**2. Report of the Portfolio Committee on Transport on Budget Vote 35: Transport, Dated 17 May 2017**

The Portfolio Committee of Transport, having considered Budget Vote 35: Transport, reports as follows:

**1. INTRODUCTION**

**1.1 CONSIDERATION**

The Portfolio Committee on Transport considered the 2017/18 budget of the Department of Transport (the Department) on 2 May 2017. This report contains a summary of the Department’s budget allocation, observations and recommendations of the Committee on the budget. In preparation for this report, the Department and the listed entities briefed the Committee on their revised 2014-2019 Strategic Plans and 2017/18 Annual Performance Plans (APPs) and budgets.

**1.2 METHODOLOGY**

The Committee engaged with the Department and its entities on 2, 3, 5, 9 and 12 May 2017 on their revised 2014-2019 Strategic Plans and 2017/18 APPs and budgets.

The Committee met with the following entities:

1. Airports Company South Africa (ACSA)

2. Cross-Border Road Transport Agency (C-BRTA)

3. Railway Safety Regulator (RSR)

4. Passenger Rail Agency of South Africa (PRASA)

5. Ports Regulator of South Africa (PRSA)

6. Road Traffic Infringement Agency (RTIA)

7. Road Traffic Management Corporation (RTMC)

8. Road Accident Fund (RAF)

9. South African National Roads Agency Limited (SANRAL)

10. South African Maritime Safety Authority (SAMSA).

The report details an overview of the performance of the Department in 2016/17, policy priorities for 2017/18 and analysis of the 2017/18 budgets of the Department and their entities, as well as observations and recommendations made by the Portfolio Committee on Transport in this regard.

The report on the budget of the Department is based on information accessed through:

• The 2017 State of the Nation Address (SONA);

• The Department of Transport’s revised Strategic and APPs for 2016/17 and 2017/18;

• The revised Strategic Plans and the 2017/18 APPs of the entities that fall under the Department of Transport;

• The report of the Auditor-General of South Africa (AGSA) on the APPs of the Department and its entities; and

• The National Development Plan (NDP).

**2. MANDATE OF THE DEPARTMENT OF TRANSPORT**

The Constitution of the Republic of South Africa, 1996, identifies the legislative responsibilities of different tiers of Government pertaining to airports, road traffic management and public transport. In addition, the 1996 White Paper on National Transport Policy defines the different sub-sectors in the transport sector. Broadly, these are the infrastructure and operations of rail, pipelines, roads, airports, harbours and intermodal operations of public transport and freight. The Department is responsible for the legislation and policies for all these sub-sectors.

For the intermodal functions of public transport and freight, the guiding documents are the National Land Transport Act (No. 5 of 2009), the Public Transport Strategy, 2007 and the National Freight Logistics Strategy, 2005. The Department is mandated to conduct sector research and formulate legislation and policy to set the strategic direction of these sub-sectors. Furthermore, it is entrusted with assigning responsibilities to public entities and other tiers of Government. The Department also regulates the transport sector through the setting of norms and standards, as well as the monitoring of their implementation.

Transport is a function that is legislated and executed at the national, provincial and local tiers of Government. The implementation of transport functions at the national sphere takes place through public entities.

In an endeavour to discharge its mandate, the Department is structured as follows:

* Programme 1: Administration;
* Programme 2: Integrated Transport Planning;
* Programme 3: Rail Transport;
* Programme 4: Road Transport;
* Programme 5: Civil Aviation Transport;
* Programme 6: Maritime Transport; and
* Programme 7: Public Transport.

This report analyses the budget of the Department for 2017/18. It is divided into the following sections: the introduction, overview of the performance of the Department in 2016/17, policy priorities for 2017/18 and how they are aligned with national, regional, continental and global developmental agendas, as well as the budget analysis. It concludes with the Committee Observations and Recommendations.

* 1. **Overview of the 2016/17 financial year**

**Table 1: Programme Performance for the First Quarter of 2016/17**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Programme** | **Total No. of Targets** | **No. of Targets Achieved**  | **No of Targets Not Achieved** | **% of Targets Achieved** | **Budget Allocation R’000** | **Budget Spent R’000** | **% of Budget Spent**  |
| Administration | 9 | 6 | 3 | 67% | 394 763 | 63 936 | 16% |
| Integrated Transport Planning | 6 | 2 | 4 | 33% | 78 954 | 13 370 | 17% |
| Rail Transport | 5 | 3 | 2 | 60% | 18 985 533 | 3 766 146 | 20% |
| Road Transport | 10 | 5 | 5 | 50% | 24 525 567 | 6 589 760 | 27% |
| Civil Aviation Transport | 8 | 6 | 2 | 75% | 253 233 | 35 689 | 14% |
| Maritime Transport | 5 | 3 | 2 | 60% | 121 733 | 14 679 | 12% |
| Public Transport | 7 | 7 | 0 | 100% | 11 655 390 | 989 825 | 8% |
| **Department****(Overall)** | **50** | **32** | **18** | **64%** | **56 015 163** | **11 473 405** | **20%** |

**(Source: Department of Transport, 2016b).**

The budget allocation for the Department in 2016/17, prior to adjustment, stood at R56 billion and of this, it had spent R11.5 billion or 20% by the end of the First Quarter. The Department had 50 planned performance targets for the First Quarter of 2016/17 and of these, 32 were achieved, while 18 were not achieved. The overall performance of the Department for the First Quarter of 2016/17 stood at 64%.

The Department had spent R63.9 million or 16% of the R394.8 million that had been allocated to the Administration programme. The Department incurred an under-expenditure of R35 million in the First Quarter and this was mainly due to outstanding invoices for the lease of accommodation and Arrive Alive campaigns. The Department had 9 performance targets under the Administration programme for the First Quarter of 2016/17 and of these, 6 or 67% were achieved and 3 or 33% were not achieved. Areas of non-achievement in the Administration programme included the development of the status report on the transport sector socio-economic empowerment programmes.

For the Integrated Transport Planning programme, the Department had allocated approximately R79 million and of this amount, it had spent R13.4 million or 17% by the end of the First Quarter. The main cost drivers were the compensation of employees, constituting R10.4 million and travel and subsistence accounting for R1 million. As at 30 June 2015, spending on goods and services was on the Multi-Modal Transport Plan and Coordination Act, the Private Sector Participation Framework and the Transport Infrastructure Funding Strategy. The Department had set itself 6 performance targets for the First Quarter and by the end of the Quarter, it had achieved only 2 or 33%.

The budget allocation for the Rail Transport programme had been approximately R19 billion and of this amount, the Department had spent R3.8 billion or 20% in the First Quarter of 2016/17. The under-expenditure amounting to R2 million was mainly due to delays in the appointment of the service provider for the Interim Rail Economic Regulatory Capacity project. The Department had set itself 5 performance targets and of these, 3 or 60% had been achieved by the end of the First Quarter.

The budget allocation for the Road Transport programme had been R24.5 billion and of this amount, the Department had spent R6.6 billion or 27% by the end of the First Quarter. The under-expenditure to the tune of R4 million was mainly due to outstanding invoices for services that had been rendered on the Multi-Modal Transport Planning and Coordination Act project, as well as other projects. The under-expenditure of R3.2 billion under the Road Transport programme was due to delays in transfer payments. The Provincial Roads Maintenance Grant (PRMG) payments had been scheduled to be paid in June, however, due to cash flow problems in National Treasury, the payment date was moved to August. There was an over-expenditure of R136.6 million under Goods and Services and this was attributed to the payment of the electronic National Traffic Information System (eNaTIS) services. The Department had set itself 10 performance targets for the First Quarter and of these, it had achieved 5 or 50%.

Pertaining to the Civil Aviation Transport programme, the Department spent R35.7 million or 14% in the First Quarter of 2016/17 of the R253.2 million that had been allocated to the programme in 2016/17. The under-expenditure of R10.4 million was mainly due to delays in transfer payments to the South African Maritime Safety Authority (SAMSA), as well as the South African Civil Aviation Commission. An amount of R100 million had been included in the budget for 2016/17 for a new Satellite Tracking System. The programme indicated that it might not be able to spend this amount by the end of the financial year. The Department had set itself 8 performance targets and of these, 6 or 75% had been achieved.

The Maritime Transport programme had been allocated R121.7 million and of this amount, the Department had spent R14.7 million or 12% by the end of the First Quarter of 2016/17. The under-expenditure of R29 million in the programme was mainly due to delays in the following projects:

* Feasibility study on tug boat services;
* Training on United Nations dangerous goods, boat building repairs and skippers;
* Salvage strategy; and
* Maritime Transport Policy and legislation.

The Department had set itself 5 performance targets for the First Quarter of 2016/17 under this programme and of these, 3 or 60% were achieved.

Pertaining to the Public Transport programme, the Department had allocated R11.7 billion and of this amount, it had spent R1.1 billion or 8% by the end of the First Quarter of 2016/17. Regarding transfer payments under the Public Transport programme, the Department had transferred R2.6 billion or 25% of the R10.2 billion that had been allocated for the PRMG for 2016/17 by the end of the First Quarter. Of the R5.4 billion allocated for the Public Transport Operations Grant (PTOG), the Department had spent R935.7 million or 17% by the end of the First Quarter. Of the R5.6 billion and R101.5 million allocated for the Public Transport Network Grant (PTNG) and the Rural Roads Asset Management Systems (RRAMS) Grant respectively, the Department had transferred 0%.

There was under-expenditure mainly due to:

* The revised payment schedules of the PTNG;
* Rejected transfer payment for the PTOG for the Western Cape;
* Slow spending on the Taxi Recapitalisation Programme (TRP); and
* Delays in other projects on Goods and Services.

The Public Transport programme had 7 performance targets and all of them or 100% had been achieved by the end of the First Quarter.

**Table 2: Programme Performance for the Second Quarter of 2016/17**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Programme** | **Total No. of Targets** | **No. of Targets Achieved**  | **No of Targets Not Achieved** | **% of Targets Achieved** | **Budget Allocation R’000** | **Budget Spent R’000** | **% of Budget Spent**  |
| Administration | 10 | 7 | 3 | 70% | 394 763 | 147 455 | 37% |
| Integrated Transport Planning | 7 | 4 | 3 | 57% | 78 954 | 29 839 | 38% |
| Rail Transport | 6 | 5 | 1 | 83% | 18 985 533 | 7 997 266 | 42% |
| Road Transport | 9 | 4 | 5 | 44% | 24 525 567 | 13 310 665 | 54% |
| Civil Aviation Transport | 8 | 7 | 1 | 87% | 253 223 | 75 426 | 30% |
| Maritime Transport | 5 | 0 | 5 | 0% | 121 733 | 66 091 | 54% |
| Public Transport | 7 | 6 | 1 | 85% | 11 655 390 | 3 999 495 | 34% |
| **Department****(Overall)** | **52** | **33** | **19** | **63%** | **56 015 163** | **25 626 237** | **46%** |

**(Source: Department of Transport, 2016b).**

By the end of the Second Quarter of 2016/17, the Department had spent 46% of its budget allocation. Of the 52 planned performance targets for the Second Quarter of 2016/17, the Department had achieved 33. A total of 19 performance targets had not been achieved, resulting in the overall performance of 63%.

Under the Administration programme, the Department had spent R147.5 million or 37% of the R394.8 million by the end of the Second Quarter. The under-expenditure amounting to R49 million was attributed to the following:

* Outstanding invoices for the lease of office accommodation as a result of a dispute with the service provider;
* Slow filling of critical vacant posts; and
* Delays in the procurement processes for the events and protocol management.

The Department achieved 7 performance targets or 70% out of 10 that it had set itself for the Second Quarter.

The Department had spent R29.8 million or 38% of about R79 million that had been allocated to the Integrated Transport Planning programme for 2016/17 by the end of the Second Quarter. It had underspent by an amount of R8 million owing mainly due to non-spending on the following projects:

* National Transport Planning Databank;
* Harrismith Hub;
* Transport Sector Economic Regulator (STER); and
* Green Transport Strategy.

The Department achieved 4 or 57% of the 7 performance targets that it had set itself under the Integrated Transport Planning programme.

As far as the Rail Transport programme is concerned, the Department had spent approximately R8 billion or 42% of approximately R19 billion that had been allocated to it for 2016/17 by the end of the Second Quarter. The under-expenditure to the tune of R6 million was mainly due to non-spending on the following projects:

* Moloto Development Corridor;
* White Paper on Rail Transport;
* Interim Rail Economic Regulatory Capacity;
* National Rail Safety Strategy; and
* Rail Safety Amendment Bill.

The Department had achieved 5 or 83% of the 6 of the performance targets that it had set itself under the Rail Transport programme by the end of the Second Quarter.

By the end of the Second Quarter of 2016/17, the Department had spent R13.3 billion or 54% of the R24.5 billion that had been allocated for the Road Transport programme for 2016/17. Overspending of R109 million on Goods and Services was mainly due to the cost of the unfunded mandate of maintaining and operating the eNaTIS for which an amount of R225 million had been paid by the end of September. However, other Goods and Services projects such as *S’hamba Sonke* and road policy projects were underspending due to outstanding invoices.

Underspending on transfers and subsidies was due to the following:

* RRAMS Grant to several municipalities was withheld due to non-compliance, as well as the revision of the payment schedule; and
* Withholding of the second tranche payment to the Road Traffic Management Corporation (RTMC).

Of the 9 performance targets that the Department had set itself for the Second Quarter of 2016/17 under the Road Transport programme, it had achieved 4 or 44% by the end of the Quarter.

The Department had spent approximately R75.4 million or 30% of the R253.2 million that had been allocated to it under the Civil Aviation programme for the Second Quarter of 2016/17. Underspending on transfer payments was mainly due to delays in the transfer payments to SAMSA: Marine Rescue Coordination Centre. The under-expenditure on Goods and Services was due to delays in expenditure on Committees, National Airports Development Plan (NADP) and the White Paper on Civil Aviation. The Department achieved 7 or 87% of the performance targets that it had set itself for the Second Quarter of 2016/17.

Regarding the Maritime Transport programme, the Department had spent R66 million or 54% in the Second Quarter of 2016/17 of the R121.7 million that had been allocated to it for 2016/17. However, the Department had set itself 5 performance targets under the Maritime programme for the Second Quarter of 2016/17 and none of these had been achieved.

Pertaining to the Public Transport programme, the Department had spent about R4 billion or 34% of the R11.7 billion that had been allocated to the programme for the Second Quarter of 2016/17. The under-expenditure amounting to R42 million was mainly due to non-spending on a number of projects such as the TRP model, the implementation of the integrated public transport networks (IPTNs) in district municipalities and *Shova Kalula* Bicycle project.

By the end of the Second Quarter, the Department had made the following transfers:

* R5.8 billion or 57% towards the PRMG;
* R2.3 billion or 43% towards the PTOG;
* R1.4 billion or 25% towards the PTNG; and
* R35.4 million or 35% towards the RRAMS Grant.

Of the 7 performance targets that the Department had set itself for the Second Quarter of 2016/17 under the Public Transport programme, it had achieved 6 or 85% by the end of the Quarter.

**Table 3: Programme Performance for the Third Quarter of 2016/17**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Programme** | **Total No. of Targets** | **No. of Targets Achieved**  | **No of Targets Not Achieved** | **% of Targets Achieved** | **Adjusted Budget Allocation R’000** | **Budget Spent R’000** | **% of Budget Spent**  |
| Administration | 10 | 9 | 1 | 90% | 402 444 | 247 307 | 61% |
| Integrated Transport Planning | 7 | 5 | 2 | 71% | 78 408 | 56 480 | 72% |
| Rail Transport | 6 | 4 | 2 | 67% | 18 985 533 | 13 357 325 | 70% |
| Road Transport | 9 | 4 | 5 | 50% | 24 799 126 | 19 957 730 | 80% |
| Civil Aviation Transport | 8 | 6 | 2 | 75% | 251 459 | 115 425 | 46% |
| Maritime Transport | 5 | 1 | 4 | 20% | 179 467 | 101 528 | 57% |
| Public Transport | 7 | 5 | 2 | 71% | 11 589 417 | 6 884 909 | 59% |
| **Department****(Overall)** | **51** | **34** | **17** | **67%** | **56 285 854** | **40 720 704** | **72%** |

**(Source: Department of Transport, 2017)**

By the end of the Third Quarter of 2016/17, the Department had spent R40.7 billion or 72% of its R56.3 billion adjusted budget allocation. Of the 51 planned performance targets for the Third Quarter of 2016/17, the Department had achieved 34. A total of 17 performance targets had not been achieved, resulting in the overall performance of 67%.

The Department had spent R247.3 million or 61 % of the R402.4 million that had been allocated to the Administration programme. The under-expenditure to the tune of R49.8 million was as a result of the following:

* Outstanding invoices for the lease of accommodation;
* International Relations;
* Office of the Director-General;
* Strategic Planning; and
* Compensation of employees.

Of the 10 performance targets that the Department had set itself for the Third Quarter under the Administration programme, it achieved 9 or 90%.

Under the Integrated Transport Planning programme, the Department had spent R56.5 million of the R78.4 million or 72% of the adjusted budget that had been allocated to the programme by the end of the Third Quarter of 2016/17. The under-expenditure of R3.6 million was attributed to the following projects:

* National Transport Planning Databank;
* Harrismith Hub; and
* Road Freight Strategy.

Of the 7 performance targets that the Department had set itself for the Third Quarter under the Integrated Transport Planning programme, it achieved 5 or 71%.

Pertaining to the Rail Transport programme, the Department spent R13.4 billion or 70 % in the Third Quarter of 2016/17 of approximately R19 billion that had been allocated to the programme in 2016/17. The under-expenditure was due to the following factors:

* Service providers for the Rail Safety Amendment Bill and National Rail Safety Strategy had failed to meet the project deliverables;
* Slow spending on the establishment of the Rail Economic Regulator;
* Development of the Rail Safety Strategy; and
* Development of the White Paper on Rail Transport.

For the Third Quarter of 2016/17, the Department had set itself 6 performance targets under the Rail Transport programme and of these, 4 or 67% had been achieved by the end of the Third Quarter.

By the end of the Third Quarter of 2016/17, the Department had spent approximately R20 billion or 80% of the adjusted R24.8 billion that had been allocated for the Road Transport programme for 2016/17. The over-expenditure of R199.9 million was mainly due to the expenditure of R199 million on the eNaTIS which had been unfunded, the *S’hamba Sonke* programme, as well as road policy projects due to outstanding invoices.

By the end of the Third Quarter, the Department had made the following transfers:

* R8.8 billion or 84% towards the PRMG;
* R3.8 billion or 70% towards the PTOG;
* R2.8 billion or 50% towards the PTNG; and
* R94.9 million or 94% towards the RRAMS Grant.

By the end of the Third Quarter, the Department had achieved 4 or 50% of the 9 performance targets that it had set itself.

Under the Civil Aviation programme, the Department had spent R115.4 million or 46% of the adjusted R251.5 million that had been allocated to the programme for the Third Quarter of 2016/17. The under-expenditure amounting to R3.9 million was mainly due to expenditure that had not yet been incurred on R100 million that had been allocated for a new Satellite Tracking System. The Department applied to shift funds to a transfer payment to the Air Traffic Navigation Services (ATNS). The Department had set itself 8 performance targets for the Third Quarter of 2016/17 and of these, 6 or 75% had been achieved by the end of the Quarter.

The budget allocation for the Maritime Transport programme had been adjusted from R121.7 million to R179.5 million and of this amount, the Department had spent R101.5 million or 57% by the end of the Third Quarter. The over-expenditure in the programme of R10.3 million was mainly due to:

* More than anticipated expenditure on Oil Pollution Prevention Services;
* Under-expenditure on the Compensation of Employees due to vacant posts; and
* Slow expenditure on a number of projects.

Approval was obtained to shift funds to cover the over-expenditure on Oil Pollution Services and to write-off the debt of SAMSA. In addition, there was under-expenditure on the following projects:

* Cabotage Policy, Bill and Strategy;
* Review of the Merchant Bill, Boat Building, Repairs and Skipper Training; and
* Development of Marina at Port St Johns.

By the end of the Third Quarter of 2016/17, the Department had achieved only 1 or 20% of the 5 performance targets that it had set itself for the Quarter under the Maritime Transport programme.

Concerning the Public Transport programme, the Department had spent R6.9 billion or 59% of the adjusted R11.6 billion that had been allocated to the programme for the Third Quarter of 2016/17. The under-expenditure of R142.7 million comprised the under-expenditure on the following projects:

* The review of the TRP;
* Implementation of IPTNs in District Municipalities;
* The *Shova Kalula* Bicycle project; and
* Technical Oversight and Support for Public Transport.

Approval was obtained to shift a total of R65.9 million to expenditure pressures in other programmes. The Department had achieved 5 or 71% of the 7 performance targets that it had set itself for the Third Quarter under the programme.

* 1. **Policy Priorities for 2017/18 and alignment with national, regional, continental and global development agendas (NDP, Nine Point Plan, SADC-RIDMP, Agenda 2063 & SDGs)**

In an attempt to execute its constitutional and legislative mandate, the Department remains committed to the achievement of socio-economic goals of society. The Department exists to ensure the provision of safe, reliable, effective, efficient, affordable and integrated transport services that best meet the needs of passenger and freight users. While striving to attain this goal, the sector is confronted with major challenges of infrastructure development, maintenance and strategic expansion of its network. A common problem area is the rate of deterioration of existing infrastructure and inadequate capital investment as current investment levels are not sufficient to meet the necessary maintenance and expansion programmes.

The NDP 2030 offers a long-term perspective. It defines a desired destination and identifies the role different sectors of society need to play in reaching that goal. The NDP has set a growth target of 5% by 2019. In 2015, President Zuma unveiled a Nine Point Plan for economic recovery and growth in South Africa. The objectives of the Nine Point Plan pertaining to transport infrastructure are to:

* Improve access to economic opportunities and social space;
* Advance economic development;
* Improve movement of goods;
* Ensure greater mobility of people and goods; and
* Promote regional integration.

The transport sector, due to its intensive use of infrastructure, is a pivotal component of the economy and a common partner in stimulating development. This is even more so in a global economy where economic opportunities are increasingly related to the mobility of people, goods and information. A direct correlation between the quantity and quality of transport infrastructure and the level of economic development is apparent. High density transport infrastructure and highly connected networks are commonly associated with high levels of development.

When transport systems are efficient, they provide economic and social opportunities with benefits that result in a multiplier effect such as better accessibility to markets, employment and additional investments. Conversely, when transport systems are deficient in terms of capacity and reliability, they can have negative economic impact such as reduced or missed opportunities and lower quality of life.

The Nine Point Plan therefore seeks to give meaning to the objectives and aspirations of the NDP. In the current Medium Term Strategic Framework (MTSF) 2014-2019, in aligning its programmes to the plan, the Department will oversee the manufacturing of a rolling stock factory in Ekurhuleni which will ensure that over 65% of trains used in the country are built locally.

In addition, the Department will upgrade the R573 Moloto Road which will, in turn, improve access to economic opportunities and social space. Furthermore, the Department will support the ship building industry and enhance cargo volumes to ensure that this acts as a catalyst for the Oceans Economy. The completion of these projects within the MTSF is envisaged to change living conditions and boost economic growth.

The African Union Agenda 2063 calls for action to all segments of the African society to work together to build a prosperous and united Africa based on shared values and a common destiny. To achieve its potential in the development and establishment of prosperous societies, the Agenda has identified seven aspirations, of which the following two are relevant to the Transport Sector:

* ***A prosperous Africa based on inclusive growth and sustainable development***

The transport sector is critical in advancing modernised infrastructure network, access to public transport and enhance other basic necessities of life such as water, sanitation, energy and Information and Communications Technology (ICT). Equally important are the creation of jobs, increasing investment and productivity, as well as research and innovation.

* ***An integrated continent, politically united and based on the ideals of Pan Africanism and the vision of Africa’s Renaissance***

A world-class integrative infrastructure network will be fundamental to inspire dynamic and mutual beneficial links with the Diaspora. This will then drive intra-African trade and spur the growth of Pan African companies of global reach in key economic sectors. Seamless borders and the management of cross-border transport of goods, services and passengers is therefore imperative to achieve this aspiration. This integrative network may include high speed railway networks, roads, shipping lines, and sea and air transport.

The 2017 SONA issues a clarion call for the creation of a “united, democratic, non-sexist, non-racial and prosperous South Africa”. This will be attained through the implementation of the NDP which seeks to respond to the triple challenges (poverty, inequality and unemployment). These social ills will, in turn, be addressed through “radical economic transformation” with a view to ensuring that all South Africans participate in the mainstream economy. To this end, the State will use, *inter alia*, “legislation, regulations, licencing, budget and procurement as well as Broad-Based Black Economic Charters”.

A perusal of the Department’s budget allocation for 2017/18 indicates its commitment to national, regional, continental and global imperatives. This is evidenced by massive investments in Road, Rail and Public Transport programmes respectively. It stands to reason that the Department will put more emphasis on improving mobility and access to social and economic activities. To this end, it will continue maintaining provincial and national road networks, upgrading and maintaining the rail infrastructure, as well as improving public transport for road and rail commuters.

1. **Budget Analysis**

**Table 4: Overall Budget – Transport**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Increase / Decrease in 2017/18** | **Real Increase / Decrease in 2017/18** | **Nominal Percent change in 2017/18** | **Real Percent change in 2017/18** |
| **R million** | **2016/17** | **2017/18** |
| Administration  |  392.8 |  406.9 |  14.1 | - 10.0 | 3.59 % | -2.55 % |
| Integrated Transport Planning  |  79.0 |  81.7 |  2.7 | - 2.1 | 3.42 % | -2.71 % |
| Rail Transport |  18 985.5 |  19 320.3 |  334.8 | - 810.2 | 1.76 % | -4.27 % |
| Road Transport |  24 799.1 |  27 128.6 |  2 329.5 |  721.7 | 9.39 % | 2.91 % |
| Civil Aviation Transport |  253.2 |  169.9 | - 83.3 | - 93.4 | -32.90 % | -36.88 % |
| Maritime Transport |  120.8 |  119.7 | - 1.1 | - 8.2 | -0.91 % | -6.78 % |
| Public Transport |  11 655.4 |  12 568.3 |  912.9 |  168.0 | 7.83 % | 1.44 % |
| **TOTAL** |  **56 285.9** |  **59 795.2** |  **3 509.6** | **- 34.2** | **6.2 %** | **-0.06 %** |

**(Source: National Treasury 2017, Vote 35 – Transport)**

Of the R767.0 billion of the total appropriation by vote for 2017/18, the Department receives R59.8 billion. This allocation constitutes approximately 7.8% of the national budget by vote, excluding direct charges. Compared to the R56.3 billion that the Department received in 2016/17, its 2017/18 budget allocation increases by 6.2 % in nominal terms, but decreases by 0.1% in real terms (when taking cognisance of inflation).

In terms of economic classification, transfers and subsidies constitute R58.7 billion or 98.2% of the budget allocation, and R58.2 billion or 99.2% thereof is allocated to the following bodies:

* Provinces and municipalities (R22.7 billion);
* Departmental agencies and accounts (R16.3 billon); and
* Public corporations and private enterprises (R19.2 billion).

The budget allocation for the compensation of employees across all departmental programmes increases from R432.1 million in 2016/17 to R450 million in the 2017/18 financial year. The budget allocation for the use of consultants (business and advisory services) is set to decrease from R329.7 million in 2016/17 to R305.5 million in 2017/18. The marked decrease in this regard is in the Public Transport programme whose budget allocation declines from R236 million in 2016/17 to R211.7 million in 2017/18, translating into a decrease of 10.3%. It should, however, be noted that this programme has the highest budget allocation for the use of consultants.

* 1. **Programme Analysis**

As stated in the introduction, the Department has seven programmes. What follows below is an analysis of the budget allocation of each programme, and where relevant or necessary, reference is made to the programmes’ sub-programmes.

* + 1. ***Programme 1: Administration***

The Administration programme is entrusted with providing strategic leadership, management and support services to the Department. It consists of five sub-programmes as illustrated in the table below:

**Table 5: Programme 1: Administration**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Increase / Decrease in 2017/18** | **Real Increase / Decrease in 2017/18** | **Nominal Percent change in 2017/18** | **Real Percent change in 2017/18** |
| **R million** | **2016/17** | **2017/18** |
| Ministry |  35.0 |  35.4 |  0.4 | - 1.7 | 1.14 % | -4.85 % |
| Management |  73.5 |  76.5 |  3.0 | - 1.5 | 4.08 % | -2.09 % |
| Corporate Services |  198.6 |  206.3 |  7.7 | - 4.5 | 3.88 % | -2.28 % |
| Communications |  35.4 |  35.9 |  0.5 | - 1.6 | 1.41 % | -4.60 % |
| Office Accommodation |  50.3 |  52.8 |  2.5 | - 0.6 | 4.97 % | -1.25 % |
| **TOTAL** |  **392.8** |  **406.9** |  **14.1** | **- 9.9** | **3.6 %** | **-2.55 %** |

**(Source: National Treasury 2017, Vote 35 – Transport)**

For 2017/18, the Administration programme receives R406.9 million, compared to R392.8 million it received in the 2016/17 financial year. While the programme’s budget allocation for 2017/18 increases by 3.6% in nominal terms, it decreases by 2.6% in real terms. At 50.7% of the total budget of the Administration programme, the *Corporate Services* sub-programme has the highest budget allocation.

***3.1.2. Programme 2: Integrated Transport Planning***

The Integrated Transport planning programme integrates and harmonises macro-transport sector policies, strategies and legislation. In addition, it coordinates and develops sector-related policies, research activities, as well as regional and inter-sphere relations. The programme also facilitates sector information and provides sector economic modelling and analysis.

**Table 6: Programme 2: Integrated Transport Planning**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Increase / Decrease in 2017/18** | **Real Increase / Decrease in 2017/18** | **Nominal Percent change in 2017/18** | **Real Percent change in 2017/18** |
| **R million** | **2016/17** | **2017/18** |
| Macro Sector Planning |  15.4 |  16.8 |  1.4 |  0.4 | 9.09 % | 2.63 % |
| Freight Logistics |  20.4 |  21.1 |  0.7 | - 0.6 | 3.43 % | -2.70 % |
| Modelling and Economic Analysis |  17.2 |  17.2 |  0.0 | - 1.0 | 0.00 % | -5.93 % |
| Regional Integration |  6.6 |  6.7 |  0.1 | - 0.3 | 1.52 % | -4.50 % |
| Research and Innovation |  13.1 |  13.5 |  0.4 | - 0.4 | 3.05 % | -3.05 % |
| Integrated Transport Planning Administration Support |  6.2 |  6.4 |  0.2 | - 0.2 | 3.23 % | -2.89 % |
| **TOTAL** |  **79.0** |  **81.7** |  **2.8** | **- 2.1** | **3.42 %** | **-2.71 %** |

**(Source: National Treasury 2017, Vote 35 – Transport)**

The budget allocation for the Integrated Transport Planning programme increases by 3.4% in nominal terms, but decreases by 2.7% in real terms, from R79 million in 2016/17 to R81.7 million in 2017/18. The only sub-programme that experiences growth both in nominal and real terms is the *Macro Sector Planning*, up from R15.4 million in 2016/17 to R16.8 million in 2017/18, translating into an increase of 9.1% in nominal terms and 2.6% in real terms. This sub-programme examines land use and transport planning in all spheres of Government from a multimodal perspective, and manages and facilitates the implementation of the planning provision of the National Land Transport Act (No. 5 of 2009).

***3.1.3. Programme 3: Rail Transport***

The Rail Transport programme facilitates and coordinates the development of sustainable rail transport policies, rail economic and safety regulation and infrastructure development strategies that reduce system costs and improve customer service. In addition, it oversees rail public entities and the implementation of integrated rail services. Five sub-programmes fall under this programme.

**Table 7: Programme 3: Rail Transport**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Increase / Decrease in 2017/18** | **Real Increase / Decrease in 2017/18** | **Nominal Percent change in 2017/18** | **Real Percent change in 2017/18** |
| **R million** | **2016/17** | **2017/18** |
| Rail Regulation |  18.7 |  19.2 |  0.5 | - 0.6 | 2.67 % | -3.41 % |
| Rail Infrastructure and Industry Development |  8.7 |  12.3 |  3.6 |  2.9 | 41.38 % | 33.00 % |
| Rail Operations |  7.9 |  7.7 | - 0.2 | - 0.7 | -2.53 % | -8.31 % |
| Rail Oversight |  18 946.3 |  19 276.0 |  329.7 | - 812.7 | 1.74 % | -4.29 % |
| Rail Administration Support |  4.1 |  5.1 |  1.0 |  0.7 | 24.39 % | 17.02 % |
| **TOTAL** |  **18 985.5** |  **19 320.3** |  **334.6** | **- 810.2** | **1.76 %** | **-4.27 %** |

**(Source: National Treasury 2017, Vote 35 – Transport)**

Constituting 32.3% of the Department’s total budget, the Rail Transportprogramme is the second departmental spending area. The programme’s budget allocation increases by R334.8 million in nominal terms, but decreases by R810.2 million in real terms, from approximately R19 billion in 2016/17 to R19.3 billion in 2017/18. This translates into an increase of 1.8% in nominal terms and a decrease of 4.3% in real terms.

The two sub-programmes whose budget allocation increases in both nominal and real terms are the *Rail Infrastructure and Industry Development*, as well as the *Rail Administration Support*. The budget allocation for *the Rail infrastructure* sub-programme increases from R8.7 in 2016/17 to R12.3 million in 2017/18, indicating an increase of 41.4% in nominal terms and 33% in real terms. Similarly, the budget allocation for the *Rail Administration* *Support* sub-programme goes up from R4.1 million in 2016/17 to R5.1 million in 2017/18, translating into an increase of 24.4% in nominal terms and 17% in real terms.

While the budget allocation for the *Rail Oversight* sub-programme increases from R18.9 billion in 2016/17 to R19.3 billion in 2017/18, translating into an increase of 1.7% in nominal terms, it decreases by 8.3% in real terms. This sub-programme is tasked with overseeing the Passenger Rail Agency of South Africa, as well as the Railway Safety Regulator (RSR). In addition, the sub-programme is mandated with transferring payments to these entities. For 2017/18, transfers to PRASA to the tune R13.7 billion are as follows:

**Table 8: PRASA Transfers**

| **Programme/Project** | **Budget Allocation** |
| --- | --- |
| Other capital programmes | R5.9 billion  |
| Rolling Stock Fleet Renewal Programme | R4.4 billion |
| Signalling | R1.9 billion |
| Metrorail: Refurbishment of coaches | R1.4 billion |
| Mainline Passenger Service (Refurbishment of coaches) | R151.4 million |
| **TOTAL** | **R13.7 billion** |

**(Source: National Treasury 2017, Vote 35 – Transport)**

PRASA transfers are in line with Government priorities in terms of the rolling stock fleet renewal programme, general overhaul of coaches, as well as upgrading and refurbishing infrastructure for both Metrorail and *Shosholoza Meyl*, the long distance passenger rail service.

For the 2017/18 financial years, transfers to RSR amount to R59.6 million, up from R56.0 million in 2016/17.

***3.1.4. Programme 4: Road Transport***

The Road Transport programme is entrusted with developing and managing an integrated road infrastructure network, and regulating transport and ensuring safer roads. In addition, it oversees road transport public entities. The programme is divided into five sub-programmes.

**Table 9: Programme 4: Road Transport**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Increase / Decrease in 2017/18** | **Real Increase / Decrease in 2017/18** | **Nominal Percent change in 2017/18** | **Real Percent change in 2017/18** |
| **R million** | **2016/17** | **2017/18** |
| Road Regulation |  34.6 |  36.6 |  2.0 | - 0.2 | 5.78 % | -0.49 % |
| Road Infrastructure and Industry Development |  34.9 |  37.1 |  2.2 |  0.0 | 6.30 % | 0.00 % |
| Road Oversight |  24 704.2 |  27 028.6 |  2 324.4 |  722.5 | 9.41 % | 2.92 % |
| Road Administration Support |  7.6 |  7.9 |  0.3 | - 0.2 | 3.95 % | -2.21 % |
| Road Engineering Standards |  17.8 |  18.4 |  0.6 | - 0.5 | 3.37 % | -2.76 % |
| **TOTAL** |  **24 799.1** |  **27 128.6** |  **2 329.5** |  **721.7** | **9.39 %** | **2.91 %** |

**(Source: National Treasury 2017, Vote 35 – Transport)**

The Road Transport programme receives the largest share of the Department’s budget allocation, that is R27.1 billion or 45.4%, up from R24.8 billion or 44.1% in 2016/17. This translates into a nominal increase of 9.4% and a real increase of 2.9%. The largest share of the programme’s allocation, i.e. R27 billion (or 99.6%), goes to the *Road Oversight* sub-programme. In addition, this sub-programme has the highest increase in budget allocation both in in nominal and real terms, translating into a nominal increase of 9.4% and a real increase of 2.9%.

This sub-programme reviews and analyses the performance of road transport public entities and monitors their compliance with regulations and legislation. It also transfers funds to SANRAL, RTMC, RTIA, the PRMG to provinces, as well as the RRAMS Grant. In 2017/18, major transfers under the Road Transport programme are as follows:

**Table 10: Transfers under the Road Transport Programme**

|  |  |
| --- | --- |
| **Entity/Programme** | **Budget Allocation** |
| SANRAL: Gauteng Freeway Improvement Project | R463.4 million |
| SANRAL: Non-toll network | R9.1 billion |
| SANRAL: Coal haulage road network | R769.7 million |
| SANRAL: Moloto Road upgrade | R1.3 billion |
| RTMC | R198.6 million |
| RTIA | R17.7 million |
| PRMG: Roads in support of electricity generation infrastructure component | R482.0 million |
| PRMG: Roads maintenance component | R10.0 billion |
| PRMG : Disaster relief | R270.0 million |
| RRAMS Grant | R107.3 million |
| **TOTAL** | **R22.8 billion** |

**(Source: National Treasury 2017, Vote 35 – Transport)**

Expenditure under Programme 4 gives credence to policy priorities for 2017/18. Poor road conditions are a significant contributor to the costs of moving people and goods within South Africa and across the Southern African region, increasing travel time and vehicle operating costs. There is therefore an imperative to improve national, provincial and municipal road networks.

***3.1.5. Programme 5: Civil Aviation Transport***

The Civil Aviation Transport programme facilitates the development of an economically viable air transport industry that is safe, secure, efficient, environmentally friendly and compliant with international standards through regulations and investigations. Moreover, it oversees aviation transport public entities.

**Table 11: Programme 5: Civil Aviation Transport**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Increase / Decrease in 2017/18** | **Real Increase / Decrease in 2017/18** | **Nominal Percent change in 2017/18** | **Real Percent change in 2017/18** |
| **R million** | **2016/17** | **2017/18** |
| Aviation Policy and Regulations |  23.7 |  25.1 |  1.4 | - 0.1 | 5.91 % | -0.37 % |
| Aviation Economic Analysis and Industry Development |  11.3 |  11.4 |  0.1 | - 0.6 | 0.88 % | -5.09 % |
| Aviation Safety, Security, Environment and Search and Rescue |  169.3 |  71.5 | - 97.8 | - 102.0 | -57.77 % | -60.27 % |
| Aviation Oversight |  43.9 |  56.9 |  13.0 |  9.6 | 29.61 % | 21.93 % |
| Aviation Administration Support |  5.0 |  5.1 |  0.1 | - 0.2 | 2.00 % | -4.05 % |
| **TOTAL** |  **253.2** |  **169.9** | **- 83.2** | **- 93.4** | **-32.90 %** | **-36.88 %** |

**(Source: National Treasury 2017, Vote 35 – Transport)**

For 2017/18, the budget allocation for the Civil Aviation Transport programme equals R169.9 million, down from R253.2 million allocated to it in 2016/17. This translates into a decrease of 32.9% in nominal terms and 36.9% in real terms. The exponential increase is in the *Aviation Oversight* sub-programme which increases from R43.9 million in 2016/17 to R56.9 million in 2017/18. This translates into an increase of 29.6% in nominal terms and 21.9% in real terms. The noticeable decline is in the *Aviation Safety, Security, Environment and Search and Rescue* sub-programme which decreases from R169.3 million in 2016/17 to R71.5 million in 2017/18, indicating a decrease of 57.8% in nominal terms and 60.3% in real terms.

***3.1.6. Programme 6: Maritime Transport***

The Maritime Transport programme promotes a safe, reliable and economically maritime transport sector through the development and implementation of policies and strategies. In addition, the programme oversees maritime public entities. Five sub-programmes fall under the Maritime Transport programme.

**Table 12: Programme 6: Maritime Transport**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Increase / Decrease in 2017/18** | **Real Increase / Decrease in 2017/18** | **Nominal Percent change in 2017/18** | **Real Percent change in 2017/18** |
| **R million** | **2016/17** | **2017/18** |
| Maritime Policy Development |  10.0 |  9.9 | - 0.1 | - 0.7 | -1.00 % | -6.87 % |
| Maritime Infrastructure and Industry Development |  12.0 |  13.4 |  1.4 |  0.6 | 11.67 % | 5.05 % |
| Implementation, Monitoring and Evaluations |  59.4 |  59.9 |  0.5 | - 3.1 | 0.84 % | -5.13 % |
| Maritime Oversight |  34.4 |  29.3 | - 5.1 | - 6.8 | -14.83 % | -19.87 % |
| Maritime Administration Support |  5.0 |  7.2 |  2.2 |  1.8 | 44.00 % | 35.47 % |
| **TOTAL** |  **120.8** |  **119.7** | **- 1.1** | **- 8.2** | **-0.91 %** | **-6.78 %** |

**(Source: National Treasury 2017, Vote 35 – Transport)**

The Maritime Transport programme’s budget allocation decreases from R120.8 million in 2016/17 to R119.7 million in 2017/18, which constitutes a nominal decrease of 0.9% and a real decrease of 6.8%. The budget allocation for the *Maritime Oversight* sub-programme decreases from R34.4 million in 2016/17 to R29.3 million in 2017/18, translating into a decrease of 14.8% in nominal terms and 19.9% in real terms. Conversely, there is marked increase in the budget allocation for the *Maritime Administration* *Support* sub-programme, up from R5 million in 2016/17 to R7.2 million in 2017/18, indicating an increase of 44% in nominal terms and 35.5% in real terms.

***3.1.7. Programme 7: Public Transport***

The Public Transport programme is tasked with providing and regulating safe, secure, reliable, cost-effective and sustainable public transport services in South Africa through legislation, policies and strategies. The Public Transport programme comprises six sub-programmes.

**Table 13: Programme 7: Public Transport**

| **Programme** | **Budget** | **Nominal Increase / Decrease in 2017/18** | **Real Increase / Decrease in 2017/18** | **Nominal Percent change in 2017/18** | **Real Percent change in 2017/18** |
| --- | --- | --- | --- | --- | --- |
| **R million** | **2016/17** | **2017/18** |
| Public Transport Regulation |  34.9 |  35.0 |  0.1 | - 2.0 | 0.29 % | -5.66 % |
| Rural and Scholar Transport |  48.1 |  48.7 |  0.6 | - 2.3 | 1.25 % | -4.75 % |
| Public Transport Industry Development |  173.7 |  161.3 | - 12.4 | - 22.0 | -7.14 % | -12.64 % |
| Public Transport Oversight |  11 366.7 |  12 292.8 |  926.1 |  197.6 | 8.15 % | 1.74 % |
| Public Transport Administration Support |  14.9 |  12.8 | - 2.1 | - 2.9 | -14.09 % | -19.19 % |
| Public Transport Network Development |  17.1 |  17.8 |  0.7 | - 0.4 | 4.09 % | -2.08 % |
| **TOTAL** |  **11 655.4** |  **12 568.3** |  **913.0** |  **168.1** | **7.83 %** | **1.44 %** |

In 2017/18, Programme 7 receives an allocation of R12.6 billion, up from R11.7 billion in 2016/17. This translates into an increase of 7.8% in nominal terms and 1.4% in real terms. The budget allocation for the *Public Transport Oversight* sub-programme increases by 8.2% in nominal terms and 1.7% in real terms, up from R11.4 billion in 2016/17 to R12.3 billion in 2017/18. The noticeable decrease is in the *Public Transport Administration Support* sub-programme which goes down from R14.9 million in 2016/17 to R12.8 million in 2017/18. This translates into a decrease of 14.1% in nominal terms and 19.2% in real terms.

Major transfers under the Public Transport programme are as follows:

**Table 14: Transfers under the Public Transport Programme**

| **Entity/Programme** | **Budget Allocation** |
| --- | --- |
| South African National Taxi Council (SANTACO) | R21.3 million |
| Taxi Recapitalisation Programme (TRP) | R389 Million |
| Public Transport Network Grant (PTNG) | R6.1 billion |
| Public Transport Operations Grant (PTOG) | R5.7 billion |
| **TOTAL** | **R12.4 billion** |

**(Source: National Treasury 2017, Vote 35 – Transport)**

**4. EXPENDITURE BY PUBLIC ENTITIES**

**4.1 Airports Company South Africa**

Over the medium term, ACSA will continue providing safe and secure services as well as infrastructure for passengers and airlines to transport people and goods. This will be achieved through the effective use of existing airport infrastructure and investments in airport infrastructure.

Airports operated by the company are expected to accommodate 312 902 arriving aircraft and 20.9 million departing passengers per year by 2019/20, from 272 439 arriving aircraft and 19.2 million departing passengers in 2016/17. To support this growth, the company will continue to focus on airport maintenance and engineering, as well as airport safety and security. Airport maintenance and engineering costs are expected to increase over the medium term, at an average annual rate of 6.7%, from R870 million in 2016/17 to R1.1 billion in 2019/20. Airport safety and security costs per international airport are also expected to increase from R505.7 million in 2016/17 to R661.1 million in 2019/20, at an average annual rate of 9.3% After administration costs, expenditure on airport maintenance and engineering in all airports accounts for the bulk of the company’s total expenditure over the medium term, at 14.7 %, or R3 billion.

Spending on goods and services is expected to increase by 1.6 % over the medium, from R2.6 billion in 2016/17 to R2.7 billion in 2019/20. This is mainly because of the implementation of a new operational structure in 2017/18, which is expected to improve efficiency, and cost containment initiatives planned over the medium term. However, aligning the remuneration policy with the new structure is expected to increase spending on compensation of employees at an average annual rate of 8 %, from R1.1 billion in 2016/17 to R1.4 billion in 2019/20, with the staff complement remaining at 3 120 over the period.

The company’s aeronautical revenue is earned from passenger facilitation and airline services for which charges and tariffs such as aircraft landing and parking fees are collected. Non aeronautical revenue is derived from property rental, advertising and car parking. Total revenue is expected to increase at an average annual rate of 5.3 %, from R6.7 billion in 2016/17 to R7.9 billion in 2019/20, largely driven by the growth in the number of departing passengers and arrival aircraft over the MTEF period. This offsets the effect of the downward adjustment of airport tariffs in 2017/18, which were determined by the regulating committee. The tariff adjustment is linked to historical underspending of the capital budget and a claw back from a land sale transaction. To ensure financial and debt sustainability, the company’s capital projects were scaled down to realign with revenue estimates over the medium term.

**4.2 Passenger Rail Agency of South Africa**

Over the medium term, PRASA will aim to improve the reliability of rail services and increase rail passenger ridership. To this end, the agency will continue to make investments in its capital infrastructure, including the refurbishment and overhaul of its coaches; acquire new rolling stock and locomotives; modernise depots and stations; and upgrade its signalling and other rail infrastructure. The agency also expects to finalise and implement its turnaround strategy to improve operational performance over the medium term.

The agency expects over the medium term to deliver 70 new train sets for Metrorail and 25 new locomotives for *Shosholoza Meyl*, complete 141 train station improvement projects, and refurbish 1 230 coaches for Metrorail and *Shosholoza Meyl*. The agency plans to spend R49.3 billion over the period for this purpose. These investments in infrastructure and the implementation of the agency’s turnaround strategy are expected to stabilise the percentage of trains available for service at 96 % over the medium term. They are also expected to grow passenger trips from 440 million in 2016/17 to 484 million in 2019/20 for Metrorail, and passenger numbers from 484 000 in 2016/17 to 804 000 in 2019/20 for *Shosholoza Meyl*. Spending on goods and services over the period, as a result, is expected to increase at an average annual rate of 7.4 %, from R4.6 billion in 2016/17 to R5.7 billion in 2019/20. Likewise spending on compensation of employees is expected to increase at an average annual rate of 7.3 %, from R5.3 billion in 2016/17 to R6.6 billion in 2019/20, as personnel numbers grow from 16 749 to 17 007 over the same period.

The anticipated growth in passenger numbers is expected to increase fare revenue from R2.8 billion in 2016/17 to R4.3 billion in 2019/20, at an average annual rate of 15.7 %. The agency also derives revenue from transfers from the Department of Transport and rental income from property. Total revenue is expected to increase at an average annual rate of 7.8 %, from R10.9 billion in 2016/17 to R13.7 billion in 2019/20.

**4.3 Road Accident Fund**

The Road Accident Fund’s main focus over the medium term is on compensating road accident victims for losses and damages. The payment of claims to accident victims is expected to increase from R70.4 billion in 2016/17 to R95 billion in 2019/20, at an average annual rate of 10.5 %. This includes provisions for the payment of claims, which account for 53 % of total payments. Provision for outstanding claims is expected to increase as the value and number of claims reported is expected to remain high. The number of claims are expected to increase from 174 867in 2016/17 to 219 908 in 2019/20.

The fund derives revenue from the fuel levy. An inflationary increase in the levy in 2017/18 is expected to increase total revenue at an average annual rate of 5.6 % over the MTEF period, from R35.3 billion in 2016/17 to R41.5 billion in 2019/20. As revenue growth is set to remain slower than growth in the average value of claims, the fund expects the accumulated deficit to increase from R183.1 billion in 2016/17 to R328.8 billion in 2019/20.

The entity’s staff complement is expected to increase from 2 902 in 2016/17 to 2 952 in 2018/19 as the fund implements the new organisational structure, which is expected to increase productivity. As a result, expenditure on compensation of employees is expected to grow at an average annual rate of 8.6 %, from R1.3 billion in 2016/17 to R1.7 billion in 2019/20. Expenditure growth in goods and services is mainly driven by the fund’s preparation to implement the road accident benefit scheme. Spending on this item is set to grow at an average annual rate of 4 %, from R765 million in 2016/17 to R860.2 million in 2019/20. The funding provides for ICT at the fund’s new service centres and a systems upgrade.

**4.4 South African National Roads Agency**

Over the medium term, SANRAL will focus on preventative maintenance of the national road network, in line with the outcome 6 (an efficient, competitive and responsive economic infrastructure network) of government’s 2014- 2019 medium term strategic framework to improve and preserve national road infrastructure. The agency plans to resurface 3 200 kilometres, and strengthen and improve 1 475 kilometres of road over the medium term.

Total expenditure is expected to increase at an average annual rate of 17.1 %, from R26.3 billion in 2016/17 to R42.2 billion in 2019/20. Spending on the improvements programme is expected to increase at an average annual rate of 65.2 % over the medium term, as the agency focuses on rehabilitation due to the extent of the road network that is beyond its design life. Expenditure on new facilities is expected to increase at an average annual rate of 42.9 %, from R4.5 billion in 2016/17 to R13.1 billion in 2019/20, as the agency plans to build new interchanges and additional lanes to existing roads. Spending on goods and services is expected to increase from R19.5 billion in 2016/17 to R35 billion in 2019/20 as the road maintenance programme continues.

The agency employs 330 personnel and this is expected to increase to 390 in 2019/20 due to the absorption of interns into the agency’s organisational structure. As a result, spending on compensation of employees is expected to increase at an average annual rate of 12.7 %, from R275.2 million in 2016/17 to R393.9 million in 2019/20.

The agency’s income mainly comprises revenue generated from toll fees and transfers from the Department of Transport. The total national road network comprises 14.5 % toll roads, with the remaining 85.5 % non-toll roads. Toll revenue is expected to increase from R5.3 billion in 2016/17 to R6.1 billion in 2019/20. Transfers from the Department of Transport for non-toll roads is expected to increase at an average annual rate of 10.2 %, from R13.9 billion in 2016/17 to R18.6 billion in 2019/20 for the strengthening and improvements of the road network.

**4.5 Air Traffic and Navigation Services Company**

The entity provides safe, orderly and efficient air traffic navigational and associated services to the air traffic management community. The company’s estimated expenditure for 2017/18 is R1.5 billion.

**4.6** **Cross-Border Road Transport Agency**

The entity’s legislative mandate requires it to advise the Minister of Transport on cross-border road transport policy, regulate access to the market by the road transport freight and passenger industry in respect of cross-border road transport by issuing permits, undertake road transport law enforcement, and play a facilitative role in contributing to economic prosperity of the region. The agency’s estimated expenditure for 2017/18 is R214.9 million.

**4.7** **The Ports Regulator of South Africa**

The entity performs functions that relate mainly to the regulation of pricing and other aspects of economic regulation, the promotion of equal access to ports facilities and services, the monitoring of the industry’s compliance with the regulatory framework, and the hearing of any complaints and appeals lodged with it. The regulator’s estimated expenditure for 2017/18 is R22.8 million.

**4.8** **Railway Safety Regulator**

The regulator oversees and promotes safe railway operations through appropriate support, monitoring and enforcement, guided by an enabling regulatory framework, including regulations for all rail operators in South Africa and those of neighbouring countries whose rail operations enter South Africa. The regulator’s estimated expenditure for 2017/18 is R262.5 million.

**4.9** **Road Traffic Infringement Agency**

The agency promotes road traffic quality by providing for a scheme to discourage road traffic infringements to support the prosecution of offences in terms of national and provincial laws relating to road traffic, and implements a points demerit system. The agency’s estimated expenditure for 2017/18 is R387.9 million.

**4.10** **Road Traffic Management Corporation**

The entity pools national and provincial government resources for the provision of road traffic management. This includes cooperative and coordinated road traffic strategic planning, regulation, facilitation and law enforcement. The corporation’s estimated expenditure for 2017/18 is R736.7 million.

**4.11** **South African Civil Aviation Authority**

The entity promotes, regulates and enforces civil aviation safety and security standards across the aviation industry. The entity’s estimated expenditure for 2017/18 is R653.3 million.

**4.12** **South African Maritime Safety Authority**

The entity promotes South Africa’s maritime interests, ensures the safety of life and property at sea, and prevents and combats the pollution of the marine environment by ships. Functions of the entity are also defined as per international maritime conventions to which South Africa is a signatory. The entity’s estimated expenditure for 2017/18 is R408.8 million.

**4.13 The Driving Licence Card Account**

The account manufactures credit card format driving licences, based on orders received from driving licence testing centres, and generates its own revenue through the sale of the licence cards. The entity’s estimated expenditure for 2017/18 is R214.3 million.

**5. OBSERVATIONS**

The Committee raised the following observations in its deliberations with the Department and its public entities.

**5.1 Budget allocation for *Shosholoza Meyl***

The Committee noted the budget allocation of R151.4 million toward *Shosholoza Meyl* given that for a long time it had an unfunded mandate. The Committee further noted the concerns raised by PRASA regarding the effect of the asset split between PRASA and Transnet on the running of the Mainline Passenger Service.

**5.2 Skewed allocation of subsidies**

The Committee noted the skewed subsidisation of the various modes of public transport, the perceived skewed subsidisation between rail transport modes, as well as to the glaring differences in allocations for public transport to various municipalities. The Committee further noted that the minibus taxi industry remains unsubsidised despite the volumes of passengers which it transports on a daily basis. The Committee was of the view that the subsidisation model should allow for the inclusion of all of the public transport modes and that there should be a move towards ensuring that the model leans towards the subsidisation of the user or passenger instead of the operator.

**5.3 Provincial Roads Maintenance Grant (PRMG)**

The Committee noted the R10 billion budget allocation for PRMG. The Committee further noted that poor road conditions are a significant contributor to the costs of moving people and goods within South Africa, and that there therefore is an imperative to improve national, provincial and municipal road networks.

**5.4 Public Transport Network Grant (PTNG)**

The Committee noted that R6.2 billion was allocated for the PTNG implementation in 13 cities for 2017/18. The Committee further noted with concern that there is a perception that the Bus Rapid Transport (BRT) systems are being implemented in cities to replace existing public transport services which is leading to conflict in these municipalities that, in turn, negatively affect public transport users. There also appears to be differences in implementation of these networks, as well as difference in the allocation of grant funds to the various municipalities.

**5.5 Use of Consultants**

The Committee noted the marked decrease in the budget allocation for consultants in the Public Transport programme from R236 million in 2016/17 to R211.7 million in 2017/18, translating into a decrease of 10.3%. However, it is noted that this programme has the highest budget allocation for the use of consultants. The Committee further noted that despite a welcomed decrease in the spend on consultants as indicated above, the budget for the use of consultants in the Department and its entities still remains too high.

**5.6 National Road Safety Strategy**

The Committee noted the review of the National Road Safety Strategy by the Department which is aimed at providing overall direction on the implementation of all road safety programmes, by ensuring alignment and integration across the wide range of specific interventions that are undertaken in the reduction of rod crashes and fatalities.

**5.7 Financial Health of Entities**

During discussions, the following observations were made regarding the going concern of the following entities:

5.7.1 The CBRTA’s and SAMSA’s total liabilities exceeded their total assets. These conditions, along with other matters, indicate the existence of a material uncertainty that may cast significant doubt on the entities’ ability to operate as a going concern.

5.7.2 RAF has claims liability of R170 billion which keeps increasing. The RAF continued to be unable to pay all settled claims when payment falls due. A large creditors book in excess of R8 billion is maintained over and above all monies paid daily. Cash management strategies enabled continued operation at the fund, but the fund is unable to process all claim payments. During February 2017, the Fund faced operational disruption due to the attachment of the RAF’s bank account and the attachment, removal and sale of the RAF’s assets is a continued daily reality.

5.7.3 Low collection on GFIP e-toll has resulted in postponement of capital projects on the toll portfolio at SANRAL. The negative outlook on credit rating has resulted in bond auctions being cancelled, placing further strain on funding ability. The delays in implementation of critical projects was regarded as a loss of opportunity.

The following entity raised concerns regarding budget shortfalls:

5.7.4 The Ports Regulator, faced budgetary constraints which impacted negatively on its ability to expand its mandate. A new funding model was required to capacitate the Regulator and implement programmes successfully and sustainably. The Ports Regulator furthermore indicated that there is a need to amend the National Ports Act, 2005 (Act 12 of 2005), however, the Department does not indicate in the APP or the revised Strategic Plan that there are any such plans to amend the legislation. The Department does indicate that they will work towards developing the Ports Economic Participation Framework (PEPFRA), which would lay a firm legal basis for the effective implementation of the relevant provisions of the Ports Act.

**5.8 Legislation Challenges**

The Committee noted that delays in the review of old legislation, the processing of new legislation and the full implementation of amended legislation, negatively affects the Department and its entities in the achievement of targets, in the financial wellbeing of entities, as well as the increased budget spent on projects linked to pending legislation.

The Committee noted the following listed legislative work in the Department’s presentation:

* National Rail Bill
* National Railway Safety Regulator Amendment Bill
* RABS Bill
* Airports Company and ATNS Amendment Bills
* Air services licensing framework and Amendment Bill
* Civil Aviation Amendment Bill
* Overhaul of the Merchant Shipping Act (1957)
* Land Transport Amendment Act.

**6. RECOMMENDATIONS**

The Committee recommends that the Minister of Transport ensures that:

**6.1 Budget allocation for *Shosholoza Meyl***

The Department ensures that the budget allocation for *Shosholoza Meyl* is commensurate with its mandate. The Department should further facilitate engagements between PRASA and Transnet in order to find a solution to the concerns raised regarding the rentals and services charged by Transnet for the use of infrastructure required by PRASA for the smooth running of the *Shosholoza Meyl* services.

**6.2 Skewed allocation of subsidies**

The Department should make a presentation to the Committee which indicates what methodology is used to determine the allocation of public transport subsidies, what rationale is followed in the differentiation between subsidisation of the different public transport modes and the different allocations to municipalities, as well as why some modes of public transport are excluded from being subsidised.

**6.3 Provincial Roads Maintenance Grant (PRMG)**

The Department regularly monitors and evaluate the implementation of the PRMG with a view to ascertaining whether the Grant is used for its intended purpose and whether the Department receives value for money**.** The Department should further do quarterly presentations to the Committee on the manner in which it monitors the implementation of this grant and whether the projects budgeted for under this grant, since 2014 to date, have been successfully finalised and whether these can be regarded as having delivered value for the money spent.

**6.4 National Road Safety Strategy**

Given the persistent carnage on the country’s roads, the Department should continuously monitor whether the road safety programmes or strategies implemented by the RTMC and RTIA are yielding positive results.

The Department provides the Committee with a comprehensive briefing on the National Road Safety Strategy, once approved by Cabinet.

The Department should urgently finalise the strategy so that the carnage on the country’s roads is arrested.

**6.5 Use of Consultants**

The Department should indicate what these consultants are used for, whether the services rendered by them provide good value for money and whether the consultants transferred skills to the employees of the Department. The Department should further indicate what steps are being taken by it and its entities to further reduce the use of and spending of budget on consultants.

**6.6 Public Transport Network Grant (PTNG)**

The Department should brief Parliament on the progress made on the implementation of Bus Rapid Transit (BRT) systems in the 13 cities, specifically to ascertain whether there is alignment between the budget spent, the progress made, as well as the quality of the work done and services rendered once implemented. The Department should further include a presentation on the proposed use of a single or integrated ticketing system for the public transport network, as well as the integration of public transport modes through suitable facilities as part of a public transport network.

**6.7 Legislation Challenges**

In line with the target to develop an inception report for the review of Founding Legislations of Transport Public Entities, the Department should prioritise the processing of urgent legislation, as well as brief Parliament on the progress made on the review of old and outdated pieces of legislation which affect its entities (for example PRASA, SAMSA and the Ports Regulator) and the plans to introduce new legislation which will recall these old Acts or affect amendments thereto. The Department should further report on its oversight over the entities to ensure that budget is not prematurely being spent on proposed legislative provisions which have not yet been accepted and processed by Parliament.

Report to be considered.