2015/16 shall be applied to the tariffs set out in Annexure A. As a result of the delay in publication of this Schedule, the Company is to decrease its tariffs for the remaining portion of the financial year such that the revenue weighted percentage tariff decrease for the full financial year 2015/16 is equal to a total of the movement set out in section 1 (4) (b) and (c) above. The Company is to apply the 2016/17 increase as if the 2015/16 decrease set out in section 1 (4) (b) and (c) above was applied to the full financial year, and not on the pro-rata tariff as a result of the delay.

(g) Regulatory Asset Base

In arriving at the X factors for the Permission period, the Committee has applied the principles for the valuation and implementation of the Regulatory Asset Base as published by the Committee in the Approach Document dated September 2014.

- (5) The Company shall furnish the Regulating Committee with such information as may be agreed upon from time to time. In the absence of such agreement any information as may be requested by the Regulating Committee in order to enable the Committee to apply the conditions of this permission.
- (6) Notwithstanding subsection (5), the Company shall submit annually to the Committee a detailed audited variance analysis report, including key performance indicators, setting out how the main underlying assumptions of the business plan on which this permission is based compare to actual events. In addition, the Company shall furnish an audited certificate setting out the actual revenue weighted percentage tariff increase for the period.
- (7) The Regulating Committee expects the Company to set its total revenues such that it reflects an efficient underlying total cost base and a reasonable profit margin.
- (8) It also encourages the Company to exercise a degree of restraint in implementing its tariff increases where it anticipates that excessive profits will be generated.
- (9) The tariff increases implemented should be fairly balanced between the users (i.e. passengers

and airlines). The revenue weighted percentage tariff increase applied to passengers may not exceed the revenue weighted percentage tariff increase applied to airlines.

2. Service Standards

- (1) The Company shall maintain the level of service of any relevant activity at the same level or higher as that provided immediately before the date of the issuing of this permission. Provided that the Company may alter a level of service only if -
 - (a) the Company has applied to the Regulating Committee for the approval of such an alteration;
 - (b) the Company has satisfied the Regulating Committee that such an alteration will not materially affect users of any such relevant activity.
- (2) The Company shall be responsible for the monitoring on a regular basis of those relevant activities at Company airports as may be agreed from time to time between the Company and the Regulating Committee. In the absence of such an agreement, the Regulating Committee shall determine those relevant activities at Company airports to be monitored. The Company shall report the results of such monitoring to the Regulating Committee in the format and at such intervals as the Committee may prescribe from time to time.

ANNEXURE A

The tariffs to which the revenue weighted percentage tariff increase for the financial year 2015/16 may be applied are set out below.

AIRPORT CHARGES: LANDING CHARGES

1. The landing charge in respect of an aircraft which lands at a company airport and which has been engaged in a flight where the airport of departure of that aircraft was within the Republic:

Maximum certificated mass in kg of the aircraft up to and including:-	Per single landing VAT Exclusive
	R
500	86.54
1 000	128.30
1 500	164.03
2 000	198.09
2 500	233.79
3 000	269.49
4 000	376.13
5 000	479.89
6 000	584.80
7 000	693.04
8 000	797.45
9 000	897.25
10 000	1007.78
and thereafter, for every additional 2 000 kg or part thereof	152.38

2. The landing charge in respect of an aircraft which lands at a company airport and which has been engaged in a flight where the airport of departure of that aircraft was within Botswana, Lesotho, Namibia or Swaziland:

Maximum certificated mass in kg of the aircraft up to and including:-	Per single landing VAT Exclusive
	R
500	97.58
1 000	151.21
1 500	213.67
2 000	270.61
2 500	328.65
3 000	388.31
4 000	528.94
5 000	667.97
6 000	805.76
7 000	946.92
8 000	1084.16

9 000	1222.04
10 000	1363.17
and thereafter, for every additional 2 000 kg or part thereof	226.56

3. The landing charge in respect of an aircraft which lands at a company airport and which has been engaged in a flight where the airport of departure of that aircraft was within the State of territory other than those mentioned in paragraph 1 or 2:

Maximum certificated mass in kg of the aircraft up to and including:-	Per single landing VAT Exclusive
	R
500	108.86
1 000	174.63
1 500	262.82
2 000	342.04
2 500	422.99
3 000	506.07
4 000	682.96
5 000	855.43
6 000	1026.14
7 000	1199.73
8 000	1369.85
9 000	1543.99
10 000	1718.62
and thereafter, for every additional 2 000 kg or part thereof	300.71

AIRPORT CHARGES: PARKING CHARGES

Maximum certificated mass in kg of the aircraft up to and including:-	Per single landing VAT Exclusive
	R
2 000	65.43
3 000	134.55
4 000	191.57
5 000	263.03
10 000	387.29
15 000	509.25
20 000	641.95
25 000	766.26
50 000	1013.66
75 000	1261.67
100 000	1512.65
150 000	1902.93
200 000	2296.31

300 000	2625.40
400 000	3306.69
and thereafter, for every additional 100 000 kg or part thereof	509.25

AIRPORT CHARGES: PASSENGER SERVICE CHARGES

	VAT Exclusive R
1. Passenger service charge per embarking passenger where such passengers will disembark from the aircraft at an airport within the Republic	111.40
2. Passenger service charge per embarking passengers where such passengers will disembark from the aircraft at an airport within Botswana, Lesotho, Namibia or Swaziland	230.70
3. Passenger service charge per embarking passenger where such passengers will disembark from the aircraft within any State or territory other than those mentioned in paragraphs 1 and 2	303.51

All definitions and clauses set out in general notice 1669 of 2009: Publication of airport charges dated 30 December 2009 will continue to apply.