

Annual Report 2016 - 17



Annual Report Presentation to the Portfolio Committee on Transport



17 October 2017

by Sipho G. Khumalo (CEO)

PRESENTATION OUTLINE



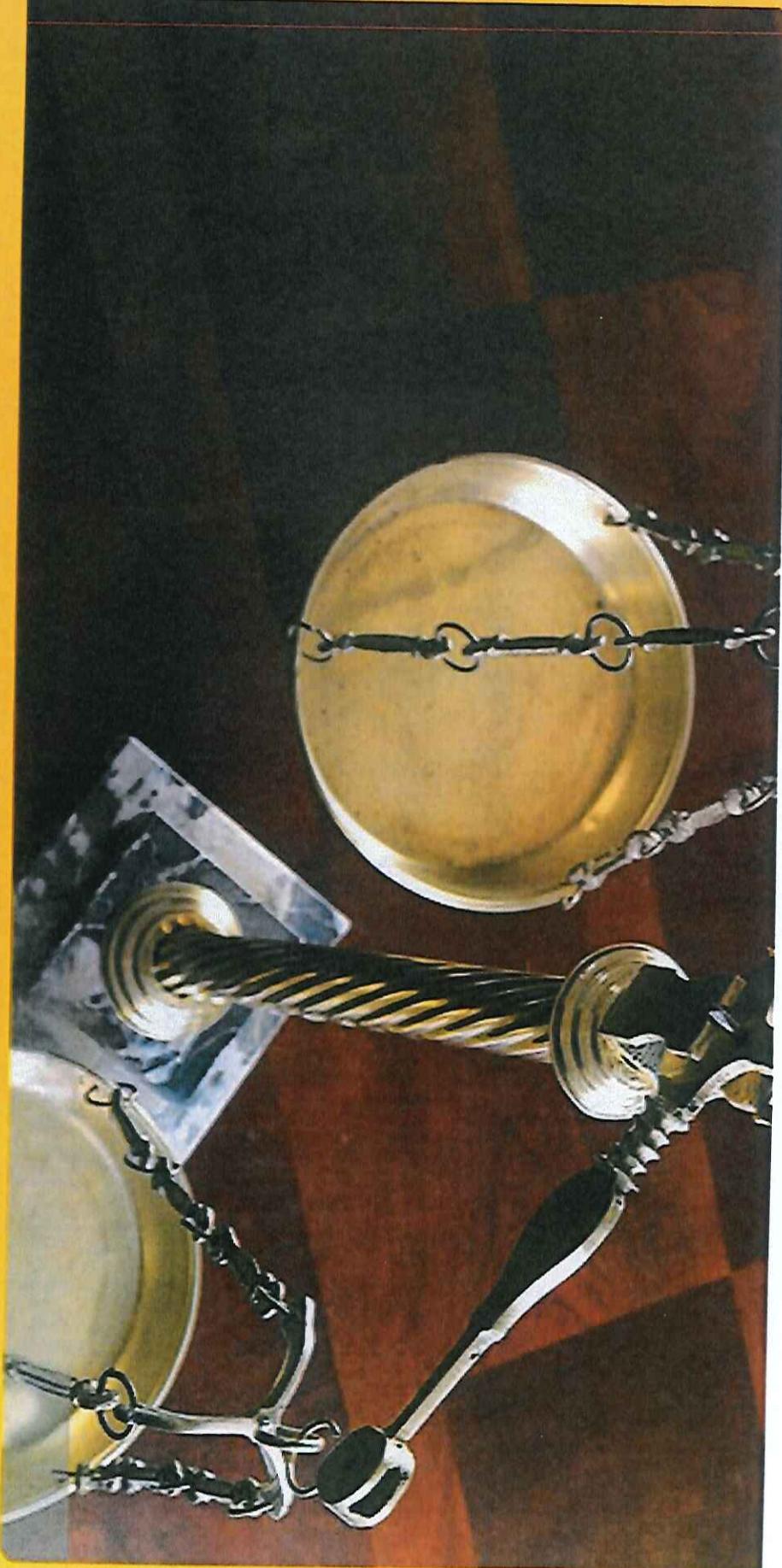
1. Mandate and Strategic Imperatives
2. Cross-border environment
 - o Border and corridor environment
 - o Socio-economic environment
 - o Regional environment
 - o Performance environment
 - o Organisational environment (SWOT Analysis)
3. Facilitators for the successful implementation of the strategy
 - o Human Resource Management (People)
 - o Internal control systems
4. Review of Organisational Performance
5. Strategic Partnerships
6. Social Responsibility
7. Annual Financial Statements
8. Audit Outcomes 2016/17
9. Strategic Challenges and Proposed Interventions
10. Looking into the future
11. Concluding Remarks





Improving the movement of people and goods

Mandate & Strategic Imperatives



WHO ARE WE



PURPOSE

The C-BRTA exists, primarily, for the purpose of licensing commercial cross-border road transport operators.

OUR VISION

The champion of free-flowing Inter-State operations.

OUR MISSION

We spearhead the unimpeded flow of Inter-State operations thereby facilitating sustainable social and economic development.



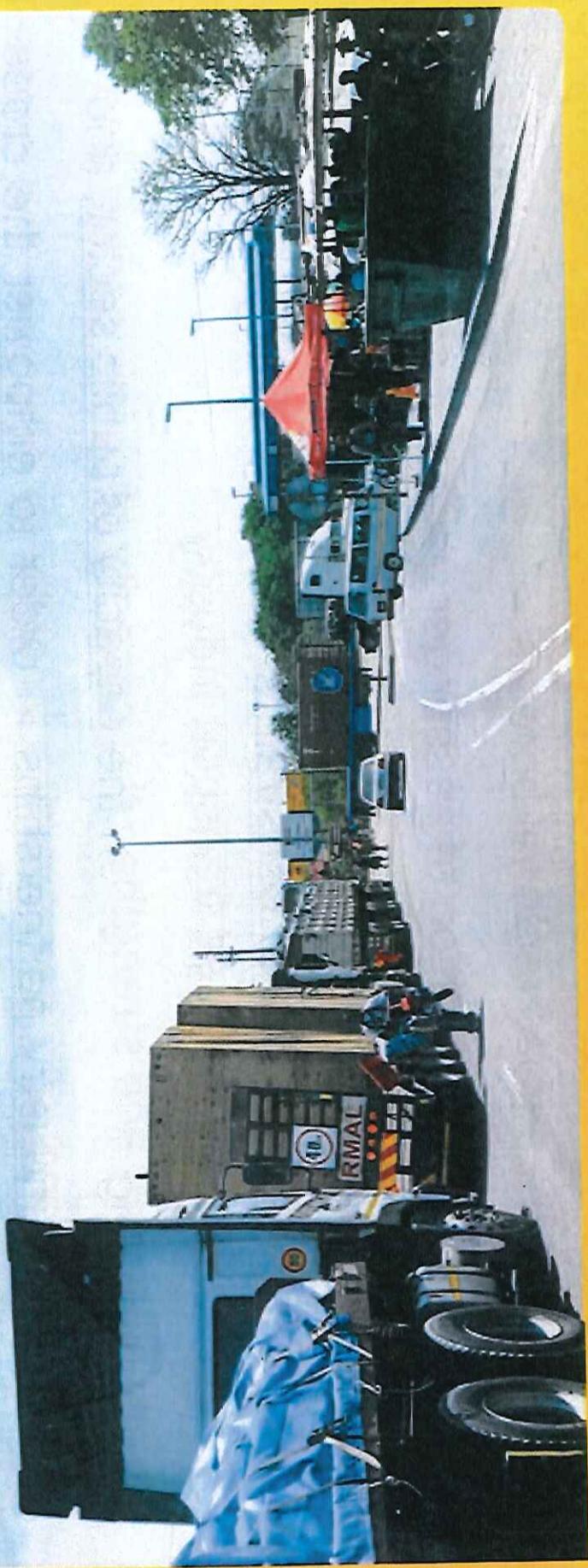


MANDATE & STRATEGIC IMPERATIVES

The C-BRTA is established in terms of C-BRT Act No. 4 of 1998 to primarily issue permits and regulate cross border industry through:

- Eliminating impediments that constrain the flow of passengers and freight across regional borders
- Regulating competition of passenger transport operators
- Granting market access for freight transport operators
- Reducing operational constraints that have a negative impact on cross-border road transport industry
- Enhancing and strengthen the capacity of public sector; and
- Building industry partnerships in order to empower the cross-border road transport industry.

Cross-Border Environment

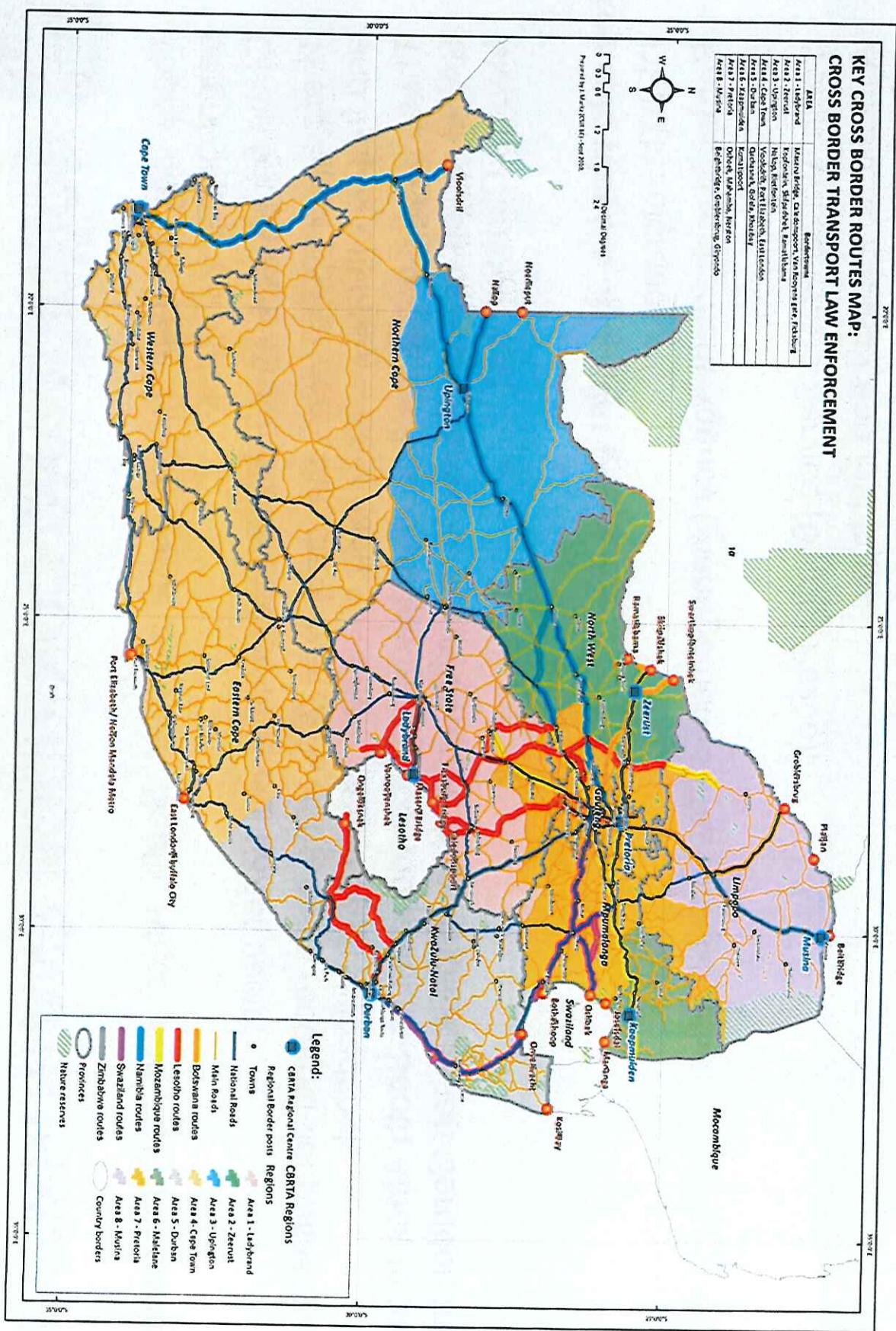


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Key cross-border routes and border-posts

KEY CROSS BORDER ROUTES MAP: CROSS BORDER TRANSPORT LAW ENFORCEMENT





BORDER AND CORRIDOR ENVIRONMENT

- There are 53 land border posts between South Africa and her immediate neighbouring countries;
- Of the 53 borders 19 are designated commercial border posts;
- There are 4 border posts that carry over 70% of the traffic (commercial passenger and freight vehicles) – Beitbridge, Lebombo, Maseru and Skilpadshiek
- These border posts are located in the busiest corridors linking South Africa to the SADC region through the North-South Corridor (N1), Trans-Kalahari Corridor, the Maputo Corridor (N4).

Key role players at border posts are:

- DHA (Immigration)
- Border Management Agency (management of the border-posts);
- SARS (Customs);
- South African Police Service (Border Police);
- Agriculture, Forestry and Fisheries;
- Port Health;
- State Security Agency.





SOCIO-ECONOMIC ENVIRONMENT

- The National Development Plan (NDP) articulates the importance of promoting intra-Africa trade through cross-border transport movements.
- Intra-SADC trade is very low compared to other regions. RSA contributes a significant percentage of intra-SADC exports.
- The NDP amplifies the importance of regional economic integration of African States as being key to enable meaningful global competitiveness for African countries.



REGIONAL ENVIRONMENT

- Since 1994 the South African government has regarded the Southern African region as the most important priority in terms of international relations strategy.
- The SADC-EAC-COMESA Tripartite took a decision to repeal bilateral cross-border road transport agreements and replace these with a single Multilateral Cross-Border Road Transport Agreement (MCBRTA) in the tripartite regions.
- The MCBRTA also sets in motion the migration from quantity regulation to quality regulation in the cross-border road transport industry.
- Existing integration legal instruments:
 - **Bilateral agreements** (passenger and freight) with Malawi, Mozambique, Zimbabwe and Zambia
 - **MoU on Trans Kalahari Corridor** between South Africa, Botswana and Namibia
 - **SACU MoU** between RSA, Swaziland, Lesotho, Namibia and Botswana.





PERFORMANCE ENVIRONMENT

- The Agency champions its mandate of facilitating the unimpeded flow of passengers and goods within an environment of **multiple role-players and stakeholders**.
- The C-BRTA is enjoined to play its part in **reducing the cost of doing business** for South African operators which is impacted on by:
 - Delays at the border posts;
 - Inadequate infrastructure (road, parking) at the border posts ;
 - Uncordinated stoppages of commercial vehicles for law enforcement along the various transport corridor;
- Given the complexity of the environment in which we operate, our most potent instrument for achieving value for the cross-border operators is through **peer influence**, and to this end we collaborate with other role players in the border and corridor environment;
- The Agency is pursuing the following projects which will have a positive impact in the regulation of cross-border operations:
 - Operator Compliance Accreditation Scheme (OCAS);
 - Market Access Regulation (MAR);
 - Development and implementation of an on-line complaints reporting mechanism for operators

ORGANISATIONAL ENVIRONMENT



STRENGTHS

- The Agency has expert skills in relation to cross-border subject matter;
- Regional thought-leadership on Cross-Border matters;

WEAKNESSES

- Unknown brand;
- Lack of integrated internal IT systems and Centralised permit system;

OPPORTUNITIES

- The need for an accreditation scheme to cost effective regulation and facilitation of cross-border movements and to support the introduction of SADC-sanctioned quality regulations;
- Establishing a cross-border data bank;
- The need for the establishment of international ranking facilities;
- Development of common standards for cross-border vehicles;
- Implementation of reciprocal measures to harmonize with members states (e.g. introduction of cross-border road user charges);

THREATS

- Unsustainable funding model;
- Lack of regional political will with regards to harmonisation;
- Possible spill-over of the Lesotho/Free State challenges;
- Fraud and corruption.

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Facilitators of Strategy Implementation





HUMAN RESOURCES MANAGEMENT

- Our people are our greatest assets.
- As at 31 March 2017, we had a total staff complement of 290 and a vacancy rate was 33%.
- The Road Transport Inspectorate function was transferred to the Road Traffic Management Corporation (RTMC) with effect from 1st April 2017 in response to the government's move towards creating a Single Law Enforcement Unit.
- **Employment equity as at year end:-**
 - Females represent 52% of the workforce and males 48%.
 - A total of 50% of Executive Managers is made up of female employees
 - Majority of the employees were youth (less than 35 years of age) and people with disabilities constituted 1%.
- Management maintains a constructive working relationship with the representatives of the labour force through strategic engagements with POPCRU leadership at various levels.





INTERNAL CONTROL ENVIRONMENT

- Sound and effective internal control systems are fundamental to the Agency's quest for sound corporate governance and sustainability – which is borne by the achievement of a clean audit
- During the year under review, the focus was to strengthen internal control environment through:-
 - review, development and implementation of policies; and
 - monitoring the implementation of audit recommendations and other action plans to resolve the internal and external audit findings.



Organisational Performance



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ORGANISATIONAL PERFORMANCE

PERFORMANCE TARGETS	NUMBER OF INDICATORS
Performance targets fully achieved	12 of 18

67% of the predetermined targets set were achieved.

UNACHIEVED KEY PERFORMANCE INDICATORS (2016/17)



NO.	INDICATOR TARGET	REASONS FOR NON-ACHIEVEMENT
1.	Implementation of the prioritized culture change recommendations	<p>Project deferred due to change in approach.</p> <p>Of the planned culture change interventions, focus was on training initiatives and a total of 204 employees attended various training courses during the financial year.</p>
2.	Implementation of cross border user charges as a new revenue stream	<ul style="list-style-type: none"> The implementation of the cross border user charges requires extensive consultations with various stakeholders including SANRAL, DTI, DHA, National Treasury and other Departments and Government entities.
3.	Draft legislative proposal on cross-border user charges	<ul style="list-style-type: none"> Business Case developed and consulted with DoT and SANRAL and the document had to be updated with inputs from the engagements before further consultations. Task Team established led by the DoT to execute the project. Socio-economic impact assessment to be conducted as part of the consultation processes during 2017/18 financial year.



UNACHIEVED KEY PERFORMANCE INDICATORS (2016/17)

NO.	INDICATOR TARGET	REASONS FOR NON-ACHIEVEMENT
4.	Development and piloting of the new permit system at H/O	Project deferred due to a decision to initiate an organisational Enterprise Architecture, which will underpin the development of a new permit system (and C-BRTS).
5.	Upgraded Technology Platforms	The target on virtualization of the server environment was not achieved due challenges in acquisition value chain.
6.	Piloting of Market Access Regulation tool on 3 corridors	Pilot for the third country not achieved as the targeted country (Zambia) was still awaiting finalization of the National Policy on Routing.

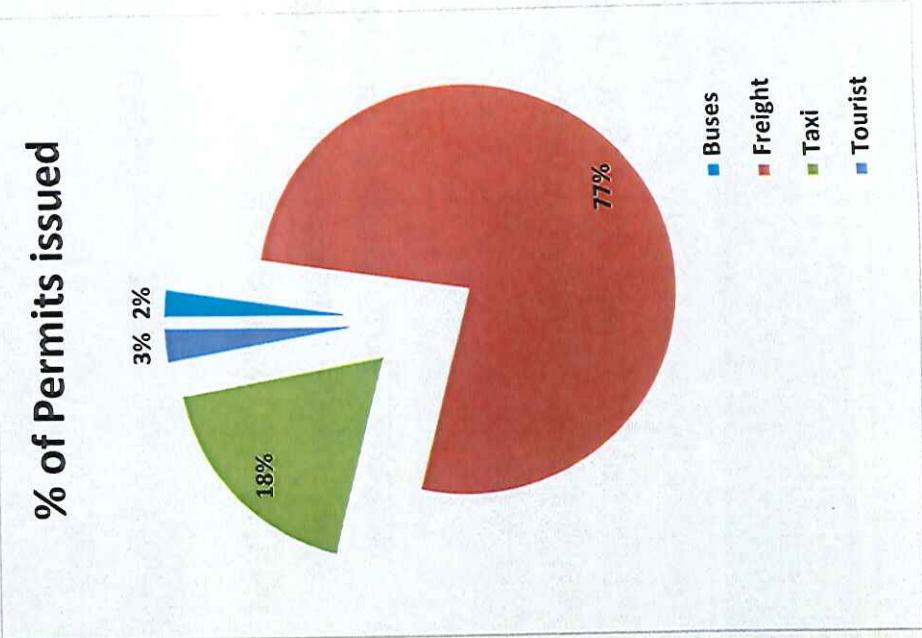


ORGANISATIONAL PERFORMANCE

Permits issued per category

Status Quo as at 31 March 2017

MODE	2016/17	2015/16	Increase/ Decrease	%Movement
Buses	2 011	2 115	▼	(4.9%)
Freight	65 000	65 615	▼	(0.94%)
Taxi	15 465	12 354	▲	25.2%
Tourist	2 482	1 925	▲	28.9%
TOTAL	84 958	82 009	▲	11.8%





ORGANISATIONAL PERFORMANCE

Permits issued per country (1)

MODE	Freight	Passenger Taxis	Passenger Buses
Zambia	13 044	34	22
Zimbabwe	11 511	6 121	1 172
Mozambique	9 709	6 678	219
Botswana	8 267	640	133
Namibia	6 119	124	31
Swaziland	4 956	759	41





ORGANISATIONAL PERFORMANCE

Permits issued per country (2)

MODE	Freight	Passenger Taxis	Passenger Buses
DRC	4 701	3	7
Lesotho	3 545	1 049	195
Malawi	2 957	57	191
Angola	144	0	-
TOTAL	65 000	15 465	2 011



ORG. PERFORMANCE: ACHIEVED

TARGETS (1)

NO.	Indicator	Annual Target	Actual Achievement
1.	Facilitate the migration of the Road Transport Inspectorate function to RTMC	Migration of Road Transport Inspectorate function to RTMC	Road Transport Inspectorate function migrated to RTMC
2.	Implemented fraud and corruption prevention programmes	60 % fraud and corruption programmes implemented	60.82% fraud and corruption initiative implemented
3.	Developed and Implemented Operator Compliance Accreditation Scheme (OCAS)	National Feasibility Assessment	National Feasibility Assessment conducted
4.	Percentage increase in the number of inspections conducted	5% increase in the number of inspections	16% increase in the number of inspections conducted. A total of 272 247 conducted
5.	Number of key findings reports on inspections and prosecutions	4 Law enforcement reports (Section 39 (2)	4 Law enforcement reports (Section 39 (2)



ORG. PERFORMANCE: ACHIEVED TARGETS (2)

NO.	Indicator	Annual Target	Actual Achievement
6.	Percentage of operator constraints addressed within 6 months	70% of operator constraints addressed within 6 months of reporting	83.33% of operator constraints have been resolved during the year
7.	Percentage resolution of passenger transport conflicts registered and resolved within 6 months	70% of operator transport conflicts resolved within 6 months of reporting	85.71% passenger conflicts were addressed the year
8.	Number of Industry Partnership Development Plan (IPDP) recommendations implemented	4 stakeholder forums	7 stakeholder forums conducted
9.	Number of Annual State of Cross-border operations reports (ASCBOR) submitted to the Minister and other relevant stakeholders	1 ASCBOR report to the minister and other stakeholders	1 ASCBOR report submitted to the Minister and posted on the Agency's website for other stakeholders



ORG. PERFORMANCE: ACHIEVED TARGETS (3)

No.	Indicator	Annual Target	Actual Achievement
10	Number of country profiles developed or updated	2 country (Malawi and Lesotho) profiles developed	Malawi and Lesotho country profiles developed
11	Percentage achieved on client satisfaction survey conducted on freight and passenger (taxis and buses) operators	65% customer satisfaction achieved	72.1% consolidated customer satisfaction levels
12	Number of initiatives to increase C-BRTA's visibility	4 presented papers at transport conferences	7 papers presented at different transport conferences



STRATEGIC PARTNERSHIPS DEVELOPED

REGIONAL

SADC Secretariat, Joint
Committees, Joint Route
Management Groups
(JRMGs)

PROVINCIAL

Transport MECs, HODs
(Provincial Transport
Departments)

NATIONAL

Participation in BMA, Inter-Agency
Clearing Forum (IACF), DHA,
SARS; National Intelligence
Coordinating Committee (NICOC),
National Joint Operational and
Intelligence Structure (NAT JOINTS);
South African Police Service (SAPS)

LOCAL LEVEL

SALGA, Metros and
Municipalities;

INTERNALLY DRIVEN

Labour Consultative Forum (strategic
partnership with the dominant union,
POPCRU), Route Committees, Operator
Forums, Stakeholder Forums, Joint law
Enforcement Initiatives, SMME
development initiatives





SOCIAL RESPONSIBILITY

- The Agency celebrated Mandela Day and employees made donations to the community of Plastic View in Pretoria East to support victims of a fire outrage



Financial Overview



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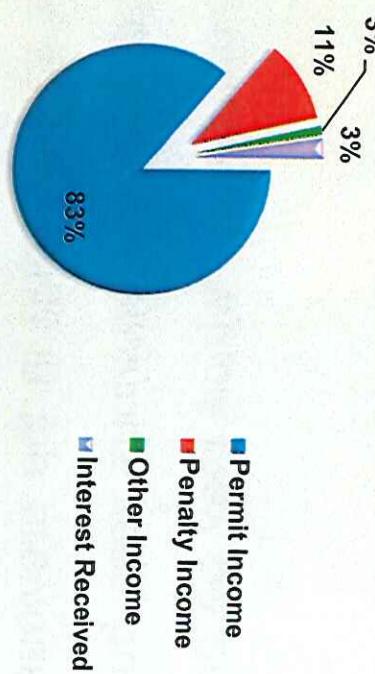


FINANCIAL PERFORMANCE 2016/17

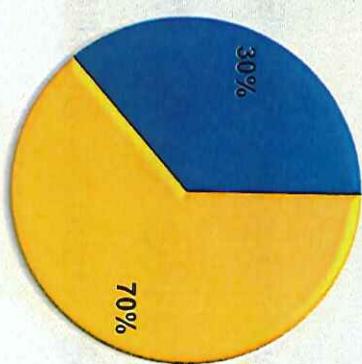
	2016/17	2015/2016
REVENUE		
Permit Income	R196,26m	R190,97m
Penalty Income	R25,43m	R31,93m
Other Income	R8,00m	R2,14m
Interest Received	R6,68m	R6,57m
EXPENSES		
Employee Costs	R138,72m	R139,21m
Operating Expenses	R58,81m	R57,06m
SURPLUS / (DEFICIT)	R38,84m	R35,34m

2016/17
2015/2016

REVENUE 2016/17



EXPENDITURE 2016/17



- Employee Costs
- Operating Expenses



FINANCIAL PERFORMANCE

- **Permit revenue** remains the main funding stream, constituting 83% of the total income for the year ended March 2017. The year-on-year increase by 3% on permit revenue is due to marginal increase in the number of permits issued.
- **Penalty revenue** constituted 11% of the total income for the year and has gone down by 20% compared to the same period in the previous year. The number of inspections increased from the previous year, but the number of prosecutions decreased significantly, which may be an indication of a higher compliance rate.



FINANCIAL PERFORMANCE

- Employee costs constituted 70% of the total expenditure for the year ended March 2017 and operating expenditure was at 30%
- The overall saving on expenditure is in line with financial strategy (which include the implementation of cost containment measures and strict expenditure management) to conserve cash and generate surpluses to enable the Agency to service the Operator Refund liability of R318million
- To that effect, the Agency report a surplus of R38 million for the year ended March 2017



FINANCIAL POSITION 2016/17

ASSETS LIABILITIES

	2016/17	2015/16		2016/17	2015/16
CURRENT ASSETS			CURRENT LIABILITIES		
Receivables	R2,63m	R2,52m	Lease obligations	R0,16m	R0,30m
Cash and Cash Equivalents	R63,91m	R112,23m	Payables	R49,90m	R59,95m
			Provision (non-exchange transactions)	R196.71m	R267,47m
			Provision (exchange transactions)	R6,59m	R13,85m
NON-CURRENT ASSETS			NON-CURRENT LIABILITIES		
Property, Plant and Equipment	R7,70m	R8,49m	Retirement benefit obligations	R2,61m	R2,63m
Intangible Assets	R0,25m	R0,63m			
			TOTAL LIABILITIES	R255,97m	R344,20m
TOTAL ASSETS	R74,49m	R123,87m	ACCUMULATED DEFICIT	(R181,49m)	(R220,33m)



FINANCIAL POSITION

- The Agency remains in a position of technical insolvency as its liabilities exceed the assets by R181 million. This is due to the outcome of the 2011 permit tariff litigation which resulted R318 million provision for Operator Refunds
- The accumulated deficit of R181 million is reduced by 18% from the previous year as a result of the refunds that were made to the operators as at year end and the reported surplus for the year
- A total of R112,68 million (from the R318 million) has been refunded to the operators as at 31 March 2017.



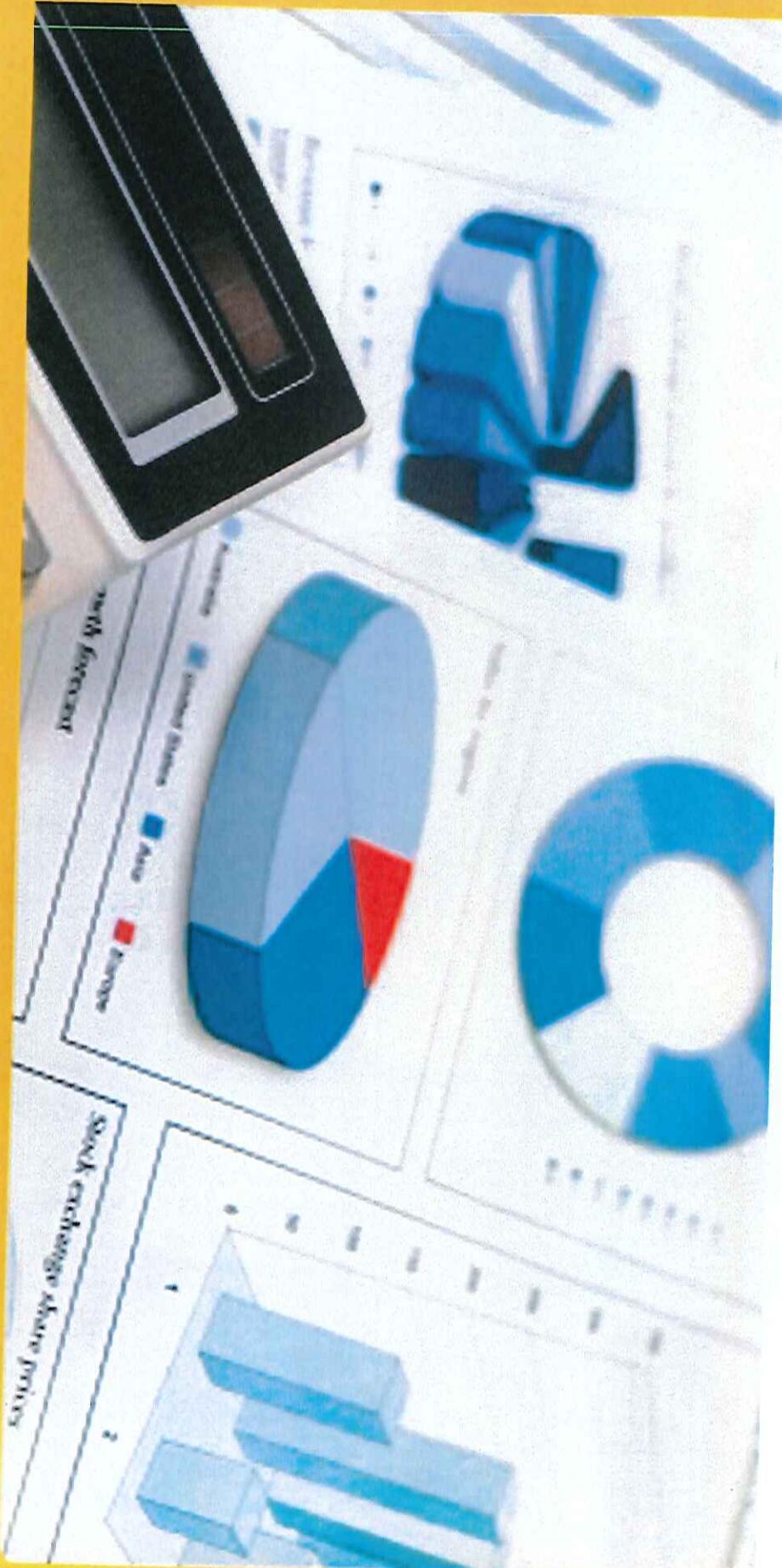
FINANCIAL INFORMATION

- Notwithstanding the current financial position, the Agency remains a going concern based on the following:
 - The Agency is created by an Act of Parliament.
 - Cost containment measures put in place to curtail cost and generate surpluses to refund operators as they submit claims
 - Negotiating with claimants to stagger the refunds over a period of time, and thus allowing the Agency's cash flow to keep replenishing
 - Cash flow projections are performed monthly to schedule operator refunds
 - Pursuing alternative funding streams – e.g. introduction of Cross Border Charges
- Contingent liability relating to the court challenge on the 2014 Permit Tariff Regulations
- There was 0% of Irregular, Fruitless and Wasteful expenditure incurred during 2016/17 financial year

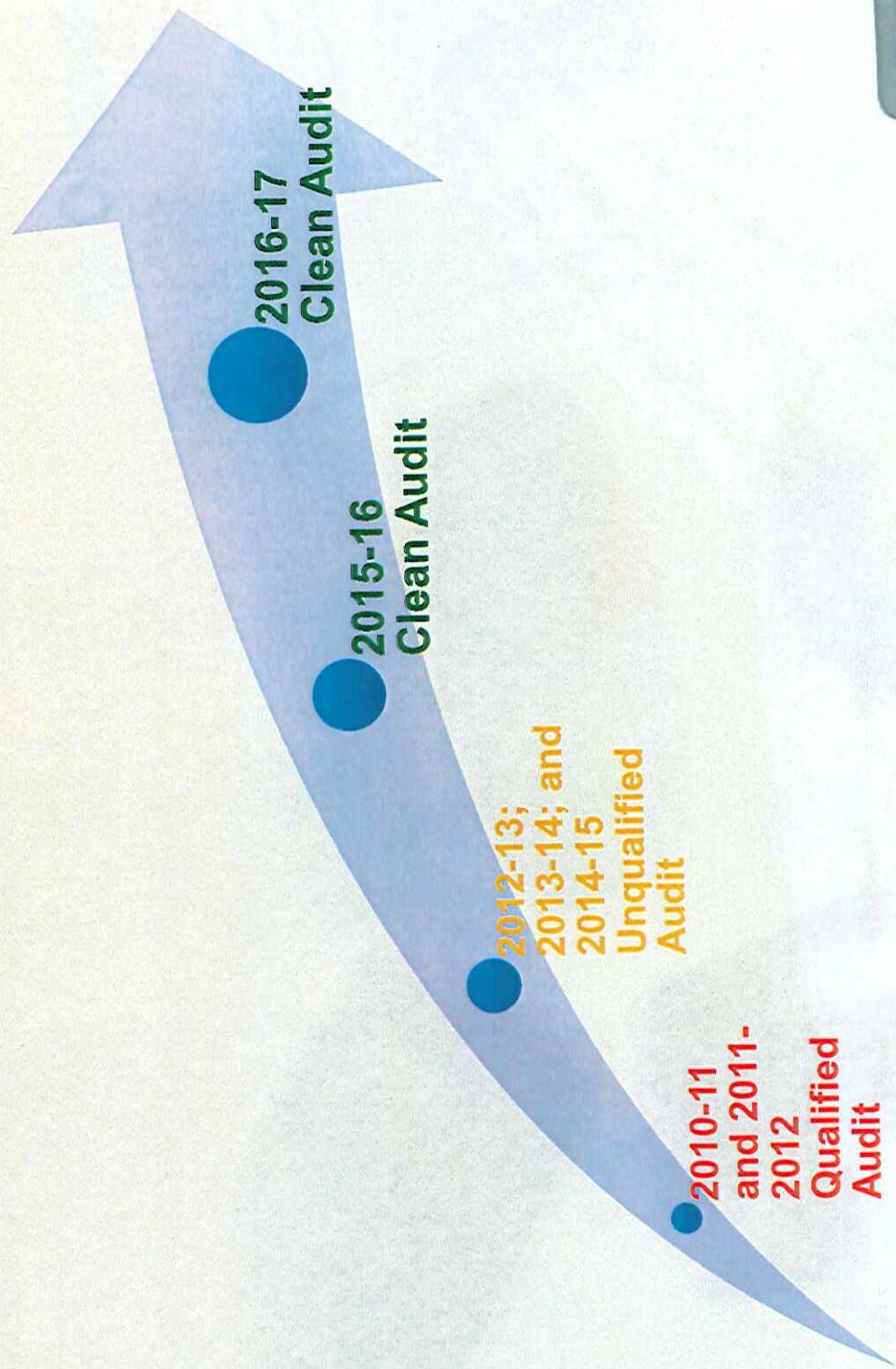


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Audit Outcomes



AUDIT OUTCOMES 2016-17





AUDIT OUTCOMES

- AFS present fairly, in all material respects, the financial position of the entity, its financial performance and cash flows for the year ended

Statements

- Material uncertainty related to Going Concern: Total liabilities exceeds assets by R181 million

Conclusion on pre-determined objectives

- There were no material findings on the usefulness and reliability of reported performance information

Conclusion on Compliance with legislation

- Internal Control
 - No material non-compliance with applicable legislation

EMPHASIS OF MATTER

Uncertainty relating to the future outcome of exceptional litigation: Court challenge on the 2014 Permit Tariffs Regulations



Strategic Challenges & Proposed Interventions [The Linking Africa Transport Plan]



Improving the movement of people and goods



LACK OF RELIABILITY OF REGIONAL TRADE SUPPLY CHAINS

- Persistent lack of reliability throughout the trade supply chain is a big contributor to higher logistics costs in SADC compared to similar operations in other parts of the world.
- ❖ We intend to engage with this phenomena in order to better understand the breakdown and the component parts of logistics costs and transport prices in the SADC region.
- ❖ Our observation is that if SADC seeks to compete in the world economy, and trade in higher-value added goods, improving reliability will be critical.
- ❖ We therefore recommend that special attention be given to this particular issue, as we see it as a potential catalyst for the desired change.



LACK OF RELIABILITY OF REGIONAL TRADE SUPPLY CHAINS (CONTINUED...)

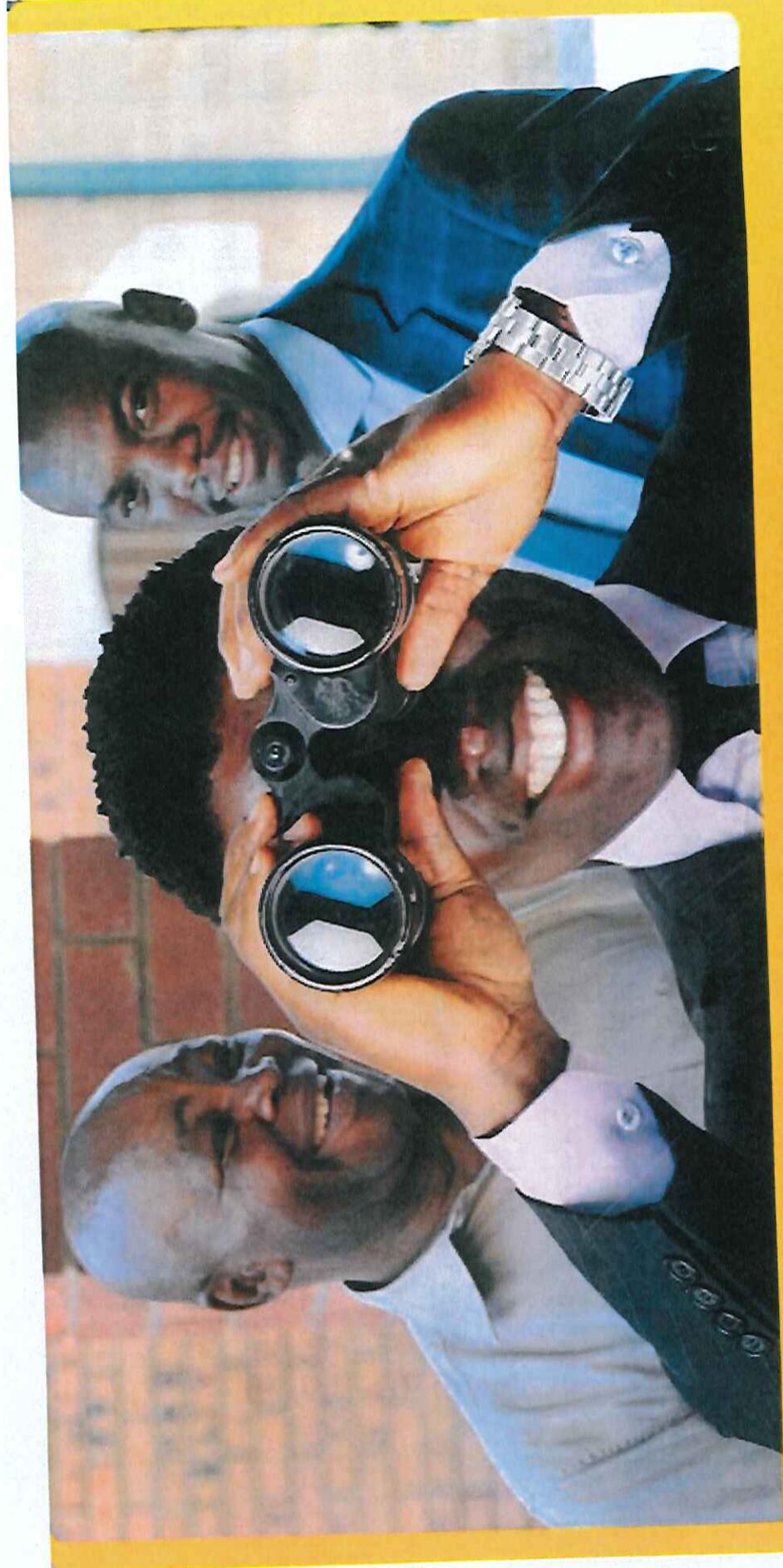
- Some of the identified primary sources of unreliability in supply chain linking SADC with the rest of the world are the following:
 - Inconsistent application of government regulations, including non-observation of protocols and conditions of bilateral agreements by member-states.
 - Perceived high incidences of fraud and corruption and the so-called ‘facilitation payments’ to officials and to members of the police and the traffic fraternity along the cross-border corridors.
 - Lack of coordinated efforts in the planning and implementation of transport infrastructure projects, and other regulatory reforms, e.g. frequent introduction of new regulations, and requirements without the necessary prior information sharing or consultations with other SADC counterparts.





RECOMMENDATIONS

- Proposed initiatives for implementation in order to improve predictability in supply chains and to enhance the competitiveness of the SADC region:
 - ❖ SADC member-states must urgently harmonize their regulatory regimes, or brace themselves for retaliatory risks and deteriorating trade relations;
 - ❖ Governments need to open themselves to honest and sincere engagements with beneficial cargo owners and the freight transporters, thus enabling themselves to deal with real challenges experienced by the operators as they traverse the SADC corridors;
 - ❖ Governments need to initiate aggressive fraud and corruption busting initiatives, whilst simultaneously streamlining and regulating their law enforcement approaches along the freight corridors.



Looking into the Future:
2016/17 & Beyond



Improving the movement of people and goods



LOOKING INTO THE FUTURE

- Resolution of the Lesotho/Free State Cross-Border passenger transport impasse. Ministerial Task Team has completed the draft Bilateral Agreement with Lesotho. The Agreement has been submitted to the DoT
- We are working with the Department of Transport on the project that seeks to introduce cross border charges to be levied against foreign vehicles entering S.A. The realisation of this goal will enable the leveling of the playing field for SA operators, who are currently faced with an inequitable operating conditions across our borders.
- We are focusing our energies on the Linking Africa Transport Integration Initiative, guided by trade statistics and SA's international relations strategy.



CONCLUDING REMARKS

We are driven by nothing more than the need to make this sector achieve its strategic goals and to contribute meaningfully to the economic objectives of the country.

We remain committed to providing value-add to the cross border road transport operators through implementation of our operator-centric strategy.

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THANK
YOU

