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GOVERNMENT NOTICE

DEPARTMENT OF MINERALS AND ENERGY

No. 523

6 May 2008

PETROLEUM PRODUCTS ACT, 1977 (ACT NO 120 OF 1977)

I, Buyelwa P. Sonjica, Minister of Minerals and Energy, in terms of Section 2 (1) (b) of the Petroleum Products Act, 1977 (Act No 120 of 1977) hereby determine the Incremental Inland Transport Cost Recovery levies applicable on petrol, diesel and jet fuel and that the following procedures as reflected in the Schedule below be adhered to in terms of the collection of the Incremental Inland Transport Cost Recovery levies and the reimbursement thereof to licensed undertakings.

SCHEDULE

DEFINITIONS

1. In this Schedule-
 - 1.1 "CEF (Pty) Ltd" means the Central Energy Fund (Pty) Ltd.
 - 1.2 "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.
 - 1.3 "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 claims on a monthly basis (**Annexure A**) and the Agreed Upon Procedures report (**Annexure B**), on an annual basis, issued by the registered wholesaler's external auditors, in respect of incremental inland transport costs.
 - 1.4 "Jet fuel" is a high quality kerosene grade used primarily as fuel for most commercial aircraft engines.

- 1.5 **“Licensed Distributor”** as defined in the Customs and Excise Act, 1964 (Act No 91 of 1964) means 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.
 - 1.6 **“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.
 - 1.7 **“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.
 - 1.8 **“Regulated petroleum product”** means petrol and diesel of all grades that is sold in South Africa.
 - 1.9 **“the Act”** means the Petroleum Products Act, 1977 (Act No 120 of 1977), as amended;
 - 1.10 **“Undertaking”** means any licensed manufacturer or importer as per the Import and Export Guidelines.
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2. To take part in the Incremental Inland Transport Costs Recovery System, licensed wholesalers must register with the Department of Minerals and Energy by returning a completed copy of the registration form (**Annexure C**) by registered post to the Department of Minerals and Energy (for the attention of Mr H Baak, Deputy Director, Petroleum and Gas Operations) within 30 calendar days of promulgation of this Schedule.
 3. Regulated petroleum products and jet fuel delivered and sold in the following Magisterial District Zones 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: www.dme.gov.za):

- 5C;
- 6C;
- 7C;
- 8C;
- 9C;
- 10C;
- 11C;
- 12C;
- 13C;
- 14C;
- 15C;
- 16C;
- 17C;
- 57C;
- 58C;
- 60C;
- 61C;
- 62C;
- 63C;
- 64C; and
- 67C.

4. The Department of Minerals and Energy will table rail and road transport rates for the transportation of regulated petroleum products and jet fuel from Durban to nominated pipeline depots as reflected in **Annexure A**. Rail rates will be based on Transnet Freight Rail block train transport tariffs from Durban to the nominated pipeline depots as referred to in paragraph 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 paragraph 3. These road and rail transport tariffs will be published on the Department of Minerals and Energy's website.

5. The difference between (a) the transport tariffs referred to in paragraph 4 and the transport rates of regulated petroleum products as reflected in the regulated petroleum product price structures and (b) the transport tariffs referred to in paragraph 4 and the applicable pipeline tariff for jet fuel will be reimbursed to registered licensed wholesalers based on certified claims (**Annexure A**) by submitting completed certified claim forms 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.
6. Registered wholesalers must annually submit the Agreed Upon Procedures report (**Annexure B**), issued by the registered wholesalers' external auditors, to CEF (Pty) Ltd at the end of February each year whereafter CEF (Pty) Ltd will need to determine the differences between the cumulative claim as per Agreed Upon Procedures and the cumulative monthly claims reimbursed for the preceding calendar year. Over payments will have to be paid into the account of CEF (refer paragraph 8) and under payments will be reimbursed by CEF (Pty) Ltd not later than the end of March each year.
7. Where the actual utilisation for individual undertakings is lower than the committed pipeline capacity as reflected by Transnet Pipeline reporting for that reported month, the claim for the reimbursement of incremental inland transport costs for petrol, and diesel and jet fuel will be calculated as follows:

Actual utilisation (volumes) X Claim

Committed (volumes)

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. 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. 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. 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.
11. In the case of late payments by Undertakings, the Central Energy Fund (Pty) Ltd must issue an invoice for interest to the undertakings in line with section 80(1)(b) of the Public Finance Management Act, 1999 (Act No.1 of 1999), as amended.

12. Undertakings will be penalised by R2,000.00 for the non-compliance to paragraphs 6 and 8 each.
13. This Schedule will come into operation at 00h01 on 7 May 2008.

Annexure 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)*:
 - 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 **Annexure A** (*Incremental Inland Transportation Recovery System-Claim form*):
- 2.1 We agreed the tariffs per **Annexure 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 **Annexure 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 **Annexure 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 Annexure 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:.....

ANNEXURE C**INCREMENTAL INLAND TRANSPORT RECOVERY COSTS SYSTEM****REGISTRATION FORM**

1	Name of wholesale company	
2	Wholesale licence number	
3	Volume (litres) of petrol transported by pipeline in 2007	
4	Volume (litres) of diesel transported by pipeline in 2007	
5	Volume (litres) of Jet transported by pipeline in 2007	
6	Projected/Planned volume (litres) of petrol to be transported by pipeline in 2008	
7	Projected/Planned volume (litres) of diesel to be transported by pipeline in 2008	
8	Projected/Planned volume (litres) of Jet to be transported by pipeline in 2008	
9	Name and postal address of wholesale company's audit firm	

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:

Checked by:

.....
(name)

.....
(name)

.....
(signature)

.....
(signature)

.....
(date)

.....
(date)