**2. REPORT OF THE PORTFOLIO COMMITTEE ON TRANSPORT ON BUDGET VOTE 35: TRANSPORT, DATED 8 MAY 2018**

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

**1. INTRODUCTION**

The Portfolio Committee on Transport considered the 2018/19 budget of the Department of Transport (the Department) on 17 April 2018. This report contains a summary of the Department’s budget allocation and the observations and recommendations of the Committee on the budget. In preparation for this report, the Committee was briefed on the 2018/19 Strategic Plans and Annual Performance Plans (APPs) of the Department of Transport and its entities. Accordingly, the Committee engaged with the Department and its entities on 17, 18 and 19 April 2018 on their 2018/19 Strategic Plans, Corporate and/or APPs and budgets.

The Committee met with the following entities:

1. Airports Company South Africa (ACSA);

2. Air Traffic and Navigation Services (ATNS);

3. Cross-Border Road Transport Agency (C-BRTA);

4. Railway Safety Regulator (RSR);

5. Passenger Rail Agency of South Africa (PRASA);

6. Ports Regulator of South Africa;

7. Road Traffic Infringement Agency (RTIA);

8. Road Traffic Management Corporation (RTMC);

9. Road Accident Fund (RAF);

10. South African National Roads Agency Limited (SANRAL);

11. South African Maritime Safety Authority (SAMSA); and

12. South African Civil Aviation Authority (SACAA).

The report details an overview of the performance of the Department in 2017/18, policy priorities for 2018/19 and analysis of the 2018/19 budgets of the Department and its 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 2018 State of the Nation Address (SONA);

• The Department of Transport’s revised Strategic and APPs for 2017/18 and 2018/19;

• The revised 2018/19 Strategic Plans, Corporate Plans and APPs of the entities that fall under the Department of Transport; 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.

The report provides an overview of the performance of the Department in 2017/18, policy priorities for 2018/19 and how they are aligned with national, regional, continental and global developmental agendas, as well as the budget analysis. It further includes with the Committee’s observations and recommendations made on the budget of the Department.

* 1. **OVERVIEW OF THE 2017/18 FINANCIAL YEAR**[[1]](#footnote-1)

**3.1 First Quarter of 2017/18**

For 2017/18, the budget allocation for the Department stood at R59.8 billion, and of this amount, it spent R10.4 billion (17.3%) by the end of the First Quarter of 2017/18. The Department spent R342.6 million (or 3.2% less than the projections for the First Quarter of 2017/18). The variance was attributed to the less than expected spending on Programme 4: Road Transport, as well as Programme 7: Public Transport.[[2]](#footnote-2)

**Table 1: 2017/18 Quarterly Expenditure**

|  |  |  |  |
| --- | --- | --- | --- |
| Programme | Quarter 1 | Quarter 2 | Quarter 3 |
|  | **Projection** | **Actual** | **%****Variance** | **Projection** | **Actual** | **%****Variance** | **Projection** | **Actual** | **%****Variance** |
| 1. Administration | R92.7 mil | R84.7 mil | 8.6% | R204.8 mil | R191.3 mil | 6.6% | R297.2 mil | R282.3 mil | 5% |
| 2. Integrated Transport Planning | R19.1 mil | R12.6 mil | 34.1% | R39.8 mil | R35.7 mil | 10.4% | R57.6 mil | R59.4 mil | 3.3% |
| 3. Rail Transport | Approx[[3]](#footnote-3) R2 bn[[4]](#footnote-4) | Approx R2 bn | 0.7% | R8 bn | Approx R8 bn | 0.2% | R13.6 bn | R13.6 bn | 0% |
| 4. Road Transport | R7.4 bn | R7.2 bn | 2.3% | R14.1 bn | R15.1 bn | 7.1% | R21.8 bn | R26.1 bn | 20% |
| 5. Civil Aviation Transport | R53.3 mil | R49.1 mil | 7.8% | R93.5 mil | R93.1 mil | 0.4% | R131.2 mil | R123.2 mil | 6.2% |
| 6. Maritime Transport | R29.9 mil | R14.3 mil | 52% | R59.3 mil | R43.6 mil | 26.5% | R79.9 mil | R78.1 mil | 2.2% |
| 7. Public Transport | R1.2 bn | R1 bn | 10.9% | R4.4 bn | R4.2 bn | 4.8% | R7.5 bn | R6.9 bn | 8.1% |
| Department overall | R10.7 bn | R10.4 bn | 3.2% | Approx R26.9 bn | R27.6 bn | 2.9% | R43.4 bn | R47.1 bn | 8.6% |

**(Source: National Treasury (2017)**

**3.1.1 Programme 1: Administration**

By the end of the First Quarter, the Department had spent R84.7 million or 20.8% of the R406.9 million budgeted for the Administration programme for 2017/18 that had been allocated to it in this programme. Expenditure was R8 million or 8.6% lower than the projected spending of R92.7 million for the First Quarter of 2017/18.[[5]](#footnote-5) The variance was mainly due to the less than expected spending on *Compensation of Employees* owing to delays in salary increments for senior managers, as well as the slow filling of vacant posts

**3.1.2 Programme 2: Integrated Transport Planning**

Of the R81.7 million that the Department had budgeted for the Integrated Transport Planning programme for 2017/18, it had spent R12.6 million or 15.5% by the end of the First Quarter of 2017/18. Expenditure under the programme was R6.5 million or 34.1% less than the projected spending of R19.1 million for the First Quarter of 2017/18. The variance was attributed to less than expected spending on *Goods and Services for Consultants: Business and Advisory Services* due to the indefinite delay in the Corridor Freight Development project pending the finalisation of the corridor identification process and elaboration of the situational analysis for the project.

**3.1.3 Programme 3: Rail Transport**

Under the Rail Transport programme, the Department had spent about R2 billion or 10.2% of the R19.3 billion that had been allocated to the programme for 2017/18 by the end of the First Quarter of 2017/18. Expenditure was less by R14.2 million or 0.7% of the projected R2 billion for the First Quarter. The variance was mainly on less than expected spending on *Transfers and Subsidies: Departmental Agencies and Accounts* due to the withholding of R10 million of the transfer payment to the Railway Safety Regulator (RSR) to recover a payment made to the regulator in the previous financial year.[[6]](#footnote-6) In addition, the variance was attributed to less than spending on *Goods and Services for Consultants: Business and Advisory Services* and *Infrastructure and Planning Services* as a result of the delays in the payment of invoices for various services that had been rendered with respect to the Interim Rail Economic Regulator Capacity project.

**3.1.4 Programme 4: Road Transport**

Of the R27.1 billion that had been allocated to the Road Transport programme for 2017/18, the Department had spent R7.2 billion or 26.5% by the end of the First Quarter. Expenditure was R168.1 million or 2.3% less than the expected spending on *Transfers and Subsidies: Provinces and Municipalities* due to the temporary misalignment between the approved drawing schedule and the grant payment schedule for the Provincial Roads Maintenance Grant (PRMG), following a revision of the PRMG payment schedule.[[7]](#footnote-7)

**3.1.5 Programme 5: Civil Aviation Transport**

By the end of the First Quarter of 2017/18, the Department had spent R49.1 million or 28.9% of the R169.9 million budgeted for the Civil Aviation programme for 2017/18. Expenditure was R4.2 million or 7.8% less than the projected spending of R53.3 million for the First Quarter of 2017/18. The variance was mainly due to less than expected spending on *Transfers and Subsidies: Foreign Governments and International Organisations* owing to less than anticipated exchange rate for the payment of membership fees to the International Civil Aviation Organisation (ICAO).

The variance was also due to less than expected spending on the *Compensation of Employees* thanks to delays in salary increments for senior managers, as well as the slow filling of vacant posts and less than expected spending on *Goods and Services for Consultants: Business and Advisory Services*. This was attributed to the delays in the procurement for the implementation of the National Airports Development Plan (NADP) and correction factors for the Air Traffic and Navigation Services (ATNS) and the Airports Company South Africa (ACSA).[[8]](#footnote-8)

**3.1.6 Programme 6: Maritime Transport**

Of the R119.7 million that had been allocated to the Maritime Transport programme for 2017/18, the Department had spent R14.3 million or 12% by the end of the First Quarter. Expenditure was R15.5 million or 52% less than the projected spending of R29.9 million for the First Quarter of 2017/18. The variance stemmed from less than expected spending on *Goods and Services for Consultants: Business and Advisory Services* and *Infrastructure and Planning Services* due to outstanding invoices from service providers for services rendered for the Oil Pollution Prevention Project. The variance was also as a result of delays in various maritime projects such as Boat Building, Tugboat Services Feasibility Study and Salvage Strategy. Moreover, the variance comprised less than expected spending on the *Compensation of Employees* owing to delays in salary increments for senior managers, as well as the slow filling of vacant posts.

**3.1.7 Programme 7: Public Transport**

By the end of the First Quarter of 2017/18, the Department had spent R1 billion or 8.2% of the R12.6 billion budgeted for the Public Transport programme for 2017/18. Expenditure was R126 million or 10.9% less than the projected spending of R1.2 billion for the First Quarter of 2017/18. The variance was attributed to less than expected spending on *Transfers and Subsidies: Households* due to lower than expected demand on the Taxi Recapitalisation Programme (TRP) up to that time. The variance also comprised less than expected spending on *Goods and Services for Consultants: Business and Advisory Services* owing to the discontinuation of the Integrated Public Transport Networks (IPTNs) for District Municipalities project and the Review of the Taxi Recapitalisation Model project. Finally, the variance comprised less than expected spending on the *Compensation of Employees* due to delays in salary increments for senior managers, as well as the slow filling of vacant posts.

**3.2 Second Quarter of 2017/18**

By the end of the Second Quarter of 2017/18, the Department had spent R27.6 billion or 46.2% of its total available budget.[[9]](#footnote-9) The Department spent R742.3 million or 2.8% more than the projections. The variance mainly comprised higher than anticipated spending in Programme 4: Road Transport as a result of the misalignment between the payment schedule for the grants, as well as the drawings.

**3.2.1 Programme 1: Administration**

The Department had spent R191.3 million of the projected spending of R204.8 in the Administration programme by the end of the Second Quarter of 2017/18, indicating a lower than expected spending of 6.6%, equivalent of R13.6 million. The slow spending was attributed largely to outstanding invoices from events hosted by the Department and from the transaction advisor for the public-private partnership (PPP) fleet project.

**3.2.2 Programme 2: Integrated Transport Planning**

By the end of the Second Quarter of 2017/18, the Department had spent R35.7 million of the projected spending in this programme, indicating a lower than expected spending of 10.4%, equivalent to R4.1 million. The low spending largely pertained to various projects such as the National Transport Master Plan (NATMAP) 2050 Review, Freight Transport Model, Regional Transport Integration Market Strategy.[[10]](#footnote-10)

**3.2.3 Programme 3: Rail Transport**

Of the R8 billion that the Department had projected to spend by the end of the Second Quarter of 2017/18 in the Rail Transport programme, it spent R7.9 billion, indicating a lower than expected spending of 0.2%, equivalent to R15.2 million. The slow spending was largely due to delays by the Department in reducing the transfer payment of R10 million to the RSR which was used to recover an advance transfer payment to the regulator in the previous financial year. The delay in spending was also in *Goods and Services* due to non-spending in various projects such as the review of the National Rail Bill that was dependent on the finalisation of the White Paper for Rail Transport.

**3.2.4 Programme 4: Road Transport**

In this programme, the Department had spent R7.9 billion of the projected spending of R14.1 billion by the end of the Second Quarter of 2017/18, translating into a higher than expected spending of 7.1%, equivalent to R1 billion.[[11]](#footnote-11) The higher than expected spending was as a result of the misalignment between the payment schedule for the PRMG and the approved drawings that the Department had since revised. In addition, the slower than anticipated spending of R49.6 million was mainly due to delays in transfer payments to the Road Traffic Management Corporation (RTMC) owing to an administrative dispute pertaining to the electronic national administration traffic information system (eNaTIS) between the Department and the entity.

Pertaining to the PRMG, the Department had transferred R6.6 billion or 100% of the scheduled grant transfer payments as at the end of the Second Quarter of 2017/18.[[12]](#footnote-12) This represented 61% of the total grant funding available per the Division of the Revenue Act (No. 3 of 2017) for the PRMG. In total, actual spending by provinces on the PRMG was R6.6 billion against the projected spending of R5.5 billion as at the end of the Second Quarter of 2017/18. The deviation in the transfers was mainly due to revisions in the grant payment schedule that created a temporary misalignment with the drawings schedule of the Department.

Regarding the Public Transport Operations Grant (PTOG), the Department had transferred R2.5 billion or 100% of the scheduled grant transfer payments by the end of the Second Quarter of 2017/18. This represented 43% of the total grant funding available per the Division of the Revenue Act (No. 3 of 2017) for the PTOG.

Concerning the PRMG, the Department spent R75.3 million against the projected spending of R200 million. The variance was mainly due to the slow spending as a result of lower demand on the TRP. The programme is demand-driven and transfer payments are based on the applications received from taxi operators.

**3.2.5 Programme 5: Civil Aviation Transport**

The Department had spent R93.1 million of the projected spending of R93.5 million by the end of the Second Quarter, indicating a lower than expected spending of 0.4%, equivalent to R373 000. The programme was spending in line with the projected expenditure.[[13]](#footnote-13)

**3.2.6 Programme 6: Maritime Transport**

In this programme, the Department had spent R43.6 million of the projected spending of R59.3 million by the end of the Second Quarter, translating into a lower than expected spending of 26.5%, equivalent to R15.7 million. The slow spending was, for the most part, owing to delays in various maritime projects such as Oil Pollution Prevention, Boat Building, Tugboat Services Feasibility Study and Salvage Strategy.

**3.2.7 Programme 7: Public Transport**

In the Public Transport programme, the Department had spent R4.2 billion of the projected spending of R4.4 billion by the end of the Second Quarter of 2017/18, indicating a lower than expected spending of 4.8%, equivalent to R211.4 million. The slow spending was largely due to delays in *Transfers and Subsidies* owing to lower than expected demand on the TRP. The delay in spending was also in *Goods and Services* thanks to non-spending on the review of IPTNs in district municipalities of the TRP model.

**3.2.8 Virements**

Major virements included in the Adjusted Estimates of National Expenditure were:[[14]](#footnote-14)

* R10 million from transfer payments to the RSR to *Goods and Services* for Oil Pollution Prevention project;
* R380.8 million from capital transfer to the Passenger Rail Agency of South Africa (PRASA) for rail maintenance, operations and inventories at PRASA;
* R4 million from transfer payment to RTMC to departmental *Goods and Services* for marketing of the rollout of the Administrative Adjudication of Road Traffic Offences (AARTO) Act (No. 46 of 1998); and
* R10.2 million from various *Goods and Services* to *Compensation of Employees* to implement the job re-evaluation in terms of the Public Service Regulations of 2001 for levels 9, 10, 11 and 12, as well as to fill critical vacant posts.

**3.3** **Third Quarter of 2017/18**

By the end of the Third Quarter of 2017/18, the Department had spent R47.1 billion or 78.8% of its total available budget. The Department had spent R3.7 billion or 8.6% more than the projections.[[15]](#footnote-15) The variance mainly comprised higher than anticipated spending in Programme 4: Road Transport as a result of transfers to the South African National Roads Agency Limited (SANRAL) and the Road Traffic infringement Agency (RTIA) made earlier than scheduled.

**3.3.1 Programme 1: Administration**

By the end of the Third Quarter of 2017/18, the Department had spent R282.3 million of the projected R297.2 million, indicating a lower than expected spending of 5% in this programme, equivalent to R14.9 million.[[16]](#footnote-16) The slow spending was largely due to the slow filling of vacant posts and outstanding invoices from suppliers and service providers. The delay in spending was also thanks to the outstanding payment to the Transport Education and Training Authority (TETA).

**3.3.2 Programme 2: Integrated Transport Planning**

The Department had spent R59.4 million of the projected spending of R57.6 million by the end of the Third Quarter of 2017/18 in the Integrated Transport Planning programme, translating into a higher than expected spending of 3.3%, equivalent to R1.2 million, indicating that actual spending was largely in line with projected spending.

**3.3.3 Programme 3: Rail Transport**

The Department had spent R13.6 billion of the projected R13.6 billion by the end of the Third Quarter of 2017/18, indicating that actual spending was in line with projected spending.

**3.3.4 Programme 4: Road Transport**

In the Road Transport programme, the Department had spent R26.1 billion of the projected spending of R21.8 billion by the end of the Third Quarter, translating into a higher than expected spending of 20%, equivalent to R4.4 billion. The higher than expected spending was due to the unexpected transfer payment to SANRAL and the RTIA made earlier than expected.[[17]](#footnote-17)

As far as the PRMG was concerned, the Department had transferred R9.4 billion or 100% of the scheduled grant by the end of the Third Quarter. This represented 87% of the total grant funding available for provinces for the PRMG. Actual spending by provinces on the PRMG was R8.2 billion or 87.5%, against the total transferred funds of R9.4 billion, as at the end of the Third Quarter of 2017/18. KwaZulu-Natal was the best spender having spent 103% of the total funds that had been transferred, whereas the North West Province was the worst spending province, at only 38.8% of transferred funds.[[18]](#footnote-18)

Pertaining to the PTOG, the Department had transferred R4 billion or 100% of the scheduled grant transfer payments by the end of the Third Quarter of 2017/18. This represented 70% of the total grant funding available to provinces for the PTOG. Actual spending by provinces on the PTOG was R3.8 billion or 87.5% against the total transferred funds of R4 billion, as at the end of the Third Quarter of 2017/18. The spending on the grant was in line with the projected spending. KwaZulu-Natal was the best spender having spent 113% of the total funds that had been transferred, whereas the Gauteng Province was the worst spending province, at only 85.8% of the transferred funds.[[19]](#footnote-19)

**3.3.5 Programme 5: Civil Aviation Transport**

By the end of the Third Quarter of 2017/18, the Department had spent R123.2 million of the projected spending of R131.3 million in the Civil Aviation Transport programme, indicating a lower than expected spending of 6.2%, equivalent to R8.1 million. The delay in spending was largely attributed to the slow filling of vacant posts, outstanding invoices from suppliers and service providers in relation to the implementation of the NADP.

**3.3.6 Programme 6: Maritime Transport**

The Department had spent R78.1 million of the projected spending of R79.9 million by the end of the Third Quarter of 2017/18, translating into a lower than expected spending of 1.8%, equivalent to R2.2million. The slow spending was largely due to lower than expected spending during the World Maritime Day and delayed payments for membership fees for the International Maritime Organisation (IMO) due to outstanding invoices.

**3.3.7 Programme 7: Public Transport**

In the Public Transport programme, the Department had spent R6.9 billion of the projected spending of R7.5 billion by the end of the Third Quarter, indicating a lower than expected spending of 8.1%, equivalent to R603 million. The slow spending was largely due to delays in *Transfers and Subsidies* owing to lower than expected demand on the TRP and erroneously charging the transfer payment for the PTOG against the budget of the Road Transport programme.

**3.3.8 Virements**

Major virements included in the Adjusted Estimates of National Expenditure were:[[20]](#footnote-20)

* R10 million from transfer payment to the RSR to *Goods and Services* for Oil Pollution Prevention project;
* R380.8 million from capital transfer to PRASA to rail maintenance operations and interventions at PRASA;
* R4 million from transfer payment to RTMC to departmental *Goods and Services* as a refund for the marketing of the rollout of the AARTO Act; and
* R6.8 million from various *Goods and Services* to *Compensation of Employees* to implement the job re-evaluation in terms of the Public Service Regulations of 2001 for levels 9, 10, 11 and 12, as well as to fill critical vacant posts.

**4. POLICY PRIORITIES FOR 2018/19 AND ALIGNMENT WITH NATIONAL, REGIONAL, CONTINENTAL AND GLOBAL DEVELOPMENT AGENDAS (NDP, NINE POINT PLAN, SADC-RIDMP, AGENGA 2063 & SDGs)**

Chapter 4 of the NDP advocates for the development of economic infrastructure as the foundation of social and economic development. This finds expression in outcome 6 (an efficient, competitive and responsive economic infrastructure network) of Government’s 2014-19 Medium-Term Strategic Framework (MTSF) which is aligned with the work of the Department.[[21]](#footnote-21) Over the medium-term, the Department plans to focus on improving mobility and access to social and economic activities by facilitating and creating an enabling environment for maintaining provincial and national road networks. In addition, the Department will modernise passenger rail infrastructure and improve services, as well as integrate public transport.[[22]](#footnote-22)

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:[[23]](#footnote-23)

* 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 Nine Point Plan therefore seeks to give meaning to the objectives and aspirations of the NDP.

For its part, the 2018 State of the Nation Address underscores the centrality of responding to “unemployment”. In this regard, President Ramaphosa contended that this would be addressed through, inter alia, “the localisation programme” in PRASA’s “rail rolling stock” modernisation programme. In addition, the President committed to massive investment in road infrastructure.[[24]](#footnote-24)

The African Union (AU) envisions that by 2063 the necessary infrastructure will be in place to support Africa’s accelerated integration and growth, technological transformation, trade and development. This will include high-speed rail networks, roads, shipping lines, sea and air transport, as well as Information and Communications Technology (ICT) and digital economy. A Pan-African high-speed rail network will connect all the major cities of the continent with adjacent ways and pipelines for gas, oil, water, ICT broadband cables and other infrastructure. This will then serve as a catalyst for manufacturing skills development, integration and intra-African trade, investment and tourism. The Department has committed itself to contributing to the aspirations of “an integrated continent, politically united and based on the ideals of Pan Africanism and the vision of Africa’s Renaissance”.[[25]](#footnote-25)

Investment in infrastructure is vital in addressing the challenges encountered in infrastructure maintenance and expansion that are crucial for the stabilisation of the country’s economy and creation of new opportunities for growth, equity and employment. The current socio-economic challenges and the ever-changing environment facing the country, as well as the transport sector in particular, cannot be resolved utilising the scope and resources of Government or any single role player. Enduring economic partnerships between Government and the private sector are needed to develop trusting relationships for integrated operations, investments and management of transportation infrastructure.

A perusal of the Department’s budget allocation for 2018/19 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.

**5.** **BUDGET ANALYSIS**

**Table 2: Overall Budget – Transport**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Increase / Decrease in 2018/19** | **Real Increase / Decrease in 2018/19** | **Nominal Percent change in 2018/19** | **Real Percent change in 2018/19** |
| **R million** | **2017/18** | **2018/19** |
| Administration |  407.1 |  430.1 |  23.0 |  0.6 | 5.65% | 0.14% |
| Integrated Transport Planning |  82.6 |  90.0 |  7.4 |  2.7 | 8.96% | 3.28% |
| Rail Transport |  19 308.9 |  18 887.3 |  - 421.6 | - 1 406.2 | - 2.18% | - 7.28% |
| Road Transport |  27 129.6 |  27 098.8 |  - 30.8 | - 1 443.5 | - 0.11% | - 5.32% |
| Civil Aviation Transport |  170.2 |  182.3 |  12.1 |  2.6 | 7.11% | 1.53% |
| Maritime Transport |  129.3 |  119.9 |  - 9.4 | - 15.7 | - 7.27% | -12.10% |
| Public Transport |  12 567.3 |  12 990.0 |  428.3 | - 254.5 | 3.36% | - 2.03% |
| **TOTAL** | **59 795.0** |  **59 798.4** |  **3.4** | **- 3 114.1** | **0.0%** | **- 5.21%** |

**(Source: National Treasury (2018)**

Of the R814.5 billion of the total appropriation by vote for 2018/19, the Department receives R59.8 billion.[[26]](#footnote-26) This allocation constitutes approximately 7.3% of the national budget vote, excluding direct charges. While the Department’s budget is almost the same as the one it received in 2017/18, its 2018/19 budget allocation decreases by 5.2% in real terms (when taking cognisance of inflation).

In terms of economic classification, transfers and subsidies constitute R58.6 billion or approximately 98% of the departmental budget, and 99.2% thereof is allocated to the following bodies:[[27]](#footnote-27)

* Provinces and municipalities (R23.4 billion);
* Departmental agencies and accounts (approximately R16 billon); and
* Public corporations and private enterprises (R18.8 billion).

The allocation for compensation of employees across all departmental programmes increases from R456.8 million in 2017/18 to R496.7 million. The budget for the use of consultants (business and advisory services) is set to increase from R286.8 million in 2017/18 to R348.4 million, indicating an increase of 17.7%. The exponential increase in the cost for consultants in the Public Transport programme from R208.7 million the previous year, to R243 million in 2018/19, translating into a nominal increase of 16.5%. It should be underscored that over the past for financial years, the Public Transport programme indicated highest expenditure for consultants.

**5.1 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.

***5.1.1 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 3: Programme 1: Administration**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Increase / Decrease in 2018/19** | **Real Increase / Decrease in 2018/19** | **Nominal Percent change in 2018/19** | **Real Percent change in 2018/19** |
| **R million** | **2017/18** | **2018/19** |
| Ministry |  34.4 |  35.2 |  0.8 | - 1.0 | 2.33% | -3.01% |
| Management |  77.3 |  75.8 | - 1.5 | - 5.5 | -1.94% | -7.05% |
| Corporate Services |  206.7 |  227,6 |  20.9 |  9.0 |  10.11% | 4.37% |
| Communications  |  35.9 |  35,6 | - 0.3 | - 2.2 | -0.84% | -6.01% |
| Office Accommodation |  52.8 |  55,9 |  3.1 |  0.2 | 5.87% | 0.35% |
| **TOTAL** |  **407.1** |  **430.1** |  **23.0** |  **0.6** | **5.6 %** | **0.14%** |

**(Source: National Treasury (2018).**

For the 2018/19 financial year, the Administrative programme receives R430.1 million, up from R407.1 million in 2017/18. While the programme increases 5.6% in nominal terms, it increases by 0.1% in real terms. In addition to comprising, the biggest share of the programme’s allocation, which is 52.9%, the *Corporate Services* sub-programme’s budget increases by 10.1% in nominal terms and by 4.4% in real terms.

***5.1.2.******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 4: Programme 2: Integrated Transport Planning**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Increase / Decrease in 2018/19** | **Real Increase / Decrease in 2018/19** | **Nominal Percent change in 2018/19** | **Real Percent change in 2018/19** |
| **R million** | **2017/18** | **2018/19** |
| Macro Sector Planning |  17.2 |  18.1 |  0.9 |  0.0 | 5.23% | -0.25% |
| Freight Logistics |  16.0 |  15.7 | - 0.3 | - 1.1 | -1.88% | -6.99% |
| Modelling and Economic Analysis |  19.5 |  22.9 |  3.4 |  2.2 | 17.44% | 11.31% |
| Regional Integration |  9.7 |  10.2 |  0.5 |  0.0 | 5.15% | -0.33% |
| Research and Innovation |  13.2 |  15.3 |  2.1 |  1.3 | 15.91% | 9.87% |
| Integrated Transport Planning Administration Support |  7.2 |  7.7 |  0.5 |  0.1 | 6.94% | 1.37% |
| **TOTAL** |  **82.6** |  **90.0** |  **7.4** |  **2.7** | **9.0%** | **3.28%** |

**(Source: National Treasury (2018).**

Expenditure for the Integrated Transport Planning programme increases by 9% in nominal terms and 3.3% in real terms, up from R82.6 million in 2017/18 to R90 million in 2018/19. The increase is in line with one of the Department’s policy priorities for 2018/19.[[28]](#footnote-28) The *Modelling and Economic Analysis*, as well as the *Research and Innovation* sub-programmes experience noticeable growth both in nominal and real terms. The allocation for the *Modelling and Economic Analysis* sub-programme increases from R19.5 million in 2017/18 to R22.9 million, indicating an increase of 17.4% in nominal terms and of 11.3% in real terms. The Research and Innovation sub-programme increases from R13.2 million in 2017/18 to R15.3 million. Conversely, the budget for the *Freight Logistics* sub-programme decreases from R16 million in 2017/18 to R15.7 million, indicating a decrease of 1.9% in nominal terms (approximately 7% in real terms).

***5.1.3 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 5: Programme 3: Rail Transport**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Increase / Decrease in 2018/19** | **Real Increase / Decrease in 2018/19** | **Nominal Percent change in 2018/19** | **Real Percent change in 2018/19** |
| **R million** | **2017/18** | **2018/19** |
| Rail Regulation | 19.2 |  19.8 |  0.6 |  - 0.4 |  3.13% |  2.25%  |
| Rail Infrastructure and Industry Development |  10.5 | 11.3 |  0.8 |  0.2 | 7.62% | 2.01% |
| Rail Operations  |  8.1 |  8.7 |  0.6 |  0.1 | 7.41% | 1.81% |
| Rail Oversight |  19 266.0 |  18 842.0 | - 424.0 | - 1 406.3 | - 2.20% | - 7.30% |
| Rail Administration Support  |  5.1 |  5.4 |  0.3 |  0.0 | 5.88% | 0.36% |
| **TOTAL** |  **19 308.9** |  **18 887.3** | **- 421.6** | **- 1 406.2** | **- 2.2%** | **- 7.28%** |

 **(Source: National Treasury (2018).**

Constituting 31.6% of the Department’s total budget, the Rail Transportprogramme is the second largest departmental spending area. The programme’s allocation decreases from R19.3 billion in 2017/18 to R18.9 billion. This translates into a decrease of 2.2% in nominal terms and of 7.3% in real terms. This decrease is in the *Rail Oversight* sub-programme that oversees and tracks the performance of PRASA and RSR, as well as manages transfer payments to these entities. For 2018/19, transfers to PRASA to the tune of R18.8 billion are broken down as follows:[[29]](#footnote-29)

**Table 6: PRASA Transfers**

| **Programme/Project** | **Budget Allocation** |
| --- | --- |
| Capital | R4.4 billion |
| Rolling Stock Fleet Renewal | R4.7 billion |
| Signalling | R2 billion |
| Metrorail (refurbishment of coaches) | R1.4 billion |
| Mainline Passenger Service – Refurbishment of coaches | R160.2 million |
| Metrorail - Operations | R4.2 billion |
| Mainline Passenger Service - Operations | R1.5 billion |
| Rail Maintenance Operations and Inventories | R369.4 million |
| **TOTAL** | **R18.8 billion** |

**(Source: National Treasury, Vote 35 – Transport (2018).**

For the 2018/19 financial year, transfers to RSR amount to R63 million, up from R49.6 million in 2017/18.

***5.1.4. Programme 4: Road Transport***

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

**Table 7: Programme 4: Road Transport**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Increase / Decrease in 2018/19** | **Real Increase / Decrease in 2018/19** | **Nominal Percent change in 2018/19** | **Real Percent change in 2018/19** |
| **R million** | **2017/18** | **2018/19** |
| Road Regulation |  41.4 |  41.9 |  0.5 | - 1.7 | 1.21% | -4.07% |
| Road Infrastructure and Industry Development |  29.0 |  32.2 |  3.2 |  1.5 | 11.03% | 5.25% |
| Road Oversight |  27 024.6 |  26 988.2 | - 36.4 | - 1 443.4 | -0.13% | -5.34% |
| Road Administration Support |  7.9 |  8.3 |  0.4 |  0.0 | 5.06% | -0.41% |
| Road Engineering Standards |  26.8 |  28.2 |  1.4 | - 0.1 | 5.22% | -0.26% |
| **TOTAL** |  **27 129.7** |  **27 098.8** | **- 30.9** | **- 1 443.6** | **-0.1%** | **-5.32%** |

**(Source: National Treasury (2018).**

While the Road Transport programme receives the largest share of the Department’s budget allocation, that is R27.1 billion (or 45.3%). Expenditure decreases by 0.1% in nominal terms and 5.3% in real terms. The *Road Infrastructure and Industry Development* sub-programme is the only sub-programme that registers growth both in nominal and real terms (11% nominally and 5.3% in real terms).

The largest share of the programme’s allocation, i.e. approximately R27 billion (or 99.6%), goes to the *Road Oversight* sub-programme. However, this sub-programme’s allocation decreases from R27 billion in 2017/18 to approximately R27 billion, translating into a decrease of 0.1% in nominal terms and of 5.3% in real terms. The *Road Oversight* 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 the SANRAL, RTMC, RTIA and the PRMG.

In 2018/19, major transfers under the Road Transport programme are as follows:[[30]](#footnote-30)

**Table 8: Selected Transfers under the Roads Transport Programme**

| **Entity/Programme** | **Budget Allocation** |
| --- | --- |
| RTMC | R200.2 million |
| SANRAL: Gauteng Freeway Improvement Project (GFIP) | R505.1 million |
| SANRAL: Non-toll network | R7.9 billion |
| SANRAL: Moloto Road upgrade | R1.8 billion |
| Rural Road Asset Management Systems Grant (RRAMS) | R107.5 million |
| PRMG: Road network supporting electricity generation infrastructure component | R501.1 million |
| PRMG: Roads maintenance component | R10.3 billion |
| PRMG: Disaster relief component | R210 million |
| **TOTAL** | **R21.5 billion** |

**(Source: National Treasury, Vote 35 – Transport (2018).**

Expenditure under Programme 4 gives credence to policy priorities for 2018/19. 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.

**5.*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 9: Programme 5: Civil Aviation Transport**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Increase / Decrease in 2018/19** | **Real Increase / Decrease in 2018/19** | **Nominal Percent change in 2018/19** | **Real Percent change in 2018/19** |
| **R million** | **2017/18** | **2018/19** |
| Aviation Policy and Regulations |  25.4 |  28.0 |  2.6 |  1.1 | 10.24% | 4.49% |
| Aviation Economic Analysis and Industry Development |  11.4 |  13.1 |  1.7 |  1.0 | 14.91% | 8.92% |
| Aviation Safety, Security, Environment and Search and Rescue |  71.5 |  75.9 |  4.4 |  0.4 | 6.15% | 0.62% |
| Aviation Oversight |  56.9 |  59.9 |  3.0 | - 0.1 | 5.27% | -0.22% |
| Aviation Administration Support |  5.1 |  5.3 |  0.2 | - 0.1 | 3.92% | -1.50% |
| **TOTAL** |  **170.3** |  **182.3** |  **12.0** |  **2.5** | **7.0%** | **1.47%** |

**(Source: National Treasury (2018).**

For 2018/19, the allocation to the Civil Aviation Transport programme equals R182.3 million, up from R170.3 million previously. This translates into an increase of 7% in nominal terms and of 1.5% in real terms. As far as the increase in percentage terms is concerned, the exponential increase is in the *Aviation Economic Analysis and Industry Development* sub-programme whose allocation indicates an increase of 14.9% in nominal terms, and of 8.9% in real terms.

***5.1.6. 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 10: Programme 6: Maritime Transport**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Increase / Decrease in 2018/19** | **Real Increase / Decrease in 2018/19** | **Nominal Percent change in 2018/19** | **Real Percent change in 2018/19** |
| **R million** | **2017/18** | **2018/19** |
| Maritime Policy Development |  11.1 |  10.4 | - 0.7 | - 1.2 | -6.31% | -11.19% |
| Maritime Infrastructure and Industry Development |  12.6 |  11.5 | - 1.1 | - 1.7 | -8.73% | -13.49% |
| Implementation, Monitoring and Evaluations |  69.2 |  61.7 | - 7.5 | - 10.7 | -10.84% | -15.49% |
| Maritime Oversight |  29.5 |  32.2 |  2.7 |  1.0 | 9.15% | 3.46% |
| Maritime Administration Support |  7.1 |  4.2 | - 2.9 | - 3.1 | -40.85% | -43.93% |
| **TOTAL** |  **129.3** |  **119.9** | **- 9.4** | **- 15.7** | **-7.3%** | **-12.10%** |

**(Source: National Treasury (2018).**

The Maritime Transport programme’s expenditure decreases from R129.3 million in 2017/18 to R119.9 million currently. It constitutes a nominal decrease of 7.3% and a real decrease of 12.1%. The strong decline is in the *Maritime Administration Support* sub-programme that decreases by 40.9% in nominal and by 43.9% in real terms. Likewise, the budget for the *Implementation, Monitoring and Evaluations* sub-programme decreases by 10.8% in nominal and by 15.5% in real terms.

*Maritime Oversight* is the only sub-programme with an increasing budget, up from R29.5 million in 2017/18 to R32.2 million in 2018/19. It indicates an increase of 9.2% in nominal terms and of 3.5% in real terms.

***5.1.7. 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 11: Programme 7: Public Transport**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Increase / Decrease in 2018/19** | **Real Increase / Decrease in 2018/19** | **Nominal Percent change in 2018/19** | **Real Percent change in 2018/19** |
| **R million** | **2017/18** | **2018/19** |
| Public Transport Regulation |  54.3 |  54.5 |  0.2 |  - 2.6 | 0.37% | -4.86% |
| Rural and Scholar Transport  |  39.2 |  40.4 |  1.2 | - 0.9 | 3.06% | -2.31% |
| Public Transport Industry Development |  152.5 |  187.1 |  34.6 |  24.8 | 22.69% | 16.29% |
| Public Transport Oversight |  12 292.8 |  12 678.1 |  385.3 | - 275.6 | 3.13% | -2.24% |
| Public Transport Administration Support |  10.8 |  11.1 |  0.3 | - 0.3 | 2.78% | -2.58% |
| Public Transport Network Development |  17.9 |  18.9 |  1.0 |  0.0 | 5.59% | 0.08% |
| **TOTAL** |  **12 567.3** |  **12 990.0** |  **422.7** |  **-254.5** | **3.4%** | **-2.03%** |

**(Source: National Treasury (2018).**

In 2018/19, Programme 7 receives an allocation of approximately R13 billion, up from R12.6 billion previously. This translates into a nominal increase of 3.4%, but a decrease of 2% in real terms. The allocation for the *Public Transport Oversight* sub-programme increases nominally by 3.1%, but decreases by 2.2% in real terms, However, the exponential increase is in the *Public Transport Industry Development* sub-programme that indicates a nominal increase of 22.7% and 16.3% real terms.

Selected transfers under the Public Transport programme are as follows:[[31]](#footnote-31)

**Table 12: Selected Transfers under the Public Transport Programme**

| **Entity/Programme****R million** |  **Budget**  |
| --- | --- |
| **2017/18** | **2018/19** |
| TRP | R389 million | R411.6 million |
| South African National Taxi Council (SANTACO) | R21.3 million | R22.5 million |
| Public Transport Network Grant (PTNG) | R6.2 billion | R6.3 billion |
| PTOG | R5.7 billion | Approximately R6 billion |
| **TOTAL** | **R12.3 billion** | **R12.7 billion** |

**(Source: National Treasury, Vote 35 – Transport (2018).**

1. **EXPENDITURE BY ENTITIES OF THE DEPARTMENT OF TRANSPORT INCLUDING THE DRIVING LICENCE CARD ACCOUNT**

During the presentations to the Committee, members noted that some of the figures presented below, as per the 2018 Estimates of National Expenditure for the Entities under Vote 35: Transport, differed from those contained in the APPs of the entities as tabled before the Committee for consideration. Members highlighted these discrepancies during the presentations and were informed by the entities that the anomalies occurred in instances where the figures published by National Treasury in the Estimates of National Expenditure documents may not have been the final figures submitted by the entities to National Treasury. The entities confirmed during their presentations that the figures indicated in their APPs were the final approved and signed off figures and that these had also been submitted to National Treasury. Unfortunately the Committee did not get a presentation on the figures from National Treasury in order to verify the information provided by the entities.[[32]](#footnote-32)

**6.1 Airports Company South Africa (ACSA)**

Over the medium term, the Airports Company South Africa intends to continue providing safe and secure services and infrastructure to passengers and airlines. This is expected to be achieved through the effective use of existing airport infrastructure and investment in new airport infrastructure. Airports operated by the company are expected to accommodate 65.4 million departing passengers and 934 539 arriving aircraft over the MTEF period. The estimated number of departing passengers and arriving aircraft have been revised upwards from previous years due to a higher than anticipated demand for air travel.

Airport infrastructure and asset management costs account for 20 per cent of total expenditure over the MTEF period. Total expenditure is expected to increase at an average annual rate of 4.3 per cent, from R6.4 billion in 2017/18 to R7.2 billion in 2020/21. Spending on goods and services is expected to increase at an average annual rate of 5.1 per cent over the MTEF period, from R2.6 billion in 2017/18 to R3 billion in 2020/21. This is due to the implementation of a new operational structure that is expected to improve efficiency, and cost containment initiatives planned over the medium term.

Spending on compensation of employees is expected to increase at an average annual rate of 9.3 per cent over the MTEF period, from R1.4 billion in 2017/18 to R1.8 billion in 2020/21 in line with the company’s remuneration policy. The company’s staff complement is expected to remain constant at 3 314 over the medium term.

The company’s aeronautical revenue is generated from passenger facilitation and airline services, for which charges and tariffs such as aircraft landing and parking fees are collected. Aeronautical revenue is expected to increase at an average annual rate of 4.2 per cent over the MTEF period, from R3.5 billion in 2017/18 to R4 billion (R4.8 billion in the CP) in 2020/21. Non-aeronautical revenue is generated from property rentals, advertising and car parking fees, among other things, and is expected to increase at an average annual rate of 6.6 per cent, from R3.5 billion in 2017/18 to R4.3 billion (R4.4 billion in the CP) in 2020/21

**6.2 Passenger Rail Agency of South Africa (PRASA)**

Over the medium term, the Passenger Rail Agency of South Africa aims to improve the safety and reliability of, and the access to, rail services by maintaining and refurbishing existing train sets, acquiring new rolling stock, and investing in capital for the upgrade and modernisation of railway signalling and other infrastructure, including depots and stations. Through these activities, the agency aims to meet the objectives set out in outcome 6 (an efficient, competitive and responsive infrastructure network) of government’s 2014-2019 medium-term strategic framework.

Metrorail accounts for 60.1 per cent, or R26.6 billion, of the agency’s total expenditure over the medium term, and is expected to increase from R7.9 billion in 2017/18 to R9.4 billion in 2020/21 at an average annual rate of 6.3 per cent. The rise in spending in Metrorail is expected to accommodate an increase in passenger trips from 292 million in 2017/18 (379 – 438 million per CP) to 392 million in 2020/21 (382.4 – 521.3 million per CP) [It is envisaged that the successful execution of Rail Operations’ turnaround plan will translate to PRASA being able to transport between 400 to 500 million passenger trips in 2020/21 with at least 291 train sets at full capacity configuration with 12 coaches with a target of 88.1% on time performance – per CP], as well as to provide for additional spending on repairs and maintenance for 125 new trains and the refurbishment of 1 010 coaches. Shosholoza Meyl accounts for 7.1 per cent, or R3.2 billion of the agency’s total expenditure over the medium term. Spending on Shosholoza Meyl is expected to accommodate an increase in passenger numbers from 465 000 in 2017/18 (590 000 per CP) to 538 000 in 2020/21 (555 339 per CP), and additional repairs and maintenance spending for eight (8) new locomotives as well as the refurbishment of 90 (25-40 in CP) coaches. These activities, together with the spending related to the upgrading of 174 stations and other rail infrastructure, are expected to drive an increase in total expenditure from R13 billion in 2017/18 to R15.7 billion (R12.4 – 13.1 billion in CP) in 2020/21.

The agency employs 17 007 (16 863 per CP as per 2017 figures) personnel. This number is expected to decrease to 16 174 in 2018/19, in line with the agency’s corporate turnaround strategy, which aims to reduce operational costs and improve efficiencies. Despite this, spending on compensation of employees is set to increase at an average annual rate of 6.7 per cent, from R5.6 billion in 2017/18 to R6.8 billion (R6.4 billion in the CP) in 2020/21.

The agency generates revenue from the sale of train and bus tickets, rental income from property leasing, and transfers from the department. These transfers are expected to constitute 65.4 per cent of the agency’s total projected revenue over the MTEF period. The anticipated increase in passenger numbers is expected to lead to an increase in total revenue from R12.4 billion in 2017/18 to R13.6 billion in 2020/21, at an average annual rate of 3.3 per cent.

**6.3 Road Accident Fund (RAF)**

The Road Accident Fund’s main focus over the medium term is to compensate road accident victims for losses and damages. Although the fund expects to continue improving its productivity and claims processing ability, the number of claims received but not finalised is expected to increase from 207 461 in 2017/18 to 214 847 (247 899 in APP) in 2020/21. To accommodate the persisting backlog, total expenditure is expected to increase at an average annual rate of 11.9 per cent, from R71.1 billion in 2017/18 to R99.6 billion in 2020/21, due to improved claims processing. The accumulated deficit is expected to increase from R215.2 billion in 2017/18 to R343.2 billion (R369.3 billion in APP) in 2020/21.

The fund’s staff complement is expected to increase from 2 917 (2676 at the end of March 2017 with 2829 budgeted posts in APP) in 2017/18 to 2 951 in 2020/21. This is expected to enable the fund to meet its service delivery requirements. As a result, spending on compensation of employees is expected to increase at an average annual rate of 8 per cent, from R1.4 billion in 2017/18 to R1.7 billion in 2020/21.

The fund derives its revenue, which is used to make and administer claims payments, from the road accident fund fuel levy. Total revenue is expected to increase at an average annual rate of 10.3 per cent over the medium term, from R35.6 billion in 2017/18 to R47.6 billion in 2020/21, in line with projected fuel sales and an increase in the fuel levy.

Money collected through the RAF levy portion of every litre of petrol sold is used to fund the Road Accident Fund, which uses the money to compensate victims of road accidents. In 2016, the RAF Levy was R1.54 (unchanged from 2015). In 2017 it rose by nine cents to R1.63. This year the RAF levy increase was a sizable 30c and now stands at R1.93 a litre. Combined, the general fuel levy and the RAF levy constitute R5.30 of every litre of fuel sold in the country.

**6.4 South African National Roads Agency (SANRAL)**

Over the medium term, the South African National Roads Agency intends to focus on undertaking preventative maintenance to improve and preserve the national road network. This is in line with outcome 6 (an efficient, competitive and responsive economic infrastructure network) of government’s 2014-2019 medium-term strategic framework.

Accordingly, over the MTEF period, the agency plans to resurface 3 200 kilometres of road, strengthen or improve 1 475 kilometres of road, and build new interchanges and bridges. The agency’s total expenditure is expected to increase at an average annual rate of 2.4 per cent over the MTEF period, from R34.7 billion (R11 billion in APP) in 2017/18 to R37.2 billion (R19.8 billion in APP) in 2020/21. Payments to service providers for road maintenance and/or construction accounts for the bulk of the agency’s total expenditure, which is expected to increase at an average annual rate of 30 per cent over the medium term, from R3.7 billion in 2017/18 to R8.1 billion (R3.6 billion in APP) in 2020/21. This increase is due to upgrades to the N3 Marianhill and N2 North and South coast roads.

The agency’s staff complement is expected to remain constant at 390 over the MTEF period. Spending on compensation of employees is expected to increase at an average annual rate of 10.5 per cent, from R312 million in 2017/18 to R421.5 million in 2020/21.

The agency has two areas from which it generates revenue, transfers from the department for non-toll business and revenue generated from toll fees. Non-toll business is funded through transfers from the department, which amounts to R29.1 billion over the medium term. Toll revenue is expected to increase at an average annual rate of 5 per cent, from R4.9 billion in 2017/18 to R5.7 billion in 2020/21.

**6.5 Air Traffic and Navigation Services Company (ATNS)**

The company’s estimated expenditure for 2018/19 is R1.7 billion (R1.6 billion in CP).

The Air Traffic and Navigation Services Company intends to focus, over the MTEF period, on providing safe, efficient and cost effective air traffic management solutions and related services as it expands its footprint to cover the rest of Africa and the Indian Ocean region. The company aims to build capacity in communication, navigation, surveillance and simulation systems. Spending on these items accounts for a projected 69.8 per cent of the company’s total expenditure in 2017/18.

Over the medium term, the company anticipates maintaining a service availability rate of 98.7% at all airports, and containing the average delay time per delayed flight to 120 seconds. The company is expected to carry out repairs and maintenance, particularly on electronic maintenance support contracts, and maintain radar and other specialised equipment. Spending on these activities is expected to drive an overall increase in spending on goods and services at an average annual rate of 5.2 per cent, from R440.2 million in 2017/18 to R512.8 million in 2020/21. This is due to fluctuations in exchange rates due to most support contracts being paid in foreign currency.

Due to the company’s work being labour intensive, 1 394 staff are expected to be employed over the MTEF period. As such, spending on compensation of employees accounts for 61.2 per cent of the company’s total expenditure, increasing at an average annual rate of 8 per cent, from R948.7 million (R947 million in CP) in 2017/18 to R1.2 billion in 2020/21. This is driven by the efforts to achieve improvements to safety performance and the human capital plan for both air traffic services and non-air traffic services.

The company generates its revenue from en route and approach fees (aerodrome fees, area fees and terminal manoeuvring area fees). Total revenue is expected to increase at an average annual rate of 5.7 per cent, from R1.7 billion (R1.6 billion in CP) in 2017/18 to R2 billion (R1.9 billion in CP) in 2020/21, mainly due to tariff increases.

**6.6 Cross-Border Road Transport Agency (C-BRTA)**

The agency’s estimated expenditure for 2018/19 is R194.3 million (R205 million in APP).

The Cross Border Road Transport Agency intends to continue focusing on promoting safe and reliable cross border road transport by improving competition and market access in the cross border road transport sector through regulation and permit issuance.

Following a Constitutional Court ruling on the validity of permit fee increases in 2015, the agency scaled down its operations and reduced total expenditure by an average annual rate of 24.1 per cent from R451.7 million in 2013/14 to R197.5 million in 2016/17. As a result, the agency’s accumulated deficits have decreased from R258.1 million 2013/14 to R181.5 million in 2016/17. The agency aims to decrease the deficit further, from R145.1 million (R143 million in APP) in 2017/18 to R28.1 million (R54.5 million in APP) in 2020/21, while gradually scaling up its operations.

As the agency scales up its operations, its total expenditure is expected to increase at an average annual rate of 12.1 per cent, from R161.6 million (R168 million in APP) in 2017/18 to R227.4 million (R238 million in APP) in 2020/21, mainly due to an increase in its staff complement from 161 in 2017/18 to 185 in 2018/19. As a result, spending on compensation of employees is expected to increase at an average annual rate of 13.5 per cent, from R112.4 million in 2017/18 to R164.3 million in 2020/21. Spending on goods and services is also expected to increase, from R45.5 million in 2017/18 to R60.3 million (R63 million in APP) to 2020/21.

The agency generates most of its revenue through permit fees from freight and passenger cross border transport operators. Permit fees are expected to account for 98.1 per cent of total revenue over the medium term, increasing at an average annual rate of 9.5 per cent, from R195.2 million in 2017/18 to R256.3 million in 2020/21. This is driven largely by an expected increase of 14 per cent in permit fees in 2018/19. In each year over the MTEF period, the agency plans to process at least 90 per cent of all temporary permit applications and issue such permits from its front offices within 1 day and from its remote offices within 3 days. The agency expects to produce 3 annual reports on the state of cross border operations to detail major challenges and developments in the cross border transport industry within the Southern African Development Community, the North-South Corridor, the Maputo Development Corridor and the Trans-Kalahari Corridor.

**6.7 Ports Regulator of South Africa (PRSA)**

The regulator’s estimated expenditure for 2018/19 is R26 million.

The focus of the Ports Regulator of South Africa over the medium term will be on strengthening the economic regulation of ports infrastructure. As such, over the MTEF period, the regulator expects to spend 35.5 per cent (R33.7 million) of its total estimated expenditure on activities related to economic regulation. These activities include regulating pricing, promoting equitable access to ports facilities and services, and developing the industry’s regulatory framework.

In line with its strategic focus, the regulator expects to develop a regulatory framework for the ports industry, strengthen the regulation of pricing in the ports industry, and improve compliance by stakeholders. The regulator is expected to deliver at least 1 ports tariff benchmarking study and 1 ports tariff assessment in each year over the MTEF period, and provide for at least 10 cases to be heard by its tribunal each year.

The knowledge and skills required by the regulator to execute its mandate are not readily available in the labour market. Therefore, over the MTEF period, the regulator plans to enrol its personnel on training courses and other development programmes. This is expected to drive an increase in spending on goods and services from R9.6 million in 2017/18 to R13.3 million in 2020/21. Spending on travel and subsistence related to stakeholder consultations on port tariffs is also expected to contribute to this increase over the medium term.

The regulator’s staff complement is expected to increase from 19 in 2017/18 to 20 in 2019/20. Spending on compensation of employees is expected to increase at an average annual rate of 13.5 per cent, from R14 million in 2017/18 to R20.5 million in 2020/21. Transfers from the department account for 97.7 per cent of the regulator’s total projected revenue, amounting to R90.9 million over the medium term, increasing at an average annual rate of 12.6 per cent, from R23.8 million in 2017/18 to R34 million in 2020/21.

**6.8 Railway Safety Regulator (RSR)**

The regulator’s estimated expenditure for 2018/19 is R286.1 million (R253 million in APP).

The Railway Safety Regulator’s focus over the medium term will be on improving railway safety in high risk corridors to minimise major incidents. To achieve a safer railway system, the regulator plans to conduct 7 inspections per year on high risk corridors and undertake 22 asset maintenance inspections per year over the MTEF period. These inspections will contribute to a projected increase in expenditure in the operations programme from R118.6 million in 2017/18 to R164.2 million in 2020/21. The programme accounts for an estimated 50.4 per cent of total expenditure over the medium term. Total expenditure is expected to increase from R254.9 million in 2017/18 to R313.3 million (R273 million in APP) in 2020/21.

The regulator’s staff complement is expected to increase from 207 in 2017/18 to 213 in 2018/19 and remain constant over the medium term. Spending on compensation of employees accounts for an estimated 65.6 per cent of total expenditure over the MTEF period, and is expected to increase at an average annual rate of 6.1 per cent, from R171.4 million in 2017/18 to R204.4 million (R185 million in APP) in 2020/21.

The regulator derives its revenue from safety permit fees, technology audits, penalties levied and transfers from the department. Total revenue is expected to increase at an average annual rate of 7.1 per cent, from R254.9 million in 2017/18 to R313.3 million (R273 million in APP) in 2020/21.

**6.9 Road Traffic Infringement Agency (RTIA)**

The agency’s estimated expenditure for 2018/19 is R318 million.

With the aim of changing the behaviour of road users, the Road Traffic Infringement Agency’s focus over the medium term is to discourage the contravention of traffic laws, provide public awareness and education, and coordinate and facilitate readiness for the national implementation of the Administrative Adjudication of Road Traffic Offences Act (1998). The implementation of the act is in pilot phase in Tshwane and the City of Johannesburg, and the system is expected to be rolled out across the country when the Administrative Adjudication of Road Traffic Offences Amendment Bill is finalised. The agency aims to discourage the contravention of traffic laws by adjudicating 100 per cent of representations made within 21 days and conducting 300 awareness campaigns, which are expected to lead to a decrease in traffic infringements, over the MTEF period.

The proposed amendment bill will not require that courtesy letters are issued by registered mail. Once promulgated, this is expected to result in reduced postage costs over the medium term. Accordingly, expenditure on goods and services, which amounts to R281.5 million in 2017/18, is expected to decrease at an average annual rate of 9.4 per cent, to R209.3 million in 2020/21. Total expenditure is expected to decrease at an average annual rate of 3.4 per cent, from R387.9 million in 2017/18 to R349.6 million by 2020/21 as certain provisions of the act are rolled out.

The agency’s staff complement is expected to increase from 116 in 2017/18 to 138 in 2020/21, as it gears up for the full implementation of the act. As a result, spending on compensation of employees is expected to increase at an average annual rate of 9.7 per cent, from R104.9 million in 2017/18 to R138.4 million in 2020/21.

The agency derives its revenue through transfers from the department and funds it generates from the administrative adjudication of road traffic offences. Administrative fees are expected to generate R341.4 million by 2020/21. Total revenue is expected to increase from R337.9 million in 2017/18 to R349.6 million (R387 million in APP) in 2020/21.

**6.10 Road Traffic Management Corporation (RTMC)**

The corporation’s estimated expenditure for 2018/19 is R1.2 billion.

Over the MTEF period, the Road Traffic Management Corporation intends to focus on improving national traffic information and the visibility of law enforcement on the roads, and implementing road safety initiatives. The electronic national traffic information system records, stores, manages and enforces the requirements of the National Road Traffic Act (1996) and related regulations, and provides a platform for the registration and licensing of vehicles. Upgrading the system is expected to considerably improve the collection of traffic information and drive increases in total expenditure and revenue.

The corporation has assumed the function of the road traffic inspectorate on behalf of the Cross Border Road Transport Agency, and has acquired the Boekenhoutkloof Traffic College from the Gauteng Department of Community Safety. Carrying out these functions is expected to result in the corporation’s staff complement increasing from 609 in 2016/17 to 838 in 2017/18, and remaining constant over the MTEF period. The corporation expects to spend R792.5 million over the medium term to improve law enforcement, with the aim of reducing road fatalities by 2 per cent per year and providing for 2 465 law enforcement interventions over the same period.

The corporation generates its revenue through transaction fees for vehicle licences, fines and transfers from the department. Revenue is expected to increase at an average annual rate of 28.5 per cent, from R819.4 million in 2017/18 to R1.7 billion in 2018/19.

**6.11 South African Civil Aviation Authority (SACAA)**

The entity’s estimated expenditure for 2018/19 is R735.5 million.

The South African Civil Aviation Authority intends to continue focusing on improving civil aviation safety and security through greater compliance with global standards and practices set out by the International Civil Aviation Organisation. The authority has begun a review of some of its key business processes and systems, and expects to implement its new enterprise business system and electronic documents management solution over the medium term. As a result, the authority plans to conduct 616 aircraft inspections, 268 air safety infrastructure inspections, 611 air safety operations inspections and 1 337 aviation security inspections in each year over the MTEF period.

In 2018/19, the agency plans to replace the flight inspection aircraft that has passed its useful life. The agency expects that the acquisition of the new aircraft will contribute to an increase in total expenditure through increasing depreciation charges. The acquisition will be financed with revenue that has been ring-fenced to fund the capital and operational costs of the aircraft.

Other key drivers of expenditure include measures adopted for greater organisational efficiencies, better compliance, and the implementation of the enterprise business system and the electronic document management solution. The authority’s total expenditure is expected to increase at an average annual rate of 10.3 per cent, from R638.7 million in 2017/18 to R856.4 million in 2020/21. Spending on compensation of employees is expected to increase at an average annual rate of 9.1 per cent, from R439.8 million (R435 million in APP) in 2017/18 to R571.3 million (R562 million in APP) in 2020/21, mainly driven by the addition of 42 posts in 2018/19 to address capacity constraints identified by the International Civil Aviation Organisation.

The authority generates most of its revenue through passenger safety charges, user fees and fuel levies. Total revenue is expected to increase at an average annual rate of 8.8 per cent, from R658.7 million in 2017/18 to R847.3 million in 2020/21, mainly due to an expected increase in passenger numbers and an 8.2 per cent increase in the passenger safety charge in 2018/19. The authority also receives transfers from the department for the accident and incident investigation unit amounting R74.6 million over the medium term.

**6.12 South African Maritime Safety Authority (SAMSA)**

The entity’s estimated expenditure for 2018/19 is R411.9 million (R408 million in APP).

Over the medium term, the South African Maritime Safety Authority intends to continue focusing on safety, promoting a culture of preventing marine incidents and combatting pollution caused by ships. As a result, the authority plans to conduct an average of 300 port inspections each year over the MTEF period.

Spending on compensation of employees accounts for 46.1 per cent of its total projected expenditure over the medium term as the authority’s work is labour intensive. Expenditure on compensation of employees is expected to increase at an average annual rate of 5.1 per cent, from R181.5 million in 2017/18 to R210.8 million in 2020/21. Spending on goods and services is mainly driven by travel costs related to surveys and inspections, and advertising costs related to maritime awareness campaigns.

The authority derives its revenue mainly through levies, user charges and contributions, accounting for an estimated 96.7 per cent of total revenue over the medium term. Transfers from the department account for the remainder of the authority’s revenue, and are allocated for the operations and maintenance of the Maritime Rescue Coordination Centre. The authority’s total revenue is expected to increase at an average annual rate of 5.6 per cent, from R389.7 million in 2017/18 to R458.9 million in 2020/21.

**6.13 Driving licence card account**

The driving licence card account’sestimated expenditure for 2018/19 is R233 million.

The focus of the driving licence card account over the medium term will continue to be on the implementation of measures to improve the production and distribution of driving licence cards. Some of the entity’s major projects over the period include replacing the live capture units in driving licence testing centres, and redesigning and upgrading the security features of driving licence cards.

Total expenditure is expected to increase from R206.3 million in 2017/18 to R247 million in 2020/21, mainly due to depreciation charges and spending on goods and services, related to the replacement of the live capture units. The entity’s staff complement is expected to remain constant at 75 employees over the MTEF period. Spending on compensation of employees is expected to increase at an average annual rate of 4.1 per cent, from R34.8 million in 2017/18 to R39.3 million in 2020/21.

The sale of driving licence cards accounts for a projected 88.7 per cent of the entity’s total revenue, which is expected to increase at an average annual rate of 5.4 per cent, from R181.7 million in 2017/18 to R213 million in 2020/21. Interest income from cash holdings is expected to account for most of the remaining 11.3 per cent.

1. **COMMITTEE OBSERVATIONS**

 Members made the following observations during discussions:

 **7.1 Use of consultants**

The Committee noted the increase in the budget of the Department for the use of consultants from R286 million in 2017/18 to R348.4 million in 2018/19, notably in the Public Transport programme.

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

The budget allocation for the PTNG increased from R6.2 billion in 2017/18 to R6.3 billion in 2018/19. The Committee further noted that the implementation and rollout of these projects differ in each municipality to which funds are allocated despite this being a municipal implementation of national policy.

 **7.3** **Road maintenance (PRMG)**

 The Committee observed that the budget allocation for the PRMG: roads maintenance component increased from R10 billion in 2017/18 to R10.3 billion in 2018/19.

 **7.4** **Moloto Road upgrade and Moloto Development Corridor**

The Committee noted the increase in the budget allocation from R1.3 billion in 2017/18 to R1.8 billion in 2018/19 for the Moloto Road upgrade. The Committee noted that there has been progress regarding the R573 Moloto Road that connects the three provinces of Gauteng, Mpumalanga and Limpopo. Mpumalanga and Limpopo provinces have transferred their sections of the road to SANRAL, while Gauteng province has not yet done so. The Committee was, however, concerned about the slow progress of this originally planned five-year upgrade project and also noted that the Rail portion of the Development Corridor project has slowed and PRASA Corporate Plan indicated that for 2018/19 the entity will target to finalise funding with the Department and National Treasury by the Second Quarter. The Department has concluded a review and assessment of the Putco Moloto contract, which included a detailed census to determine current demand. The review proposed that a new contract be introduced to replace the current one based on the outcome of the passenger census and the current demand.

* 1. **Non-toll road network**

The budget allocation for the non-toll network decreased from R9.1 billion in 2017/18 to R7.9 billion in 2018/19. This is for a number of reasons that include budget cuts which logically result in a reduction of targets for SANRAL and R128 billion of earmarked toll projects having been shelved. There was also a reprioritisation and focus on capacity improvements/new facilities.

**7.6 Vacancies and Acting Positions**

The Committee observed the end of term for boards at ACSA, ATNS and RTIA. The Committee further noted that the board of SAMSA did not quorate. Numerous vacancies also still exist in the Department and its entities which led to an increase in the use of acting posts and could have contributed to further instability in these bodies. The Minister reported on progress in filling board vacancies, as well as senior management and executive posts to the Committee.

**7.7 Scholar Transport**

The Committee noted the Department’s target proposal in the 3rd Quarter to develop requirements for the inclusion of the Scholar Transport and Cross-Border Transport in the TRP Programme.

The Committee raised concerns regarding the challenges faced by rural learners in obtaining access to scholar transport. Furthermore, concerns were raised regarding the modes or types of transport provided to learners which are not suitable or safe for the transportation of learners and often leads to overloading and contraventions of road traffic laws.

Concerns were also raised regarding the lack of uniformity in scholar transport provision in the various provinces and challenges faced in the management, financing, implementation and oversight over scholar transport as the policy framework resides with the Department. However, each provincial administration deals with the allocation of the function differently, with some provinces having it residing with Education and others with Transport.

**7.8 SANRAL funding concerns as well as impact of GFIP thereon**

The Committee raised concerns regarding the going-concern status of SANRAL due to poor collection on GFIP e-toll project. The Committee noted delays in implementation of critical projects which were also due to toll resistance and there was a loss of opportunity, as R128 billion investment in road infrastructure projects have been slowed down to the point of shelving them which includes:

-N1-N2 Winelands Project, Western Cape

-N2 Wild Coast Project, Eastern Cape

-N3 Van Reenen Development Project

-N3 Cedara to Durban Project

The Committee noted that one of the key focus areas indicated by SANRAL for 2018/19 is the cooperation with the Department on developing a fresh Toll Roads Policy.

**7.9 PRASA Modernisation project**

The Committee was of the view that until and unless the current service and safety concerns are adequately addressed, including the devolution of authority to regions for elective management and rail operations by the entity and the Department, the modernisation project will not be able to progress as more budget has to be spent on refurbishment of vandalised and outdated coaches and infrastructure to ensure services are able to run.

**7.10 Taxi Recapitalisation Project**

The revision of the policy appears to be delayed and the targets set for implementation of the project have failed to be accurate in recent years due to a reduced uptake thereof by the industry. The current project has no termination date which creates no urgency for compliance or uptake of the project. Furthermore, the Committee is concerned that the Department may not be utilising the data it has from the operating licence and permit databases to identify and contact owners of vehicles that may be qualifying for scrapping. The Committee indicated that the value allocated for pay-out to the industry in terms of the project is perceived as insufficient by the industry to warrant an uptake in the project. There also appears to be a trend towards utilising the underspent budget of this project to cover over expenditure in other projects. The Committee also noted with concern that the new proposed review of the policy has to date not been presented to the Committee despite promises to make such a presentation over a year ago.

**7.11 Funding Models and Turn-around Strategies of Entities**

The Committee is concerned that the funding models and/or turn-around strategies of the entities are not being processed or implemented as a matter of urgency, which if left to continue as is will lead to financial ruin of these entities and a lack of service delivery to citizens.

**7.12 Legislative Programme impact on Entities**

The Committee noted that despite past recommendations to bring legislation forward in the planning of the Department and entities, this was not adhered to and many challenges of entities could have been resolved if the Department planning was such as to ensure that legislation is processed earlier in the MTSF cycle. STER, RABS and AARTO Amendments are examples of pieces of legislation that could substantially affect the finances of entities. It was noted with concern that a substantial amount of proposed bills are yet to be submitted to Parliament for processing in the latter years of the MTSF cycle which may lead to the lapsing of the legislation and the need to resubmit after the elections in the new Parliament cycle.

**7.13 Performance Agreements and Incentives**

The Committee was concerned that some Department staff had still not signed performance agreements or undergone performance assessments during the reporting year. This is in contravention of the Public Service Act, as well as the employment contracts of public servants. Without proper assessments of performance, one cannot expect staff to improve on their services or allow the Department to identify training needs or identify talented staff members that would benefit from career advancement. The Committee further noted with concern that in some entities, such as the RAF, incentives such as cash bonuses are still being paid out to the executive despite the entity having an increasing deficit and cash flow constraints. Entities with deficits (current and/or budgeted as such in outer years) are PRASA, RAF, SANRAL, CBRTA, RTIA, and SACAA. The Committee was of the view that entities with deficits should revise their performance management policies in a manner that regulates the issuing of non-cash incentives instead of cash based incentives in years where they carry deficits.

**7.14** **Alignment between APP/ Corporate Plan targets and SMART principles, as well as Budget**

The Committee observed the non-adherence of the APP targets to SMART principles as per the National Treasury Regulations, of certain entities, in particular PRASA, RAF and SAMSA. The Committee indicated that PRASA targets were especially of concern and that the Corporate Plan of the entity is rejected until such time as the targets have been revised and resubmitted to the Committee by 7 May 2018. The Committee also takes note that the Standing Committee on Appropriations received a briefing from the Office of the Chief Procurement Officer in National Treasury where it was reported that PRASA had failed to submit its 2018/19 procurement plan by 31 March 2018. These plans must be aligned with the Corporate Plan and PRASA was requested to provide reasons for the non-submission to the Standing Committee on Appropriations, as well as how this would impact on the attainment of the 2018/19 Corporate Plan targets. PRASA must also indicate to the Standing Committee on Appropriations why it should approve the 2018/19 budget allocation given the fact that it has failed to submit its procurement plan.

**7.15 Optimal use of revenue generating streams of entities**

The Committee noted that some entities, such as ACSA and PRASA, that have access to property do not make optimal use of possible advertising revenue or retail revenue generating streams.

**7.16 Road Safety Programmes**

The Committee noted the implementation of road safety programmes by various road transport entities.

**7.17 Overdue Annual Report of PRASA**

At the time of receiving the 2018/19 Corporate Plan presentation for PRASA, the Committee had still not received the entity’s Annual Report for the 2016/17 Financial Year. The absence of the report continues to limit the Committee in its oversight over PRASA, as well as doing a thorough assessment how the entity has dealt with past Auditor-General’s findings or how it intends to deal with such findings in its proposed APP in order to allow it to receive improved audit outcomes. In order to facilitate Parliament’s oversight over the national executive organs of state, section 92(3)(b) of the Constitution requires that “Members of Cabinet must provide Parliament with full and regular reports concerning matters under their control.” The oversight powers of the National Assembly are particularly important for the process of considering annual reports, as they are the ‘regular reports’ referred to above. The challenge facing portfolio committees is that they need to ensure that departments provide good quality service delivery information in their strategic plans with tight performance targets and then to ensure that departments report against those targets in their annual reports.

The deadline of 30 September 2018 for submissions of 2017/18 Annual Reports is fast approaching and yet the Committee must now consider the plans in the APP and budget for an entity that failed to report on its operations for the financial term that ended two years ago.

**7.18 Inconsistencies between the APP figures and the figures tabled per the Budget Vote Documents**

The Committee noted that in some instances there were inconsistencies in the figures presented by the entities and the Department in their APP documents when compared to the 2018 Estimates of National Expenditure for Vote 35: Transport, as tabled by Treasury.

**7.19 Increased Promotion Required of Universal Access**

It was noted that the Department indicated under the IPTN roll-out that some of the cities participating in the project have facilitated the procurement of nearly 1 000 vehicles worth over R3 billion and these are universally accessible to all users, in particular; the elderly and people with special needs. Furthermore, the Committee noted the Department’s commitment in the medium term, to continue with the planning and construction of universally accessible Bus Rapid Transit (BRT) systems in identified local and metropolitan municipalities.

However, Universal Access is so much more than just access to the BRT system. Universal access is the goal of enabling all citizens to reach every destination served by their public street and pathway system. Universal access is not limited to access by persons using automobiles. Travel by bicycle, walking, or wheelchair to every destination is accommodated in order to achieve transportation equity, maximize independence, and improve community liveability. Wherever possible, the Committee would urge that the Department ensures the promotion of the need to have road and transport facilities designed to allow safe travel by young, old, and disabled persons who may have diminished perceptual or ambulatory abilities. By using design to maximize the percentage of the population who can travel independently, it becomes much more affordable for society to provide paratransit services to the remainder with special needs.

The Committee, therefore, was of the view that the Public Transport, Road and Rail Programmes do not make sufficient provision for the promotion of Universal Access as the APP currently appears to only focus on the BRT rollout with such service considerations.

**8.**  **COMMITTEE RECOMMENDATIONS**

The Committee recommends that the Minister of Transport ensures that:

**8.1 Use of consultants**

The use of consultants is monitored by the Department, and that the Department ascertains whether the services rendered provided good value for money. In addition, the Department should indicate whether the consultants transfer relevant skills to the employees of the Department. The Department must furthermore brief the Committee on all consultants used with reference to their scope of work and the expenditure linked to these appointments within 30 days of the publication of this report.

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

The Department monitors the spending of the funds by the 13 IPTN/BRT implementing cities and ensures that the funds are spent as per the Division of Revue Act to warrant that value for money is achieved and services are delivered to the citizens. Quarterly reports on progress should be delivered to the Committee, as well as indications on whether or not any of the cities stand a real chance of having their funding allocation stopped due to a lack of progress.

**8.3 Provincial Roads Maintenance Grant (PRMG): Road maintenance component**

The Department monitors the expenditure of the Roads maintenance component of the PRMG and briefs Parliament quarterly on progress, as well as the breakdown of the 2018/19 budget allocation per province.

**8.4 Moloto Road upgrade and Development Corridor**

The Department delivers quarterly updates to the Committee on the progress made regarding the Moloto Road upgrade and Moloto Development Corridor (Rail) programme.

**8.5 Non-toll road network**

The Department ensures that the budget allocation for the SANRAL road maintenance programme respond to the challenges of unemployment, poverty alleviation and inequality.

**8.6 Vacancies and Acting Positions**

That Board members of entities such as ACSA, ATNS, SAMSA and RTIA are appointed without delay so that the entities are able to discharge their legislative mandates optimally. The Minister is also requested to report to the Committee on this matter, as well as the Department’s plan for ensuring future Board member vacancies are filled timeously within 30 days of the publication of this report. Furthermore, that the Minister ensures that all other vacancies in senior management in the Department and the executive in the entities are filled and reported on to the Committee within 60 days of the publication of this report.

**8.7 Scholar Transport**

That the Scholar Transport Policy and regulation thereof is rolled out uniformly and monitored by the Department. The Department must ensure that one set of regulations is set out and implemented nationally on scholar transport norms and standards, which must be done through regular meetings with and co-operation with the Department of Basic Education. The Department should also hold regular engagements with Provincial Departments with which the function resides to assist in improving scholar transport, as well as report back to the Committee on progress on a quarterly basis.

**8.8 SANRAL funding concerns, as well as impact of GFIP thereon**

That SANRAL is assisted with formulating a suitable funding model that could aid in resolving the impact on its finances from the rollout of the GFIP project, as well as manage current project stoppages related to the general objections on all toll projects by finalising the development of a fresh Toll Roads Policy. The Minister also needs to address the going concern issues raised for SANRAL by arranging meetings between the entity, the Department, as well as the National Treasury.

SANRAL should also be assisted with support towards the achievement of its Strategic Objective to foster co-operative working relationships with all spheres of Government and the Southern African Development Community (SADC) member countries through the possible expanding of its scope towards becoming a road agency for the SADC as this could help support the development of infrastructure in the region, as well as economic integration.

The Department is to report to the Committee on a quarterly basis regarding the above recommendations.

**8.9 PRASA Modernisation project**

That PRASA improves their current services and safety through the rollout of the turnaround strategy in a manner that would allow for the entity to focus further on the modernisation project. The entity should also indicate progress towards the devolution of authority to regions for effective management and rail operations through quarterly reports on the above to the Committee.

**8.10 Taxi Recapitalisation Project**

That the revision of the policy is finalised as soon as possible and ensure that value chain aspects are covered in the revised project model. That targets for the project should be set more accurately in order to reduce the over-reliance on underspent funds from this project to cover over expenditure in others. The Department must present the reviewed policy to the Committee within 90 days of the publication of this report.

**8.11 Funding Models and Turn-around Strategies of Entities**

That all entities with turn-around strategies and new funding models are given the required assistance, guidance and oversight required in order to implement these strategies and models that would allow them to be self-funding and reduce the increasing reliance on the national fiscus in the pursuit of service delivery. The Minister also needs to address the going concern issues raised for entities by arranging meetings between the entities, the Department, as well as the National Treasury.

The Department is to report to the Committee on a quarterly basis regarding the above recommendations.

**8.12 Legislative Programme impact on Entities**

That the Department and its entities ensure that their planning for legislation to be submitted to Parliament for processing is done in such a manner that would allow for the thorough processing thereof during the Parliament Cycle and not to rush submissions in the outer years of the MTSF.

**8.13 Performance Agreements and Incentives**

That the Department staff are enabled and assisted in finalising and signing performance agreements and being subjected to performance assessments as required.

Performance incentive policies of entities must be revised in a manner that regulates the issuing of non-cash incentives instead of cash based incentives, especially for board members and the executive structures of the entities, for entities that have cash flow constrains and/or deficits (PRASA, RAF, SANRAL, CBRTA, RTIA, and SACAA).

**8.14 Alignment between APP/ Corporate Plan targets and SMART principles as well as Budget**

That APP/ Corporate Plan targets of entities, such as PRASA, RAF and SAMSA, when formulated, should be aligned to the SMART principles as per the National Treasury Regulations. The Minister should take note that the Committee requested that PRASA officials meet with the new Board as soon as possible to relook at the targets and resubmit their Corporate Plan to the Committee by 7 May 2018 prior to the finalisation of the Committee’s Budget Report. This target was not met and the Committee is forced to report to the House on the matter despite being given the revised documents as requested from PRASA and the RAF. The Committee therefore recommends further that the Minister ensure that PRASA and the RAF submit the requested amendments to their respective Corporate Plans/APPs to the Committee and present same to the Committee within 30 days of the publication of this report in order to allow the Committee to table and supplementary report hereto.

**8.15 Optimal use of revenue generating streams of entities**

That entities with ownership of property which could serve as a source of additional revenue through advertising or retail rentals, ensure that all spaces are used optimally in order to increase revenue generated by the entities towards self-reliance.

**8.16 Road Safety Programmes**

That the Department ensures that there is synergy pertaining to the implementation of the road safety programmes by the various entities so that the programmes can complement each other in achieving a reduction in the carnage on the roads, as well as ensuring that budgets for these programs are optimally allocated and not duplicated.

**8.17 Overdue Annual Report of PRASA**

That the Board of PRASA ensures the finalisation and submission of the 2016/17 Annual Report is done within 60 days of the publication of this report and to ensure that this failure to submit on time is not repeated again in future.

**8.18 Inconsistencies between the APP figures and the figures tabled per the Budget Vote Documents**

That the Department and its entities ensure that the figures presented in their APP documents correlate with those tabled by Treasury to Parliament for purposes of the Budget Vote or at the very least to indicate any possible discrepancies due to a change in figures post Estimates of National Expenditure having been published.

**8.19 Increased Promotion Required of Universal Access**

That the Department and its entities increase the implementation of projects and/or programmes aimed at increasing Universal Access to all modes of public transport and for all transport and road infrastructure.

**Report to be considered.**

1. It should be underscored that this section covers only the first Three Quarters of 2017/18 as the Fourth Quarter was not yet available at the time of analysis. [↑](#footnote-ref-1)
2. National Treasury (2017a). [↑](#footnote-ref-2)
3. Approximately [↑](#footnote-ref-3)
4. Billion. [↑](#footnote-ref-4)
5. *Ibid*. [↑](#footnote-ref-5)
6. *Ibid*. [↑](#footnote-ref-6)
7. *Ibid*. [↑](#footnote-ref-7)
8. *Op cit*. [↑](#footnote-ref-8)
9. National Treasury (2017b). [↑](#footnote-ref-9)
10. *Ibid*. [↑](#footnote-ref-10)
11. *Ibid*. [↑](#footnote-ref-11)
12. *Ibid*. [↑](#footnote-ref-12)
13. *Ibid*. [↑](#footnote-ref-13)
14. National Treasury (2017b). [↑](#footnote-ref-14)
15. National Treasury (2017c). [↑](#footnote-ref-15)
16. *Ibid*. [↑](#footnote-ref-16)
17. National Treasury (2017c). [↑](#footnote-ref-17)
18. *Ibid*. [↑](#footnote-ref-18)
19. *Ibid*. [↑](#footnote-ref-19)
20. *Ibid*. [↑](#footnote-ref-20)
21. The Presidency: Department of Planning, Monitoring and Evaluation (2014). [↑](#footnote-ref-21)
22. National Treasury (2018). [↑](#footnote-ref-22)
23. Department of Transport (2016). [↑](#footnote-ref-23)
24. Ramaphosa (2018). [↑](#footnote-ref-24)
25. Department of Transport (2015). [↑](#footnote-ref-25)
26. National Treasury (2017). [↑](#footnote-ref-26)
27. *Ibid*. [↑](#footnote-ref-27)
28. National Treasury (2018), p. 719. [↑](#footnote-ref-28)
29. National Treasury (2018), p. 729. [↑](#footnote-ref-29)
30. National Treasury (2018), pp. 730-731. [↑](#footnote-ref-30)
31. National Treasury (2018), p. 736. [↑](#footnote-ref-31)
32. For purposes of this report the Committee wishes to indicate those instances where anomalies were picked up by showing both the figures from National Treasury as well as those contained in the APPs and Corporate Plans of the entities. The figures as provided by the entities are indicated in brackets next to those of National Treasury. [↑](#footnote-ref-32)