

Vote 33

Transport

Budget summary

R million	2009/10				2010/11	2011/12
	Total to be appropriated	Current payments	Transfers and subsidies	Payments for capital assets	Total	Total
MTEF allocation						
Administration	231.0	220.9	8.5	1.6	230.8	235.3
Transport Policy and Economic Regulation	51.6	51.1	–	0.5	52.1	54.8
Transport Regulation and Accident and Incident Investigation	195.6	183.4	11.5	0.6	208.0	224.2
Integrated Planning and Inter-sphere Coordination	8 855.4	116.1	8 738.7	0.6	11 908.3	13 444.0
Transport Logistics and Corridor Development	31.8	31.8	–	0.1	39.0	40.3
Public Transport	14 191.7	164.6	14 027.0	0.1	12 953.4	13 829.4
Public Entity Oversight and Border Operations and Control	177.7	26.4	151.1	0.2	88.8	93.0
Total expenditure estimates	23 734.8	794.4	22 936.8	3.7	25 480.3	27 920.9
Executive authority	Minister of Transport					
Accounting officer	Director-General of Transport					
Website address	www.transport.gov.za					

Aim

The aim of the Department of Transport is to lead the provision of an integrated, sustainable, reliable and safe transport system, through safety and economic regulation, planning, development, coordination, promotion and the implementation of transport policies and strategies.

Programme purposes

Programme 1: Administration

Purpose: Coordinate and provide an effective, efficient strategic support and administrative service to the Minister, Director-General and department.

Programme 2: Transport Policy and Economic Regulation

Purpose: Develop integrated transport policies and appropriate legislation, ensure regulatory efficiency and manage research and development.

Programme 3: Transport Regulation and Accident and Incident Investigation

Purpose: Create an enabling regulatory environment in the areas of safety, security and environmental compliance, and manage accident and incident investigations in all modes of transport.

Programme 4: Integrated Planning and Inter-sphere Coordination

Purpose: Manage integrated planning and facilitate inter-sphere coordination for transport infrastructure and operations.

Programme 5: Transport Logistics and Corridor Development

Purpose: Manage the implementation of the transport logistics strategy using intelligent information to promote the development of freight corridors and ensure efficient operations and regional integration.

Programme 6: Public Transport

Purpose: Develop practices and norms that will increase access to appropriate and quality public transport that meets the socioeconomic needs of both rural and urban passengers.

Programme 7: Public Entity Oversight and Border Operations and Control

Purpose: Develop appropriate mandates and monitoring and evaluation mechanisms to oversee public entities and border operations and control.

Strategic overview: 2005/06 – 2011/12

The Department of Transport plays a pivotal role in optimising the contribution of transport to the economic and social development goals of the country by providing fully integrated transport operations and infrastructure.

Strategic objectives over the medium term

In support of these goals, over the medium term, the department will prioritise the following strategic objectives: improve access to affordable public transport; streamline the freight logistics network along key corridors by promoting infrastructure investment and improved operational efficiency; develop the regulatory system and capacity required to ensure that operators in the transport sector meet the required safety and security standards; reduce road accident fatalities; optimise resources and promote efficiencies within the transport sector; ensure a balance between the role of rail and road both for passengers and freight; promote the role of ports in international trade and economic development, thus reducing the carbon footprint of the transport sector.

Key focus areas

The public transport strategy

Approved by Cabinet in 2007, the public transport strategy calls for the development of integrated public transport networks to increase transport efficiencies generally and make improvements to existing services. The strategy highlights the need for a decisive and phased shift from the current operator controlled, route based system to integrated rapid transport networks, supported by scheduled feeder and distribution services. Implementing the taxi recapitalisation project and the national passenger rail plan, and transforming and optimising current bus subsidised services, are key to achieving this new model of transport. The public transport operations grant has been created to clarify intergovernmental responsibilities towards public transport operational support.

In support of the public transport strategy, in 2008, the department tabled the National Land Transport Bill in Parliament. The aim of the bill is to ensure intergovernmental functional alignment between the planning, regulation and management functions of public transport road and rail services.

Streamlining freight transport

To facilitate greater efficiencies and reduced costs for freight transport, the department is updating the freight logistics database. A key area of focus is the Durban-Gauteng corridor, which will enhance the cost-efficient movement of consumer and export goods between Gauteng and KwaZulu-Natal.

Reducing road fatalities

The department continues to focus its efforts on reducing road fatalities by 50 per cent by 2014, and expects the already improving trend to continue over the medium term. The national road safety strategy of 2006 was reviewed in November 2008 in preparation for the 2015 road safety strategy. The overarching objective of the strategy is to coordinate diverse interventions to reduce road accidents, through intensified and integrated law enforcement, road safety education and communication programmes.

The Road Accident Fund

The Road Accident Fund Amendment Act (2005) was promulgated with effect from August 2008. The department developed a draft no-fault based framework, in preparation of the necessary legislative changes and alignment to the comprehensive social security framework.

Road infrastructure strategic framework

The implementation of the road infrastructure strategic framework and its action plan will be intensified over the medium term to assess, prioritise and reclassify the road network, transfer roads to the South African National Roads Agency, and roll out the programme for labour intensive road construction and maintenance in partnership with the Department of Public Works.

Long distance passenger services

The Legal Succession to the South African Transport Services Amendment Act (2008) provides for the incorporation of Autopax and Shosholozza Meyl into the South African Rail Commuter Corporation and the creation of a new company called the Passenger Rail Agency of South Africa. The new structure will allow for integrated long distance and rural passenger services.

Air and sea transport

The draft maritime policy, which provides a framework for maritime regulation and ship registration legislation, has been approved for consultation. The Civil Aviation Bill (2008) was submitted to Parliament to ensure compliance with the International Civil Aviation Organisation and the Federal Aviation Authority safety standards.

Selected performance and operations indicators

Table 33.1 Transport

Indicator	Programme	Past			Current	Projections		
		2005/06	2006/07	2007/08		2009/10	2010/11	2011/12
Total number of integrated rapid public transport networks and operational plans developed in metros and large cities	Public Transport	0	0	0	5	9	12	12
Number of taxis scrapped each year	Public Transport	–	2 000	11 400	9 180	11 901	8 807	7 858
Number of fatal road accidents each year	Transport Regulation and Accident and Incident Investigation	11 826	12 577	11 653	10 488	9 439	8 495	7 646
Number of credit card format driving licences manufactured and delivered each year	Transport Regulation and Accident and Incident Investigation	1.5 million	1.6 million	1.6 million	1.6 million	1.7 million	1.8 million	1.9 million
Number of bicycles procured and distributed each year	Integrated Planning and Inter-sphere Coordination	9 100	10 690	5 980	21 600	12 338	12 331	12 305
Total number of districts with improved rural transport in 15 integrated sustainable rural development nodes	Integrated Planning and Inter-sphere Coordination	–	3	6	10	11	13	15

Expenditure estimates

Table 33.2 Transport

Programme	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
R million	2005/06	2006/07	2007/08	2008/09		2009/10	2010/11	2011/12
1. Administration	115.1	156.0	182.3	245.2	236.7	231.0	230.8	235.3
2. Transport Policy and Economic Regulation	33.3	19.1	17.6	47.2	24.4	51.6	52.1	54.8
3. Transport Regulation and Accident and Incident Investigation	207.7	187.6	209.6	432.6	428.6	195.6	208.0	224.2
4. Integrated Planning and Inter-sphere Coordination	2 038.7	3 103.5	5 226.2	8 767.0	8 460.0	8 855.4	11 908.3	13 444.0
5. Transport Logistics and Corridor Development	7.7	17.9	13.0	35.1	25.5	31.8	39.0	40.3
6. Public Transport	5 186.5	9 745.2	10 516.6	12 277.2	12 281.7	14 191.7	12 953.4	13 829.4
7. Public Entity Oversight and Border Operations and Control	2 820.9	131.1	166.4	2 688.6	2 685.5	177.7	88.8	93.0
Total	10 409.9	13 360.4	16 331.6	24 492.8	24 142.3	23 734.8	25 480.3	27 920.9
Change to 2008 Budget estimate				3 984.3	3 633.8	1 322.9	1 749.9	3 123.6

Economic classification

Current payments	412.7	558.9	580.1	1 044.4	985.0	794.4	775.5	815.7
Compensation of employees	96.9	111.2	131.3	230.2	186.0	212.8	208.9	221.3
Goods and services	314.5	447.7	441.7	814.2	798.9	581.6	566.6	594.4
<i>of which:</i>								
Administrative fees	0.6	0.3	1.4	1.5	1.5	2.0	2.1	2.1
Advertising	7.7	35.9	19.7	22.4	22.4	31.9	31.5	32.0
Assets less than R5 000	0.7	2.1	1.5	2.9	2.9	3.7	3.7	3.8
Audit costs: External	3.3	3.5	4.6	3.3	3.3	5.8	5.9	5.9
Bursaries (employees)	0.3	0.4	0.4	0.3	0.3	0.6	0.6	0.6
Catering: Departmental activities	0.9	1.1	0.8	1.2	1.2	1.4	1.4	1.4
Communication	5.1	5.4	7.1	6.8	4.8	10.5	10.7	10.7
Computer services	5.0	4.7	7.6	8.2	6.2	9.7	9.8	10.2
Consultants and professional services:	187.7	300.3	339.5	692.8	690.6	415.2	400.0	424.2
Business and advisory service								
Consultants and professional services: Legal costs	1.5	0.8	1.7	1.3	1.3	2.2	2.2	2.2
Contractors	8.2	8.8	–	–	–	–	–	–
Agency and support / outsourced services	38.0	32.7	–	–	–	–	–	–
Inventory: Other consumables	0.2	0.8	0.6	0.5	0.5	0.8	0.8	0.8
Inventory: Stationery and printing	6.8	5.3	5.8	9.6	9.6	13.4	13.4	13.8
Lease payments	2.7	13.7	14.2	11.8	7.8	20.1	20.3	20.3
Owned and leasehold property expenditure	0.6	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Transport provided: Departmental activities	–	–	4.1	4.5	4.5	6.5	6.6	6.7
Travel and subsistence	28.8	22.4	26.8	40.6	35.6	48.0	48.1	49.9
Training and development	1.8	2.0	3.1	2.3	2.3	4.0	4.1	4.0
Operating expenditure	2.4	3.5	0.9	1.0	1.0	1.5	1.5	1.5
Venues and facilities	11.8	3.0	1.3	2.8	2.8	3.7	3.6	3.7
Financial transactions in assets and liabilities	1.4	0.1	7.1	–	0.0	–	–	–
Transfers and subsidies	9 973.5	12 764.0	15 748.3	23 445.0	23 151.3	22 936.8	24 663.3	27 048.7
Provinces and municipalities	242.0	3 759.1	4 203.4	7 519.2	7 219.2	8 837.0	8 514.9	9 313.3
Departmental agencies and accounts	4 567.7	2 459.5	3 688.9	6 828.5	6 834.5	5 958.1	7 032.3	8 199.9
Universities and technikons	6.7	10.1	9.2	7.8	7.8	8.2	8.7	9.2
Public corporations and private enterprises	5 142.4	6 420.2	7 267.2	8 611.4	8 611.4	7 482.4	8 588.2	9 032.0
Foreign governments and international organisations	2.8	2.8	3.6	4.9	4.9	5.1	5.4	5.7
Non-profit institutions	11.3	12.2	3.8	14.1	14.1	15.1	16.0	17.0
Households	0.5	100.0	572.2	459.1	459.5	630.9	497.7	471.6
Payments for capital assets	23.7	37.5	3.2	3.5	6.0	3.7	41.6	56.5
Buildings and other fixed structures	10.3	–	–	–	–	–	37.7	52.4
Machinery and equipment	13.4	37.5	3.2	3.5	6.0	3.7	3.9	4.1
Total	10 409.9	13 360.4	16 331.6	24 492.8	24 142.3	23 734.8	25 480.3	27 920.9

Expenditure trends

Departmental expenditure increased from R10.4 billion in 2005/06 to R24.1 billion in 2008/09, at an average annual rate of 32.4 per cent. This growth was mainly driven by the introduction of the public transport infrastructure and systems grant and the Gautrain rapid rail link grant, once-off transfers to the Road Accident Fund of R2.7 billion in 2005/06 and R2.5 billion in 2008/09, and increased allocations for passenger rail infrastructure. In addition, infrastructure spending increased as a result of the maintenance and upgrading of the national road network, from R1.8 billion in 2005/06 to R4.2 billion in 2008/09, at an average annual rate of 33.4 per cent. In 2008/09, disaster management funding was allocated to KwaZulu-Natal and Western Cape for roads, bridges and stormwater damage caused by floods.

These once-off allocations and extraordinary transfers to the Road Accident Fund, the disaster management grants, and the introduction and phasing out of the grant for the Gautrain rapid rail link in 2011/12 distort the trends in expenditure growth, reflecting an average annual increase of only 4.5 per cent over the MTEF period. Expenditure excluding these transfers, is expected to increase by 16.7 per cent from 2008/09 to 2011/12.

Allocations to the South African National Roads Agency continue over the medium term at an average annual growth rate of 24.9 per cent, as do investments in public transport infrastructure and rail infrastructure at an average annual growth rate of 17.5 per cent and 17.1 per cent respectively.

Additional allocations over the medium term include:

- R100 million in 2010/11 and R800 million in 2011/12 to the South African National Roads Agency for road maintenance and infrastructure
- R200 million, R212 million and R224.7 million for the public transport operations grant towards bus subsidies
- R100 million in 2010/11 and R500 million in 2011/12 to the South African Rail Commuter Corporation for passenger rail infrastructure
- R225 million in 2009/10 for the Gautrain rapid rail link
- R200 million, R100 million and R50 million for the scrapping of old taxi vehicles
- R13 million over the MTEF period for the Railway Safety Regulator to strengthen its regulatory function.

Inflationary adjustments for the South African National Roads Agency, the South African Rail Commuter Corporation, the public transport operations grant, the public transport infrastructure grant and the Gautrain rapid rail link grant amount to R4 billion over the MTEF period. Over the same period, additional allocations of R21.3 million and R10 million are made for compensation of employees and payments for capital assets respectively.

Efficiency savings of R557.1 million have been identified over the MTEF period. Expenditure in goods and services comprises 24.3 per cent of savings, while the remaining 75.7 per cent relates to savings in transfers to the following entities: the Independent Ports Regulator, the Road Traffic Management Corporation, the South African Civil Aviation Authority, the South African Maritime Safety Authority, the South African National Roads Agency and the South African Rail Commuter Corporation.

Departmental receipts

Departmental receipts are mainly derived from dividends received from the Airports Company of South Africa, and share revenue from salvage tugs that provide oil pollution prevention services. The department received dividends of R100.7 million from the Airports Company of South Africa in 2007/08. No dividends have been declared for 2008/09.

In 2008/09, the department received R140.9 million in the form of transaction fees from the driving licence testing centres for maintenance of the electronic national traffic information system.

Table 33.3 Departmental receipts

R thousand	Audited outcome			Adjusted estimate	Revised estimate	Medium-term receipts estimate		
	2005/06	2006/07	2007/08	2008/09		2009/10	2010/11	2011/12
Departmental receipts	235 673	330 424	362 450	186 528	153 654	122 076	127 797	137 425
Sales of goods and services produced by department	12 370	9 662	9 906	10 688	12 342	11 303	11 982	12 580
Sales of scrap, waste, arms and other used current goods	1	—	—	—	—	—	—	—
Fines, penalties and forfeits	36	46	16	—	—	—	—	—
Interest, dividends and rent on land	221 763	231 617	109 069	150 340	405	110 400	115 420	124 430
Sales of capital assets	87	—	—	—	—	—	—	—
Financial transactions in assets and liabilities	1 416	89 099	243 459	25 500	140 907	373	395	415
Extraordinary receipts	—	667 661	—	—	—	—	—	—
Special restructuring proceeds from ACSA	—	667 661	—	—	—	—	—	—
Total	235 673	998 085	362 450	186 528	153 654	122 076	127 797	137 425

Programme 1: Administration

Table 33.4 Administration

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R million							
Minister ¹	0.8	1.3	1.1	1.0	1.7	1.8	1.9
Management	43.6	72.3	81.6	88.0	94.8	91.3	94.5
Corporate Services	59.3	70.8	87.2	141.9	119.7	121.3	121.5
Property Management	11.4	11.7	12.4	14.2	14.9	16.4	17.4
Total	115.1	156.0	182.3	245.2	231.0	230.8	235.3
Change to 2008 Budget estimate				60.3	(8.0)	(6.5)	(12.9)

1. From 2008/09, the current payments relating to the total remuneration package of political office bearers are shown, before this only salary and car allowances are included. Administrative and other subprogramme expenditure may in addition include payments for capital as well as transfers and subsidies.

Economic classification

	106.2	144.4	170.6	235.5	220.9	220.0	223.9
Current payments							
Compensation of employees	37.7	46.6	55.7	94.0	83.5	80.9	85.7
Goods and services	68.1	97.9	113.6	141.5	137.4	139.1	138.2
of which:							
Administrative fees	0.2	0.1	0.9	0.7	1.2	1.2	1.2
Advertising	4.9	26.4	16.1	11.8	20.5	20.7	20.6
Assets less than R5 000	0.1	0.9	0.4	0.3	0.5	0.5	0.5
Audit costs: External	3.3	3.5	4.6	3.3	5.8	5.9	5.9
Bursaries (employees)	0.3	0.4	0.4	0.3	0.6	0.6	0.6
Catering: Departmental activities	0.3	0.9	0.4	0.3	0.5	0.5	0.5
Communication	3.6	4.3	6.2	4.5	7.9	8.0	7.9
Computer services	1.4	2.2	2.9	2.1	3.7	3.7	3.7
Consultants and professional services:	30.6	22.2	44.8	91.2	49.8	50.4	50.1
Business and advisory service							
Consultants and professional services:	0.3	0.8	1.7	1.2	2.1	2.2	2.2
Legal costs							
Contractors	4.4	6.2	—	—	—	—	—
Agency and support / outsourced services	1.1	0.2	—	—	—	—	—
Inventory: Other consumables	0.2	0.7	0.5	0.4	0.7	0.7	0.7
Inventory: Stationery and printing	1.8	2.3	2.7	2.0	3.4	3.4	3.4
Lease payments	1.2	12.9	13.5	9.9	17.2	17.4	17.3
Transport provided: Departmental activities	—	—	3.1	2.2	3.9	3.9	3.9
Travel and subsistence	10.8	8.5	10.7	7.8	13.6	13.8	13.7
Training and development	1.7	1.8	3.1	2.3	4.0	4.1	4.0
Operating expenditure	0.7	2.0	0.7	0.5	0.9	0.9	0.9
Venues and facilities	0.5	0.9	0.6	0.5	0.8	0.8	0.8
Financial transactions in assets and liabilities	0.4	0.0	1.3	—	—	—	—

Table 33.4 Administration (continued)

R million	Audited outcome			Adjusted	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Transfers and subsidies	7.2	10.6	9.6	8.1	8.5	9.0	9.5
Provinces and municipalities	0.1	0.0	–	–	–	–	–
Departmental agencies and accounts	0.1	0.1	0.1	0.2	0.2	0.2	0.2
Universities and technikons	6.7	10.1	9.2	7.8	8.2	8.7	9.2
Households	0.3	0.4	0.3	0.1	0.1	0.1	0.1
Payments for capital assets	1.7	1.0	2.1	1.5	1.6	1.7	1.8
Machinery and equipment	1.7	1.0	2.1	1.5	1.6	1.7	1.8
Total	115.1	156.0	182.3	245.2	231.0	230.8	235.3

Details of selected transfers and subsidies

Universities and technikons							
Current	6.7	10.1	9.2	7.8	8.2	8.7	9.2
Universities of Pretoria, KwaZulu-Natal and Stellenbosch	6.7	10.1	9.2	7.8	8.2	8.7	9.2

Expenditure trends

Expenditure grew at an average annual rate of 28.7 per cent between 2005/06 and 2008/09, increasing from R156 million in 2006/07 to R182.3 million in 2007/08 due to the reprioritisation of funds from other programmes to cater for October Transport Month, World Remembrance Day, Arrive Alive campaigns and national land transport infrastructure system maintenance. Expenditure in goods and services increased by 16.1 per cent from R97.9 million in 2006/07 to R113.6 million in 2007/08, mainly due to payments made to organisers of these events.

Expenditure increased to R245.2 million in 2008/09 due to the reprioritisation of funds amounting to R51.4 million for communication campaigns, the development of information systems, security, recruitment campaigns and capacity development within the transport sector. An amount of R5 million was rolled over to fund commitments relating to the Arrive Alive campaign, and an additional R18.3 million was allocated to fund increases in compensation of employees. Over the MTEF period, expenditure decreases at an average annual rate of 1.4 per cent due to these shifts, additions and rollovers in 2008/09.

Programme 2: Transport Policy and Economic Regulation

- *Transport Policy Analysis* ensures that transport policy is developed, analysed and implemented, and monitors the impact and performance of the transport system.
- *Transport Economic Analysis* collates and analyses critical supply and demand data for all modes of transport, and provides economic data for the department's priority areas.
- *Legislation* collates and converts information from policies into legislation.
- *Research and Development* promotes innovation and technology and the advancement of transport services and operations through research and knowledge management.
- *Economic Regulation* develops and refines regulatory strategies on competition, pricing and investment to improve the overall performance of the transport system.
- *Administration Support*.

Funding in all subprogrammes is disbursed in accordance with supply chain management principles.

Objectives and measures

- Monitor the impact and efficiency of the transport system by developing a performance indicator database by March 2011.
- Improve research and development in the transport sector by implementing the national innovative research and development programme and creating centres of excellence by November 2009.

Service delivery and spending focus

The department focused on strengthening policy outcomes by developing specific policies for maritime transport, rail economic regulation and non-motorised transport, as well as preliminary policy work on scholar transport. The Integrated Transport Sector Broad Based Black Economic Empowerment Charter was launched in October 2008 and submitted to the Department of Trade and Industry for gazetting under the Broad Based Black Economic Empowerment Act (2003).

Research studies were commissioned on the reduction of transport costs, the socioeconomic impact of the 2010 FIFA World Cup, and the impact of transport subsidies on the economy. A transport performance indicators framework was approved by the minister in 2007. The first draft of the baseline study has been developed.

The following pieces of legislation have been drafted: the Cross-Border Amendment Act (2008), the Air Services Licensing Amendment Act (2008), the Legal Succession to the South African Transport Services Amendment Act (2008), the National Road Traffic Amendment Bill (2008), the National Land Transport Bill (2008), the Civil Aviation Bill (2008) and the National Railway Safety Regulator Amendment Bill (2008).

Over the MTEF period, the department aims to update the national household travel survey, review the National White Paper on Transport and various policy issues relating to non-motorised transport, rail infrastructure standards and emissions policy. The programme will also develop a framework for the creation of a single transport economic regulator.

Expenditure estimates

Table 33.5 Transport Policy and Economic Regulation

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R million							
Transport Policy Analysis	6.6	3.7	5.6	7.7	8.1	8.1	8.6
Transport Economic Analysis	4.0	8.0	5.9	10.8	10.8	10.9	11.5
Legislation	3.8	1.2	1.6	3.5	3.6	3.6	3.9
Research and Development	4.4	4.5	2.9	8.5	8.1	8.2	8.7
Administration Support	14.4	1.6	1.6	6.7	6.1	6.3	6.6
Economic Regulation	–	0.2	–	9.9	14.8	15.0	15.5
Total	33.3	19.1	17.6	47.2	51.6	52.1	54.8
Change to 2008 Budget estimate				9.5	(0.6)	(0.6)	(5.7)

Table 33.5 Transport Policy and Economic Regulation (continued)

R million	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Economic classification							
Current payments	32.6	18.8	17.3	46.8	51.1	51.6	54.2
Compensation of employees	14.2	12.7	12.5	24.9	24.4	24.1	25.5
Goods and services	18.3	6.2	4.8	21.9	26.7	27.5	28.7
of which:							
Advertising	1.0	0.2	0.5	1.4	2.6	2.7	2.8
Communication	0.3	0.1	0.1	0.3	0.5	0.6	0.6
Computer services	0.9	0.2	0.2	0.5	0.9	0.9	1.0
Consultants and professional services: Business and advisory service	3.3	2.1	1.4	11.2	6.6	6.8	7.1
Contractors	1.1	0.2	–	–	–	–	–
Inventory: Stationery and printing	1.3	0.3	0.7	2.2	4.2	4.3	4.5
Lease payments	0.1	0.1	0.1	0.4	0.7	0.7	0.7
Transport provided: Departmental activities	–	–	0.1	0.4	0.7	0.7	0.8
Travel and subsistence	1.7	1.7	1.5	4.8	9.0	9.2	9.6
Venues and facilities	8.3	0.6	0.1	0.3	0.5	0.5	0.6
Financial transactions in assets and liabilities	0.0	0.0	0.0	–	–	–	–
Transfers and subsidies	0.1	0.1	0.2	–	–	–	–
Provinces and municipalities	0.0	0.0	–	–	–	–	–
Households	0.0	0.1	0.2	–	–	–	–
Payments for capital assets	0.6	0.1	0.1	0.4	0.5	0.5	0.6
Machinery and equipment	0.6	0.1	0.1	0.4	0.5	0.5	0.6
Total	33.3	19.1	17.6	47.2	51.6	52.1	54.8

Expenditure trends

Expenditure in the *Transport Policy and Economic Regulation* programme grew at an average annual rate of 12.4 per cent between 2005/06 and 2008/09 due to a restructuring exercise that entailed shifting the *Economic Regulation* subprogramme to the *Transport Policy and Economic Regulation* programme.

In 2005/06, expenditure in administration support was higher than the norm as a result of a R13.4 million rollover and the reprioritisation of savings from other programmes to fund goods and services expenditure for the air transport conference of the African Union hosted by South Africa in May 2005.

Expenditure within the programme decreased from R19.1 million in 2006/07 to R17.6 million in 2007/08, as less outsourcing was needed for policy development than initially anticipated. Low expenditure in 2006/07 and 2007/08 was also due to underspending, particularly in the goods and services budget. Underspending increased from 2005/06 to 2007/08 at 19.5 per cent, 31.5 per cent and 39.4 per cent respectively.

Expenditure over the medium term is expected to stabilise at an average annual rate of 5.1 per cent from R47.2 million in 2008/09 to R54.8 million in 2011/12. Expenditure growth from 2008/09 onwards is mainly due to the reprioritisation of funds for the development of the Rail Economic Regulator, and increased expenditure on consultants.

Programme 3: Transport Regulations and Accident and Incident Investigation

- *Road Transport Regulation* enables, coordinates and promotes activities that include: the review and development of road transport legislation; the development of standards and guidelines; the management of safety information systems and programmes; the management of the national traffic information system legislation; and the oversight of the national driving licence and vehicle testing centres, as well as the transport of dangerous goods inspectorates.
- *Civil Aviation Regulation* facilitates the development of an economically viable air transport industry that is safe, secure, efficient, environmentally friendly and compliant with international standards. It creates an

enabling regulatory environment for promoting and developing domestic and international air transport for passengers and freight.

- *Maritime Regulation* facilitates the development of an economically viable maritime industry that is safe, secure, efficient, environmentally friendly and compliant with international standards. It creates an enabling environment for promoting and developing international and domestic maritime transport for passengers and freight and an oil pollution prevention service.
- *Rail Transport Regulation* develops, implements and maintains strategies and regulatory frameworks to ensure improved safety and efficiency in rail passenger and freight transport.
- *Accident and Incident Investigation* collects, maintains and analyses data, and distributes regular reports on accidents and incidents in all modes of transport. It further facilitates search and rescue services.
- *Administration Support*.

Funding for the maintenance and upgrading of the national traffic information system is allocated during the adjusted Budget based on transaction fees collected by registering authorities and vehicle licencing centres and surrendered to the National Revenue Fund. The Road Traffic Management Corporation monitors and reconciles these transactions.

Funding for goods and services in the regulation subprogrammes is allocated in accordance with supply chain management principles, while service level agreements guide the allocation of funds for search and rescue services in the *Accident and Incident Investigation* subprogramme.

Objectives and measures

- Reduce road accident fatalities and serious injuries by 50 per cent in line with the millennium development goals by implementing the 2006 road safety strategy and managing the national traffic information system.
- Develop a safe, secure, and environmentally friendly aviation industry by developing regulations aimed at ensuring compliance with International Civil Aviation Organisation standards.
- Develop a safe, secure, environmentally friendly, and efficient maritime industry by developing regulations aimed at ensuring compliance with International Maritime Organisation mandatory instruments, and national legislation.

Service delivery and spending focus

A ministerial task team was appointed in 2007 to ensure the integrity of the aviation safety oversight system. It managed to retain the Category 1 status for the Civil Aviation Authority, conferred by the United States Federal Aviation Authority, and exceed standards set by the International Civil Aviation Organisation. In line with the national airlift strategy, approved by Cabinet in 2006, there has been a substantial increase in air traffic frequency capacity, mainly to support the tourism industry. At the third India-Brazil-South Africa Dialogue Forum that took place in October 2008, a 5-year action plan on civil aviation was signed, aimed at greater cooperation in the sector.

In 2007 the department drafted legislation and regulations in support of the International Maritime Organisation's conventions on oil pollution preparedness, response and cooperation, and the control and management of ships' ballast water and sediments. The department is in the process of developing maritime transport security legislation. New port limits were published for public comment in November 2008.

The department has supported the drafting of the Railway Safety Regulator Amendment Act by the Railway Safety Regulator. Moreover, an updated safety permit schedule of fees for 2009/10 was published in December 2008.

The functionality of the national traffic information system has been improved with the introduction of a computerised learner licence test system, and the national contravention register, which is now operational in the Tshwane metropolitan municipality. Training has been provided to registering authorities, drivers licence testing centres and vehicle testing centres.

Over the MTEF period, the programme will continue its focus on improving maritime safety and security, supporting the airlift strategy to ensure greater capacity in meeting regional demand, improving monitoring of

compliance with dangerous goods regulations, and improving online capabilities of the electronic national traffic information system.

Expenditure estimates

Table 33.6 Transport Regulation and Accident and Incident Investigation

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
R million	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Road Transport Regulation	107.0	78.5	95.0	283.8	56.7	62.7	70.2
Civil Aviation Regulation	12.1	12.9	20.5	18.5	19.4	19.7	20.8
Maritime Regulation	52.3	60.4	56.0	72.9	67.1	70.5	74.7
Rail Transport Regulation	0.4	0.3	0.6	5.8	6.0	6.3	6.7
Accident and Incident Investigation	26.1	30.4	34.9	39.1	40.1	42.3	44.8
Administration Support	9.9	5.0	2.5	12.5	6.2	6.7	7.0
Total	207.7	187.6	209.6	432.6	195.6	208.0	224.2
Change to 2008 Budget estimate				176.7	(6.9)	(7.5)	(3.0)

Economic classification

Current payments	199.3	178.5	199.6	421.0	183.4	195.2	210.6
Compensation of employees	21.5	22.6	26.6	39.8	35.1	34.9	37.0
Goods and services	176.8	155.9	169.2	381.2	148.4	160.3	173.6
<i>of which:</i>							
Administrative fees	0.2	0.2	0.2	0.3	0.2	0.2	0.2
Advertising	0.7	0.6	0.9	1.2	0.9	0.9	1.0
Assets less than R5 000	0.3	0.2	0.6	0.7	0.5	0.6	0.6
Communication	0.5	0.5	0.4	0.5	0.4	0.4	0.4
Computer services	2.6	2.3	3.1	3.8	2.8	3.1	3.3
Consultants and professional services: Business and advisory service	124.2	109.6	151.9	359.5	132.4	143.0	154.9
Contractors	1.0	0.9	—	—	—	—	—
Agency and support / outsourced services	35.8	31.6	—	—	—	—	—
Inventory: Stationery and printing	1.8	1.6	1.4	1.8	1.3	1.4	1.5
Lease payments	0.5	0.5	0.3	0.4	0.3	0.3	0.3
Transport provided: Departmental activities	—	—	0.5	0.6	0.4	0.5	0.5
Travel and subsistence	7.4	6.5	9.5	11.9	8.8	9.5	10.2
Venues and facilities	1.0	0.9	0.0	0.1	0.0	0.0	0.1
Financial transactions in assets and liabilities	1.0	0.0	3.8	—	—	—	—
Transfers and subsidies	7.9	8.4	9.5	11.0	11.5	12.2	12.9
Provinces and municipalities	0.1	0.0	—	—	—	—	—
Departmental agencies and accounts	4.3	4.6	4.8	5.0	5.2	5.5	5.9
Foreign governments and international organisations	2.8	2.8	3.6	4.9	5.1	5.4	5.7
Non-profit institutions	0.7	1.0	1.0	1.1	1.2	1.2	1.3
Households	0.1	0.0	0.1	—	—	—	—
Payments for capital assets	0.4	0.6	0.5	0.6	0.6	0.7	0.7
Machinery and equipment	0.4	0.6	0.5	0.6	0.6	0.7	0.7
Total	207.7	187.6	209.6	432.6	195.6	208.0	224.2

Details of selected transfers and subsidies

Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	4.3	4.6	4.8	5.0	5.2	5.5	5.9
South African Maritime Safety Authority - Maritime Rescue Coordination Centre	4.3	4.6	4.8	5.0	5.2	5.5	5.9
Foreign governments and international organisations							
Current	2.8	2.8	3.6	4.9	5.1	5.4	5.7
Membership Fees: African Civil Aviation Commission	—	—	0.6	0.7	0.7	0.8	0.8
Membership Fees: Cospas Sarsat Contribution	0.2	0.3	0.3	0.3	0.3	0.4	0.4
Membership Fees: Indian Ocean Memorandum of Understanding	0.2	0.2	0.6	0.2	0.2	0.2	0.2
Membership Fees: International Civil Aviation Organisation	2.1	2.0	2.2	2.7	2.8	3.0	3.2
Membership Fees: International Maritime Organisation	0.3	0.4	0.0	1.0	1.0	1.1	1.1

Expenditure trends

Expenditure in this programme grew at an average annual rate of 27.7 per cent, from R207.7 million in 2005/06 to R432.6 million in 2008/09, due to increased expenditure on consultants, contractors and special services, as well as the rollover of funds of R8.3 million for oil pollution prevention services in 2008/09. Part of the expenditure on consultants, contractors and special services included a self-financing amount of R165 million generated from the electronic national traffic information system transaction fees on vehicle registrations, aimed at further developing and maintaining the new national traffic information system.

Expenditure on the previous national traffic information system was significantly higher in 2005/06, due to the combined expenditure related to the maintenance of the old system and the development of the new system, resulting in the reprioritisation of R18 million in 2005/06 to fund the shortfall.

The increase of 49.3 per cent in compensation of employees from 2007/08 to 2008/09 was due to substantial capacity building in the restructured *Rail Transport Regulation* subprogramme.

Total expenditure is expected to decrease at an average annual rate of 19.7 per cent from 2008/09 to 2011/12. This contraction is due to lower allocations for current payments. Expenditure on goods and services is expected to decrease at an average annual rate of 23.1 per cent from R381.2 million in 2008/09 to R173.6 million in 2011/12, at an average annual rate of 7.1 per cent, excluding the self-financing amount of R165 million in 2008/09. The reason for the decrease is the reprioritisation of the previous budget for the maintenance of the electronic national traffic information system of R65.5 million per year over the medium term to priorities in other programmes.

Expenditure recorded under financial transactions in assets and liabilities in 2007/08 was due to the write-off of irregular expenditure that could not be recovered.

Programme 4: Integrated Planning and Inter-sphere Coordination

- *Transport Planning* is responsible for: implementing the National Land Transport Transition Act (2000); providing planning support for and facilitating municipal and provincial transport plans; ensuring the restructuring of transport operations; and ensuring that transport plans are integrated across the three spheres of government. Support in the form of personnel is provided to municipalities based on memorandums of understanding with district municipalities.
- *Integrated Delivery Programme* supports key national programmes, such as the integrated sustainable rural development programme, the urban renewal programme, the rural transport programme, and the expanded public works programme. It is also responsible for establishing transport authorities and managing the Transport Appeal Tribunal. Funding for rural infrastructure is currently disbursed to district municipalities which have been identified as integrated sustainable rural development programme nodes.
- *Integrated Infrastructure and Network Development* reviews transport infrastructure plans, provides infrastructure planning support, develops frameworks and strategies for infrastructure development, implements support for infrastructure projects, coordinates and implements infrastructure provision, develop systems and processes for infrastructure management, and contributes to regional transport infrastructure development for all modes of transport. The subprogramme also oversees the South African National Roads Agency and funding for national non-toll roads is transferred to this entity. Funding for regional roads is transferred to provinces on the basis of international commitments through a conditional grant created for this purpose.
- *2010 Soccer World Cup Coordination* facilitates coordinated planning for transport infrastructure operations for the 2010 FIFA World Cup and beyond. This includes administering the public transport infrastructure and system grant to host cities. Allocations towards municipalities are project based and managed through memorandums of understanding.
- *Administration Support*

Objectives and measures

- Ensure integrated transport planning and operations by providing technical, financial and regulatory support to municipalities and provinces through monitoring and evaluation of urban and rural transport plans, including the implementation of the 2010 FIFA World Cup action plan.
- Improve infrastructure planning and management by implementing the road infrastructure strategic framework for South Africa, aimed at improving the condition of the road network in accordance with the framework's action plan, by March 2010.

Service delivery and spending focus

A number of reports were completed in 2008, including phase 1 status quo reports on the transport master plan, phase 2 reports on the estimation of travel demand, and land use reports. The provincial reports on the analysis of land use and transportation will be consolidated and released in 2009. The 3rd phase, which provides for the 2050 plan, will be finalised over the MTEF period.

A request for proposal on rural development mapping overlay on the geographic information system platform was completed and submitted to service providers in May 2008.

The National Land Transport Bill was tabled in Parliament in 2008. Minimum requirements for integrated transport planning have been developed in terms of the National Land Transport Transition Amendment Act (2000). These planning guidelines are formulated to assist municipalities and provinces in developing their respective plans. To capacitate municipalities, the department initiated a programme to locate transport planning coordinators at assistant director level within district municipalities.

The Gauteng Management Transport Authority was established by the province in terms of the relevant enabling provincial legislation.

As part of the implementation of the road infrastructure strategic framework, the following studies have been initiated: a direct impact of investment in key economic transport infrastructure, and the OR Tambo International Airport road transportation study. A pilot study on the Eastern Cape road network was concluded as a milestone within the reclassification of the road network project, and will be finalised over the medium term.

To achieve the objectives of the national overload control strategy, a 3-year grant has been developed in conjunction with National Treasury. Grant funds are currently being used for upgrading the weighbridge infrastructure facilities in Mpumalanga and Limpopo. In Mpumalanga, a project for the upgrade of weighbridge infrastructure was completed in October 2008. In Limpopo, the detailed design, planning and bill of quantities have been compiled, and construction works are set to begin in 2009/10.

Phase 1 A of the City of Johannesburg's Rea Vaya bus rapid transit system is currently under construction. It is expected to be operational by May 2009. The City of Cape Town has completed its detailed public transport operational plan, and is currently implementing phase 1A of its bus rapid transit system. Nelson Mandela Bay, Mbombela and eThekweni have developed integrated public transport plans in line with the public transport strategy.

A consolidated transport operations plan for 2010 was submitted to FIFA in June 2008, and options in terms of the business model will be finalised in the near future.

Expenditure estimates

Table 33.7 Integrated Planning and Inter-sphere Coordination

Subprogramme				Adjusted appropriation	Medium-term expenditure estimate		
R million	Audited outcome			2008/09			
	2005/06	2006/07	2007/08		2009/10	2010/11	2011/12
Transport Planning	6.4	7.4	13.7	28.3	27.0	27.4	29.0
Integrated Delivery Programme	5.9	14.0	12.1	49.4	54.8	57.4	60.8
Integrated Infrastructure and Network Development	1 783.2	2 380.4	3 402.8	5 176.3	5 649.4	7 022.7	8 193.5
2010 Soccer World Cup Coordination	241.7	699.3	1 795.7	3 503.2	3 116.7	4 793.1	5 152.6
Administration Support	1.6	2.4	1.9	9.6	7.5	7.7	8.2
Total	2 038.7	3 103.5	5 226.2	8 767.0	8 855.4	11 908.3	13 444.0
Change to 2008 Budget estimate				997.6	167.2	607.0	1 481.4
Economic classification							
Current payments	19.8	43.2	53.9	130.3	116.1	94.3	102.5
Compensation of employees	11.6	14.8	17.3	32.1	31.2	30.7	32.5
Goods and services	8.1	28.4	36.6	98.2	84.9	63.6	70.0
of which:							
Administrative fees	–	–	0.1	0.3	0.2	0.1	0.1
Advertising	0.4	1.6	1.6	6.3	3.8	2.8	3.1
Assets less than R5 000	0.0	0.3	0.2	1.0	0.6	0.4	0.5
Catering: Departmental activities	0.1	0.0	0.1	0.4	0.2	0.2	0.2
Communication	0.1	0.2	0.1	0.5	0.3	0.2	0.2
Computer services	0.0	0.0	0.0	0.1	0.1	0.0	0.0
Consultants and professional services: Business and advisory service	4.1	21.2	30.4	73.0	69.7	52.2	57.5
Contractors	0.9	0.7	–	–	–	–	–
Inventory: Other consumables	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Inventory: Stationery and printing	0.4	0.4	0.6	2.3	1.4	1.0	1.2
Lease payments	0.1	0.1	0.1	0.5	0.3	0.2	0.3
Owned and leasehold property expenditure	0.0	0.1	–	–	–	–	–
Transport provided: Departmental activities	–	–	0.2	0.9	0.5	0.4	0.5
Travel and subsistence	1.8	3.2	2.8	11.5	6.9	5.2	5.7
Training and development	–	0.0	–	–	–	–	–
Operating expenditure	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Venues and facilities	0.1	0.4	0.3	1.4	0.8	0.6	0.7
Financial transactions in assets and liabilities	–	–	0.0	–	–	–	–
Transfers and subsidies	1 998.2	3 025.2	5 172.0	8 636.1	8 738.7	11 775.7	13 288.4
Provinces and municipalities	241.7	518.0	1 174.0	4 253.2	2 472.4	4 311.2	5 160.1
Departmental agencies and accounts	1 756.5	2 328.1	3 521.9	4 173.0	5 801.5	6 964.5	8 128.3
Public corporations and private enterprises	–	179.0	476.0	210.0	464.8	500.0	–
Households	0.0	0.0	0.0	–	–	–	–
Payments for capital assets	20.7	35.2	0.3	0.6	0.6	38.3	53.1
Buildings and other fixed structures	10.3	–	–	–	–	37.7	52.4
Machinery and equipment	10.4	35.2	0.3	0.6	0.6	0.6	0.7
Total	2 038.7	3 103.5	5 226.2	8 767.0	8 855.4	11 908.3	13 444.0

Table 33.7 Integrated Planning and Inter-sphere Coordination (continued)

R million	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Details of selected transfers and subsidies							
Provinces and municipalities							
Provinces							
Provincial revenue funds							
Capital	–	–	–	1 074.3	44.4	11.0	–
Sani Pass Roads Grant	–	–	–	30.0	34.3	–	–
Overload control grant	–	–	–	8.8	10.1	11.0	–
Transport Disaster Management Grant	–	–	–	1 035.5	–	–	–
Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Capital	241.7	518.0	1 174.0	3 178.9	2 428.0	4 300.2	5 160.1
Public transport infrastructure and systems grant	241.7	518.0	1 174.0	3 170.0	2 418.2	4 289.8	5 149.0
Rural Transport Grant	–	–	–	8.9	9.8	10.4	11.1
Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	1 191.1	1 494.1	1 962.6	2 266.0	2 753.5	2 899.3	3 065.7
South African National Roads Agency Ltd	1 187.4	1 494.1	1 962.6	2 266.0	2 753.5	2 899.3	3 065.7
South African National Roads Agency Ltd - NMT (bicycle)	3.8	–	–	–	–	–	–
Capital	565.3	833.0	1 559.4	1 906.9	3 048.0	4 065.2	5 062.6
South African National Roads Agency Ltd	565.3	833.0	1 429.4	1 806.9	2 841.5	4 065.2	5 062.6
South African National Roads Agency Ltd (Public Transport Infrastructure and Systems Fund)	–	–	130.0	100.0	206.6	–	–
Public corporations and private enterprises							
Public corporations							
Other transfers							
Capital	–	179.0	476.0	210.0	464.8	500.0	–
South African Rail Commuter Corporation (Public Transport Infrastructure and Systems Fund)	–	179.0	476.0	210.0	464.8	500.0	–

Expenditure trends

Programme expenditure is dominated by transfer payments to the South African National Roads Agency in the *Integrated Infrastructure and Network Development* subprogramme and by the public transport infrastructure and systems grant in the *2010 Soccer World Cup Coordination* subprogramme.

Expenditure increased rapidly from R2 billion in 2005/06 to R8.8 billion in 2008/09, at an average annual rate of 62.6 per cent. The high growth rate was due to the introduction of the public transport infrastructure grant in 2005/06, a once-off allocation of R1 billion in 2008/09 from the disaster management grant for roads, bridges and stormwater damage caused by floods in KwaZulu-Natal and the Western Cape, and increases in allocations to the South African National Roads Agency. Allocations to the South African National Roads Agency increased from R1.8 billion to R4.2 billion at an annual average rate of 33.4 per cent. The public transport infrastructure grant increased from R241.7 million to R3.2 billion at an average annual rate of 136 per cent.

Over the medium term, expenditure in this programme grows from R8.8 billion in 2008/09 to R13.4 billion in 2011/12, at an average annual rate of 15.3 per cent (or 20.2 per cent if the once-off allocation from the disaster management grant is excluded). This strong growth is due to additional allocations to the South African National Roads Agency of R109.5 million, R269.3 million and R344.9 million for inflation related adjustments, and a further R900 million over the MTEF period for national roads. The public transport infrastructure and systems grant receives additional allocations of R119.2 million, R325.3 million and R416.6 million over the same period for inflation related adjustments. An allocation of R500 million towards the provision of intercity busses for the 2010 FIFA World Cup was shifted from local government to the South African Rail Commuter Corporation in 2010/11.

Expenditure on goods and services grew from R8.1 million in 2005/06 to R98.2 million in 2008/09 due to increased expenditure in 2008/09 on: the rural transport strategy at R29.3 million; the implementation of the road infrastructure strategic framework at R15.3 million; and the monitoring and evaluation of public transport infrastructure and systems projects for the 2010 FIFA World Cup at R20 million.

Expenditure on goods and services decreases in 2009/10 because of the re-allocation of R9.8 million to a rural transport grant under transfer payments; and declines further in 2010/11 as allocations for the monitoring and evaluation of public transport infrastructure and systems grants in relation to the 2010 FIFA World Cup (R25 million in 2009/10) will be discontinued from 2010/11 onwards.

Grant funding is transferred and monitored through this programme, while the policy oversight function is provided for in the *Public Transport* programme.

Underspending in compensation of employees between 2005/06 and 2008/09 was due to posts not being filled.

Public entities

The South African National Roads Agency Ltd

Strategic overview: 2005/06 - 2011/12

The South African National Roads Agency was established in terms of the Companies Act (1973), and is listed as a schedule 3A public entity in terms of the Public Finance Management Act (1999).

The agency's main activities relate to the financing, management, control, planning, development, maintenance and rehabilitation of the South African national road network, as provided for by the South African National Roads Agency Limited and National Roads Act (1998). The South African National Roads Agency is a corporate entity operating at arm's length from government, with the Minister of Transport being its sole shareholder. The agency is responsible for the existing national road network of 16 170 km at an estimated asset value of over R140 billion.

As part of ongoing efforts to upgrade, maintain and improve South Africa's national road network, the agency has initiated a number of significant projects:

- The Gauteng freeway improvement scheme: the first phase of 185 km will be completed over the MTEF period, followed by a further 376 km scheduled to start in 2011
- A number of new toll projects, including on the N17, N1, N2, R30, R512/N4 and the N3, as well as at Dube Trade Port and the Huguenot Tunnel.

Selected performance and operations indicators

Table 33.8 The South African National Roads Agency Ltd

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Smooth travel exposure index: percentage travel on roads with low roughness	95%	98%	97%	95%	95%	95%	95%
Low rut exposure index: percentage travel on road with low rut exposure	98%	100%	100%	95%	95%	95%	95%
High texture exposure index: percentage travel on road providing sufficient surface friction for wet conditions	97%	98%	97%	95%	95%	95%	95%
Bridge condition exposure index: percentage of travel under or over bridges with high overall condition	91%	96%	97%	90%	90%	90%	90%

Service delivery and spending focus

The South African National Roads Agency continues to maintain the national road network of 16 170 km. Current road maintenance contracts include resurfacing 2 376 km of roads, strengthening 711 km and improving 231 km. During 2008/09, significant progress was made with the toll road development programme, with construction work initiated on the N17 from Springs to Ermelo, the R30 from Bloemfontein to Kroonstad, and phase 1 of the Gauteng freeway improvement project (185 km). It is estimated that 29 300 direct employment opportunities and 138 000 indirect employment opportunities will be created during the construction phase of the project, and 1 800 direct and 9 200 indirect employment opportunities once it is completed.

The total rand value of work allocated to small, medium and micro enterprises (SMMEs) in 2007/08 amounted to R895 million, of which 90 per cent was carried out by black owned companies. The agency created jobs amounting to 24 333 555 person hours, equating to 12 673 full time jobs.

Through the public private partnership model, the South African National Roads Agency has proactively sought alternative sources of finance for road infrastructure and opportunities to reduce dependence on tax based revenues. In 2008/09, concessionaires spent R677 million on the maintenance, rehabilitation and reinforcement of 1 374 km of toll roads. The accumulated expenditure to date is R6.9 billion. The agency retained its Moody's Aa2.Za/P-1.za national scale credit issue rating for non-guaranteed funds. As a result of this, it launched its domestic medium term note programme, through which financing options for new and upgraded toll routes are increased.

A key focus over the MTEF period will be the Gauteng freeway improvement scheme. The scheme comprises lane additions and interchange upgrades. Interchange improvements include the provision of auxiliary lanes at on- and off-ramps, additional bridges or bridge widening, converting interchanges and adding on-ramps. At some interchanges, improvements to the cross-roads or cross-road intersections will be required. The substantial upgrading of approximately 185 km of freeway will be completed in 2010. This includes sections of the N1, N3, and the N12.

The upgrading of the R21 (35 km) is subject to its declaration as a national road. Upgrading of a further 65 km of freeways and less intensive upgrading of other freeways in Gauteng will be completed by 2012. This includes the proposed PWV14 between Johannesburg and the O.R. Tambo International Airport. The estimated construction cost for these upgrades is R14.3 billion. Once completed, the scheme will comprise 403 km of existing freeways, of which 230 km are set to have lane additions, and approximately 10 km of new freeways.

Expenditure estimates

Table 33.9 SA National Roads Agency Limited (SANRAL): Programme information

R million	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Strengthening	264.4	505.6	984.8	1 612.9	3 022.1	4 068.3	3 913.3
Improvements	115.8	349.3	1 186.9	6 201.2	10 179.2	5 543.2	1 403.0
New facilities	87.2	213.2	297.0	1 763.9	3 456.8	1 899.7	1 524.3
Other programmes	1 718.4	2 104.3	2 305.4	2 285.7	2 900.8	3 604.8	2 945.3
Total expense¹	2 185.9	3 172.5	4 774.0	11 863.7	19 558.9	15 116.0	9 785.9

1. Includes expenditure on both toll and non-toll roads, excludes expenditure on personnel

Table 33.10 SA National Roads Agency Limited (SANRAL): Financial information

R million	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Statement of financial performance							
Revenue							
Non-tax revenue	1 227.8	1 410.9	1 817.2	1 600.3	1 688.6	3 230.5	4 716.1
Sale of goods and services other than capital assets	981.9	1 117.1	1 226.7	1 429.7	1 507.7	3 164.7	4 594.7
of which:							
Sales by market establishments	981.9	1 117.1	1 226.7	1 429.7	1 507.7	3 164.7	4 594.7
Other non-tax revenue	245.9	293.8	590.5	170.7	180.9	65.8	121.4
Transfers received	1 324.6	1 578.9	1 841.8	1 602.9	1 363.1	2 096.5	3 627.0
Total revenue	2 552.4	2 989.8	3 659.1	3 203.2	3 051.7	5 327.0	8 343.1
Expenses							
Current expense	2 774.3	3 020.5	3 381.0	3 369.4	4 878.2	6 978.4	7 063.7
Compensation of employees	41.9	50.5	65.7	72.7	116.4	115.6	117.4
Goods and services	1 718.4	2 104.3	2 305.4	2 285.7	2 900.8	3 604.8	2 945.3
Depreciation	230.7	236.0	290.7	317.5	340.0	355.0	370.0
Interest, dividends and rent on land	783.3	629.7	719.2	693.5	1 521.0	2 903.0	3 631.0
Total expenses	2 774.3	3 020.5	3 381.0	3 369.4	4 878.2	6 978.4	7 063.7
Surplus / (Deficit)	(221.9)	(30.7)	278.1	(166.1)	(1 826.5)	(1 651.4)	1 279.4

Table 33.10 SA National Roads Agency Limited (SANRAL): Financial information (continued)

R million	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Statement of financial position							
Carrying value of assets	7 192.0	8 026.7	10 140.2	19 472.6	35 790.7	46 946.8	53 417.4
of which: Acquisition of assets	467.5	1 068.2	2 468.6	9 578.0	16 658.1	11 511.2	6 840.6
Investments	1 564.3	318.6	294.2	350.0	350.0	350.0	350.0
Receivables and prepayments	45.7	167.7	548.0	550.0	580.0	590.0	600.0
Cash and cash equivalents	468.1	1 313.3	1 462.1	1 300.0	1 400.0	1 500.0	1 600.0
Total assets	9 270.2	9 826.3	12 444.5	21 672.6	38 120.7	49 386.8	55 967.4
Accumulated surplus/deficit	(2 134.0)	(3 252.8)	(2 974.8)	(3 140.9)	(5 064.0)	(6 832.7)	(6 286.6)
Capital and reserves	–	1 091.0	1 091.0	1 091.0	1 091.0	1 091.0	1 091.0
Borrowings	10 535.5	6 200.0	6 718.8	12 748.5	26 561.1	34 617.9	35 940.9
Post-retirement benefits	7.0	7.1	6.8	6.8	6.9	7.0	7.2
Trade and other payables	547.5	868.4	1 104.7	1 900.0	2 000.0	2 100.0	2 300.0
Provisions	2.9	–	–	–	–	–	–
Managed funds	311.3	277.6	239.4	200.0	220.0	230.0	240.0
Liabilities not classified elsewhere	–	4 635.0	6 258.5	8 867.2	13 305.6	18 173.6	22 674.9
Total equity and liabilities	9 270.2	9 826.3	12 444.5	21 672.6	38 120.7	49 386.8	55 967.4

Expenditure trends

The South African National Roads Agency finances its operations from a number of revenue sources and only receives about one third of its income in the form of government transfers. Over the MTEF period, the following transfers are allocated for non-toll national road infrastructure: R5.8 billion, R7 billion and R8.2 billion. Other sources of revenue include loans raised by the agency in the capital markets, toll revenue, and private sector investment through public private partnership agreements. The 41.3 per cent increase in borrowings over the medium term relates to the expansion and upgrade of toll routes, also reflected in the increase in toll revenue (sales by market establishment) at 47.6 per cent.

Expenditure increased from R2.8 billion in 2005/06 to R3.4 billion in 2007/08 at an annual average rate of 47.7 per cent reflecting increases in the cost of road maintenance and strengthening. Expenditure is projected to increase from R3.4 billion in 2008/09 to R7.1 billion in 2011/12, at an average annual rate of 27.8 per cent, mainly due to significant increases in toll capital expenditure.

The increase in cash and cash equivalents between 2005/06 and 2006/07 was due to the introduction of a liquidity buffer of three months' expenditure, resulting in higher cash investments to be retained at any given time.

Programme 5: Transport Logistics and Corridor Development

- *National Freight Logistics Strategy* is responsible for developing strategies to unblock bottlenecks in the freight logistics system. It will also oversee the implementation of the national freight logistics strategy by coordinating integrated infrastructure planning, forecasting demand and undertaking scenario planning. Financial support to provincial freight forums are based on memorandums of understanding between the department and provincial departments.
- *Eastern Corridor and Western Corridor* implements projects in the freight corridors. These are aimed at improving the efficiency of the corridors and integrating secondary and tertiary corridors into a seamless logistics system that supports the geographic expansion of economic activity in South Africa and the Southern African Development Community (SADC) region.
- *Administration Support*.

Funding for goods and services in these subprogrammes is based on supply chain management principles.

Objectives and measures

- Promote seamless and integrated movement of cargo across all transport modes by developing the national freight information system and appropriate corridor mapping tools by March 2010.
- Improve and promote the participation of second economy players in the mainstream economy and encourage private sector participation and investment by developing appropriate institutional and regulatory frameworks by August 2009.

Service delivery and spending focus

The appointment of the service provider responsible for finalising the Eastern Cape freight databank was concluded in 2008/09. KwaZulu-Natal updated its databank, and terms of reference for the national update have been completed.

Freight logistics forums were established in all provinces in 2007/08 to support integrated planning between stakeholders. Host cities were requested to ensure the incorporation of freight plans into the integrated national transport operational plan submitted to FIFA in October 2008.

The department completed the assessment report on land ports of entry infrastructure, the status quo report for the freight movement optimisation plan, as well as inception and landscape reports. These reports will inform the national freight monitoring framework and corridor mapping exercise. Further progress has been made in reviewing and developing the areas of rail restructuring options, airfreight and ports reform. Pilot projects for revitalising rail branch lines have been evaluated.

Over the MTEF period, the programme will aim to enhance logistics efficiencies by improving the national freight information system and developing norms and standards for industry information and tracking systems. The development of the national integrated border control strategy will be supported through participation in the border control and operations coordinating committee.

Expenditure estimates

Table 33.11 Transport Logistics and Corridor Development

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R million							
National Logistics Strategy	1.4	7.2	1.4	20.4	18.0	24.8	25.3
Eastern Corridor	5.0	7.5	7.7	5.2	4.5	4.6	4.9
Western Corridor	1.3	2.6	2.2	6.4	6.6	6.9	7.3
Administration Support	0.1	0.6	1.7	3.1	2.7	2.7	2.9
Total	7.7	17.9	13.0	35.1	31.8	39.0	40.3
Change to 2008 Budget estimate				12.9	(0.7)	(1.1)	(1.0)
Economic classification							
Current payments	7.7	17.8	12.9	35.0	31.8	38.9	40.2
Compensation of employees	2.5	3.9	4.3	11.2	12.3	12.4	13.1
Goods and services	5.1	13.9	8.6	23.8	19.4	26.5	27.1
of which:							
Administrative fees	0.0	–	0.1	0.2	0.3	0.4	0.5
Advertising	0.2	0.2	0.3	0.3	0.6	0.8	0.8
Consultants and professional services: Business and advisory service	3.3	11.1	6.9	21.6	15.5	21.1	21.6
Transport provided: Departmental activities	–	–	0.1	0.1	0.3	0.4	0.4
Travel and subsistence	1.0	1.5	0.9	1.1	2.1	2.8	2.9
Operating expenditure	–	0.5	0.0	0.0	0.0	0.0	0.0
Financial transactions in assets and liabilities	–	–	0.0	–	–	–	–
Transfers and subsidies	0.0	0.0	–	–	–	–	–
Provinces and municipalities	0.0	0.0	–	–	–	–	–
Households	0.0	0.0	–	–	–	–	–
Payments for capital assets	0.0	0.1	0.0	0.1	0.1	0.1	0.1
Machinery and equipment	0.0	0.1	0.0	0.1	0.1	0.1	0.1
Total	7.7	17.9	13.0	35.1	31.8	39.0	40.3

Expenditure trends

Underspending of appropriated funds declined from 58 per cent in 2005/06 to 51.8 per cent in 2007/08. This trend is set to continue in 2008/09, with an anticipated underspending of R4.6 million. However, expenditure in the programme increased from R7.7 million in 2005/06 to R35.1 million in 2008/09, at an average annual rate of 65.7 per cent. This was due to additional allocations of R10 million for the development of freight logistics strategies and information systems from 2007/08 onwards, and the reprioritisation of R12.4 million for the same purpose in 2008/09. Over the medium term, funds are reprioritised from other programmes to augment the programme's budget by R11.2 million, R18.2 million and R18.2 million. The average annual increase stabilises at 4.7 per cent over the medium term, mainly due to inflation related adjustments.

Expenditure on compensation of employees is expected to increase from R2.5 million in 2005/06 to R13.1 million in 2011/12 at an average annual rate of 31.7 per cent, due to the expansion of the programme and filling of vacant posts. The large increase is partly due to the programme only being initiated in 2005 and a vacancy rate of close to 50 per cent in 2007/08 which had to be addressed in 2008/09.

Over the MTEF period, expenditure on goods and services stabilises at an average annual rate of 4.5 per cent, as additional funds become available to develop strategies and information systems, and to fund costs associated with the increase in personnel.

Programme 6: Public Transport

- *Public Transport Strategy and Monitoring* develops public transport strategies and leads the initiation of related implementation projects. Its main priority is to oversee the implementation of the public transport strategy. Funding for goods and services is based on supply chain management principles.
- *Public Transport Management* oversees the payment of public transport subsidies and facilitates the transformation of the industry. Bus subsidies, transferred to provincial departments based on annual agreements, will from April 2009 be allocated through the public transport operations grant. The subprogramme oversees the payment of rail commuter subsidies and capital transfers to the South African Rail Commuter Corporation and manages the passenger rail integration process.
- *Taxi Recapitalisation Project Office* manages taxi related matters, liaises with the taxi industry, intervenes to ensure that the formalisation process is on track, facilitates training and development in the taxi industry, and develops the regulatory framework for the taxi sector. The implementation of the taxi recapitalisation project is a key priority and funds for scrapping taxis are paid in accordance with the contract with the taxi scrapping agency.
- *Public Transport Business Development* develops the business case for public transport and focuses on the integration of public transport operations to maximise the subsidy. It also develops the business case and analysis for new public transport developments. Funding for goods and services is based on supply chain management principles.
- *Administration Support*.

Objectives and measures

- Improve access to safe, reliable and affordable public transport by implementing the public transport strategy in accordance with the targets set out in the action plan.
- Ensure integrated and optimised public transport services by facilitating the development of integrated rapid public transport networks and feeder and distribution systems in metropolitan and large municipalities by 2012.
- Improve service efficiencies in integrated rapid transport networks by facilitating the integration of public transport operations and services on an ongoing basis.

Service delivery and spending focus

The Legal Succession to the South African Transport Services Amendment Act (2008) provides for the incorporation of the passenger long distance road and rail services into the South African Rail Commuter Corporation. The consolidation of Metrorail was finalised in 2006 and the incorporation of Shohsoloza Meyl

and Authopax is expected to be finalised in 2009. The current policy environment is being reviewed by the department to develop an investment strategy for rail.

A monitoring strategy was developed for the taxi recapitalisation project to determine the progress being made in terms of the scrapping process. By November 2008, 2 220 operators had received scrapping allowances to the value of R1.1 billion. The department concluded a turnaround strategy for dealing with scrapping capacity issues in provinces. Funding for capacity building is based on memorandums of understanding between all provinces and the department.

Since Cabinet's approval of the public transport strategy and action plan in 2007, the focus has been on developing phase one operational plans in the identified cities. To date, Johannesburg, Nelson Mandela Bay, Cape Town, Tshwane and Mbombela have developed these plans. Scoping plans have been completed for metropolitan and large municipalities.

Over the medium term, the programme will support the implementation of the national passenger rail plan, the expansion of rail capacity, and the transfer of Shosholoz Meyl and Autopax to the South African Rail Commuter Corporation. Support of road based public transport will include the rollout of the public transport strategy to Msunduzi and Ekurhuleni, the alignment of the taxi recapitalisation programme, and the implementation of the land transport legislation, which provides for the planning, regulation and management of integrated rapid public transport networks in urban areas. The implementation of the rural transport strategy will be supported to improve planning for appropriate services.

Expenditure estimates

Table 33.12 Public Transport

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
R million	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Public Transport Strategy and Monitoring	2.0	4.7	2.8	9.4	32.8	11.7	12.0
Public Transport Management ¹	5 150.4	9 505.1	9 831.4	11 681.9	13 396.1	12 306.0	13 200.2
Taxi Recapitalisation Project Office	28.4	231.8	679.8	574.7	754.9	627.6	608.7
Public Transport Business Development	0.4	–	0.4	2.0	1.9	1.9	2.1
Administration Support	5.3	3.6	2.2	9.2	6.0	6.1	6.4
Total	5 186.5	9 745.2	10 516.6	12 277.2	14 191.7	12 953.4	13 829.4
Change to 2008 Budget estimate				203.8	1 170.8	1 155.2	1 661.1
Economic classification							
Current payments	33.2	152.1	121.5	137.7	164.6	149.0	156.9
Compensation of employees	7.5	8.6	11.4	20.1	18.3	18.0	19.1
Goods and services	25.7	143.5	108.1	117.6	146.3	131.0	137.8
of which:							
Advertising	0.1	6.8	0.3	0.3	0.4	0.4	0.4
Computer services	0.0	0.0	1.5	1.6	2.1	1.9	2.0
Consultants and professional services: Business and advisory service	20.8	132.8	104.2	113.3	140.7	125.9	132.5
Consultants and professional services: Legal costs	0.8	0.0	–	–	–	–	–
Contractors	0.6	0.6	–	–	–	–	–
Agency and support / outsourced services	0.7	0.9	–	–	–	–	–
Inventory: Stationery and printing	0.4	0.4	0.3	0.4	0.5	0.4	0.4
Travel and subsistence	0.7	1.0	1.2	1.3	1.7	1.5	1.6
Operating expenditure	0.1	0.5	0.0	0.0	0.0	0.0	0.0
Venues and facilities	1.0	0.1	0.1	0.1	0.1	0.1	0.1
Financial transactions in assets and liabilities	–	–	1.9	–	–	–	–
Transfers and subsidies	5 153.1	9 593.0	10 395.0	12 139.4	14 027.0	12 804.3	13 672.4
Provinces and municipalities	0.0	3 241.0	3 029.4	3 266.0	6 364.6	4 203.7	4 153.2
Public corporations and private enterprises	5 142.4	6 241.2	6 791.2	8 401.4	7 017.6	8 088.2	9 032.0
Non-profit institutions	10.6	11.2	2.9	13.0	14.0	14.8	15.7
Households	0.1	99.5	571.6	459.0	630.8	497.6	471.5
Payments for capital assets	0.2	0.2	0.1	0.1	0.1	0.1	0.1
Machinery and equipment	0.2	0.2	0.1	0.1	0.1	0.1	0.1
Total	5 186.5	9 745.2	10 516.6	12 277.2	14 191.7	12 953.4	13 829.4

Table 33.12 Public Transport (continued)

R million	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Details of selected transfers and subsidies							
Provinces and municipalities							
Provinces							
Provincial revenue funds							
Current	–	–	–	–	3 531.9	3 863.0	4 153.2
Public Transport Operations Grant	–	–	–	–	3 531.9	3 863.0	4 153.2
Capital	–	3 241.0	3 029.4	3 266.0	2 832.7	340.7	–
Gautrain rapid rail link	–	3 241.0	3 029.4	3 266.0	2 832.7	340.7	–
Public corporations and private enterprises							
Public corporations							
Subsidies on production or products							
Current	2 156.4	2 751.3	2 259.1	3 049.6	3 185.8	3 274.9	3 465.2
South African Rail Commuter Corporation	2 156.4	2 751.3	2 259.1	3 049.6	3 185.8	3 274.9	3 465.2
Capital	688.3	1 029.6	1 696.1	2 367.7	3 831.8	4 813.3	5 566.8
South African Rail Commuter Corporation	688.3	1 029.6	1 696.1	2 367.7	3 831.8	4 813.3	5 566.8
Public corporations and private enterprises							
Private enterprises							
Subsidies on production or products							
Current	2 297.8	2 460.3	2 836.0	2 984.1	–	–	–
Bus subsidies	2 297.8	2 460.3	2 836.0	2 984.1	–	–	–
Non-profit institutions							
Current	10.6	11.2	2.9	13.0	14.0	14.8	15.7
Taxi : SANTACO	10.6	11.2	2.9	13.0	14.0	14.8	15.7
Households							
Other transfers to households							
Current	–	99.5	571.6	459.0	630.8	497.6	471.5
Taxi Recapitalisation	–	99.5	571.6	459.0	630.8	497.6	471.5

1. The programme expenditure is expected to exceed the appropriated allocation by R1.2 billion in 2008/09 due to legal action relating to bus subsidies.

Expenditure trends

Programme expenditure is dominated by transfers in the *Public Transport Management* subprogramme for the Gautrain rapid rail link, the South African Rail Commuter Corporation, and bus subsidies. Taxi recapitalisation is a key expenditure item in the *Taxi Recapitalisation Project Office* subprogramme.

Between 2006/07 and 2008/09, government's contribution to the Gautrain rapid rail link amounted to R9.5 billion, with a total estimated contribution of R12.7 billion towards the development phase over the MTEF period.

The taxi recapitalisation programme started in 2006/07. Expenditure is set to peak in 2009/10, followed by a decrease as the demand for taxi scrapping is expected to slow down. The projected average annual growth rate over the MTEF period is 0.9%.

Transfers to the South African Rail Commuter Corporation grew at an average annual rate of 24 per cent over the past three years, and are expected to increase at an average annual rate of 17.1 per cent over the medium term.

Bus subsidies increased at an average annual rate of 9.1 per cent in the first three-year period and are expected to increase at an average annual rate of 11.6 per cent over the next three years.

Overall expenditure increased at an average annual rate of 33.3 per cent from 2005/06 to 2008/09 and is expected to increase at a further 4.0 per cent from 2008/09 to 2011/12. Excluding the transfers to Gautrain, the South African Rail Commuter Corporation, bus subsidies and transfers to households for taxi recapitalisation, the average annual growth rate for the programme was 50.7 per cent between 2005/06 and 2008/9. The high growth in the first three-year period is due to a 66.1 per cent average annual increase in the goods and services

budget. This trend is dominated by an increase in expenditure for consultants from R20.8 million to R113.3 million, equating to an average annual growth rate of 75.9 per cent.

Expenditure on goods and services increased in 2006/07 as a result of additional allocations and rollovers for taxi operating license conversions, assistance given to provinces with taxi permit conversions, planning and systems development, and service providers assisting the department with the rollout and implementation of the taxi recapitalisation programme. Expenditure on goods and services increases in 2009/10 due to R25 million reprioritised to assist the South African Rail Commuter Corporation with the acquisition of Autopax, and because R10 million per annum was also reprioritised for law enforcement of the taxi industry.

While overall growth slows down over the MTEF period, mainly due to the discontinuation of Gautrain and decrease in taxi scrapping transfers, there are several additional allocations:

- R1 190.1 million over the medium term for inflation related to fuel price increases affecting the provision of bus services as well as R200 million, R212 million and R224.7 million for increases related to the cost of such services over the MTEF period
- R600 million over the MTEF period for improving passenger rail infrastructure in the SARCC and a further R219 million, R395.9 million and R488.8 million for inflation related adjustments.
- R100.5 million in 2009/10 and R23.1 million in 2010/11 as inflation related adjustments for the Gautrain rapid rail link and a further R225 million in 2009/10 for exchange rate related adjustments
- R200 million, R100 million and R50 million for the scrapping of old taxi vehicles.

Public entities

South African Rail Commuter Corporation Limited

Strategic overview: 2005/06 - 2011/12

In December 2004, Cabinet resolved that the South African Rail Commuter Corporation, Metrorail and Shosholoz Meyl should be consolidated to form a single passenger rail entity called the Passenger Rail Agency of South Africa. The Legal Succession to the South African Transport Services Amendment Act (2008) provides the legislative framework for the new strategic decision to be implemented by March 2009. The Passenger Rail Agency will incorporate the operations, personnel and assets of the South African Rail Commuter Corporation, Metrorail and Shosholoz Meyl, Autopax, the long distance bus company, and the wholly owned subsidiary, Intersite Property Management Services. It will position itself as the provider of both urban commuter rail services and long distance and rural public passenger transport solutions, which may include the operation and delivery of essential transport feeder and distribution services where suitable and necessary.

Selected performance and operations indicators

Table 33.13 South African Rail Commuter Corporation Limited

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Total number of coaches overhauled and upgraded	375	310	489	680	700	700	500
Percentage of Metrorail trains on time (A corridors)	89%	87%	86%	88%	90%	92%	93%
Percentage of Metrorail trains cancelled (A corridors)	3.5%	2.3%	1.8%	1.4%	1.5%	1.3%	1%
Metrorail: Passenger trips (number of commuters in the system)	512m	530m	592m	385m	677m	745m	815m
Metrorail: Fare revenue (R million)	R1 020	R1 060	R1191	R787	R1 347	R1 465	R1 610
Metrorail: Accidents per million train km	–	1.2	1.2	1.7	1.6	1.5	1.5
Metrorail: Fatalities per million passenger trips	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Metrorail: Injuries per million passenger trips	3.67	2.89	2.51	2.10	2.00	1.90	1.80
Metrorail: Crime index (serious crime incidents per 100 000 passenger trips)	0.4	0.5	0.3	0.3	0.4	0.4	0.3
Disabling injuries (per 200 000 hours worked)	1.7	1.3	1.1	1.1	1.1	1	1
Metrorail: Customer satisfaction index	–	0.7	0.7	0.7	0.8	0.8	0.8
Service efficiency index (R): Subsidy per passenger km	–	0.17	0.14	0.15	0.15	0.15	0.15
SARCC and Metrorail: Learnerships and internships	–	–	493	603	770	650	600

Service delivery and spending focus

The Tshwane Business Express, which transports commuters from Tshwane to Johannesburg, was launched in May 2008. The number of passengers using the service has increased significantly and a second train is being prepared for introduction in 2009/10. The average monthly income derived from this service is R500 000.

The safety permit for the Rail Safety Regulator to operate the service for three years was awarded in August 2008.

The women in rail programme was launched in November 2008. Applying BEE criteria, the programme aims to provide opportunities in the sector for women. Open days will be held in all provinces to promote this initiative.

In 2007/08, the South African Rail Commuter Corporation launched its station improvement programme. To date, 19 stations in the KwaZulu-Natal and Tshwane regions have been refurbished. It is anticipated that a further 86 stations will be upgraded by the end of 2008/09.

The corporation's key objectives over the MTEF period include: ensuring the successful incorporation of long distance rail and road passenger services; aligning services to the rural transport strategy; providing for the acquisition of new rolling stock; and managing demand for the expansion of the rail network and alignment to integrated rapid public transport networks in urban areas.

Expenditure estimates

Table 33.14 SA Rail Commuter Corporation Limited (SARCC): Activity information

R million	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Personnel costs	458.5	1 620.4	1 997.5	2 095.7	2 577.1	2 847.9	3 046.2
Material	29.4	137.2	161.2	189.6	235.0	230.4	246.5
Energy	42.0	202.6	243.3	380.5	620.7	651.1	721.4
Maintenance	230.1	540.3	440.8	493.6	943.2	994.5	1 053.9
Rental and Leases	–	24.3	29.9	202.7	648.1	664.0	690.5
Other activities	2 274.4	1 776.5	1 932.0	2 345.0	2 553.4	2 872.2	3 212.6
Total expense	3 034.2	4 301.2	4 804.7	5 707.1	7 577.5	8 260.1	8 971.1

Table 33.15 SA Rail Commuter Corporation Limited (SARCC): Financial information

R million	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Statement of financial performance							
Revenue							
Non-tax revenue	883.8	1 813.6	2 030.9	2 229.9	3 329.6	3 807.8	4 336.3
Sale of goods and services other than capital assets	563.3	1 325.6	1 471.2	1 593.9	2 542.9	2 756.8	2 997.3
of which:							
Sales by market establishments	563.3	1 325.6	1 471.2	1 593.9	2 542.9	2 756.8	2 997.3
Other non-tax revenue	320.5	488.0	559.8	636.1	786.6	1 051.0	1 339.1
Transfers received	1 619.5	2 751.3	2 259.1	3 049.6	3 185.8	3 274.9	3 465.2
Total revenue	2 503.3	4 564.9	4 290.0	5 279.5	6 515.4	7 082.7	7 801.5
Expenses							
Current expense	1 945.3	4 301.2	4 624.1	5 707.1	7 577.5	8 260.1	8 971.1
Compensation of employees	458.5	1 620.4	2 013.3	2 095.7	2 527.6	2 807.0	3 000.6
Goods and services	1 004.9	2 101.1	1 939.9	2 813.9	3 855.6	4 092.1	4 361.1
Depreciation	446.3	545.1	643.2	763.5	1 116.3	1 272.6	1 506.6
Interest, dividends and rent on land	35.6	34.6	27.7	34.0	78.0	88.3	102.7
Transfers and subsidies	1 088.2	–	176.7	–	–	–	–
Total expenses	3 034.2	4 301.2	4 804.7	5 707.1	7 577.5	8 260.1	8 971.1
Surplus / (Deficit)	(531.0)	263.6	(514.6)	(427.6)	(1 062.1)	(1 177.4)	(1 169.5)

Table 33.15 SA Rail Commuter Corporation Limited (SARCC): Financial information (continued)

R million	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Statement of financial position							
Carrying value of assets	6 638.6	7 082.3	8 650.8	10 323.2	13 615.9	18 158.0	22 262.2
of which: Acquisition of assets	1 058.9	1 104.1	2 231.4	2 464.2	4 408.9	5 346.7	5 610.8
Investments	49.7	–	–	–	–	–	–
Inventory	42.3	56.4	104.3	134.5	188.2	244.6	293.5
Receivables and prepayments	359.6	360.2	319.6	307.0	257.0	237.0	207.0
Cash and cash equivalents	1 069.5	1 870.8	2 015.3	1 841.5	2 351.7	2 459.0	2 788.7
Total assets	8 159.6	9 369.6	11 090.0	12 606.2	16 412.8	21 098.6	25 551.4
Accumulated surplus/deficit	3 040.3	3 303.9	2 789.3	2 289.0	2 102.8	1 772.1	1 470.3
Capital and reserves	3 711.2	4 728.0	6 645.6	8 650.7	11 942.3	16 933.4	22 040.9
Borrowings	184.9	160.6	132.9	138.0	138.0	138.0	138.0
Post-retirement benefits	70.9	75.7	44.5	75.7	75.7	75.7	75.7
Trade and other payables	951.4	848.8	990.5	1 093.4	1 724.1	1 679.0	1 279.6
Provisions	201.0	252.7	487.2	359.4	429.9	500.4	546.9
Total equity and liabilities	8 159.6	9 369.6	11 090.0	12 606.2	16 412.8	21 098.6	25 551.4

Expenditure trends

The consolidation of the South African Rail Commuter Corporation and Metrorail in 2006 resulted in significant changes in expenditure patterns between 2005/06 and 2006/07, mainly due to the reallocation of expenses that were previously reported as contract payments to Metrorail.

Transfers to the entity increase at an average annual rate of 9.9 per cent from R7.5 billion in 2009/10 to R9 billion in 2011/12, due to additional allocations for the upgrade and overhaul of coaches and infrastructure investments in signalling. Large increases in capital and reserves of 36.6 per cent reflect the deferred capital transfers received by the entity for rolling stock and infrastructure upgrades. The entity also receives funding towards the 2010 World Cup for station and rolling stock upgrades. In 2010/11, an additional R500 million is allocated to support the acquisition of intercity busses in anticipation of Autopax being incorporated.

The 60 per cent increase in fare revenue between 2008/09 and 2009/10 is mainly due to additional revenue that will be generated by Shosholozza Meyl, Autopax and Metrorail fare revenue growth of 7 per cent. Personnel expenditure increases by 20.6 per cent between 2008/09 and 2009/10, and increases at an average annual rate of 13.3 per cent over the MTEF period to cater for increases in personnel for Shosholozza Meyl and Autopax. Expenditure related to haulage and energy costs, as well as maintenance and security, is also set to increase due to the expansion of services.

Programme 7: Public Entity Oversight and Border Control

- *Public Entity Oversight* oversees public entities' compliance with government policy, corporate governance, financial management and operational plans, through monitoring and evaluation processes. It also manages the reform and development of public entities to improve service delivery.
- *Border Operations and Control* is responsible for the oversight and monitoring of border control activities in line with the oversight framework.
- *Administration Support*.

The programme transfers funds to public entities and monitors expenditure based on a shareholder compact between the entity and the Minister of Transport. Goods and services expenditure is based on supply chain management principles.

Objectives and measures

- Ensure effective oversight over the department's public entities by implementing the electronic performance management system in support of financial and non-financial oversight by March 2010.
- Ensure alignment between legislative mandates and entities' strategic and corporate plans by concluding the shareholder compacts and reviewing performance agreements by April 2009.
- Ensure regulatory compliance by providing ongoing governance and financial oversight and advice to the public entities on their corporate financial proposals and implementation plans.
- Ensure the efficient movement of people and cargo across ports of entry by finalising a border control oversight framework integrating all modes of transport, including land border posts, sea ports and aviation airspace, by March 2010.

Service delivery and spending focus

Shareholder compacts providing key performance areas for public entities have been concluded and are monitored and evaluated based on quarterly and annual reports submitted by the entities.

The Transport Agencies General Laws Amendment Act (2007) was promulgated in April 2008. The Road Accident Fund Amendment Act (2005) was promulgated in August 2008. A draft no-fault based framework was developed in 2008. The turnaround strategy for the Cross Border Road Transport Agency has resulted in the agency realising a profit in 2007/08.

Expenditure estimates

Table 33.16 Public Entity Oversight and Border Operations and Control

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R million							
Public Entity Oversight	2 819.4	130.8	165.1	2 682.5	172.4	83.4	87.3
Border Operations and Control	–	–	–	2.3	2.2	2.2	2.3
Administration	1.5	0.2	0.8	3.8	3.1	3.2	3.4
Economic Regulation	–	–	0.6	–	–	–	–
Total	2 820.9	131.1	166.4	2 688.6	177.7	88.8	93.0
Change to 2008 Budget estimate				2 523.6	1.1	3.6	3.6
Economic classification							
Current payments	14.1	4.1	4.3	38.1	26.4	26.5	27.3
Compensation of employees	1.7	2.1	3.5	8.1	8.0	7.9	8.3
Goods and services	12.3	2.0	0.8	30.0	18.4	18.6	18.9
of which:							
Advertising	0.4	0.1	0.1	1.1	3.1	3.1	3.2
Assets less than R5 000	0.2	0.1	0.1	0.6	1.6	1.6	1.6
Communication	0.5	0.1	0.1	0.8	1.1	1.1	1.1
Consultants and professional services: Business and advisory service	1.3	1.2	0.0	23.1	0.6	0.6	0.6
Consultants and professional services: Legal costs	0.5	–	–	–	–	–	–
Inventory: Stationery and printing	0.8	0.2	0.1	0.9	2.5	2.5	2.6
Lease payments	0.6	0.0	0.1	0.5	1.4	1.4	1.5
Transport provided: Departmental activities	–	–	0.0	0.2	0.6	0.6	0.6
Travel and subsistence	5.2	0.1	0.2	2.2	6.0	6.1	6.2
Operating expenditure	1.2	0.0	0.0	0.0	0.1	0.1	0.1
Venues and facilities	0.7	0.0	0.0	0.4	1.2	1.2	1.3
Financial transactions in assets and liabilities	–	–	0.0	–	–	–	–

Table 33.16 Public Entity Oversight and Border Operations and Control (continued)

R million	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Transfers and subsidies	2 806.9	126.8	162.0	2 650.3	151.1	62.1	65.5
Provinces and municipalities	0.0	–	–	–	–	–	–
Departmental agencies and accounts	2 806.8	126.8	162.0	2 650.3	151.1	62.1	65.5
Households	–	0.0	0.0	–	–	–	–
Payments for capital assets	0.0	0.2	0.1	0.2	0.2	0.2	0.2
Machinery and equipment	0.0	0.2	0.1	0.2	0.2	0.2	0.2
Total	2 820.9	131.1	166.4	2 688.6	177.7	88.8	93.0

Details of selected transfers and subsidies**Departmental agencies and accounts****Departmental agencies (non-business entities)**

Current	106.8	126.8	162.0	150.3	151.1	62.1	65.5
Railway Safety Regulator	20.0	21.2	27.3	33.4	37.3	35.6	37.5
Road Traffic Management Corporation	73.2	90.5	93.0	89.6	83.6	–	–
South African Maritime Safety Authority	7.3	7.7	12.9	8.5	8.9	9.4	10.0
South African Civil Aviation Authority	6.4	7.4	28.9	7.5	7.8	8.2	8.7
Independent Port Regulator	–	–	–	11.4	13.6	8.8	9.4

Expenditure trends

The programme's expenditure includes additional allocations of R2.7 billion in 2005/06 and R2.5 billion in 2008/09 as transfer payments to the Road Accident Fund. These allocations were made to address the liquidity crisis experienced by the Road Accident Fund and to assist in decreasing the outstanding claims.

Transfer payments to the Road Traffic Management Corporation increased at an average annual rate of 7 per cent from R73.2 million in 2005/06 to R89.6 million in 2008/09. In 2008/09 and 2009/10, transfers to the corporation are expected to decline due to some of the allocations for the Arrive Alive communications campaign being re-allocated to the department. Transfers to the Road Traffic Management Corporation will be discontinued from 2010/11 onwards, as the corporation is expected to become self-funded through transaction fees levied on the renewal of vehicle licenses and the implementation of the Administrative Adjudication of Road Traffic Offences Act (1998).

Transfer payments to the Ports Regulator were introduced in 2008/09, with an initial amount of R11.4 million. Allocations to the Railway Safety Regulator are set to increase from R33.4 million in 2008/09 to R37.5 million in 2011/12.

Expenditure on goods and services was higher than expected in 2005/06 because it included allocations for functions of the Road Traffic Management Corporation that were performed within the department, as well as an allocation for setting up the Railway Safety Regulator. Expenditure on goods and services increased from 2008/09 due to the rollover of R14 million in 2008/09, and the department reprioritising additional funding for the restructuring of the Road Accident Fund of R6 million in 2008/09, and R14 million per year over the MTEF period.

Public entities**Road Accident Fund****Strategic overview: 2005/06 – 2011/12**

The Road Accident Fund was established in terms of the Road Accident Fund Act (1996). Its mandate is to provide compensation for personal injury claims arising from the negligent actions of another driver and is funded through a dedicated fuel levy collected by the South African Revenue Service. The Fund has developed

a new claims management system and implemented an ICT strategy to improve performance in its core operations. These initiatives are currently being implemented and have resulted in noticeable improvements in operating performance, especially in processing efficiency.

The Road Accident Fund currently stands with a claims processing backlog of around 297 000 claims, an accumulated financial deficit of around R27.8 billion and very poor liquidity. The cost to compensation ratio (claims settlement cost versus compensation paid to victims) has declined to 40 per cent from its peak of 48 per cent in 2005/06.

Over the MTEF period, the RAF will continue to:

- lead the reform, enabling the creation of a benefit system for South Africa that is equitable, affordable, sustainable and appropriate for the country and which eliminates wastages, inefficiencies and leakages inherent in the current system
- ensure that the system put in place for the country is appropriately funded and that correct economic models are used to determine the pricing for the fuel levy on a regular basis
- invest in systems and processes that will result in superior service delivery to victims of motor vehicle accidents, their families and service providers.

Selected performance and operations indicators

Table 33.17 Road Accident Fund

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Number of new claims reported each year	190 470	170 418	267 133	309 838	340 822	357 863	350 706
Number of new claims paid each year	188 185	274 954	311 207	270 878	250 699	241 245	241 597
Total number of outstanding claims	445 682	341 146	297 072	336 032	426 155	542 772	651 881
Cost to compensation ratio (percentage)	48%	44%	47%	–	–	–	–
Cost to fuel levy income ratio (percentage)	32%	31%	32%	30%	24%	24%	25%

Service delivery and spending focus

The claims backlog was reduced by 13 per cent in 2007/08 with the Road Accident Fund exceeding the target for 2007/08. A contract to implement a new claims system was concluded. The new system will start operating from April 2009. The cost to compensation ratio improved by 4 per cent in 2007/08.

The fraud prevention strategy prescribes the centralisation of functions to ensure integrity. Its investigative capacity has been increased, and dedicated resources were jointly appointed by the Road Accident Fund, the National Prosecuting Authority and the South African Police Service to identify, investigate and prosecute fraudulent activities. More than 4 500 claims to the value of R363 million have been referred for investigation.

In 2007/08, the Road Accident Fund spent approximately R800 million on own legal costs. In an effort to reduce costs and in turn reduce the cost to compensation ratio, the fund will establish an internal law firm that will provide the necessary legal representation. It is estimated that the annual saving to the Road Accident Fund on managing the litigation of these matters internally will be approximately R110 million. The project will be rolled out in early 2009, and by the end of 2009, all magistrate court litigation will be managed by the internal law firm.

Over the MTEF period, the fund will continue to reduce the backlog of claims, improve efficiencies in the claims management system and provide increased capacity to facilitate the claims process. To support efforts to address the solvency of the Fund, the department will be assisted in finalising the shift to a social security system providing benefits based on a no-fault system.

Expenditure estimates

Table 33.18 Road Accident Fund (RAF): Project information

R million	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
- Compensation	3 209.3	3 989.0	6 497.4	10 452.7	8 852.4	9 924.9	7 217.1
- RAF legal and other	505.8	664.5	795.2	892.5	905.1	1 074.2	1 203.1
- Claimants legal and other	796.7	1 003.1	1 237.4	1 388.7	1 408.2	1 671.4	1 872.0
- Supplier claims	341.1	462.9	469.9	527.4	534.8	634.8	711.0
Other projects	1 791.9	3 016.4	6 991.7	8 515.2	6 943.2	7 597.2	4 285.1
Total expense	6 644.8	9 135.8	15 991.7	21 776.5	18 643.7	20 902.4	15 288.3

Table 33.19 Road Accident Fund (RAF): Financial information

R million	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Statement of financial performance							
Revenue							
Non-tax revenue	88.1	264.4	182.7	560.6	56.1	28.8	50.7
<i>Other non-tax revenue</i>	88.1	264.4	182.7	560.6	56.1	28.8	50.7
Transfers received	8 053.9	7 012.8	8 222.0	11 178.6	12 422.5	13 928.7	15 115.7
Total revenue	8 142.0	7 277.2	8 404.7	11 739.2	12 478.6	13 957.5	15 166.4
Expenses							
Current expense	489.6	505.6	587.6	883.4	1 226.5	1 434.5	1 671.5
Compensation of employees	349.6	397.1	426.1	529.0	634.0	724.9	828.9
Goods and services	125.2	104.7	148.8	284.6	480.0	553.4	638.3
Depreciation	14.9	3.7	12.6	69.8	112.5	156.2	204.3
Interest, dividends and rent on land	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Transfers and subsidies	6 155.2	8 630.2	15 404.1	20 893.1	17 417.3	19 467.9	13 616.8
Total expenses	6 644.8	9 135.8	15 991.7	21 776.5	18 643.7	20 902.4	15 288.3
Surplus / (Deficit)	1 497.2	(1 858.6)	(7 586.9)	(10 037.3)	(6 165.2)	(6 944.9)	(121.9)
Statement of financial position							
Carrying value of assets	57.8	131.0	129.5	258.4	384.5	460.9	499.2
<i>of which: Acquisition of assets</i>	10.0	18.2	97.5	211.0	270.9	294.9	342.3
Inventory	–	–	2.1	2.3	2.5	2.8	3.0
Receivables and prepayments	610.2	1 672.3	1 972.9	2 086.0	2 814.1	3 313.8	3 597.7
Cash and cash equivalents	3 691.7	2 404.4	1 192.4	816.6	134.6	314.3	525.5
Total assets	4 359.7	4 207.6	3 296.9	3 163.3	3 335.8	4 091.8	4 625.4
Accumulated surplus/deficit	(17 905.3)	(20 299.7)	(27 886.7)	(37 924.0)	(44 089.1)	(51 034.0)	(51 155.9)
Capital and reserves	58.9	58.9	58.9	58.9	58.9	58.9	58.9
Post-retirement benefits	–	20.2	22.0	27.3	32.7	37.4	42.8
Trade and other payables	795.7	105.7	381.7	436.2	487.5	516.8	547.8
Provisions	58.9	190.6	271.4	405.9	464.9	534.7	538.8
Provisions for outstanding claims	21 351.5	23 935.4	30 339.5	40 159.0	46 380.9	53 978.0	54 593.1
Liabilities not classified elsewhere	–	196.5	110.1	–	–	–	–
Total equity and liabilities	4 359.7	4 207.6	3 296.9	3 163.3	3 335.8	4 091.8	4 625.4

Expenditure trends

The administration expenditure increases significantly in 2009 as the major portion of the costs relating to the turnaround strategy is incurred. This includes depreciation on new systems acquired. Marketing costs have also increased substantially due to a drive to encourage accident victims to claim directly from the Road Accident Fund, thus saving a substantial portion of the legal costs that are currently being paid to attorneys. Cost relating to compensation of employees is based on the consumer price index of 10.1 per cent plus 2 per cent for 2010/11 to 2011/2012. This includes an increase in staff of around 5 per cent per year for the same period.

The impact of the Road Accident Fund Amendment Act (2005), according to which liabilities are limited, will not immediately reflect in expenditure trends as these claims remain unreported for up to three years. Transfers and subsidies will decrease considerably in 2011/12.

From 2005/06 to 2008/09, expenditure increased at an average annual rate of 48.5 per cent, but is expected to decrease by 11.1 per cent from 2008/09 to 2011/12 due to the impact of the RAF Amendment Act, 2005.

Revenue increases at 13 per cent between 2005/06 and 2008/09 and is expected to increase at 8.9 per cent over the MTEF, the latter due to an increase of 17.5 cents per litre in 2009/10 to the fuel levy.

Airports Company of South Africa

Strategic overview: 2005/06 – 2011/12

The Airports Company of South Africa is regulated in terms of the Airports Company Act (1993) and the Companies Act (1973) and is listed as a schedule 2 public entity in terms of the Public Finance Management Act (1999). Its core function is to facilitate the movement of air passengers and goods at South Africa's airports.

The act requires the Airports Company to submit a five-year business plan and budget on a three-yearly basis. Permission to levy charges for aeronautical services provided by the company is issued by the regulating committee on the basis of the permission application. The application for 2008 to 2012 has been approved by the industry regulator.

The key focus over the MTEF period is to improve the availability, reliability, safety and security of airport infrastructure and transport services in response to the rapidly growing demand. At the end of 2011/12, the 10 airports in the company's network should be able to provide for 44.4 million passengers, representing a 28.5 per cent increase on 2007/08, and manage 611 631 aircraft landings, representing a 17.8 per cent increase compared with 2007/08.

Selected performance and operations indicators

Table 33.20 Airports Company of South Africa

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Cost to income efficiency ratio	54	54	63	55	49	43	41
Achieve efficiency factor: approved tariff as factor of revenue	2	2	2	2	2	2	2
Corporate social investment	R4.7m	R7.5m	R24.1m	R31.2m	R34.9m	R42.1m	R46.3m

Service delivery and spending focus

The Airports Company of South Africa handled 36.2 million passengers in 2008, representing a 10.3 per cent year-on-year increase. Commercial revenue increased by 18.7 per cent.

Infrastructure investments included the new greenfield airport at La Mercy in KwaZulu-Natal to the value of R6.7 billion, the opening of the central terminal building at OR Tambo International Airport to the value of R2.3 billion, the expansion at George Airport, and the international runway refurbishment at Cape Town International Airport.

A substantial value enhancement has been made in the Airports Company's investment in Mumbai International Airport during 2007/08 through the provision of a quality management system, airports operational control centres and improvements to the operational environment.

The Airports Company of South Africa received the 2007 airports service quality award for best three airports in the Africa region by Airports Council International.

Expenditure estimates

Table 33.21 Airports Company of South Africa (ACSA): Activity information

R million	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Financing activities	135.0	303.7	439.3	852.8	1 495.1	1 761.9	1 391.3
Use of assets (depreciation)	378.1	454.9	581.6	672.7	895.5	1 071.3	1 013.0
Repairs and maintenance activity	101.6	109.8	126.5	147.1	148.6	166.7	175.7
Security services activity	59.3	68.3	83.9	108.1	105.9	122.5	129.1
Payroll, support and other airport operations activities	596.2	687.5	818.4	1 027.3	1 062.6	1 254.2	1 227.1
Other activities	322.8	493.1	342.7	237.6	299.5	559.7	713.8
Total expense	1 593.0	2 117.4	2 392.4	3 045.6	4 007.2	4 936.4	4 650.0

Table 33.22 Airports Company of South Africa (ACSA): Financial information

R million	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Statement of financial performance							
Revenue							
Non-tax revenue	2 213.8	2 771.2	2 936.9	3 618.6	4 617.5	6 188.4	6 291.2
Sale of goods and services other than capital assets	2 122.4	2 497.9	2 667.1	3 618.6	4 617.5	6 188.4	6 291.2
<i>of which:</i>							
<i>Sales by market establishments</i>	2 116.5	2 490.4	2 657.9	3 009.6	3 708.9	6 016.4	6 099.2
<i>Other sales</i>	5.9	7.5	9.2	608.9	908.6	172.0	192.0
<i>Other non-tax revenue</i>	91.4	273.3	269.7	—	—	—	—
Total revenue	2 213.8	2 771.2	2 936.9	3 618.6	4 617.5	6 188.4	6 291.2
Expenses							
Current expense	1 286.7	1 644.7	2 126.3	2 851.4	3 753.5	4 425.9	3 988.1
Compensation of employees	313.3	376.0	455.4	583.2	598.4	660.9	696.6
Goods and services	460.2	510.1	650.0	742.7	764.6	931.7	887.2
Depreciation	378.1	454.9	581.6	672.7	895.5	1 071.3	1 013.0
Interest, dividends and rent on land	135.0	303.7	439.3	852.8	1 495.1	1 761.9	1 391.3
Total expenses	1 593.0	2 117.4	2 392.4	3 045.6	4 007.2	4 936.4	4 650.0
Surplus / (Deficit)	620.8	653.8	544.5	573.0	610.3	1 252.1	1 641.1
Statement of financial position							
Carrying value of assets	7 924.8	9 176.1	13 300.4	18 742.1	21 572.0	19 592.8	19 608.2
<i>of which: Acquisition of assets</i>	1 236.9	1 715.4	4 528.0	6 114.4	3 725.4	1 179.8	1 028.4
Investments	169.7	125.2	202.7	546.1	546.1	546.1	546.1
Inventory	1.5	1.9	1.8	3.2	3.2	3.2	3.2
Receivables and prepayments	514.5	494.2	998.0	371.0	508.1	741.7	752.0
Cash and cash equivalents	1 332.0	1 905.1	16.9	150.5	185.4	300.8	305.0
Assets not classified elsewhere	—	—	—	57.5	57.5	57.5	57.5
Total assets	9 942.6	11 702.5	14 519.9	19 870.4	22 872.2	21 242.1	21 271.9
Accumulated surplus/deficit	6 243.3	5 678.6	6 088.9	6 814.6	7 467.0	8 914.6	10 955.7
Borrowings	2 854.6	5 233.6	5 193.7	10 594.5	13 180.4	10 520.3	7 961.4
Post-retirement benefits	38.8	57.8	70.5	70.5	70.5	70.5	70.5
Trade and other payables	774.1	692.1	2 054.6	1 125.5	829.5	102.6	419.4
Provisions	31.8	40.4	48.0	—	—	—	—
Liabilities not classified elsewhere	—	—	1 064.3	1 265.3	1 324.9	1 634.1	1 864.9
Total equity and liabilities	9 942.6	11 702.5	14 519.9	19 870.4	22 872.2	21 242.1	21 271.9

Expenditure trends

From 2005/06 to 2008/09 revenue grew from R2.2 billion to R3.6 billion, at an average annual rate of 17.8 per cent. It is expected to increase from R3.6 billion in 2008/09 to R6.3 billion in 2011/12, at an average annual rate of 20.2 per cent, mostly driven by growth in non-aeronautical revenue such as property, parking, car hire and advertising. The company's main expenditure item in 2008/09 is interest, dividends and rent on land, which increases from R135 million in 2005/06 to R853 million in 2008/09, and is expected to increase at an average annual rate of 17.7 per cent over the MTEF period to R1.4 billion in 2011/12.

Borrowings have increased from R2.9 billion in 2005/06 to R10.6 billion in 2008/09 to provide for the expansion of airport infrastructure. Personnel expenditure increased at an average annual rate of 23 per cent between 2005/06 and 2008/09 to provide for a greater focus on customer service.

In 2006/07, the Airports Company of South Africa paid dividends of R898.9 million to the department, which included a special dividend of R667.6 million to government after the sale of shares to the Public Investment Corporation. This payment is reflected in the decrease in capital and reserves for 2007/08.

The company is expecting to exceed its budgeted profit for the year. Moreover, it will continue its efforts to expand infrastructure through developments at OR Tambo, Cape Town and Durban international airports.

Air Traffic and Navigation Services Company

Strategic overview: 2005/06-2011/12

The Air Traffic and Navigation Services Company was established in terms of the Air Traffic and Navigation Services Act (1993). Its core mandate is to provide safe, orderly and efficient air traffic and navigational and associated services.

Over the MTEF period, the company will prioritise the ongoing improvement of its safety performance. It aims to reduce the safety ratio from 3.5 to 2.5 incidents per 100 000 movements.

Providing efficient air navigation services to meet demand remains a critical component of the company's work. This means exceeding the equipment availability targets set by the International Civil Aviation Organisation and achieving systems availability levels of 99.7 per cent for communication, 99.3 per cent for navigation and 99.4 per cent for surveillance equipment. To meet these requirements, expenditure on maintenance and telecommunication expenses accounted for 46.3 per cent of non-personnel expenditure.

The Air Traffic and Navigation Services Company plays a leading role in the development of air navigation services in Africa. The company will advance human resource development over the MTEF period to ensure sufficient numbers of highly trained personnel in the aviation sector.

Selected performance and operations indicators

Table 33.23 Air Traffic and Navigation Services Company

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Achieve safety performance: Safety incidents / 100 000 movements	3.6	3.5	3.5	3	3	2.5	2.5
Capacity improvement at OR Tambo to increase runway throughput/hour	52	56	56	60	60	60	60
Air traffic controllers vacancy rate (percentage)	13.28%	7.29%	12.5%	16.83%	13.14%	13.47%	12.32%

Service delivery and spending focus

Both SADC VSAT II and Nafisat satellites were installed in 2007/08, providing communication between 26 African countries, improving safety and reducing air transport costs.

The retention strategy has led to an increase of 14 air traffic controllers and 24 external recruits.

The civil works for the advanced surface movement guidance and control system were completed and installed in 2008 to reduce weather related delays.

Investments in navigation technology include the Atlantic Ocean routing area, radar systems for East London, Port Elizabeth and the design of the air traffic control centre for La Mercy airport in KwaZulu-Natal.

The average delay per flight was on average 2 seconds per delayed flight. In 2007/08, safety events stabilised at 3.5 events per 100 000 movements and the target over the MTEF remains 2.5 events per 100 000.

Over the MTEF period, the Air Traffic and Navigation Services Company will complete the development of a new high frequency transmitter site, the installation and commissioning of the George radar, and the advance surface movement guidance and control system at both the OR Tambo and Cape Town International Airports. The initial requirements for performance based navigation will be implemented by 2012.

Expenditure estimates

Table 33.24 Air Traffic and Navigation Services Company (ATNSC): Project information

R million	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
ATNS	434.6	475.8	555.5	572.4	725.3	804.8	899.0
ATA	20.1	30.0	26.1	35.4	46.1	49.1	49.1
VSAT	6.4	10.4	9.8	12.0	20.0	21.7	23.6
Nafisat	–	–	–	10.7	19.1	19.7	21.3
Total expense	461.0	516.2	591.5	630.4	810.5	895.3	993.1

Table 33.25 Air Traffic and Navigation Services Company (ATNSC): Financial information

R million	Audited outcome			Revised estimate	Medium-term estimate		
Statement of financial performance	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Revenue							
Non-tax revenue	559.0	592.7	637.3	651.8	864.4	1 073.6	1 192.6
Sale of goods and services other than capital assets	536.6	562.3	616.4	614.8	810.8	1 010.0	1 124.4
of which:							
Sales by market establishments	536.6	562.3	616.4	614.8	810.8	1 010.0	1 124.4
Other non-tax revenue	22.5	30.4	20.9	37.0	53.6	63.7	68.2
Total revenue	559.0	592.7	637.3	651.8	864.4	1 073.6	1 192.6
Expenses							
Current expense	413.3	473.3	548.0	630.4	810.5	895.3	993.1
Compensation of employees	211.3	251.3	305.5	360.2	475.6	508.6	546.4
Goods and services	121.0	126.1	132.4	154.9	198.8	210.7	226.9
Depreciation	74.7	83.8	71.8	88.2	105.6	126.3	147.6
Interest, dividends and rent on land	6.2	12.1	38.4	27.1	30.6	49.7	72.1
Transfers and subsidies	10.6	10.9	14.0	–	–	–	–
Total expenses	461.0	516.2	591.5	630.4	810.5	895.3	993.1
Surplus / (Deficit)	98.0	76.5	45.8	21.4	53.9	178.4	199.6
Statement of financial position							
Carrying value of assets	638.1	772.7	937.2	1 001.9	1 107.5	1 254.6	1 383.9
of which: Acquisition of assets	133.5	212.2	223.7	153.0	211.1	273.4	276.9
Investments	10.5	11.9	13.2	13.3	13.4	13.4	13.5
Inventory	0.6	0.7	0.6	0.7	1.0	1.1	1.1
Receivables and prepayments	71.4	71.7	76.3	95.8	126.4	156.9	173.7
Cash and cash equivalents	171.3	82.2	45.4	9.7	2.4	14.3	62.1
Total assets	891.9	939.3	1 072.7	1 121.5	1 250.6	1 440.3	1 634.4
Accumulated surplus/deficit	564.7	641.2	686.9	702.3	741.1	869.5	1 013.2
Borrowings	228.1	169.2	261.0	309.1	374.0	426.5	472.2
Trade and other payables	65.8	98.1	90.3	75.9	95.4	106.1	113.0
Provisions	33.3	30.9	34.4	34.2	40.2	38.2	36.0
Total equity and liabilities	891.9	939.3	1 072.7	1 121.5	1 250.6	1 440.3	1 634.4

Expenditure trends

Revenue grew from R559 million in 2005/06 to R651.8 million in 2008/09 at an average annual rate of 5.3 per cent. It is expected to increase by a further 22.3 per cent over the MTEF period due to increases in global and national air travel from which the company derives 96 per cent of its revenue. From 2005/06 to 2008/09, expenditure increased by 11% from R461 million to R630.4 million. An average annual growth rate of 16.4 per cent will result in expenditure of R993 million in 2011/12.

Salaries have increased at an average annual rate of 19.5 per cent from 2005/06 to 2008/09 and are expected to increase by 52 per cent over the MTEF period at an average annual rate of 14.9 per cent. The increase in salary cost is a combination of annual salary increases, increases in the number of employees and increase in staff retention packages.

Travelling expenses are expected to increase by 64 per cent over the next three-year period and on average by 16 per cent per year. The increase in travelling expenses is mainly due to an increase in travel for training purposes. Telecommunication expenses are expected to increase by 53 per cent over the MTEF period. The increase in telecommunication expenses is mainly due to the additional satellite expenses. Electronic maintenance is expected to increase by 77 per cent over the next three years due to an increase in the number of maintenance and support contracts.

Depreciation is expected to increase by 67 per cent over the medium term, mainly due to the increase in capital expenditure over the past years. The increase in total funding is mainly due to additional loans required to fund capital expenditure as well as the higher interest rates.

Additional tables

Table 33.A Summary of expenditure trends and estimates per programme and economic classification

Programme	Appropriation		Audited outcome	Appropriation			Revised estimate
	Main	Adjusted		Main	Additional	Adjusted	
R million	2007/08		2007/08	2008/09			2008/09
1. Administration	144.4	144.4	182.3	170.5	74.6	245.2	236.7
2. Transport Policy and Economic Regulation	33.3	31.5	17.6	37.7	9.5	47.2	24.4
3. Transport Regulation and Accident and Incident Investigation	243.8	231.4	209.6	255.9	176.7	432.6	428.6
4. Integrated Planning and Inter-sphere Co-ordination	5 379.9	5 382.0	5 226.2	7 769.5	997.6	8 767.0	8 460.0
5. Transport Logistics and Corridor Development	16.4	20.7	13.0	22.2	12.9	35.1	25.5
6. Public Transport	9 895.2	10 559.2	10 516.6	12 073.5	203.8	12 277.2	12 281.7
7. Public Entity Oversight and Border Operations and Control	144.8	174.7	166.4	179.3	2 509.3	2 688.6	2 685.5
Total	15 857.9	16 543.9	16 331.6	20 508.5	3 984.3	24 492.8	24 142.3

Economic classification

Current payments	722.7	757.1	580.1	790.7	253.7	1 044.4	985.0
Compensation of employees	180.8	180.8	131.3	196.2	34.0	230.2	186.0
Goods and services	541.8	576.2	441.7	594.5	219.7	814.2	798.9
Financial transactions in assets and liabilities	–	–	7.1	–	–	–	0.0
Transfers and subsidies	15 093.7	15 744.7	15 748.3	19 675.5	3 769.4	23 445.0	23 151.3
Provinces and municipalities	4 203.4	4 203.4	4 203.4	6 436.0	1 083.2	7 519.2	7 219.2
Departmental agencies and accounts	3 667.2	3 678.3	3 688.9	4 342.8	2 485.7	6 828.5	6 834.5
Universities and technikons	7.4	7.4	9.2	7.8	–	7.8	7.8
Public corporations and private enterprises	6 967.2	7 267.2	7 267.2	8 410.9	200.5	8 611.4	8 611.4
Foreign governments and international organisations	4.6	5.5	3.6	4.9	–	4.9	4.9
Non-profit institutions	12.8	12.8	3.8	14.1	–	14.1	14.1
Households	231.1	570.1	572.2	459.1	–	459.1	459.5
Payments for capital assets	41.5	42.1	3.2	42.3	(38.8)	3.5	6.0
Buildings and other fixed structures	38.2	38.2	–	38.8	(38.8)	–	–
Machinery and equipment	3.3	3.9	3.2	3.5	–	3.5	6.0
Total	15 857.9	16 543.9	16 331.6	20 508.5	3 984.3	24 492.8	24 142.3

Table 33.B Summary of personnel numbers and compensation of employees

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Permanent and full time contract employees							
Compensation (R million)	96.5	110.8	130.9	229.8	212.4	208.4	220.8
Unit cost (R million)	0.2	0.2	0.2	0.3	0.3	0.3	0.3
Personnel numbers (head count)	504	574	622	679	670	670	670
Interns							
Compensation of interns (R million)	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Unit cost (R million)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Number of interns	12	28	30	35	40	40	40
Total for department							
Compensation (R million)	96.9	111.2	131.3	230.2	212.8	208.9	221.3
Unit cost (R million)	0.2	0.2	0.2	0.3	0.3	0.3	0.3
Personnel numbers (head count)	516	602	652	714	710	710	710

Table 33.C Summary of expenditure on training

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Compensation of employees (R million)	96.9	143.7	131.3	230.2	214.2	210.9	223.4
Training expenditure (R million)	2.9	3.0	3.2	1.8	3.9	4.0	4.0
Training as percentage of compensation	3.0%	2.1%	2.5%	0.8%	1.8%	1.9%	1.8%
Total number trained in department (head count)	217	240	317	347			
of which:							
Employees receiving bursaries (head count)	132	160	140	28			
Learnerships trained (head count)	14	7	7	6			
Internships trained (head count)	52	55	51	46			
Households receiving bursaries (R million)	–	–	–	0.0	–	–	–
Households receiving bursaries (head count)	–	–	–	2 200			

Table 33.D Summary of conditional grants to provinces and municipalities¹

R million	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Conditional grants to provinces							
4. Integrated Planning and Inter-sphere Co-ordination							
Sani Pass Road Grant	–	–	–	30.0	34.3	–	–
Overload Control Grant	–	–	–	8.8	10.1	11.0	–
Transport Disaster Management Grant	–	–	–	1 035.5	–	–	–
6. Public Transport							
Gautrain rapid rail link grant	–	3 241.0	3 029.4	3 266.0	2 832.7	340.7	–
Public Transport Operations Grant	–	–	–	–	3 531.9	3 863.0	4 153.2
Total	–	3 241.0	3 029.4	4 340.3	6 409.0	4 214.7	4 153.2
Conditional grants to municipalities							
4. Integrated Planning and Inter-sphere Co-ordination							
Public transport infrastructure and systems grant	241.7	518.0	1 174.0	3 170.0	2 418.2	4 289.8	5 149.0
Rural Transport Grant	–	–	–	8.9	9.8	10.4	11.1
Total	241.7	518.0	1 174.0	3 178.9	2 428.0	4 300.2	5 160.1

1. Detail provided in the Division of Revenue Act (2009)

Table 33.E Summary of departmental public private partnership projects

Project description: National fleet project		Project annual unitary fee at time of contract	Budgeted expenditure	Medium-term expenditure estimate		
R million				2008/09	2009/10	2010/11
Projects signed in terms of Treasury Regulation 16		–	4.2	4.4	4.7	4.9
PPP unitary charge		–	4.2	4.4	4.7	4.9
Total		–	4.2	4.4	4.7	4.9

Disclosure notes for projects signed in terms of Treasury Regulation 16

Project name	National Fleet Project
Brief description	Provision of Fleet Management Services
Date PPP agreement was signed	October 2006
Duration of PPP agreement	5 Years
Escalation index for unitary fee	5
Variations / amendments to PPP agreement	None
Cost implications of variations/amendments	None. In the event of a material breach by the department of transport, the private party may seek the difference between the value of the vehicle and any finance outstanding.

Table 33.F Summary of donor funding

Donor	Project	Departmental programme name	Amount committed	Main economic classification	Spending focus	Audited outcome			Estimate	Medium-term expenditure estimate		
						2005/06	2006/07	2007/08		2009/10	2010/11	2011/12
R thousand												
Foreign												
In cash												
Global Environmental Fund (GEF)	Sustainable public transport and sport	Integrated planning and inter-sphere coordination	82 541	Transfers to provinces and municipalities	Supporting transport improvements in seven 2010 Soccer World Cup cities	–	–	–	11 947	53 146	15 341	2 106
Total			82 541			–	–	–	11 947	53 146	15 341	2 106

Table 33.G Summary of expenditure on infrastructure

R million	Type of infrastructure	Service delivery outputs	Current project stage	Total project cost	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
					2005/06	2006/07	2007/08		2009/10	2010/11	2011/12
Mega projects or programmes (over R300 million per year for a minimum of three years or R900 million total project cost)											
				–	565.3	833.0	1 429.4	1 806.9	2 841.5	4 065.2	5 062.6
				–	688.3	1 029.6	1 696.1	2 367.7	3 831.8	4 813.3	5 566.8
				–	–	3 241.0	3 029.4	3 266.0	2 832.7	340.7	–
				–	241.7	518.0	1 174.0	3 170.0	2 418.2	4 289.8	5 149.0
				–							
Total				–	1 495.3	5 621.6	7 328.8	10 610.6	11 924.1	13 508.9	15 778.3

