

REPORT OF THE SELECT COMMITTEE ON PETITIONS AND EXECUTIVE UNDERTAKINGS ON THE EXECUTIVE UNDERTAKINGS MADE BY THE MINISTER OF TRANSPORT DURING THE HOUSE SITTING OF 20 JUNE 2017, DATED 14 NOVEMBER 2019

1. BACKGROUND

On 6 June 2017, the Honourable Minister Transport (Minister) made the following executive undertakings during the Policy Debate on Budget Vote Number 35: Transport held on 20 June 2017 in the National Council of Provinces (House):

- 1.1 Executive Undertaking 1: **“We will transform the structure of the economy by creating black in industrialists with the biggest chunk of our investment in infrastructure continues to be directed towards broad-based black economic empowerment, benefiting youth, women and people living with disabilities.”**

- 1.2 Executive Undertaking 2: **“Using the Transport Economic Regulator Bill, we intend to deal decisively with regulatory shortcomings across the transport sector, which will lead to transparency in pricing and levelling the playing field within the transport industry.”**

- 1.3 Executive Undertaking 3: **“The intensified collaboration and engagement between the Department of Public Services and Administration, the Road Traffic Management Corporation, RTMC, provincial governments and labour formations will pave the way for the introduction of a 24/7 work shift within the traffic law enforcement fraternity ensuring the availability of officers on the road at all material times.”**

- 1.4 Executive Undertaking 4: **“There are plans now in place to conduct road shows with provinces, municipalities and private sector to deal with the scourge of road fatalities and injuries.”**
- 1.5 Executive Undertakings 5: **“We have appointed contractors to commence with the Moloto Development Corridor by expanding the current road, making it more user-friendly. At the end of the project, we have created 12 500 jobs. We are also going to unbundle the bus contract in this corridor to widen participation by small localised and designated groups.”**
- 1.6 Executive Undertakings 6: **“In the 2017-18 period, R10,75 billion is allocated for the Provincial Road Maintenance Grant, popularly known as the S’hamba Sonke programme. Through this programme, we continue to address the spatial inequalities, create job opportunities, we continue to address the spatial inequalities, and also open the rural economy to new investment and development.”**
- 1.7 Executive Undertakings 7: **“The remaining 580 trains will be built in South Africa at a local factory, located in Nigel, Ekurhuleni. Attached to the local factory, government is facilitating the development of a supplier park that will support the manufacturing at the factory with local components.”**
- 1.8 Executive Undertakings 8: **“*The next deployment of the new trains in the 2018-19 financial year will be at Saulsville, Mabopane, Naledi, Khayelitsha, Umlazi, and Kwa Mashu.*”**

2 PROCEDURE OF THE COMMITTEE

The concerned executive undertakings were referred to the Select Committee on Petitions and Executive Undertakings (Committee) by the Chairperson of the National Council of Provinces, on 12 June 2017, for it to scrutinise and subsequently report to the House on their implementation.

After their referral to the Committee, proceeded to extend an invitation to the Minister to appear before it and report on the progress made by the Department of Transport (Department) in implementing the concerned executive undertakings, which falls under its respective portfolio.

3 MEETING OF THE COMMITTEE

On 17 October 2019, the Minister and relevant officials of the Department appeared before the Committee to report on the progress made in implementing the executive undertakings under consideration.

The following Committee Members were present at the meeting with the Minister and relevant officials of the Department:

- 3.1 Hon Z V, ANC, Eastern Cape (Chairperson);
- 3.2 Hon S Shaikh, ANC, Limpopo;
- 3.3 Hon M P Mmola, ANC, Mpumalanga;
- 3.4 Hon T S C Dodovu, ANC, North-West
- 3.5 Hon A B Gxoyiya, ANC, Northern Cape;
- 3.6 Hon C Visser, DA, North-West
- 3.7 Hon I M Sileku, DA, Western Cape
- 3.8 Hon S Zandamela, EFF, Mpumalanga; and
- 3.9 Hon S E Mfayela, IFP, KwaZulu-Natal

The Committee Members present, at the meeting, were supported by the following Committee officials:

- 3.10 Mr N Mkhize, Committee Secretary;
- 3.11 Adv. T Sterris; Committee Research;
- 3.12 Mrs N Fakier; Executive Secretary;
- 3.13 Ms F Lombard; Communication Services; and
- 3.14 Mr M Nkwali, Researcher, Office of the Chairperson of the National Council of Provinces.

The following representatives of the Department of Transport appeared before the Committee during the meeting:

- 3.15 Hon. F A Mbalula, Minister of Transport (Minister Mbalula),
- 3.16 Hon. D P Magadzi, Deputy Minister of Transport,
- 3.17 Mr. A Moemi, Director-General,
- 3.18 Ms T Mpondo, Parliamentary and Cabinet Coordinator;
- 3.19 Mr. M Phenya, Office of the Director-General

4 PROGRESS REPORT BY THE DEPARTMENT OF TRANSPORT

In their progress report to the Committee, the Minister and the Director-General reported as follows:

4.1 Executive Undertaking 1:

Minister Mbalula commenced by reporting that the Department of Transport (DoT) through the Passenger Rail Agency of South Africa (PRASA) is investing significantly in the acquisition of new trains and the modernisation of the commuter railway network.

In 2012, the Gibela Rail Transport Consortium was announced as the preferred bidder in the New Rolling

Stock procurement process. The Gibela Rail Consortium's equity shareholding consists of Alstom Southern African Holdings, a French Company with 61%, and South African Companies, namely New Africa Rail with 9% and Ubumbano with 30%. The breakdown of the 30% held by Ubumbano is as follows:

Active Black Entrants: Khuphunyawo Rail (Pty) Ltd – 8%; Community Rail Services (Pty) Ltd – 2%; Elgin Identity Rail – 7%

•Trusts: PRASA Employee Trust – 7%; Gibela Employee Trust – 3% and PRASA Education Trust – 3%

Whilst the urgent challenge to improve passenger services remains a primary objective, the Rolling Stock Fleet Renewal Programme has been designed to achieve a number of key Government objectives such as the delivery of quality services to citizens, revitalization of South Africa's rail engineering industry through long term local manufacturing and procurement aiming for above 65% of the value of a coach to be produced locally (65% minimum local content is set) as part of the Government's Industrial Policy Action Plan (IPAP2), employment creation and skills development as well as Broad-Based Black Economic Empowerment (BBBEE).

Gibela Consortium commenced with manufacturing activities in January 2018. The site for the Local Factory is approximately 72 hectares and will house the Factory, Supplier Park and Rail Training School. Within the consortium, Ubumbano has been given the responsibility to develop and manage the supplier park.

The local factory is targeting the creation of 1500 new jobs and of that employing 99% South Africans, 85% historically disadvantaged South Africans and minimum 25% women. To date, a total of 908 employees have been employed across various categories, for both manufacture and maintenance. Of the 908 employed 809 were South African citizens, 413 were women, 681 youth, 733 skilled black citizens, 839 South African citizens.

Skills Development is critical to enable the creation of meaningful sustainable jobs and as such the Rolling Stock Fleet Renewal Programme has a strong focus on skills development. A training centre has been established to enable skills development. The skills development programme provides bursaries for universities and TVETs, internships, learnerships, apprenticeship, Railway Introduction Course and

other relevant interventions. Gibela has therefore partnered with various institutions of high learning (Universities and TVETs), SETAs and other training centres to deliver world-class training. As of June 2019 to date, 3 647 individuals have been up-skilled including artisans, trade workers, engineers, engineering technologists, professional engineers, technologists, designers and other staff. By the end of this programme, 19 527 individuals would have undergone training in the various and relevant technical fields.

There is a strong focus on skilling artisans and engineers as a result of the train manufacturing process. By the end of the Programme, Gibela would have, at minimum, achieved to train 6'766 Artisans, 1'957 Engineering Technicians and 596 Professional Engineers. To enable this, Gibela is expected to spend 1.75% of the Contract Value (approximately R928 million) towards Skills Development.

In aviation, it was reported that ACSA's socio-economic development investment of R46 million in 2018/19 financial year supports areas such as education, empowerment of women and youth, skills development, etc. ACSA's total investment in skills development initiatives in 2018/19 financial year was R48 million and created a total of 275 job opportunities for young candidates.

The total percentage routine road maintenance (RRM) expenditure paid to black-owned SMMEs and contractors (based on black ownership of main contractors) was 75% and 74% in 2017/18 and 2018/19 financial years, respectively.

According to SANRAL's 2019 Integrated Report, 15 299 Jobs were created (full-time equivalents). Of the 15 299 jobs created, 75.9% was towards males, 24.1% was towards females and 56.8% was towards youth.

In terms of the Oceans Economy Programme (Operations Phakisa), R9.2 billion has been secured from both government and private sector. This will lead to a creation of 4 589 jobs. Government's contribution is about R8 billion and private sector is at R1.2 billion.

The government investment towards ports infrastructure provided for an additional R2.7 billion to the 2019/20 financial year for further upgrades. These upgrades include R700 million in dredging and berth infrastructure works that TNPA will fund to enable a concession for a floating dock in Richards Bay to a

private sector. There has been R561 million spent by TNPA to date since commencement of Operation Phakisa on upgrade of current Ship Repair Facilities.

To date a total of 684 construction related jobs have been created through 5 completed projects. Temporary and permanent jobs created went to the following beneficiaries: 75 were for women, 209 for youth and 39 for people with disabilities. Through these projects 13 SMMEs and 19 B-BBEEs were created and sustained.

It was reported, that the roll-out of Integrated Public Transport Networks (IPTNs) is well underway in 13 identified municipalities. IPTNs create construction job opportunities as well as operational jobs. The acceleration of the operational roll-out of IPTNs, is a critical factor in increased infrastructure investment since more infrastructure will have to be built to accommodate high public transport demand. IPTNs also creates opportunities for transforming the structure of the bus industry (black economic empowerment) since most Vehicle Operating Companies (VOC) established in some of the 13 cities are owned by former taxi operators. There are 9 VOC in total: 2 in JHB; 3 in Cape Town, 1 in George, 1 in Nelson Mandela Bay, 1 in Ekurhuleni and 1 in Tshwane.

Cities are continuing to phase in these IPTNs.

The transport BEE Charter Council, it is expected that the new Council will be appointed in the 2020/21 financial year. The term of the previous Council has expired.

4.2 Executive Undertaking 2:

The Minister reported, that in general, international comparisons indicate that transportation comprises of an unacceptably high proportion of logistics costs, and that the preconditions for efficiency and cost-effectiveness do not exist in the sector. The Department is working towards the reduction of high costs of doing business; and complicated and lengthy regulatory processes. The Department's Economic Regulation of Transport Bill aims to play an effective oversight and regulatory role to ensure technical, operational and pricing efficiency in the transport sector; as well as to reduce the cost of trade and improve the overall competitiveness of the economy.

The Economic Regulation of Transport (ERT) Bill therefore addresses the regulatory and capacity gaps that relate to South Africa's need for an efficient and cost-effective transport system in order to raise economic growth and meet its social goals. These are the reduction of poverty, unemployment and inequality which are the main pillars of the National Development Plan (NDP) 2030 Vision.

Through the Bill, DoT intends to consolidate, rationalize and where necessary redesign economic regulations in the transport sector into a single multi-model regulator; the STER (Single Transport Economic Regulator).

Below are the processes which recently unfolded during the development of the ERT Bill, 2019:

- On the 7th of February 2018 Cabinet approved publication of the ERT Bill for public comments;
- On 12 February 2018, the ERT Bill was issued for 30 days' public commentary period through Government Gazette Vol. 632, No. 41437;
- Public comments were received and the ERT Bill was subsequently revised. Incorporation of public comments into the ERT Bill drastically changed the scope of application and Chapter 2. Thus, this warranted that the ERT Bill be republished for the second public commentary period for further comments.
- On 24 October 2018, the ERT Bill was issued for another 30 days' public commentary period through Government Gazette Vol. 640, No. 41992. The Bill was revised and updated with public comments; and
- Public comments were received and the ERT Bill was again revised. Currently, the Economic Regulation of Transport Bill, 2019 comprises of comments that were received from both public commentary periods.
- The DOT undertook engagement with directly and indirectly stakeholders including the Department of Economic Development, Department of Public Enterprises and Competition Commission (CompComm) before finalisation of the ERT Bill. These engagements were also strengthened by received submissions from various stakeholders.
- Also, the DOT undertook engagement and consultation with NEDLAC between October 2018 and

April 2019. The final engagement was on 04 April 2019 wherein NEDLAC approved the ERT Bill with comments that were addressed as and when meetings took place;

- The Office of the Chief State Law Advisors (OCSLA) provided a positive legal opinion which states that the ERT Bill meets the Constitutional requirements. Furthermore, the OCSLA supported that it be processed to the Economic and Employment Sector and Infrastructure Development (ESEID) Cluster for Directors-General, Cabinet and Parliament for enactment;
- The Department of Planning, Monitoring and Evaluation approved (i.e. signed-off) both the 1st and 2nd Socio-Economic Impact Assessment System Reports; and
- The Bill was presented to ESEID DG Cluster on 11 April 2019, and it was formally approved for final submission to Cabinet for approval for its introduction to Parliament.
- The ERT Bill was submitted to Cabinet for tabling in September 2019. The Cabinet Secretary returned the Cabinet Memo and the ERT Bill for SEIAS Certificate & Office of the State Law Advisors' legal opinion to be reissued as they were older than six months. The DPME reissued the SEIAS Certificate on the 11th of September 2019. The Office of the State Law Advisors is yet to reissue a legal opinion.
- DOT will table to Cabinet the updated Cabinet Memo, the ERT Bill and supporting documents before end of March 2020 on receipt of the legal opinion from the Office of the State Law Advisors.

Expected timeframes going forward are reflected in the table below:

ACTIVITY	START DATE	END DATE
Resubmit the STER Bill at Cabinet	01/10/2019	30/10/2019
Parliamentary process (DoT to submit specifics)	01/11/2019	30/11/2019
Parliamentary process	01/12/2019	31/12/2019
Finalise the draft Business Case document (clarity)	01/01/2020	31/01/2020
Parliamentary process	01/02/2020	31/04/2020

4.3 Executive Undertaking 3:

The Minister reported that the RTMC submitted the 24/7 shift system business case to the DPSA on the 2016/11/30. The DPSA responded to the business cases submitted and requested that the following issues be attended to urgently:

- Business Case from each Province detailing the needs to implement 24/7 shift system.
- Provincial Cabinet approval of the implementation of 24/7 shift system.

The RTMC together with the Provinces has developed Provincial business cases and held meetings with the Provincial Treasuries on the needs detailed by the Provinces for them to implement the 24/7 shift system. To date the only process still to be finalised is tabling of the Provincial Business Case to their Provincial Cabinet for approval. Once that is finalised global business case will be submitted to the DPSA for further processing.

4.4 Executive Undertaking 4:

The Committee was informed that post the approval of the National Road Safety Strategy 2016-2030 on the 30 March 2017. The RTMC and DoT held roadshows with Entities, Provinces and Municipalities to align Annual Performance Plans and Operational Plans to ensure the NRSS 2016-2030 road safety initiatives are implemented to address the scourge of road fatalities.

Furthermore, the 4th Road Safety Summit 2018, Themed “Working Together Saving Millions of Lives” was held in Polokwane, Limpopo on 16-17 November 2018. The objective was to assess achievements and challenges in the implementation of the NRSS 2016-2030 aiming at addressing road fatalities. The summit included among others Taxi Associations, Law Enforcement Agencies, Local Government, other Departments of Government (such as Department of Health), and interfaith groups, Youth, Business, NGOs and CBOs.

To strengthen the effectiveness in the implementation of the road safety programmes detailed in the NRSS 2016-2030 the National Road Safety Steering Committee (NRSSC) was re-established to ensure that there is cohesion and integration in the implementation programmes and periodic monitoring takes place. Over and

above these road traffic data is analysed and the hazardous location model has been developed it is reviewed on yearly basis to inform road safety programmes being implemented.

4.5 Executive Undertaking 5:

It was reported that the project involves the upgrade of the entire 139 kilometers of the Road R573 over a 5-year period:

- ± R3.7 billion was allocated for this project
- the estimated number of job opportunities to be created is 12 500 over the 5-year period

Gauteng Province: 6250

Mpumalanga Province: 3250

Limpopo Province: 3000

12500

The communities who live in proximity to the road will then be served by a world-class infrastructure development that can contribute to the economic activity in the region.

Mr Hlabaisa, provided progress update was provided on the upgrade of the R573 – Moloto Road that is progressing steadily, but progress has brought with it some challenges. He acknowledged, there have been issues about the manner the road has been handled in terms of the allocation of the resources. But now it has been agreed that it has to be taken back to the National Department. Certain sections of the road from Limpopo and Mpumalanga have been handed back to the National Department. Gauteng still has to come on board. New designs have already been done in Mpumalanga and Limpopo. A socio-economic impact study was being undertaken because many communities were divided by the road.

Citing encroachments, in the form of structures being erected without approval inside the building restriction zone, along with informal businesses close to the road reserve, have caused disruptions and put the safety of road users at risk.

SANRAL has partnered with local municipalities and consulted local traditional authorities to try to address these issues, but the problem persists. SANRAL embarked on a roadshow to educate stakeholders on statutory control issues and the allocation of tribal land to communities.

What further steps are in progress, including liaison with other Ministers to help unblock matters in their domain?

- Manage potential disruptions due to limited work opportunities the project can carry.
- Community participation – protracted process and need PLC and PLO, recruitment
- Encroachment of the road reserve – many formal and informal structure in the road reserve
- Road improvements – 5 packages conventional (MP); 5 CD Projects and 3 packages (LIM). Planning underway
- Rollout of community access roads projects as next phase in planning under CDP with storm water drainage improvements.
- Demands and threats placed on contractors and sub-contractors by local community and organised groups without proper tender process. To date delays of 2.5 months and 4 months have been experienced. Ongoing challenge. Work resumed after stoppage.
- Training workshops for local SMMEs to be held and stakeholder engagements.

Engagements with the Gauteng Province to transfer the remaining section to SANRAL for incorporation into the works programme.

4.6 Executive Undertaking 6:

In its presentation, the DoT outlined the purpose of the grant is to:

1. Supplement provincial roads investments and support preventative, routine and emergency maintenance of the provincial road networks;
2. Ensure that provinces implement and maintain road asset management systems;

3. Promote and support the use of cost effective labour-intensive methods in road maintenance programmes through the Expanded Public Works Programme (EPWP)

Province	Total Allocation (R)	1st Tranche Transfers (R)	Payment date	1st Quarter Expenditure
EC	1,483,999,060	359,542,140	29-Apr-19	248,679,245
FS	1,339,731,710	305,829,540		114,471,000
GT	767,304,610	157,431,240		157,047,384
KZ	1,883,000,136	439,000,884		506,170,419
LP	1,157,774,460	308,569,040		255,698,808
MP	1,572,273,424	350,736,156		336,687,282
NC	1,146,425,188	260,148,672		240,659,528
NW	991,315,098	224,016,912		148,019,992
WC	1,039,841,314	225,565,416		231,105,000
	11,381,665,000	2,630,840,000		

Summary of Budget Data (April 2019 – June 2019)

During the 1st Quarter, a total of R2 630 840 was transferred to the Provinces and R 2 238 538 was spent and the table below indicates the physical achievements / works completed.

Activity/Output/Outcome/Efficiency Indicator	Annual performance	
	Projected for 2019/20 as published in the 2019 ENE	Achieved in the first six months of 2019/20 (April to September)
Rehabilitation (m ²) (DORA INDICATOR)	2 448 476 m ²	936 659 m ²
Lane kilometres of surfaced roads rehabilitated per year	1 700 Km	646 Km
Resealing (m ²) (DORA INDICATOR)	7 827 700m ²	1 637 753 m ²
Lane kilometres of roads resealed per year (km)	4 700 Km	3 102 Km
Kilometres of roads re-gravelled per year (km)	5 900 Km	368 Km

Square metres of blacktop patching on roads (including pothole repairs) per year (m2)	900 000 M2	584 731 m2
Kilometres of gravel roads bladed per year (km)	500 000 Km	77 492 KM

Summary of 2019/20 FIRST QUARTER ACHIEVEMENTS (April 2019 – June 2019)

4.7 Executive Undertaking 7:

It reported that in April 2014, PRASA entered into two contracts with the Gibela Rail Transport Consortium (Gibela), a Manufacture and Supply Agreement (MSA) for the acquisition of 600 trainsets, duration - 10 years and a Technical Support and Spares Supply Agreement (TSSSA), duration - 18 years.

To date, PRASA has taken delivery of twenty – three trainsets. Twenty of the 600 trains were manufactured in Brazil, and the remaining 580 will be manufactured in Nigel, Ekurhuleni.

Manufacturing at the local factory began in January 2018 and was officially launched by the President of the Republic of South Africa in December 2018. To date, major milestones have been reached to date with the manufacture of three locally manufactured trains.

The delivery schedule of the manufacturing of the remaining trains is as follows:

Financial Year 19-20: 20 Trains

Financial Year 20-21: 42 Trains

Financial Year 22-23: 62 Trains

Financial Year 23-24: 62 Trains

Financial Year 24-25: 62 Trains

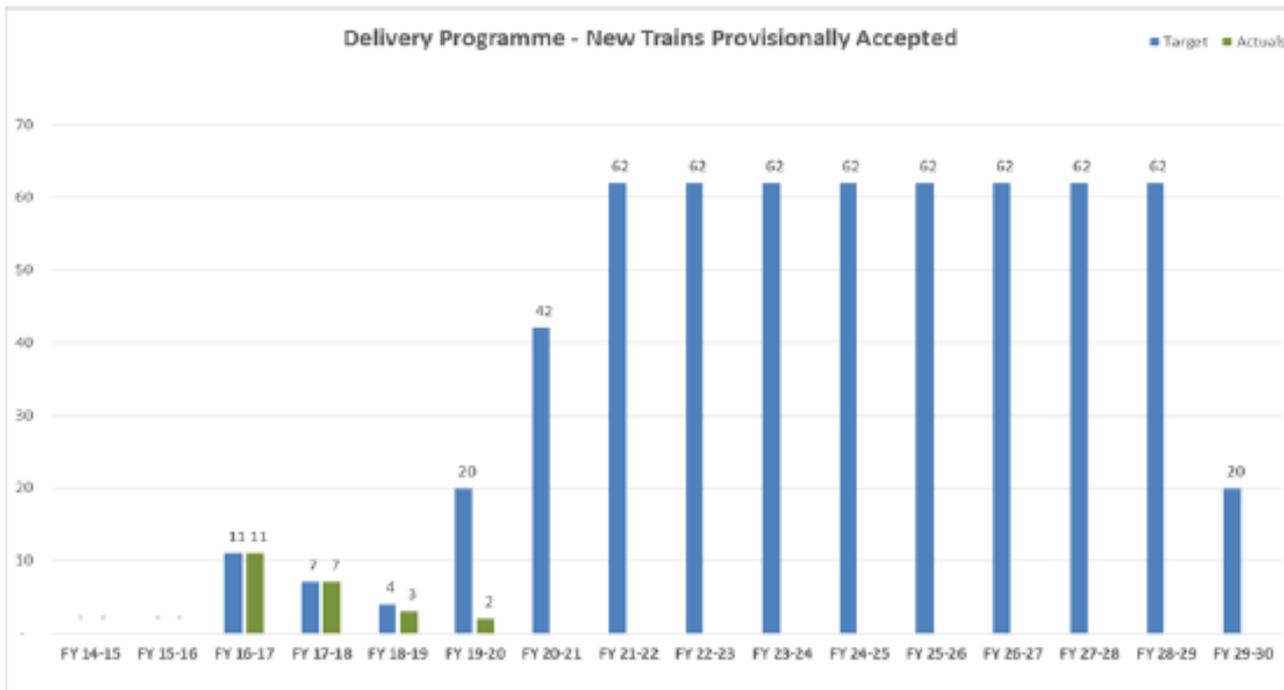
Financial Year 25-26: 62 Trains

Financial Year 26-27: 62 Trains

Financial Year 27-28: 62 Trains

Financial Year 29-30: 20 Trains

Graph depicting the delivery schedule of the manufacturing of the trains



A Supplier Park has to be constructed next to the Local Factory and it is a critical enabler to support localisation and develop a rail industrial hub. Some delays were experienced in the sale of the construction site and securing funding for the development of the supplier park. PRASA and Gibela are in the process of reviewing the funding arrangements for the Supplier Park and finalising the sublease agreements.

4.8 Executive Undertaking 8:

It was reported to the Committee, that PRASA has experienced delays in the readiness of infrastructure for the deployment of the new trains that are being manufactured. The DoT has established a War Room at PRASA, to ensure corridor readiness. PRASA is preparing mitigation for the commercial operation of new trains across all three regions, KZN, Western Cape and Gauteng, as follows:

(i) Gauteng Region:

Corridor	Route	Scheduled trains	Date	Period
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West Corridor	Saulsville – Pretoria	4 new trains	November 2019	2 Months
East Corridor	Pretoria ring rail	12 new trains	April 202	7 months
	Pienaarspoort-Koedoespoort	8 new trains	October 2019	1 month
North Corridor	Leralla –Germiston	20 new trains	May 2021	20 Months
	Germiston- George Goch	6 new trains	Jul 2021	22 Months

(ii) Western Cape:

Corridor	Route	Scheduled trains	Date	Period
Southern Corridor	Cape Town- Heathfield	10 New trains	November 2019	2 months
	Cape Town- Simons Town	20 New Trains	October 2020	13 Months
Central Corridor	Cape Town- Woltemade- Bellville	15 New trains	December 2021	27 Months
	Cape T0wn – Chris Hani	20 New trains	September 2021	24 Months

(iii) Kwa Zulu natal:

Corridor	Route	Scheduled trains	Date	Period
Central Corridor	Durban- Reunion	2 new trains	February 2020	5 Months
	Kwa Mashu- Dalbridge	8 New trains	December 2020	15 Months

5 OBSERVATIONS AND KEY FINDINGS

In noting the progress report given by the DoT in relation to the implementation of the executive undertakings under review, the Committee made the following observations and key findings:

- 5.1 The Committee noted that the DoT has made a huge progress towards black empowerment including women, youth, and people with disabilities through infrastructure investment in the various modes of transport.
- 5.3 The Transport Economic Regulator Bill, intends to deal with regulatory shortcomings across the transport sector by rationalising, consolidate and redesign economic regulation in the transport sector into a single multi-model regulator.
- 5.4 The Committee noted there were plans in place to conduct roadshows with provinces, municipalities to deal with the scourge of road fatalities. And the DoT has also appointed Moloto Development Corridor by upgrading the current road and making it user-friendly.

6 RECOMMENDATIONS

Further, in noting the progress report made by the Minister of Transport, the Committee, lastly, observes that the executive undertakings have been adequately implemented and therefore recommends that they be closed.

Report to be considered.

