



BUDGET STATEMENT NO. 3

Infrastructure Estimates

INTRODUCTION

1. OVERVIEW

SUMMARY OF INFRASTRUCTURE BUDGET FOR THE FINANCIAL YEAR 2006/07 – 2008/09

The province continues to focus on infrastructure delivery in the coming medium term as it develops, maintains infrastructure and creates jobs. Infrastructure delivery is the main vehicle that enables departments to provide appropriate infrastructure for the delivery of essential services such as health, education and roads and contributes towards the goal of halving unemployment and poverty by 2014. The provincial infrastructure allocation comprises 25 percent of the total provincial budget in 2006/07, 23 percent in 2007/08 and 22 percent in 2008/09. Consolidated provincial allocations for 2006/07 financial year increases by 108% from 2005/06 and this is largely due to the conditional grant allocation for Gautrain received from the national Department of Transport which amounts to R3,2 billion in 2006/07 and R2,2 billion in 2007/08 and R1,7 billion in 2008/09. It is important to note that the Gautrain project's allocation which was initially made to the Department of Finance and Economic Affairs (now called Department of Economic Development) has been moved to the Department of Public Transport, Roads and Works (DPTRW) with effect from the 2006/07 financial year. This is due to the decision to allocate the responsibility for the project implementation to the DPTRW.

Table 1 (below) shows the actual and estimated infrastructure spending over a seven-year period. The infrastructure spending over the previous financial years has been increasing by an average of 33 percent annually.

Table 1: ACTUAL AND PLANNED INFRASTRUCTURE SPENDING

R'000	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Infrastructure expenditure	2,247,012	2,830,644	3,046,069	4,184,727	8,703,552	8,346,288	8,656,515
% increase in nominal terms	51.5%	26.0%	7.6%	37.4%	108.0%	-4.1%	3.7%

Table 2: CAPITAL BUDGET ACCORDING TO INFRASTRUCTURE CATEGORIES

Department	2006/07					2007/08					2008/09				
	New Construct- ion	Rehabil- itation/ Upgrading	Mainten- nance #	Other Capital projects	Total	New Construct- ions	Rehabil- itation/ Upgrading	Mainten- nance #	Other Capital projects	Total	New Construct- ion	Rehabil- itation/ Upgrading	Mainten- nance #	Other Capital projects	Total
R thousand															
Economic Development	265,550	30,825			296,375	187,550				187,550	448,600				448,600
Health	370,868	185,302	288,878	26,821	871,869	452,393	174,289	358,153	28,202	1,013,037	655,693	230,341	358,153	28,502	1,272,689
Education	670,679			200,000	870,679	308,000	152,046	169,503	240,000	869,549	508,000		132,062	200,000	840,062
Social Development	5,620		21,000		26,620	33,420		21,000		54,420	33,420		21,000		54,420
Housing	1,056,854	730,570	22,197	4,714	1,814,335	1,684,206	616,922	30,081	4,246	2,335,455	1,915,591	476,259	30,081	5,696	2,427,627
Public Transport, Roads and Works	4,641,000	97,733	10,000	11,771	4,760,504	3,672,000	170,041	23,250	2,446	3,867,737	3,297,474	210,626	80,750	3,817	3,592,667
Agriculture	2,700	1,070	2,000		5,770	2,700	1,940	4,000		8,640	1,050	5,000	4,500		10,550
Sports			57,400		57,400		9,900			9,900		9,900			9,900
Total	7,013,271	1,102,900	344,075	243,306	8,703,552	6,340,269	1,125,138	605,987	274,894	8,346,288	6,859,828	932,126	626,546	238,015	8,656,515

Maintenance relates to current and capital.

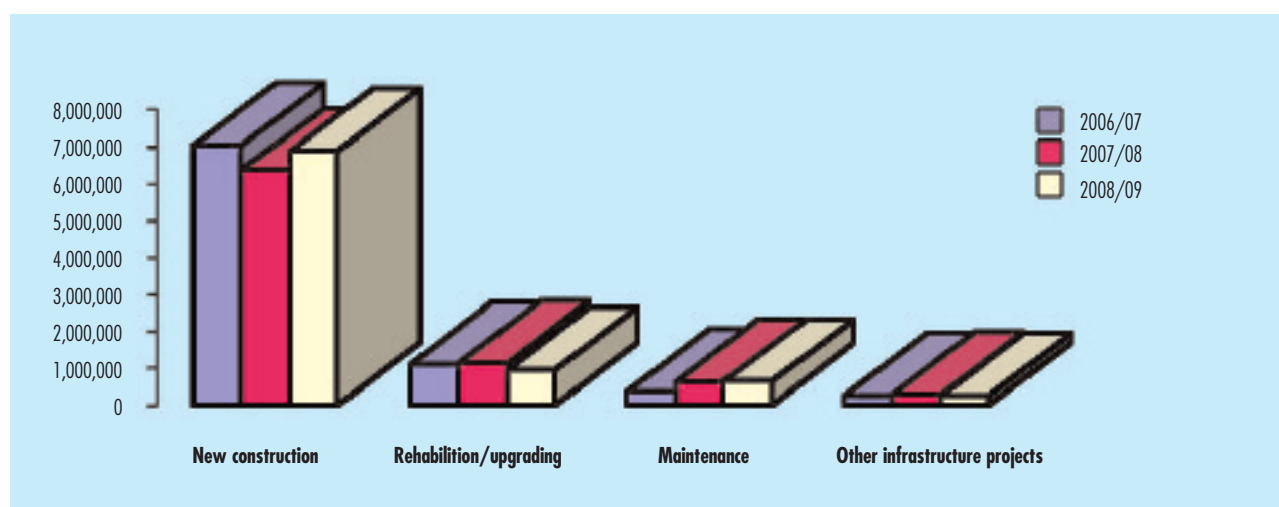
Graphic 1: INFRASTRUCTURE EXPENDITURE ACCORDING TO INFRASTRUCTURE CATEGORIES

Table 2 above shows that allocation for new construction amounts to R7 billion in 2006/07 and represents 81 percent of the total infrastructure allocation. The allocation for new construction declines to R6,3 billion in 2007/08 and R6,9 billion in 2008/09. This trend reflects the decreasing allocation for Gautrain over the MTEF.

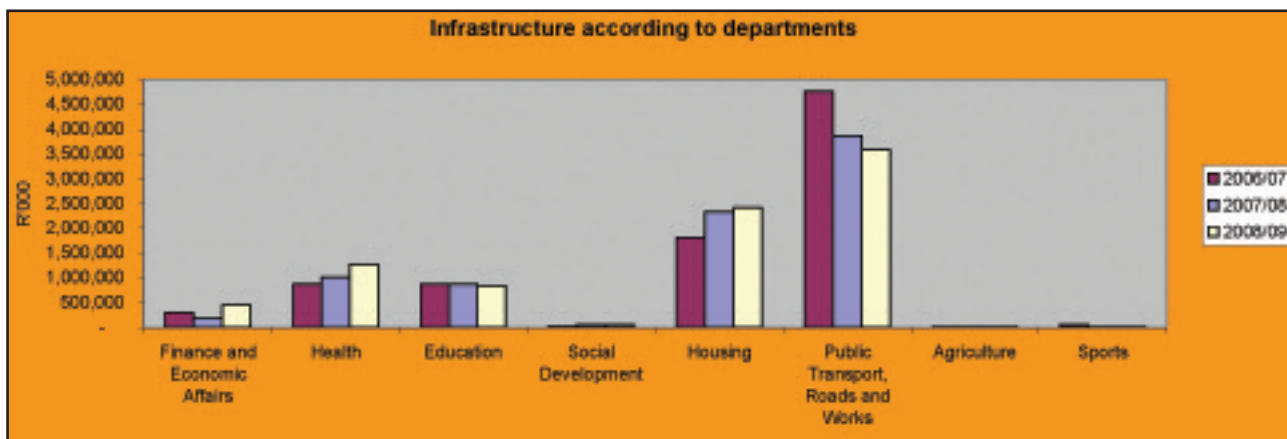
Rehabilitation takes the second biggest share of the allocation, which is approximately R1,10 billion (or 13 percent of the total infrastructure budget) in 2006/07 financial year. The allocation increases to R1,13 billion in 2007/08 and then decreases by R193 million to R932 million in 2008/09. An increased rehabilitation of road, schools and sports infrastructure in 2007/08 and a decline in housing infrastructure rehabilitation in 2008/09 underpin the reported trend.

The total maintenance budget amounts to R344 million in 2006/07. The allocation increases to R606 million in 2007/08 and R626 million in 2008/09. The significant increase in 2007/08 is due to the maintenance allocation for schools and Health facilities.

Distribution of infrastructure allocation by departments

Table 3: SUMMARY OF INFRASTRUCTURE ALLOCATION PER DEPARTMENT

Department	2006/07	% of dept over total allocation	2007/08	% of dept over total allocation	2008/09	% of dept over total allocation
Finance and Economic Affairs	296,375	3%	187,550	2%	448,600	5%
Health	871,869	10%	1,013,037	12%	1,272,689	15%
Education	870,679	10%	869,549	10%	840,062	10%
Social Development	26,620		54,420	1%	54,420	1%
Housing	1,814,335	21%	2,335,455	28%	2,427,627	28%
Public Transport, Roads and Works	4,760,504	55%	3,867,737	46%	3,592,667	42%
Agriculture	5,770		8,640		10,550	
Sports	57,400	1%	9,900		9,900	
Total	8,703,552	100%	8,346,288	100%	8,656,515	100%

Graphic 2: SUMMARY OF INFRASTRUCTURE ALLOCATION PER DEPARTMENT

The Department of Housing has set aside over R1,8 billion in 2006/07 to spend on the housing projects. This amount translates to 21 percent of the total infrastructure budget in the said financial year and increases to a total of R4,8 billion over the MTEF. From the total allocation of R1,8 billion in 2006/07, R1,1 billion will be spent on new construction works and mainly caters for the servicing of stands and the building of houses.

The total infrastructure allocation set aside by the Department of Public Transport, Roads and Works is R4,8 billion (or 55 percent of the total provincial infrastructure budget) for 2006/07 and declines by 19 percent to R3,9 billion and by a further 7 percent to R3,6 billion in 2007/08 and 2008/09 respectively. Noteworthy in the financial year 2006/07 is the allocation of Gautrain project resources (which were previously in the Department of Finance and Economic Affairs) to the department. The initial planning of the project was led by a team located in the Department of Finance and Economic Affairs. However given the transport nature of the project, the Department of Public Transport, Roads and Works has been tasked with further planning and implementation phases. In view of the above, the resources for the project continuation have been accordingly reallocated to the department. The trend evident in the department's total infrastructure allocation is significantly influenced by the Gautrain allocation of R4,6 billion; R3,6 billion and R3,2 billion in the 2006 MTEF. The second largest share of the allocation will be utilized for the rehabilitation and maintenance of roads.

The Department of Health plans to spend R872 million in 2006/07, of which 42 percent is for new construction and 33 percent for infrastructure maintenance. This is in line with the strategic objective of ensuring the construction, rehabilitation, upgrading and maintenance of infrastructure of hospitals and clinics in the province. The total allocation for Health rises to R1 billion in 2007/08 and R1,3 billion in 2008/09.

R200 million of the total education allocation (R871m) will be spent on GautengOnline project and the balance will be spent on construction of new schools in the 2006/07 financial year. The average allocation in the MTEF outer years for education amounts to R855 million per annum.

Distribution of infrastructure allocation between municipalities

Table 4: SUMMARY OF INFRASTRUCTURE SPENDING PER MUNICIPAL AREA						
Name of Municipality	2006/07	% of municipality	2007/08	% of municipality	2008/09	% of municipality
	over total allocation		over total allocation		over total allocation	
Metros						
Ekurhuleni	871,270	10.0%	1,161,502	13.9%	1,489,712	17.2%
Johannesburg	6,204,209	71.3%	5,021,044	60.2%	4,687,099	54.1%
Tshwane	516,276	5.9%	503,471	6.0%	507,197	5.9%
Sub-total	7,591,755	87.8%	6,686,018	80.1%	6,684,008	77.2%
District and Local						
Sedibeng	350,712	4.0%	229,675	2.8%	435,775	5.0%
West Rand	172,952	2.0%	531,018	6.4%	612,764	7.1%
Metsweding	86,290	1.0%	39,431	0.5%	89,902	1.0%
Mogale City	40,159	0.5%	52,715	0.6%	54,278	0.6%
Merafong	7,800	0.1%	7,780	0.1%	7,500	0.1%
Sub-total	657,913	7.6%	860,620	10.3%	1,200,218	13.9%
Other						
Various/ unspecified	387,552	4.5%	670,597	8.0%	661,876	7.6%
Unallocated	12,600	0.1%	26,524	0.3%	46,134	0.5%
Departmental	53,732	0.6%	102,529	1.2%	64,279	0.7%
Sub-total	400,152	4.6%	697,121	8.4%	708,010	8.2%

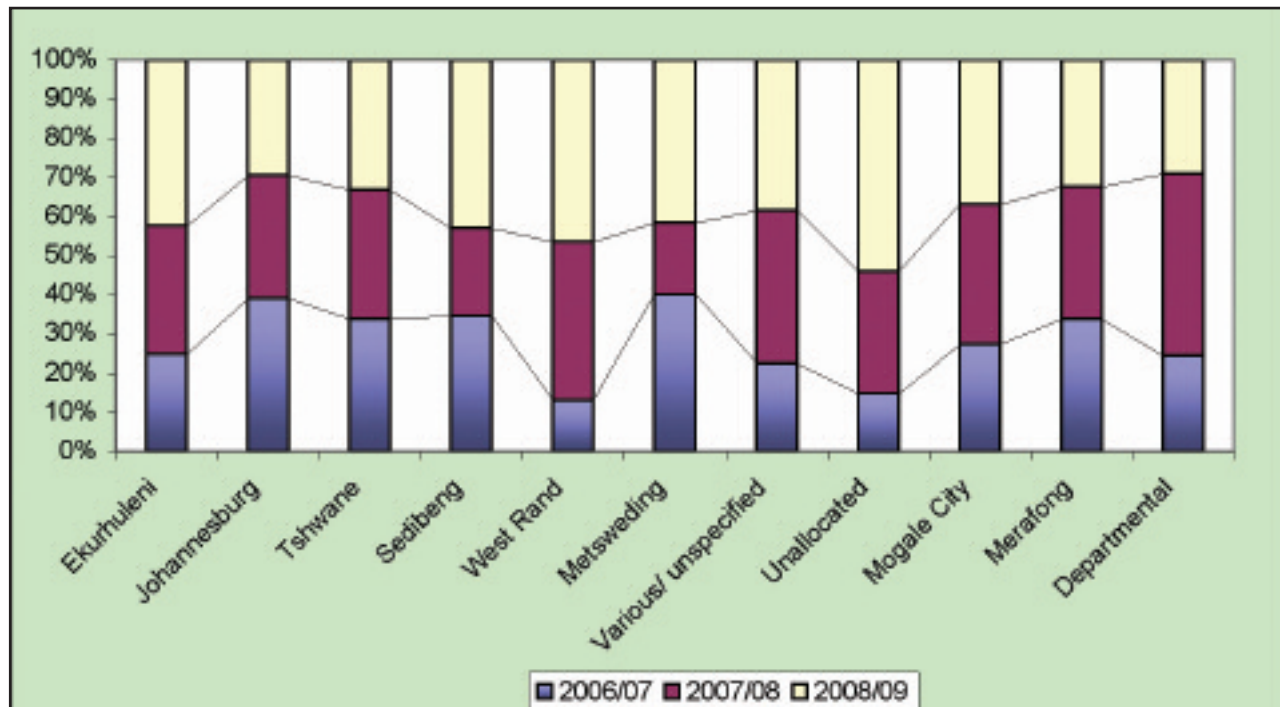
Graphic 3: SUMMARY OF INFRASTRUCTURE SPENDING PER MUNICIPAL AREA

Table 4 presents the total provincial allocation that will be spent in the municipal areas of Gauteng over the MTEF period. The total allocation for 2006/07 amounts to R8,65 billion and decreases to R8,24 billion in 2007/08 and R8,59 billion in 2008/09. The largest share of the allocation over the three-year period, which is estimated at R7,6 billion in 2006/07, R6,7 billion in 2007/08 and 2008/09 will be spent in the metropolitan areas. The highest allocations, exceeding R4,7 billion per annum, will be spent in the City of Johannesburg metropolitan during the period under review. It is critical to note that this allocation includes the Gautrain allocation which is yet to be split into 3 metros' i.e Tshwane, Ekurhuleni and Johannesburg.

The total allocation that will be spent in the district and local municipalities rises from R658 million in 2006/07 to R861 million and R1,2 billion in 2007/08 and 2008/09 respectively. Sedibeng and West Rand district municipalities receive the largest share of the allocation over the three-year period.

An allocation for various and unspecified municipalities represents allocations that the departments have set aside for spending in various municipal areas but not allocated according to project type. Included in this category is the GautengOnline allocation of R200 million per annum over the three-year period under review.

The unallocated amounts in the table are mainly due to departments that could not provide the split in terms of individual municipalities at the time of finalizing the budget.

Departmental allocations refer to allocations that the departments have earmarked for the purchase of machinery and equipment as well as for maintenance expenditure that will be borne by the departments. This allocation comprises a total of R97 million of which R83,5 million goes to Housing and Health respectively over the MTEF as well as R40 million to Education during 2007/08.

2. REVIEW OF 2005/06 INFRASTRUCTURE PROGRAMME

The financial year 2005/06 has seen the implementation and progress on the new and the continuing projects in the social sectors, other departments and economic sectors. The highlights of major achievements are indicated below.

Social sectors

- The Department of Health continued with the programme of building 10 new clinics in the next 5 years. One clinic in Soshanguve was delivered in May 2005. The implementation plan for the Johan Deo Clinic was approved whilst the plan for the Mandela Sisulu Clinic is awaiting approval. A geotechnical survey was undertaken for the Randfontein site. Clinics at a planning stage include Cullinan and Bophelong. The revitalization project at Chris Hani Baragwanath Hospital has resulted in the Hand Unit being started, stores completed and 95 percent completion of relocation of areas to be demolished. Medical equipments such as CT scanners, CT cameras, etc were purchased for various hospitals during the financial year.
- The Department of Education completed 1 new school in 3 municipalities (Ekurhuleni, Sedibeng and City of Johannesburg). In its endeavor to fast track the construction of 48 new schools, the department handed over 23 schools to the Independent Development Trust (IDT) in December 2005 and work will commence before the end of the financial year. Additions to infrastructure relate to the erection of 16 mobile classrooms, 47 brick and mortar classroom and 180 toilets. All targeted mud school structures were eliminated and replaced with prefabricated classrooms. The GautengOnline achievements relate to the completion of targeted 80 laboratories, the majority of which is located in the public ordinary schools.
- The Department of Social Development recorded progress in respect of two projects relating to the Walter Sisulu Place of Safety, which include (1) the commencement in September 2005 of converting existing facilities to secure care facilities in order to accommodate children in conflict with the law as well as (2) the development of implementation plans and commencement of tender processes for the construction of a day care centre that was scheduled for the 2005/06 third quarter. Furthermore, extensive rehabilitation works to secure care units were undertaken within three institutions (namely: Magaliesoord; Van Ryn Place of Safety and Jabulani Place of Safety).

Economic sectors

- Department of Housing has built a total of 833 houses to date through the People's Housing Process. The process of formalizing the upgradeable informal settlements resulted in 19,869 stands serviced and 3,122 houses built. The new formal housing project delivered 5,424 serviced stands and 954 houses. The transformation and redevelopment of hostels to affordable rental accommodation resulted in 5,935 units upgraded to date.
- The Department of Public Transport, Roads and Works met its target of constructing 12 kilometers of new roads (8 kilometers of road K109 (R23); 1 kilometer of road K60 in the Sunninghill area; 1 kilometer of road K29 (R512)

and 2 kilometers of road N14 at Brandvlei). The poverty alleviation and job creation projects (namely: Siyasebenza, Siyakha, Zivuseni and Community Based Public Works Programmes) were integrated into the Expanded Public Works Programme during the year and this resulted in the completion of general maintenance and development of new sports fields at various schools.

- The Blue IQ projects have recorded the opening of No.1 Central Place (the home to Kaya FM and Gauteng Tourism Authority) and the development of Metro Mall for the public transport facilities in Newtown; completion of community sporting facilities in Hillbrow (Constitution Hill); the launch of new BMW 3 Series and Nissan SA and Ford SA's further export programmes in the Automotive Supplier Park; opening of the Walter Sisulu square in Kliptown; occupation of the completed 12,500m² buildings in the Innovation Hub; completion of a ring road system around Johannesburg International Airport; acquisition by and transfer to Gauteng Province Government of all Precinct buildings; and completion of detailed master planning for the Cradle of Humankind and Dinokeng projects.
- The Gautrain project is currently at the negotiation stage of the procurement phase. Specific achievements include the development of third party agreements with the other role players, announcement of Preferred Bidder (Bombela Consortium) and the Reserve Bidder (Gauliwe Consortium) in July 2005 and commencement of negotiations with the Preferred Bidder thereafter as well as completion of route determination report and the preliminary design report. Financial close is expected to be reached early in 2006.

3. OUTLOOK FOR THE 2006/07 INFRASTRUCTURE PROGRAMME

Job Creation

The table below reflects the number of jobs that the province anticipates to create during the 2006/07 financial year and the MTEF period. It is estimated that over 73,000 temporary jobs would be created in 2006/07 as a result of the implementation of infrastructure projects. This number increases by 53 percent to 112,000 in 2007/08 and by a further 20 percent to 135,000 in 2008/09. The Department Public Transport, Roads and Works leads the other departments in the job creation with an estimated total of 241,000 over the MTEF, followed by the Department of Housing at a level of 32,000. The least number of jobs created reflects in the Department of Sports, Recreation, Arts and Culture at a level of 250 annually. New infrastructure construction is the main source of job creation.

Table 5: SUMMARY OF TEMPORARY JOBS

Job Creation Department	Temporary		
	2006/07	2007/08	2008/09
Finance and Economic Affairs	4,955	4,611	12,370
Health			
Education	7,811	8,804	7,797
Social Development			
Housing	10,790	10,790	10,790
Public Transport, Roads and Works	49,520	87,928	103,818
Agriculture			
Sports	250	250	250
Total	73,326	112,383	135,025

Note: Data in respect of the departments of Health, Social Development and Agriculture was not available at the time of finalizing the budget.

Key outputs for the province

Highlights of the major projects and the other projects in the pipeline that the social sectors, other departments and economic sectors have planned to implement during 2006/07 financial year include the following:

Social sectors

- Full completion of new wards construction is planned for Sterkfontein Hospital in the Metsweding municipality and for Weskoppies in the City of Tshwane. Further new development for the City of Tshwane is the full completion of Mamelodi Hospital that is currently at the construction stage. The Sedibeng municipality will also see full completion of the Johan Deo Clinic.
- Education has planned to complete 48 new secondary schools, 6 new primary schools, 80 classrooms, 9 toilet blocks, 3 administration buildings and 3 sports fields in 2006/07. GautengOnline is set to deliver laboratories with internet and e-mail facilities to 220 public schools.
- Social Development plans to complete the conversion of existing facilities to secure care facilities in July 2006 and to continue the construction of the day care centre within the Walter Sisulu Place of Safety. The construction of a new roof at the Norman House and the planning for the construction of new secure care facilities in Ekurhuleni

and the City of Tshwane municipalities to cater for the increase in numbers of children in conflict with the law are amongst the set achievements for the coming financial year.

Economic sectors

- The Blue IQ has scheduled the finalization of most of the buildings in first 2 physical phases of the Automotive Supplier Park; completion of the new generation of private sector buildings worth R500 million at the Innovation Hub; progressing with the development of Public Private Partnerships for the development of 4 visitor orientation centres and further investment in infrastructure at the Cradle of Humankind; as well as the finalization of agreements for the establishment of Game Reserve, completion of boundary fencing construction and initial stock of game at the Dinokeng Game Reserve.
- Gautrain: On conclusion of negotiations with the preferred bidder and financial closure that are expected early in 2006, a completion of the remaining land expropriation and acquisition as well as commencement of construction of the railway line and stations are amongst the achievements scheduled for 2006/07 financial year.
- The Department of Housing plans to deliver 13,418 serviced stands through Essential Services Programme and build 13,418 houses through Community Builder Programme. A total of 5,147 stands will be delivered for the building of 5,147 new formal houses. The transformation and redevelopment of hostels to affordable rental accommodation is projected to yield 4,400 upgraded units and 6,193 houses built through Community Builder Programme.
- The Department of Public Transport, Roads and Works will double the existing road R524 from Leratong to the existing road K15, improve the intersection at Pinehaven and add a dedicated lane to road R24 for freight or public transport in preparation for the 2010 Soccer World Cup. The Extended Public Works Programmes will roll out 10 economic hubs that will provide infrastructure to improve economic activities within communities, implement community heritage projects at 4 sites, continue to implement the schools sportsfield projects and increase the scale and scope of 5 waste management projects that were initially implemented in 2005/06.