

# Transport Budgetary Review and Recommendations Report (BRRR)

## DEPARTMENT OF TRANSPORT

22 October 2019

### Meeting Summary

#### **Chairperson: Mr M Zwane (ANC)**

The Committee considered its draft Budgetary Review and Recommendations Report (BRRR) of the Department of Transport. Parliament's Legal Team was present to assist with the process. The Committee acknowledged the improvements and noted that it reflected what transpired in the interaction between the Committee and the Department of Transport's entities.

The legal team reassured the Committee that they would include the R14 million expenditure for the Prayer Day in the draft BRRR where reference should be made to the previous year's budget allocations and not the current ones. Members heard that it was acknowledged that the Department had spent a lot of money on the Moloto Rail Corridor's feasibility study, and that this would be included as an amendment to the wording. This amendment would request that the National Treasury assist the Department in obtaining clarity on the feasibility study. Members expressed the desire to see more of the entities' service delivery and operational comments. The Transport Budgetary Review and Recommendations Report was adopted with amendments.

The minutes of the 10th of October were adopted and the minutes of the 15th of October were adopted.

### Meeting report

The Chairperson stated that the mandate would be to read, amend, finalise and adopt the draft Budgetary Review and Recommendation Report (BRRR). He added that the initial deadline for input from Members was the previous Wednesday, 16 October 2019, with one Member requesting that it be moved to the following day. The Chairperson said that the report he had read that morning did not contain any recommendations from Members, and no Member would be allowed to forward their recommendations at the current meeting. The Committee was then welcomed and the Chairperson elaborated on the agenda, which was a consideration of the draft BRRR, the finalisation of the Committee's observations and recommendations, as well as the consideration and adoption of the proceeding's minutes.

#### **Briefing on the Draft Transport Budgetary Review and Recommendations Report**

The Chairperson asked the Committee Secretary to take them through the amendments for the Draft BRRR report, as per the Committee's meeting on the previous Tuesday.

Ms Valerie Carelse, Committee Secretary, said that Advocate Alma Nel would announce the amendments made from the previous week's meeting.

Adv A Nel, Committee Content Advisor, said that the legal team had included the Members' considerations and comments. She referred to the major changes that had been made to the draft. Some grammatical and layout changes were made, as well as the capturing of all abbreviations and acronyms used in the draft.

Adv Nel noted that the first major change was point number 2.1.3.2 on page 10. She mentioned the fact that the challenges listed in the Draft BRRR report were also the challenges expressed by the Department of Transport in their Annual Report. She reported that the legal team added a footnote at the bottom of the point regarding program two in order to point out the differences between the Transport Department's Annual Report (which had encountered no problems), and their presentation to the Committee. Additionally, the footnote was later expanded upon in the draft report's observations.

Further changes were made to pages 12 and 13, where the references to the key policy development and legislative changes regarding the Administrative Adjudication of Road Traffic Offences (AARTO) and the Road Accident Fund's (RAF) bills were amended. Adv Nel elaborated that the purpose and objectives of the Bills were stated clearly.

Moving on to the next change, Adv Nel referred to the table in paragraph 6, on page 50. She noted the changes made under the section '*progress*', regarding the concerns raised by Members that no reports were made. Further, she stated that the Department of Transport did not include a report on their progress for the current year. Adv Nel said that the Department had copied the previous annual report's table as it was, comprised of the reporting matter, the required action and the timeframe, yet did not state their progress in dealing with the issues. Therefore, the legal team had examined their own records which they had received over the current year (including the Department's presentation to the Committee), in order to outline the progress. Thus, the first point was made regarding the Auditor General's action plan on page 51, whereby the Department submitted a report on the matter. Adv Nel noted that SANRAL was the only entity that submitted an audit response plan on the 14th of December 2018. In addition to this, the Department had put measures in place to address irregular expenditure, presenting their action plan to the Committee for the current auditor findings. She mentioned that similar work was done for each of the points.

More information was received pertaining to vacancies on the Department's Board, as well as other vacancies on the 1st of October. Furthermore, Adv Nel explained that their amendments addressed the submission of quarterly reports on the investigations of the 3rd of July. In addition to this, the Department of Transport reported some progress on the 15th and 20th of December to the previous Portfolio Committee.

Adv Nel pointed to an issue of concern on page 57, whereby the Department was requested to submit a quarterly report on various grant projects, yet these were not reported in their Annual Report.

The next issue was on page 58, where the Department should have submitted comprehensive briefings on their progress in addressing and/or implementing recommendations on the Committee's oversight reports, which they did not do.

Adv Nel then referred to page 60, which addressed the concern over the need for the Passenger Rail Agency of South Africa's (PRASA) to submit a quarterly report on the recommendation that the entity should centralise some of their services. Adv Nel reported that her legal team had received no such report.

The next major change was made to point 7.4 of page 75, where there was some duplication in the paragraphs. This was regarding the setting of better targets and the method thereof for the entity concerned. Adv Nel advised that the information should be placed under the recommendations section.

Specifically, she referred to point 7.4.5, which addressed the entities and the RAF in particular, found on page 82. Here the legal team captured the concerns raised by Members. She proceeded to read the paragraph, which expressed the financial challenges experienced by the RAF, and their subsequent effects on slowing down the claims received. Also, the paragraph reported that the claims process was regarded as cumbersome, as it took too long to issue pay-outs to the victims. In addition to this, though the Members noted that the entity and the Department were working on finalising the RAF's Bill, alternative options should be considered. These included amending the Road Accident Act so as to decrease its claims liability.

The next major change was found on page 92, in reference to Autopax. Here the legal team added a paragraph that notes the entity's aging fleet of buses, its pending reports on ongoing investigations, and finding of a lack of corporate governance as well as financial mismanagement. The entity also had no viable plan to turn its performance around, which led the Committee to doubt its continuance.

Adv Nel then referred to a note on the Driving Licence Card Account (DLCA) on page 95. Here Adv Nel says that the DLCA referred to itself as a trading entity in its Annual Report, which the Department of Transport did not reciprocate in its own Annual Report. As a result of this, the legal team advised that the entity be classified as an entity in the BRRR report for the sake of completion. To support this point further, she mentions that the Auditor General did in fact audit them as an entity under their Department. She further iterated that they only have the information received from the Auditor General (AG) on the SAMSA notes.

The next major changes were found after their notes of points 8.1 and 8.2, which were directed at the ATC documents of point 8.4. Here, Members had requested that the legal team split the recommendations so that they could clearly see the recommendations for the entities. They had found that when some recommendations would apply to certain entities, whereas others would apply to all. Adv Nel admitted that their recommendations would be a bit cumbersome to read due to the different numberings which broke them down. She maintained that the splitting of the recommendations would break down the entities better though.

On these recommendations, the Adv Nel stated that the first one on page 115 had not changed apart from the numbering. Additionally, the team changed some of the wording, for example areas that contained "should" were changed to "must" or "implore" to add to the urgency of the issues.

The first change was on the resolution of the AG's findings, while the second was for the need for advertising and filling of Board posts. The Adv Nel stressed that the filling of posts was a concern for most of the entities. The third was that the Department of Transport should implement more measures in order to reach all its annual performance targets.

On point 8.4.1.4 and its subparagraphs, Adv. Nel said that they took clauses from the PFMA and inserted some content in it for cross-referencing.

On point 8.4.1.5, Adv Nel noted the provisions of the Public Finance Management Act (PFMA) and the adherence to Supply Chain Management (SCM) policies were listed under the entities. She reported that due to this, if there were no specific findings regarding the SCM or PFMA compliance, the entities could always use these policies to improve and ensure the strengthening of their compliance. Thus the policies were in line with training to ensure that consequence management was the final outcome.

Regarding point 8.4.1.7, the Adv Nel said that the Department should report back to the Committee on a

quarterly basis. Thus apart from having the terms and timeframes set in the summary of the reporting request, Adv Nel had included it into some of the areas where the quarterly reports would be needed.

On the specific entity recommendations, found in point 8.4.2, the Adv Nel mentioned that Members would notice repetition. For example, those that did not have any specific findings on their targets would not have the reference to those that did have targets and had reached them. She gave the example of one such entity which did reach its targets, which was the South African National Roads Agency (SANRAL). The Adv Nel noted that the Cross Border Road Transport Agency (C-BRTA) had more recommendations because there were specific recommendations which applied to the South Africa-Kingdom of Lesotho route, as well as other SADC protocols and liquidity issues.

PRASA had a few more recommendations due to its subsidiaries, Intersite and Autopax, being placed under it. To support this, Adv Nel alluded to the AG's presentation of PRASA as a group, with Autopax and Intersite under it.

Point 8.4.3 expands on the recommendations that will apply to all of the entities. One issue was that all the entities would have to work towards filling all their managerial positions. Thus Adv Nel stressed the importance of having a general recommendation that should apply to all the entities. Adv Nel also noted that though the Minister of Transport had the final say on the individuals appointed as C.E.O's, the entities themselves were still responsible for the recruitment process. In addition to this, the general compliance with the PFMA and SCM were included for all of the entities. Finally, Adv Nel noted the comprehensive action plan added to address the Auditor-General South Africa's (AGSA) findings.

Adv Nel noted the new recommendation, point 8.4.4 on page 126, based on the Members' need for the BRRR to have more of an impact. Under it, they recommended that the Minister of Finance should operate through the National Treasury to:

- 8.4.4.1, assist the Department of Transport and its entities to strengthen their SCM policies and compliance thereto, as well as to the PFMA conditions and Treasury regulations.
- 8.4.4.2, to assist the Department of Transport with the finalisation of the feasibility study regarding the Moloto Rail Corridor.
- In addition to this, point 8.4.4.3 called for the Finance Minister to assist the Department in addressing the liquidity and funding concerns raised by the AGSA for RAF, SANRAL, PRASA, ARTIA, Ports Regulator and C-BRTA.

Adv Nel supported that point 8.4.4.1 was recommended due to the National Treasury implementing the centralised procurement system. This necessitated the Department of Transport's cooperation with Treasury, in order for the former to process its tenders and acquire suppliers. Also, Adv Nel noted concerns that the Department of Transport and some entities had raised, with regard to their financial misstatement being caused by the Treasury's regulation changes or a different way of accounting. Thus the recommendation would help to solve the issue of the misstatement before the AG resent their documents to the Committee.

On the Moloto Rail Corridor, the legal team proposed that through their budget engagement with PRASA, the latter had indicated that they still needed to finalise the feasibility study for the rail corridor. However, Adv Nel noted that Treasury's budgetary review of the documents found that the corridor was not feasible. Thus Adv Nel recommended that the Treasury should assist PRASA in finalising their feasibility study, so as to clarify whether the corridor would continue or not.

Adv Nel also said that the funding concerns were to assist PRASA to finalise its concerns regarding the increase of fuel levies, the proposals of new regulations for rates, as well as the finalisation of the GFIP issues. Further, she stated that they had to work with the National Treasury, as the funding models brought forward by the Department of Transport had not yet yielded sufficient results.

Adv Nel then directed the Committee to page 127, which dealt with the summary of reporting. Changes in paragraph 9 included the amendment of the dates, which saw the shifting of the original deadline - 15th of December - to the 2nd of January. Adv Nel further added that whereas the quarterly report timeframe was 60 days, the legal team had changed it to 30 days as per the request of Members. Adv Nel thus concluded the major changes to the draft BRRR, according to the Committee Members' input.

The Chairperson thanked Adv Nel and rest of the legal team, and directed the Members to a few issues of concern. Firstly, he referred to page 126, and asked the Members if they agreed with point 8.4.4. He then referred to the new timeframes 15th of January on page 127, and asked if the Members agreed with it. The Chairperson subsequently opened the platform for discussion, and noted the hands of three Members.

### ***Discussion***

Mr C Hunsinger (DA) acknowledged the improvements, and noted that it reflected what transpired in the interaction between the Committee and the Department of Transport's entities. Mr Hunsinger also expressed the desire to see more of the entities' service delivery and operational comments. He noted that a lot of the comments were captured under observations and recommendations, and were financial in nature. Thus he concluded that inadequate notes were made during the deliberation, which resulted in the reports seeming restructured, but remaining the same substantially. He then pointed to some issues which did not make any financial sense to him, and recommended that the Committee consider rephrasing them.

The first issue was with the last two sentences of the third paragraph, on Page 76. Mr Hunsinger read the sentences, and said that he does not understand what it referred to, nor what it intended to bring across.

Mr Hunsinger's next issue was with the third and fourth sentences of the second paragraph, on page 83. After reading from the third sentence, he said that it is confusing, and suggested that the wording be changed. On the next sentence, he said that he was unsure of whether the Committee had insight into the methodology tool used by the entities in their report, and thus concluded that they could not be sure of the major achievements pointed out therein.

Mr Hunsinger then referred to the second last sentence in the second last paragraph of page 83. On this he could not recall the acknowledgement of any tough decisions which the railway safety regulator had to make.

Lastly, Mr Hunsinger mentioned point 8.4.2.7.4 on page 123, which dealt with the RAF. After reading the point, He commented that the language used was too complicated. He concluded that the remarks were largely financial in nature, and would be better suited if they leaned more towards operations and service delivery.

Mr T Mabhena (DA) thanked the Chairperson, and extended his congratulations to the King of the Ndebele tribe on his recent wedding. He also acknowledged South Africa's extended relations with the Kingdom of Lesotho, to which the Members became jolly.

Mr Mabhena referred to the Road Traffic Infringement Agency (RTIA) on page 94, and said that the entity did not make the briefing on the BRRR process. Further, he said that the Committee had agreed that the RTIA was not performing, and elaborated that the Committee assessed the RTIA by method of its impact in terms of its deliverables. This conclusion stood in contrast to the RTIA's 100 percent target achievement rate. Also, the RTIA mismanaged funds, and he referred to the entity's use of R14 million towards a prayer day. This posed a problem in that firstly, it would not be measurable and secondly, the Committee would not be in the position to understand whether the funds were used correctly or not. Therefore Mr Mabhena believed that the RTIA's targets needed to be reviewed, and that the 100 percent performance rate was not reflective of the actual targets. He added that the entity could make better use of the funds by spending them on research, and that their mismanagement to that point reflected their dysfunction.

Mr Mabhena referred to point 8.4.4.2 on page 126, which recommended that the Department get assistance for finalisation of the feasibility study for the Moloto Rail Corridor. He had questioned the Department, to which they replied that a feasibility study was completed in 2014, and also that they had gotten approval on the PFMA. Mr Mabhena found that this was contradictory, in that the Department's official documents did not match with the information they presented in engagements with the Committee. Particularly in the most recent meeting with the Minister of Transport, Mr Mabhena claimed that the Minister was rather evasive on the issue at hand, and found that there was no actual plan in place from the Department.

The Chairperson interrupted Mr Mabhena, and iterated that comments and recommendations had to have been submitted to the Committee by the previous Thursday, 17 October. He said that it would be more preferable if Honourable Mabhena included his comments as a recommendation. The Chairman then brought the focus back to the matter of the finalisation of the Moloto Rail feasibility study, and allowed Honourable Mabhena to continue.

Mr Mabhena explained that he only got the replies to his questions on that morning Tuesday the 22nd of October. He stressed that this constituted new information, and that the officials could not be blamed for this. In addition to this the information could still be incorporated into the report seeing as it was still a draft. Furthermore the Department of Transport replied by stating that they spent R10.1 Million in the 2013/14 financial year, while also spending R10.6 million in the 2014/15 financial year. The Department completed a feasibility study during this time in October 2014. Mr Mabhena then inquired about the necessity of undertaking another feasibility study seeing that the first was completed in 2014.

Ms M Ramadwa (ANC) referred to the last paragraph of page 82, and said she understood that the Department was working towards the finalisation of the RAPS Bill. As such the last sentence should be removed, as the RAPS bill had not yet been concluded, and alternatives could not be considered yet.

The Chairperson referred to the issue raised by Mr Hunsinger, stating that the RAPS Bill was not the only alternative to the challenges, and further supported that the Department expressed these sentiments in their presentation to the Committee.

Ms Ramadwa was of the view that Members should focus on the RAPS Bill rather than the draft BRRR.

The Chairperson reminded Members that the agenda of the meeting was not to add changes. Recommendations should have been forwarded to the Committee by the previous Thursday at the latest.

Mr M Chabangu (EFF) stated that he appreciates the recommendations, but also that the meeting could

serve to help omit what was committed to in the past. The recommendation was that the Department should provide as much attention to public roads as they do to toll roads, in order to decrease road accidents.

Mr Mabhena added that it was question number 526. The Department had replied with the aforementioned story that it had spent R10.1 million in the 2013/14 financial year, in undertaking the feasibility study that was concluded in October 2014. Mr Mabhena asserted that the reply was in relation to rail transport. In addition to this, the Committee was yet to make a judgement on the Department's 2014 feasibility study.

The Chairperson rebutted that the reply was not specific to neither road nor rail. The full Moloto has both a road and rail, and asked Mr Mabhena to look further into this. Secondly, bringing the National Treasury on Board would have posed an issue as he (the Chairperson) was informed that Treasury deemed the project non-feasible.

Adv Nel commented that there were several comments regarding seeing service delivery outside of the projects, despite the Committee believing otherwise. She noted that they could include a paragraph under observations directed at the Department on the need to see how its service delivery links with its performance. Adv Nel said that the legal team would require help in phrasing the request so that they might link it to the targets and make it sound more instructive.

Further on page 76, Adv Nel commented that the report issued by the ACSA noted items that they had included in their presentation to the Committee and also the observations. Furthermore, they could remove the jargon and amend the paragraph.

She turned to page 83, and justified their reference to the *"tough and unpopular decisions"* as being based on the discussion between Railway safety and PRASA. This was regarding the resolution of the permit and the withdrawal thereof during the last financial year. Adv Nel maintained that the wording that the regulator used was the same as the one they had used during their presentation on railway safety. In addition, they could remove or rephrase the wording if the Committee required this.

Adv Nel then turned to the recommendation on page 123, stating that it was made by the AG. In addition to this, because the draft already contained the reference that all the Department's entities needed to address the AG's findings, they could remove point 8.7.2.4.

Adv Nel addressed the ARTIA issue on page 94, and stated that it was unfortunate that the entity did not attend the briefing. Due to this, it became difficult for her to uncover whether they had actually met their targets as they had claimed on paper. Adv Nel referred to another issue pertaining to the resignation of the Board of ARTIA, resulting in the Registrar having to serve in both portfolios. She claimed that if she had seen them, she would have gotten stronger observations and recommendations. The legal team could include that information, with particular focus on the fact that the entity's road safety statistics did not necessarily constitute the meeting of its performance targets.

On the R14 million prayer day expenditure, Adv Nel noted that if it were to be included in the draft BRRR, reference should be made to the previous year's budget allocations and not the current ones. This was due to the need for the current recommendations to go into the APP Strategic Plan report. In addition to this, the entity had always hosted the event, but that if the Committee viewed it as being an immeasurable outcome, the legal team could rephrase it to focus more on service delivery.

Adv Nel also acknowledged that the Department had spent a lot of money on the Moloto Rail Corridor's feasibility study. She could include the reference to the question or propose an amendment to the wording. This amendment would request Treasury to assist the Department in obtaining clarity on the feasibility study. Adv Nel noted that PRASA included that they were yet to finalise the feasibility study and so it would be pertinent if Treasury assisted them in gaining finality. The legal team would take a look at and clarify the RAPS issue, and liaise with the Committee.

The Chairperson commented, with reference to the ARTIA issue, that Members should not bring proposals to the meeting.

Mr Hunsinger said that their observations started on page 60 of the draft BRRR, and that the recommendations started on page 98. Thus he asserted that the whole section from page 60 onwards should be Committee-oriented. Therefore, the replies to the observations should not reference the AG. In addition to this, he expressed his disdain for repetitive recommendations with regard to the Committee's engagement with the entities, but supported the consideration of the BRRR in its current form. He also emphasised that the Committee would later deal with the targets and subsequent outcomes of the entities, thus mandating that the recommendations and objectives of the Committee be in line with them. Mr Hunsinger again expressed that the lack of service delivery and operational aspects in the entities' reports was a serious issue.

The Chairperson recommended that the Committee should consider the BRRR in its current form.

Mr L McDonald (ANC) added that the wording on page 76 be amended to more comprehensive English. He seconded the adoption of the BRRR.

Mr L Mangcu (ANC) expressed his support of the BRRR, but issued a few concerns. The information issued to the Committee on the previous Thursday was rather insufficient in comparison to what they received in the Department's presentation. He addressed the "*achievements*" section of the entities, particularly bullet number 2, point 2.1.4.7, which elaborated on the Integrated Public Transport Networks (IPTN's) which were funded in 13 cities. He then stated that under "*significant events and projects*", the entities were mentioned as ITPN's from March 2019. Further, under 2.1.5.7, the two more cities were launched as ITPN's - Polokwane and eThekweni. There were inconsistencies here between points 2.1.4.7 and 2.1.5.7. He also requested that the authors of the reports should align the achievements.

The Chairperson commented that some of the Members were still learning, and also that there were certain issues that required follow-up such as the missing reports. He stated that they would need to liaise with the Department of Transport in order to discuss which entities should be called before the Committee. The report had been adopted with some amendments, but the Chairperson reiterated that it should not change. He said that Mr Hunsinger had moved the draft, and Mr McDonald had seconded it. The Chairperson then called for the minutes of 10 October 2019.

The Transport Budgetary Review and Recommendations Report was adopted with amendments.

## **MINUTES**

### *Minutes of 10 October 2019*

The Chairperson noted the corrections on page 1.

Members expressed that the Minister was not present at the Committee meeting on the 10th of October.

Mr Hunsinger said that the minutes were structured so that content of the different entities was not included in the BRRR and that the Committee generally accepted this. He also noted that the Committee engaged with the Minister on certain points which were unrelated to the entities. Therefore, the concern is that there was no reflection of the content of their engagement with the Minister. Essentially, he asked the Chairperson for clarity on the purpose of the Committee's meeting with the Minister.

Ms Ramadwa commented that the Committee should approach the issue of taking minutes in a manner which they understood. There must be a report in the least, in order to discuss what was said, as well as a summarisation on what needs to be done.

The Chairperson expressed that he was reluctant to include Members on the issue of the minutes. He further stated that all the documents that related to the Committee Meetings were available upon request from the Committee Secretary, and thus some of the observations and recommendations from Members were unnecessary. Members should first work out how the Committee was going to take the minutes beforehand.

Ms Carelse said that the structure of minutes are determined by the House Chairperson, and subsequently Members would receive the layout thereof. Furthermore, there were no verbatim minutes and no personal discussions. Essentially the minutes documented the important decisions in the meeting.

Ms N Tolashe (ANC) apologised for arriving late. She said that her understanding of minutes was to express what discussion, transpirations and decisions were taken during the meeting, followed by adoption. She also said that the Minister represents the policies of the government, and therefore cannot be involved in determining the minutes of the Committee. She believed that Members should configure their own minutes.

Mr Chabangu aligned himself with Ms Tolashe, in that minutes should be a reflection of all that transpired in the meeting. In addition to this the minutes should be accepted along with their resolutions.

The Chairperson acknowledged the Committee's views, and agreed to consult with other Chairpersons of other Committees. He also urged Mr McDonald to consult with other Whips.

The minutes for the 10th of October were adopted.

The minutes for the 15th of October were adopted.

The meeting was adjourned.