

# 34: TRANSPORT

## AIM

*The aim of the Department of Transport is to promote efficient transport systems on a national level.*

## EXPENDITURE ESTIMATES

**Table 34.1 Expenditure by programme**

Expenditure outcomes				Preliminary outcome	Medium term expenditure estimates		
R million	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Administration	23,9	31,1	39,3	32,2	28,2	27,1	28,2
Regulation and safety <sup>1</sup>	720,4	721,2	756,1	930,9	939,4	1 115,7	1 488,0
Civil Aviation Authority	17,2	22,2	27,2	47,2	16,8	8,9	4,5
Road traffic management	119,3	123,3	133,7	101,6	76,0	82,9	100,6
Maritime Safety Agency	61,7	58,3	62,8	85,5	57,2	57,9	61,0
Roads Agency	522,2	517,4	532,4	677,1	775,2	952,0	1 306,8
Cross Border Agency	—	—	—	9,7	2,1	—	—
Aviation and maritime regulation	—	—	—	9,8	12,1	14,0	15,0
Policy, strategy and implementation <sup>1</sup>	2 254,3	2378,0	2 808,3	2 639,3	2 529,3	2 725,7	2 812,7
Policy and planning	102,4	130,2	625,4	45,8	73,8	82,5	85,3
Bus subsidies	770,0	865,1	971,2	1 188,7	1 293,6	1 429,5	1 474,9
Rail subsidies	1 381,9	1 382,7	1 211,7	1 404,8	1 161,9	1 213,7	1 252,5
<b>Total</b>	<b>2 998,6</b>	<b>3 130,3</b>	<b>3 603,7</b>	<b>3 602,4</b>	<b>3 496,9</b>	<b>3 868,5</b>	<b>4 328,9</b>

<sup>1</sup> Spending by programme has been reclassified where possible to correspond to the current programme structure.

After substantial restructuring over the last number of years, the department is now organised into 3 programmes:

- ◆ *Administration* comprises financial management, personnel and provisioning administration, legal and other office support services and the formulation of policy by the Minister and Director-General of the Department.

- ◆ *Regulation and safety* is responsible for overseeing the activities of the departmental agencies, road traffic management, and aviation and maritime regulation, administration and management.
- ◆ *Policy, strategy and implementation* is responsible for rail and bus subsidy transfers and land transport policy.

The new autonomous agencies undertake most operational activities, while the Department has a supervisory role and provides policy direction.

R100 million was allocated in the Adjustment Budget to the South African Rail Commuter Corporation. In addition to this, another R200 million payment to the Corporation has been approved in terms of Section 7 of the Exchequer Act. Appropriation of the amount will be made during 1999/00.

**Table 34.2 Economic classification of expenditure**

R million	Expenditure outcomes			Preliminary outcome 1998/99	Medium term expenditure estimates		
	1995/96	1996/97	1997/98		1999/00	2000/01	2001/02
Current							
Personnel expenditure	58,2	60,7	69,9	50,5	40,0	42,2	44,1
Other current expenditure	171,8	174,1	194,4	66,0	87,7	37,1	209,8
Transfer payments	2 220,8	2 334,6	2 784,9	2 732,5	2 537,0	2 834,7	2 765,6
Capital							
Transfer payments	522,2	571,4	532,4	711,2	802,3	951,9	1 306,7
Acquisition of capital assets	25,6	43,5	22,1	42,2	29,9	2,6	2,7
<b>Total</b>	<b>2 998,6</b>	<b>3 130,3</b>	<b>3 603,7</b>	<b>3 602,4</b>	<b>3 496,9</b>	<b>3 868,5</b>	<b>4 328,9</b>

<sup>1</sup> Departmental personnel expenditure includes employer's contributions to pension funds at a rate of 17 per cent of basic salary in 1998/99 and 15 per cent of basic salary in subsequent years.

## TRENDS IN OUTPUTS AND SERVICES RENDERED

Table 34.3 Key activities and outputs

Programme	Key activities	Outputs
Regulation and safety	Transport and traffic information	Connected 684 sites nation-wide to the National Traffic Information System (NaTIS). Trained 2 500 officials and members of public to capture information on NaTIS. About 2 000 daily users.
	Civil aviation	Fifteen new bilateral air service agreements. Renegotiations on ten existing agreements. Processed 123 applications for non-scheduled flights to South Africa. Inspected 49 licensed airports. Conducted 250 flight tests for professional pilots licences and ratings. Undertook 5 687 aircrew licence examinations. Processed 2 347 aircraft transactions. Processed transactions involving 14 000 pilots. Database for air traffic control. Implementing Memorandum of Understanding between the Department, the Airports Company of South Africa (ACSA), and the Air Traffic and Navigation Services Company (ATNS). Investigated 73 accidents involving 102 aircrafts.
Policy, strategy and implementation	Land transport	Corporatisation of provincially and municipally owned bus companies. Establishment of transport authorities. New agreement between Metrorail and SARCC. Formalisation of the taxi industry. Subsidy to about 9 200 bus operators.
	Research and development	Funding postgraduate students in transport management. Moving South Africa project – long-term transport strategies.

## POLICY DEVELOPMENTS

### Moving South Africa

A major review of the transport sector, “Moving South Africa”, highlights several public transport challenges. The sector needs to become competitive, to have alternative funding mechanisms, to extend its subsidised services to more areas and to quantify the effects and costs of externalities.

### New agencies

Three agencies were formed in early 1998: the National Roads Agency, the Maritime Safety Agency and the Cross Border Road Transport Agency. The latter part of the year saw the establishment of the Civil Aviation Authority and the promulgation of legislation to establish the Road Traffic Infringement Agency.

The agencies are currently funded from budgetary appropriations, levies on fuel, user charges and penalties and fines. They are to become self-funding in due course.

### Commuter transport

Publicly subsidised transport in urban areas currently accounts for about 62 per cent of commuter transport. Government aims to broaden and diversify its support for commuter transport, while putting subsidy schemes on a more competitive basis.

<b>Bus transport</b>	<p>The principle of competitive tendering for bus services was accepted during September 1996. To this end interim contracts have since been entered into with bus operators previously subsidised by the Department.</p>
<b>Rail transport</b>	<p>The Department, in conjunction with the South African Rail Commuter Corporation (SARCC), is developing a concessioning contract, as a demonstration project, addressing the provision of rail services and upgrading and building of infrastructure.</p>
<b>Taxi transport</b>	<p>The minibus taxi industry faces financial constraints and much of its fleet has outlived its economic usage. The Department, the nine provincial departments and larger local authorities are addressing the problems identified by the National Taxi Task Team. They follow a three-pronged approach, including formalisation and training, legalisation of illegal operators and economic assistance through co-operatives.</p>
<b>NaTIS and new driver licences</b>	<p>Three modules of the National Traffic Information System (NaTIS), Vehicle registration and licensing, Financial, and Driving licences, are fully operational. The manufacture of new driving licences has been outsourced.</p> <p>The Department will:</p> <ul style="list-style-type: none"><li>◆ Facilitate and manage the implementation, operation, maintenance and enhancement of NaTIS.</li><li>◆ Monitor the issuing of the new credit card format driving licence over a five-year implementation period.</li><li>◆ Develop traffic control centres.</li></ul>
<b>Air transport policy</b>	<p>South Africa has revised its domestic air transport policy to promote open competition and safety. A policy on liberalising the international air transport market was implemented in 1992, and deregulation of air freight services is currently being studied.</p>
<b>Transport planning</b>	<p>The Department supports devolution of public passenger transport functions to the lowest appropriate level of government. A Land Passenger Transport Act will be compiled to clarify relationships between spheres of government and to define concurrent and exclusive powers.</p>
<b>Framework for provision of services</b>	<p>Public passenger transport is a basic need and government seeks to ensure that it is provided efficiently with optimal resource use. The public transport system is to be based on regulated competition in the form of a permission, contract or concession awarded in terms of a passenger transport plan and supported by strict law enforcement.</p>

## DISCUSSION OF PROGRAMMES

### Programme 1: Administration

	Budget estimate	Adjusted appropriation	Preliminary outcome	Medium term expenditure estimates		
R million		1998/99		1999/00	2000/01	2001/02
1998 Budget	31,8	32,2	32,2	–	–	–
1999 Budget	–	–	–	28,2	27,1	28,2

#### Corporate services

The Department has established a corporate services division which is responsible for organising the Department, offering centralised administrative and office support services, managing departmental personnel and financial administration, determining working methods and procedures and general departmental control. The division also promotes effective use of government motor transport, purchases vehicles for departmental use and manages the subsidised motor transport scheme.

### Programme 2: Regulation and safety

	Budget estimate	Adjusted appropriation	Preliminary outcome	Medium term expenditure estimates		
R million		1998/99		1999/00	2000/01	2001/02
1998 Budget	853,2	930,9	930,9	–	–	–
1999 Budget	–	–	–	939,4	1 115,6	1 488,0

The *Regulation and safety* programme promotes the development of safe, efficient and internationally competitive air transport and maritime industry, and efficient and safe mobility on roads. Its sub-programmes are: road traffic management, civil aviation and maritime safety.

#### Transport agencies

The Department oversees the National Roads and Cross Border Road Transport Agencies, manages their performance contracts and serves as their regulatory authority.

The South African National Roads Agency Ltd (NRA) is constituted in terms of the South African National Roads Agency Act, 1998. Its objectives are strategic planning, design, construction, operation, control, rehabilitation and maintenance of national roads or any facility or service normally related to the functioning of national roads.

The Cross-Border Road Transport Agency was established through the Cross-Border Road Transport Act, 1998 to provide a co-operative and co-ordinated advice, regulation, facilitation and law enforcement in respect of cross-border road transport by both the public and private sectors.

The Department is responsible for the South African Civil Aviation Authority, which controls and regulates civil aviation, oversees the functioning and development of the civil aviation industry, and promotes civil aviation safety and security.

The Department also supervises the activities of the South African Maritime Safety Authority, which aims to ensure the safety of life and property at sea, prevent pollution of the sea by ships and promote South Africa as a maritime nation.

#### Road traffic management

The Road Traffic Act of 1996 and related provincial traffic legislation replaced the Road Traffic Act of 1989. The Constitutional Transformation Project agreed upon by the national Minister of Transport and the provincial MECs acknowledged that national road traffic management will administer the Road Traffic Act and co-ordinate the legislative process at provincial level.

### Programme 3: Policy, strategy and implementation

R million	Budget estimate	Adjusted appropriation	Preliminary outcome	Medium term expenditure estimates		
		1998/99		1999/00	2000/01	2001/02
1998 Budget	2 360,3	2 459,3	2 639,3	–	–	–
1999 Budget	–	–	–	2 529,3	2 725,7	2 812,7

The *Policy, strategy and implementation programme* is responsible for developing, planning, monitoring, updating, facilitating and promoting the implementation of land transport policy and strategy.

Most of this programme's funding is earmarked for subsidies for bus and rail commuter services, amounting to R1 188,7 million and R1 404,8 million respectively in 1998/99.

## PUBLIC ENTERPRISES DELIVERING TRANSPORT SERVICES

### Airports Company of South Africa

The Airports Company of South Africa (ACSA) derives its revenue mainly from three international and six national airports in South Africa.

#### Restructuring

In April 1998 20 per cent of ACSA's shares were sold to Aeropoti Di Roma which was also awarded an option to acquire a further 10 per cent in the event of a JSE listing or within three years, whichever comes earlier. Nine per cent of ACSA's shares have been reserved for staff and 10 per cent for black empowerment investors. Of the latter approximately 4,5 per cent were sold in July 1998.

#### Key financial information

The total assets of the Airports Company amounted to R1 698 million in 1998, an increase from R1 044 million in 1995. The company has no long-term liabilities. The gross revenue of the Airport Company increased to R710 million in 1998 from R322 million in 1995.

The net profit increased from R81 million in 1995 to R183 million in 1998 with dividends paid to the State in 1997 amounting to R36 million and in 1998 R45 million. The tax paid by the company was R89 million in 1996, R124 million in 1997 and R135 million in 1998.

### **Air Traffic and Navigation Services Company**

The Air Traffic Navigation Services Company (Ltd) (ATNS) is a registered public company solely owned by Government. It supplies air traffic services and maintains air traffic and navigational infrastructure.

**Key financial information**

The turnover of the company rose to R165 million in 1998. The total assets of ATNS increased from R237 million in 1996 to R343 million in 1998. The company made profits of R40 million, R40 million and R34 million over the period 1996, 1997 and 1998. The company paid tax over this period but no dividends were declared.

**Capital expenditure**

Over the next two years an estimated amount of R180 million will be used to upgrade communications and navigational and radar equipment.

### **South African Rail Commuter Corporation**

**Aim**

The South African Rail Commuter Corporation (SARCC) is a statutory agent, aiming to provide effective and efficient rail commuter services under concessioning agreements that serve the best interests of all parties.

**Revenue**

The main sources of revenue of the SARCC are the State subsidy to cover operational losses and income from ticket sales (about 35 per cent of total revenue).

**Key financial information**

The turnover of the SARCC has increased from R474 million in 1995 to R738 million in 1998. The total assets also increased during this period from R4 822 million to R5 073 million. The liabilities of the Corporation increased from R1 371 million in 1995 to R1 798 million in 1998. The State subsidy paid to the SARCC for the years 1995-1998 amounted to R1 382 million, R1 383 million, R1 212 million and R1 405 million respectively. The Corporation started making losses during 1997 and during 1998 Government had to provide it with a further R300 million to meet its commitments. The Corporation can no longer service its debt. Government will undertake an investigation in 1999 to identify ways to deal with the negative financial position of the SARCC.

### **Transnet Limited**

The Transnet group is an integrated transport and related services group that focuses on the movement of goods, people and information for customers in the freight, passenger and related services industry.

**Business units**

Transnet's operations are organised into several business units (not legal entities):

- ◆ Spoornet, a rail freight unit.
- ◆ Autonet, a road freight unit.
- ◆ South African Airways, an airline passenger unit.
- ◆ Portnet, a unit which manages and operates the sea ports.
- ◆ PX (now known as Fast Forward), a parcel carrier unit.
- ◆ Metrorail, a rail commuter unit.

- ◆ Petronet, a unit that transports liquid fuels and gases through a network of pipelines and tankers.

Subsidiaries of Transnet include Transwerk, Protekon, Transtel, Datavia, Promat and Propnet.

### Key financial information

The turnover of the Transnet group is around R20 000 million a year while the net profit reported during the last three years was R1 182 million, R1 237 million and R1 695 million respectively. The total assets of Transnet amounts to R42 779 million while the long-term liabilities are currently R23 861 million. The companies in the Transport group intends to make capital investments to the amount of R4 000 to R5 000 million per year as illustrated below.

### Estimate of Transnet's Capital Expenditure (R million)

Company	Actual 1998/99	Projected 1999/2000	Projected 2000/01	Projected 2001/02
Spoornet	858	1 000	1 060	1 240
South African Airways	1 104	1 400	1 450	1 510
Portnet	1 501	1 620	1 500	1 000
PX	48	85	90	95
Autonet	76	85	93	97
Petronet	79	130	140	135
Viamax	315	200	182	186
Transwerk	30	33	39	42
Transtel	88	90	93	97
Datavia	70	64	67	67
Other business units	140	143	136	151
<b>TRANSNET GROUP</b>	<b>4 308</b>	<b>4 850</b>	<b>4 850</b>	<b>4 620</b>

### Road Accident Fund

The Road Accident Fund (RAF), as were its predecessors, is the instrument by which Government compensates victims of motor vehicle accidents on terms and conditions provided for in the various Acts governing such compensation.

### Fuel levy

The Fund receives levies from the general fuel fund, currently calculated at 14,5 c/l and 10,3 c/l for petrol and diesel respectively. Revenue from this levy amounted to about R1,5 billion and R1,8 billion in 1996/97 and 1997/98 respectively.

### Key financial information

The total assets of the Fund for 1998 were R1 882 million. Its current liabilities rose to over R2 000 million in 1998 and its long term liabilities to R8 011 million. The turnover of the RAF increased from R1 548 million in 1997 to R1 895 million in 1998.

### Restructuring

The growing actuarial deficit of the Fund has been identified as a serious concern to government. The administration of the Fund and benefits payable need to be reviewed in the light of the growing deficit. A Road



Accident Fund Commission has been established in terms of the proposed Road Accident Fund Bill to investigate ways in which the Fund can be restructured.

### **The Urban Transport Fund**

The Urban Transport Fund has been established in terms of section 8 of the Urban Transport Act of 1977.

#### **Balance on the Fund**

The Fund is administrated by the South African Roads Board and the Director General of the Department of Transport has been delegated the responsibility of approving the funds of the Roads Board. On a yearly basis a budget is submitted to the Minister of Transport for approval after funds have been allocated through Parliament to the budget of the Department of Transport. The funds are allocated from programme 3 of the Department (before 1999/00 the allocation was on programme 5). The approved budget for 1998/99 was R36,6 million and the balance on the Fund on 31 March 1998 was R80,8 million. The amount available for 1998/99 on the Urban Transport Fund was, therefore R117,4 million of which R56,3 million was spent up to 31 January 1999.

#### **Purpose of the Fund**

The money in the Fund is used for financing certain committees such as MinCOM, COLTO and LTCC, for demonstration projects and for the implementation of transport infrastructure in the Metropolitan Transport areas. The Fund can also be used to finance educational institutions.