



transport

Department:
Transport
REPUBLIC OF SOUTH AFRICA

**DEPARTMENT OF TRANSPORT (DoT)
INPUTS ON THE APPROPRIATION
BILL [B3-2023]**

**STANDING COMMITTEE ON
APPROPRIATIONS (SCoA)**

26 APRIL 2023

1. Appraise the Committee on the Department's preliminary spending outcomes as at the end of the 2022/23 financial year; including measures put in place to prevent possible over/under expenditure.

The department projected an underspending by the end of the 2022/23 financial year on compensation of employees, goods and services and some transfers.

With regard to compensation of employees the department has managed to reach the target set in the Annual Performance plan which was to fill 50 posts for the end of the 2022/23 financial year, by filling 84 posts, however, as some posts filled has been through internal promotions, compounded by recorded resignations, retirements and transfers out of the Department thus contributes to the underspending on compensation of employees.

Goods and services underspend due to delayed procurement on some projects which could not be finalised by the end of the financial year, other projects were done in house and have performed as targeted while some projects will be deferred to the coming financial year.

The underspending on transfers and subsidies was mainly due to less than anticipated expenditure to the Road Traffic Infringements Agency (RTIA) for the AARTO roll-out due to the court judgement as well as less intake on the taxi recapitalisation which is demand driven.

Measures put to prevent over/under expenditure

Compensation of employees- the department will fast-track the filling of vacant funded posts. The progress on the filling of vacant posts is reported to the Executive Management Committee of the Department as well as to the Audit Committee.

Goods and services: The procurement plan has target dates for bid specification, bid award, contract commencement as well as the contract expiry. The department will ensure that target dates as set in the procurement plan are achieved by ensuring that on a monthly basis, the programme managers provides progress on the targets

dates as set in the procurement plan. Should the target not be met, the section heads must provide the reasons for non-achievement and will be held accountable for the non- achievement of the targets as per the procurement plan.

Transfers and subsidies: The transfers are made as per the approved payment schedule and when all the conditions of the transfers are met. The department will ensure the transfers are done as per the approved Division of Revenue Bill payment scheduler. To improve control the department has created a checklist on all transfers which is signed by the Chief Financial officer before processing any transfer payment, reminders are sent out to the branches, revision on payment schedule is done when necessary and meetings with provinces and municipalities is done. Oversight is done on conditional grants.

With regard to the other entities department utilizes a Shareholder Compacts and Annual Performance Agreement, the Corporate Plans and Strategic Plans to oversee and monitor the entities. Quarterly reports prepared by the different branches and submitted to the Minister and feedback given to Public Entities. Quarterly Financial and Performance Reports submitted to the Minister Bilaterals with the entities are conducted.

PFMA checklist is in place to monitor the controls. The department prepares an acknowledgement letters after receiving of the quarterly reports as well as the feedback letter on the performance of the entities. Transport Legislative Policies are in place to guide implementation. South African Inter-Governmental (I-GR) Framework Act,2005 to guide integrated planning and coordination between the three spheres of government.

- 2. Appraise the Committee on all possible service delivery implications on the proposed allocation reduction for the Department, from the 2022/23 adjusted allocation of R95.1 billion to a proposed allocation of R79.6 billion in 2023/24. Furthermore, appraise the Committee on how the Department plans to utilise the proposed allocation of R79.6 billion in a manner that is effective, efficient and economical.**

The department's budget has reduced by an average annual growth of 0,3 per cent over the medium term this was mainly due to a once off special allocation of R23.7 billion in 2022/23 as partial solution to the Gauteng freeway improvement project not generating enough toll revenue to service the debt raised for its construction, however, there was increase in the department's baseline allocation of a total amount of R16,6 billion over the medium term, mainly in the Road Transport programme under the provincial roads maintenance grant to provides for the maintenance and rehabilitation of the provincial road network to prolong its lifespan and part of the allocation which is specifically earmarked for road refurbishment, disaster relief and the construction of bridges in rural areas as well as to the South African National Roads Agency Ltd (SANRAL) for the non-toll portfolio network. The department has been allocated a total amount of R79,565 billion in 2023/24, R86,718 billion in 2024/25 and R94,152 billion in 2025/26 financial years.

Department plans to utilize the proposed allocation of R79.6 billion in a manner that is effective, efficient and economical, expenditure overview over the medium term.

Over the medium term, the department aims to streamline efforts towards improving mobility and access to social and economic activities. It expects to achieve this by cultivating an enabling environment for the maintenance of national and provincial road networks, facilitating integrated road-based public transport services and revitalising passenger services. Transfers and subsidies account for an estimated 98 per cent (R255.3 billion) of the department's expenditure over the next 3 years, increasing at an average annual rate of 9.7 per cent. Of this, R155 billion is directed towards transport public entities and agencies to carry out their mandated functions, and R98.5 billion is transferred to other spheres of government with concurrent transport functions through the provincial roads maintenance grant, the public

transport operations grant, the public transport network grant and the rural roads asset management systems grant.

Other spending areas worth noting are goods and services and compensation of employees. Over the period ahead, the department has allocated R3.5 billion for spending on goods and services, and R1.7 billion for compensation of employees. The goods and services budget are mainly used to fund the preparation and acquisition of a central roads data repository which is expected to standardise and improve the quality of information on road asset management systems as well as the unitary payments towards building a tug boat for monitoring South Africa's coastlines under the department's maritime pollution prevention function. The department expects to remain within the expenditure ceiling for compensation of employees which is expected to increase at an average annual rate of 2.2 per cent from R498 million in 2022/23 financial year to R533.8 million in 2025/26 financial year as it continues to address critical vacancies. The number of personnel is expected to increase from 817 in 2022/23 to 837 in 2025/26.

Cultivating an enabling environment for maintaining road networks

The Road Transport programme facilitates activities related to maintaining the country's national and provincial road networks. Investments in road networks are targeted at ensuring that passengers and freight carriers, which haul close to 80 per cent of South Africa's freight load, have adequate access to safe roads. The department has allocated R143 billion over the next 3 years to the Road Transport programme to fund efforts to construct, upgrade and maintain the national and provincial road networks. Allocations to the South African National Roads Agency are made through the programme's Road Oversight subprogramme, which is responsible for transferring an estimated R89 billion over the MTEF period. The agency plans to use R56.5 billion of its departmental transfer to maintain the national non-toll network, R3.9 billion for the N2 Wild Coast project, R2.9 billion for the R573 (Moloto Road) development corridor and R2.2 billion for the Gauteng freeway improvement project. The agency received a special allocation of R23.7 billion in 2022/23 a partial solution to the Gauteng freeway improvement project not generating enough toll revenue to service the debt raised for its construction. This

allocation is expected to provide the agency with significant cash to service several large debt redemptions and related maintenance in 2023/24. The agency is set to receive R60 million over the MTEF period to implement government's pilot of a single ticketing system for public transport.

The road maintenance component of the provincial roads' maintenance grant provides funds to maintain the provincial road network and prolong its life span. For this purpose, R52 billion is allocated to the grant over the medium term through the road transport programme. The grant prioritises different elements of road asset preservation strategies including maintenance and rehabilitation. The refurbishment and rural bridges components of the grant provides for road refurbishment efforts and the construction of 96 rural bridges, for which R10.9 billion is earmarked. Provinces are expected to use funds from the grant to rehabilitate 9 893 lane kilometers, reseal 13 122 lane kilometers, regravell 19 355 kilometers and blacktop-patch 6.5 million square kilometers. To ensure that investment in and maintenance of the provincial road network is appropriately prioritised, over the medium term, an amount of R60 million continues to be prioritised for the standardisation and expansion of the roads central data repository.

Facilitating integrated road-based public transport networks

The department plans to achieve seamless integration of all modal public transport operations that delivers a public transport system that is efficient, affordable, safe and reliable. To achieve this, the public transport network grant funds the infrastructure and indirect costs of bus rapid transit services in Cape Town, Ekurhuleni, George, Johannesburg, Nelson Mandela Bay and Tshwane under the public transport programme. In these cities, funding from the grant is expected to lead to a combined increase in the number of weekday passenger trips on bus rapid transit services from a combined 250 555 in 2022/23 to 363 490 in 2025/26. Transfers to the grant are set to increase from R6 billion in 2022/23 to R8.4 billion in 2025/26. The public transport operations grant, which subsidises bus services in provinces, is expected to increase from R7.1 billion in 2022/23 to R8.1 billion in 2025/26. Together, these grants represent an estimated R46.1 billion of the department's planned spending over the MTEF period.

Revitalising passenger rail services

Inefficient investments in, and the deferred maintenance and insufficient safeguarding of South Africa's rail infrastructure has resulted in the rapid deterioration of the passenger rail network and its services. To overcome these challenges, over the medium term, the department will assist in the recovery of the rail network. It plans to do this by making transfers to the Passenger Rail Agency of South Africa through the Rail Transport programme, which amount to an estimated R64.1 billion over the period ahead, 24.6 per cent of the department's total budget. These funds will mainly be used for the agency's shift in focus towards implementing its strategic corridor recovery programme and continuing with its rolling stock renewal drive. The transfers include funding for capital expenditure, which increase at an average annual rate of 3.8 per cent, from R12.6 billion in 2022/23 to R14.1 billion in 2025/26. The portion of the transfers to the agency for operational expenditure increases at an average annual rate of 4.3 per cent, from R7.2 billion in 2022/23 to R8.2 billion in 2025/26, as more commuter lines go online.

3. Appraise the Committee on how the Department plans to speedily facilitate the rehabilitation and maintenance of the National and Provincial road network through the proposed allocations on the Bill.

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With regards to the national road, allocations to the South African National Roads Agency are made through the programme's Road Oversight subprogramme, which is responsible for transferring an estimated R89 billion over the MTEF period. The agency plans to use R56.5 billion of its departmental transfer to maintain the national non-toll network, R3.9 billion for the N2 Wild Coast project, R2.9 billion for the R573 (Moloto Road) development corridor and R2.2 billion for the Gauteng freeway improvement project. The agency received a special allocation of R23.7 billion in 2022/23 a partial solution to the Gauteng freeway improvement project not generating enough toll revenue to service the debt raised for its construction. This allocation is expected to provide the agency with significant cash to service several large debt redemptions and related maintenance in 2023/24.

Road Transport

The details of the Road Maintenance Programme are:

(a) national road network

- 23 536 km (100% of road network) shall be serviced by Routine Maintenance Contracts;
- 1 200 km roads shall be resurfaced;
- 270 km of road shall be strengthened / improved;
- to create delivery capacity for the country, the following is planned:
 - 200 persons will be employed to obtain practical experience for undergraduate studies;
 - 135 bursaries shall be awarded;
 - 250 scholarships shall be awarded;
 - 1000 employment opportunities provided for SETA graduates on SANRAL projects.

(b) Besides the funded allocated to SANRAL for the maintenance of the National Road Network (non-toll portfolio), the department is providing implementation support to provinces (maintenance and upgrading projects) and municipalities (planning support) through the Provincial Road Maintenance Grant (PRMG) to cover:

- rehabilitation of surfaced roads
- surfacing of paved roads (overlay or reseal)
- number of m² of blacktop patching (including pothole repairs)
- re-gravelling of gravel roads;
- blading of gravel roads;
- upgrading of gravel roads upgraded (mainly funded from provincial equitable share budgets)

The details of the financial allocation to provinces are:

Provinces	Column A	Column B	
	Allocation	MTEF Estimates	
	2023/24	2024/25	2025/26
	R'000	R'000	R'000
Eastern Cape	2 092 611	1 576 947	1 647 594
Free State	1 813 109	1 475 457	1 541 558
Gauteng	1 092 661	750 123	783 730
KwaZulu-Natal	3 394 685	2 460 472	2 570 701
Limpopo	1 782 057	1 323 498	1 382 791
Mpumalanga	1 452 872	999 250	1 044 016
Northern Cape	1 387 576	1 174 694	1 227 320
North West	1 426 044	1 055 628	1 102 920
Western Cape	1 425 471	1 059 248	1 106 702
Unallocated	-	5 241 845	6 568 700
Total	15 867 086	17 117 162	18 976 032

Table A: PRMG Budgets

	Rehabilitation	Welisizwe Rural Bridges
o Eastern Cape	R275 million	R190 million
o Free State	R250 million	R130 million
o Gauteng	R379 million	
o KwaZulu Natal	R379 million	R190 million
o Limpopo	R360 million	R190 million
o Mpumalanga	R341 million	R190 million
o Northern Cape	R257 million	
o North West	R275 million	R130 million
o Western Cape	R415 million	

Table B: Special Allocations within PRMG (2023/2024)

(a) 96 bridges per annum are planned to be constructed through the Welisizwe Rural Bridges Programme, through the partnership between Department of Public Works & Infrastructure and the South African National Defense Force.

The PRMG Refurbishment component allocation may only be allocated to new facilities which comprises works that aim to improve network capacity; and includes:

(b) the upgrading of earth (dirt) road to an engineered gravel road;

- (c) the upgrading of a gravel road to a surfaced road; and
- (d) upgrading of single carriageway road to four-lane or dual carriageway road;
- (e) the construction of new gravel or surfaced road where previously no road existed (brown/green fields construction)
- (f) the construction of new bridge to replace existing bridge or new interchange to replace intersection.

In addition to the above,

- (g) the Disaster Management Plan shall be finalized;
- (h) reconstruction and rehabilitation of road flood-damaged Infrastructure will be undertaken;
- (i) the Road inventory data will be updated; and
- (j) the Provincial and municipal Road Asset Management System (RAMS) data will be analysed to verify, validate and/or support implementation of the plans by the Road Authorities.

In line with Cabinet Directives, Department of Transport, using SANRAL as its implementing Agency shall accelerate Operation Vala Zonke and address the challenges of fixing potholes and resurfacing of roads where necessary in alignment with the S'hamba Sonke Programme, through partnerships with the various Road Authorities. In this regard, Department will also facilitate for SANRAL:

- (k) to assist Road Authorities in using the central road assessment system,
- (l) to prioritise a road network that require maintenance or improvement;
- (m) to assist the Road Authorities to procure and enter into service contracts with service providers for the maintenance and improvement of the identified network according to clearly specified requirements that is transparent and competitive procurement around private sector contracting.
- (n) work with the road authorities to appointed service providers and/or partners responsible for the design, construction, upgrading, refurbishment and maintenance (routine and periodic) of roads within their portfolios.
- (o) monitor performance through measurements, according to a set of performance criteria (measuring road condition) as per COTO requirements,

(p) to support provinces to in uploading data onto the Central Data repository (road asset management system) for tracking and reporting purposes.

SANRAL shall be required to:

- (q) host the network condition data for all authorities as they did up to 2014 again and provide secure remote access to the data via our Web Enable ITIS solution to DOT/Treasury and other Authorities (Provinces / Municipalities) for their data upload and reporting with immediate effect.
- (r) provide training to other Authorities on how to upload own data in terms of TMH 18 and extract relevant data from ITIS system. Where further assistance is required from SANRAL, new reports requested, new functionality requested, additional hardware capacity, additional software licences, or additional internet bandwidth required the additional costs associated with these will be quantified and charged though cost arrangement with relevant Authorities.
- (s) verify, validate and upload the data into ITIS;
- (t) build the complete spatial dataset on the ITIS platform and compare the results to latest aerial images to identify missing road network sections as illustrated below.
- (u) use the ITIS platform to identify missing roads and build a Road GIS (100%) for entire road network, and
- (v) to use the TRH26 road classifications received from each authority and apply it to above spatial dataset and verify it to ensure classification alignment across Authority boundaries and thus complete the TRH26 classification process. This included the process to identify, map out and classify the estimated 131 919km of roads not yet proclaimed (not formally assigned to any authority).
- (w) to implement the launches in partnership with provincial road authorities and implement the marketing and communication plan for Operation Vala Zonke;
- (x) to provide direct implementation support if a particular Roads Authority signed a MOU and allocated a budget for the works to be undertaken.

In addition to the above, the suite of remote desktop and mobile App solutions/tools that was developed by SANRAL will also be made available for all road authorities to capture for example:

- (y) Routine Maintenance: Issue Job Instructions for pothole repairs, guardrails repairs, fence repairs, crack sealing, grass cutting, litter collection, etc. (Geotagged Photos electronically work flowed to appointed contractor/subcontractor for relevant section of road), track execution of instruction (Geotagged Photos) and finalise payment.
- (z) Incident capture: Capture all road incidents and associated information.
- (aa) employment capture: Capture all relevant details of individuals employed on all projects and daily hours spend on projects for reporting requirements.
- (bb) SMME employment: Capture all relevant details of SMME employed on all projects for reporting requirements.
- (cc) to integrate and host such digital transport mater plan for South Africa on the ITIS web enabled GIS portal.

Because South Africa currently has no single digital transport master plan, and although some localised digital plans exist in various metropolitan authorities these tend to be totally outdated and not integrated. A coordinated national level digital transport master plan of these elements will ensure maximum social benefit can be derived from fiscal spend in the transport sector across all transport modes and all three spheres of government. Transport Master Plan defines the target state of the Transport System in the long term and includes the infrastructure and transport services that would be required to support the country's economy now and at that future time. It provides the footprint for infrastructure development, coordinating infrastructure provision, either upgrading existing infrastructure or building new, in the most economical way.

4. Appraise the Committee on possible service delivery implications and impact of the proposed allocation reductions in key subprograms that are critical to the safety of their respective sectors over the MTEF, namely;

Road oversight sub-programme. The road oversight sub-programme has decreased by an average annual growth of 4.1 per cent. This was mainly due to a once off special allocation of R23.7 billion in 2022/23 as partial solution to the Gauteng freeway improvement project not generating enough toll revenue to service the debt raised for its construction, however, there was increase in the department's baseline allocation of a total amount of R16,6 billion over the medium term, mainly in the Road Transport programme under the provincial roads maintenance grant to provides for the maintenance and rehabilitation of the provincial road network to prolong its lifespan and part of the allocation which is specifically earmarked for road refurbishment, disaster relief and the construction of bridges in rural areas as well as to the South African National Roads Agency Ltd (SANRAL) for the non-toll portfolio network, therefore there are were no possible service delivery implications.

Aviation Policy and Regulations sub-programme. the sub-programme decreased by an average annual growth of 7.6 per cent mainly as a result of a once off court settlement in the 2021/22 financial year in the matter of Ndorum Joint venture for the refurbishment of Mthatha Airport.

Aviation Oversight sub-programme. The sub-programme decreased by an average annual growth of 11.7 per cent. This was mainly due to once off allocation for the capitalisation of Airports Company South Africa which needed support due to travel restrictions as a result of the Covid-19 pandemic in the 2020/21 financial year as well as funds allocated to the South African Civil Aviation Authority from 2020/21 financial year to support the agency as a result of the Covid-19 restrictions. Funding to the South African Civil Aviation Authority reduces from R187.9 million in 2022/23 to R93.7 million in 2025/26 as travel restrictions are being lifted.

There were no possible service delivery implications on the above two sub-programmes as over the medium term the civil aviation branch will continue to facilitate the development of an economically viable air transport industry that is safe,

secure, efficient, environmentally friendly and compliant with international standards, spending in the Aviation Safety, Security, Environment, and Search and Rescue and Aviation Oversight sub-programmes accounts for the majority of the programme's budget. Over the medium term the Sub-programme Aviation Safety, Security, Environment, and Search and Rescue increased by an average annual rate of 4.3 per cent from R91.6 million in 2022/23 to R103.9 million in 2025/26 financial year. Communications in this programme is expected to increase by 5.8 per cent from R73 million to R86.5million in 2025/26 financial year to assist the department to provide the watch keeping services. The aviation oversight sub-programme is responsible for transfers to the South African Civil Aviation Authority, international aviation organisations, non-profit organisations as well as management of accident and investigations with regards to aviation accidents.

Maritime Infrastructure and Industry Development sub-programme. The sub-programme decreased by an average annual grown of 5.4 per cent. The programme spent less the 2021/22 financial year than what anticipated as the following projects: the automated vessel clearance and the marine court of enquiry were deferred to the 2022/23 financial year including the IMO World Maritime parallel event which was suspended as a result of the covid-19 pandemic. There were no possible service delivery implications as the department managed to hold a successful IMO World Maritime parallel event in October 2022.

Rural Scholar Transport sub-programme. The sub-programme decreased at an average annual growth of 0.1 per cent as the department could not finalise the procurement process due to National Treasury directive to suspend advertisements of tenders following the ConCourt ruling on the preferential procurement regulations in the 2021/22 financial year. There are no possible service delivery implications as the sub-programme has been allocated R39.4 million in 2023/24, R44.7 million in 2024/25 and R45.7 million in 2025/26 to continue to among others implement the Shova Kalula programme and improve the public transport planning by assisting 2 district municipalities per year over the medium term to develop integrated public transport network plans.

5. In addition to the above, The Department is requested to provide a brief overview on the following matters:

- An overview of the Department's contribution to the South African Economic Reconstruction and Recovery Plan, Broad-Based Black Economic Empowerment and localization of goods and services;

DoT Contribution to the South African Economic Reconstruction and Recovery Plan

A report on Transport Sector inputs on the Economic Recovery and Reconstruction Plan is herein attached as **Annexure F**.

Contribution to B-BBEE through entities is as follows:

Airports Company South Africa (ACSA)

Black business contributed 42% of commercial revenue (Annual Report 2022) and job opportunities supported were 17 130.

R985m of construction spend went to B-BBEE suppliers as well as R293m of the IT budget went to black owned companies. In terms of their strategy 40% of IT procurement is to be allocated to black owned businesses and R1m to be spent in upskilling black owned SMMEs.

South African National Road Agency Limited (SANRAL)

More than 51% black owned EMEs (1032) and QSEs (221) were awarded the Road Asset Infrastructure Management contract. Routine Road Maintenance (RRM) contracts have been awarded to black owned entities. On consulting area all RRM contracts were awarded to EMEs and QSEs that are at B-BBEE level 1 or 2. (Annual Report 2022)

Passenger Rail Agency South Africa (PRASA)

In terms of their fleet renewal strategy, R376b has been allocated to black empowerment over the 20 year period.

Localisation of goods and services

- The Department implemented a Preferential Procurement Policy aligned with the new Preferential Procurement Regulations of 2022. The Policy standardised the set of goals for quotations below R1 million, whereas goals for tenders are developed during the Specification process.
- Currently the Department's goals focus on promoting preference to black designated groups as defined by the BBBEE Act, with special emphasis on black women ownership, to align with Government's decision to promote women empowerment and gender equality.
- In terms of local production and content, the Department included the requirements for all current and previous projects within the designated sectors listed by dtic and regulated through National Treasury practice notes.
- Furthermore, the Department utilises the capability of the Central Supplier Database to source within rural areas to promote local sourcing by appointing service providers in local areas, when specific events are held within those communities.
- The Department plans to review their Preferential Procurement Policy annually to ensure that it continuously aligns with government goals.
- The Department is concerned that a significant gap has been created by the amended Preferential Procurement Regulations in regulating local production. The Department hopes that National Treasury and the dtic will issue new instruction notes to ensure the advancement of local production and content.

- **Overview of any legal impediments to the Department achieving economic transformation and, if yes, provide proposals in this regard; and**

The court case between the Organisation Undoing Tax Abuse (OUTA) Vs Minister of Transport, Minister of Co-operative Governance and Traditional Affairs, Road Traffic infringement Authority and Transport Appeal Tribunal.

This is a matter where the applicants brought in the High Court of SA by OUTA, for declaring the Administrative Adjudication of Road Traffic Offences Act, (Act No. 46 of 1998. (AARTO). The matter was since adjudicated in the Constitutional Court, and the Department is still awaiting judgement on the matter.

The impediment brought about by this legal challenge and the delay in passing this judgement is that the Act cannot be implemented, and it hamstrung the adjudication process of Traffic Offences by a Special Traffic Court, and further, the implementation of the demerit points system.

- **Any other material matter that may assist the Committee in exercising its oversight function.**

None.