14 June 2019

**BUDGET ANALYSIS: VOTE 35: DEPARTMENT OF TRANSPORT**

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| **TABLE OF CONTENTS**[1. Introduction](#_Toc473794979) 2[2. Overview of the 2018/19 financial year](#_Toc473794980) ..3 2.1 First Quarter Expenditure of 2018/19………………………………………………………...3 2.2 Second Quarter Expenditure of 2018/19…………………………………………………….4 2.3 Third Quarter Expenditure of 2018/19………………………………………………………..6[3. Policy Priorities for 2019/20 and alignment WITH national, regional, contineNtal and global development agendas (ndp, nine point plan, sadc-ridmp, agenda 2063 & SDGs)](#_Toc473794981) 7 3.1 NDP, MTSF and Road Infrastructure………………………………………………………..7 3.2 Passenger Rail infrastructure and Services………………………………………………..8 3.3 Nine Point Plan in the Context of the NDP…………………………………………………8 3.4 Agenda 2063…………………………………………………………………………………..9[4. Budget Analysis](#_Toc473794982) 10[4.1. Programme Analysis](#_Toc473794983) 12 [4.1.1. Programme 1: Administration](#_Toc473794984) 12 4.1.2 Programme 2: Integrated Transport Planning…………………………………………...13 4.1.3 Programme 3: Rail Transport……………………………………………………………...14 4.1.4 Programme 4: Road Transport…………………………………………………………...16 4.1.5 Programme 5: Civil Aviation Transport…………………………………………………..17 4.1.6 Programme 6: Maritime Transport………………………………………………………..18 4.1.7 Programme 7: Public Transport…………………………………………………………..20[5. Key Issues for Consideration by Parliament](#_Toc473794985) [21 References](#_Toc473794986) 22 |

1. **INTRODUCTION**

The Constitution of the Republic of South Africa, 1996, identifies the legislative responsibilities of different spheres of Government pertaining to airports and civil aviation, road infrastructure, rail transport, maritime transport, road traffic management, as well as public transport. 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 level takes place through public entities that are overseen by the Department of Transport (“the Department”), each with a specific delivery mandate, as specified in pieces of legislation establishing these entities.

The 1996 White Paper on Transport defines the infrastructure and operations of rail, pipelines, roads, airports, harbours, as well as the intermodal operations of public transport and freight. The Department is responsible for the legislation and policies for all these sub-sectors. The Department is, therefore, entrusted with conducting sector research, formulating legislation and policy to set the strategic direction of sub-sectors, assigning responsibilities to public entities and other spheres of Government, regulating through setting norms and standards, and monitoring implementation.

In an endeavour to discharge its mandate effectively and efficiently, 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 structure of the Department places significant emphasis on modes of transport. Complementing this modal emphasis are two programmes that seek to provide strategic support to key programmes of the Department. It is the belief of the Department that its internal programmes not only set its agenda, but they bode well “for a collective, integrated and harmonised approach to addressing sector challenges”.[[1]](#footnote-1)

This brief analyses the budget of the Department for 2019/20. It is divided into five sections. These are the introduction, the overview of the performance of the Department in 2018/19, policy priorities for 2019/20 and how they are aligned with national, regional, continental and global developmental agendas, as well as the budget analysis. It concludes with a suggestion of key issues for consideration by Parliament.

1. **OVERVIEW OF THE 2018/19 FINANCIAL YEAR**[[2]](#footnote-2)
	1. **First Quarter of 2018/19**

**Table 1: 2018/19 First Quarter Expenditure**

| Programme | 2018/19 First Quarter Expenditure |  |  |
| --- | --- | --- | --- |
| R ‘million | AvailableBudget | Actual Expenditure | Expenditure as % of Available Budget | Projected Expenditure | %Variance from Projected Expenditure |
| Programme 1: Administration | 430.1 | 71.6  | 16.6% | 101.5 | 29.5% |
| Programme 2: Integrated Transport Planning | 90.0 | 14.9 | 16.6% | 26.7 | 27.9% |
| Programme 3: Rail Transport | 18 887.3 | 2 359.3 | 12.5% | 1 602.7 | -47.2% |
| Programme 4: Road Transport | 27 098.8 | 6 328.7 | 23.4% | 6 149.8 | -2.9% |
| Programme 5: Civil Aviation Transport | 182.3 | 28.4 | 15.6% | 55.0 | 48.3% |
| Programme 6: Maritime Transport | 119.9 | 28.2 | 23.5% | 28.7 | 1.7% |
| Programme 7: Public Transport | 12 990.0 | 1 084.7 | 8.4% | 1 251.7 | 13.3% |
| TOTAL | **59 798.3** | **9 915.9** | **16.6%** | **9 210.1** | **-7.7%** |
| (Source: National Treasury (2018a), adapted.\* Percentage variance: Negative figures show actual expenditure exceeds what was projected for the period. |

For the 2018/19 financial year, the budget allocation for the Department stands at R59.8 billion. By the end of the First Quarter, the Department had spent R9.9 billion (16.6%) of its overall allocation – which resulted in 7.7% higher spending than anticipated for the period.[[3]](#footnote-3) The higher than anticipated spending was mainly in the Rail Transport programme for *Transfers and Subsidies*.

By the end of the First Quarter of 2018/19, the Department had spent R100.2 million on *Compensation of Employees*, indicating lower than projected spending of R22.1 million. The delay in spending on compensation was mainly owing to the slow filling of vacant posts since executive management approval was still pending. The Department had 652 filled posts, against a funded establishment of 739 posts. The vacancy rate stood at 11.8% or 87 vacant posts.[[4]](#footnote-4)

**2.2 Second Quarter of 2018/19**

**Table 2: 2018/19 Second Quarter Expenditure**

| Programme | 2018/19 Second Quarter Expenditure |  |  |
| --- | --- | --- | --- |
| R ‘ Million | AvailableBudget | Actual Expenditure | Expenditure as % of Available Budget | Projected Expenditure | %Variance from Projected Expenditure |
| Programme 1: Administration | 430.1 | 160.7  | 37.4% | 209.7 | 23.3% |
| Programme 2: Integrated Transport Planning | 90.0 | 35.1 | 39.0% | 44.7 | 21.6% |
| Programme 3: Rail Transport | 15. 887.3 | 3 805.9 | 24.0% | 9 487.4 | 59.8% |
| Programme 4: Road Transport | 30 102.4 | 14 328.8 | 47.6% | 14 200.8 | -0.9% |
| Programme 5: Civil Aviation Transport | 182.3 | 89.9 | 49.3% | 97.2 | 7.5% |
| Programme 6: Maritime Transport | 119.9 | 57.5 | 48.0% | 57.6 | 0.0% |
| Programme 7: Public Transport | 12 986.4 | 3 668.9 | 28.3% | 4 505.0 | 18.6% |
| TOTAL | **59 798.3** | **22 146.9** | **37.0%** | **28 582.4** | **22.5%** |
| (Source: National Treasury (2018a), adapted.\* Percentage variance: negative figures show actual expenditure exceeds what was projected for the period. |

By the end of the Second Quarter of 2018/19, the Department spent R22.1 billion (37.0% of its allocation) – indicating a slower spending than the R28.6 billion planned for this period. The delay in spending was again mainly in the Rail Transport programme. The Department spent R209.6 million on the *Compensation of Employees*, against the projected spending of R243.9 million. This translated into lower than projected spending of R34.3 million.[[5]](#footnote-5)

The Administration programme also experienced lower than what was planned spending mainly due to the slow filling of vacant posts, outstanding invoices for the office accommodation lease and procurement delays for information technology (IT) security, public-private partnership (PPP), fleet transaction advisory services and private automated business exchange (PABX) telephone services.

As at the end of the Second Quarter of 2018/19, the National Treasury had approved the following virements and shifts of funds:[[6]](#footnote-6)

* R333.3 million from PRASA. Other capital programmes transfer to PRASA: Metrorail transfer line;
* R124.6 million from PRASA. Other capital programmes transfer line to PRASA: Mainline Passenger Services transfer line; and
* R832.9 million from PRASA: Other capital programmes transfer line to PRASA: Rail maintenance operations and inventories transfer line.

**2.3 Third Quarter Expenditure of 2018/19**

**Table 3: 2018/19 Third Quarter Expenditure**

| Programme | 2018/19 Second Quarter Expenditure |  |  |
| --- | --- | --- | --- |
| R Thousand | AvailableBudget | Actual Expenditure | Expenditure as % of Available Budget | Projected Expenditure | %Variance from Projected Expenditure |
| Programme 1: Administration | 430.1 | 256.1 | 59.6% | 272.3 | 5.9% |
| Programme 2: Integrated Transport Planning | 90.0 | 55.5 | 61.7% | 58.8 | 5.6% |
| Programme 3: Rail Transport | 15. 887.3 | 6 543.6 | 41.2% | 6 545.2 | 0.0% |
| Programme 4: Road Transport | 30 098.8 | 20 177.4 | 67.0% | 20 183.6 | 0.0% |
| Programme 5: Civil Aviation Transport | 182.3 | 124.2 | 68.2% | 136.9 | 9.3% |
| Programme 6: Maritime Transport | 119.9 | 92.2 | 76.9% | 92.9 | 0.7% |
| Programme 7: Public Transport | 13 023.0 | 7 209.2 | 55.4% | 7 106.2 | -1.5% |
| TOTAL | **59 841.5** | **34 458.3** | **57.6%** | **34 406.0** | **-0.2%** |
| (Source: National Treasury (2018a), adapted.\* Percentage variance: Negative figures show actual expenditure exceeds what was projected for the period. |

By the end of Third Quarter, the Department spent R34.5 billion (or 57.6% of the total available budget), indicating higher than expected spending of 0.2%.[[7]](#footnote-7) By end December 2018, the Department had spent R329.7 million (or 66.4%) of available budget on *Compensation of Employees*. Spending on compensation was a lower than projected – i.e. 1.6%. This was mainly due to the filling of vacant posts. Of the 739 funded posts on its establishment, 652 were filled posts, translating into a vacancy rate of 11.8%.

By the end of the Third Quarter of 2018/19, the National Treasury and Parliament had approved the following virements and the shifting of funds:[[8]](#footnote-8)

* R333.3 million from the Passenger Rail Agency of South Africa (PRASA): Other capital programmes transfer line to PRASA: Metrorail: Operations transfer line;
* R124.6 million from PRASA: Other capital programmes lien to PRASA: Mainline Passenger Services: Operations transfer line;
* R832.9 million from PRASA: Other capital programmes transfer line to PRASA: Rail maintenance operations and inventories line;
* R3 billion from PRASA: Other capital programmes transfer line to the South African National Roads Agency Limited (SANRAL): Non-toll network transfer line; and
* R5.8 billion from SANRAL: Non-toll network transfer line to SANRAL: Gauteng Freeway Improvement Project (GFIP).
1. **POLICY PRIORITIES FOR 2019/20 AND ALIGNMENT WITH NATIONAL , REGIONAL, CONTINENTAL AND GLOBAL DEVELOPMENTAL AGENDAS (NDP, NINE POINT PLAN, SADC-RIDMP, AGENDA 2063 AND SDGS)**

***3.1 NDP, MTSF and road infrastructure***

Chapter 4 of the National Development Plan (NDP) advocates the development of economic infrastructure as the foundation of social and economic development. This call finds expression in Outcome 6 (an efficient, competitive and responsive economic infrastructure network) of Government’s 2014-2019 Medium-Term Strategic Framework (MTSF) with which the work of the Department is directly aligned. It is against this backdrop that the Department has committed itself to intensifying efforts to contribute to Government’s drive against poverty, inequality and unemployment.[[9]](#footnote-9) It seeks to do so through maintaining national and provincial networks, providing passenger rail infrastructure and services, and facilitating integrated public transport networks.

Roads are a crucial component of South Africa’s transport system and economy. According to the 2018 land transport survey, 77.3% of land freight in South Africa is hauled on its roads.[[10]](#footnote-10) This accounts for 73.8% of total land freight income. The dependence on road infrastructure implies that road conditions have a direct bearing on the ease of movement of goods and people across South Africa. This ultimately impacts on overall economic growth. In this regard, SANRAL, carries out upgrades, maintenance and strengthening programmes of the non-toll and toll portfolios on national roads.

***3.2 Passenger rail infrastructure and services***

As far as the passenger rail infrastructure and services are concerned, the Department will continue modernising South Africa’s passenger rail services through PRASA. PRASA’s focus will be on executing its capital programme, intensifying its repairs and maintenance regime, as well as improving security on the rail network. Its rail modernisation programme is intended to achieve, *inter alia*, the following:[[11]](#footnote-11)

* A high proportion of the number of trains originating from South Africa and in line with the government’s local content objectives. To this end, a target of over 65% local content by the end of the ten-year programme has been set;
* The creation of a sustainable and competitive local rolling stock manufacturing sector;
* A strong focus on job creation and job retention;
* The transfer and development of rail related skills to the South African labour force;
* Meaningful black equity ownership at the contractor and sub-contractor level;
* The use and enhancement of existing entities/plants and workforce where possible; and
* A high priority on safety and reliability of the procured rolling stock.

***3.3 Nine Point Plan in context of the NDP***

The NDP offers a long-term perspective. It defines a desired destination and identifies the role different spheres of society need to play in reaching that goal. The Department’s Nine Point Plan, therefore, seeks to give meaning to the objectives and aspirations of the NDP. The objectives of the Nine Point Plan pertaining to transport infrastructure are to:[[12]](#footnote-12)

* 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.

In aligning its programmes to the NDP, the Department will oversee the manufacturing of a rolling stock factory that is based at Dunnottar, Ekurhuleni, in Gauteng. The factory will assist in addressing the triple challenges of poverty, unemployment and inequality. The rolling stock fleet renewal programme is estimated to create over 8 000 direct jobs throughout the Gibela Consortium’s supply chain, with the factory targeting the creation of 1 500 jobs.[[13]](#footnote-13) Nearly all the jobs in the factory will be occupied by South Africans with the aim to employ 85% historically disadvantaged persons, and at least 25% women. The expectation is that, over time, the factory will increase the proportion of women within its workforce to at least 50%.

South Africa’s urban areas are hubs of economic activity and it is, therefore, crucial that they maintain optimal functionality and remain engines of socio-economic growth. Integrated public transports are central to the functioning of these hubs as they provide sustainable, affordable and functional transport solutions to urban areas. To this end, the Department makes allocations in the Public Transport programme for the Public Transport Network Grant (PTNG) that funds the infrastructure and operations of integrated public transport networks (IPTNs) in 13 cities across South Africa.

***3.4 Agenda 2063***

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 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”.[[14]](#footnote-14)

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, cannot be resolved utilising only 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. The partnership between Government and the private sector was underscored by President Ramaphosa in the 2019 State of the Nation Address (SONA) which committed Government to over a ten-year period, contributing R100 billion into the Infrastructure Fund.[[15]](#footnote-15)

A perusal of the Department’s budget allocation for 2019/20 indicates its commitment to national, regional, continental and global imperatives. This is evidenced by strong investments in Road, Rail and Public Transport programmes respectively.

It is a truism that an efficient transport infrastructure provides social and economic benefits to both advanced and emerging economies by improving market accessibility. In addition, it ensures balanced regional, continental and global economic development. Last, but by no means least, an efficient transport infrastructure creates employment, promotes labour mobility, and connects communities.

1. **BUDGET ANALYSIS 2019/20**

**Table 4: Overall Budget – Transport**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Increase / Decrease in 2019/20** | **Real Increase / Decrease in 2019/20** | **Nominal Percent change in 2019/20** | **Real Percent change in 2019/20** |
| **R million** | **2018/19** | **2019/20** |
| 1. Administration |  430.1 |  463.0 |  32.9 |  10.0 | 7.7% | 2.3% |
| 2. Integrated Transport Planning |  90.0 |  169.2 |  79.2 |  70.8 | 88.0% | 78.7% |
| 3. Rail Transport |  15 887.3 | 16 573.8 |  686.5 | - 132.7 | 4.3% | -0.8% |
| 4. Road Transport |  30 098.8 | 33 018.1 |  2 919.3 |  1 287.2 | 9.7% | 4.3% |
| 5. Civil Aviation Transport |  182.3 |  245.1 |  62.8 |  50.7 | 34.5% | 27.8% |
| 6. Maritime Transport |  119.9 |  136.8 |  16.9 |  10.1 | 14.1% | 8.5% |
| 7. Public Transport |  13 023.0 | 13 588.1 |  565.1 | - 106.6 | 4.3% | -0.8% |
| **TOTAL** |  **59 831.3** | **64 194.2** |  **4 362.9** |  **1 189.8** | **7.3%** | **2.0%** |

**(Source: National Treasury (2019)**

For 2019/20, the Department of Transport receives R64.2 billion (excluding direct charges) – constituting 7.3% of the R882.6 billion national budget vote.[[16]](#footnote-16) Without inflation (nominally), the Department’s budget increases by 7.3% from the previous year. This allocation is still higher than inflation; i.e. 2% (real terms). The strongest growth is recorded for the Integrated Transport Planning (78.7% above inflation) and Civil Aviation Transport (27.8% above inflation) programmes.

In terms of economic classification, transfers and subsidies constitute R62.8 billion (or 97.8%) of the departmental budget, and the bulk is allocated to the following bodies:[[17]](#footnote-17)

* Provinces and municipalities (R24.3 billion);
* Departmental agencies and accounts (21.5 billion); and
* Public corporations and private enterprises (R16.5 billion).

The overall allocation to compensation of employees increases from R496.7 million previously to R534.7 million in 2019/20. This year, expenditure on consultants (business and advisory services) is set to increase from R266.2 million to R463.8 million, indicating an above-inflation increase of 65.6%. The exponential increase for consultants (business and advisory services) is linked to changes in the Integrated Transport Planning and Public Transport programmes. Conversely, funding for the use of consultants in the Maritime Transport programme declines from R17.0 million in 2018/19 to R9.7 million in 2019/20 (-45.8% in real terms).

**Issues for Consideration:**

* The Department should provide the reason/s for the increase in the budget for the use of consultants (business and advisory services).
* The Department should provide an explanation for the exponential increase in the budget for the use of consultants in the Integrated Transport Planning programme.
* The budget for the use of consultants in the Public Transport programme has consistently been higher than that of other programmes, the Department should give the reason/s for this.
* The Department should state the reasons for the use of consultants, as well as state the services rendered by these consultants.

**4.1 Programme Analysis**

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

 ***4.1.1 Programme 1: Administration***

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

**Table 5: Programme 1: Administration**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Increase/ Decrease in 2019/20** | **Real Increase/ Decrease in 2019/20** | **Nominal Percent change in 2019/20** | **Real Percent change in 2019/20** |
| **R million** | **2018/19** | **2019/20** |
| Ministry |  35.2 |  37.5 |  2.3 |  0.4 | 6.5% | 1.3% |
| Management |  75.8 |  84.1 |  8.3 |  4.1 | 11.0% | 5.5% |
| Corporate Services |  227.6 |  244.6 |  17.0 |  4.9 | 7.5% | 2.2% |
| Communications |  35.6 |  37.9 |  2.3 |  0.4 | 6.5% | 1.2% |
| Office Accommodation |  55.9 |  59.0 |  3.1 |  0.2 | 5.6% | 0.3% |
| **TOTAL** |  **430.1** |  **463.0** |  **32.9** |  **10.0** | **7.6%** | **2.3%** |

**(Source: National Treasury (2019)**

The Administration programme receives R463.0 million, translating into a 2.3% above-inflation increase from the previous year. All sub-programmes have above-inflation increases from the previous year. The *Corporate Services* sub-programme receives the biggest share of the Administration allocation; i.e. 52%. The highest increase is to the *Management* sub-programme (i.e. 5.5% above inflation).

 ***4.1.2 Programme 2: Integrated Transport Planning***

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

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Increase/ Decrease in 2019/20** | **Real Increase/ Decrease in 2019/20** | **Nominal Percent change in 2019/20** | **Real Percent change in 2019/20** |
| **R million** | **2018/19** | **2019/20** |
| Macro Sector Planning |  15.9 |  17.0 |  1.1 |  0.3 | 6.9% | 1.6% |
| Freight Logistics |  19.0 |  20.2 |  1.2 |  0.2 | 6.3% | 1.1% |
| Modelling and Economic Analysis |  19.3 |  93.7 |  74.4 |  69.8 | 385.5% | 361.5% |
| Regional Integration |  12.7 |  13.5 |  0.8 |  0.1 | 6.3% | 1.0% |
| Research and Innovation |  15.3 |  16.4 |  1.1 |  0.3 | 7.2% | 1.9% |
| Integrated Transport Planning Administration Support |  7.7 |  8.3 |  0.6 |  0.2 | 7.8% | 2.5% |
| **TOTAL** |  **90.0** |  **169.2** |  **79.2** |  **70.8** | **88.0%** | **78.7%** |

**(Source: National Treasury (2019)**

The Integrated Transport Planning programme budget increases by 78.7% above inflation. The allocation totals R169.2 million for 2019/20. This exponential increase is due to the *Modelling and Economic Analysis* sub-programme – its budget surges from R19.3 million previously to R93.7 million in 2019/20. The sub-programme’s allocation increase with 361.5% above inflation (real terms).

The *Modelling and Economic Analysis* sub-programme is responsible for undertaking economic studies and providing “innovative and enabling transport infrastructure funding options that respond to the socioeconomic needs of the national agenda”.[[18]](#footnote-18) The strong growth in its allocation bodes well for the attainment of the Department’s policy priorities for 2019/20. Government has identified investment in transport infrastructure as one of the enablers of economic growth and job creation. However, the sub-programme’s budget is likely to decline over the next two years to R24.3 million (2020/21) and R22.7 million (2021/22).

**Issue for Consideration:**

* The Department should give the reason/s for the exponential increase in the budget allocation for the *Modelling and Economic Analysis* sub-programme, especially in light of the fact that it is likely to decline in the two outer years of the MTEF period.

***4.1.3 Programme 3: Rail Transport***

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

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Increase/ Decrease in 2019/20** | **Real Increase/ Decrease in 2019/20** | **Nominal Percent change in 2019/20** | **Real Percent change in 2019/20** |
| **R million** | **2018/19** | **2019/20** |
| Rail Regulation |  19.8 |  21.1 |  1.3 |  0.3 | 6.6% | 1.3% |
| Rail Infrastructure and Industry Development |  9.5 |  10.1 |  0.6 |  0.1 | 6.3% | 1.1% |
| Rail Operations |  10.6 |  10.8 |  0.2 | - 0.3 | 1.9% | -3.2% |
| Rail Oversight | 15 842.0 | 16 525.7 |  683.7 | - 133.2 | 4.3% | -0.8% |
| Rail Administration Support |  5.4 |  6.0 |  0.6 |  0.3 | 11.1% | 5.6% |
| **TOTAL** | **15 887.3** | **16 573.8** | **686.5** | **- 132.7** | **4.3%** | **-0.8%** |

**(Source: National Treasury (2019)**

Constituting 25.8% of the Department’s budget, the Rail Transport programme is the second largest departmental spending area. The programme’s budget increases from R15.9 billion previously, to R16.6 billion in 2019/20. While this constitutes a nominal increase, when taking into account the effects of inflation (real terms), its allocation in fact declines with 0.8%. The *Rail Oversight* sub-programme receives the biggest allocation of the programme’s budget, and increases from R15.8 billion previously to R16.5 billion in 2019/20. However, this increase is below inflation, and declines with -0.8% (real terms) from its allocation in 2018/19. Transfers to PRASA to the value of R16.5 billion and R63.5 million to the Railway Safety Regulator (RSR) are funded from this sub-programme.

Transfers to PRASA to the tune of R16.5 billion are divided up as per the tables below:

**Table 7: PRASA Transfers: Capital**

| **Entity/Programme****R million** |  **Budget**  |
| --- | --- |
| **2018/19** | **2019/20** |
| PRASA: Capital | R91.9 million | R600 million |
| PRASA: Rolling Stock Fleet Renewal | R4.7 billion | R5.8 billion |
| PRASA: Signalling | R2.0 billion | R2.1 billion |
| PRASA: Metrorail (Refurbishment of caches) | R1.4 billion | R1.5 billion |
| PRASA: Mainline Passenger Service (Refurbishment of coaches) | R160.2 million | R169.2 million |
| **TOTAL** | **R8.4 billion** | **R10.2 billion** |

**(Source: National Treasury (2019)**

**Table 8: PRASA Transfers: Current**

| **Entity/Programme****R million** |  **Budget**  |
| --- | --- |
| **2018/19** | **2019/20** |
| PRASA: Rail maintenance operations and inventories | R1.2 billion | R811 million |
| PRASA: Metrorail (Operations) | R4.6 billion | R4.4 billion |
| PRASA: Mainline Passenger Services (Operations) | R1.6 billion | R1.1 billion |
| **TOTAL** | **R7.4 billion** | **R6.3 billion** |

**(Source: National Treasury (2019)**

 ***4.1.4 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 9: Programme 4: Road Transport**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Increase/ Decrease in 2019/20** | **Real Increase/ Decrease in 2019/20** | **Nominal Percent change in 2019/20** | **Real Percent change in 2019/20** |
| **R million** | **2018/19** | **2019/20** |
| Road Regulation |  42.3 |  45.0 |  2.7 |  0.5 | 6.4% | 1.1% |
| Road Infrastructure and Industry Development |  33.9 |  36.1 |  2.2 |  0.4 | 6.5% | 1.2% |
| Road Oversight | 29 988.2 | 32 900.3 |  2 912.1 |  1 285.8 | 9.7% | 4.3% |
| Road Administration Support |  8.3 |  9,0 |  0.7 |  0.3 | 8.4% | 3.1% |
| Road Engineering Standards |  26.1 |  27.7 |  1.6 |  0.2 | 6.1% | 0.9% |
| **TOTAL** | **30 098.8** | **33 018.1** | **2 919.3** | **1 287.2** | **9.7%** | **4.3%** |

**(Source: National Treasury (2019)**

The total expenditure for the Road Transport programme grows from R30.1 billion in 2018/19 to R33.0 billion in 2019/20. Its above-inflation increase is 4.3% from the previous year.

For this programme, the highest increase is for the *Road Oversight* sub-programme - its allocation grows from R30 billion to R32.9 billion, resulting in 4.3% above-inflation. This is also the sub-programme that dominates the programme budget. 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 SANRAL, the Road Traffic Management Corporation (RTMC), and the Road Traffic Infringement Agency (RTIA). Moreover, the sub-programme makes provision for the PRMG.

Major transfers from the Road Transport programme are as follows:[[19]](#footnote-19)

**Table 10: Major Transfers from the Road Transport Programme**

| **Entity/ Programme****R million** |  **Budget**  |
| --- | --- |
| **2018/19** | **2019/20** |
| RTMC | R200.2 million | R210. 2 million |
| SANRAL: Gauteng Freeway Improvement Project (GFIP) | R6.3 billion | R550.5 million |
| RTIA | R11.7 million | R7.8 million |
| SANRAL | R5.5 billion | R5.6 billion |
| SANRAL: Non-toll network | R5.1 billion | R12.3 billion |
| SANRAL: Moloto Road upgrade | R1.8 billion | R1.7 billion |
| SANRAL: N2 Wild Coast | - | R1 billion |
| Rural Roads Asset Management Systems (RRAMS) Grant | R107.5 million | R113.9 million |
| PRMG: Road maintenance component | R10.3 billion | R10.6 billion |
| PRMG: Disaster relief component | R210.0 million | R206.2 million |
| PRMG: Mpumalanga coal haulage roads maintenance | R501.1 million | R526.2 million |

**(Source: National Treasury (2019)**

Expenditure under Programme 4 lends credence to policy priorities for 2019/20. 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.

 ***4.1.5 Programme 5: Civil Aviation Transport***

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

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Increase/ Decrease in 2019/20** | **Real Increase/ Decrease in 2019/20** | **Nominal Percent change in 2019/20** | **Real Percent change in 2019/20** |
| **R million** | **2018/19** | **2019/20** |
| Aviation Policy and Regulations |  28.0 |  27.8 | - 0.2 | - 1.6 | -0.7% | -5.6% |
| Aviation Economic Analysis and Industry Development |  13.1 |  15.0 |  1.9 |  1.2 | 14.5% | 8.8% |
| Aviation Safety, Security, Environment and Search and Rescue |  75.9 |  123.5 |  47.6 |  41.5 | 62.7% | 54.7% |
| Aviation Oversight |  59.9 |  73.0 |  13.1 |  9.5 | 21.9% | 15.9% |
| Aviation Administration Support |  5.3 |  5.8 |  0.5 |  0.2 | 9.4% | 4.0% |
| **TOTAL** |  **182.3** |  **245.1** |  **62.8** |  **50.7** | **34.4%** | **27.8%** |

**(Source: National Treasury (2019)**

For 2019/20, the allocation to the Civil Aviation Transport programme equals R425.1 million, up from R182.3 million previously, translating into an increase of 27.8% above inflation. The strong increase in the *Aviation Safety, Security, Environment and Search and Rescue* sub-programme constitutes 54.7% above inflation. The sub-programme allocation grows from R75.9 million to R123.5 million in 2019/20. The next highest increase (15.9% above inflation) is for the *Aviation Oversight* sub-programme - growth is from R59.9 million in 2018/19 to R73.0 million in 2019/20.

**Issue for Consideration:**

* The Department should provide the reason/s for the exponential increase in the budget allocation for the Civil Aviation Transport programme.

 ***4.1.6 Programme 6: Maritime Transport***

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

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Increase/ Decrease in 2019/20** | **Real Increase/ Decrease in 2019/20** | **Nominal Percent change in 2019/20** | **Real Percent change in 2019/20** |
| **R million** | **2018/19** | **2019/20** |
| Maritime Policy Development |  11.6 |  12.3 |  0.7 |  0.1 | 6.0% | 0.8% |
| Maritime Infrastructure and Industry Development |  12.4 |  12.9 |  0.5 | - 0.1 | 4.0% | -1.1% |
| Implementation, Monitoring and Evaluation |  61.7 |  65.5 |  3.8 |  0.6 | 6.2% | 0.9% |
| Maritime Oversight |  30.0 |  41.5 |  11.5 |  9.4 | 38.3% | 31.0% |
| Maritime Administration Support |  4.2 |  4.6 |  0.4 |  0.2 | 9.5% | 4.1% |
| **TOTAL** |  **119.9** |  **136.8** |  **16.9** |  **10.1** | **14.1%** | **8.5%** |

**(Source: National Treasury (2019)**

The budget allocation for the Maritime Transport programme increase from R119.9 million to R136.8 million in 2019/10, translating into an increase of 8.5% above inflation. The biggest budget increase is the *Maritime Oversight* sub-programme that grows up from R30.0 million in 2018/19 to R41.5 million in 2019/20. This indicates an above inflation increase of 31.5%.

**Issue for Consideration:**

* The Department should give the reason for the increase in the budget allocation for *the Maritime Oversight* sub-programme.

***4.1.7 Programme 7: Public Transport***

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

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Increase/ Decrease in 2019/20** | **Real Increase/ Decrease in 2019/20** | **Nominal Percent change in 2019/20** | **Real Percent change in 2019/20** |
| **R million** | **2018/19** | **2019/20** |
| Public Transport Regulation |  54.5 |  57.8 |  3.3 |  0.4 | 6.1% | 0.8% |
| Rural and Scholar Transport |  40.4 |  42.8 |  2.4 |  0.3 | 5.9% | 0.7% |
| Public Transport Industry Development |  187.1 |  203.2 |  16.1 |  6.1 | 8.6% | 3.2% |
| Public Transport Oversight | 12 711.1 | 13 252.4 |  541.3 | - 113.8 | 4.3% | -0.9% |
| Public Transport Administration Support |  11.1 |  11.8 |  0.7 |  0.1 | 6.3% | 1.1% |
| Public Transport Network Development |  18.9 |  20.1 |  1.2 |  0.2 | 6.4% | 1.1% |
| **TOTAL** | **13 023.0** | **13 588.1** |  **565.1** | **- 106.6** | **4.3%** | **-0.8%** |

**(Source: National Treasury (2019)**

In 2019/20, Programme 7 receives R13.6 billion, up from R13.0 billion in 2018/19. However, this increase did not keep track with the effects of inflation, and it therefore declines with -0.8%. The biggest increase in the allocation is in the *Public Transport Industry Development* sub-programme which receives R203.2 million in 2019/20, up from R187.1 million previously. Its budget allocation did not keep track with the effects of inflation and, therefore, declines with -0.9% from the previous year.

Selected transfers in the Public Transport programme are as follows:[[20]](#footnote-20)

**Table 14: Selected Transfers in the Public Transport programme**

| **Entity/Programme****R million** |  **Budget**  |
| --- | --- |
| **2018/19** | **2019/20** |
| Taxi Recapitalisation Programme (TRP) | R411.6 million | R434.7 million |
| South African National Taxi Council (SANTACO) | R22.5 million | R23.8 million |
| Public Transport Network Grant (PTNG) | R6.3 billion | R6.5 billion |
| Public Transport Operations Grant (PTOG) | Approximately R6 billion | R6.3 billion |
| **TOTAL** | **R12.7 billion** | **R13.3 billion** |

**(Source: National Treasury (2019)**

1. **KEY ISSUES FOR CONSIDERATION BY PARLIAMENT**
* PRASA should give Parliament regular updates on its rolling stock fleet renewal programme, the refurbishment of coaches, as well as the upgrading of signalling systems. These briefings should encompass the budget spent per programme, the time frames thereof, as well as the progress made.
* Parliament should monitor the expenditure on the PRMG. In this regard, the Department should brief Parliament on the breakdown of the budget allocation for 2019/20 per province. Moreover, Parliament should conduct oversight visits to some of the areas where the PRMG is implemented with a view to ascertaining whether the grant is used for its intended purpose, and whether the Department gets value for money.
* Given the persistent carnage on the country’s roads, Parliament should continuously monitor whether the road safety programmes or strategies implemented by the RTMC and RTIA are yielding positive results.
* Parliament should monitor the use of consultants by the Department and whether the services rendered provide good value for money. In addition, the Department should indicate whether the consultants transfer relevant skills to the employees of the Department.
* SANRAL should brief Parliament on its road maintenance programmes for 2019/20. In addition, Parliament should ascertain whether SANRAL’s road maintenance programmes respond to unemployment, poverty alleviation and inequality.
* Parliament should monitor the expenditure of the PTNG. In this regard, the Department should brief Parliament on the progress made on the implementation of Bus Rapid Transit (BRT) systems in 13 cities. Parliament should also conduct oversight to these cities with a view to ascertaining whether there is alignment between budgets spent, on the one hand, the progress made, as well as the quality of the work done, on the other.

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1. Department of Transport (2018). [↑](#footnote-ref-1)
2. It should be underscored that this section only covers the first Three Quarters of 2018/19, as the Fourth Quarter was not yet available at the time of analysis. [↑](#footnote-ref-2)
3. National Treasury (2018a). [↑](#footnote-ref-3)
4. *Ibid*. [↑](#footnote-ref-4)
5. National Treasury (2018b). [↑](#footnote-ref-5)
6. National Treasury (2018b). [↑](#footnote-ref-6)
7. National Treasury (2018c). [↑](#footnote-ref-7)
8. *Ibid*. [↑](#footnote-ref-8)
9. Department of Transport (2018). [↑](#footnote-ref-9)
10. National Treasury (2019). [↑](#footnote-ref-10)
11. Passenger Rail Agency of South Africa (2018). [↑](#footnote-ref-11)
12. Department of Transport (2016). [↑](#footnote-ref-12)
13. Ramaphosa (2018). [↑](#footnote-ref-13)
14. Department of Transport (2015). [↑](#footnote-ref-14)
15. Ramaphosa (2019). [↑](#footnote-ref-15)
16. National Treasury (2019). [↑](#footnote-ref-16)
17. *Ibid*. [↑](#footnote-ref-17)
18. National Treasury (2019). [↑](#footnote-ref-18)
19. National Treasury (2019). [↑](#footnote-ref-19)
20. National Treasury (2019). [↑](#footnote-ref-20)