

# SANRAL, RAF, C-BRTA on their 2018/19 Annual Reports

## DEPARTMENT OF TRANSPORT

09 October 2019

### Meeting Summary

#### Annual Reports 2018/2019

The South African National Roads Agency Limited (SANRAL) said its expenditure on road development, improvement had declined for the second consecutive year. The R12.68 billion spent was 19% lower than the previous year. This is partly due to challenges in accessing funding as well the inability to collect monies due to SANRAL. The national road network met or exceeded international benchmarks. It had received an unqualified audit opinion.

Mr Collins Letsoalo presented as Acting CEO for both the Road Accident Fund and the Cross-Border Road Traffic Agency (C-BRTA). He said the RAF registered 328 173 new claims and finalised 229 534 claims in 2018/19. The number of claimants engaged through RAF "On the Road" and other community outreach programmes, increased from 66 000 to 78 300. The RAF Call Centre responded to 408 675 calls, compared to 387 044 in the previous year. The target of reducing the number of open claims had been exceeded. The number of open claims was standing at 234 244, which improved on the set target of 235 129 – on the back of increased registration of new claims. The RAF said its revenue increased to R43.24 billion in 2018/19, from R37.34 billion the previous year. The number of permanent employees increased from 2 754 to 2 776. The RAF fuel levy increased from 163c/l to 193c/l. It had received an unqualified opinion with findings.

The Cross-Border Road Traffic Agency (C-BRTA) received a clean audit and had a surplus of R180.9 million, due to its main functions being carried out by the Road Traffic Management Corporation (RTMC). The question of the Lesotho-South Africa impasse is currently being looked into by a inter-ministerial committee.

Members asked SANRAL how much of the budget was spent on consultants; why the focus is on SMMEs only and not also promoting Black big businesses; who benefits from land acquisition by SANRAL; how equal is female representation in senior management; who benefits from toll roads.

Members asked the RAF to explain why the resolution of claims was so low; if it was possible to cap excessive legal fees; the success rate of direct claims; about plans to implement an internal loss control unit to deal with fraud; if it assists claimants with financial literacy; what is being done about claims done by lawyers where claimants do not receive the money; what cost saving measures have been implemented; and when the RAF is getting a permanent CEO and CFO.

Members asked C-BRTA if it had been submitting its quarterly reports as previously requested; how it was holding the RTMC accountable; how it was handling the matter of trucks being burned; when will cross-border agreements with neighbouring countries be implemented; and when a permanent CEO and CFO would be appointed.

## Meeting report

### **South African National Roads Agency Limited (SANRAL) 2018/19 Annual Report**

Mr Skhumbuzo Macozoma, SANRAL CEO, told that the Committee that expenditure on road development, strengthening and maintenance declined for the second consecutive year. This was due to issues related to accessing funding as well as collecting monies owed to SANRAL. 51% of the budget was allocated to capital projects, while the balance secured routine and periodic maintenance. R9.376 billion was spent on non-toll roads, and R3.304 billion was spent on SANRAL toll roads. He said that the National Road Network meets or exceeds international benchmarks.

Innovative road design had resolved safety concerns for the bridge widening over the Olifants River on the N7 in Clanwilliam. Despite difficulties presented by steepness and inclines, the challenges on the R61 had been resolved. SANRAL, the University of Pretoria and CSIR are jointly developing an integrated laboratory facility. SANRAL has also developed an app. Transactions totalling R12 had been made via the app.

The value of work done by SMMEs amounted to R3.137 billion. 72% of the contracts were awarded to Black-owned businesses. He said that 26 579 work opportunities were created for individuals. SANRAL convened 39 targeted stakeholder events, including 10 "Taking SANRAL to the people" events and nine meetings with municipalities. A breakdown of media spend was provided with 69% going to national or regional media outlets and 31% going to community-based media outlets.

SANRAL had 423 employees and 107 of them benefitted from an internal bursary or scholarship. He said that 165 interns were placed. Externally, 220 learners benefitted from a scholarship programme.

SANRAL had achieved 77% of the approved annual performance plan targets and had received an unqualified audit opinion with two matters of emphasis: 1. Material Impairment as expected credit losses of R10.32 billion were recognised which mostly relates to the impairment of e-toll receivables; 2. There was R419.19 million irregular expenditure from new contracts.

### **Road Accident Fund (RAF) 2018/19 Annual Report**

Mr Collins Letsoalo, Acting RAF CEO, reported that RAF achieved 77% of the approved annual performance plan targets, a decrease from 91% in 2017/18. There was an increase in revenue from R37.34 billion to R43.24 billion. The number of staff increased from 2 754 to 2 776.

The number of claimants engaged through the RAF "On the Road" community outreach programmes and other activities increased from 66 000 to 78 300. The purpose of the initiative was to familiarise people with RAF. It registered 328 173 new claims and finalised 229 534 claims in 2018/19. The number of open claims at 234 244 exceeded the target of 235 129. The RAF call centre responded to 408 675 calls in 2018/19, compared to 387 044 in 2017/18. The RAF fuel levy increased from 163c/l to 193c/l.

Mr Victor Songelwa, RAF Acting Chief Financial Officer (CFO), and General Manager, said RAF had received an unqualified opinion with material findings. The clean audit was lost due to a finding on the Annual Performance Report. RAF's financial statements were presented fairly, in all material respects. No findings were raised on the Annual Financial Statement. Management letter from the Auditor General confirms a stable control environment and improvement in the Supply Chain Management control environment. There was regression in the predetermined objectives classified as misstatement of annual performance information.

### **Cross-Border Road Traffic Agency (C-BRTA) 2018/19 Annual Report**

Mr Collins Letsoalo is C-BRTA Acting CEO and Mr Nchaupe Maepa is its Acting CFO. Mr Letsoalo said that the role of C-BRTA was to facilitate unimpeded flow of cross-border transport to promote integration of the African continent. C-BRTA achieved 92.31% of the Annual Performance Plan targets C-BRTA achieved a clean audit. It had a surplus of R180.990 million.

The Road Traffic Management Corporation (RTMC) was carrying out the entity's core function as guided by the Memorandum of Understanding between the entities.

C-BRTA issued 90 217 cross-border permits to facilitate the movement of goods and passengers in the region. As part of developing and implementing a new cross-border management system, a business case on phase one of the cross-border management system was approved, which is aimed at systems integration and accessibility for cross-border operators. The 2018 Permit Fee Regulations were developed and submitted to the Department of Transport.

C-BRTA continues to have annual engagements with counterparts through joint committees as prescribed in the bilateral road transport agreements that South Africa has concluded with SADC member states with a view to implement the SADC Protocol. In 2018/19, these engagements were facilitated with Botswana, Mozambique, Swaziland and Lesotho.

### **Discussion with SANRAL**

Mr L McDonald (ANC) asked how much was spent on professional fees and on printing.

Mr Macozoma requested that he reply in writing to avoid speculation.

Mr L Mangcu (ANC) noted that the previous responses received by the Committee had been signed by the Chief Engineer, and not the highest authority. Is there access to business for Black people? He asked why there was a focus on SMMEs instead of creating big Black businesses. Who is benefitting from land acquisition by SANRAL? What is the cost of stopping projects? How is SANRAL resolving the issue of subcontracting? He asked why the University of Pretoria in particular was chosen. Why not choose a Black university?

Mr Themba Mhambi, SANRAL Board Chairperson, apologised for not signing the responses and said that this would not happen in future. The board acknowledges that there are challenges when it comes to Black-owned businesses getting access to business. He understood that the focus cannot just be on SMMEs. The Board had instructed management to create a document to specifically address Black Industrialists.

Mr Macozoma said that a third party was responsible for SANRAL's land acquisition. He said this has to change. On the question of Black universities, SANRAL was moving in that direction. He would be submitting a report with details. SANRAL has a progressive transformation policy but some are in conflict with the Industry Charter. On opportunities for Black universities, there were other programmes that are running with these institutions.

Ms M Ramadwa (ANC) asked what corrective measures were taken to ensure that the unachieved KPIs will be achieved in future. What is being done to ensure that women are represented at the decision-making level at SANRAL, and in general?

Mr Macozoma said that women were represented in SANRAL. It is a coincidence that this particular

briefing required mostly male office-bearers. He then pointed out the executive-level position occupied by women within SANRAL. The Training Academy in Port Elizabeth enrolled a lot of women.

Mr P Mey (FF+) asked about the plans for the R62.

Mr Macozoma requested to answer this question in writing.

Ms N Tolashe (ANC) asked what the role of the internal audit was. She asked what happens after training has been provided to an individual.

Mr Macozoma replied that the nature of SANRAL's work was project-based and cannot be permanent. This is a common challenge that needs to be addressed. The internal audit has been implemented.

Mr M Chabangu (EFF) said that the roads are in a terrible condition, yet SANRAL has underspent. He asked who benefits from toll roads? How does SANRAL let people know about its scholarships?

Mr Macozoma said that money taken from a scheme may only be used on that scheme. They worked with the Department of Higher Education to publish information on scholarships. They also use the SANRAL website to let people know about scholarships.

Mr C Hunsinger (DA) asked if there are operational challenges within SANRAL. He thanked SANRAL for the improvement around the Du Noon area, especially the construction of the pedestrian crossing. He asked if quarterly reports for the Moloto Corridor had been sent through. He asked for a budget breakdown. He asked what the benefit of the depreciation model was.

Ms Alice Matthew, Company Secretary: SANRAL, said that the quarterly reports were being submitted quarterly to the Department of Transport.

Mr Dumisani Maluleke, Deputy Chief Executive Officer: SANRAL, explained that the depreciation model used by SANRAL was accepted by the Auditor-General and was an acceptable standard.

Mr T Mabhena (DA) requested a breakdown of the communication budget in communities with regards to print, radio and geographic reach. What informs the spend? He asked in which directorate the Supply Chain Management policy resides within SANRAL. Who is responsible for consequence management? Is there a plan in place to recover monies owed? Has the R75 stretch of road been transferred to SANRAL?

Mr Macozoma said that as the CEO he is the one who is responsible when it comes to bonuses. The Board is investigating irregular expenditure. He requested to answer the question on media spend in writing.

Mr I Seithlolo (DA) asked about the sinkhole on the N12. What is the progress in making funds available to fix the sinkholes?

Mr Macozoma said that the sinkholes are caused by a water leakage and this makes it a water issue. It is not possible to use money allocated for roads to fix water problems.

### **Discussion with RAF**

Mr C Hunsinger (DA) asked why the resolution of claims was so low. RAF needs to look at the quality of representation. What is the current standing with law firms?

Mr Collins Letsoalo, RAF Acting CEO, said that RAF need to look at the Legal Aid Board model and consider in-sourcing legal services. RAF is exploring forging partnerships with some law firms.

Mr T Mabhena (DA) asked if it is possible to cap the excessive legal fees. He asked about the success rate of direct claims. He asked if there are any plans to implement an internal Loss Control Unit, to deal with fraud. He asked if RAF assists claimants with financial literacy.

Mr Letsoalo said that once a claim had been finalised, RAF does not have further engagement with the claimant. RAF has explored making multiple payments instead of just the lump sum in the hopes that this would assist claimants in planning their finances better. RAF did not like going to court but this was sometimes necessary to ensure that it does not pay more than it has to.

Mr M Chabangu (EFF) asked what happens about claims done by lawyers but not received by the claimant. How does the RAF help against fraudulent lawyers. He asked what happens if the lawyer has passed on. He asked if the RAF received any revenue from vehicle licences being issued.

Mr Letsoalo said that the only source of revenue for the RAF was the fuel levy. In instances where claimants have not received their monies, this would have to be reported to RAF for further investigation. RAF must look at publicising examples of where there has been asset forfeiture due to fraudulent activity.

Ms N Nolutshungu (EFF) asked about cost-saving initiatives within the RAF. She asked how much is being spent on consultants.

Mr Letsoalo said that there was cost containment in place within the RAF. There was indeed spending on consultants such as legal and actuarial, but that he did not have the exact figures on him. He would ensure that the Committee receives the information.

Mr P Mey (FF Plus) asked about direct claims and if this does not make RAF judge and jury.

Mr Letsoalo said that RAF must ensure predictability when it comes to direct claims. The amount paid to claimants is determined by an actuarial calculation and this very fair.

Ms Ramadwa asked how long it takes to resolve a claim. When is RAF getting a permanent CEO and CFO?

Mr Letsoalo said that the resolution of a claim depends on a number of factors and the time it takes cannot be the same for all claims. The Minister of Transport is responsible for appointing the CEO.

Mr L McDonald (ANC) asked how many direct claims since the road show.

Mr Letsoalo requested that the RAF reply to this question in writing within seven days.

### **Discussion with C-BRTA**

Mr L McDonald (ANC) asked if vehicles can be flagged. He asked how much is being spent on professional fees. He asked how much was being spent on BEE.

Mr Collins Letsoalo, Acting C-BRTA CEO, replied that R5.7 million was spent on professional fees. C-BRTA

would need seven days to respond to the question on BEE spend.

Mr L Mangcu (ANC) asked if there is really a surplus, if monies were only being saved because the core function is being carried out by the RTMC. Why was C-BRTA not holding RTMC accountable? He asked if its quarterly reports had been submitted.

Mr Letsoalo replied that C-BRTA does anticipate that there might be no surplus once the core function is once again taken over by C-BRTA. The holding of RTMC accountable relates to its core function – RTMC is more law enforcement, whereas C-BRTA is more economic regulation. He would come back on with an answer on the quarterly reports.

Ms M Ramadwa (ANC) asked when a permanent CEO and CFO would be appointed. She asked if C-BRTA had plans for the other unused post. She asked how C-BRTA was managing the burning of trucks. She asked about alternative border posts and if these can be used.

Mr Letsoalo replied that an inter-ministerial team was working on the burning of trucks. C-BRTA does not actually have a presence on the borders.

Mr M Chabangu (EFF) said that when South Africans cross into Lesotho, they pay a fee but Lesotho nationals do not pay one when they enter South Africa. Why is this? When will the cross-border agreement be implemented?

Mr Letsoalo replied that an inter-ministerial committee has been set up to look into the matter of the cross-border charge. C-BRTA is looking into reciprocating the charges. The cross-border agreement would be implemented in the next two years.

Mr T Mabhena (DA) asked what cost-containment measures have been implemented at C-BRTA. He asked if there were any exit clauses in the MOU with RTMC. What is the specific item under Capital Expenditure?

Mr Letsoalo replied that C-BRTA is definitely able to terminate the service if necessary. The item under Capital Expenditure is the cross-border management system.

Mr C Hunsinger (DA) said that 90% of permits were issued when the Board was not properly constituted. He asked about the validity of the permits issued.

Prof Jan Havenga, C-BRTA Deputy Board Chairperson, replied that the permits were valid because the Board was not dysfunctional.

Ms N Nolutshungu (EFF) asked if any of the Board Members were serving on other boards. She asked how much was spent on consultants and how much was spent on bonuses.

Board Members that were present stated that they were serving only on the one board. Mr Letsoalo said that C-BRTA does not overpay for consultants or bonuses. C-BRTA had paid R6.7 million in bonuses.

The Committee Chairperson thanked the them and he hoped that they continue to achieve clean audits.

The meeting was adjourned.