

Transport Budgetary Review and Recommendations Report (BRRR)

DEPARTMENT OF TRANSPORT

15 October 2019

Meeting Summary

Chairperson: Mr M Zwane (ANC)

The Committee considered its Budget Review and Recommendation Report for the Department of Transport. The recommendations included that the Department should develop and implement an audit action plan and the Department should fill the vacancies on boards as well as in senior management with permanent appointments. The Committee lamented that the same recommendations have been repeated over numerous years and yet the Department and its entities have not succeeded in implementing them. The Committee discussed recommendations for PRASA, Autopax, the Moloto Corridor Project, the Road Accident Fund and legislation to make it workable. It will finalise the recommendations and adopt the BRRR on 17 October 2019.

Meeting report

Transport Budgetary Review and Recommendation Report (BRRR)

The Chairperson asked Members what recommendations they would like to add to the report or suggest changes to sections they did not agree with. For the smooth running of the Department of Transport (DOT), the Committee made recommendations to the Minister. He noted they recommended that the Department should develop and implement an audit action plan to address the findings by the Auditor General South Africa (AGSA). Another recommendation is that the Department should fill the board as well as the senior management vacancies in the department and its entities so that they can operate effectively.

Mr L Mangcu (ANC) said that there are problems in the Department that need to be sorted out. This is shown by the repeated recommendations by AGSA over the years and yet, nothing has changed. Therefore, what needs to be done by the Committee is not to keep on pointing out the same issues year after year and giving recommendations. Rather, the Committee should come up with solutions to address those issues that have been raised over the years. He would rather recommend that the Committee come up with something specific such as recommending what the National Treasury should specifically do to the Department. The Committee should urge the Department to take action by implementing the recommendations made by AGSA within a specified time.

On irregular, fruitless or wasteful expenditure incurred by officials, Mr Mangcu said that appropriate measures provided by sections 81 to 86 of the Public Finance Management Act (PFMA) must be followed. The PFMA Acts states that such officials should be prosecuted after a specified timeframe, and this is exactly what needs to be pursued.

To avoid the repeated findings on non-compliance with the PFMA and Treasury Regulations, Mr Mangcu said that the Department officials responsible must be skilled in terms of the required standards.

They need to restructure the recommendations and not just lump them all together under the Department. Where there is a need to address a specific entity, they need to restructure the recommendations and specify the entity.

On the recommendation that the Department establish a task team to identify and address inefficiencies in the Supply Chain Management (SCM) process in the Department and all its entities, Mr Mangcu said that he hates task teams because according to him, they do not produce anything. It is a known fact that the decline of PRASA revenue is due to poor management. This is leading to poor patronage, fare evasion, poor security. The fact that AGSA cannot find documentation is because of poor leadership – the task team cannot help with that. All we need to do is say that this is what the Committee has observed and we recommend. He recommended that no money from National Treasury should go to PRASA until measures are taken to improve the poor management. PRASA has failed and so has the Committee. As such, take away the money and power until there is a change in management.

On the recommendation that the Department should develop funding plans to ensure the financial sustainability of the entities and reduce instances where their liabilities exceed total assets, Mr Mangcu said that these recommendations have been repeated over the years and nothing has been done. Therefore, there is no need to give these recommendations again.

On the recommendation that the Department should report to the Committee quarterly on its monitoring, and engagement with its provincial and municipal counterparts on the implementation of the Provincial Roads Maintenance Grant (PRMG) and other grants to ensure they are used for the intended purpose, that there is value for money and to prevent roll-overs, Mr Mangcu said that this has not been done for the past five years. He, therefore, suggested that these things must be linked to the budget and that the powers should be taken away from them and be given to the Minister of Finance.

Mr Mangcu referred to the recommendation that the Department should develop an alternative investment attraction planning order to make better use of Public-Private Partnerships and promotion of Private Sector Participation as a funding option for infrastructure projects, such as the Moloto Corridor Project. His concern is that in other reports it indicates that the Moloto Corridor Project is under South African National Roads Agency Limited (SANRAL) and in other instances, it appears to fall under DOT. There is an ambiguity in the report and it needs to be clarified so we know exactly if it fall under the Department or SANRAL.

On the recommendation that the Cross-Border Road Transport Agency (C-BRATA) should report to the Committee on the draft joint agreement towards resolving the impasse in cross-border movements on the RSA/ Kingdom of Lesotho route, Mr Mangcu said that this has been going on since 2014/2015. C-BRATA has not been able to come up with any report since 2014/15. He suggested that the Committee come up with something stronger that can assist C-BRATA to come up with the requested report in the next meeting.

Mr Mangcu referred to the recommendation that PRASA roll out a turnaround strategy and indicate progress from the War Room on improving rail operations through quarterly reports. He noted that PRASA had not implemented the recommended War Room strategy. It was the Minister who has implemented the War Room. As such, requesting a report from PRASA will not help because they have already dismally failed to fulfill their responsibilities. Asking them to report will not produce results. He suggested that the right thing to do is to ask the Minister and his Department to come up with the report because it is he who came up with that strategy.

Ms M Ramadwa (ANC) asked if her understanding was right that this Committee meeting was on Budget Review Recommendations.

Ms Adv Nel replied that this meeting is about the entire Annual Report and not just for the Budgetary Review Recommendations only. This meeting can discuss meeting the targets and challenges faced by the Department.

Ms Ramadwa agreed that there is a need to specify the entities and not just lump them all together under the Department. The reason for this is that some entities are doing well. Those entities must be encouraged rather than collectively lumping them together. It will be difficult to know what applies to specific entities.

Ms Ramadwa said that the Committee had not yet adopted its report on its oversight visit. It would have assisted the Committee to view the oversight report observations and come up with recommendations. The Department came up with the War Room or Turnaround Strategy because of the challenges at PRASA. The Committee must assess PRASA based on that War Room strategy. The Committee must assess the Department based on what they told them during the oversight visit. The Committee must be specific when addressing the Department and its entities.

Ms N Nolutshungu (EFF) said that there was a detailed and time-framed template used by the Department when reporting and she suggested the Committee recommend that such a template be used by all the entities under the Department of Transport.

Mr M Chabangu (EFF) said that there was a concern about cadre deployment when it comes to the appointment of board members. He suggested that the Committee recommend the employment of people who are properly educated and have sufficient knowledge of how to manage these entities. This will help in solving mismanagement, money-laundering and reporting challenges that these entities are facing.

Mr C Hunsinger (DA) noted that almost half of the BRRR is using the word 'should' which is suggesting that the recommendations made by the Committee are not specific. To his understanding the recommendations made by the Committee are very specific. He agreed that the Committee recommendations be divided according to entity so the recommendations are specific, and not just mixed altogether under DOT.

The Chairperson said that he took it that there is consensus that the recommendations should match the entities. Also the Committee must stick to their recommendations made during interactions. He gave the example of the Moloto Corridor road project. What they agreed to in the past is that the part that belongs to the government in the name of the Province of Gauteng is now being transferred to SANRAL. Therefore, the Moloto Project is under SANRAL.

Adv Alma Nel, Committee Content Advisor, replied that the Moloto Corridor Project is the overarching project name but the project is split into a road and rail project. The Committee struggled to get progress with the Moloto Road Project because of Gauteng province. On the Moloto Rail Project, Adv Nel said that there is a point in the budget report where they specified that there was an issue about finalising a feasibility study. National Treasury said that the project is not feasible. Yet PRASA said that they are waiting for the outcome of the feasibility study. She concluded that the Committee can give the DOT some recommendations to split this overarching Moloto Corridor Project into two. The road project can be under SANRAL and the Rail Project can be under PRASA. The reason the Moloto Rail Project is not

appearing in the report is that during their engagement with PRASA management, this was not discussed at all. This is a billion rand project so this is why they put both road and rail projects under the Department as the overseer and SANRAL and PRASA are just implementers.

The Committee agreed to this suggestion.

On PRASA, the Chairperson said that the Committee will not be able to change anything about the challenges at PRASA, but what the Committee can do is to put in a timeframe on specific challenges that PRASA Management should deal with. The entities should be given different specific recommendations that are time-framed. Poor management and all the other challenges the Department and the entities are facing will be under the Observations. He said that the Committee should not simply saying that Treasury should take over and withhold money and power from the management. This is not what they agreed to with PRASA when they met. They should be allowed to do their job, bring the investigation.

Mr Mangcu noted that the report states that the Department should come up with quarterly reports within 60 days of the adoption of the Report by the National Assembly. He asked if this is standard or if it should be 30-day reporting.

Ms Ramadwa added that the Department should come up with a quarterly report on the progress of PRASA and all other entities.

Adv Nel replied that this is just an indication of what the Department can do. However, the Committee can decide how they should be doing this. The 60-day time frame is how it used to be in the past. The Committee can decide how frequently each entity should report to the Committee.

Adv Nel said that there were conflicting recommendations about Autopax. One recommendation was it should go under business rescue and the other was asking whether they needed Autopax at all. The Committee needs to be specific on its view on Autopax. The Committee decision would assist the Department in finalising this. One should look at strengths and avoid doing things for the sake of doing it.

On recommendations about a 30 day time-frame reporting period, Adv Nel said she did not know what the Committee would decide but that the Committee should show emphasis in its recommendations by putting in a time frame. From a legal point of view, the recommendations in the BRRR are for the attention of the Minister of Transport and Minister of Finance.

She said that for the Committee to decide on withholding the PRASA budget that is a strong decision. But this will also mean that passengers will not be able to travel by trains. Therefore it would not be recommended to do so. Whatever the Committee decides, whether a stronger or soft decision on PRASA, the Department will welcome the Committee's decision.

The Chairperson asked if the Committee wants Autopax to go or be put under business rescue without knowing about the details of the Autopax mismanagement. He suggested that there should be a report on the Autopax investigation. Then they can take a proper decision on what to do with Autopax.

Mr Mangcu said that a report on Autopax will never see daylight until their term as a Committee is done. They should recommend an intensive investigation and then get a report. Thereafter, they will recommend what to do. However, this investigation should be time-framed.

Ms Ramadwa agreed that the Committee must know what is happening at Autopax as they must take a decision based on facts.

The Committee Secretary said the Committee is invested with powers of oversight. As such, they can conduct an investigation via the Special Investigating Unit (SIU) about what is happening at Autopax.

Mr T Mabhena (DA) said that the Committee programme must include Autopax so they deal with it properly and it should take place before going on December recess. He suggested that waiting for a Special Investigating Unit Report (SIU) Report would take much longer to know what exactly is happening at Autopax. He suggested that the Committee ask the board of Autopax to give a report of its assessment of Autopax and the challenges and risks. This document would enable the Portfolio Committee to take action and make recommendations directly to the Minister of Transport.

Mr M Chabangu (EFF) asked who would undertake the investigation should the Committee make this recommendation. He commented on Adv Nel's response about the 'harshness' of the recommendations the Committee intends to make about entities under poor management. These entities are loosely regarded as 'babies', something they should not be. These entities are managed by people who are supposed to know what they are doing and take full responsibility for what is happening. He suggested that the Committee make recommendations based on the report it receives from the board.

The Chairperson said that they all agree to this. PRASA should conduct a report on its subsidiary, Autopax, and bring that to the Committee.

The Chairperson noted that the Road Accident Fund (RAF) money always takes a long time before getting into the hands of its rightful recipient and that does not help the recipient. He suggested that the processing time should be looked into and ensure that when people claim, money is there.

The Chairperson said there are two processes to claim RAF money – these are a legal process using an attorney and the other one involves a direct claim. The presentation indicated that it was more advantageous and lucrative for the claimant / recipient to claim directly without involving attorneys. He suggested that the process of claiming directly from the RAF should be encouraged. However, he emphasised that in encouraging the direct process, they are not trying to stop the process of claiming through an attorney. They should state it in such a way to encourage RAF claimants to claim directly from the RAF. The Department said they should come up with a way of curbing what the lawyers claim for themselves from the RAF money which is intended for the road accident victims.

Mr Mabhena said that this was raised by him and not the Department.

The Chairperson replied that the matter was raised by the Department but that Mr Mabhena had augmented it. A lot of the RAF money goes to legal costs and if the claims are made directly to the RAF, the money can be given to the claimant without making deductions for legal fees.

Mr Mabhena suggested that they need to create a form of tribunal composed of medical practitioners and the legal fraternity. These can deal with all the legal and medical issues such as the issuing of a medical certificate for the RAF claimants to shorten the processing time as well as curbing legal costs. However, he was not so sure if the tribunal can have the status of a high court so that its decisions cannot be overturned. This could also deal with the backlog of cases. The Committee needs to make an investigation into this matter to find out how feasible this can be or how to structure a tribunal for RAF claims.

Mr Hunsinger noted the financial challenges and the huge backlogs in claims in the Road Accident Fund. Amendments to the RAF Act could bring those needed changes.

Ms Nolutshungu agreed that the RAF was in financial difficulties. Therefore, the Committee should avoid setting up structures that will need more money. She recommended that the Committee look at how insurance companies deal with accident claims and follow the same approach. Thus curbing the high costs of legal fees in the RAF process.

Mr Mabhena said that there is no need to give a lump sum to claimants but instead the money should be paid over a certain period. This will help to curb costs.

Adv Nel responded that all those issues are in the Road Accident Benefit Scheme (RABS) Bill. The Fifth Parliament Committee proposed limits to the lump sum pay-outs as well as a tribunal. She finds it difficult because the arguments presented are those of RABS – even though the RABS Bill is not the only solution. She suggested that the Committee be given time to caucus and come up with a solution for the BRRR on Thursday. Perhaps Members can get input from their parties.

Mr Hunsinger proposed that the Committee stay away from the details because that is where the pitfalls are. He proposed that the Committee stick with the financial challenges that both the RAF and RABS models are facing. There is a huge backlog in claims; change is needed. They need to acknowledge that the RABS model is not the only solution but that amendments to the current RAF Act should or can be considered.

Mr Mangcu said that he could not follow when Mr Hunsinger talked about two pieces of legislation: the RAF Act and the RABS Bill. He was concerned about pushing this matter forward now. He rather leaned towards what Adv Nel suggested – that the Committee should be given enough caucus time so that they can come up with a more structured approach. Adv Nel said that what the Committee recommended is already taken care of in the RABS Bill. Therefore, there is no point in recommending what is already there. The Committee should lean towards the advice of Adv Nel, take time to consider what Mr Hunsinger has said, apply their minds and come up with a more solid recommendation.

Ms Ramadwa said that perhaps if there is draft legislation, it means that people have researched it and seen what needs to be amended. The legislative process requires processes to be followed. After such processes are undertaken as a Committee, it can come up with its recommendation.

The Chairperson said Members should send any inputs for the BRRR by the next day so that they can be read them and see what needs to be done in preparation for the 17 October meeting to adopt the BRRR.

The Committee adopted the minutes of the 17 September meeting.

Meeting adjourned.