

**NOTICE 474 OF 2015**  
**DEPARTMENT OF TRANSPORT**  
**THE 2015/16 – 2019/20 PERMISSION FOR AIR TRAFFIC AND NAVIGATION**  
**SERVICES COMPANY**

**REGULATING COMMITTEE**

**DRAFT PERMISSION TO LEVY AIR TRAFFIC AND NAVIGATION SERVICE**  
**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 11 (5) of the ATNS Company Act to the ATNS 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 AIR TRAFFIC AND NAVIGATION SERVICE 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 ATNS Company Act, 1993 (Act No. 45 of 1993), shall have the meaning so assigned to it, unless the context otherwise indicates.

Subject to the provisions of the ATNS Company Act, 1993 (Act No. 45 of 1993), the ATNS Company (the Company) is hereby authorised to levy air traffic services charges, provide air navigation infrastructure and conduct air traffic services and air navigation services from 1 April 2015 to 31 March 2020 on the following conditions:

1 Limits on air traffic service 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 air traffic service 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)

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

Where

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

$Pr_{t-2}$  = predominant prime overdraft rate in year  $(t - 2)$

$RWPTI_{t-2}$  = the sum of the 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 ATNS Company Act, 1993 (Act No. 45 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

The Regulating Committee will provide an independently obtained forecast CPI each year by November prior to the period to which the tariff increases relate for use by the Company in calculating the tariff increases for that period.

(c) X shall be:

30.6% in financial year 2015/16

-2.8% in financial year 2016/17

-6.6% in financial year 2017/18

-15.2% in financial year 2018/19

-0.4% in financial year 2019/20

The Committee has included an efficiency component 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.

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 2.11% 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 increase 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 permitted 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 2015/2016 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) Other issues

In the interest of a more equitable balance amongst all stakeholders, the phasing out of origin-destination differentiation over 10 years as set out in section 10.14 of Notice 145 of 2006:

Publication of Air Traffic Service Charges (published by the Company on 3 February 2006) will continue to be applied.

- (8) 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.
- (9) 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.

## **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 the level of any air traffic service or any air navigation service, 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 the air traffic service and air navigation service 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.

## AIR TRAFFIC SERVICE CHARGES: TARIFF FORMULAS AND COEFFICIENTS

1. An air traffic service charge is composed of the sum of VC, BSC and FC for each discrete Aerodrome, TMA Access and Area movement undertaken, according to the following mass categories and locations:

Main Mass Category	Cost Component	Formulas & Coefficients		
		Aerodrome Charge	TMA Access Charge	Area Charge
FAOR $\leq$ 5 000kg	VC BSC FC	R27,87 R113,24/10 000.MCM R59,74	R27,87 R113,24/10 000.MCM R110,38	
5 000kg < MCM $\leq$ 15 000 kg	VC BSC FC	R27,87 R113,24/10 000.MCM R119,51/10 000.MCM	R27,87 R113,24/10 000.MCM R22,08/1 000.MCM	R27,87 R113,24/10 000.MCM R15,84/100 000.MCM.d
> 15 000 kg	VC BSC FC	R27,87 R138,67/100. $\sqrt{\text{MCM}}$ R146,38/100. $\sqrt{\text{MCM}}$	R27,87 R138,67/100. $\sqrt{\text{MCM}}$ R270,38/100. $\sqrt{\text{MCM}}$	R27,87 R138,67/100. $\sqrt{\text{MCM}}$ R194,09/10 000. $\sqrt{\text{MCM.d}}$

2. Each Rand-value coefficient in the table above is multiplied by:

- (a) 100% for a domestic flight;
- (b) 100% for a regional flight; and
- (c) 100% for an international flight,

except in the case of FCs for Aerodrome and TMA Access Charges at FAJS for aircraft with MCM  $\leq$  5 000 kg where the coefficient as stated in the table applies.

All definitions and clauses set out in general notice 228 of 2009: Publication of air traffic service charges dated February 2009 will continue to apply.

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