**BUDGETARY REVIEW AND RECOMMENDATION REPORT OF THE PORTFOLIO COMMITTEE ON TRANSPORT ON THE PERFORMANCE OF THE DEPARTMENT OF TRANSPORT FOR THE 2012/13 FINANCIAL YEAR, DATED 29 OCTOBER 2013.**

The Portfolio Committee on Transport, having assessed the service delivery performance of the Department of Transport, reports as follows:

**1. INTRODUCTION**

**1.1        MANDATE OF THE COMMITTEE**

The prime mandate of the Committee is governed by the Constitution of the Republic in respect of its legislative and oversight responsibilities as public representatives. It is required to consider legislation referred to it and to consider all matters referred to it in terms of the Constitution the Rules of the National Assembly or resolutions of the House. It is also required to respond to matters referred to it by Government within its mandate. The role of the Committee is to represent the people and to ensure that government fulfils its service delivery mandate informed by Government’s and the Department’s Strategic Plans. It is further informed in its responses by Government policy.

**1.2   PURPOSE OF THE BUDGETARY REVIEW AND RECOMMENDATION REPORT**

Section 77(3) of the Constitution stipulates that an Act of Parliament must provide for a procedure to amend money bills before Parliament. This constitutional provision gave birth to the Money Bills Amendment Procedure and Related Matters Act (No. 9 of 2009). The Act gives Parliament powers to amend money Bills and other legislative proposals submitted by the Executive whenever the Executive deems it is necessary to do so. The Act therefore makes it obligatory for Parliament to assess the Department’s budgetary needs and shortfalls against the Department’s operational efficiency and performance.

This review seeks to establish whether the Department of Transport  has achieved its aims and objectives, as set out in the 2009  Strategic Plan, as well as whether it continues to fulfil its constitutional mandate. The focus will be on highlighting the key achievements made, as well as challenges encountered during the 2012/13 financial year, as reported in the Department’s Annual Report and the 2012/13 Annual Performance Plan.

**1.3        METHODOLOGY**

The Committee engaged with the Department and its entities on 9, 10 and 15 October 2013 on its performance and audit outcomes for the period under review. Due to time constraints, the Committees’ engagements were limited to the following entities: The Road Accident Fund (RAF), Road Traffic Infringement Agency (RTIA), Road Traffic Management Corporation (RTMC), Cross-Border Road Transport Agency (C- BRTA), South African National Roads Agency Limited (SANRAL), Passenger Rail Agency of South Africa (PRASA) and the South African Maritime Safety Authority (SAMSA).

The report details the analysis of the 2012/13 Annual Report and Financial statements, strategic objectives, budget allocation and financial performance and the recommendations made by the Portfolio Committee on Transport.

**2. CORE FUNCTIONS OF THE DEPARTMENT OF TRANSPORT**

The mandate of the Department is to maximise the economic and social development goals of the country by providing fully integrated transport operations and infrastructure. The main roles of the Department and its entities in relation to the transport sector are:

·         Policy and strategy formulation in all functional areas;

·         Substantive regulation in functional areas where the Department has legislative competence;

·         Implementation in functional areas where the Department has exclusive legislative competence;

·         Leadership, coordination and liaison in all functional areas;

·         Capacity building in all functional areas;

·         Monitoring, evaluation and oversight in all functional areas; and

·         Stimulating investment and development across all modes.

**2.1 POLICY FOCUS AREAS**

It is acknowledged that policy origins and formulation arise in the domain of the Governing Party. It is these policies that inform the Department’s service delivery programme which is further informed by Government’s Medium Term Strategic Framework, the Manifesto of the Governing Party, the State of the Nation Address and other policy directives that the Executive is required to implement.

The implementation of programmes is a direct outcome of policy implementation, and it is the policies of the Governing Party that informs the Strategic Plan of the Department and its specific programmes.

Implementation of policy and the use of the Budget as an instrument to deliver services to the people constitute major areas of oversight by the Committee.

Within the outcomes-based performance management framework adopted by Government, the Department contributes mainly to the development of an efficient, competitive and responsive economic infrastructure network (outcome 6). Achieving this outcome requires the Department to:

·         Provide an efficient and integrated transport infrastructure network that serves as a catalyst for social and economic development.

·         Provide a transport sector that is safe and secure.

·         Improve rural access, infrastructure and mobility.

·         Improve public transport systems.

·         Increase contribution to job creation.

·         Increase the contribution of transport to environmental sustainability.

In addition to achieving these economic outcomes, the Department aims to reduce accidents within the transport sector, particularly on the country’s roads. To discharge its policy and legislative obligations, particular emphasis is placed on promoting job creation within the transport industry. Attention is also paid to reducing the impact on the environment and climate change by promoting energy efficient solutions and the use of cleaner fuels.

The Department’s strategic objectives seek to respond the Governing Party’s policy directives that shape and influence programmes and the budget. The Strategic Plan of 2009 has   been integrated with the New Growth Path and the Industrial Policy Action Plan, as reflected in the infrastructure roll out.  Assessment of the implications of the National Development Plan (NDP) for the improvement of public transport planning and integration with spatial planning has been undertaken.

The assessment of the NDP as a programmatic guide to 2030 reflects the need for the renewal of the commuter rail fleet. The capital transfers to PRASA will ensure that the commuter fleet is renewed over a ten-year period from 2015/16 onwards and that the necessary complementary investments are made.

Furthermore, the NDP proposes a number of policies and planning priorities, including creating workable urban transit solutions, strengthening and optimising freight corridors, providing long-distance passenger transport options and ensuring rural access and mobility.

**2.2        MEASURABLE OBJECTIVES AND OUTCOMES OF THE DEPARTMENT OF TRANSPORT**

**Measurable objectives**

The programme areas of the Department not only set the agenda for the Department of Transport, but become sector-specific, including transport entities, provinces, municipalities and key private sector stakeholders

·         Programme 1: Administration;

·         Programme 2:Integrated Transport Planning;

·         Programme 3: Rail Transport;

·         Programme 4: Road Transport;

·         Programme 5: Civil Aviation;

·         Programme 6: Maritime Transport; and

·         Programme 7: Public Transport.

**Outcomes**

The following outcomes have been identified to guide and enable the Department to deliver on its mandate:

·         Outcome 1: An efficient and integrated transport infrastructure network for social and economic development.

·         Outcome 2: A transport sector that is safe and secure.

·         Outcome 3: Improved rural access, infrastructure and mobility.

·         Outcome 4: Improved public transport systems.

·         Outcome 5: Increased contribution to job creation.

·         Outcome 6: Increased contribution of transport to environmental sustainability.

**3. OVERALL PERFORMANCE AND ACHIEVEMENTS FOR 2012/13**

Without giving an exhaustive list, the Department reported its achievements during the year under review as follows:

·         PRASA initiated a project for the acquisition of new rolling stock over 20 years. The tender for the first phase was advertised in April 2012. Bids were received on 30 September 2012 and the preferred bidder was announced by the Minister on 5 December 2012.

·         A study was done on the devolution of the rail function to metropolitan areas.

·         The National Freight Corridor Framework was updated.

·         An economic analysis study on global competitiveness for transport was completed.

·         A Monitoring and Evaluation Tool for the transport sector was developed and is reportedly operational.

·         A Human Resource (HR) Plan for 2011-14 was developed and approved by the Minister. It was subsequently sent to the Department of Public Service and Administration (DPSA) and was implemented.

·         The funding models for the transport projects under the Department were reviewed.

·         While a target of 450 coaches was set for the general overhaul and upgrade of coaches, the Department exceeded the target by 129, having overhauled and upgraded 579 coaches at the time of the tabling of the Annual Report.

·         The terms of reference for the appointment of a service provider to develop a Cooperative Strategy for Public Transport were drafted. According to the Department’s Annual Performance Plan (APP), the Taxi Cooperative Model will be implemented in 2013/14 financial year.

·         The Department exceeded the target of scrapping 6 000 taxis by 457. This was subsequent to the National Treasury having reduced the initial target from 7 857 and reduced the budget accordingly.

**3.1        Programme Performance**

Of the total number of 288 targets planned for 2012/13, 136 targets were not achieved. This represents 47% of the total planned targets that were not achieved during the year under review. According to the Auditor-General (AG), the failure to achieve all the planned targets was due to “the lack of effective monitoring of the achievements of targets on a quarterly basis”. [[1]](https://server/pmg%20shared/WEBSITE%20FILES/comreports/2013/comreports/131105transportbrrr.htm" \l "_ftn1" \o ")Similarly, in the previous financial year (2011/12), 26% of the planned targets were not achieved. [[2]](https://server/pmg%20shared/WEBSITE%20FILES/comreports/2013/comreports/131105transportbrrr.htm" \l "_ftn2" \o ")

**Programme 1: Administration**

This programme provides the strategic leadership and corporate support to the Minister and the Department, as well as various activities associated with organising, managing and administering the Department. The programme also plays a role in building capacity, supporting identified centres of development among the tertiary institutions that provide transport-related education and supporting the Transport Sector and Education and Training Authority (TETA).

•           The vacancy rate was reduced from 32% to 23.94% in the year under review. A target to reduce the vacancy rate from 32% to 0% could not be achieved.

•           The Department verified and confirmed 98% of qualifications of existing staff.

•           The Department created 1145 learner opportunities in the areas of Maths and

Science and enabling students to enrol in Science and Engineering fields at

University.

•           The Department deployed 18 interns to 14 district municipalities across the country.

•           In terms of international scholarship programme, the Department offered 13

students an opportunity to study in Prague and 6 have been absorbed in the

Department whist 7 are finishing in 2013.

•          Along with the Department of Higher Education and the University of Johannesburg, the Department has introduced a transport curriculum in 8 Further Education and Training (FET) Colleges, namely, Ekurhuleni, Capricorn,Umfolozi, Ethekweni, ORBIT , Mondeor, Cape Town and Letaba.1037 learners are currently registered in these institutions.

**Programme 2: Integrated Transport Planning**

It should be noted that the Department has initiated a number of policy development processes which are at an advanced stage but unfortunately the traditional and mechanical approach to audit performance is unable to give a fair and correct assessment of what the true progress is, these include NATMAP, Greenhouse Gas Inventory projects and others.

The Branch, based on the AG approach, did achieve 11 targets but have done a lot of work in  other areas. The following is a list of projects that demonstrate that considerable work was done but are tagged as not being achieved:

•           Development of the transport energy consumption framework

•           Development of Greenhouse Gas Inventory

•           Research on the impact of freight accidents on South Africa’s roads

•           National Transport Planning Forum

•           National Transport Infrastructure Bill

•           Logistics Hub framework

•           Rural Integrated transport plans

Reporting of performance information in the Annual Report poses a challenge given that it is not aligned with that in the APP. This aside, of the 31 planned targets in this programme, 21 (68%) were not achieved.

**Integrated rural transport plans**

The programme is responsible for managing and facilitating national strategic planning for new projects. It also conducts research and formulates national transport policy, including for the cross-modal areas of logistics. In addition, it coordinates international and inter-sphere relations.

**Programme 3: Rail Transport**

This programme facilitates and coordinates the development of sustainable rail transport policies, rail economic and safety regulatory frameworks, infrastructure development strategies and systems that reduce system costs and improve customer service. It also monitors and oversees the Railway Safety Regulator (RSR) and PRASA. The focus is also on the implementation of integrated rail services planned through the lowest competent sphere of Government.

The Department of Transport has made significant progress in its goal of repositioning rail as the backbone of the transport system in South Africa. Today, commuter rail provides more passenger trips, with the maintenance and upgrade of rolling stock and infrastructure, as well as operational interventions bringing visible improvements in levels of availability and reliability of rail services.

Today, over 530 million passenger trips are undertaking annually on the Metrorail system and these much-needed services forming part of the R3.3 billion operational subsidies allocated to PRASA by Government every year. Safety in rail operations has improved significantly, with the State of Railway Safety tabled by the Rail Safety Regulator indicating a significant improvement in safety environment as a direct result of the implementation of Safety Management Systems (SMS) and other safety directives imposed by the RSR on rail operators, including Transnet and PRASA.

The major shortcoming remains the lack of funding for long-distance rail services, resulting in the rationalisation of long-distance rail services and reduction in passenger trips by 11.2% in the previous financial year. This situation contributes to more pressures on the road by shifting traffic from rail to road, especially during the high-peak periods.

A key thrust of the Government strategy to position rail within the transport system is the investment programme currently underway. This is aimed at modernising rail infrastructure, operations and systems, as well as building new capacity to meet freight and passenger demands over the next 50 years. The R51 billion contract with the Gibela Transportation Consortium to design, manufacture and supply 600 trains (3 600 coaches) over the next 10 years was finalised in the year under review.

The work to replace and modernise the signaling system is under construction, with contracts valued at over R7 billion committed in Gauteng, KwaZulu-Natal and the Western Cape. This is vital to deliver a modern, safer and faster rail services in the major metropolitan cities of the country.

The following are some of the key targets delivered by the Department of Transport through its Rail Branch and Rail Entities reporting to Department of Transport:

•           Developed the Draft National Rail Policy which would be tabled before Cabinet and

Parliament.

•           Strategic Plan of PRASA developed and accordingly tabled in Parliament by the

Minister of Transport.

•           Conclusion of the Procurement Process in relation to the Rolling Stock Fleet

Renewal Programme.

•           Commenced with the implementation of the 5-year Signalling Upgrade Projects

in Gauteng, KwaZulu-Natal and the Western Cape.

•           Capital expenditure improved by 82% from R3.5bn last year to R6.3bn, with

R4 billion of this amount being spent on 516 rail infrastructure projects.

•           A total of 579 coaches delivered as part of the Accelerated Rolling Stock

Programme (refurbishment and upgrade of coaches) to the tune of R1.9 billion.

•           Over 49 stations were improved under the National Station Improvement

Programme (NSIP) to the tune of R188 million and 8 stations upgraded as part of

the National Station Upgrade Programme (NSUP) to the tune of R120 million.

•           PRASA awarded 423 bursaries as part of investment in skills development

•           Over 1075 learnerships were initiated by PRASA.

•           PRASA has funded the Kutlwanong Programme (operating in Gauteng and

KwaZulu-Natal) to the tune of R3 million per annum which supports and benefits over 250 matric learners with their mathematics and science subjects, including Accounting.

•          Strengthened the financial position of the PRASA Group, and its two subsidiaries i.e. Autopax and Intersite.

•           Established the SIP7 Project Office as part of the Government’s infrastructure

programme under the Strategic Integrated Projects.

Under this programme, there was under-reporting due to the fact that key performance indicators listed in the APP (18 in total) are noticeably absent in the Annual Report (only reporting on 10).

**Programme 4: Road Transport**

The Road Transport programme ensures safety and security on public roads by the regulation of road traffic management and ensuring the maintenance and development of an integrated road network, through the development of roads-related safety and infrastructure standards and appropriate guidelines. The programme also oversees that road-based agencies implement the strategic priorities of the Department and Government. Finally, it seeks to ensure that provincial road expenditure is implemented in accordance with Government priorities.

Targets reached by the South African National Roads Agency Limited (SANRAL) includes:

•           Maintaining  19704 km of the road network.

•           Contracts worth R11.6 billion were awarded and 44% of contracts awarded went to Black Economic Empowerment (BEE) companies.

•           R 21 million was spent on on the job training on construction sites.

•           R1.61 billion wages were paid in various construction sites.

•           R 169 million was spent on community development.

•           397 schools were visited in awareness campaigns.

•           R 40 billion fuel levy was collected of which R 20 billion were transferred to Road Accident Fund and R 20 billion to SANRAL.

•           SANRAL spent R38.5 billion from fiscus with a shortfall of R 18.5 billion from the

fiscus.

The Provincial Road Maintenance Grant created 70 000 jobs in its first year,90 000 in its second year and 114 000 jobs were created in the current year.

The Road Traffic Management Corporations (RTMC) investigated 118 major fatal crashes and prosecutions were underway. The National Traffic Police employed 157 law enforcement officers who work a 24/7shift system, the National Traffic Anti - Corruption Unit was established to deal with corruption at driving licence test centres (DLTCs) and vehicle testing centres (VTCs). A Driving school summit was held to look into skills and regulations within the sector. The Railway level crossing project was established in North West Province in partnership with Transnet the railway level crossing project in North West.

The Cross-Border Road Transport Agency met the following targets:

•           75 000 permits were issued to allow for free flow of goods and improved trade,

including taxis, buses, freight, tourist permits and trucks.

•           132 372 inspections were conducted which led to 15 384 prosecutions.

•           21 inspectors were trained.

•           Women in transport workshops were held to encourage women to participate in cross border transport.

The Road Accident Fund (RAF) targets reached were:

•           88c/l in fuel levy and R15.2 billion paid to victims of crashes.

•           Legal costs were reduced to 25% of expenditure from a previous 27%.

•           6 300 funerals were funded and 40 000 people assisted with income support.

•           120 000 claimants supported with medical needs.

•           Over 10 000 patients were cared for directly and 10 000 claimants were engaged on the road.

•           Road safety awareness programmes were conducted in schools.

•           The Road Accident Fund (Transitional Provisions) Act was enacted to ensure equity for passengers.

The Road Traffic Infringement Agency (RTIA) processed 3.8 million AARTO infringements and 34 800 representations were adjudicated. R49 million in revenue was collected, compared to R28.5 million in the previous year. 60 internships were created between CBRTA, RAF and RTMC.

RAF, CBRTA, RTMC and RTIA received unqualified audit opinions.

One of the ministerial outputs is to reduce road accident fatalities from “14 600 by 2014 (a 5% per annum reduction) adjusted for total vehicle kilometres travelled”. [[3]](https://server/pmg%20shared/WEBSITE%20FILES/comreports/2013/comreports/131105transportbrrr.htm" \l "_ftn3" \o ")To this end, the planned target for a period under review was 30% (4 200).  In an endeavour to respond to the carnage, the Department reported that it was reviewing the 2006 Road Safety Strategy and was developing Road Safety Strategy programmes. Road accident fatalities were reduced by 0.79% (110) against a target of 30%. .

During the period under review, the Department had a target of creating 90 000 full-time equivalent (FTE) jobs. Indeed, job creation is one of the Department’s strategic goals. Only 42 919 full-time equivalent jobs were created against a target of 90 000.

One of the key performance indicators in the APP is the delivery of 15 000 bicycles ( *Shova Kalula)*to rural schools. However, there was no reporting in the Annual Report in this regard. The unavailability of transport is one of the five reasons most commonly cited by school principals, district officials and provincial Departments.[[4]](https://server/pmg%20shared/WEBSITE%20FILES/comreports/2013/comreports/131105transportbrrr.htm" \l "_ftn4" \o ")It is therefore imperative that pupils from the rural areas who are subjected to mobility challenges be provided with transport.

**Programme 5: Civil Aviation Transport**

This programme facilitates the development of an economically viable air transport industry that is safe, secure, efficient, environmentally-friendly and compliant with international standards through regulation and investigation. It also oversees aviation public entities. Considerable work has been done which includes the following: the Airlift Strategy, air services licences agreement, aviation awareness programmes where 221 schools were visited in Limpopo, Free State, Gauteng, Mpumalanga, KwaZulu-Natal and Eastern Cape. The Airport Upper Airspace Coordinating framework and funding model for Airport Company of South Africa (ACSA) and Air Traffic Navigation Services (ATNS) were developed.

The Air Traffic and Navigation Services Company (ATNS) met the following targets:

Outcome 1: For the past five years ATNS successfully invested in the aviation infrastructure by spending approximately R400m, ensuring safety and secured air space. In the last year, ATNS exceeded CAPEX by approximately R10m on the budgeted amount. In the coming year, the target is to spend just above R200m.

Outcome 2: The South African air space was safe with only minor incidents reported. From the set target of 2 incidences per 100 000 which was initially difficult to achieve, 1.37 incidents per 100 000 movements had been recently achieved. ATNS endeavour to maintain the safety ratio of below 2 incidences per 100 000 movements going forward.

Outcome 4:  Infrastructure development was implemented in a cost effective manner which would assist in bringing air travel costs to affordability to the public

Outcome 5: For the past 5 years ATNS has exceeded its Human Resources Plan by employing 1000 people over a target of 997. In the coming year it is expected that this number would be increased to 1130, with the majority of additional recruitment source those who completed Matric and who would be trained as air traffic controllers. In doing this the transformation issue would be considered. ATNS’ Employment Equity target was employing 55% of previously disadvantaged individuals and it has achieved 59%. The challenges that still exist in the air traffic controllers division are women representation, and the continuing funding of infrastructural development while traffic volumes were decreasing due to the effects of the economic melt-down.

The Department had undertaken in its 2011/12 Annual Report that the Airfreight Strategy would be developed in 2012/13. Interestingly, the Department contends in its Strategic Plan that this Airfreight Strategy is “central and a priority in our planning within our aviation environment”.  Of the 25 planned targets under the Civil Aviation programme, 18 (72%) were not achieved.

The Committee has noted that some senior, highly qualified staff left the CAA especially in the safety division, the increased administrative burden regarding the certification of aircraft and the high inspection fees together with the number of runway incursions that was on the increase.

**Programme 6: Maritime Transport**

The programme coordinates the development of safe, reliable and economically-viable maritime transport through the development of policies and legislation. Moreover, the programme oversees maritime public transport.

There is a myriad of other ongoing duties that the Branch carries out with vigor and tenacity, such as following:

•           The Department successfully hosted the International Maritime Organisation’s Diplomatic Conference on the Torrelimonos Convention and a final agreement on the Convention was concluded in Cape Town after 30 years of negotiation. The convention seeks to protect the lives of seafarers on fishing vessels and thus reduce the number of incidents and fatalities at sea amongst the fishing community

•           The Minister of Transport signed the Djibouti Code of Conduct at the International Maritime Organization’s Offices in London in May 2012.The code empowers South Africa to share resources and information in the fight against piracy and other such crimes at sea.

•           The draft Inland Waterways Strategy was developed and presented at the Small Vessels Safety Committee. If adopted by the relevant stakeholders, the strategy will assist in reducing the number of incidents in SA inland waterways and dams. The implementation of the strategy has the capacity of creating significant employment in terms of safety inspectors at dams across the country.

•           The audit of port security has commenced as per the requirement of the ISPS Code (International Ship and Port facilities Security Code).These audits aim at reducing the possibility of acts of crimes and terrorism at our national ports that are key entry points into the republic.

•           The SELI1 wreck in Blouberg strand has been successfully reduced by the Navy, at no cost to the DoT. The wreck reduction resolved the potential interdepartmental dispute with the City of Cape Town. This project has demonstrated the benefits derived from interdepartmental teamwork.

•           The Department’s security desk clears more than 600 vessels on average per month to enter South African ports.

•           The Regulator held public hearings and invited submissions on proposed tariff increases. After consideration of submissions, the Regulator shall approve or reject some or all of the tariff increases. The Regulator has successfully assessed four applications made by the NPA since its inception.

The elements of the proposed tariff are the manner of calculation and model, assessment of all financial information and valuations, assessment of reinvestment of profits and revenues and the impact on port activity cost structures. This process has led to rationalised tariffs with a R 1 billion rebate and significantly lower approved tariffs.

In terms of human resource and skills development, the Ports Regulator follows an aggressive and progressive internship programme with three interns who completed internships and three  in the programme currently. The current intake has two Masters students in Maritime studies and there would be three Masters students next year. The Ports Regulators’ human resource strategy is to aggressively promote women in this sector and has a staff compliment made up of 65% women all of whom are black in terms of the employment equity definitions.

Of the 22 planned targets in Maritime Transport, 9 (41%) were not achieved, one of which is a potential driver for job creation.

**Programme 7: Public Transport**

The Public Transport programme develops norms and standards, as well as regulations and legislation to guide the development of public transport for rural and urban passengers. It also regulates inter-provincial public transport and tourism services. Moreover, it monitors and evaluates the implementation of the Public Transport Strategy and the National Land Transport Act (No. 5 of 2009).

The Minister approved the appointment of the NPTR committee members at the end of February 2013 as required by the National Land Transport Act (2009) to monitor and oversee public transport in the country and activities of PREs in relation to their land transport functions.

The short to medium term intervention: The Department developed a National Public Transport Transformation Plan, approved by MINMEC in September 2012 to deal with the stabilisation of services outside the ones identified in the PTS.  The Plan needs to be funded in 2014/15 and the Department is engaging the National Treasury in this regard.

It is worth noting that the National Scholar Transport Policy was not finalised and could therefore not been implemented. At the time of tabling its Annual Report, the Department reported that the reason for this was that there had been a delay during “the consultation process” as “stakeholders contested the location of contracting authority”. [[5]](https://server/pmg%20shared/WEBSITE%20FILES/comreports/2013/comreports/131105transportbrrr.htm" \l "_ftn5" \o ")

Only 35% of the planned targets were achieved and 65% thereof were either partially met or not met.

**4.         REPORT OF THE AUDITOR – GENERAL OF SOUTH AFRICA (AGSA)**

The Department received an unqualified audit opinion for the seventh consecutive year. However, the AG made the following observations:

·         Management of vacancies: Positions in senior management were vacant for more than 12 months and were not advertised within 6 months, which is non-compliance in terms of paragraph C.1A.2 of the Public Service Regulations, 2001

·         Expenditure management: The accounting officer did not take effective and appropriate steps to prevent irregular expenditure, as per the requirements of section 38(1)(c) (ii) of the Public Finance Management Act (No. 1 of 1999).

·         Leadership: There was a lack of coordination and effective leadership on a major capital project that involved different tiers of Government. There was also a lack of effective human resource management to ensure that adequate and sufficiently skilled resources were in place.

The following table details the audit report and action that should be taken by the Department:

|  |  |  |
| --- | --- | --- |
| **Audit report** | **Action taken** | **Actions to be taken** |
| **Emphasis of matter** | | |
| The Department is the defendant in a lawsuit concerning the extension of a contract | A forensic investigation regarding the extension is underway | Await outcomes of the lawsuit and investigation to determine further steps |
| Included in debtors is R704 million expenses incurred on eNaTIS. It is uncertain whether the amount will be recovered | On 30 July 2013 the Minister of Transport instructed the RTMC to pay over transaction fees  On 16 September the RTMC agreed to pay fees as it can afford to | Treasury was requested to appoint the Treasury Advisory Unit to:  Develop funding scenario’s for the RTMC  Develop a plan of how RTMC will repay the Department |
| **Report on other Legal and Regulatory Requirements**: | |  |
| Predetermined objectives:  There were no material findings concerning the usefulness and reliability of information  A total of 47% of planned targets were not achieved | A number of projects were carried forward to the next financial year  Quarterly performance reports indicate progress on projects carried forward | Posts must be filled to address capacity constraints  Setting of targets to be realistic |
| Procurement:  Goods and services above R500,000 were procured without inviting competitive bids. |  |  |
| Human Resource management and compensation |  |  |
| Positions in senior management were vacant more than 12 months and not advertised in 6 months | Line managers were instructed to advertise posts  Disciplinary steps to be taken  Vacancy status will be monitored  Recruitment staff working overtime | Obtain additional capacity for Recruitment staff |
| **Other findings** | |  |
| Expenditure management:  The accounting office did not take effective and appropriate steps to prevent irregular expenditure |  |  |
| Internal control – Leadership:  Lack of coordination and  effecive oversight over a major capital project  Lack of effective human resource management to ensure that adequate and sufficiently skilled resources are in place | National Treasury condoned the irregular procurement of Eastern Cape Department of Transport  Instructions were issued to advertise all posts | Further procurement to be regularised by the Province  Obtain additional capacity for recruitment staff |
| **Other reports** | |  |
| Various investigations are being conducted to evaluate compliance with supply chain management prescripts | Some investigations were concluded and disciplinary steps have commenced | The investigations indicate that management attends to issues of non-compliance |

**5.         FINANCIAL PERFORMANCE**

During the period under review, the budget allocation for the Department was R39.6 billion. Of this amount, R39.3 (99.2%) billion was spent. This translates into an under-expenditure by R319 million. Conversely, in the 2011/12 financial year, the Department had a budget allocation of R41.8 billion and it spent R41.2 billion.

**5.1        Administration Programme**

The Administration programme had a budget allocation of R390.9 million and spent R359.6 million.

**5.2        Integrated Transport Planning Programme**

The budget allocation for the programme was R110 million and R103.5 was spent. R6.6 million was under-spent.

**5.3        Rail Transport Programme**

The Rail Transport programme had a budget allocation of R10.3 billion and R11 million was under-spent.

**5.4        Road Transport Programme**

The budget allocation for the programme was R18.2 billion and R1.3 million was under-spent. This was partly due to R485 000 that could not be spent as posts could not be filled. The programme “saved” R89 000 on the procurement of furniture and equipment as a result of vacant posts not being filled.

**5.5        Civil Aviation Programme**

The Civil Aviation Programme had a budget allocation of R520.8 million. It spent R411.8 million and R109 million was under-spent. An amount of R104.8 million was under-spent on the upgrade of the Mthatha Airport Runway because the timing of expenditure was miscalculated on the Adjusted Budget allocations.

The programme also under-spent R2.9 million on funding the Regulating Committee for determining tariffs for the Airports Company South Africa (ACSA) and the Air Traffic and Navigation Services (ATNS). R2.15 million was under-spent on the establishment of an Aviation Safety Investigation Board. A further R1.325 million was under-spent on the establishment of an Appeals Committee. These amounts were requested to be rolled over to the next financial year (2013/14).

**5.6        Maritime Transport Programme**

The budget allocation for the programme was R137 million. Of this, R124 million was spent and R12.4 million was not spent. The programme saved R9.5 million on additional funds allocated to remove the Seli 1 shipwreck from the Bloubergstrand Beach because the Navy undertook to remove the wreck. It also saved R1.1 million on foreign memberships due to over-budgeting for these items. In addition, R243.000 was “saved” on the procurement of furniture and equipment because posts could not be filled.

**5.7        Public Transport Programme**

The programme was allocated R9.9 billion and spent R9.8 billion. R147.2 million was under-spent. The Public Transport programme under-spent R103.7 million on the Public Transport Infrastructure and Systems (PTIS) Grant as funds were not transferred to the City of Johannesburg due to consistent under-expenditure. It also under-spent R5.9 million because fewer taxis were scrapped than anticipated.

Funds amounting to R7 million were committed but remained unspent for developing a National Public Transport Regulator, implementing the Taxi Recapitalisation 2020 Strategy (R6 million), the oversight of Integrated Rapid Public Transport Networks (R5 million) and the development of National Land Transport Information Systems (R15 million). These funds were requested as rollovers to the next financial year. In addition, R1.5 million budgeted for the development of a Scholar Transport Framework was under-spent. Another R1.5 million was under-spent on a Migration Plan for Scholar Transport and R1.7 million on implementing the *Shova Kalula*programme in provinces.

**6.         FIRST QUARTER EXPENDITURE FOR 2013/14**

For the 2013/14 financial year, the budget allocation for the Department is R42.3 billion, representing a nominal increase of R2.6 billion or 6.6% from 2012/13 financial year. Transfers and subsidies account for R41.4 billion of the available budget. Of this amount, the Department had transferred R8.6 billion or 20.8% at the end of the first quarter, mainly to provinces, municipalities, departmental agencies and accounts. This left the Department with R921.6 million for operations. Of this amount, the Department had spent R139.3 million or 15.1%, the majority of which had been spent on the compensation of employees and goods and services.

The largest element of operational expenditure to the end of the first quarter was R64.7 million spent under the Administration programme, mainly on compensation of employees and goods and services. The next largest element was R17.7 million under the Road Transport programme, followed by R16.5 million under the Integrated Transport Planning programme, primarily for goods and services and compensation of employees. Operational expenditure decreased by R26 million or 15.7% when compared to the same period in the previous financial year. The Maritime Transport and Road Transport programmes showed the next largest decreases primarily due to lower spending on goods and services. However, spending under the Administration programme increased mainly due to higher spending on the compensation of employees.

**6.1        Administration**

From April to June 2013, 46.4% of operational expenditure was on the Administration programme, representing R64.7 million mainly for the compensation of employees and goods and services. Expenditure on this programme increased by R6 million or 10.3%, when compared to the same period in 2012/13 owing to additional spending on compensation of employees as there were more positions filled this year.

**6.2        Integrated Transport Planning**

When compared to the same period in 2012/13, expenditure under this programme increased by R4.8 million or 40.8%. This was primarily due to additional spending on goods and services and compensation of employees. The increase on goods and services was mainly attributed to additional consultancy for the single Transport Economic Regulator, a Macro Planning Framework, National Freight Corridor Framework, the National Household Travel Survey, the submission of the Final Report for Freight Movement Optimisation Plans and the Public Transport Vehicle Conversion from Petroleum to Compressed Natural Gas Study.

**6.3        Rail Transport Programme**

When compared to the same period in the previous financial year, expenditure under this programme increased by R2.6 million or 62.9% primarily due to additional spending on business and advisory consultancy services. The increased spending on goods and services stemmed from the consultants appointed to develop a Rail Policy and legislation and for the Feasibility Study on Rail Manufacturing in South Africa. Also increasing expenditure in the business and advisory consultancy services was the development of a Service Level Agreement with PRASA to facilitate the institutional reform for rail and for the implementation of the consultancy process and workshops for drafting the Green Paper on Rail Policy and Act.

**6.4        Road Transport Programme**

When compared to the same period in 2012/13, expenditure under this programme decreased by R3.4 million or 16%. This was primarily owing to lower spending on goods and services. The lower spending on goods and services was, in turn, due to the delays in the finalisation of the Road Infrastructure Policy and a review of the Driver Training Manual. Another contributing factor was the development of the Rail Engineering Standards. Adding to the decreased spending was the delay in the finalisation of cases pertaining to investigations on the issuance of fraudulent motor vehicles and roadworthy certificates by motor vehicle testing stations.

**6.5        Civil Aviation Programme**

Expenditure under this programme increased by R1.6 million or 17.7%, when compared to the same period in the previous financial year, primarily due to spending on goods and services. The increased spending on goods and services was mainly thanks to the Mthatha Airport refurbishment. Due to the late allocation of funds to the Department and the Supply Chain process, the project could not be finalised. The increase was also as a result of the shift of search and rescue and watch keeping services for the alignment of the search and rescue communication services to the programme.

**6.6        Maritime Transport Programme**

When compared to the same period in 2012/13, expenditure under this programme decreased by R7.5 million or 40.6%. This was primarily due to lower spending on goods and services. The lower spending on goods and services was, in turn, thanks to the shifting of search and rescue functions and watch keeping services to align the search and rescue communication services from programme 6 to programme 5. In addition, the Green Paper on Maritime Shipping Policy and the Ballast Water Act were in process. Moreover, there was a delay in the Oil Pollution services since the programme was awaiting approval for the expansion of the contract.

**6.7        Public Transport Programme**

Expenditure under this programme decreased by R30 million, when compared to the same period in 2012/13 primarily due to lower spending on goods and services. The decrease in spending on goods and services was mainly due to delays in:

·         The development of the Scholar Transport Framework;

·         The development of the Migration Plan for the Scholar Transport;

·         Piloting of the National Land Transport Act rollout and integrating the *Shova Kalula*into scholar transport services.

At the end of the first quarter of 2013/14, the Department had transferred R8.6 billion or 20.8% of the total available budget for transfers. During the same period, transfers to the provinces and municipalities were R3.4 billion, the majority of which was the PRMG: Roads Maintenance and Public Transport Operations Grant transfers. This represented an increase of R261.4 million or 8.4%, when compared to the same period in 2012/13. The majority of the increase was in the PRMG: Disaster Relief and Public Transport Operations Grant transfers.

Transfers to the departmental agencies and accounts were R2.7 billion, the majority of which was for the South African National Roads Agency Limited (SANRAL): Non-Toll Network: Capital and SANRAL: Operations transfers. This represented an increase of R237.5 million or 9.5%, when compared to the same period in the previous financial year.  The majority of the increase was under SANRAL: Non-Toll Network: Capital and SANRAL: Operations transfers whose total non-toll budgeted transfers were 7.9% higher in 2013/14 than in 2012/13.

Transfers to public corporations and private enterprises were R2.5 billion, all of which was to PRASA: Capital and PRASA: Operations transfers. This represented a decrease by R89.1 million or 3.5%, when compared to the same period in 2012/13. The majority of this decrease was under PRASA: Capital transfers. There had not yet been any transfers to non-profit or higher education institutions which had a budget of R29 million. Payments were expected later in the year.

**7.         KEY FINDINGS**

The Committee made the following key findings:

**Improvements**

7.1        The Department and its entities have executed their mandates successfully.

7.2        The Report of the Auditor General indicates that the percentage of the reports with no findings improved from 69% to 74%.

7.3        Only 21% of the audit report had material findings.

7.4        The quality of annual performance reports shows a 79% improvement in the 2012-13 financial year, improving from 64% in 2011-12, 43% in 2010 -11 financial year. There were material findings in only 21% .

7.5        The entities of the Department performed well with the exception of only 3 entities which did not meet the requirements.

7.6        With regard to the usefulness of information, the Auditor General reported the improvement of 14% and 7% in the reliability of information.

7.7        The quality of financial statements submitted shows 57 % improvements

7.8        Leadership was improved by 65%, with only 3% intervention.

Despite the progress made, the Committee has noted the following challenges

7.9.       The Committee notes with concern the underperformance of the Public Transport Branch.  Integration of transport services needs to be fast-tracked. The only Province that has attempted integration of Transport services is Gauteng but there are problems with its implementation.

7.10      The implementation of e-tolling system moved faster than the improvement of the Railway Transportation. The new trains are only coming in 2015.

7.11      Public Transport System must be a lead Branch when talking about the Integrated Transport Services.

7.12      The Committee also noted with concern the underperformance of the policy formulation unit of the department. This need to be addressed urgently as it affects the overall performance of the Department.

7.13      Financial management regressed from 75% to 63% because of the implementation of the e-tolling.

7.14      The Department needs to prioritise the employment of the Director=Genera; (DG), the RTMC and SAMSA Boards.

7.15.     The Committee notes the number of Metrorail coaches (300 coaches) that were destroyed, burned or badly damaged in accidents this year.

7.16      The Committee notes the uneven levels of development in road infrastructure, and the need to prioritise the upgrade of gravel roads to make roads more accessible in all weather conditions. The Committee is of opinion that the deployment of funding for infrastructure should take into account the uneven levels of development.

7.17      The Committee notes with concern the need for improved scholar transport and  improved conditions of access  roads to hospitals , clinics, schools, graveyards, churches, tribal authorities and sports facilities especially in rural areas.

7.18      The Committee urges the Department to take note of the Presidential Review of State Owned Enterprises and how it relates to the Department.

7.19      The Committee notes with concern the continued unavailability of the 2 shipping vessels required by SAMSA for use in cleaning oils spills and inspecting ships at sea.

7.20      The Committee notes the exceptional and large capacity in South Africa for building and maintaining of locomotives and rolling stock which has been exploited to create job opportunities

**8.         RECOMMENDATIONS**

The Minister of Transport is requested to ensure the implementation of the following recommendations **:**

8.1        The Committee noted that there is a need for the Department to closely monitor the utilisation of funding that is provided to other spheres of government. Provinces and Local spheres of government should also utilise their funding allocations for the intended purpose. The configuration of the Transport portfolio within the state machinery provides a challenge for the effective implementation of transport policies and programmes. For instance in some provinces, transport functions have been consolidated with other sectors such as Police, Public Works to mention but a few. The Committee therefore recommends that the Transport functions from National to Local government should be located in one single portfolio.

8.2        The Committee noted that the Department orchestrates annual aviation career awareness days. Whilst such was noted and appreciated as an excellent initiative, the Committee recommends that this initiative should be implemented across the whole country.

8.3        The Committee noted that the Moloto Rail Corridor feasibility study is on track and further emphasised that the completion of the project was critical as it would bring a radical shift in the transportation of daily commuters between Pretoria and Moloto surrounding areas. The Committee recommended that, where possible, the Department should assess the current timeframes of the feasibility study and commence with the development work on this corridor.

8.4        The Committee observed that the current fault-based system of the Road Accident Fund entity was not sustainable and thus concurred with the Department and RAF that the introduction of the nNo-Fault Policy would address the challenges encountered by the entity.

8.5        The Committee recommends that it was imperative for the Road Accident Benefit Scheme legislation to be concluded as the process would present an opportunity for a paradigm shift in the management of road accident benefit scheme for the country.

8.6        The Committee commends the work of the Department and Road Accident Fund on the latter’s program which sought to give services to road accident victims and beneficiaries. The Committee further recommended that RAF should intensify the implementation of this program to the whole country and its overall community outreach programs to the entire country.

8.7        The Committee noted the efforts and initiatives of the Department and Provincial counterparts and its entity, the Cross Border Roads Transport Agency (CBRTA) in the resolution of the Lesotho/Free State border conflict issues. The Committee recommended that, where possible, the Department should be given support by the State in the resolution of this matter.

8.8        The Committee noted that the Department and its entity PRASA do not have a budget for Shosholoza Meyl Rail service and that this was having a negative impact on the PRASA balance sheet. The Committee acknowledged that there was a need for the service offered by Shosholoza Meyl and the Committee recommended that long distance rail service should be provided on high speed rail network in the future long term.

8.9        The Committee recommends the re-introduction of the long distance rail service from South Africa to Zimbabwe and Mozambique routes. Such an initiative would lessen the burden on the road environment and reduce road accidents.

8.10      The Committee noted the initiative of developing the first ever National rail Policy for the country and emphasised that there was a need to conclude the Rail Policy development process by the Department.

8.11      The Committee further recommended that there should be synergy between Department, PRASA and all key players on the Rail Policy approach for the country. The Committee recommended that the policy bottlenecks that have characterised the stakeholder consultation on the development of the Maritime Transport and Scholar Transport policies should be resolved as a matter of urgency. The implementation of these policies should commence as soon as possible.

8.12      The Committee noted that the country is yet to exploit its maritime economic development potential. The Committee recommended that the period was now opportune to expand the mandate of SAMSA in light of the emerging role that the Department of Transport can exploit in maritime economic development. The SAMSA Act needs to be reviewed in that regard.

8.13      The Committee commends the Department and its entities on achieving unqualified audits.

8.14      The Committee recommends that Annual Performance Plans are reviewed to ensure that indicators and targets are specific, measurable, achievable, realistic and time bound (SMART).

8.15   In its prior engagements with the Department, the Committee urged the Department to ensure that adequate and sufficiently skilled human resources were in place in the Department and entities.   The Department should brief the Committee quarterly on the implementation of this recommendation.

8.16      The Committee recommends that a progress report on outstanding matters from the 2011/12 BRRR be provided by the Department.

8.17   That the Department investigate and assess the introduction of a single ticket system for public transport.

8.18         The Committee urges the Minister and Department, in co-operation with PRASA, to put

measures in place to prevent damage to rolling stock. The Committee recommends that PRASA conducts awareness campaigns to teach commuters to use state-owned property (infrastructure) in a responsible manner. The Committee further recommends that PRASA new signalling system uses optic fibre and not copper wiring.

8.19      That a follow-up is done on complaints received on staff retention of highly skilled staff within the SACAA and ATNS who are needed to prevent accidents and runway incursions.

8.20      The Committee urges the Minister to investigate and report back on the unavailability of the two Fisheries Department vessels for SAMSA patrols of our coast line.

8.21      The Committee recommends that the Minister engages the provincial MECs via MinMec and the South African Local Government Association (SALGA) to refurbish and re-open all alternative routes to the toll roads in South Africa. The Committee further urges the Minister to put in place stringent measures that would prevent heavy trucks using alternative routes that are of low volume ceiling.

8.22      The Committee recommends a more thorough investigation of fake drivers’ licenses and vehicles with false registration and road worthy certificates by the Department and it further recommends that measures are put in place to prevent these practices.

8.23      The Committee urges PRASA to investigate the development of a model to be used at all stations to create employment and increase income.

8.24      The Committee urges PRASA to extend safety and security at railway stations, platforms, parking lots and access roads to all commuter train stations.

Report to be considered.

[[1]](https://server/pmg%20shared/WEBSITE%20FILES/comreports/2013/comreports/131105transportbrrr.htm" \l "_ftnref1" \o ")Department of Transport (2013), p. 161.

[[2]](https://server/pmg%20shared/WEBSITE%20FILES/comreports/2013/comreports/131105transportbrrr.htm" \l "_ftnref2" \o ")Department of Transport (2012b), p. 143.

[[3]](https://server/pmg%20shared/WEBSITE%20FILES/comreports/2013/comreports/131105transportbrrr.htm" \l "_ftnref3" \o ")Department of Transport (2011), p. 6.

[[4]](https://server/pmg%20shared/WEBSITE%20FILES/comreports/2013/comreports/131105transportbrrr.htm" \l "_ftnref4" \o ")Weideman et al (2007).

[[5]](https://server/pmg%20shared/WEBSITE%20FILES/comreports/2013/comreports/131105transportbrrr.htm" \l "_ftnref5" \o ")Department of Transport (2013), p. 94.