



**TRANSPORT MINISTRY  
REPUBLIC OF SOUTH AFRICA**

26 November 2021

**MEDIA STATEMENT**

**STATE OF TRANSPORT ENTITIES**

When we assumed office in 2019, we made a firm commitment to transform the sector and implement tangible programmes that will make a contribution towards realising a better life for all South Africans.

The onset of the COVID-19 pandemic had a major disruptive effect and the Transport sector was severely affected. No mode of transport was spared and all our entities were affected. We worked hard to put measures in place to cushion this impact and ensure that our public entities continue to render the critical services they are mandated to provide.

The five strategic priorities which form the bedrock of our Strategic Plan in the 6<sup>th</sup> Administration cut across the mandates of all our entities.

These entities are the implementing arms of the Department and exist to give expression to the national transport policy as encoded in the White Paper on National Transport Policy.

The Transport portfolio is made up of the Department, its 13 public entities and a trading account. The Department's budget for the current financial year, as announced in the February budget is R66.7 billion, of which R65.3 billion constitutes transfers and subsidies.

This translates to 98% of the Department's budget channelled through our entities, Provinces, private enterprises and other entities to advance the implementation of the Department's mandate. Private enterprises funded by the Department are bus companies that benefit from public transport subsidies. Other entities include organisations such as the National Sea Rescue Institute (NSRI), the Mountain Club of South Africa and the South African National Taxi Council (SANTACO).

This picture demonstrates the need for a very tight alignment between the oversight responsibility of the Department and the actual implementation driven by the entities.

There must always be a direct line of sight between the Strategic Priorities in the Department's Strategic Plan, the Ministerial Targets in the Performance Agreement of the Minister and the Plans of the entities.

It is important to note that since we came into office, we have been emphatic in our message of good governance as a golden thread that must permeate through all our activities. The Auditor-General has noted improvement in governance across our entities, while raising concerns about emerging risks in entities such as RTIA and the going concern issue in respect of SANRAL, as a consequence of delays in making the final decision on e-tolls. The number of entities that have achieved clean audits has increased from 4 to 5. The other 5 entities achieved unqualified with findings audit outcome, while the remaining 4 audits are still pending.

The Auditor-General has observed that the entities who are doing well to create stability and drive clean administration is the C-BRTA, SACAA, DLCA, RSR and Ports Regulator, and this needs to translate to a correlation between clean administration and quality service delivery in the portfolio.

Incurring irregular expenditure remains a source for concern. The AG noted that PRASA, ACSA and SANRAL were the main contributors to irregular expenditure. PRASA's irregular expenditure amounts to R742 million. While SANRAL and ACSA have incurred R175 million and R282 million in irregular expenditure respectively.

In respect of Fruitless & Wasteful Expenditure, ACSA was the largest contributor to the tune of R76.9 million, followed by PRASA at R15.3 million and RTMC at R7.4 million.

Strengthening our capacity to deliver quality services to the citizenry requires of the Department and its entities to ensure that professionals with requisite skills, qualifications and drive are recruited. The recruitment and other career incidents of employees are the responsibility of the Board. The Board therefore has a responsibility to ensure that labour laws and internal policies are followed to the letter when dealing with career incidents of employees.

A number of key policy developments intended to enhance our service delivery agenda and give the Khawuleza ethos practical expression across the sector. Key among these is the Economic Regulation of Transport Bill which is currently before Parliament.

Its promulgation will transform the face of the industry and make decisive interventions to level the playing field and allow for greater economic participation by SMMEs. The Transport Economic Regulator that will be established will aggressively drive interventions that will ensure competitiveness of the sector and lower barriers to entry to sectors that have historically been a preserve of the few. The competitiveness of our ports remains one of the key strategic drive of economic growth that will be given impetus by this policy direction. The monopolies in rail not only negatively affect competitiveness, but also stifle efficiencies in both freight and passenger rail. The resolution of outstanding issues between PRASA and Transnet which mainly relate to access to each other's network will find a speedy resolution.

While economic regulation is not a new function, it is currently fragmented along modal lines. The consolidation of economic regulation under a single institutional arrangement will ensure effectiveness. Entities such as the Ports Regulator, the Regulating Committee established in terms of the Airports Company Act, will be immediately affected by the promulgation of the law as these entities will fold into the Economic Regulator.

The new economic regulation institutional framework will also impact on the mandates of entities such as the International Air Services Licencing Council, the Air Services Licencing Council, the Railway Safety Regulator, the National Public Transport Regulator and the South African National Roads Agency Limited.

## **MARITIME SECTOR**

Inefficiencies in container freight rail and port services raise the cost of South Africa's imports and make the country's exports less competitive. To address this, we are working closely with the Minister of Public Enterprises in implementing a number of structural reforms. Most notable is the establishment of the National Ports Authority as an independent subsidiary of Transnet, which will undoubtedly improve competitiveness of our ports and boost investor confidence.

South Africa's 2 800 kilometres long coastline requires significant resources and capacity to service the country's obligations to the International Maritime Organisation (IMO). An Internal study of the Department has indicated that at least nine (9) tugboats are required to service South Africa's coastline and her waters.

The South African Maritime Safety Authority (SAMSA) was established to advance South Africa's maritime interests, which include ensuring the safety of life and property at sea, as well as preventing and combating pollution of the marine environment.

SAMSA is expected to increase its expenditure at an average annual rate of 3.6%, from R531.2 million in 2020/21 to R590.8 million in 2023/24. Revenue is generated by levies, fees and user charges, which are expected to increase at an average annual rate of 3.7%, from R538.5 million in 2020/21 to R600.4 million in 2023/24.

SAMSA is experiencing challenges both at Board and operational level. For a number of years, SAMSA has operated without a CEO. The Board has expedited the process to recruit a CEO and we hope to finalise this matter during the course of 2022.

The SAMSA audit is yet to be completed by the Auditor-General.

## **PORTS REGULATOR OF SOUTH AFRICA**

The Ports Regulator of South Africa was established to regulate South Africa's commercial ports by considering tariff increases

of the National Ports Authority and regulating the provision of adequate, affordable and efficient port services and facilities.

This includes hearing complaints and appeals aimed at ensuring fairness, transparency and competitive practices in the ports system.

The Ports Regulator improved its audit outcome from an unqualified audit with findings to a clean audit.

## **ROADS SECTOR**

With an allocation of R104.3 billion over the period ahead, the department's *Road Transport* programme facilitates activities related to the maintenance of South Africa's national and provincial road network. The South African National Roads Agency plays a crucial role in programmes related to upgrading, maintaining and strengthening national toll and non-toll roads. Transfers to SANRAL account for 31% of the department's budget and 62.2% of the department's budget for the road transport programme. A core focus over the MTEF period is the R573, better known as Moloto Road, which is allocated R2.7 billion. Transfers to fund reduced tariffs for the Gauteng freeway improvement project amount to R2 billion over the medium term, while 53.6% or R34.8 billion of allocations to SANRAL are to maintain the national network of non-toll roads.

The maintenance of provincial roads is largely funded through the *provincial roads maintenance grant*, with an allocation of R37.5 billion over the medium term.

## **SANRAL**

The 22 253 kilometres of our national road network that SANRAL is responsible for, plays a critical role as a primary network in enabling economic activity, linking the economic hubs of our Provinces with regional and international markets. This is complemented by the secondary and tertiary road networks that enable access to centres of economic activity and social infrastructure and amenities for our communities.

More than 76% of land freight is hauled on our roads, accounting for 73.8% of total land freight income. This reality places a heavy burden on our road network and requires significant resources for maintenance and rehabilitation. Our objective to migrate 10% of road freight to rail is meant to alleviate this pressure and preserve the longevity and pristine nature of our national road network.

SANRAL therefore has an key role to play in enabling this shift from road to rail and must work with the Department and other organs of state to realise it.

Our target to achieve a 25% reduction of fatalities on our roads by 2024 requires closer collaboration and creative solutions. It is therefore imperative for SANRAL to play an active role in conceptualising solutions in arresting this carnage on our roads.

In the execution of our role as a Champion for the North-South Corridor of the African Union, SANRAL has a key responsibility to lead the charge, working with fellow African countries and state agencies to drive the roads agenda.

SANRAL is therefore working towards developing and strengthening partnerships with countries in the Southern African Development Community (SADC) region and across the continent to advance sustainable road infrastructure development.

SANRAL will continue to pursue opportunities to assist and build the capacity of other road authorities on the continent by providing commercial engineering advisory and commercial services.

Through this collaboration, projects have been realised with African roads authorities in Kenya, Nigeria, Uganda, Mozambique and Zimbabwe.

The overall audit outcome of SANRAL has remained unchanged as financially unqualified opinion with findings during the last four years.

## **C-BRTA**

The Cross-Border Road Transport Agency was established to improve the cross-border flow of passenger and freight transport operators, and regulate market access.

As a self-funded entity, the agency's primary source of revenue is permit fees. Revenue is expected to increase at an average annual rate of 12.4%, from R217 million in 2021/22 to R307.9 million in 2023/24.

We must commend the C-BRTA for achieving a clean audit in the 2020/21 audit outcomes.

## **DLCA**

The Driving Licence Card Account is a Trading Account responsible for manufacturing driving licence cards based on orders received from driving licence testing centres across South Africa.

Expenditure is expected to increase at an average annual rate of 3.7%, from R201.3 million in 2020/21 to R224.5 million in 2023/24. Spending on production and infrastructure accounts for 72.8% or R486 million of its total expenditure.

The entity generates revenue through the sale of driving licence cards. Revenue is expected to increase at an average annual rate of 11.5%, from R202.2 million in 2020/21 to R280.1 million in 2023/24.

We must commend the DLCA for achieving a clean audit in the 2020/21 audit outcomes.

## **ROAD ACCIDENT FUND**

The Road Accident Fund is mandated to compensate South African road users for losses or damages caused by motor vehicle accidents within the borders of South Africa. The fund derives its revenue from the fuel levy.

Revenue from the levy is expected to increase at an average annual rate of 5.8%, from R38.1 billion in 2020/21 to R45.2 billion in 2023/24. Claims against the fund have increased at an average annual rate of 8.4%, from R61.3 billion in 2017/18 to R78.2 billion in 2020/21, and are expected to increase to R102.9 billion by 2023/24. As a result, the accumulated deficit is expected to increase from R367.7 billion in 2020/21 to R518.7 billion in 2023/24.

The Auditor-General is yet to conclude the RAF audit.

## **RTIA**

The Road Traffic Infringement Agency was established to administer procedures that discourage the contravention of road traffic laws by enforcing penalties and providing community awareness programmes.

With the rollout of the Administrative Adjudication of Road Traffic Offences Act (AARTO), the role of RTIA in ensuring that we arrest fatalities on our roads and achieve our 25% target by 2024, will be central.

Expenditure is expected to increase at an average annual rate of 14.9%, from R316.2 million in 2020/21 to R479.1 million by 2023/24. The agency derives its revenue mainly through administrative penalties and departmental transfers.

Revenue is expected to increase in line with expenditure, due to the planned increase in transfers from the department to implement the national rollout of AARTO.

The Auditor-General is yet to conclude the RTIA audit.

## **RTMC**

The Road Traffic Management Corporation was established to provide national road traffic strategic planning and law enforcement, and pool public sector resources for the provision of road traffic management.

The overall audit outcome of the RTMC has remained unqualified with findings on compliance, and no findings on the audit of predetermined objectives.

Expenditure is expected to increase at an average annual rate of 11.7%, from R1.1 billion in 2020/21 to R1.6 billion in 2023/24, mainly due to operational expansions relating to the electronic national traffic information system and road traffic law-enforcement training. As a result, spending on operations and law enforcement is expected to account for 42.6% or R2 billion of expenditure over the period ahead.

Revenue is mainly generated through transaction fees from the electronic national traffic information system and transfers from the department. Total revenue is expected to increase in line with expenditure, mainly driven by significant increases in collections from road traffic infringement fees and user charges related to the electronic national traffic information system (eNatis).

We are hard at work in ensuring that the RTMC is able to fulfil its mandate as articulated in its founding legislation.

Key amongst our interventions is the consolidation of the traffic management value chain, which includes ensuring a seamlessly integrated business process at the Driving Licence Testing Centres (DLTCs) and the transfer of the Driving Licence Card Account (DLCA) to the RTMC.

The audit outcome for the RTMC is unqualified with findings.

## **RAIL SECTOR**

Transfers to the Passenger Rail Agency of South Africa in the *Rail Transport* programme account for an estimated 27.2% or R57 billion of the department's budget over the period ahead. However, the agency has struggled for many years to roll out its modernisation programme, which is meant to improve the reliability of services and increase the number of passengers. The modernisation programme entails focused spending on repairs and maintenance as part of the agency's rolling stock fleet renewal programme, as well as improved security.

Delays in the rolling stock fleet renewal programme, along with poor spending on rail infrastructure and the effects of the COVID-19 pandemic, specifically lockdown restrictions, necessitated the reprioritisation of funds to support other entities in the transport sector.

Following a prolonged period of instability, we have recently appointed a permanent Board of Control which is leading the intensified implementation of PRASA's modernisation programme.

Over the medium term, capital transfers to PRASA are expected to increase at an average annual rate 164.3%, from R700 million in 2020/21 to R12.9 billion 2023/24. To offset revenue loss during the COVID-19 lockdown, operational transfers were temporarily increased in 2020/21, accommodated by reductions to capital budgets. However, as we revert to normal operators over the medium term, operational transfers to the agency are expected to decrease at an average annual rate of 5%, from R8.8 billion in 2020/21 to R7.5 billion in 2023/24.

PRASA continues to grapple with capacity challenges, which manifests itself in its inability to accelerate spending on its capital programme. The Group has spent 32% or R 62.2 billion of its budgeted capital to date. Indeed, there are many factors that contribute to the slow spending, which include protracted procurement processes. While PRASA is struggling to spend its capital budget on the one hand, it is facing a cash flow crisis in relation to its operational budget.

The General Overhaul programme aimed at maintaining the current trains has experienced long delays over time due to procurement delays. However the procurement process for this programme is nearing finalization. This will contribute significantly in stimulating local job creation in the sector and achieving quicker turn-around times in returning damaged coaches to service.

Delays in finalizing the infrastructure upgrades in the Central Line in Cape Town have a knock-on impact on the planned return to service of commuter rail in this critical corridor. Despite the Cape Town High Court granting PRASA an order to remove all illegal settlements on the Central Line, resettlement of the people who have illegally occupied the rail reserve is experiencing challenges.

Similarly, the Depot Modernisation Programme has been slightly delayed due to litigation on some of the finalized appointments. PRASA has had two successive adverse audit outcomes, being in 2018/2019 and 2019/2020 financial years. The 2020/2021 audit is yet to be completed by the Auditor-General.

The Auditor-General is yet to conclude the PRASA audit.

## **RSR**

The Railway Safety Regulator was established to oversee and promote safe railway operations by providing an enabling national regulatory framework, while monitoring and enforcing compliance in the rail sector.

We must commend the Railway Safety Regulator for achieving a clean audit in the 2020/21 audit outcomes.

## **AVIATION SECTOR**

### **ATNS**

The Air Traffic and Navigation Services Company was established to provide safe, orderly and efficient air traffic navigational and associated services to the air traffic management community, and in accordance with the standards set out by the International Civil Aviation Organisation (ICAO).

Expenditure is expected to increase at an average annual rate of 3.6%, from R1.5 billion in 2020/21 to R1.7 billion in 2023/24. This relatively low increase is due to the implementation of cost-containment and cash preservation measures following the decrease in air travel as a result of the COVID-19 pandemic.

Revenue is derived mainly from aerodrome, en-route and approach fees, and is expected to increase at an average annual rate of 33.9%, from R660.7 million in 2020/21 to R1.6 billion in 2023/24. This sharp increase is mainly due to the sharp decrease in revenue in 2020/21 because of COVID-19 travel restrictions, with air traffic operations expected to begin normalising over the period ahead.

The audit outcome for ATNS is unqualified with findings.

## **ACSA**

The Airports Company South Africa company owns and operates 9 principal South African airports, including OR Tambo International Airport, Cape Town International Airport and King Shaka International Airport.

Although passenger numbers fell to 10.6 million in 2020/21 due to the decrease in air travel because of COVID-19 travel restrictions, a recovery is expected to translate to an increase to 13.9 million in 2023/24.

Expenditure is expected to increase at an average annual rate of 3.3%, from R6 billion in 2020/21 to R6.6 billion in 2023/24.

The borrowing plan over the medium term focuses on addressing liquidity pressures in the short term and financing a capital expenditure programme of R1 billion per year.

As a result of the decrease in air travel, revenue in 2021/21 decreased by 49.1% from the 2019/20 levels. This is expected to improve over the period ahead, as the company anticipates revenue to increase at an average annual rate of 14%, from R4.2 billion in 2020/21 to R6.2 billion in 2023/24.

The audit outcome for ACSA is unqualified with findings on compliance with legislation.

## **SACAA**

The South African Civil Aviation Authority was established to enforce safety standards in the civil aviation industry.

Expenditure is expected to increase at average annual rate of 9%, from R632.9 million in 2020/21 to R820.3 million in 2023/24. The authority is expected to spend R205 million over the period ahead on the replacement of the flight inspection aircraft and flight calibration equipment. The authority generates most of its revenue through passenger safety charges, user fees and the aviation fuel levy.

Revenue is expected to increase at an average annual rate of 23.3%, from R437.3 million in 2020/21 to R820.3 million in 2023/24. This significant increase is due to the expected recovery in air passenger travel over the medium term after the sharp decrease in passenger numbers in 2020/21 as a result of COVID-19 travel restrictions.

We must also commend SACAA for achieving a clean audit in the 2020/21 audit outcomes.

The Acting Director-General will take you through a detailed presentation on the state of our public entities.

I thank you.

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