No 147—2016] THIRD SESSION, FIFTH PARLIAMENT

PARLIAMENT

OF THE

REPUBLIC OF SOUTH AFRICA

ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

THURSDAY, 17 NOVEMBER 2016

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ANNOUNCEMENTS

National Assembly and National Council of Provinces

1. Calling of Joint Sitting

CALLING OF JOINT SITTING OF PARLIAMENT

The Speaker of the National Assembly, Ms B Mbete, and the Chairperson of the National Council of Provinces, Ms T R Modise, in terms of Joint Rule 7(2), have called a joint sitting of the Houses of Parliament for Tuesday, 22 November 2016 at 10:00 to conduct a debate on 16 Days of Activism on no violence against women and children under the theme: Count me in: Together moving a non-violent South Africa forward.

B MBETE, MP
SPEAKER OF THE NATIONAL ASSEMBLY

T R MODISE, MP
CHAIRPERSON OF THE NATIONAL COUNCIL OF PROVINCES

National Assembly

The Speaker

1. Referral to Committees of papers tabled

(1) The following paper is referred to the **Portfolio Committee on Environmental Affairs** for consideration:

(a) Threatened or protected marine species regulations (tops) and listing notices submitted in terms of section 97(3A) of the National Environmental Management: Biodiversity Act, 2004 (Act No. 10 of 2004).

(2) The following paper is referred to the **Portfolio Committee on Justice and Correctional Services** for consideration:

(a) Letter from the Minister of Justice and Correctional Services dated 9 November 2016 to the Speaker of the National Assembly, explaining the reasons for the delay in the tabling of the Annual Report of the Department of Correctional Services for 2015-16.

(3) The following papers are referred to the **Portfolio Committee on Environmental Affairs:**

(a) Government Notice No 422, published in Government Gazette No 39919, dated 13 April 2016: Regulations regarding fees for the provision of aviation meteorological services, in terms of the South African Weather Service Act, 2001 (Act No 8 of 2001).

(b) Government Notice No 503, published in Government Gazette No 39971, dated 6 May 2016: Adoption of standards for landbased abalone aquaculture, in terms of the National Environmental Management Act, 1998 (Act No 107 of 1998).

(c) Government Notice No 504, published in Government Gazette No 39971, dated 6 May 2016: Activities identified in terms of section 24(2)(d) that may be excluded from the requirement to obtain an environmental authorisation but that must comply with standards for land-based abalone aquaculture, in terms of the National Environmental Management Act, 1998 (Act No 107 of 1998).

(d) Government Notice No 427, published in Government Gazette No 39922, dated 15 April 2016: Draft Biodiversity Management Plan for Hartbeesspruit Ecosystem, in terms of the National Environmental Management: Biodiversity Act, 2004 (Act No 10 of 2004).

(e) Government Notice No 619, published in Government Gazette No 40041, dated 3 June 2016: Interim arrangements with respect to Minimum Information Requirements for submission of an EA application related to shale gas, in terms of the National Environmental Management Act, 1998 (Act No 107 of 1998).

(f) General Notice No 336, published in Government Gazette No 40054, dated 7 June 2016: Draft National Greenhouse Gas Emission Reporting Regulations, in terms of the National Environmental Management: Air Quality Act, 2004 (Act No 39 of 2004).

(g) General Notice No 337, published in Government Gazette No 40058, dated 10 June 2016: Biodiversity management plan for Pickersgill's Reed frog (Hyperolius Pickergilli), in terms of the National Environmental Management: Biodiversity Act, 2004 (Act No 10 of 2004).

(h) Government Notice No 778, published in Government Gazette No 40110, dated 1 July 2016: A draft Generic Environmental Management Programme (EMPR) for public comment, in terms of the National Environmental Management Act, 1998 (Act No 107 of 1998).

(i) Government Notice No 779, published in Government Gazette No 40110, dated 1 July 2016: Identification of the Minister as Competent Authority for the Consideration and Processing of Environmental authorisations and amendments thereto for Activities related to the Integrated Resource Plan (IRP) 2010-2030, in terms of the National Environmental Management Act, 1998 (Act No 107 of 1998).

(j) Government Notice No R 815, published in Government Gazette No 40128, dated 8 July 2016: Appeal Regulations, made in terms of section 74 read with section 83(1)(j) of the National Environmental Management: Integrated Coastal Management Act, 2008 (Act No 24 of 2008).

National Council of Provinces

The Chairperson

1. Message from National Assembly to National Council of Provinces in respect of Bills passed by Assembly and transmitted to Council

(1) Bills passed by National Assembly and transmitted for concurrence on 17 November 2016:

(a) **Plant Improvement Bill** [B 8B - 2015] (National Assembly – sec 76).

The Bill has been referred to the **Select Committee on Land and Mineral Resources** of the National Council of Provinces.

(b) **Plant Breeders' Rights Bill** [B 11B – 2015] (National Assembly – sec 76).

The Bill has been referred to the **Select Committee on Land and Mineral Resources** of the National Council of Provinces.

TABLINGS

National Assembly and National Council of Provinces

1. The Minister of Police

(a) Remuneration Scales: National Head, Deputy National Head and Provincial Heads of the Directorate for Priority Crime Investigation (DPCI), submitted in terms of section 17CA(9) of the South African Police Service Act, 1995 (Act No 68 of 1995).

2. The Minister in The Presidency

(a) Report of the Independent Commission for the Remuneration of Public Office Bearers for 1 January 2015 to 31 December 2015.

COMMITTEE REPORTS

National Assembly

1. Report of the Portfolio Committee on Telecommunications and Postal Services on the Cost to Communicate, dated 15 November 2016

1. Introduction

In the President's State of the Nation address in June 2014[1], President Jacob Zuma said "*…in the next five years …we will expand, modernise and increase the affordability of information and communications infrastructure and electronic communication services, including broadband and digital broadcasting*."

[1] http://www.thepresidency.gov.za/pebble.asp?relid=17570

The Portfolio Committee on Telecommunications and Postal Services (the Committee) conducted public hearings at the South African Parliament on the Cost to Communicate on 20 and 21 September 2016. The meeting was attended by various role players within the ICT Policy and Regulation sectors, Government, State-Owned Companies (SOCs), Mobile Telecommunications Operators, ICT SMMEs, Student Representatives, NGOs and Internet Service Providers, among others. The public hearings were preceded by a call for written submission from the South African public to the committee on the cost to communicate in the country.

The meeting was intended to provide a platform for the exchange of views on how to deal with matters of governance and regulation around the issue of the cost to communicate by various stakeholders.

The call termination rates had declined, from R1,25 per minute in 2010 to R0,20 currently. The Department aimed to reduce prices, foster more competition, develop a national roaming policy and regulations to facilitate access to infrastructure and improve competition, and its policy aims were outlined.

2. Overview of Cost to Communicate

Voice tariffs decreased significantly since Independent Communications Authority of South Africa (ICASA) 2010 intervened in the Wholesale Call Termination (WCT) market in 2010. In October 2010, the Regulator gazetted the Mobile Termination Rate (MTR) regulations, effective from March 2011. From a peak rate of R0.73, the October 2010 regulation introduced a glide path towards a peak and off-peak termination rate of R0.40, which was achieved in March 2013.

Furthermore, on the 7th November 2014 the Portfolio Committee on Telecommunications and Postal Services met for a briefing by the Department of Telecommunications and Postal Services (DTPS), ICASA, Vodacom, MTN, Cell C, Telkom and Neotel, on the cost to communicate in South Africa.

DTPS highlighted during the presentation that a benchmarking study had been done, that concluded that South Africa was expensive for fixed line access, that fixed line connectivity was declining, and that South Africa had one of the most concentrated mobile markets, with relatively high mobile penetration but low usage because the wholesale fixed and mobile termination rates were also very expensive. On the other hand, ICASA also highlighted that in June 2013, the Regulator had developed a Cost to Communicate Programme, designed to address concerns regarding the cost to communicate and stimulate higher competition, with interventions at wholesale level.

Cell C explained that it had the cheapest call rates, charging R0.66 per second for calls made to both its network and other networks at peak and off peak periods. Cell C believed that effective and sustainable competition was needed, and pointed out that the rates of other operators had been forced to decline in answer to Cell C's initiatives.

Telkom said that it was committed to making communications affordable, and said it had consistently reduced call rates, particularly over the last five years. It had also simplified the National Tariff Structure by collapsing local and long distance rates into a single rate, dropping long distance rates. Neotel's briefing noted the impact of current policies and the move to a cost-based model, and examined the short and longer term strategies to lower the cost to communicate. It believed that the 2010 - 2013 termination rate reductions supported greater competition in the market.

Vodacom also noted that there had been a reduction in cost to communicate from 2008 to 2014, and price declines could be expected with further competition. Vodacom added that operators had managed to reduce costs, including investing in network, increasing 3G and 4G coverage, reducing pricing for voice and data and introducing new innovations, MTN highlighted that voice tariffs had decreased in the last six years by approximately 68**%.**

3. Market Overview

BMI-T research shows that connecting over DSL (connection over a telephone line) cost around R12/GB and the "prevailing rate" for mobile broadband services was R50/GB[2].

It was further highlighted that although Government and regulatory interventions have reduced the cost of mobile voice services in South Africa, data costs have generally remained stable according to a 2015 Research ICT Africa (RIA) policy brief. The report states that this is in sharp contrast to data prices in other African countries where there has been a steep decline. RIA measures the cost of a monthly 1GB prepaid usage basket[3].

The institute also considers "value for money" based on an assessment of the quality of service (average download and upload speeds) and the costs. South Africa performs better in terms of this it states: "Although Vodacom and MTN are amongst the more expensive operators in Africa, they fare well in terms of value for money and are among the top 10 operators".

Statistics SA's 2015 "Information and Communication Technology satellite account for South African" reported records that close to 5% (4,6%) of South Africans household expenditure was spent on ICT products (R91,6bn) in 2012. In other words, for every R100 spent by a South African household in 2012, R4,60 was spent on ICT products (including television subscriptions and licences, airtime, broadband access, telephone costs, communication equipment, and media products such as books and newspapers). The bulk of this (R2,90) was spent on telecommunications, broadcasting and information supply services[4].

4. Policy Imperatives

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[2] BMI-T report for the DTPS, 2016

[3] Research ICT Africa, "Consumers benefit from lower termination rates", Policy Brief No 1 2015, http://www.researchictafrica.net/polbrf/Research_ICT_Africa_Policy_Briefs/2015_Policy_Brief_1_Consumers_
benefit_from_lower_MTRs.pdf

[4] http://www.statssa.gov.za/?p=4414

4.1 National Development Plan

The National Development Plan (NDP) articulates that compared with the best international standards, South Africa’s ICT infrastructure is abysmal. Efficient information infrastructure that promotes economic growth and greater inclusion requires a stronger broadband and telecommunications network, and lower prices**.** The economic and employment benefits outweigh the costs[5].

More South Africans use mobile phones (29 million) than listen to radio (28 million). Despite this, growth in South Africa's ICT sector has not brought affordable, universal access to the full range of communications services. The price of services and equipment remains a significant barrier to expanding mobile phone and fixed-line use, with limited network competition further increasing costs[6].

The NDP had also highlighted that evidence suggests that affordable internet access is best achieved through effectively regulated competitive markets, complemented by targeted state intervention.

4.2 South African (SA) Connect

The SA Connect policy articulated that the high prices charged for communications services are identified as one of the primary factors hampering South Africa’s competitiveness

While there is some vigorous competition among mobile operators in the sale of retail mobile data, and some resale by some of the larger Internet Service Provider (ISPs,) there is not significant scope for price competition without serious wholesale access regulation, and service providers tend to focus as a result on their value-added services to complete[7]. The lack of effective regulation of wholesale markets and the inability to provide incentives to operators to share infrastructure means that wholesale

[5] NDP (2010)
[6] NDP (2010)
[7] SA Connect (2013)

broadband has not been widely accessed thus affecting development of service based competition.

SA Connect further articulated that devices such smartphones, laptops, computers, modems, amongst others, can be a significant barrier to broadband adoption, uptake and usage. This is a particular challenge for low-income consumers and for persons with disabilities.

5. Regulatory Imperatives

The Electronics Communications Act (ECA) contains a number of objects that demonstrate a commitment to increasing access to electronic communications services at reasonable cost, including to[8]:

- ensure the provision of a variety of quality electronic communications services at reasonable prices; and
- promote the interests of consumers with regard to the price, quality and variety of electronic communications services.

The Regulator had a prerogative to also institute a chapter 10 enquiry into competition, ICASA was given much wider powers regarding the regulation of competition issues under the ECA than was the case under the Telecommunications Act[9]. The ECA articulated some of the pro-competitive terms, which include but are not limited to[10]:

- Such price controls, including requirements relating to the provision of wholesale and retail prices in relation to matters connected with the provision of –
    - Access, interconnection and facilities leasing; or
    - Electronic communications network services, electronic communications services or any other service offered by the licensee applicable to the relevant market or market segment at issue.

[8] ECA, 2005 s. 2 (m)(n)
[9] ECA 2005 Ch.10.
[10] ECA, 2005, s.67 (7)(h)(i)(ii)

6. Written Submission

6.1 Research ICT Africa (RIA)

RIA is a research network that conducts public-interest research on ICT policy and regulation that responds to national, regional and continental needs. It provides African researchers, governments, regulators, operators, multilateral institutions, development agencies, community organizations and trade unions with the information and analysis required to develop innovative and appropriate policies, effective implementation and successful network operations that can contribute to sustainable development.

This network contributes to the gathering of current ICT data and has established a repository of information to further research and policy formulation. It promotes interaction between researchers and their peers at national, regional and international levels to harmonize methodologies, tools and standards for conducting public-interest ICT policy research.

6.1.1 RIA Submission

RIA's 2016 research shows high levels of access to digital communications, e.g. 87% of people use mobile phone services weekly. But this came at a very high cost as, on average, 22% of disposable income of people earning less than R388 a month is spent on a very limited basket of services including only 7 SMS and 77 minutes of calling time a month. Moreover, 40% of the time the SIM cards do not have airtime making it impossible to use those services. Factors, such as charging the phone's battery and airtime costs added by resellers account for 23,24% of the total expenditure of household's income. Regarding data, 22,2% of the poor people access Internet monthly, but are limited to 25-30 MB a month[11].

MTN is the main operator in the poor community where RIA's research was conducted where with 94% of the users' SIM cards. In general, most respondents were unaware of how much they pay per minute, with only 30% able to report on their price plan. Of those, 92% use MTN Zone, whose dynamic pricing makes it difficult to assess per minute prices. Research suggested that MTN Zone was more expensive than other price plans. This

[11] RIA (2016)

high cost per minute matched calculations with the data collected from participant's phones. On average low-income consumers spent R85 a month on communication services. This is high as the reported individual monthly income averaged R388/month, of which 55% is from government social grants. The social impact of this high cost to communicate was immense: 41,2% of the consumers were sacrificing spending on other items to buy airtime. Of those, 34,.5% cut back spending on essential food items, 16.7% essential items for cooking and lighting, and 2.4% for both[12].

The percentage of disposable income dedicated to communication services shown (22%) is considerably above the 5% that the government is targeting. Additionally, the basket of services this expenditure includes was considerably below both the number of calls considered by the Organisation for Economic Co-operation and Development (OECD) in its low-usage basket (40 calls/month), and the number of voice and data services per month the government targets people should be able to use with the 5% of their disposable income (90 minutes and 500 MB)[13].

Results from the follow-up study conducted one year later (January 2014) showed a very similar picture, with no significant statistical difference. Thus, the effects of a reduction in Mobile Termination Rates (MTR) were not reaching rural communities, who were reluctant to change to cheaper products or providers due to long distance and cost to reach urban centres where portability can be done, and the difficulty to produce the documents required for this.

At a national level, MTN and Vodacom have more than 85% of the market share of those with an individual income of R3000 or less/month. The price of the cheapest Voice and SMS basket for MTN and Vodacom cited in RIA's 2016 Policy Brief, plus the additional expenses of the community under study, show the low-income population spent 22% of their income in electronic communications[14].

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[12] RIA (2016)
[13] RIA 2016)
[14] RIA (2016)

6.1.2 Views on Cost to Communicate

6.1.2.1 Pricing Trends in South Africa

RIA conducted research and measured the cost to communicate by mapping African mobile prepaid pricing trends with a Voice and SMS basket, the RIA 1GB data basket and the Bundled Value for Money Index. Both, the Voice and SMS basket and the 1GB basket methodology calculate the minimum price for consumers in the South African market.

6.1.2.2 Voice and SMS basket

Using the second quarter benchmark analysis, South Africa was ranked 10th out of 49 African countries for the voice and SMS basket. South Africa was behind Kenya and Egypt for better-priced voice and SMS products.

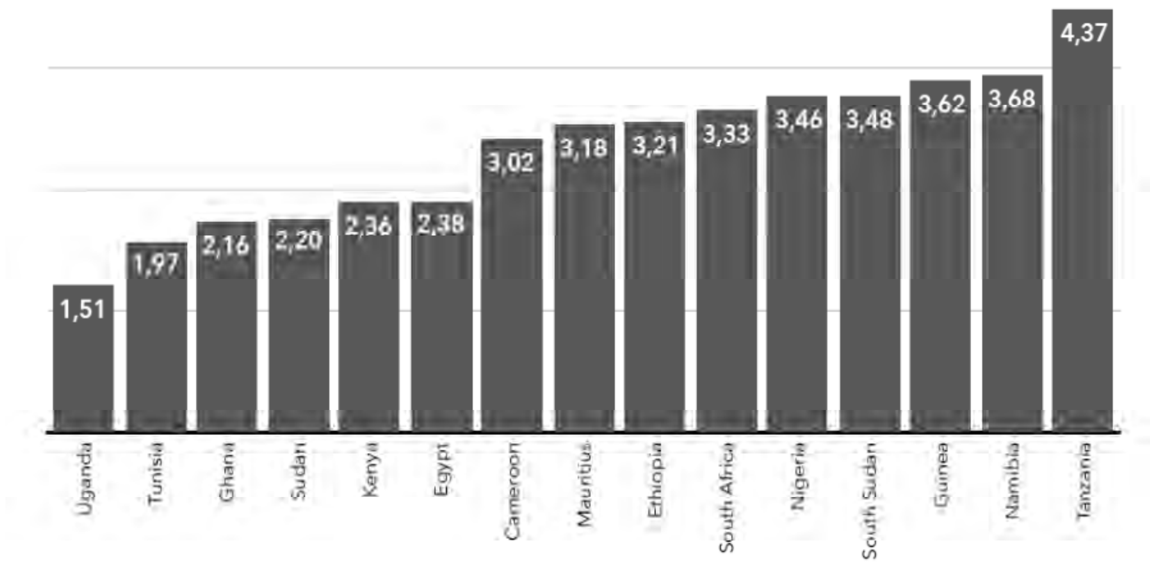


FIGURE 1: Top 15 countries on OECD basked index in (USD) Q2 2016
Source: RIA African Mobile Pricing (RAMP) Index

Telkom Mobile, which traditionally had the cheapest voice and SMS basket in South Africa, has been dethroned by Cell C (see Figure 1). The cheapest Voice and SMS basket would be satisfied by the Mega Bonus R5 reward product. The customer got R10 extra for a R5 recharge leaving them with R15's worth of value (but valid for three days). As the Voice and SMS basket calculation was based on a monthly recharge calculated for 30-day validity, the Mega Bonus product has an airtime value of R150, which costs only R50 for the customer. For consumers willing to recharge R5 every three days for this value, this would be the cheapest product for Voice and SMS basket in South Africa. However, when looking at voice tariff prices, subscribers paid a higher tariff of R1.50 in comparison to R0.66 on Cell C's cheapest tariff.

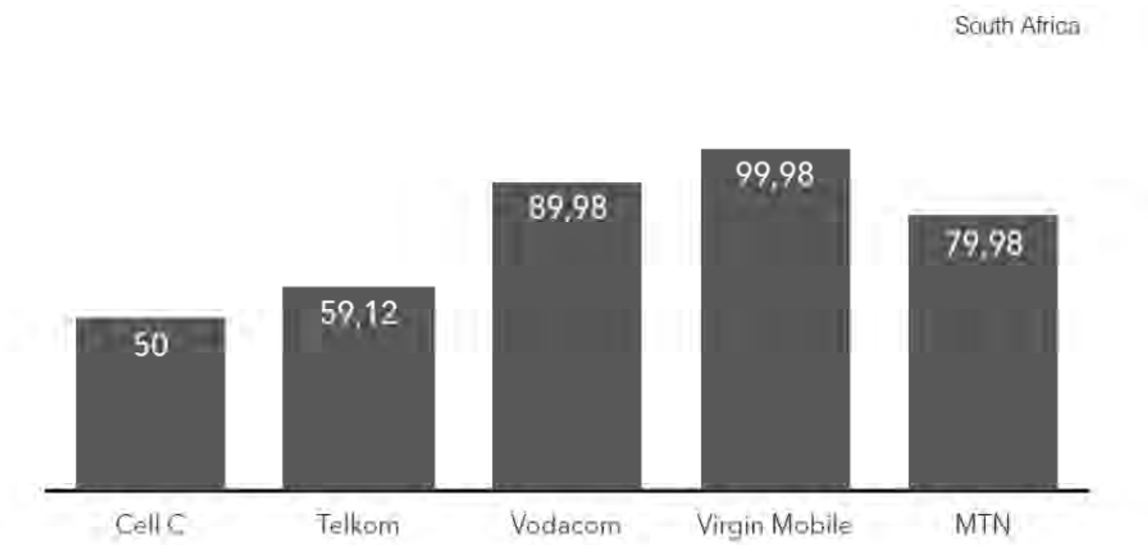


FIGURE 2: VOICE AND SMS BASKET COST TO CONSUMER (ZAR);
SOURCE: RIA AFRICAN MOBILE PRICING (RAMP) INDEX

Cell C's 66cents product has the cheapest flat tariff in comparison to MTN's and Vodacom's cheapest flat tariffs of R0.79. Vodacom's R0.79 is a promotional product[15].

While the cheapest flat tariffs are the same, MTN's cheapest voice and SMS product, Signature R35 monthly, came with R45 inclusive value. Telkom's strategy on the prepaid market had been to undercut on-net and data prices to swing subscribers to the growing prepaid market. Its Sim-Sonke product, with the cheapest on-net tariff of R0.29, made it the second cheapest operator in the Voice and SMS basket comparison (Figure 1). It also has the cheapest 1GB product on the market at R99 per 1GB (see Table 1). At the same time, its 2GB is even cheaper than the price of 1GB offered by other operators at R139. This had resulted in a 37% increase in data revenue due

[15] Vodacom 79c Ts&Cs: http://www.vodacom.co.za/vodacom/terms/promotions/vodacom-prepaid-79c

to a large growth in mobile data traffic[16]. Telkom Mobile experienced a 24% growth in total number of subscribers for the financial year ending March 2016. However, the low-price strategy did not appear to be drawing subscribers in significant numbers.

6.1.2.3 1GB data basket

Regionally, data prices remained expensive in the continent. South Africa's cheapest 1GB data placed it at 16th of out 47 African countries assessed by RIA. Tanzania had
the cheapest 1GB for USD0.89 in comparison to South Africa's priced at USD 5.26 (see figure 3). In comparison to other large markets, Egypt, Kenya and Nigeria had better data prices compared to South Africa.

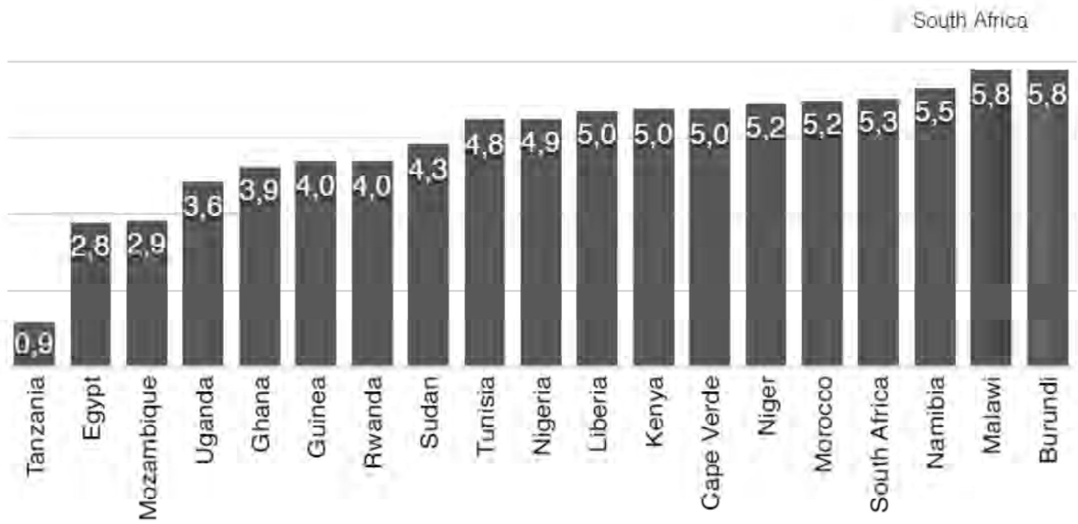


FIGURE 3: 1GB COST TO CONSUMER TOP 20 COUNTRIES (USD) SOURCE: RIA AFRICAN MOBILE PRICING (RAMP) INDEX

The 1GB data basket in the South African market has not seen much change with operators either introducing competitively priced smaller data packs; running promotions that differentiated their data offerings or changing prices for lower or higher data volumes[17]. All operators, except for Telkom Mobile and MTN, advertise 1GB of mobile data for prices around the R150 mark.

[16] RIA Policy Brief no. 2 2016: SA mobile operators wake up as 2020 draws closer http://goo.gl/D5ihdB
[17] Cell C data price increases: http://mybroadband.co.za/news/cellular/167090-cell-c-data-price-increases.html

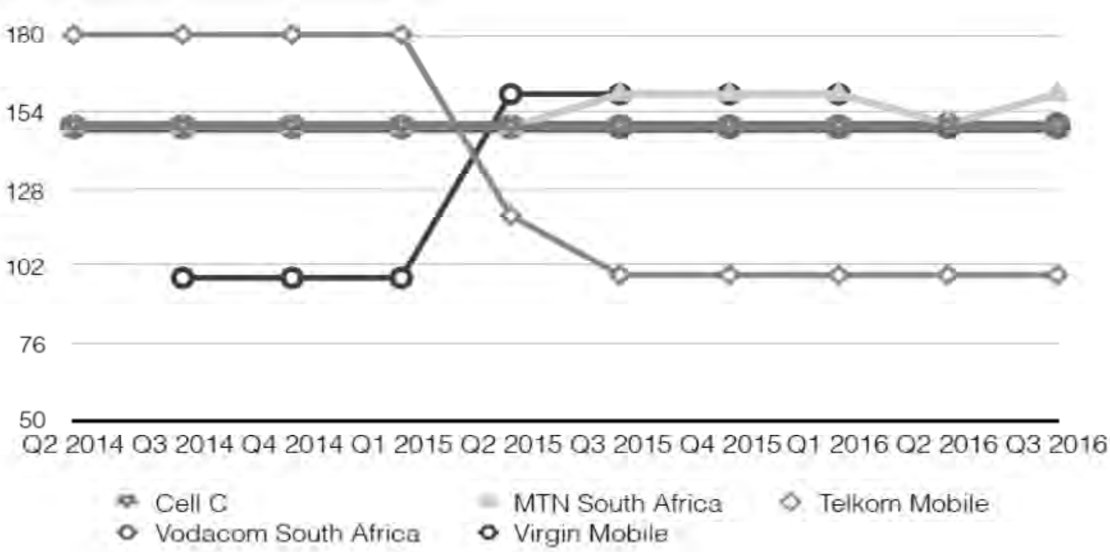


FIGURE 4: 1 GB DATA BASKET (ZAR) Q2 2014-Q2 2016; SOURCE: RIA AFRICAN MOBILE PRICING (RAMP) INDEX

MTN introduced a daily bundle in the last quarter which, purchased daily for a month, would work out cheaper than their monthly 1GB, which drove its cheapest 1GB to R150. The promotional price which had been R5 went up to R6, which if purchased daily would cost R180 a month. Thus MTN's standard 1GB bundle priced at R160 a month, was the most expensive of the 'cheapest priced bundle' on the market, but it offers prepaid customers 50% give-back on that data valid for 15 days. A customer who pays for 1GB will be given back 500MB. Therefore, whilst it was the most expensive 1GB, the reward component offsets the highest price. However, this benefit comes with a limited time validity of 15 days.

South Africa

Table 1: Operator monthly 1GB prices in Q3 2016	Price (ZAR)
Telkom Mobile	99
Cell C	149
Vodacom	149
Virgin Mobile	150
MTN	160

Vodacom’s 1GB offered under the “Just4You" promotion had an advertised price of R79, almost half the price of their 1GB product - incredible value for those using data primarily as text and voice substitutes. As the validity of “Just 4 You” products were customised for consumers, validity cannot be determined for the purposes of basket measurement and was therefore excluded.

6.1.3 Observations

- On average, 22% of disposable income of lower-income households is dedicated to a very limited basket of services (including only 7 SMS and 77 minutes of calling time a month;
- Telkom Mobile, which traditionally had the cheapest voice and SMS basket in South Africa, has been dethroned by Cell C;
- On average low-income consumers spent R85 a month on communication services. This is a considerable portion of an individual’s income, 55% of which derives form a government social grant; and came at a high cost for the government as from the reported individual monthly income that averaged R388/month, 55% of which came from government social grants; and
- The social impact of this high cost to communicate is immense: 41,2% of the consumers were sacrificing on other items to purchase airtime. We don’t

6.1.4 Recommendations to the Minister

- Ensure price transparency by MNOs to empower consumers to make informed decisions when choosing service providers; and
- Ensure that service providers include user guidance and product awareness so they can make informed decisions about buy a product/package that best serves their needs.

6.2 Association of Progressive Communications (APC)

APC’s mission is to empower and support organisations, social movements and individuals in and through the use of information and communication technologies (ICTs) to build strategic communities and initiatives for the purpose of making meaningful contributions to equitable human development, social justice, participatory political processes and environmental sustainability.

6.2.1 APC Submissions

APC submitted that access to communication was widespread in rural communities. Despite limited income levels (+/-R400/month), mainly coming from social grants, consumers spent 22% of disposable income for a limited a basket of communications services (including 7 SMS, 77 minutes of calling time, and 25-30 MB). A year after the reduction in Mobile Termination rates (MTRs) these areas felt no discernable impact on portion of income spent on telecommunications.

APC presented the Zenzeleni Networks Mankosi Ltd which was a fully licensed (PECN/ECSLE) telecommunications cooperative owned and operated by local people that provides free internal calls, and discounted rates to call mobile phones and landlines from a set of public phones spread in the community connected via a network of Wi-Fi access points. On average Zenzeleni consumers spent R85 a month on the communication services resulting on a monthly aggregate of more than R150 000 for the sampled community. In Mexico, the national communication regulator had granted Social Purpose GSM Licences specifically to enable rural community to provision themselves with mobile services.

APC highlighted that the GSM unused spectrum was one of the most effective way to reduce the Cost to Communicate in rural South Africa. Yet, operators with access to that spectrum were either not providing affordable services or were choosing not to make use of it for the modest return on investment expected. A small portion of that spectrum could be designated for Social Purpose GSM operators reusing the PECN/ECSLE model (scheme) granted to Zenzeleni Networks Mankosi Ltd. With current VoIP rates, this would bring the Cost to Communicate to be less than 5% of the disposable income for those at the bottom of the pyramid.

6.2.2 Observations

- GSM unused spectrum is one of the most effective way to reduce the Cost to Communicate in rural South Africa; and
- The percentage of disposable income dedicated to communication services shown (22%) was considerably above the 5% that the government was targeting.

6.2.3 Recommendations to the Minister

- ICASA should promote and facilitate the use of GSM spectrum for community-owned networks or co-operatives, which are often referred to internationally as “social purpose GSM providers”. This will help reduce the cost to communicate for poor communities.

6.3 Wireless Access Providers Association (WAPA)

WAPA, established in 2006, is a non-profit trade association acting as a collective voice for the wireless industry. WAPA’s primary objective is to promote the growth of the wireless industry by facilitating self-regulation, promoting best practices, and educating both members and the market about new wireless technologies and business models. WAPA offers its members regulatory advice, technical training, a code of conduct, a forum for knowledge-sharing and business-enablement opportunities.

6.3.1 WAPA Submission

On the issue of the Radio Frequency Spectrum for access services, WAPA highlighted and commended the work done by ICASA in opening up such bands for use, with particular reference to:

- Investigation of alternative spectrum management techniques such as dynamic spectrum access;
- Reform of the spectrum allocations for the E and V Bands; and
- Consideration of reform of the 5GHz band to allow for more licence-exempt spectrum suitable for the provision of affordable broadband services.

WAPA stated that one of the biggest obstacles its members faced in reducing the cost of communicate was access to, and sharing of, infrastructure the high cost of renting space on high-sites or communications towers. Awareness, construction guidelines and protection of high-sites was of increasing importance to maintain the growth of wireless networks that provide a key backbone to achieving the coverage and reach required to address the SA Connect objectives.

WAPA's core submission was that the discourse around the cost to communicate and access to affordable broadband continues to ignore the more than 500 WISPs providing fit-for-purpose broadband networks and services in rural and hard-to-serve areas. While WAPA recognised that the Wireless Internet Service Providers (WISP) industry was small compared to the incumbent operators in terms of subscribers served, WAPA wished to point out that:

- The growth of the WISP industry was a direct response to the demand from South Africans for affordable broadband services which they cannot obtain from the incumbent operators.
- WISPs provided flexible, reliable and low-cost access for situations where the incumbents cannot. And this was a surprisingly common need throughout South Africa (including in urban and peri-urban areas).
- Identifying WISPs as a crucial component of broadband delivery in South Africa meets a number of national socio-economic objectives with broader application than the electronic communications industry. These include:
    - job creation;
    - entrepreneurship;
    - the promotion of SMMEs;
    - skills transfers;
    - innovation; and
    - the development of local intellectual property.

WAPA advocated for a split between wholesale and retail services. The group believed that the structural separation effected at Telkom by separating out the wholesale division (OpenServe) from the retail division has benefited the entire industry and the South African consumer.

A major and continuing challenge for WAPA members and other independent service providers in South Africa was the refusal of the mobile network operators to offer commercially reasonable wholesale services to any provider other than their own retail divisions. Equitable access to wholesale services under the MNOs does not exist, and they believed that this was probably the single biggest obstacle to reducing the cost to communicate.

The Committee was urged to recognise that interventions designed to combat the negative effects of vertical integration by mandating a split between wholesale and retail components was absolutely critical to lowering the cost to communicate in South Africa.

WAPA's position was that this was not an insurmountable task. The key was to define "open access" so that this was consistently applied across all operators and providers and WAPA suggests that a technical colloquium should be convened as soon as possible for this purpose.

6.3.2 Views on Cost to Communicate

On access to and sharing of infrastructure, WAPA submitted that one of the biggest obstacles for WAPA members in reducing the cost to communications was the high cost of renting space on high-sites or communications towers.

WAPA's core submission in response to this process was that the discourse around the cost to communicate and access to affordable broadband continues to ignore the more than 500 WISPs providing fit-for-purpose broadband networks and services in rural and hard-to-serve areas.

A major and continuing challenge for WAPA members and other independent service providers in South Africa was the refusal of the mobile network operators to offer commercially-reasonable wholesale services to any other than their own retail divisions. WAPA emphasised that the equitable access to wholesale services under the MNOs did not exist, and we believe that this was probably the single biggest obstacle to reducing the cost to communications.

6.3.3 Observations

- WAPA submitted that one of the biggest obstacles for WAPA members in reducing the cost to communications was the high cost of renting space on high-sites or communications towers; and
- A major and continuing challenge for WAPA members and other independent service providers in South Africa was the refusal of the mobile network operators to offer commercially-reasonable wholesale services to any other than their own retail divisions.

6.3.4 Recommendations to the Minister

- ICASA should urgently convene a technical colloquium to determine how the MNOs should implement a split between their wholesale and retail services; and
- ICASA should receive sufficient budget to do this efficiently as well as conduct a Regulatory Impact Assessment on the proposed split.

7. Public Hearings

7.1 DTPS

7.1.1 Presentation

The DTPS noted that supply, demand and regulatory system caused high data prices. Fair competition in the ICT sector was a major contributing factor to combating these. The high cost of building communications infrastructure and low levels of infrastructure sharing by established players also led to high communication costs. The Department highlighted that the National Integrated ICT Policy White Paper proposes measures that aim deliver affordable access to ICT. The Department had also issued policy directives on price transparency among telecommunications operators.

DTPS's presentation highlighted the following issues:

- Problem statement;
- DTPS interventions;
- Mobile Operator tariff plans;
- Data tariffs;
- Wi-Fi project;
- Data depletion;
- Postal tariffs; and
- Cost to Communicate Programme of Action 2016/2017.

The Department outlined some of the interventions which have been implemented to address the high cost to communicate. Firstly, it had implemented regulations on transparency by telecommunications operators on the price of communications. Measures had also been implemented to improve competitiveness in broadband markets, including market reviews and market definition exercises, and enhancing competition among market players with significant market power. It is expected that legislation and regulations to govern the different aspects of the white paper will contribute to the decrease in communications costs. These include the Rapid Deployment Policy, Digital Development Fund, Open Access Policy and g-rate for approved public institutions. The Rapid Deployment Policy has a framework for infrastructure deployment envisaged to reduce bureaucratic bottlenecks of local and provincial governments thus facilitating faster rollout of infrastructure and reducing costs.

7.1.2 Deliberations by the Committee and Stakeholders

Members asked about the regulatory issues in the white paper on the pricing of fixed line infrastructure as nothing was mentioned in the presentation. Members also wanted to know the interventions in place to ensure local loop unbundling as this had been an issue for the last ten years, and not everyone would have fibre access to the home. Members were concerned on whether ICASA had capacity to deal with the interventions proposed by the Department.

The Department responded that fixed line infrastructure was fundamental, and the white paper indicated that the result of the use of infrastructure has a bearing on high costs to communicate. The Department further indicated that the focus will have to move from not only unbundling the local loop but ensuring cost efficiencies and accessibility along the entire value chain which includes, international segment, backbone infrastructure, metro infrastructure and last mile (local loop) infrastructure. The Department will promote service-based competition and encourage infrastructure sharing and costs on the roll-out of infrastructure which exists. It was for the same reason that the department believes that the best way to reduce cost of infrastructure roll-out will be through an open access policy. The department also highlighted that the ICT white paper recommends restructuring ICASA to ensure effectiveness as a regulator.

Members wanted to know whether the Department's goal of universal broadband by 2020 was realistic and raised concerns on whether the government had enough capacity to achieve the broadband targets as outlined in SA Connect. Members noted that the private sector seemed to have enough capacity to ensure a speedy rollout of the broadband networks. Members raised concerns around the use of Postnet by the public as opposed to the South African Post Office (SAPO) even though Postnet services were more expensive. Vodacom was portrayed as the most expensive service provider during the presentation and Members wanted to know on whether all the variables were considered in the analysis given the diverse rages of packages such as contract bundles and device bought. Members questioned the validity of the information and whether this was not done using a very superficial analysis.

The Department responded that the NDP articulates universal broadband access by 2020 and this was still the vision that has to be pursued to ensure its success. There is a lot that has been done and some successes achieved towards the realisation of universal access by 2020. The Department suggested that the ideal approach was for the government and private sector to work together where government comes up with policies that will regulate how the private sector conducts itself. On the use of Postnet as opposed to SAPO, the Department highlighted that Postnet was more profitable than the SAPO and services provided are mainly in profitable places while the Post Office serves the larger population.

On the issue of the most expensive tariffs by Vodacom, Members wanted to know whether the competition commission was doing anything around the pricing model. Members also questioned the price transparency by MNOs and the awareness of the public on what was being charged by MNOs. Members raised concerns that the call for the privatisation of the SAPO might lead to high cost of postal services similar to the Postnet.

The Department highlighted that ICASA promoted competition as a mechanism to control prices. It concurred that the Competition Commission had the capacity to ensure that the sector provides consumers with competitive pricing and services. The department wants to explore the different roles of the two entities to ensure effective price regulation within the sector. It also highlighted that SAPO prices are regulated and thus cannot charge more than a certain level.

Members said that the price of Vodacom’s 2GB bundle was R249, not R169, as shown in the Department’s presentation document. Members sought clarity on the source of information presented by the department on the MNOs tariffs. The Department responded that the information used in the presentation was based on the analysis report by ICASA on prepaid voice and data tariffs and from MyBroadband website.

Members further requested clarity on whether there had been engagement between the Department and the ICT Sector on the issues of cost to communicate and what had been the outcome. Members also wanted to know the other factors that were impeding on the reduction of data costs. Members were also concerned about the roaming costs within the SADC region as the member states had complained about the cost of roaming in Southern Africa.

The Department responded that other contributing factors to the high cost to communicate were the contractual arrangements where customers are locked into long- term contracts which are very difficult to terminate. It highlighted that there had been regular engagement with ICASA on the issue of roaming in Southern Africa and ICASA indicated that there has been a discussion at the SADC level. It was determined that it was a challenge for an originating country to regulate the roaming tariff of a visited country, so SADC decided to intervene at the regional level and seeks to regulate the roaming services.

A member of the public commented that the World Economic Forum (WEF) index and its methodologies on communications costs were problematic. The approach used by the International Telecommunications Union (ITU) showed that these measures were mainly working for developed markets where customers could be billed and activities measured, but this approach does not always reflect a true picture of the developing countries. Access to widespread public Wi-Fi makes it difficult to measure patterns of usage accurately. Accurate information on what customers are being billed is needed. It was suggested that there should be market review around the determination of prices, particularly around the wholesale tariffs, similar to what was done with mobile termination rates.

Another member of the public also suggested that the cost to communicate issue should not be examined only from the perspective of pricing. For example, Telkom and Cell C offered low prices, yet people were not moving in large numbers to their services due to the quality of networks.

Most presenters cited that the delay in allocating high demand spectrum, as well as the delay in migrating to digital broadcasting, aggravated the scarcity of spectrum needed to gain significant number of new data communication customers to drive down prices.

7.1.3 Observations

- Members noted that the government's data cost was significant, but were not convinced that all government services needed to be g-rated. Members suggested that the g-rate should only be applicable to the citizens accessing government services;
- Matrices of the methodology for the communication costs rankings was questioned as to whether they were appropriate for the developing world;
- There needs to be a balance between the cost of services and the quality of service as some of the service providers who offer affordable services tend to have poor network quality of service; and
- The zero-rating of services was also concerning as this might limit the user's experience.

7.1.4 Recommendations to the Minister

- DTPS should urgently allocate high-demand spectrum so ICASA can assign it in the most advantageous way to facilitate widespread and competitive wireless broadband accessibility;
- DTPS should fast-track the finalisation of the Rapid Deployment Policy in consultation with all spheres of government to accelerate network expansion and installation;
- DTPS should ensure the rigour and validity of the data used to benchmark tariffs of the service providers; and
- DTPS should request and adequately budget for a market review to determine wireless prices, particularly wholesale tariffs, similar to what was done with mobile termination rates.

7.2 ICASA

7.2.1 Presentation

The following issues were highlighted in the presentation:

- Overview of ICASA mandate and strategic goals;

- ICT Sector Overview;
- Trends in mobile data prices;
- Status update on data tariffs;
- Status update on voice prepaid tariffs;
- Context of Cost to Communications Program;
- Key cost drivers;
- Update on priority projects for 2016-17;
- Other key considerations; and
- Way forward.

In summary the presentation highlighted that data revenue was growing and surpassing voice revenue, which was a result of the availability of smart end-user devices. Smartphone and tablet penetration was growing by around 30% every year. ICASA highlighted that lack of spectrum availability was one of the major constraints to affordable communication costs.

The ICASA presentation also outlined some of the drivers on the cost to communicate such as customer demands, network quality, innovation and the regulatory framework. The regulatory framework should facilitate reduction in communication costs through enhanced competition, efficient spectrum allocation, infrastructure- sharing models and other economic costs such as energy.

ICASA updated the hearing on projects undertaken for the year 2016-17. These include the identification of specific priority markets, ICT industry indicators, call termination market review and consumer protection. Other key considerations highlighted included the issue of international call termination rates, data expiry and other usage rules, infrastructure sharing and the issue of spectrum. In conclusion ICASA noted that prepaid data showed a decline and that transparency of data and high out-of-bundle rates were still a concern. Furthermore, ICASA intends to investigate the broadband retail tariff in 2017.

7.2.2 Deliberations by Committee and Stakeholders

Members wanted to know what ICASA was doing with the out-of-bundle costs that are perceived to be expensive. Members also wanted to know what ICASA was doing on the perceived threats of Over-The-Top services (OTTs). ICASA indicated that ICT sector was very innovative and there was little the regulator could do now around the OTTs as this was a rapidly evolving trend. ICASA also highlighted that the government will have to provide policy directives and guidance around the OTTs on whether there was a need for regulatory intervention.

Members raised concerns on the expiry of unused pre-paid data and wanted to know if there was any way to determine how much data was lost due to expiry and was there any explanation of why the data expires. Members wanted to know the impact of the impeding economic downgrade on the infrastructure cost and if this will have a direct bearing on the cost to communicate. ICASA responded and indicated the regulator did not know how much prepaid data was lost due to expiry and it would need to engage the National Consumer Commission to assess the number of complaints and amount of data lost. ICASA also highlighted that it had received a number of complaints on the expiry of data in the last few months and there was an ongoing engagement with the MNOs to understand why this was still happening.

Members highlighted that Wireless Business Solution (WBS) recently announced the rollout of the Long Term Evolution (LTE) networks, the impact will this have on the market competition and that these investments should be encouraged. ICASA highlighted that the announcement by WBS was a welcome move and it was good for competition. The government should encourage more of these type of initiatives and enable more new entrants to enter the market.

A member of the public raised a concern that the presentation did not address the high costs of mobile data. He further highlighted that ICASA was mandated to constitute a consumer advisory panel and wanted to know what progress has been made to achieve this. ICASA responded that the Customer Advisory Panel was established but there were challenges on how it supposed to function and the regulations on its establishment and function will be published soon.

7.2.3 Observations

- The regulatory framework must ensure reduction to cost to communicate through enhanced competition, efficient spectrum allocation, infrastructure sharing models; and other economic costs such as energy;
- The Regulator intends to investigate the broadband retail tariff in 2017;
- The Regulator also highlighted that more needed to be done to educate consumers;
- MNOs were experiencing challenges through declining revenue on the traditional voice and SMS services. They need to come with creative solution on how to leverage OTT's innovative offerings;
- Members noted that the limited information provided was of concern to the committee. For instance, ICASA stated that there was a declining trend in data prices and Members had concerns on the benchmark being used;
- Members also noted that there was a need for a better breakdown of the nature of the information presented, including what the respective costs for contract and prepaid packages were, and which one was cheaper;
- Members further noted that the argument had been made that if operators are able to charge lower costs during the night this is an indication that they have the capability to charge lower costs any time of the day;
- ICASA responded and indicated the regulator did not know how much prepaid data was lost due to expiry and will need to engage the National Consumer Commission to assess the number of complaints and amount of data lost; and

- Another member of the public also raised a concern around the proposed cost of the high-demand spectrum that will boost the coffers of the fiscus but wanted to know how the poor were going to benefit from this.

7.2.4 Recommendations to the Minister

- ICASA should study a full map of South Africa to see how different types of spectrum were used and where, because in some areas there was no spectrum crunch across the whole spectrum band.

7.3 Council for Scientific and Industrial Research (CSIR)

The CSIR is one of the leading scientific and technology research, development and implementation organisations in Africa. Constituted by an Act of Parliament in 1945 as a science council, the CSIR undertakes directed and multidisciplinary research, technological innovation as well as industrial and scientific development to improve the quality of life of the country's people. The CSIR was committed to supporting innovation in South Africa to improve national competitiveness in the global economy. Science and technology services and solutions are provided in support of various stakeholders, and opportunities are identified where new technologies can be further developed and exploited in the private and public sectors for commercial and social benefit.

7.3.1 Written Submission

CSIR submitted that the cost to communicate had been steadily decreasing, globally. The average cost of 1 gigabyte (GB) of computer-based or mobile-broadband as a percentage of gross national income (GNI) decreased from 8% to 5,5% approaching the International Telecommunications Union (ITU) target of 5%. In developing countries this decreased from 12% to 8%, and in least developed countries, such as Zambia and Angola, this decreased from 33% to 17%.

CSIR further indicated that in South Africa the lowest cost for a 1GB basket has decreased from $14,06 in quarter 2 (Q2) of 2014 to $8,37 in Q2 2015 to

$5,27 in Q2 2016. However, in spite of South Africa being the first mobile operator in Africa out of the starting blocks, South Africa was still ranked 16th in Q2 of 2016 on the lowest cost for a 1GB basket in Africa ($5.27) with countries like Mozambique costing $2,87 and Rwanda costing $4,03.

CSIR added that, what was not revealed in these national cost summaries was the lack of choice many users have to opt for other lower cost connectivity such as Wi-Fi networks. Urban users can choose between the full gambit of mobile operators or seek out free or lower-cost public Wi-Fi, at internet cafes, libraries or even across whole cities, such as was the case in Tshwane and Cape Town, for more bandwidth intensive use. The lowest cost access reflected in the RIA study was often on a carrier not available in a specific rural area or there may be no coverage at all[18].

7.3.2 Views on Cost to Communicate

CSIR recommendations during the submission focused on new ways to approach spectrum management that underlies mobile and fixed wireless internet provision. CSIR had examined how this could expand broadband access to areas where there was none, increase the choice of access options for users or lower the cost of access, especially for areas with limited broadband coverage such as rural areas. CSIR highlighted that the use of Television White Space (TVWS) will help achieve lower cost to communicate and ensure universal access.

CSIR also highlighted a need for wider choice on other means of connectivity such as the free Wi-Fi connectivity which should be expanded to other areas to enable cheaper of means of connectivity.

7.3.3 Oral Submissions

7.3.3.1 Presentation

The CSIR presentation focused on the following topics:

- Background on South Africa’s connectivity;
- Current status of cellular;

[18] http://www.researchictafrica.net/pricing/ramp_1gb.php

- The success story of Wi-Fi;
- Spectrum usage: history of regulation;
- Dynamic spectrum access – new possibility;
- TV White Space – ideal spectrum for expanding access; and
- Recommendations.

CSIR indicated the importance of new approaches to spectrum management. The presentation further pointed that the mobile phone subscriptions and Wi-Fi networks had grown considerably in the last decade.

On dynamic spectrum access, CSIR highlighted that while operators had raised concerns about spectrum crunch driven by increasing broadband consumption, most usage of spectrum was concentrated in urban areas, while rural areas had plenty of spectrum available. CSIR recommended that there be continued support for new spectrum management such as dynamic spectrum access on a license exempt basis, to support new entrants into the market particularly the small operators. It also encouraged the spectrum sharing concept which advocated that no single entity has an individual licence for that part of the spectrum and was allocated for open use. There are, of course, rules, including technology restrictions and power level limitations, to avoid interference. It also recommended connection of open access network infrastructure to digital hubs such as schools, clinics and libraries in rural and semi-rural areas. This could lower cost to backhaul connectivity due to the aggregated demand.

7.3.3.2 Deliberations of the Committee and Stakeholders

A member of the public asked how spectral space could be shared to also benefit the small rural operators, and if were there other spectral bands where the white space concept could be further explored. CSIR replied that in Mexico there was a network whereby smaller players were allowed to implement the community cell networks in areas where there was no good cellular connectivity. The sharing of spectral space could be done on a licence-shared access model, where a small GSM operator in a rural area could purchase exclusive use to that spectrum when it was not used. This could also be done through a duplicated spectrum database. The re-use of the TV bands with dynamic spectrum following migration to digital broadcasting was the beginning of a longer plan of spectrum re-use in other bands

7.3.4 Observations

- Decrease on cost to communicate on data packages for the last 2 years;
- The re-use of the TV bands with dynamic spectrum access was the beginning of a longer plan of spectrum re-use in other bands;
- Lack of other affordable means of internet connectivity such as the Wi-Fi hotspots in public areas;
- Lack of coverage by other network operators in remote areas which resulted in a limited choice on the available networks; and
- Dynamic Spectrum Access will amplify the growing success of Wi-Fi, provide new opportunities for current operators, bring new operators into the market and help lower the costs of access and allow us to achieve targets we have set in SA Connect.

7.3.5 Recommendations to the Minister

- ICASA to ensure continued support for new spectrum management such as dynamic spectrum access on a licence exempt basis, or occasionally light-licence and Licence Shared Access basis to facilitate new entrants into the market, particularly the small operators;
- Encourage the entrance of new operators into the market, including WISPs, community networks, and co-operatives – especially those that can serve under-serviced areas - ensuring that they have access to appropriate spectrum at an affordable cost;
- Motivate increased spectrum and infrastructure sharing in support of open access models for all infrastructure such as utility poles, ducts and backhaul fibre as well as local loop fibre/copper; and

- Ensure connection of open access telecommunications infrastructure to hubs such as public facilities (schools, libraries and clinics) in poorly serviced areas that new operators can use to lower the cost of backhaul connectivity.

7.4 Internet Service Providers Association (ISPA)

The Internet Service Providers' Association is a South African Internet industry body not for gain. ISPA's include large, medium and small Internet Service and Access Providers in South Africa. Formed in 1996, ISPA facilitates exchange between independent Internet Service Providers, the departments of Telecommunications and Postal Services and Communications, ICASA, operators and other service providers in South Africa.

7.4.1 Written Submissions

ISPA submitted that the core focus of the cost to communicate should be the cost of access to broadband. The following were noted:

- Services such as Voice over Internet Protocol (VoIP) and packages such as the recently announced Telkom FreeMe package reflected that airtime would increasingly be a data product and there were predictions that costs for basic voice services would tend towards zero over the next few years; Progress in this regard had, however, been stifled by the mobile network operators' entrenched practice of contractually preventing VoIP providers from providing VoIP service over the mobile network operators' networks; and
- Furthermore, ISPA referred to the hearings conducted by the Committee into Over-The-Top or OTT services and reaffirmed that OTT services tend towards disrupting the market in a manner which lowered the cost to communicate.

ISPA added that despite high penetration of access devices, affordability was still an inhibiting factor which limits how people use services. ISPA also noted that there were still many challenges relating to facilities-based competition in the fixed-line infrastructure market.

7.4.2 Views on Cost to Communicate

ISPA submitted that there was a need to distinguish between "universal service and access" on one hand, and "universal affordability" on the other. This would be a determination in the affordability of the universal access and ensure access to services.

ISPA also highlighted that a comparison of coverage against uptake unequivocally indicated that there was a significant percentage of the population which was able to access mobile broadband services but could not afford to use such services or used them in a limited manner. This also meant that if VoIP providers were not restricted from providing their services over the mobile networks, they would be able to provide much more affordable options to everyone with mobile network access. It follows that South Africa has(d) an "affordability gap" more than an "access gap". This is due in part to the cost of mobile data and the restriction by the MNOs on the use of VOIP.

ISPA submitted that the promotion of competition in the provision of mobile broadband services should be an explicit priority to reduce the cost of communicate in South Africa.

7.4.3 Oral Submissions

7.4.3.1 Presentation

ISPA said that the focus on the cost to communicate should target the reduction of data costs as voice calls are diminishing. There was also an increase on the use of the social media platforms which has created a huge demand for affordable broadband. The rationale for regulatory intervention in MTR pricing was that call termination was a monopoly: while call origination can be made competitive in numerous ways, there was simply no alternative to terminating a call on the network of the operator which owned the number a caller was trying to reach. It was therefore important that the issue of call origination rates needed to be attended to by the regulator because there was potential for huge profit particularly by large corporations.

ISPA made a distinction between affordability gap and access gap and that South Africa was faced with the affordability gap. Policies should aim to reduce the "affordability gap", defined as the number of people or households who do not access ICT services because they were not able to cover such expenses. ISPA indicated that to cut cost to communicate, the regulator should work on measures that enhanced competition in the market for broadband services. ISPA further recommended that mobile networks move away from vertical integration — they should offer the same quality of service to Internet service providers (ISPs) downstream that they offered to retail consumers.

7.4.3.2 Deliberations by the Committee and Stakeholders

Members indicated that the network operators had made large investment in rolling out network infrastructure. Members therefore queried if it was not justified that the operators have a case to protect their huge investments. ISPA answered that the proposal was not for the networks to forgo the use of their investments in infrastructure, but operators will need to make a better use of the capacity they had to ensure affordable services.

Members noted that use of the small companies will play an important role and asked how their growth can be supported to create sustainable competition. ISPA responded that networks in rural areas had been built up without any assistance. These networks had exploited the gap between the pricing of the incumbent networks and the demand in rural areas in order to provide robust, affordable services in these areas.

Members raised concerns that the issue of competition was emphasised during the presentation and wanted to know what government could do to ensure that competition was not only about maximizing profits and was not harmful to the public. ISPA highlighted that there needs to be a balance between cost and network quality to ensure that reducing the cost of communicate does not compromise quality because the MNOs needed to continue upgrading and maintaining the networks. There would be a need for the regulator to work with the competition commission to protect consumers on pricing and service.

Members wanted to know how wireless loop unbundling would assist in the reduction of cost to communicate. Members also wanted to know where competition would happen on the open access model and how this would help market competition. There were constraints on government resources, and on the basis, how will broadband rollout be achieved. The ISPA responded that the wireless loop was no longer a priority at the moment. The demand was around the high demand spectrum, which was currently occupied by the broadcasters.

7.4.4 Observations

- There are still many challenges relating to facilities-based competition in the fixed-line infrastructure market;
- South Africa had an “affordability gap” more than an “access gap”; and
- Policies should aim to reduce the “affordability gap”, defined as the number of people or households who do not access ICT services because they were unaffordable.

7.4.5 Recommendations to the Minister

- ICASA to investigate the feasibility and impact of regulating a split between the wholesale and retail operations of MNOs, and suggest how this should be done;
- ICASA to investigate the issue of call origination rates to determine a fair pricing regime;
- Facilitate the promotion of competition in the provision of mobile broadband services; and

- Once a competitive mobile reseller market has been established, ICASA should regulate the introduction of wireless local loop unbundling, commonly known as MVNO Regulations.

7.5 Student Representative Council (SRC) representative from the University of Western Cape

7.5.1 Oral Submission

7.5.1.1 Presentation

The SRC president spoke of the challenges faced by students around the cost to communicate. She emphasised that the current generation was digital and conducted many of their activities online. She indicated that students used ICT for various purposes and some of these were the communication between lecturers and students through the use of emails, research, and the submission of academic work. The presentation highlighted that the high cost of end user devices, software and data cost were main challenge to internet accessibility.

She highlighted that the biggest problem was lack of access to affordable devices and reliable ICT infrastructure in public and shared sites such as libraries. One of the other biggest challenges was that number of students who stay outside of campus had no access to Wi-Fi and have to remain on campus until late at night which becomes a personal security risk. The presentation indicated that for smooth academic programme, students needed access to reliable and affordable ICT infrastructure.

7.5.1.2 Deliberations of the Committee with Stakeholders

Members wanted to know if there was a formal engagement with the university around the ICT access challenges for the student community and if there was a possibility to assist students with subsidised end user devices. Members further enquired if the Wi-Fi data was capped for students. The response was that the universities indicated that they could not afford to assist with the hardware for the students due to limited resources. It was indicated that the Wi-Fi in the campus was not capped but always congested due to the high number of users.

Members further requested the presenter to rate the level of access to the hardware and data on the campus. The SRC president highlighted that only 10% of the student body lived on campus and those living off campus have challenges accessing Wi-Fi after-hours so have to buy data to access the internet.

Members also asked how many students have access to computers. Did the National Student Financial Aid Scheme (NSFAS) provide any financial assistance to acquire ICT equipment and are there were any campaigns to access subsidised ICT services**.** She highlighted that there are number of competing priorities and the cost of data was the least to be considered as the students are faced with the issue of tuition fees and day to day welfare. NSFAS did not cover the cost of ICT tools as part of the financial scheme.

Members asked what the impact was on the students' work if they did not have data or were unable to make a phone call. The issue of the safety of students after hours was also raised. The SRC president responded that the students depended on the internet access for course material and email for submission of assignment. The other concern was the safety of the female students working in the library after hours due to lack of Wi-Fi access off-campus.

7.5.2 Observations

- For a smooth academic programme, students need access to reliable and affordable ICT infrastructure;
- The high cost of end user devices, software and data cost were main challenge to internet accessibility; and
- The 10% of the student body lived in campus and those that stay outside campus had challenges to access Wi-Fi after-hours; as a result, they have to buy data to access the internet which was very expensive.

7.5.3 Recommendations to the Minister

- DTPS should to interact with the Department of Higher Education and Training to provide a solution to the lack of internet access at institutions of higher learning.

7.6 Small, Medium and Micro Enterprise (SMME) – TouchCentral

Touch Central is an online radio station and is the voice of trailblazers, the pulse of urban culture and most certainly a voice that has no colour or gender. It is a collaboration between two of South Africa's leading radio and TV personalities – known as T-bo Touch, and Gareth Cliff.

7.6.1 Oral Submission

7.6.1.1 Presentation

The SMME briefed the Committee on the challenges faced by small business in respect of the cost to communicate. It further highlighted that the comparison of data cost between African countries such as Ghana were a cost of 1 Gig cost about R22 whereas it was much more expensive in South Africa at a cost of R142.

The presentation highlighted the following:

- Introduction;
- Objectives of the #datamustfall campaign;
- South African market overview;
- The impact of internet connectivity;
- Time for change; and
- Request to the Portfolio Committee.

The SMME said it was difficult for emerging online businesses to interact and sell products without affordable internet data services. It was important to note that small businesses contribute immensely to the revenue of network operators with not much benefit in terms of reduction of cost in return. The presenter requested that the Members ask the networks to have a discussion around the reduction on data tariffs and pricing strategy.

The SMME highlighted that there were compelling reasons why tariffs must be reduced for affordable cost to communicate. Affordable access to Internet would help reduce the deep-rooted inequalities in South Africa. The SMME emphasised that the #datamustfall movement was not at war with the network operators but wanted to facilitate a discussion around the cost of data. Data prices were indeed on a downward trend, but it was important to accelerate this process to further enable access to internet.

7.6.1.2 Deliberations by the Committee with Stakeholders

Members highlighted that the CSIR had indicated that small companies are using unlicensed spectrum to build networks in the rural areas and wanted to know if Touch Central was able to be involved in rolling out similar networks. The SMME responded and said that there were number of ISPs who were able to rollout networks. It was also said that if the network operators were able to reduce voice tariffs during the early hours of the morning then it should be equally possible to reduce the cost of data tariffs at any time of the day.

Members asked about the Touch Central listenership and in which province was the broadcast and what was the age group. The SMME highlighted that Touch Central had a significant rural audience. It was however difficult to get the exact figures of listenership given the nature of the radio station but there had been an indication that there were about 6 million listeners during the launch of the station. The age demographics of the listenership was mainly people between the ages of 18 and 35 years.

Members asked whether it was advisable to compare cost to communicate of countries with different dynamics and demographics. Some of the countries with the lowest data cost has populations which are way more than South Africa and the population make it possible to have lower tariffs due to huge volumes of subscribers.

Members further wanted to know from the presenters which costs the radio station wanted reduced: was it the cost to the listeners to be able to listen to the station or the cost of providing such a services to the listeners. Members also wanted to know if the station was regulated. The SMME highlighted that some of the counties with cheaper rates such as Ghana have a population half of that of South Africa and a greater number of network operators. The SMME highlighted that the network operators should be paying on-line radio stations as they are bringing more business for the operators. The presenter responded that their content was not regulated.

7.6.2 Observations

- The difficulty of online retailers in interacting and selling products without affordable internet data services;
- Small businesses contribute immensely to the revenue of network operators with not much benefit in terms of reduction of cost in return; and
- Some of the countries such as Ghana have the population half of South Africa and more number of network operators and still able to offer affordable data packages when compared to South Africa.

7.6.3 Recommendations to the Minister

- Should encourage the network operators to engage SMMEs to have a discussion around the reduction on data tariffs and pricing strategy in order to enable growth for these small businesses.

7.7 Alliance for affordable Internet (A4AI)

The Alliance for Affordable Internet is the world's broadest technology coalition. Launched in 2013, A4AI has more than 80 members from the public sector, the private sector and civil society, including national governments, civil society actors and some of the world's largest technology companies. These diverse members have united around a common belief that universal access to affordable internet was essential for sustainable development, and that policy and regulatory tools are needed to drive progress.

7.7.1 Written Submissions

Alliance for Affordable Internet (A4AI) in its submission suggested that the government should continue to prioritise the universal and affordable services, and should weave affordable and equal internet access targets and interventions across all ICT and telecom priority policy areas. A4AI further highlighted that the South Africa ranks 19th of 51 emerging and developing countries considered by A4AI's 2015 Affordability Drivers Index (ADI). A4AI recommended the use of policy to improve the country rankings on affordability.

Income inequality means that internet access remains unaffordable for most South Africans, with a basic mobile allocation costing 6 - 19% of monthly incomes, the organisation suggests the following interventions:

- Refine reporting to consider income inequality specifically;
- Expand public access programmes; and
- Investigate innovative solutions, including community-owned networks.

A4AI highlighted the gender imbalances with regard to women access to affordable internet and the following was suggested:

- Set and report on explicit targets for bringing women online;
- Prioritise investment into public access programmes that serve women and girls;
- Commit to collecting and reporting sex-disaggregated data and most importantly, to integrating a gender perspective in all measuring efforts by introducing gender indicators in their surveys and data collection activities; and
- Develop gender-specific policies with clear, measurable targets. These could include prioritising public access programmes that target spaces valuable to and used by women and girls.

A4AI noted the level of inequality as one of the factors that exacerbate lack of access to services and the following recommendations are submitted:

- Ensure reporting on affordability was broken down by income levels;

- Recognise that market-based solutions must be augmented with investment in public access programmes;
- Remain open to innovative solutions to meet the connectivity challenge, such as community-owned networks, dynamic spectrum allocation, and provision of a basic community based network; and
- Wi-Fi allowance (such as was currently the case in some areas of Tshwane).

7.7.2 Views on Cost to Communicate

A4AI highlighted that the universal access to affordable internet delivers social and economic benefits, and is essential to meet South Africa's international and domestic policy commitments.

A4AI further highlighted that countries that do well on the ADI also tend to have lower broadband prices for their citizens, and are likely to be able to drive prices down further and faster in the future

A4AI had indicated that the Income inequality meant that internet access remained unaffordable for most South Africans, with a basic mobile allocation costing 6 - 19% of monthly incomes, well above the United Nations benchmark of 5% maximum. Women are less likely than men to be able to get online affordably.

7.7.3 Oral Submissions

7.7.3.1 Presentation

A4AI made the presentation on behalf of the Alliance for Affordable Internet and highlighted the following issues:

- What was A4AI;
- Why does affordable internet matter for South Africa;
- Comparison with peers;
- Income inequality masks the true picture; and
- Women and the Web.

A4AI highlighted that some of the objectives of the organisation was to drive the cost of broadband by influencing policy and regulatory frameworks. The organisation believes that the right policies and regulations need to be in place in order to reduce the cost structure of the industry.

The presenter highlighted that the Sustainable Development Goals advocated for access to affordable internet in least developed countries by 2020 with a target of no more than 5% of average monthly income. The African Union (AU) Agenda 2063 articulated that people should have access to all the basic necessities of life including shelter, water, sanitation, energy, public transport and ICT.

A4AI further indicated that South Africa was one of the countries with an income inequality and internet access was not affordable thus there was a need for reporting to be broken down by income groups, public access programmes need expansion and innovative solutions including community-owned networks should be investigated. The gender inequality on the affordable internet access was also discussed and indicated that policies were needed to address the imbalances. The survey has highlighted that 37% of women surveyed were internet users compared to 59% of men. The identified barriers to lack access to internet by Women was the price and lack of education. The solution was to have a clear policy intervention with measurable indicators to monitor progress on Women empowerment on ICT issues.

7.7.3.2 Deliberations by the Committee and Stakeholders

Members wanted to know what exactly was measured to ensure affordability as the research ICT Africa findings came up with 22% of average income for 1Gb of data and A4AI said it was 6% and 19%. Members also wanted to know the specific regulation that needed to be followed by the government to ensure equitable access to internet. A4AI responded that there were various ways to ascertain the income profile of various consumers for the purpose of research where affordability could then be analysed for each group. On the response to the question around the discrepancy it was indicated that for the low-income earners the 22% income spend on telecommunications could apply.

Members further highlighted the income inequality and wanted to know (on) whether A4AI had also involved the labour movements as they were experts in the area of remuneration. Members raised concerns that the report was a true reflection of gender inequality. A4AI replied that they were yet to work with trade unions but will purpose the collaboration in the near future to lot of interests from working class.

Members wanted to know if India was part of the countries surveyed as they had number of similarities with South. A4AI highlighted that India was part of benchmarking and had a score of 40.12 out of the total of 100 countries and this meant that South Africa was doing better than India. The total number of samples was 10 countries with a total 1 000 participants where there were 250 men and the rest were women.

Members requested that A4AI elaborate on the community based networks. Members also wanted to know why was cost in South Africa higher than other African countries as pointed in the RIA submissions. What are the actual cost drivers? A4AI responded that the problem was multifaceted and there were number of factors which contributed to the high cost. The state intervention through policy and ensuring competitive market are some of the factors which will ensure that the poor have access to broadband services.

7.7.4 Observations

- The identified barriers to lack access to internet by women was the price and lack of education;
- Internet access remains unaffordable for most South Africans, with a basic mobile allocation costing 6 - 19% of monthly incomes, well above the United Nations benchmark of 5% maximum. Women are less likely than men to be able to get online affordably;

- Countries that do well on the ADI also tend to have lower broadband prices for their citizens, and are likely to be able to drive prices down further and faster in the future;
- Universal access to affordable internet delivers social and economic benefits, and was essential to meet South Africa's international and domestic policy commitments; and
- The gender inequality on the affordable internet access was also noted and it was indicated that policies were needed to address the imbalances.

7.7.5 Recommendations to the Minister

- Ensure the use of policy to improve the country rankings on affordability;
- Ensure reporting on affordability was broken down by income levels. Recognise that market-based solutions must be augmented with investment in public access programmes;
- Remain open to innovative solutions to meet the connectivity challenge, such as community-owned networks, dynamic spectrum allocation, and provision of a basic Wi-Fi allowance (such as was currently the case in some areas of Tshwane);
- Ensure commitment to collecting and reporting gender-disaggregated data and most importantly, integrating a gender perspective in all measuring efforts by introducing gender indicators in surveys and data collection activities; and
- Ensure the development of gender-specific policies with clear, measurable targets. These could include prioritising public access programmes that target spaces valuable to and used by women and girls.

7.8 Right to Know (Right2Know)

The Right2Know Campaign launched in August 2010 and had grown into a movement centred on freedom of expression and access to information. Right2Know is a democratic, activist-driven campaign that strengthens and unites citizens to raise public awareness, mobilise communities and undertake research and targeted advocacy that aims to ensure the free flow of information necessary to meet people's social, economic, political and ecological needs and live free from want, in equality and in dignity.

7.8.1 Written Submissions

As a campaign that advocates for every South African's right to communications Right2Know did not believe people should have to negotiate between putting food on their tables and accessing communication technologies. However, this negotiation was not often present in discussions about the cost of communicate. Understanding how South Africans experience the struggle to afford airtime, data or access to the Internet was a way to demonstrate the "true" cost of communicate and advocated for policy and community action that upholds the right to communications.

Right2Know also said that many people made real sacrifices, for example some consumers would prefer to buy airtime than to buy bread, or share money. They felt they must "lose something" (i) because communication was necessary and (ii) there was no easy alternative way to communications. Consumers believed it would be beneficial to have very low prices for calls (for example 1c per minute) in a small geographic radius covering a small community, thus reducing the cost to communicate.

Right2Know further submitted that price packages should be set at a level that enables communities to be connected through low priced Internet because connecting through Facebook requires more data bundles than can be used for R12, a typical daily amount available for Internet access.

Right2Know also submitted that the effect of free airtime was to get people to constantly buy airtime every day, because airtime was attractive but constantly depleted. Free airtime wasn't free. Consumers bought free airtime and experienced limited usage and limited value. "Free" airtime was a driver of consumer behaviour, pushing continual topping up, which effectively constituted experiencing access at the margins of the communications market. Right2Know highlighted a perception of “free airtime” as a ruse and this was not a free service.

One of the other major concerns from the submission of Right2Know was the cost benefit of the smart phones and had this benefited the poor households. A key area of concern was the constant promotion of new smartphones. The complaint was that smartphones were constantly being promoted to replace the previous series, but consumers were not guided with respect to the benefits of the applications. Consumers bought smartphones in response to advertising, but were not clear on the value they were getting. When consumers bought a smartphone, it required additional funds to pay for the Apps, which many cannot afford, thus owning the smartphone became pointless. Furthermore, consumers were opening accounts at retail stores unnecessarily in order to get the smartphone at what was perceived to be a lower cost.

Right2Know also highlighted lack of competition as a serious barrier to the reduction for cost to communicate. Costs to consumers were high by world standards.

Right2Know proposed alternative solution for the reduction on cost to communications. Steady advances in telecommunications technology meant that the once-high capital costs of creating a network were now only a fraction of what they once were. The most significant entry barrier remaining was paperwork – obtaining licenses and entering into contractual relationships.

Right2Know highlighted that Zenzeleni Networks Mankosi Ltd. was an ICASA-registered telecommunications provider owned by a cooperative which was registered as an enterprise by the Department of Trade and Industry. It provided its members, who were rural and poor, with free local calls and half-price calls to other networks. It was also in the process of connecting local schools to the internet. When it sought better connectivity between its network and the rest of the world, it faced a demand from

Telkom's wholesale fibre provider for a non-refundable deposit of R10 000 before pricing was revealed.

Right2Know concluded by indicating that if South Africa was to transition effectively towards experiencing digital futures in health, education and work; to transition towards living in "smart cities"; to see e-transformation influence social and economic development; then the participation of citizens in low and very low-income households such as digital future and transformed social and economic environment should be constantly monitored and understood.

7.8.2 Oral Submissions

7.8.2.1 Presentation

Right2Know made introductory remarks and welcomed the invitation on behalf of the Right2Know to make the presentation to the Committee. The presentation highlighted the following issues:

- Introduction and outline;
- The right to communications;
- Campaigning for the right to communications;
- The lived costs of communications;
- Zenzeleni Networks "Do it by ourselves";
- Reducing the cost of communications and more;
- Solutions: Fostering alternatives; and
- Further solutions.

The presentation highlighted number of issues around the difficulties on the reduction of cost to communications. The group indicated that they have conducted researched work and material such as alternative to Privatised Telecoms and The Lived Costs of Communication would be able to assist on the interventions on the data and voice tariffs.

The Right2Know emphasised the importance of owning a cell phone and (being able to make call such as) calling the police and medical services during emergencies. The presentation also indicated that it was important to have access to broadband services to be able to apply for things such as employment.

Lack of reliable broadband services. This makes it very difficult to communicate with spouses who have migrated to the cities to find employment. The presentation highlighted that most of the consumers used their social grant money to buy airtime.

Right2Know explained that the Zenzeleni Networks LTD. was a small consortium registered with Department of Trade and Industry and fully licensed by ICASA. Zenzenleni Networks Mankosi Ltd. was a fully licensed (PECN/ECSLE) telecommunications co-operative owned and operated by local people that provides free internal calls, and discounted rates to call mobile phones and landlines from a set of public phones spread in the community connected via a network of Wi-Fi access points. The network was rolled out in the Mankosi Township in the Eastern Cape. All the on-net calls were free of charge and the off-net calls were almost half the price of the normal call charges. The cost of data was also a tenth of the market price and there also planned to extend connectivity to the schools for internet access. The model was easy to adopt and replicate to other areas.

The Zenzeleni Networks Mankosi Ltd. was about providing the alternative and in the mid-term to make GSM spectrum available in a primary or secondary basis. The solution was also planned around service-based competition with small players acting as resellers of services. One other solution was to ensure seed funding was made available to social purpose operators.

7.8.2.2 Deliberations by the Committee with Stakeholders

Members wanted to know if the figures presented on the rollout of the GSM network were correct as they had encountered a figure of R41 million to provide a network as against the R100 000 highlighted on the presentation. Members also wanted to know the speed of the internet on this community based networks. Right2Know responded that the cost of implementing GSM networks had gone down considerably and it was much cheaper to rollout the equipment. The range of the distance coverage depended on the base stations and this determined the equipment and implementation cost. The capital cost of R100 000 was able to rollout a network that could cover 10 square kilometers. The network speed was between 1Mb/s to 3Mb/s.

Members indicated that the presentation highlighted the plight of the poor and some this stories were heart breaking. Members added that the role of ICASA was key to ensure that consumers were protected. People had the rights to know how much the network operators were charging. Right2Know responded and said that one of the things being done to ensure sustainability was to train local community members on the running and maintenance of the networks.

Members wanted to know if these small community-based networks were sustainable and could self-provide. Right2Know responded and said that one of the things being done to ensure sustainability was to train local community members in the running and maintenance of the networks.

Members of the public wanted to know what the lowest cost was that the GSM spectrum can achieve on the cost to communicate. Right2Know said that the current prices were R90 for 30 calls on the MTN and Vodacom networks and the VOIP network calls were R10 on-net and some of the calls were free.

Members wanted to know what the affordable cost was to communicate based on the study conducted in the community. Right2Know indicated that studies have shown that most people spend 22% of their income on communication costs. Most of the community members were unable to use the cheapest networks such as Cell C and Telkom Mobile as they are not available.

7.8.3 Observations

- Understanding how South Africans experience the struggle to afford airtime, data or access to the Internet was a way to demonstrate the "true" cost of communicate and advocated for policy and community action that upholds the right to communications;
- Most of the consumers used their grant money to buy airtime in order to make calls and most of the time they cannot have access to airtime of other network operators depending on which network works better in the area;
- Members raised the importance of hearing stories such as the one being presented where the poorest of communities were given a platform to voice their needs and the efforts the communities had undertaken to uplift themselves;
- It submitted that the effect of free airtime was to get people to constantly buy airtime every day, because airtime was attractive but constantly depleted.
- Indication that the studies have shown that most people spend 22% of their income on communication costs;
- Most of the rural community members were unable to use the cheapest networks such as Cell C and Telkom Mobile as they are not available due to limited coverage; and
- Consumers bought smartphones in response to advertising, but were not clear on the value they were getting. When consumers bought a smartphone, it required additional funds to pay for the apps, which many cannot afford, thus owning the smartphone became pointless.

7.8.4 Recommendations to the Minister

- Ensure that the barriers to market entry for small companies are removed and the process of obtaining network licenses and entering into contractual relationships was simplified;
- Ensure proper audit of GSM spectrum in the rural areas and reallocate the unoccupied GSM spectrum for the rollout of social purpose networks;

- Ensure that the playing field is leveled through fair market competition for sustainability of small players; and
- Ensure a discussion with Department of Trade and Industry for seed funding to be made available for startups of social purpose network operators.

7.9 Vodacom

7.9.1 Views on Cost to Communicate

Vodacom said that it remained committed to price transformation and emphasised that cost to communicate will be reduced by (investing to) creating capacity for more traffic and also extending high speed data reach to ensure world class network experience. Vodacom (also) believes that prices must be transformed to offer more value for money. It had committed to innovative packages by providing bundles for low end users with reduced prices. Vodacom also recommended simplified prices and improve price transparency to empower consumers to make informed decisions. The old tariffs must be retired and migrate to better value. Cost control would also very key and delivering cost and process efficiency must be prioritised.

7.9.2 Oral Submissions

7.9.2.1 Presentation

Vodacom made opening remarks and concurred with RIA in terms of the issue of the price benchmarking presented by the Department the previous day. Vodacom also shared the sentiments that the international benchmarking was problematic and not always a true reflection of what was happening in some of the developing economies. The importance of affordable pricing was emphasised, and also the ability to manage prices, access and quality.

Vodacom presentation highlighted the following issues:

- Price transformation journey continues;
- Transform fixed dedicated internet access prices;
- Improve transparency;
- Empower South African to move forward;

- DTPS comparison;
- Comparisons and NDP;
- Data transformation can improve;
- Data growth and cost control; and
- Concluding thoughts.

Vodacom added that it continued investing in network expansions to create more capacity to cater for more traffic on the world class network and offer a higher speed data rate. Vodacom transformed prices by offering more value, creating bundles for low end users and reduced prices in the process.

Vodacom further highlighted that the company's capex was estimated at R8,7 billion for the current financial year and the national network coverage was currently at 99% for 2/3G networks. The number of network dropped calls had been reduced and network quality improved with download speed at 23Mb/s compared to about 18Mb/s of other networks.

Vodacom further presented that data strategy was made of four pillars which are: internet everywhere, right type of devices to access internet, affordability and access to be able to consume what has been provided. The four pillars have resulted in a 22% increase in the data devices. In 2012 an active smart device cost R999 and in 2016 that cost had been reduced to R399 which was 60% less in a period of 5 years.

Vodacom spoke about various bundle strategies to try and simply pricing. Significant progress was also made towards the prepaid voice and data by reducing voice pricing and stimulating bundle adoption. Vodacom has also moved the contract bundle into hybrid plan.

Vodacom also noted the inaccuracies on the DTPS tariffs amongst the service provider that pointed out Vodacom as the most expensive. The DTPS model had omitted some of the prepaid affordable plans such as the Vodacom Prepaid R0.79 flat call rate offering. ICASA had highlighted during the media release on the tariff report that the actual cost of a voice call faced by a consumer was not necessarily the headline tariff but a combination of free minutes and discounts offered based on the recharge amount, promotions and bundles.

It indicated that the network capacity was constrained due to difficulty in implementing new technologies such as 4G/LTE because of a lack of additional spectrum. There was limited scope to increase capacity through site densification and reframing of spectrum.

7.9.2.2 Deliberations by the Committee with Stakeholders

Members wanted to know the source of the information on the tariffs from the DTPS presentation and the reason why there was an objection from the operators that the information was incorrect.

ICASA confirmed that the information on the report was provided by the network operators. It had to be pointed out that these were headline tariffs and did not take into consideration of the promotional bundles offered by the operators. The published tariffs were the maximum tariffs payable by the end users.

Members wanted to know the different dynamics of doing business in the continent compared to South Africa. Vodacom responded and indicated that the answer to the question was not straight forward as it was about the costs and how much the operation was going to spend in that country.

Members wanted to know whether Vodacom had conducted a research or customer evaluation that showed an uptake on the smart phone and further enquired whether the R399 was the total amount paid for the phone as well. Vodacom responded that there has been a 141% increase in smart phone users. It further indicated that the R399 was a once off price for the Vodacom branded device in partnership with Vodafone.

Members wanted to know the actual strategy for Vodacom to reduce cost to communicate. Vodacom answered and said that Vodacom had a promotion called Just4You running which was customised based on customer buying behaviors.

A member of the public highlighted that there was no effective market competition throughout the country as some of the mobile operators did not have network coverage in other parts of the country. There have been number of network reviews but none have been made public and implemented. She wanted to know Vodacom's view on community shared networks and wholesale access. Vodacom responded that spectrum remains the biggest bottleneck to the expansion of infrastructure and that wholesale access could not be provided. There will be a need for an evidence-based research in order to ascertain the viability of wholesale open access.

Another member of the public queried the out of bundle rates. He wanted to know the reasoning for the out of bundle pricing. Vodacom replied that the out of bundle billing gave network an opportunity to provision for out of bundle uncertainty.

Another member of the public advised that the end users will need to be more realistic on cost versus quality as the network operators need capital in order to invest in the network infrastructure to maintain the network quality. He asked Vodacom why they are not providing free Wi-Fi for university students since they sometimes risk their lives to access places of internet access. Vodacom answered that the issue of the spectrum was a big constraints and the provisioning of the free Wi-Fi to the universities will be a huge challenge without the frequency spectrum.

Members emphasised the importance of ensuring that the presented data was reliable and with integrity. Members wanted to know if the school material mentioned on the presentation was for primary or high school. Vodacom indicated that the material was for learners between grade 4 to 12.

7.9.3 Observations

- Call for price transparency so that end users can be empowered to make informed choices when it comes to the choice of service providers;
- Lack of market competition remained a major stumbling block for reduction on cost to communicate;
- The end users will need to be more realistic on cost versus quality as the network operators need capital in order to invest on the network infrastructure to maintain the network quality; and
- The lack of additional spectrum remains a huge stumbling block for growth and reduced cost to communicate.

7.9.4 Recommendations to the Minister

- Ensure access to additional spectrum is given the highest priority;
- Ensure less cumbersome process to obtain approval to build new sites;
- Ensure alignment of policy in different municipalities on the application and granting of way-leaves;
- Ensure reduced lead times to obtain AC power connections to new sites; and
- Ensure one-trench policy where municipalities require all ECN providers to confirm intention of use for a period of 5 years before approval was given.

7.10 MTN

7.10.1 Views on Cost to Communicate

Some of the major factors contributing to the cost to communicate are the cost of electricity and the timeframe to complete an implementation of a base station. If the operators could get access to pieces of land and electricity much quicker, business operations would also improve and network infrastructures improved and this will ensure accessibility to services at affordable cost.

7.10.2 Oral Submissions

7.10.2.1 Presentation

MTN stated that the telecoms market was maturing. South Africa is a highly competitive market, and customers have a wide range of access to services.

The presentation highlighted the following issues:

- SA mobile market overview;
- MTN business realities;
- Mobile pricing and affordability; and
- Conclusions.

MTN highlighted that the company was operating in a very competitive market with aggressive pricing rates. It further highlighted that customers had access to variety of services and the market was at a point of saturation. He added that for the past three years MTN had invested R22 billion in capital expenditure.

MTN further highlighted that data demand had continued to explode and as a result of spectrum constraints more investment was required because more equipment was needed to be rolled out to maintain network quality. Voice revenue was declining fast but was substituted by data revenue. MTN added that because of this explosion in data traffic the company was forced to do densification by rolling out more base stations because of lack of additional spectrum.

MTN also highlighted that the reality was that the external pressures continued to drive costs up. The cost of doing business was immense as the network equipment was priced in US dollars. About 40% of capex budget was eroded due to currency volatility.

MTN had undertaken measures to control costs and optimise its operations in order to maintain cost to communicate:

- Vehicle and fleet optimisation;
- Staffing and employee benefits optimisation;

- Reduction on commission cost;
- Encouraging the general culture of cost control; and
- Market spend reduction.

MTN added that the organisation had made a lot of strides to ensure affordable voice and data tariffs by reducing these by 58% and 73% respectively in the last five years. It added that for the last three years MTN had reduced the cost to communicate by an average of 60%.

MTN was committed to providing reliable cost effective communication services and ensuring the digital divide was bridged. MTN continued investing in the infrastructure to maintain and improve quality. The presentation further highlighted that it was very difficult to ensure coverage in the rural areas due to the limited availability of roads and electricity. It highlighted that the biggest growth was in data and this could be addressed by incentives to investment and allocation of the much-needed spectrum.

7.10.2.2 Deliberations by the Committee and Stakeholders

Members wanted to know if the release of spectrum would bring down MTN's capital expenditure and cost to consumers. Also would the concept of a national broadband network be the same especially if government administered it? MTN responded that some of the major factors contributing to the cost to communicate are the cost of electricity and the timeframe to complete the establishment of a base station.

A member of the public asked about the possibility of leasing of base stations and if it was in fact possible or was MTN referring to towers. He further wanted to know the benefit between dynamic pricing and flat rates and whether consumers were informed enough to draw a distinction. MTN responded that the company leases the passive infrastructure and not the active infrastructure such as base stations but only the space in the towers and storage place.

Another member of the public asked for clarity on the approach and the methodology used to calculate affordability. MTN highlighted that they had used GSMA calculation guidelines while other operators had used gross national income (GNI). The government would have to use the best policies to determine affordability as the tariffs for both data and voice were still high for the greater population in the country. MTN responded that had just received a research paper on affordability. Prices had indeed come down by 56% and MTN was trying to manage the cost of doing business. There was an upfront buying of foreign currency and locking it into capital investment in order to minimise the risk of currency fluctuations.

Member wanted to know the drivers on cost and tariffs reduction. MTN highlighted that number of factors will need to be considered such as different tariff plans as the market evolved. It was previously pay as you go but now consumers had a wider range of products to choose from and this has driven cost down

Members wanted to know what incentives MTN was referring to in their presentation.

MTN replied that services such as roads and electricity need to be more accessible when building base stations, especially in rural areas. If the operators could get access to pieces of land and electricity much quicker, business operations would also improve. The Universal Service and Access Fund will need to be used effectively to drive demand and supply.

Members asked MTN to outline its social responsibility and the progress made. MTN responded that MTN Foundation had invested R700 million over a period of 10 years towards health, education and community projects.

Members highlighted that the responsibility was with ICASA to ensure an implementation of guidelines and benchmarks on affordability so that the Committee could understand what exactly was meant by affordability.

7.10.3 Observations

- Factors contributing to the cost to communications are the cost of electricity and the timeframe to complete an implementation of a base station;
- The biggest growth was in data and the costs of this could be addressed by incentives to investment and allocation of the much needed spectrum;
- The cost of doing business was immense as network equipment is priced in US dollars. About 40% of MTN's capex budget was eroded due to currency volatility;
- The government would have to use the best policies to determine affordability as the tariffs for both data and voice were still high for the greater population in the country;
- Prices on cost to communicate had come down by 56% and there was still room for further reduction;
- The Universal Service and Access Fund will need to be used effectively to drive demand and supply;
- Consumers had number of products and packages to look at and this had further driven down the cost to communicate; and
- MTN Foundation had invested R700 million over a period of 10 years towards health, education and community projects.

7.10.4 Recommendations to the Minister

- Ensure incentives such as facilitating easier access to roads and other passive infrastructures for network operators to be encouraged and build infrastructures in less lucrative rural areas;
- Ensure an implementation of guidelines and benchmarks on affordability so that the Committee could understand what exactly was meant by affordability; and
- Ensure implementation of the Rapid Deployment Guidelines to reduce the time taken to rollout infrastructure such as base stations, remove barriers to investment.

7.11 Cell C

7.11.1 Views on Cost to Communicate

Cell C highlighted that the cost to communicate was largely due:

- Duplicate of infrastructure;
- Barriers to network deployment;
- Import duties;
- Foreign currency dominated equipment;
- Volatile exchange rate; and
- Economies of scales.

7.11.2 Oral Submissions

7.11.2.1 Presentation

Cell C highlighted the following issues:

- The competitive environment;
- Importance of challenger networks;
- What has ICASA done;
- What has Cell C done to keep prices low;
- Prepaid cost to communicate: The Cell C effect; and
- Initiaves to support challenger operators to continue leading the consumer agenda.

Cell C explained that the high costs to the industry was as a result of duplication of infrastructure, barriers to network deployment, import duties and foreign currency denominated equipment. Also the volatile exchange rate played a role as well as the economies of scale. With regards to market conditions, the market was still dominated by MTN and Vodacom and although Cell C had increased subscriber share, there was little gain in revenue share since 2014. Market conditions were imperfect so there was not enough consumer choice in products and prices. Strategies of on-net and off-net price discrimination and lack of transparency persisted, making it difficult for the ordinary consumer to know what actual call prices were.

Cell C emphasised that the sustainability of smaller operators that ultimately benefit consumers relied on continued pro-competitive regulatory support.

Some of the initiatives that Cell C had implemented to reduce the cost to communications were to introduce WhatsApp bundles which launched in September 2015 to give customers access to full WhatsApp for 30 days for only R7,50 capped at 1.2GB. Another initiative was Wi-Fi calling launched in October 2015 which enables customers to make Wi-Fi calls locally and while roaming internationally.

With regards to data costs, Cell C had the lowest in bundle rate per MB. Cell C offered number portability and but there were barriers to doing this which ICASA needed to address.

Cell C concluded that although South Africa had achieved a high mobile penetration rate, the lack of market power by challenger networks like Cell C presented a hindrance to sustained efforts in reducing cost to communications and these challenger networks needed continued pro-competitive regulatory support.

7.11.2.2 Deliberations by the Committee with Stakeholders

Members commented that all the networks were in the same situation with regard to data costs, with perhaps the exception of Telkom. Cell C had built a reputation as a market disruptor because their voice prices were low so why could they not do the same with data prices. Cell C answered that the company was given the opportunity to lower voice calls through the MTR process but this did not apply to data costs. Further regulatory interventions around data were needed.

Members further wanted to know if Cell C was given high demand spectrum, what would they do to drive down the high cost of communication? Cell C admitted that if the company was given high demand spectrum it would be difficult to immediately drive down cost but in the long term it could be done.

Members wanted to know how lower prices affected growth. Cell C responded that it had been very difficult to afford new network equipment due to the fact that the bottom lines have been affected by reduced tariffs.

A member of the public commented that Cell C had the best value for money bundles for 1GB of data. However, she asked how successful their other initiatives were such as number porting and mid-contract adjustments. Cell C replied that the company was trying to attract post paid subscribers by offering contract buy out.

Members asked for clarity on the free WhatsApp or whether it was considered a WhatsApp bundle and if it was promotional. Members also asked who carried the cost of local roaming and if it was beneficial to Cell C to roam on other networks. Cell C responded that in the beginning the company offered free promotions on the WhatsApp offering and then translated into a package at R5 and went up to R7(.)50. Cell C pays Vodacom for roaming on its network but there was a need for the regulation of local roaming to ensure affordability.

7.11.3 Observations

- Regulatory interventions around data tariffs which was similar MTR for voice were needed;
- Market was still dominated by MTN and Vodacom and there was a need for more market competition;
- The sustainability of smaller operators that ultimately benefit consumers relied on continued pro-competitive regulatory support;
- Strategies of on-net and off-net price discrimination and lack of transparency persisted, making it difficult for the ordinary consumer to know what actual call prices were.
- Number portability had some barriers which will need to be addressed by ICASA; and
- Lack of market power by challenger networks like Cell C presented a hindrance to sustained efforts in reducing cost to communications.

7.11.4 Recommendations to the Minister

- Ensure asymmetric MTR regime continues;
- Ensure that national roaming get regulated;
- Ensure removal of barriers to number portability;
- Ensure regulatory interventions around data tariffs which is similar to MTR for voice are explored and implemented;
- Ensure that there is focus on infrastructure sharing & rapid deployment guidelines; and
- Ensure that there is regulated costs of contract cancellation.

7.12 Neotel

7.12.1 Views on Cost to Communicate

Neotel stated it has been able to drive down the cost to communications whilst delivering new technologies and substantial value to businesses and consumers over the past decade. However, the fixed line sector was still dominated by a single player and a number of opportunities to level the playing field have been lost over the past few years. Co-ordination of policy, legislation and appropriate regulation was critical to the success of initiatives such as this.

Neotel also suggested that the universal service funds to be used to deploy services in areas where the operators will be reluctant to offer services due to unsustainable business model.

7.12.2 Oral Submissions

7.12.2.1 Presentation

Neotel highlighted the following issues:

- Reduction in termination rates;
- Wholesale, Infrastructure based competition;
- Infrastructure sharing;
- Spectrum;
- The role of government; and
- Rapid deployment.

Neotel commented that the call termination rate, that implementation of the toll-free/share call framework and non-geographic porting remains critical to reducing cost to communicate Neotel further emphasised the importance of infrastructure sharing to further bring down the cost to communications.

Successful examples include:

- Co-build of fibre backbone infrastructures; and
- Joint-investment in international submarine cable consortia that land in South Africa which has resulted in cost savings and reduction on cost to communications.

The regulations around the spectrum, as for infrastructure, should facilitate pooling, sharing and trading amongst competitors.

Neotel added that some of the causes of significant delays on the expansion of networks were the following:

- Environmental impact assessment can take 18-24 months;
- Water Use Licenses can take 18-24 months to obtain;
- Rights of way from municipalities typically take 30-40 days to obtain; and
- Access to property by landlords was problematic, and leads to delays.

There were various possible interventions in legislation and regulation that can facilitate rapid deployment:

- Regulatory controls on wayleave application requirements;
- Coordination amongst operators, other stakeholders by municipalities;
- Pro-active sharing of trenches when work was being undertaken;
- Urgency from state-owned companies in access to infrastructure;
- Co-ordination on standard duct configuration and specifications;
- A database of all infrastructure, with controlled access by providers;
- Simplified, automated wayleave applications and approvals; and

- Deemed wayleave approvals if there are no objections within 10 days.

Neotel further submitted that the role of the government was best achieved on the demand side rather than the supply side. With few exceptions, direct government investments in the telecommunications infrastructure globally, including South Africa, with the aim of supplying services to the market, have been costly, inefficient, and often wasted.

Neotel recommended that the government act as an anchor tenant and ensure bundled demand and encouraged the government to ensure a relationship with the competitive bidders for purchasing of cost effective services.

7.12.2.2 Deliberations of the Committee and Stakeholders

Members noted that there seemed to be a lot of competition in fibre networks. She asked what Neotel target market was. Neotel said there was great potential for Wi-Fi to be the connectivity provided that someone was investing in the backbone and core networks.

Members asked what Neotel thought about service- based competition. Secondly what about Neotel operating in rural areas? Neotel responded that the long- term plan was to reach rural areas. Neotel had partnered with smaller wireless internet service providers to extend the reach of fixed line and was in the process of connecting 2 000 schools to fixed line service.

Members wanted to know the reasons on rapid deployment as to why the process was taking so long (up to 24 months). Neotel responded that it was important to look at the specific components of the processes and see which could be made much quicker. For example, Neotel had to go through 600 water use processes between Johannesburg and Durban which caused delays.

A member of public noted the lack of transparency on wholesale pricing which has not been used even by ICASA. Wholesale data pricing was not even available from South African operators as they refused to provide the information.

There had to be more fibre to home and fibre to business connections and there was a need to find out how this could be built.

7.12.3 Observations

- On call termination rate: Implementation of the toll-free/share call framework and non-geographic porting remains critical to reducing cost to communicate;
- The competitive fixed- line telecommunications market structure was the key to reducing the cost to communications. There was a need for some regulation in markets where there were players with significant market power;
- The infrastructure-based competition has reduced the wholesale cost of international bandwidth by over 95% as multiple players have invested in new submarine cables;
- The regulations around the spectrum, as for infrastructure, should facilitate pooling, sharing and trading amongst competitors; and
- The universal service funds to be used to deploy services in areas where the operators will be reluctant to offer services due to unsustainable business model.

7.12.4 Recommendations to the Minister

- Ensure that the government act as an anchor tenant on shared infrastructure network where feasible to ensure affordable prices to government departments;
- Ensure and enforce regulatory controls on wayleave application requirements;

- Ensure coordination amongst operators, other stakeholders by municipalities;
- Ensure a pro-active sharing of trenches when work was being undertaken;
- Ensure co-ordination on standard duct configuration and specifications;
- Ensure a database of all infrastructure, with controlled access by providers; and
- Ensure a simplified, automated wayleave applications and approvals.

7.13 Telkom

7.13.1 Views on Cost to Communicate

Telkom said that the question of affordability and how to calculate it needed to be taken into account as to where South Africa was financially. With a slow growing economy and highly competitive environments, rising costs to infrastructure and pressure from consumers were high. Telkom supported the lowering of costs to communications and had done some things on its part. He explained that. Telkom had OpenServe which was a wholesaler to allow for lower prices. Telkom highlighted that infrastructure sharing should not be limited but could include efficient use of existing infrastructure too.

7.13.2 Oral Submissions

7.13.2.1 Presentation

The presentation covered the following topics:

- Telkom was committed to making communications affordable;
- Developments in the wholesale space;
- Developments in the retail space;
- Challenges facing the ICT sector; and
- Recommendations.

Telkom indicated that the company had OpenServe as a separate entity to encourage service based competition. The unit price across the wholesale product range had decreased by approximately 63% since April 2015. Developments in the retail space also showed a decrease in prices with the exception of an increase in calls to international destinations.

As the fourth entrant into the mobile network space, Telkom had a disruptive effect putting downward pressure on the market prices. Subscriber growth had increased by 54,.6% per annum since its launch in 2011. In 2015 Telkom introduced SIM only contracts were you bring your own device and buy month- to- month packages. With the introduction of LTE, voice calls were now being transmitted as data and not separately as in the past. The introduction of Free Me in July 2016 offered:

- Free on net calls;
- 50 free SMSs per day;
- Free use of Telkom Wi-Fi hotspots; and
- Free calls and messaging on WhatsApp, BBM and Fibre (up to 2GB usage pm).

Telkom highlighted the complications around the lowering of cost to communications in the mobile space. Telkom still did not have access to <1GHz spectrum which increased the cost of network build. This necessitated that Telkom enter into roaming agreements to provide mobile telecommunication services. The current Invitation to Apply (ITA) for spectrum was likely to entrench the dominance of the incumbents with adverse effects on the competitive process and the ability to lower prices.

Recommendation by Telkom was for ICASA to conduct a Chapter 10 enquiry into competition in the broadband market and associated pricing. Telkom further recommended regulated national roaming of all operators with significant market power was needed. In order to level the playing field, Telkom wanted to be assigned a sub 1GHz spectrum. There was also a need for regulatory recognition of the impact of access line deficit and solutions needed to be found to remove legacy universal obligations which raised the cost of providing fixed services by Telkom.

7.13.2.2 Deliberations of the Committee with Stakeholder

Members noted that Telkom stated in order to level the playing field it needed sub 1GHz spectrum. However, if Telkom had infrastructure sharing, would it still then need the sub 1GHz spectrum? Telkom said there had been debates about this issue but the discussions were not final. Active infrastructure sharing would alleviate the investment cost on new infrastructure and this will further reduce cost to communicate.

Members further asked what Telkom thought about Local Loop Unbundling. Telkom responded that it was an issue that has been overtaken by events. Telkom offered the access equivalent of LLU such as Bit Stream and IP Connect and the operators and service provider could buy that service through OpenServe.

Members asked why it was important for Telkom that ICASA do a Chapter 10 investigation as listed in its recommendations? Telkom replied that a Chapter 10 enquiry would address the market competition which will assist the committee with details on the economics of the sector, which would then result in effective interventions in terms of policies and regulations.

Members asked why Telkom was charging for calls to 0800 numbers. Telkom explained that if customers were calling from a mobile network, it would not be free as the operator would charge for that call but if it was called from a landline to 0800 it would be free.

7.13.3 Observations

- The unit price across the wholesale product range had decreased by approximately 63% since April 2015;
- The current Invitation to Apply (ITA) for spectrum was likely to entrench the dominance of the incumbents with adverse effects on the competitive process and the ability to lower prices; and

- Active infrastructure sharing would alleviate investment cost on new infrastructure for new entrants in the market which could further reduce cost to communicate.

7.13.4 Recommendations to the Minister

- Ensure that ICASA conduct a Chapter 10 enquiry into competition in the broadband market and associated pricing;
- Determine whether regulated national roaming of all operators was needed; and
- In order to level the playing field, ensure assignment of a sub 1GHz spectrum.

7.14 Closing Remarks

The Chairperson concluded that the past two days were fruitful and intense in engagements. She thanked everyone who made submissions both written and oral to the committee and highlighted that the committee couldn't listen to everyone who made written submission but assured them that those submissions will be included in the report of the committee and all documents will be made available to members of the public.

Report to be considered.

2. REPORT OF THE PORTFOLIO COMMITTEE ON TELECOMMUNICATIONS AND POSTAL SERVICES ON ITS DELIBERATIONS ON THE STRATEGIC PLAN OF THE NATIONAL ELECTRONIC MEDIA INSTITUTE OF SOUTH AFRICA (NEMISA), DATED 8 NOVEMBER 2016

The Portfolio Committee on Telecommunications and Postal Services, having considered NEMISA's Strategic Plan and Annual Performance Plan (APP), reports as follows:

1. COMMITTEE'S OVERVIEW

e-Skills and e-astuteness are an integral part of broadband implementation and this has been recognised in South Africa's broadband policy, SA Connect. The policy outlines a broadband ecosystem of high capacity, high speed and high quality electronic networks, services, applications and content that enhances the variety, uses and value of information and communication for different types of users. It encompasses four pillars: Digital Readiness (which includes a legal and regulatory framework), Digital Development (for ensuring sustainable rollout), Digital Future (which includes a broadband network roadmap) and Digital Opportunity[1].

These are interdependencies between the four pillars. Digital Opportunity, in particular, focuses on the need for e-skills. It is recognised that while supplying infrastructure is critical, this alone is not enough. Digital Opportunity stresses the need for supply-side skills, as well as demand-side skills, the importance of R&D, innovation, content and applications to support the broadband roll-out.

NEMISA will play a part in the roll-out of broadband so that demand meets supply and so that targeted and necessary e-skills are developed – e-skills needed by the users of broadband, as well as e-skills needed to assist on the roll out.

2. Mandate of the Committee

The National Electronic Media Institute of South Africa was established as a non-profit institute of education under the former Department of Communications in terms of the Companies Act (1973) and is listed as a schedule 3 A public entity in terms of the Public Finance Management Act (1999). The institute's programmes are structured to enhance the market readiness of students in a wide range of broadcasting disciplines. The institute is also mandated to train previously disadvantaged individuals,

[1] Ikamva National eSkills Institute (2014)

particularly women, and to equip them with necessary skills to play significant roles in the broadcasting environment.

The committee is required to consider legalisation referred to it and to consider all the issues referred to it regarding the Constitution, the Rules of the National Assembly or resolutions of the House. It is also required to respond to the issues referred to it by Government within its mandate. Moreover, the role of the committee is to consider the budgets, strategic and annual performance plans of the department and its entities that fall within its portfolio.

To this end, the Constitution of the Republic of South Africa, 1996 identifies the legislative responsibilities of different levels of Government about telecommunications, postal services, e-government, broadband and signal distribution. Also, the 1996 White Paper on Telecommunications identifies the central importance of access to telecommunications to ensure achievement of its economic and social goals.

3. Presentation by NEMISA

Mr Thami ka-Plaatjie, Acting Chairperson: NEMISA, made an opening remarks and said that NEMISA was a small entity which had been tasked with very huge assignments of developing e-skills capacity in South Africa. He said would like to bring the Committee up to speed as to the state of NEMISA. He highlighted that there had been unfortunate changes that had affected the operations of the Board late last year, when the previous CEO of the Board resigned. The CEO had been in the position for eight months before resigning. He wanted to concentrate on his work at the SABC and pursue academic work and business ventures in which he had begun to get involved. An amicable solution between the CEO and the Board was reached and allowed to leave the organisation. The position had become vacant since then. Mr Ka-Plaatjie also highlighted that the CFO also left her position to join the tax ombudsman. He added that the Board Chairperson also left the entity to focus on her medical practice. The Board made a commitment to fill all the vacant positions. The Acting Chairperson also commended the current executive for their hard work within this very short space of time. A lot of effort had been put into the institution to stabilise it and focus on the task at hand. He emphasised that the need for the expeditious transfer of resources as the entity wouldn't be able to carry out its mandate and made an appeal to the department to assist on the timeous allocation of the funds.

Mr Peter Ramatswa, Acting CEO, made the presentation on the Annual Performance Plan. The presentation covered the following:

- Developments on Integration of NEMISA, ISSA and eSI into iNeSI
- Situation Analysis
    - Performance environment
    - Organisational environment
- Strategic Objectives
    - Strategic goals
    - Programmes of the institute
- Annual Performance Plans
    - MTEF Allocation
    - Key achievements.

The Acting CEO reflected on the Annual Performance Plan and highlighted that the targets have been revised and they were realistic and achievable. The issue of the curriculum development was also considered and targets had to be aligned around the curriculum development. The Acting CEO emphasised that there had been number of partnerships and collaborations with other institutions and one of those was the establishment of the CoLabs with number of Institutions of Higher Learning. He further emphasised that the entity was driven by access, affordability and availability and this was one of the reasons of the established CoLabs with the North West University, Vaal University of Technology (VUT), Central University of Technology (CUT), Walter Sisulu University (WSU), Durban University of Technology (DUT) and the University of Limpopo.

In respect to the financials, the Acting CEO highlighted plans around strict cost containment measures and one the strategies was to prevent high salary bills through working with small, medium and micro enterprises (SMMEs) to assist in the delivery of training so that facilitators were not appointed on full-time basis, but appointed as and when they were needed and this helped reduce the salary bill. NEMISA presented an increased revenue and the Acting CEO highlighted that this was due to the entity having attracted lot of interest from entities such as the film commission in Kwazulu Natal and also established partnership with The Media, Information and Communication Technologies Sector Education and Training Authority (MICT SETA) and this had generated R6 million for the entity. Ms Rofilwa Ligege, CFO, highlighted that the debtors had been handed over to the debt collectors to recover all the money owed to the entity.

Ms Antoinette Lombard, Director: CoLab e-Skills, from VUT added that the focus of the CoLab was e-literacy. She outlined some of the achievements and work done by the CoLab. She also highlighted that there was a demand for synchronous management system and student management due to the number of students' intake. She further highlighted that the portal was currently up and running and made provision for registration and feedback sessions after the training. She added that the students were able to study online at any given time. She said that the system was fully secured and also had an SMS system for password recovery purposes. The portal was also able to provide certification training for those who wanted to be certified. Due to unstable internet access in some areas, some of the training was localised and saved on the local had disks for offline training. Ms. Lombard highlighted that the biggest challenge was lack of reliable broadband access and lack of infrastructure.

Dr Farivar Rahimi, Director: CoLab e-health, from University of Limpopo indicated that the focus of the CoLab under the University was on the e-health management system. He noted that the University had taken rural development as one of the strategic goal. Dr. Rahimi highlighted that access to computers is the biggest problem and e-readiness remained a major stumbling block. The CoLab together with the Capricorn district had developed an open source system. The system had been implemented in the rural areas and there had been many other initiatives and emphasised that working together would be very important.

Mr Shelembe, DDG: DTPS, outlined the progress made on the establishment of iNesi. He highlighted in 2015, after all the consultations with government departments and clusters, the Department produced a business plan and draft legislation that supported the establishment of the entity, but at the time of submission of documentation to the Minister, He emphasised that the Department of Higher Education and Training (DHET) consultation needed to be strengthened to ensure that the Department was in sync with higher education legislation. So as of December 2015, the Department had been in the process of consultations with the DHET. The emerged consensus indicated that for a higher education programme, iNeSI would not do its own curriculum development. iNeSI would also not do its own programme offering, but would work in partnership with existing universities in the CoLabs arrangement. The business case was being redrafted together with the relevant legislation which would be put as part of the legislation program for the next financial year for cabinet approval. This will be reflected as part of the 2017/18 Annual Performance Plan (APP) and will be followed by the implementation plan. The DDG made a commitment that transfers to the entity would be on time in future.

4. Programs of NEMISA

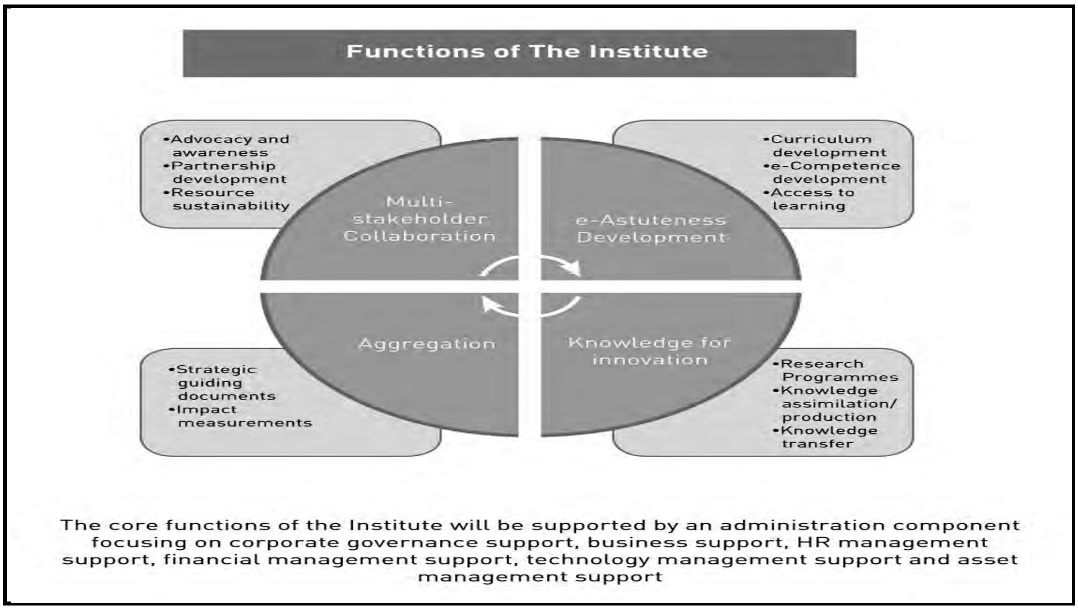
The National Electronic Media Institute of South Africa (NEMISA) is a Section 21 Company (a not-for-profit company), that was set up by the then Department of Communications (DoC) in response to the identified need to provide skills in broadcasting. The White Paper on Broadcasting Policy identifies a critical importance of Human Resources Strategy in Broadcasting and set out the following aims that need to be achieved through this strategy[2];

[2] White Paper on Broadcasting Policy, 1998, p 38

- To establish a formal and practical training and development system. Which is fully integrated and capable of developing all round skills in broadcasting.
- To develop a system in close collaboration with the communications, information and cultural sectors.
- To redress the imbalances of the past through targeted programmes addressing the needs of the previously disadvantaged including women, the disabled and children.
- To upgrade the skills levels of practitioners in the broadcasting industry.
- To recognise and facilitate a common human resource base for related industries.
- To develop a coherent system to accredit the skills of people involved in the industry.
- To make efficient and cost effective use of the financial resources.

NEMISA tabled its Strategic Plan and Annual Performance Plan (APP) before Parliament and it acts as a national catalyst and change agent for the development of e-skills supported by the following four programmes: Administration; Multi-Stakeholder Collaboration; e-Astuteness Development; Knowledge for Innovation and Aggression. Figure 1 below outlines the four programs:

Figure 1: NEMISA Programs



Source: NEMISA Presentation (2016)

5. NEMISA Expenditure Analysis

The National Electronic Media Institute of South Africa aims to deliver the national development plan's vision of promoting e-literacy programmes. This will stimulate demand and ICT skills development by building e-skills and e-astuteness among various stakeholders, and thereby leverage digital opportunities. These stakeholders include individuals, communities, entrepreneurs, government and businesses. Through its activities, the institute will also work towards outcome 5 (a skilled and capable workforce to support an inclusive growth path) of government's 2014-2019 medium term strategic framework.

Over the medium term, the institute will focus on establishing the Ikamva National e-Skills Institute. This will allow the institute to expand on its deliverables by commissioning 21 non-degree research projects, funding 31 postgraduate research projects, and training 13 200 e-literacy learners and 7 100 sector users over the medium term. As a result, expenditure on goods and services is expected to increase at an average annual rate of 25.6 per cent over the medium term, from R31.2 million in 2015/16 to R61.7 million in 2018/19. This is due to the establishment of the institute, and this is linked to the expected growth in the e astuteness, multi-stakeholder collaboration and knowledge for innovation programmes. Total expenditure is expected to grow at an average annual rate of 19.6 per cent, from R53.3 million in 2015/16 to R91.1 million in 2018/19, with the main cost drivers being compensation of employees and property rentals. The establishment of the new entity is expected to drive an increase in the number of personnel from 42 to 53 over the medium term. In line with this increase, expenditure on compensation of employees is set to grow at an average annual rate of 9.4 per cent over the medium term, accounting for a projected 31.7 per cent of total expenditure.

The institute is funded mostly through government allocations, student fees, and other revenue derived from training and partnerships. Additional allocations of R40 million in 2016/17, R42 million in 2017/18 and R44.4 million in 2018/19 have been made available by the Department of Telecommunications and Postal Services. Total revenue is expected to increase at an average annual rate of 21.5 per cent over the medium term, from R53.3 million in 2015/16 to R95.5 million in 2018/19, with total transfers of R253.7 million from the department accounting for 87.8 per cent of total revenue.

6. Observations

- The entity indicated that the Chief Executive Officer (CEO) resigned to concentrate on academic work and the board chairperson also resigned to focus on the medical career;
- The committee was grateful that the matter of the CEO was clarified and the information that there was a conflict between the CEO and board indicates not to be true;
- The entity highlighted that SMMEs are being utilised on contract to offer training as in when a need arises and this help contain the cost of salaries;
- The entity highlighted that partnership has been established with Media, Information and Communication Technologies Sector Education and Training Authority (MICT SETA) which has generated about R6 million to the institution which is based on

the 80/20 split where SETA pays 80 per cent and the entity pays 20 per cent. The entity is also trying to explore the Corporate Social Investment (CSI) and they are engaging HP in that regard;

- The Acting CEO highlighted that the CoLabs is not defined by geographical location but defined by needs. The entity is also looking into a situation of engaging the Johannesburg city around e-learning and also approaching any other partner who is willing to collaborate with the entity;
- The board made a commitment to fill the vacant senior positons;
- The committee raised a concern on mandate transferred from the department to NEMISA without a transfer of the budget for it;
- The entity noted that the CoLabs form part of the new trajectory and will need capacitation and to be part of the program moving forward;
- The entity highlighted that the learners who completed the training were absorbed into the market;
- The committee commended the entity for inviting the CoLabs Directors as this is an indication of some of the great partnerships between the entity and the institutions of higher learning. The CoLabs invited were from Vaal University of Technology (VUT) which focused on e-learning and the University of Limpopo which focuses on eHealth;
- The committee questioned the business case on the establishment of INesi and indicated that the business case was approved based on what was presented before the committee then. The committee will like to reflect on the business case again since it has been a while it was approved;
- The committee also raised the issue around the role of NEMISA against the Department of Higher Education and Training and highlighted that this needed to be flagged to avoid duplications;
- The committee raised a concern on a lack of disaster recovery plan for the entity as this can have an undesired consequence around business continuity;

- The committee highlighted the delay of the tabling of the APP and annual performance report can have undesired consequence on the performance of the entity;
- The committee noted that the draft legislation for the establishment of INesi will be put as part of the legislation program for next year for cabinet approval. This will be reflected next year as one of the targets in the APP;
- The committee noted that NEMISA is considered as one of the weakest entity within the department and there are number of issues which need to be sorted out;
- The entity raised concerns around the rollout of resources where the transfers of funds for NEMISA does not happen in the first quarter and this makes it very difficult for the entity to be able to deliver.

7. Recommendations to the Minister

- Ensure that the Department urgently resolves the appointment of permanent board members;
- Ensure that all critical vacancies are filled;
- Ensure that the merger to establish iNesi is concluded as soon as possible as most of the prospective resources to fill vacant positions were concerned about the stability of the entity;
- Ensure that the Department present to the Committee an updated business case together with the reviewed legislation to establish iNesi;
- Ensure that a huge training budget which is more than half of the remuneration budget is addressed. The salary bill is around R23,5 million and training and development is around R15,6 million; and
- Ensure that the transfer from the Department to the entities is done on time.

Report to be considered.

3. REPORT OF WORKSHOP OF THE PORTFOLIO COMMITTEE ON WATER AND SANITATION, 14 – 16 SEPTEMBER, 2016, GAUTENG DATED 16 NOVEMBER 2016

1. INTRODUCTION

The workshop held on 14 – 16 September 2016 by the Portfolio Committee on Water and Sanitation, brought together a range of stakeholders and Members of Parliament to critically engage on the political, social, environmental, economic and legislative implications of water and sanitation service delivery to all citizens of the country. A central component of the interrogation of the work of the water and sanitation sectors at this workshop was the accountability of Executive action, and work undertaken by the Department of Water and Sanitation and Entities. Questions and insights offered by stakeholders and Members of the Portfolio Committee sought to ascertain the extent to which the prescripts of the Constitution, 1996, legislative mandates, policies and budgets at a local, provincial and national level are instituted in respect of achieving the constitutional obligation in the water and sanitation sectors in South Africa.

Contestations on the availability, validity and use of data, policy and legislative direction and planning in the water and sanitation sectors were at the forefront of debate and discussion amongst various stakeholders, such as the National Planning Commission, the Statistician-General of Statistics-South Africa, the Department of Water and Sanitation, the South African Local Government Association (SALGA) and Members of the Portfolio Committee.

Whilst there was agreement by all key role-players at the workshop that South Africa is a semi-arid country, susceptible to periodic droughts, variability in rainfall, which is further exacerbated by high rates of evaporation, the importance to all stakeholders is the way in which management and use of water in South Africa is understood, implemented, planned for, and determined as a commodity and resource over the short, medium and long term. It was within the political, social, environmental, economic, and legislative and policy framework which underpins the water and sanitation sectors in South Africa that the Portfolio Committee undertook its deliberations within the following thematic areas:

- Legislative, Policy and Planning Review for the water and sanitation sector;
- The vision for the water sector articulated in the National Development Plan and the National Water Resource Strategy2 in terms of long-term planning; and
- Water use allocations.

Delegation:

Members:

Mr M Johnson (ANC) (Chairperson); Mr HP Chauke (ANC); Mr D Mnguni (ANC); Mr T Makondo (ANC); Ms Bilankulu (ANC); Ms H Kekana (ANC); Mr LJ Basson (DA); Mrs T Baker (DA); Ms Khawula (EFF); and Mr

MP Galo (AIC).

Staff

Mrs M Solomons (Committee Secretary); Ms S Dawood (Content Advisor); Mr T Manungufala (Committee Researcher); Ms Z Kula (Committee Assistant); Mr A Maubane (Language Practioner); and Mr S Sithole (Language Practitioner)

2. SUBSTANTIVE ISSUES THAT FORMED THE BASIS OF THE WORKSHOP

2.1 Legislative, Policy and Planning Review for the Water and Sanitation Sector in South Africa

2.1.1 Role of Department of Water and Sanitation and Entities

The legislative and policy framework for the water and sanitation sector in South Africa was progressively developed, processed, planned and implemented since 1994. In the first decade of democracy (1994 – 2004), there was a fundamental change in water policy content and direction, specifically in its focus on water ownership. The Minister is designated as the custodian of water resources in the country, and water is allocated through authorisations. In the second decade of democracy (2004 to date), the focus is on implementation as well as review and re-evaluation of policies.

To address the imbalances of the past in respect to water and sanitation delivery to all citizens in South Africa, the following policy and legislative framework forms the basis for work in the water and sanitation sector:

- The Constitution of the Republic of South Africa, 1996 protects the right to everyone to have access to basic human needs; and that includes water;
- The National Water Act, 1998 (Act No. 36 of 1998) provides the legal basis for the protection, conservation, management, use, development and control of water resources;
- The Water Services Act, 1997 (Act No. 108 of 1997) legislates the municipal function of providing water supply and sanitation. It also regulates the role of other water services institutions such as Water Services Providers, Water Services Authorities and Water Boards. It also empowers the Minister to draft standards and regulations specific to water and sanitation legislation;

- A number of progressive water policies and legislative framework have been developed since 1994, namely:
    - White Paper on Water Supply and Sanitation (1994);
    - White Paper on National Water Policy for South Africa (1997);
    - White Paper on Basic Household Sanitation (2001);
    - Strategic Framework for Water Services (2003); and
    - National Water Policy Review Strategy (2013).

The Department of Water and Sanitation, together with its Entities, such as Water Boards, the Water Research Commission (WRC), Trans-Caledon Tunnel Authority (TCTA), Inkomati-Usutu and Breede-Gouritz Catchment Management Agencies, perform the national obligations and mandate with respect to water and sanitation resources management, and assistance with water services.

At the workshop, the Department of Water and Sanitation maintained that the country’s 20-year review (1994 – 2014) recognised the advances made in water allocation reform strategy, development of water and sanitation policy and legislation, strengthening of institutions, infrastructure development, water conservation and water demand management, as well as the development of strategies to guide future water resource planning, management and investment requirements, based on an assessment of the country’s water balance against projected future needs.

2.2 Attaining Vision 2030 and the realities for the water sector articulated in the National Development Plan, the National Water Resource Strategy 2, Statistics-South Africa and National Treasury in terms of long-term planning

Currently, the policy drivers of institutional reform in the water and sanitation sector are the National Development Plan, the National Water Resources Strategy, National Policy Review, 2013 and Institutional Reform and Realignment. The National Development Plan is divided into thirteen chapters that address the pressing challenges facing South Africa and provides solutions to these challenges in the form of proposals and actions. The plan outlines sector specific goals and a vision for South Africa to be achieved by 2030.

2.2.1 National Development Plan

Commissioners from the National Planning Commission working on the water sector articulated in the National Development Plan noted the centrality of water for social and economic development in South Africa. To achieve and ensure the centrality of water for social and economic development in South Africa, the presenter highlighted the importance placed in the plan of the following:

- **Managing, monitoring and protecting South Africa's water resources** in a sustainable way, while allowing for economic growth demands effective administration and management of South Africa's limited water resources; evolving water resource management to meet expanding demand; and prioritisation for an urgent need for a coherent plan to ensure the protection of water resources and the environment.
- **Proposed water management strategies**, which include the establishment of a national water resources infrastructure agency; reducing growth in water demand; managing agricultural use better; and investigating water reuse and desalination.
- **Institutional arrangements for water management**, which argue for institutions that manage water resources to reflect the shared, public nature of water; the need for improved institutional development for certain catchments and sub-catchments as well as institutions ensuring that their operations and development align with the country's macro-development strategies and sectoral priorities.

The proposed focus areas for the water sector highlighted in the National Development Plan centre on the necessity of investments to support economic uses of water, including urban consumption through appropriate pricing measures; investments to support rural development (including agriculture and rural settlements); and policy direction to guide investments to achieve a balance between financial costs and social benefits. Another proposed focus area was the norms and standards that should guide the allocation of funds to municipalities, and for rural municipalities who lack the financial capacity to manage water services adequately, the use of regional utilities and community management of franchise arrangements, as long as municipalities retain their role as the political authority responsible for service oversight.

The Plan provides a way forward for water management and maintains that:

- A balance has to be achieved between water allocations for industrial and urban use, with important economic implications, and for agriculture and conservation, which have important social and environmental implications;
- Whilst greater water use efficiency in agriculture tends to be capital and skills intensive, which may support job creation, these gains may be difficult for new entrants to agriculture to achieve without substantial support;
- At a municipal level, it is important to balance the political autonomy and exclusive service delivery mandate granted by the Constitution with the realities of limited financial and human resources capacity; and
- A balance is needed between allocating financial resources to support investments in higher levels of service and providing services to underserved households, while also maintaining and refurbishing existing infrastructure.

The Plan provides a selection of key actions for the developmental agenda toward attaining Vision 2030 for the water sector. The Plan argues for the following:

- A comprehensive investment programme for water-resource development, bulk water supply and wastewater management must be established for major centres and reviewed every five years;

- The management of water services must be strengthened and regional water and wastewater utilities established to support municipalities (including expanding mandates of existing water boards) by 2017;
- Finalising the future institutional arrangements for water-resource management by 2015 (Medium Term Strategic Framework target), which could include a national water resource infrastructure agency that will develop and manage large economic infrastructure systems; catchment management agencies to undertake resource management on a decentralised basis, with the involvement of local stakeholders; and
- Increasing national capacity to support research, development and operation of water reuse and desalination facilities.

An important consideration is a review related to the role and effectiveness of sector leaders and regulators in all service provision sectors in the country. This argument arose from studies undertaken by the National Planning Commission on the effectiveness and efficacy of the work of regulators and sector leaders. There was an acknowledgement that regulators and sector leaders in the form of government departments and entities have had success in issuing licenses, developing pricing methods and establishing technical and service standards, the notable challenges in the water and sanitation sector relate to:

- Delays in investment in water infrastructure;
- Failure to moderate growth in water demand;
- Backlogs in service provision in rural areas remain and there is pressure to upgrade urban service levels, which will require further investment;
- Concerns have been raised about the ability of the current water administration to cope with emerging challenges;
- Available pool of experienced water engineers and scientists is shrinking; and
- Inability of many municipalities who lack the technical capacity to build and manage their wastewater treatment systems.

2.2.2 National Water Resources Strategy

The Department agreed with the substantive issues raised in the National Development Plan, and noted that the attainment for South Africa's Vision 2030 for sufficient water resources are articulated in the Department's strategy, that is the National Water Resources Strategy. The Strategy notes the importance of water for growth and development in a water stressed country and also notes that water scarcity threatens energy production, food security, economic growth and quality of life. The Strategy addresses current and future water demands for Vision 2030 and works toward ensuring the sustainability of the country's water resources.

The alignment of the National Water Resources Strategy to the National Development Plan are reflected in the objectives of the Strategy, which are to ensure that water:

- Supports development and elimination of poverty and inequality – this is reflected in the work of the department in the areas of water resources planning, development and infrastructure management and water resources protection;
- Contributes to the economy and job creation – this is reflected in the work of the department in the areas of on ensuring equitable water use and water conservation and demand management;
- Is protected, used, developed, conserved and managed – this is reflected in the work of the Department in the areas of managing water resources for climate change and regulation of the water sector; and
- Is controlled sustainably and equitably – this is reflected in the work of the department in the areas of regulation of the water sector and international and trans-boundary water resource management.

The use of existing water use per sector was illustrated by a diagram which showed that irrigation accounted for 60% of water use; urban 24%; rural 5%; mining 3%, industrial 3%, power generation 2% and afforestation 3%. An overview of the progress in drafting implementation plans as per the

National Water Resources strategy shows the work (current and future) of the Department and Entities in relation to various sectors:

- **Private sector/business and mining**

In the areas of infrastructure development, planning and operations and maintenance, the Department engages with the private/business and mining sectors in urban development, water re-use and address challenges relating to Acid Mine Drainage. There is also a strong focus on exploring the potential for public-private partnership arrangements in water supply, water treatment works and wastewater treatment works operation and maintenance. In the area of equitable water allocation, there is a focus to raise water allocation reform profile and to ensure that all stakeholders understand and support the approach.

With regard to water conservation and demand management, the focus is on practical interventions by all sectors to support municipalities to maintain and operate water systems and introduce metering for all water consumptions, beginning with larger volumes. The Department in respect of institutional establishment and governance will participate in the establishment of and support in operations of catchment management agencies and regional water utilities. On compliance monitoring and enforcement, the Department is in the process of amending the National Water Act and Water Services Act; strengthening is water regulatory framework and economic regulation, and explore the potential for water offsetting.

- **Local government**

On planning, infrastructure development and operations and maintenance, the Department is aligning both developmental and infrastructure plans to achieve greater efficiency and integration with all planning frameworks such as reconciliation strategies, master plans and water services development plans. The Department will undertake oversight to ensure that all water services authorities develop and update water infrastructure asset management plans, preferably a Geographic Information System based approach, which is to be undertaken on an annual basis. On water conservation/water demand management, the approach is to balance and address needs and use; as well as to ensure that all water use license applications include a water conservation/water demand management plan and most importantly to set targets for water loss reduction.

On institutional establishment at local government, the Department will support catchment management agencies and participation of local government structures within the catchment management forums for improved governance and management of water resources within specific areas of jurisdiction; and to ensure local government support for regional water utilities' plans to achieve greater efficiency in the management of regional schemes. On compliance monitoring and enforcement, the Department will ensure compliance to the Blue, Green and No Drop system; ensure compliance and adherence by municipalities to license conditions for water use. On achieving equity, including water allocation reform, the intention is to provide water for multiple use, for example, water for animal stock, economic activities and development.

- **Agriculture**

On planning, development and operations and maintenance, the Department will evaluate current and future agricultural water needs and ensure existing allocation to agriculture are maximised in the context of associated impacts on food security and growth and development; and ensure integrated planning and coordination and rehabilitation of irrigation infrastructure. On water conservation and water demand, the Department will implement water allocation and water use authorisation that entrenches water conservation and water demand management; ensure planned water loss interventions are implemented and conduct water conservation/water demand management awareness and education campaigns.

On water allocation, the focus will be on promoting joint planning by the Department of Water and Sanitation, Department of Agriculture, Forestry and Fisheries and Department of Rural Development and Land Reform through agreed structures to match available water with available land, through the Water Allocation Reform programme. On compliance monitoring and enforcement, the Department will improve regulation on irrigation and support equitable and effective water use authorisations and ensure timeous and appropriate responses to departmental directives on illegal water use.

- **Energy**

On infrastructure development, planning and operations and maintenance, the focus is on providing support with the development and maintenance of reconciliation strategies for balancing water availability in water scarce catchments. The Department in this regard will support hydro-electricity generation commissioned investigation of the prospects for retrofitting hydroelectric generation equipment at the existing dams under the department with hydroelectric power potential. On water conservation/water demand management, the focus is to implement water allocation and water use authorisation that entrenches conservation and demand management and monitor set water use performance targets for all power stations. On compliance monitoring and enforcement, the focus is to ensure that all Eskom power stations and linear projects have water use licenses as well as to monitor, track and report on the water use license progress for all the Eskom's water use licenses.

2.2.3 Statistics South Africa

The Statistician-General from Statistics-South Africa, Mr Pali Lehohla noted that ineffective planning, and connivance and collusion at various sectors eroded the massive gains in access to water and sanitation services made by the Reconstruction and Development Programme (RDP). The correlation between the ineffective planning and inadequate skills pool stymies and derails developed plans on water and sanitation infrastructure. Mr Lehohla maintained that "there is a huge problem with the skills within the for more than five years, it does not matter how good our plans are, as they will not be implemented".

The Statistician-General noted that many government departments were not utilising the impressive base of statistics generated by his organisation, and this impacts on the quality of plans that will be rolled out. He stressed the importance of an integrated approach to planning and argued that if this is incorrectly undertaken, this may lead to a fragmented approach to the developmental agenda, with some areas highly developed and in other areas, and in other areas limited or under-development, which may lead to discontent amongst communities.

The Statistician-General emphasised the point that one needs to question the policy rationale if no concrete data evidence is used to determine priorities in the water and sanitation sectors. The questions he raised related to the manner in which departments derive policy to determine priorities, but there is no evidence of data as a driver of policy making. Due to policy incoherence through the years, he noted that this has impacted on implementation and irrespective of the amount of money allocated to address the challenges, this incoherence leads to serious outcomes.

2.2.4 National Treasury

National Treasury provided an overview of its role in fiscal policy as set out in section 6 of the Public Finance Management Act, which is to:

- Promote national government's fiscal policy framework and coordination of macroeconomic policy;
- Coordinate intergovernmental financial and fiscal relations;
- Manage the budget preparation process;
- Exercise control over the implementation over the annual budget process, including the adjustments budget;
- Facilitate the implementation of the annual Division of Revenue Act;
- Monitor the implementation of provincial budgets; and

- Promote and enforce transparency and effective management in respect of revenue, expenditure, assets and liabilities of departments, public entities and constitutional institutions.

In respect of the pivotal role accorded to public investment in the National Development Plan, National Treasury argued that these raise challenging questions around infrastructure and its proper financing, such as:

- What are the financing needs of infrastructure?
- How much scope is there for private participation?
- How much fiscal space do governments have?

Ultimately, there are two important questions – how is this infrastructure expansion to be financed and who is eventually to pay. In response to the above question, National Treasury provided an overview of financing infrastructure in South Africa, which relies on the concept of on budget and off budget. On budget is whereby construction projects are paid through the tax revenue or government borrowing and off budget is whereby entities or State Owned Enterprises borrow on the financial market. The source of the repayment of the investment is through the tax payers, users and donors. Financing model depends on the repayment approach as the challenge is not financing infrastructure, but repaying it. If there is no revenue stream, financing cannot be raised off budget.

An example of the Trans-Caledon Tunnel Authority (TCTA) was used to show how off-budget financing works. Government supports state-owned companies to ensure that they are able to borrow at a reasonable cost, for example, through government guarantees, and borrowing limit approvals. TCTA has a guarantee for borrowing related to Lesotho Highlands Water Project. Water boards borrowing are approved by the Minister of Water and Sanitation with concurrence from the Minister of Finance (PFMA, section 66 (3) (b). Borrowings are repaid through revenue generated from tariffs.

The risks associated with financing water infrastructure by off budget means are the following:

- Water services expenditure and performance review in 2015 showed a weak revenue management as tariffs are not cost reflective and not all water supplied is paid for by the consumer;
- Physical water infrastructure should be improved to effect significant cost savings as high levels of non-revenue water are attributed to physical losses and weak payment levels; and
- Weak accountability of water services providers and authorities, which need improved monitoring to strengthen accountability and outcomes.

2.2.5 Department of Water and Sanitation on Water Tariffs

The Department of Water and Sanitation provided an overview of water tariffs, which is defined as a price assigned to water supplied by a utility through a network to consumers. The purpose of the water tariff is meant to include recover the cost of providing the services to users and consumers, as well as to expand on the capacity of existing infrastructure, which may be used to recover loans that have been used to develop infrastructure.

2.2.5.1 Raw water use charges

In terms of the National Water Act, the Minister may from time to time, and after public consultation establish a pricing strategy which may be differentiated among geographical areas, categories of water users or individual water users. The achievement of social equity is one of the considerations in setting differentiated charges. Water use charges are used to fund direct and related costs of eco water management. The pricing strategy is developed in terms of Section 56(1) of the National Water Act and was enacted in March 2007. The Act is currently under review due to government development and priorities.

Water use charges must be approved by the Minister or the regulator if available before the 15th September of each year, and thereafter, the charges must be provided to Water Service Providers and Bulk Water Service providers in order to enable them to calculate bulk water tariffs before the 30th September. The Minister approves the water use charges for government waterworks and for water resource management. Thereafter, the Economic Regulator reviews and advises the Minister on aspects such as revenue; cost and tariff trends; substantive parameters; impact of an adjustment of tariffs on sectors; revenue sustainability of the Water Trading Entity; compliance with pricing strategy and other regulatory guidelines and requirement. The Minister then tables the water tariffs in Parliament and presents the charges to the Portfolio Committee to receive their input, but ultimately remains responsible to approve the water use charges.

The raw water charges are divided into the water resources management charges and the water resource infrastructure charges.

2.2.5.2 Charge determination

In terms of the charge determination process, this process involves the budget planning process, whereby the cost of activities are based on zero based budgeting and economic fundamentals. The price setting process looks at demand, registered volumes, system yield and costs and the consultative process cuts across regional consultation; sector specific and national consultative meetings with stakeholders. The water use management charge is comprised of the costs of water resource management activities in a water management area divided by registered volumes or waste load in a water management area. The division is based on expenditure costs incurred for activities that are required to protect, allocate, conserve, manage and control water resources and manage water quality located within the water management areas.

2.2.5.3 Potable water tariffs

Potable water tariffs include cost to collect water, the cost of purification, the cost of storage and the cost of distribution. In terms of the Water Services Act (Norms and Standards for tariffs and Water Board Guidelines and the Municipal Finance Management Act), the tariff must achieve or maintain a pre-negotiated capital structure of the water board in terms of the shareholders compact. Financial targets are negotiated between the Department of Water and Sanitation, Board of Directors and Water Boards management and also reflected in the Shareholders Compact and updated annually.

A water board has options to set a volume based charge only or a fixed capital charge and volume charge. A water board has options to set a single tariff for its entire supply area or separate tariffs for each scheme. Differentiated tariff for different consumers must be motivated for cost differentials. The water board should never recover costs of capital that has been provided for by grants. Smoothing of tariff increases may be applicable over time to provide for future infrastructure development costs. Surplus may be earned to correct the capital structure and for reinvestment. The tariff process involves stakeholder participation, which has a duty to ensure that the tariff is appropriate at the time of implementation.

2.2.5.4 Tariff determination methodology

The tariff determination methodology confirms that the cost forecasts are reasonable. This is benchmarked with industry standards and previous years' actual costs in order to prevent the passing on of inefficiencies to consumers. A long term cash flow projection model is compiled, and show projected water sales, tariffs, costs, revenue, debts surpluses and financial ratios. There is a reflection on all the cost components in a pro-forma tariff table to enhance its transparency. Thereafter, the Municipal Finance Management Act Section 42 process commences.

2.2.5.6 Structure of tariffs and cost drivers

Tariffs are based on fixed, volume based or a combination of the two. The volume tariff must be an inclining block tariffs with the lowest block charged the lowest tariff. The structure must comprise of a minimum of 3 blocks and the first block must provide for free basic water for indigent households. The tariff structure must include pro-poor tariff to promote access to services. Subsidies must prioritise the provision of basic services. The structure should also discourage overuse by higher tariffs for water services significantly in excess of the basic level. The structure must consider the level of services provided to consumers. Annual tariff increase rates, the Water Service Authorities must strive to keep the increase below inflation rate.

The cost drivers of tariffs are the following:

- Cost of raw water;
- Cost of labour;
- Cost of repairs and maintenance as well as refurbishment and expansions; and
- Depreciation relating the replacement of infrastructure.

2.2.5.7 Tariff determination

The Water Service Authority determines and approve tariffs through Council with oversight from the Department of Water and Sanitation. The following tariff principles must be met in this process, namely:

- The process must be transparent to all consumers;
- The Constitutional right of having access to potable water, as it relates to affordability;
- Continuity of services at same or improved standards;
- The provider is able to service all operational costs; and
- The tariff should not promote inequalities on both access and income.

3. Sector Input on Use and Management of Water in South Africa (Eskom, Agri-SA, Chamber of Mines, and Afasa)

A number of sectors inputted on water use in agriculture, water conservation and demand management in the mining industry, and water management in electricity generation and supply.

3.1 African Farmers Association of South Africa (AFASA)

The African Farmers Association of South Africa (AFASA), is a sustainable united body of African farmers with the capacity to influence policies through lobbying and advocacy in favour of African farmers, to facilitate development of competencies of African farmers in order for them to participate meaningfully in formal and informal markets and to mobilise resources for the benefit of African farmers.

The challenges for smallholder farmers/emerging farmers highlighted by the presenter are the following:

- Poor or lack of water infrastructure or irrigation systems;
- Climate change;
- Available fresh water becoming scarce with an increase of commercialization of agriculture/large scale-farming, which limits access of water to smallholder farmers;
- Lack of understanding of water conservation and water demand management; and
- Women are relegated to spending too much time collecting water, which takes them away from other work.

The association outlined its experience with the Department of Water and Sanitation, particularly with regard to water licenses and maintained that the:

- Majority of black farmers who buy land do not have water licenses included as part of the process;

- Application for water licenses take too long; and
- Lack of knowledge of the application process.

In respect to farmers' understanding of water allocation for smallholder farmers, the presentation noted that:

- Lack of knowledge results in inappropriate use and management of available water;
- Innovative technologies are needed to ensure appropriate water allocation;
- Allocation to large scale farming is still prioritised over smallholder farmers allocation of water;
- More information is required to users regarding water allocated to their households and costs thereof; and
- Allocation of water should be prioritised to include women and youth for the development of their livelihood.

In respect of water theft/illegal use by smallholder farmers, the presentation noted that:

- Most black farmers will be seen to be using water illegally due to the lack of knowledge regarding the access and rights to water;
- Water access can be accidental due to streams running past their properties and making it accessible; and
- The long process of water licensing may lead to illegal use due to farmers' inability to survive without water.

Due to the prevailing issues regarding licensing, access to water and lack of understanding on water rights, AFASA recommended the following:

- A moratorium or suspension was requested for five years for small-scale farmers before they begin paying for water, or alternatively reducing payments;
- Ensure sufficient training and understanding is provided to black farmers;

- Information must be readily available in a way that is understandable, clear and logical by this group of farmers; and
- Licensing processes for smallholder farmers must be fast tracked and given priority.

3.2 AgriSA

AgriSA is a federation of agricultural organisations, which promote the sustainability, profitability and stability of agriculture in South Africa on behalf of their members through policy inputs on a national level. Since agriculture is the single largest user of raw water in South Africa, AgriSA maintains that it has always advocated for responsible management and stewardship of water resources amongst its members.

In terms of water consumption in the irrigation sector, it is estimated that 62% of South Africa's water is used for irrigation. In South Africa, only 17% of maize and 20% of wheat is irrigated. Water conservation is seen as a priority for the sector with efforts underway to improve water use efficiency.

Some of the agricultural concerns relate to water quality, compulsory water metering, validation and verification progress, illegal water use, storage capacity of dams and research on water use efficiencies.

3.3 Chamber of Mines of South Africa

The Chamber of Mines provided a presentation on water conservation and water demand management in the mining industry. The Department of Water and Sanitation has developed a national Water Conservation/Water Demand Strategy, supported by three subsidiary strategies, which focus on water services, agriculture, and industry, mining and power generation. The industry and mining sector uses close to 16% of the total demand in South Africa and therefore it is essential that water conservation and water demand management must be integrated into these operations as a priority.

The key principles of water conservation and water demand management in mining are underpinned by the following:

- All mines must submit water conservation and water demand management plans with water use efficiency targets (every five years) and achieve maximum savings in the shortest possible time;
- Water use efficiency benchmarks are viewed as minimum compliance and are not aspirational targets;
- Water conservation/water demand management plans are to be prepared in accordance with procedures set out in the implementation guideline;
- All new water use licenses require submission of water conservation/water demand management plans;
- All water conservation/water demand management plans will be rated and ranked by standardised water accounting form (SWAF) system and rankings will be used to guide regulator administrative procedures in water use allocations and water use restrictions; and
- Excellent water conservation/water demand management plans act as a business risk management measure.

In conclusion, the presenter noted that having best water conservation/water demand management plans and water use efficiency indicators in a particular water management area and commodity sector is the only way to maximise security of water supply. This approach is self-regulatory and provides business security incentives for top performers.

3.4 Eskom

Eskom presented on water management in electricity generation and supply, which included allocations, licenses, water use and water conservation. Power generation currently consumes 2% of fresh water nationally, and coal fired generation dominates water use.

Eskom noted that several decades ago, Eskom recognised a need to reduce water consumption at its operations and to contribute towards sustainable water usage in South Africa. Dry cooling technology was demonstrated at Grootvlei power station in 1977. Dry cooling technology was introduced during 1986 – 1996 at Matimba, Kendal and Majuba power stations. Eskom maintained that in the future, the specific water use in this sector will reduce further by the use of dry cooling technology at all new power stations (Medupi and Kusile), use of energy mix to nuclear and renewables, and implementation of energy and water efficiency measures. The overall water use efficiency of Eskom has improved through the introduction of new technologies.

On the key issues from power generation affecting water demand scenarios, Eskom provided the following details:

- Emission statement technologies such as flue gas desulphurization and carbon capture storage increases water demand considerably when applied to power stations;
- Water efficient technology choices need to be incorporated into the next Integrated Resource Plan (IRP);
- The location of power plants in relation to the availability of water for power generation is expected to become a major issue. This is also affected by the off-budget mechanism of funding applied by the Department of Water and Sanitation. Use commitments are required prior to project funding and execution; and
- The location of power generation plant at the coast could reduce water usage through the use of waste water, sea water desalination and sea water for once off cooling (Koeberg).

In respect of Eskom's responses to declining dam levels in the Vaal River System and water restrictions to users, the following was highlighted:

- Eskom is working with the Department of Water and Sanitation operations to ensure inter-basin water transfers through cooperation with the Department to transfer water from the Tugela River to the Vaal system by utilising the Drakensberg Pumped Storage Scheme;

- Investigating alternative water supplies such as mine water treatment to supplement raw water in cases of curtailments to its power stations;
- Implementing water savings and efficiency measures;
- Reviewing production plans as a contingency should the drought worsen;
- Conclusion of the Mokolo and Crocodile River West Augmentation Project (MCWAP) Phase 2 water supply agreement with the Department to enable water delivery from the Crocodile (West) River to Mokolo catchment as a permanent and redundant water source and infrastructure supply side option for the Medupi and Matimba power stations; and
- Working through the Strategic Water Partners Network to lobby key stakeholders such as government and business to intensify collaborative and collective action around the impending water restrictions and implementation of departmental reconciliation strategies.

On compliance to water use licenses (power stations), the following was highlighted:

- The power stations have made progress in complying to their respective licenses;
- The following are challenges to compliance – stringent groundwater resource quality objectives which exceed baseline data and delays in receiving amendments of the water use licenses from the Department of Water and Sanitation; and
- Compliance will remain a challenge due to the fact that the power stations are being licensed in terms of new legal requirements and its must be noted that most of the stations were constructed form the early 60s to late 80s. The National Water Act was promulgated in 1998.

On key challenges and response plans on high water usage and water use licenses, the following was highlighted:

- **High Water Usage at the Power Station**

The water strategy has been developed, approved and communicated throughout the organisation. The objective was to identify and address the challenges regarding high water consumption at the power station. Power stations have compiled water strategy action plans to ensure implementation in meeting the objectives of the water strategy. The action plans will be tracked and monitored on a quarterly basis.

- **Quality of the Water Use Licenses**

Some of the water licenses have administrative errors and omissions of power station activities. The errors and omissions can only be corrected through the amendment process, which is lengthy and costly and similar to the normal water license application procedure. The Department of Water and Sanitation does not have a process compared to the Department of Environmental Affairs where the amendments can be corrected in terms of the National Environmental Management Act, without a lengthy process. Eskom and the Department of Water and Sanitation are engaging to address the above concern.

On key challenges and response plans on water supply to local communities, the following was highlighted:

- Eskom has been supplying potable water to local communities where the power stations are based. These communities are growing and in some areas, the high water demand threatens the production of electricity; and
- Relevant government organs of state are requested to assist local municipalities to implement independent water supply schemes to local communities.

On key challenges and response plans on the Blue and Green Drop Programme, the following was highlighted:

- Eskom began with the implementation of the Blue and Green Drop Programme at its operational areas in 2010;
- Some power stations have been audited for compliance to the Blue Drop Programme by the Department of Water and Sanitation, while others are regarded by the Department as private entities (that is, not supplying water to local communities), and will not be audited in the next audits by the Department;
- Most stations will not be audited by the Department for the Green Drop Programme as they have been deemed private (that is, not discharging treated effluent into the watercourse);
- Eskom has implemented internal monitoring programmes to align with the blue and green drop requirements. This will moderate sites to improve compliance; and
- The intention in the future is to have all Eskom operational sites blue and green drop certified.

On key challenges and response plans on lining of ash dump/dam facilities, the following was highlighted:

- To comply with environmental legislation (Regulations on Norms and Standards for Classification of Waste), Eskom is required to install a Class C liner for the purpose of ash dump going forward at Kendal, Majuba, Camden, Kriel and Matimba power stations. To install a Class C liner will cost Eskom between R1.5 and R3 billion per station. Eskom would like to propose to the Department of Water and Sanitation and Department of Environmental Affairs that a decision to install a liner to the ash dump/dams facility must also be based on the site specific risk profile.

On key challenges and response plans on deteriorating water quality, the following was highlighted:

- Deteriorating water quality leads to increased treatment costs, waste and water usage and non-compliance at power stations;

- Water schemes have been implemented to access clean water resources, for example, the Komati Water Supply Augmentation Project (KWSAP) bypasses natural polluted river to supply clean water to Duvha Power Station;
- Eskom requires that the Department of Water and Sanitation monitor, trend and analyse water quality data and to enforce non-compliance. Of particular concern is the poor water quality trends that have been measured at power stations supplied from Grootdaai and the Inkomati catchments relating to organic and salt loads; and
- In response to water quality challenges, Eskom has begun its own monitoring programme in the Inkomati and Grootdraai and the Inkomati catchments. Eskom is participating in the development and implementation of for example, tied collieries implementing water treatment initiatives and by chairing the Strategic Water Partners Network Effluent Working Group.

In conclusion, Eskom maintained that it required certainty on the implementation of the MCWAP 2 and Lesotho Highlands Water Scheme 2. Eskom will continue to work with the Department of Water and Sanitation on drought contingency and mitigation measures. The implementation of water strategy action plans will assist in identifying the gaps and areas for improvement regarding high water consumption. Tracking and monitoring will be conducted on a quarterly basis. Environmental compliance remains a focus point for Eskom, but there is a need to engage the Department of Water and Sanitation and Department of Environmental Affairs on lining of ash dam/dump. Support from the Department of Cooperative Governance and Traditional Affairs is required to address the issue of high water demands from communities receiving potable water from the power stations.

3.5. Briefing by the South African Petroleum Industry Association

The South African Petroleum Industry Association (SAPIA), represented by SASOL made presentations to the Portfolio Committee in terms water use allocations to the petroleum industry.

The presentation provided an overview of the petroleum industry as well as the water management for onshore oil and gas exploration. Water risk mapping was outlined as well as the refinery water balance. Sasol provided an overview of Sasol's water footprint, indicating that water is required at a very high level of assurance of supply. The water footprint vary in size and significant and that in terms of ecosystem protection, impacts have to be managed responsibly.

Water needs of SASOL are supplied from the Integrated Vaal River System and they utilise 4% of the use of that system. It was indicated that actions required to bring the Vaal into balance include the following:

- Curbing unlawful irrigation practices;
- Aggressive implementation of water conservation by reducing leakages from municipal water supply infrastructure;
- Treatment and recovery of legacy acid mine drainage, and
- Implementing the further phase of the Lesotho Highlands Water Project to augment water supply to the Vaal system.

In terms of water conservation, it was noted that beyond fence-line conservation partnerships, can save water in meaningful amounts. Leakages from urban systems contribute to the current water supply, demand imbalance which poses long term water security risk. The initiative to combat vandalism and theft of infrastructure can use successes of water conservation platforms, to amongst other things, build collaborative partnerships with communities; and give momentum to awareness campaigns to highlight the need to protect water and incentivise the participation of private enterprises by providing formal recognition of efforts which could help upscale and replicate similar partnerships.

SASOL identified the following collaborative projects, which include Project Boloka Metsi, which is a partnership between Emfuleni Local Municipality and Sasol. This is a 27-month contract which ran from April 2012 to June 2014. The savings realised from the project potentially equates to 17% of SASOL's Sasolburg operations demand from the Vaal River, which is 21 million cubic metres per annum. There are further partnerships with the Metsimaholo Local Municipality, done jointly with the Department of Water and Sanitation and using Rand Water as an implementing agent. The successes of this project include the installation of 8 out of 16 zonal metres and loggers to establish baseline. In this project, 40 plumbers have been appointed in Phase 1 which is comprised of the installation of household metres and household audits. Funds for Phase 2 of this project has been secured.

4. Vision 2030 for Water and Realities of the Water Landscape in South Africa: Challenges, Achievements, and Recommendations

Oversight of Executive action in respect of achieving constitutional obligations in the water and sanitation sectors in South Africa is an ongoing mandate for Members of the Portfolio Committee on Water and Sanitation. In the course of the last two years, Members of the Portfolio Committee, in engagements on briefings by the Department of Water and Sanitation and Entities, site visits, constituency work, and strategic planning workshop articulated a number of challenges, achievements and recommendations on various aspects of the work of the Department, its Entities and other relevant role players in the water and sanitation sectors. The workshop consolidated various arguments and formed the basis of future work as defined in the following recommendations made by Members of the Portfolio Committee on Water and Sanitation:

4.1 Ten-Year Master Water and Sanitation Plan aligned to the National Development Plan

In 2014, the Department proposed and committed to develop a Water and Sanitation Ten-Year Plan as the water and sanitation pillar of the National Development Plan. The objectives of the Ten-Year Master Plan to support the National Development Plan are to:

- Include the development of an inclusive, empowering and integrated water and sanitation policy and legislative environment;
- Provide an innovative and inclusive service delivery model driven by research and technology, especially with regard to alternative solutions to ensure universal coverage;
- Refine and implement the National Water Resources Strategy, which will ensure South Africa's long-term sustainable water security in the wake of climate change and expanded developmental needs; and
- Establish a public-private sector partnership to ensure both optimum service delivery for all as well as developing a competitive South Africa Water Industry.

Members of the Portfolio Committee in their engagement on whether there is a completed, incomplete or work in progress ten-year water and sanitation master plan, raised a number of issues, which needed further action by the Portfolio Committee on Water and Sanitation. Members argued that without a National Water and Sanitation Master Plan, no updated databases or datasets of water resources per sector as well as outdated statistics, it would make the work of the Commission even more difficult to advance a 30-year plan for the water resources management in South Africa. The Portfolio Committee recommended that in respect of the contradictions by the officials of the National Planning Commission and Department of Water and Sanitation that:

- **A letter be drafted to the Minister of Water and Sanitation, who is politically accountable and responsible on water and sanitation issues. The letter should incorporate the following:**

    - **Progress report on the development of the National Water Master Plan;**
    - **The continuous change of leadership and management in the Department and the impact of this on the management of water and sanitation in the country. Should the Minister fail**

to adequately respond, the matter would be escalated to the Public Protector; and

- **The Minister to address the following – legislative review and process and timelines for completion; and the manner in which water is allocated if there is no national water and sanitation master plan.**

The Portfolio Committee on Water and Sanitation recommends that the Department and Entities take special cognisance of the following reference of the National Planning Commission in relation to water and sanitation:

- **Investing in irrigation infrastructure, including water storage, distribution and reticulation, and water saving technologies;**
- **Managing and monitoring water resources for growth and sustainability;**
- **Developing water re-use and desalination options to meet local needs;**
- **Assuring water suppliers by investment and re-use;**
- **Putting in place and implementing water conservation and demand programmes; and**
- **Ensuring appropriate institutional arrangements for water resources management.**

4.2 Investment in Quality of and Access to Water and Sanitation Infrastructure

South Africa has made good progress in improving access to environmental services (water, sanitation and waste management). However, further investment is necessary to continue this progress and improve access to, and quality of services. A key obstacle is the inadequate level and design of service charges, which do not cover operational and maintenance costs in relation to water and sanitation infrastructure. There has been limited implementation of the increasing block tariffs, required by legislation.

A second issue, emanating from national imperatives is the development of a programme of eighteen (18) Strategic Integrated Projects (SIPs), which largely focus on infrastructure development. The majority, if not all, have strong implications for water, requiring water availability for economic development, or the availability of potable water. Therefore, the management of water resources will be crucial.

The Portfolio Committee on Water and Sanitation recommended that to ensure management of water resources, the Department must critically assess and integrate water-related elements of all projects and plans toward economic development. To enable the efficiency of the Strategic Integrated Projects, the following issues have been identified and must be reviewed by the Department – review of water use rights, implementation of water allocation reform, and water build programmes and water pricing and tariff setting.

4.3 Establishment of Catchment Management Agencies

Catchment Management Agencies are established in terms of Chapter 7 of the National Water Act. They are responsible for managing the water resources at a catchment level in collaboration with local stakeholders (with a specific focus on involving local communities in the decision-making). On March 2012, the Minister of Water and Environmental Affairs pronounced the establishment of Catchment Management Agencies.

The Catchment Management Agencies are listed as schedule 3A entities in the Public Finance Management Act. Nine (9) Catchment Management Agencies are being established. The Inkomati-Usuthu and Breede-Gouritz Catchment Management Areas are operational, whilst the Limpopo-North West and the Pongola-Mzimkulu Catchment Management Areas have been gazetted for establishment. The Vaal and Olifants Catchment Management Agencies will be established during the 2015/16 financial level. The establishment of all nine (9) Catchment Management Agencies was intended to be completed by 2016, but the establishment process has been delayed with various challenges

The Portfolio Committee recommends that the Department establish all Catchment Management Agencies in all provinces in line with the second National Water Resources Strategy; and ensure that they better integrate water resources management, the provision of water services and land use through enhanced engagement of all government and non-governmental stakeholders, including traditional authorities.

4.4 Cooperative Governance of Water and Sanitation Sectors

The Department, together with the Catchment Management Agencies and Trans-Caledon Tunnel Authority is responsible for water resources, bulk water services infrastructure and catchment or national water management, while local government has the constitutional obligation to provide water and sanitation services within their areas of jurisdiction. However, there are many challenges at the municipal level in relation to the delivery of water services. These challenges include poor maintenance and refurbishment of infrastructure, which result in increased interruptions in supply and high levels of unaccounted for water; poor management of wastewater treatment works resulting in deteriorating raw water quality; slow delivery of sanitation services; and unaffordable technology choices in some areas. The challenges are further compounded by the inadequate cost recovery in the water services sector.

The Portfolio Committee on Water and Sanitation recommends that since the role of both the Department and Water Boards in supporting local government with providing water services has been under the spotlight, this must be enhanced in the coming years. Intergovernmental coordination remains a significant challenge, as is seen through the lack of integration of water into/with other sector plans and through poor coordination, between Departments.

4.5 Funding of Water Services

Despite the significant funding of water services, *inter alia*, the equitable share and the Municipal Infrastructure Grant (MIG), there is considerable evidence that a very low proportion of the equitable share is actually spent on water services. In addition, billing and cost recovery are generally poor, with some areas in essence not being billed at all. As a result, daily operations and especially longer term maintenance are significantly underfunded. The result of poor municipal water management increases the demand of water quantities while decreasing raw water quality, both of which have major implications for water resources management, with associated financial and regulatory implications.

The Portfolio Committee on Water and Sanitation having noted the collaborative review of infrastructure grants by National Treasury at its presentation at the workshop, supports the initiative and recommends that the Department of Water and Sanitation and Entities engage and provide progress reports on the following three (three) priority areas of reform:

- **Improved grant structure**, which will focus on greater differentiation between urban and rural challenges – grant structure must respond to context; consolidation and rationalisation in the number of grants each municipality receives; emphasis on consolidation of urban grants to allow integrated delivery of services and blending of municipal own funds and more scope for sector-specific grants in rural areas to enable greater capacity support.
- **Emphasis on improved asset management**, which is pivotal to allow grants to fund existing assets for renewal, not only new infrastructure; and incentivize improved asset management and maintenance (though not funding maintenance through capital grants).
- **Management of the grant system**, which gives clearer roles for national departments and stronger central/holistic management of systems; and rationalized, functional and accountable reporting systems that enable performance to be accurately measured.

Whilst the Portfolio Committee recognises that the Department is not directly involved with the management of these grants, the support it provides to local government structures could add value to the work of the Department and Entities.

4.6 Policy and Institutional Reforms to Address Equity

To address the imbalances of the past in the water and sanitation sector, the Department has gazetted the sanitation policy for public comments. The policy is aimed at addressing sanitation throughout the entire value chain. The Department also stressed that it is working hard to finalise the National Water and Sanitation Bill, which will undergo parliamentary processes and be published for public consultation. The objective of the Bill is to transform the water and sanitation sector across the entire water value chain and create an enabling environment for the delivery of basic water and sanitation to communities who were historically disadvantaged, thus ensuring access, equity and sustainability.

The Portfolio Committee recommended that a set timeframe be given to the Department of Water and Sanitation by which to finalise legislation and policy in the water and sanitation sector.

4.7 Progress in Water Allocation Reform and Compulsory Licensing in Support of Sustainable Economic and Social Development

The Water Allocation Reform Programme (WAR) is one component of a wider government mandate to address the inequities of previous access to natural resources, including land and water. WAR is being implemented by the Department of Water Affairs and Sanitation, through the WAR Programme. The WAR Programme aims to implement the objectives of the National Water Act (NWA) by ensuring the 'efficient and beneficial use of water in the public interest' (NWA, S 27.1.a). In accordance with the NWA, there is a requirement to redress the effects of previously discriminatory legislation, while minimising the impacts on existing users and the economy of the country. The overall outcomes of the Programme should further the key principles of the National Water Resource Strategy, 1 and 2. The objectives of the WAR programme are:

- To achieve equitable access to water: that is, equitable access to water services, water resources, and associated benefits;
- To achieve sustainable use of water, by making progressive adjustments to water use to achieve a balance between water availability and legitimate water requirements, and by implementing measures to protect water resources; and
- To achieve efficient and effective water use for optimum social and economic benefits.

Compulsory licensing (CL) is one of the main legal instruments in the National Water Act, 1998 that can be used to give effect to Water Allocation Reform. Compulsory licensing is a mechanism to reconsider all water-use authorisations in an area so as to potentially achieve significant reform of existing legal access to water (National Water Act, sections 43 to 48). All unlicensed users within an area are required to reapply for their water use entitlement, existing licensed users are subject to the general review of their licence conditions and new water users are invited to apply. The NWA then describes a fairer process of allocation between competing types of users and sectors. The process involves a set of water resource management decisions, leading to a reallocation, with the primary intention of achieving race and gender equity, as well as to meet international obligations and the requirements of the Reserve.

4.8 Institutional Arrangements and Approach to Water Resources Management

South Africa has adopted a modern, integrated approach to water resources management. However, the institutional barriers to its implementation have seriously limited policy effectiveness. Water resources management – a national responsibility implemented through regional offices, in not adequately integrated with the provision of water services, which is a municipal responsibility. The National Water Resources Strategy 2 provides an opportunity to address some key institutional challenges in the water and sanitation sectors.

4.9 Transformation of Irrigation Boards to Water User Associations

Water User Associations are established in terms of section in 92(1) (a) of the National Water Act, 1998. Irrigation Boards operate in terms of the Water Act, 1956. The transformation of Irrigation Boards to Water User Associations is a statutory requirement in terms of section 98 of the National Water Act. The due date of transformation of Irrigation Boards to Water User Associations was six (6) months after promulgation of the National Water Act, 1998. The transformation due date was extended for another year. But, to date, a number of Irrigation Boards are still operational. Water User Associations are Water Management Institutions, which manage and regulate water at a localised level. The scale at which they operate, their roles and functions and their use, management and ownership of infrastructure varies considerably around the country.

4.10 Progress Report on Regional Water Utilities

The Minister has accepted the proposed institutional reform policy that the scope and area of jurisdiction of water boards will be extended in such a way that the water boards will fulfil the function of effective Regional Water Utilities. The intention is that effective Regional Water Utilities could contribute toward addressing the municipal water service delivery problems. This is in line with the Department’s National Water Resources Strategy. The vision of regional water utilities is still a policy, and not yet legislated. There have been mixed reactions from sector stakeholders, specifically local government with regard to ownership of assets and asset transfer. Furthermore, the capacity of water boards for regional bulk sewerage/sanitation has not been demonstrated.

4.11 National Water Resource Infrastructure Agency

The concept of the National Water Resource Infrastructure Agency (NWRIA) was conceived in the White Paper on a National Water Policy for South Africa (1997), which proposed the establishment of a “Public Utility” for the development and operation of the national water infrastructure. The motivation being that:

- The management of water resources infrastructure through a public utility would allow the Department to shift away from an engineering and operation focus and to focus on its policy and regulatory role;
- This will facilitate cost effective development and operation of national water resources infrastructure; and
- The model will facilitate commercial funding of viable infrastructure projects. Government departments are precluded from borrowing and therefore constrained by budget availability to develop new infrastructure.

The establishment of the NWRIA is supported by the national policy, namely the National Development Plan and the National Water Resources Strategy. The Department will have to finalise the National Water and Infrastructure Agency Bill. The recommended option is for the NWRIA to be set up as a State-Owned Company (either as a new entity or built by the TCTA) that will integrate the operations of the National Water Infrastructure Branch, Water Trading Entity and the TCTA. It will therefore be responsible for the funding, development and operations of national water resources infrastructure.

The Portfolio Committee recommends that the Department provide a detailed progress report on the establishment of the National Water Resource Infrastructure Agency, as the Minister has granted approval that the Department may proceed with the process to establish a single entity for National Water Resource Infrastructure, and to appoint an Independent Oversight Committee to provide strategic guidance during the establishment process.

4.12 Climate Change Adaptation Strategy for the Water Sector

The National Climate Change Response Strategy was launched at the 17th Conference of the Parties meeting in Durban. The policy recognised water as one of sectors that needed immediate attention in terms of adaptation to climate change, while the National Water Resources Strategy 2, specifically Chapter 10, advocated for management of water resources in the context of climate change. The vision of the Department's strategy is for all water users and sector institutions and water users to be aware of, plan for and respond as appropriate to a changing climate and its impact on water so as to have the capacity to manage limited water in a context of high levels of uncertainty. The current status of the Strategy is that it is being consulted with key government departments and stakeholders in various provinces.

4.13 Water Supply Services Intervention Framework

The Department of Water and Sanitation noted that the country has to ensure universal access to sustainable water services by/before 2030, and ensure that there is a reliable water services by 2019. To attain these targets, the Department stressed the importance of a multi-intervention approach which continued with existing programmes but refocused and realigned approach and model, a need for improved water services governance, macro multi-system stream intervention framework and the need to address enabling requirements and support tools.

The three interventions required the following:

- **Intervention 1: Redirection of Approach**
    - Focus on reliability vs infrastructure;
    - Extend approach from only addressing backlogs to total management;
    - Provide comprehensive service;
    - Apply life cycle management;
    - Apply value chain approach (source to tap to source);
    - Manage water supply as a service and business;
    - Focus on proactive and sustainable solutions; and
    - Apply bold and radical interventions.

- **Intervention 2: Water Services Governance**

    - Establish focused, dedicated and committed programme on water services governance;
    - Ensure strong leadership and drive;
    - Effective planning, organising and control;
    - Discipline and accountability;
    - Institutional arrangements, interventions, skills and capacity needed in this area;
    - Apply effective programme management;
    - Focus on outcomes and delivery focused; and
    - Address culture, attitude and behavior.

- **Intervention 3: Multi-action and comprehensive delivery**

    - Comprehensive infrastructure approach;
    - Address collapsed systems and dysfunctionality including vandalism and theft;
    - Include aged infrastructure and renewal;
    - Prioritise water security; and
    - Sustainable and effective water governance and management.

Report to be considered.

4. REPORT OF PORTFOLIO COMMITTEE ON WATER AND SANITATION ON THE FOURTH (4TH) QUARTERLY PROGRESS REPORT FOR THE DEPARTMENT OF WATER AND SANITATION FOR THE 2015/16 FINANCIAL YEAR, DATED 16 NOVEMBER 2016

The Portfolio Committee on Water and Sanitation (hereinafter the Portfolio Committee), on 24 August 2016, considered the fourth (4th) quarterly progress report of expenditure trends of the Department of Water and Sanitation (hereinafter the Department) for the 2015/16 financial year, and reports as follows:

1. Overview of the 2015/16 fourth quarter expenditure

1.1 Department of Water and Sanitation (Vote 36)

The fourth (4th) quarter expenditure is based on the preliminary expenditure results as the Department has not finalised its annual financial statement for 2015/16. Thus, the final shifts approved by the accounting officer are not included.

The adjusted main appropriation for 2015/16 stood at R15.7 billion, while the 2014/15 available budget was R13.6 billion. The nominal increase from 2014/15 was thus R2.1 billion or 15.3%. This expenditure reflects a tremendous improvement from the previous year in the same quarter. Spending trends show that R502 million of the budget was reprioritised for drought interventions and R383 million was reprioritised from regional bulk infrastructure and municipal water infrastructure grants.

The Department's largest expenditure is on Programme 3: Water and Infrastructure Development, which is 75.5% of the total departmental budget. This is mainly due to transfers to the Water Trading Entity. The WTE implements large water resources projects such as dams, canals and pipelines through major infrastructure grants such as the Regional Bulk Infrastructure Grant and Municipal Water Infrastructure Grant.

1.2 Expenditure per Programme

The Department's budget comprises five programmes, that is, Administration; Water Planning and Information Management; Water Infrastructure Development; Water and Sanitation Services; and Water Sector Regulation. The table below provides the expenditure under each programme as at the end of the period under review:

Table 1: Department of Water and Sanitation Expenditure per programme – 31 March 2016

Programme	Final Appropriation	Expenditure 31 March 2016	% Spent
	R0'00	R0'00	
Administration	1 519 753	1 517 866	100%
Water Planning and Information Management	684 446	668 816	98%
Water Infrastructure Development	11 856 540	11 748 846	99%
Water and Sanitation Services	1 414 674	1 359 576	96%
Water Sector Regulation	271 117	261 868	97%
Total	**15 746 530**	**15 556 972**	**99%**

Source: Department of Water and Sanitation

1.3 Reasons for underspending per programme

1.3.1 Administration

An allocation of R1.887 million could not be spent as a result of transfers, which could not be made to higher education institution and non-profit institutions due to outstanding documents.

1.3.2 Water Planning and Information Management

An allocation of R15.630 million could not be spent as a result of unfilled funded vacant positions. These could not be filled due to changes in the organisational structure (R7.416 million); related goods and services (R3.600) and the payments for capital expenditure mainly in the integrated planning and water information management activities of the Department.

1.3.3 Water Infrastructure Development

An allocation of R107.694 million for the water services infrastructure could not be spent due to delays in the procurement of services and contractors by the Department’s implementing agents. This was further exacerbated by the delays in the delivery of ordered material required for implementation of water infrastructure development projects, which were still in the construction phase. The Department has subsequently requested a roll-over of R46.789 million from National Treasury to finalise the projects.

1.3.4 Water and Sanitation Services

An allocation of R55.098 million could not be spent on activities relating to water sector support (R4.537 million) and national sanitation (R50.561 million). This is as a result of capacity constraints in terms of inadequate technical skills, high vacancy rate in the programme and challenges with regulation of sanitation technologies. Furthermore, there were delays in the delivery of material for construction of sanitation structures under the rural household infrastructure projects.

1.3.5 Water Sector Regulation

An allocation of R9.249 million could not be spent in this programme. This was mainly due to the delays in finalising an invoice, which required legal advice. The transfer payment to the Water Research Commission (WRC) was due to delays in finalisation of the memorandum of agreement.

2. Departmental performance on targets

2.1 Administration

In respect of Departmental performance of the Administration Programme, it was reported that 61% of targets were achieved and 39% of targets were partially achieved or not achieved. The Department reported that it over-achieved in terms of the vacancy rate for engineers, with graduate trainees being added to the programme and placed in candidate positions. A further aspect of over-achievement was in respect of community and media engagements and campaigns. Areas for under-achievement included the Management Performance Assessment Tool (MPAT) compliance; the finalisation of the Water and Sanitation Bill as well as the management of long term strategies for Acid Mine Drainage.

2.2 Water Planning and Information Programme

The Department reported a 50% achievement of targets in this Programme, of which 33% were over-achieved and 17% of targets were partially achieved. The remainder 50% were not achieved. In terms of the reasons for the 50% under-achievement of targets, reasons for variance include the non-completion of the feasibility studies and provincial bulk master plans; reduction of demand from 8 large water supply systems; non-completion of the integrated water quality management strategy and the determination of resource quality objectives for 5 river systems.

2.3 Water Infrastructure Development Programme

In terms of Departmental performance of pre-determined targets, 20% was over-achieved, whilst the Department reported that 80% of targets were partially achieved or not achieved. It should be noted that in respect of this programme, the Department noted that 47% of targets were not achieved. The Department did not achieve its intended targets as they relate to the completion of bulk infrastructure projects; completion of community infrastructure projects; provision of interim or basic water to households; refurbishment of water service schemes and completion of dam safety and conveyance projects.

2.4 Water and Sanitation Services Programme

In respect of Departmental performance on the Water and Sanitation Services Programme, it was reported that 40% of targets were partially achieved and 60% of targets were not achieved. The Department over-achieved in support to resource poor farmers and under-achieved in targets as they relate to the water harvesting programme, the bucket eradication and rural household sanitation.

2.5 Water Sector Regulation Programme

In terms of this programme, 40% of targets were achieved, whilst 60% of targets were partially achieved or not achieved. The Department over-achieved in compliance monitoring as well as finalisation of the water use authorisations in line with guidelines. In terms of areas of under-achievement, these include – implementation of institutional reform and realignment; water and waste water services regulation; finalisation of the pricing strategy and economic and social regulation strategy.

3. Water Trading Entity

3.1. Water Trading Entity Performance on Targets

The Water Trading Entity (WTE) reported a 17% over-achievement on targets, 33% of targets were partially achieved and 50% of targets were not achieved. The WTE over-achieved in the reduction of debtors' days target and under-achieved in the areas of validation and verification of water use and allocation of water to historically disadvantaged individuals.

3.2. Financial Performance of the Water Trading Entity

The Water Trading Entity (WTE) receives its funding from the fiscus, revenue earned from provision of water services as well as revenue from construction work done, which is only charged once certified. Of the R1.7 billion allocation, R1.3 billion was spent, resulting in a total spend of 92% of the allocated budget.

In terms of reasons for deviation from the original budget, this was due to the reduction of the augmentation fund by National Treasury and virements within Programme 3 to fund the water service related projects. Virements on additional project expenditure was due to the additional requests to fund ministerial water intervention related projects. Due to the inability to fund vacant posts, and the fact that the Department is currently reviewing the organisational structure, the WTE had to reprioritise employee costs to fund other service delivery projects.

Unfavourable variance on revenue performance can be attributed to the construction revenue whereby construction work still needs to be certified, whilst revenue billing on sale of water services is within the revenue targets for the 2015/16 financial year.

The underspending on expenses can mainly be attributed to the reduction of the finance cost, as well as the depreciation and lack of spending on goods and services. The reduction on finance costs is due to the cash flow timing difference on off-budget projects, while the reduction on depreciation is due to correction of useful life that was done in the prior year, which resulted in the extension of useful life of infrastructure assets. The underspending on goods and services can be attributed to uncertified work (construction costs), lack of spending on maintenance costs and reduction of management fees of projects undertaken by the Trans Caledon Tunnel Authority (TCTA). The spending on employee costs are within the revised budget for financial year 2015/16. The WTE is still in the process of reviewing the organisational structure.

The variance of R273 million on augmentation projects is due to underspending on GleWAP Mopani District (the delay with construction activities, delay in the manufacturing of special pipes and environmental authorisation issues); Nandoni Nsami (work on site was suspended with instruction from National Treasury) and decision to fund ministerial intervention project from Main Account. The underspending on other projects is due to the delay in the appointment of pool of civil contractors. This has since been finalised by the WTE.

4. Portfolio Committee deliberations with the Department

4.1 Failure to meet deadline for the eradication of bucket sanitation

The Department responded that the underspending in this regard relates to the indirect portion of the Rural Household Infrastructure Grant. The Department only managed to appoint four contractors in five provinces and noted that there were implementation challenges. It was noted that by March 2016, 900 toilet structures had been completed. One of the key challenges noted was that the Department had to conduct a verification of the bucket sanitation numbers it received from the Department of Human Settlements when the sanitation function was handed over, as a result of the overestimation in the Free State Province. There are 795 outstanding buckets. One of the key construction challenges is that the houses in identified areas are built too close together, which makes it difficult to excavate for additions for construction of toilets.

4.2 Extent to which machinery purchased is insured by the Department

It was reported that in terms of legislation, the Department could not insure machinery.

4.3 The deadline for bucket eradication has been a moving target. These are targets set by officials and not imposed by the Portfolio Committee. What measures are in place to hold officials accountable for unmet targets and commitments made to the Portfolio Committee?

It was responded that if the unmet targets were as a result of negligence by an official, then consequence management will take place and the labour relations process will follow. However, it was also noted that there were some challenges which were not in the scope of control of the official.

4.4 Reasons for underspending

It was reported that the bulk of underspending resulted from the Department's infrastructure and development programme which underspent by R107 million. The Department has requested a R46 million rollover from National Treasury and the outcome of this request is still pending. One of the key reasons for underspending related to delays in the receipt of invoices from implementing agents that were put into the last payment run for the 2015/16 financial year of the Department. There was an underspending of R55 million in terms of the Water and Sanitation Services. Furthermore, there was underspending amounting to R55 million in the Administration programme, which relates to goods and services. This was as a result of the Department’s inability to fill vacant posts.

4.5 Concerns were raised regarding the Department's ability to spend its budget given the R2 billion underspending from the 2014/15 financial year which was not approved by National Treasury. This had a knock-on effect for the 2015/16 financial year resulting in programmes and projects needing to be reprioritised

The Department noted that in terms of the 2015/16 financial year, it underspent by 1%. In some cases, particularly in the case of infrastructure projects, there are some factors which are not within the scope of control of the employee. In other areas, funding had to be reprioritised to fund drought interventions.

4.6 What are the Departmental interventions in the Umkhanyakude District in KwaZulu Natal?

The Department responded that it had deployed its internal construction team which is still based at Umkhanyakude.

4.7 What is being done to address the outstanding debt owed by municipalities to water boards and how is it that municipalities continue to receive funding from National Treasury given the outstanding debt?

It was reported that there is ongoing discussions between the Department of Cooperative Governance and Traditional Affairs and National Treasury regarding the outstanding debt.

4.8 Reason for high staff turnover

It was noted that the Department is a very challenging, one with a high demand and ongoing pressure to deliver on issues. There are some individuals who are not able to maintain the pace and pressures of the level of work that is required.

5. Resolutions

Having considered the fourth (4^{th}) quarterly review and report of the financial and non-financial performance of the Department, the Portfolio Committee resolved that:

- Progress reports be submitted to the Portfolio Committee on:
    - Attraction and retention strategies for increased scientists and engineers in the public services sector to address water and sanitation issues in the country;
    - Oversight by the Department in the processes of appointments of contractors to undertake major infrastructure projects – challenges and recommendations to ensure smooth facilitation of these processes; and
    - Underspending by the Department and return of funds to National Treasury in respect of incompletion of major infrastructure projects.
- Joint portfolio and select committee meetings be held with cooperative governance and traditional affairs on spending of grant allocations at national and local levels to ensure water and sanitation service delivery to all citizens.

Report to be considered.

5. REPORT OF PORTFOLIO COMMITTEE ON WATER AND SANITATION ON THE THIRD QUARTERLY PROGRESS REPORT FOR THE DEPARTMENT OF WATER AND SANITATION FOR THE 2015/16 FINANCIAL YEAR, DATED 16 NOVEMBER 2016

The Portfolio Committee on Water and Sanitation (hereinafter the Portfolio Committee), on the 9th March 2016, having considered the third quarterly progress report of the Department of Water and Sanitation (hereinafter the Department) for the 2015/16 financial year reports as follows:

1. Overview of the 2015/16 third quarter expenditure

1.1 Department of Water and Sanitation (Vote 36)

The Department of Water and Sanitation (the Department) was allocated an amount of R16, 3 billion for the 2015/16 financial year of which 57 per cent (%) was spent at the end of the period under review.

The Department has a 2015/16 available budget of R16.4 billion, which represents a nominal increase of R2.7 billion, or 20.5%, from 2014/15. The transfers and subsidies account for R5.5 billion of the available budget. Of the amount on transfers and subsidies, the Department has so far transferred:

- R3.2 billion, or 58.8%, mainly to Provinces and Municipalities (in the form of the Municipal Water Infrastructure Grant);
- Foreign Governments and International Organisations;
- Public Corporations and Private Enterprises (Umgeni Water Board received R244.4 million for Lower Thukela Bulk Water Supply, Magalies Water Board received R150 million for Pilanesberg Bulk Water Supply Scheme, and Amatola Water Board received R129 million for the upgrade and refurbishment of six existing plants and downstream Infrastructure transfers).

This means the Department has an available budget of R11 billion for operations. Of this, the Department has spent R5.9 billion, or 53.3%, the majority of which has been used on payments for capital assets.

1.2. Expenditure per programme

The Department's budget comprises five programmes, that is, Administration; Water Planning and Information Management; Water Infrastructure Development; Water and Sanitation Services; Water Sector Regulation. The table below provides the expenditure under each programme as at the end of the period under review.

Table 1: Department of Water and Sanitation Expenditure per programme – 31 December 2015

Sub programme	Adjusted Budget 2015/16	Expenditure 31 December 2015	% Spent
	R0'00	R0'00	
Administration	1487 534	1052795	71%
Water Planning and Information Management	743 963	465 164	63%
Water Infrastructure Development	11 815 750	6 645 001	56%
Water and Sanitation Services	1 414 674	685 928	48%
Water Sector Regulation	284 609	194 945	68%
Total	**15 746 530**	**9 043 833**	**57%**

Source: Department of Water and Sanitation

2. Departmental performance on targets

2.1 Administration

In respect of Departmental performance of the Administration Programme, it was reported that 57% of targets were achieved and 43% of targets were partially achieved. One the areas in which there is deviation is that of the filling of vacancies. In this respect, the deviation was attributed to resignations of officials as well as the inability of the

Department to attract and appoint technical staff, which resulted in a higher vacancy rate.

2.2 Water Planning and Information Programme

The Department reported 56% achievement of targets in this Programme, of which 11% were partially and 33% of targets were not achieved. The reasons for the variance were attributed to late appointment of contractors, as well as fewer targeted job opportunities created due to the early closure of construction sites in December 2015. Furthermore, seven of the targeted bulk infrastructure schemes were completed. This was due to the late appointment of contractors and late approvals to appoint labourers and to procure materials.

2.3 Water Infrastructure Development Programme

Twenty-seven (27%) of the targets were achieved, 32% of the targets were partially achieved, whilst 41% of targets were not achieved. Key projects that were delayed include the Oliphants River Water Resource Development Project; Mokolo Crocodile Augmentation Project; Mzimvubu Water Project and raising of the Clanwilliam Dam wall.

2.4 Water and Sanitation Services Programme

In respect of Departmental performance on the Water and Sanitation Services Programme, it was reported that 40% of targets were partially achieved and 60% of targets were not achieved. The reasons for the partial or non-achievement of targets include:

- Low productivity levels of sub-contractors;
- Disputes on labour rates by sub-contractors;
- Cash flow challenges by implementing agents versus work completed; and

- Difficult soil conditions such as hard rock in the Northern Cape, delayed provision of services.

The Department further provided the Portfolio Committee with an update on the bucket eradication programme which falls within the Water and Sanitation Services programme. The bucket eradication programme, which was taken over from the Department of Human Settlements in November 2014, showed that there were 58 010 bucket sanitation systems in formal areas. Upon being given the bucket eradication function, the Department conducted a verification process which established that the target was in fact 57 952. To date, 18 134 bucket sanitation systems had been eradicated, which effectively leaves an outstanding amount of 39 818 to be completed. Of this number, 13 420 are with implementing agents and 26 357 are with the Department for completion. The Department is establishing a Programme Management Unit to address gaps such as limited institutional capacity and resources, segmentation and poor planning functions, information management and performance monitoring and compliance issues, which impede service delivery.

2.5 Water Sector Regulation Programme

In terms of this programme, 57% of targets were achieved, 14% partially achieved and 29% of targets were not achieved.

3. Portfolio Committee deliberations with the Department

3.1 Inability of the Department to retain its internal construction unit

It was reported that high costs were associated with maintaining an internal construction unit, and experiences year-on-year showed that these units were not able to deliver projects within time or within budget. Furthermore, part of the policy of the Department in its infrastructure projects is to employ local labour so that the project can benefit the local economy and contribute towards skills development. An internal construction unit deviates from local use of labour in that Departmental staff are transported to various project sites to undertake water and sanitation infrastructure build.

3.2 Reasons for underspending

It was reported that some conditions made it impossible for the Department to spend its budget. Any budget remaining would not be spent on other matters, but would be returned to National Treasury. An example of the reason for return of funds was illustrated. In the case of the De Hoop Dam Bulk Distribution Project, the off-take agreements with the mining houses as of 1 March 2016 were not in place. It was clear that the prevailing conditions in respect of the De Hoop Distribution Project could not be cleared or improved, the Department would request a rollover of that amount, in this case, R726 million.

In this regard, this should not be seen as underperformance but good accounting practice in ensuring that these funds can be re allocated to other departments are who are in need of funding.

3.3 High vacancy rate

After the 2014 elections, there were human resource implications with the merging of the sanitation component. At that time, the Minister placed a moratorium on the filling of non-critical posts. In the interim, critical posts for directors and chief directors have been filled. Further delays were attributed to the Department of Public Affairs and Administration’s delay in approving the new structure of the Department. In the technical vacancies of engineers and scientists, the Department reported that there has been difficulty in sourcing these skills as the Department is competing with the private sector in respect of remuneration.

3.4 The reasons for targets within the Water Infrastructure Development Programme not being achieved

It was reported that some of the funds in the Water Infrastructure Development Programme have been redirected to drought intervention.

3.5 Outstanding Departmental debt owed to Bloem Water

It was reported that for the 2013/14 and 2014/15 financial year, Bloem Water was tasked with the completion of 18 000 toilets in terms of the bucket eradication programme. The initial unit cost for the toilets was R31 000 per unit. However, these costs escalated and this escalation was attributed to difficult soil conditions, which require geotechnical reports. The provision of the toilets completed did not include reticulation which would escalate the costs of the toilets even further. The Director General requested the geotechnical reports from Bloem Water as proof of the escalation costs and these reports were not provided. As a result, the Director General refused to pay Bloem Water until they could furnish the Department with the geotechnical reports, which to date, have not been submitted.

3.6 Reasons as to why Gauteng, Limpopo and KwaZulu Natal have no figures for bucket eradication

A formal definition of the eradication of the bucket system in formal settlements was used as a guiding principle to inform the Department of the numbers of bucket sanitation in all provinces. Gauteng, Limpopo and KwaZulu Natal had no figures for bucket eradication, as within the context of using the principle defining eradication of bucket systems, they fell outside of this formal definition. There have been instances where people with chemical toilets or people living in informal areas have claimed to be using the bucket sanitation methods. However this definition only applies to those residents who use bucket sanitation, within the scope of town planning, whereby an areas has been designated a township.

3.7 Transformation of irrigation boards

The Department responded that the transformation of irrigation boards was ongoing and that the Department is working on a roadmap on the transformation of irrigation boards.

3.8 Compliance mechanisms from the Department in respect of pollution by municipalities

The Department noted that they are trying to assist those municipalities whose waste water treatment works are causing pollution. Examples of municipalities such as Madibeng were cited. The Minister issued a directive to the Department as well as the Lepelle North Water Board to provide assistance to this municipality in respect of the refurbishment of the Waste Water Treatment Works, amongst other relevant support.

3.9 Impact of drought on bucket eradication targets

The Department has begun the process of drilling boreholes to increase water levels to further resolve the issue of attaining the bucket eradication targets. However, it has been found that in some areas, some residents do not even have sufficient water to drink. In this regard, the Department is investigating pilot projects to look at the technical possibilities of using grey water for sanitation.

4. Resolutions

Having considered the third quarterly review and report of the financial and non-financial performance of the Department, the Portfolio Committee resolved that:

- Progress reports be submitted to the Portfolio Committee on:
    - Attraction and retention strategies for increased scientists and engineers in the public services sector to address water and sanitation issues in the country;

  - Oversight by the Department in the processes of appointments of contractors to undertake major infrastructure projects – challenges and recommendations to ensure smooth facilitation of these processes; and
  - Underspending by the Department and return of funds to National Treasury in respect of incompletion of major infrastructure projects.
- Joint portfolio and select committee meetings be held with cooperative governance and traditional affairs on spending of grant allocations at national and local levels to ensure water and sanitation service delivery to all citizens.

Report to be considered.

6. REPORT OF THE PORTFOLIO COMMITTEE ON WATER AND SANITATION OVERSIGHT VISIT TO THE NORTH WEST PROVINCE 20-22 SEPTEMBER 2016, DATED 16 NOVEMBER 2016

This report serves to provide an account of the oversight visit conducted by the Portfolio Committee on Water and Sanitation (Portfolio Committee) to the North West Province from the 20-22 September 2016.

1. INTRODUCTION

The Portfolio Committee conducted an oversight visit to the North West Province from 20-22 September 2016. The Portfolio Committee met with officials from the Rustenburg Local Municipality, Moses Kotane Local Municipality, Kgetlengrivier Local Municipality and Moretele Local Municipality, as well as Magalies Water Board. Site visits were conducted to the Brits Abattoir and Tannery as well as the Swartruggens Dam, within the Swartruggens area which was experiencing severe drought. Whilst in the North West Province, the Portfolio Committee met with the Chamber of

Mines, as well as mining houses within the platinum belt region to determine the extent of sustainable water usage and environmental impact of mining operations on the water supply.

The engagement with the municipalities centred on the current state of water and sanitation sectors, budgets and future planning initiatives on the part of local municipalities. This was to ascertain the way in which municipalities address the core concern of citizens' rights to basic water and decent sanitation in their respective jurisdictions. The engagement by mining houses within the platinum belt focused on the sources and volumes of water used by mining houses, as well as challenges experienced.

Delegation:

Members:
Mr M Johnson (ANC) (Chairperson); Mr HP Chauke (ANC); Mr D Mnguni (ANC); Mr T Makondo (ANC); Ms Bilankulu (ANC); Ms H Kekana (ANC); Mr LJ Basson (DA); Mrs T Baker (DA); Ms Khawula (EFF); and Mr MP Galo (AIC).

Staff
Mrs M Solomons (Committee Secretary); Ms S Dawood (Content Advisor); Mr T Manungufala (Committee Researcher); Ms Z Kula (Committee Assistant); Mr S Gumede (Language Practitioner); and Ms M Molokoane (Language Practitioner)

2. FINDINGS

The Portfolio Committee engaged with local municipalities within the Bojanala District Municipality in terms of the status of water supply, as well as the status of water and sanitation infrastructure. The following comprise the findings of the Portfolio Committee in respect of this engagement:

2.1 Madibeng Local Municipality

Madibeng is classified a Category B municipality. It has a mayoral type system, and is strategically located in North West Provinces, centrally between Pretoria (50 km), Johannesburg (80km) and Rustenburg (45km). The municipality has 41 wards with 81 Council Members. The area is predominantly rural and the revenue base is therefore limited.

Madibeng Local Municipality is a Water Services Authority, and therefore has a duty to all customers and potential customers in the area of jurisdiction to progressively ensure efficient, affordable, economical and sustainable access to water services in terms of the Water Services Act, 1997.

2.1.1 Financial Viability of Water and Sanitation Infrastructure

To address and ensure financial viability of water and sanitation infrastructure, the municipality has a total operating budget of R1.58 billion. The total infrastructure and technical services budget is R749 million. The total water and sanitation budget is R206 million, and the infrastructure maintenance is R28 million.

2.1.2 Level of Access to Basic Services

According to Stats SA 2011, the level of access to basic services are as follows:

Level of service	**Number of households**	
	Water	Sanitation
Above RDP	59 628	52 558
Basic	73 452	15 590
Inadequate/None	27 644	92 576
Total	160 724	160 724

2.1.3 Status of Infrastructure: Water Supply Schemes

Brits Water Supply Scheme and Treatment Works

In relation to water supply schemes, the presenter noted that the Brits Water Supply Scheme is serviced by the Brits Water Treatment Works, where raw water is abstracted from the Hartebeespoort Dam. The dam is known for its high algal bloom concentrations. The plant is designed to treat 60 megalitres a day, but the demand is 80 megalitres per day. During the peak season, the demand is 108 megalitres a day. The age of equipment has exceeded its lifespan, and high maintenance costs are limited due to financial constraints. The upgrade of this water scheme is underway to increase plant capacity from 60 megalitres per day to 80 megalitres per day. The upgrade is implemented by Department of Water and Sanitation and Magalies Water Board.

The project schedule for the Brits Water Treatments Works was stopped on 1 February 2016 up until 31 August 2016, due to the failure of appointing local contractors. Magalies Water Board assisted with the procurement of a contractor on 25 July 2016, and thereafter the appointment of local companies took place on 30 September 2016. The completion of the 1st phase extension which was to have added the extra 20 megalitres per day water into the Brits system was expected to be completed by 30 June 2016, but due to the work stoppages, it will be further delayed. It is anticipated that the project will run smoothly without disruptions or stoppages going forward as the biggest issue of local participation has been resolved.

Hartebeespoort Water Supply Scheme

Hartebeespoort Supply Scheme is serviced by the Schoemansillive Water Treatment Works, which abstracts raw water from the Hartebeespoort Dam. The plant is designed to treat 10 megalitres and there is a demand of 11 megalitres per day. The demand in peak season is 15 megalitres per day.

Other schemes

Other schemes in the local municipality are the Tshwane Bulk Augmentation, with a capacity of 24 megalitres per day and augmentation from Rand Water, which comprises 9 megalitres per day. Rural areas and informal settlements are supplied through boreholes and water tankering.

2.1.4 Sanitation Infrastructure

The activated sludge system at the Brits Waste Water Treatment Work has a capacity of 12 megalitres per day, with the current load at 9 megalitres per day. The activated sludge system at the Rietfontein Waste Water Treatment Works has the capacity of 5 megalitres per day with the current load at 3 megalitres per day. The Letlahbile Waste Water Treatment Plant has the capacity of 6.3 megalitres per day with the current load at 2 megalitres per day. The Mothuthlung Waste Water Treatment Plan has the capacity of 1 megalitres per day with the current load at 0.4 megalitres per day.

2.1.4.1 Bulk Sanitation Challenges

At the **Rietfontein Waste Water Treatment Works**, funding of R2 million is required for repairs and refurbishment to get the plant operational. The municipality is implementing the repairs, and progress to date, is at 90%. The Department of Water and Sanitation approved R7 million for the refurbishment of pump stations.

At the **Brits Waste Water Treatment Works**, an assessment was conducted, and R3 million is required for basic functionality of sanitation systems. R4 million is required for refurbishment of pump stations and the funding will be made available from the operational capex of the Madibeng Local Municipality.

At the **Letlhabile Waste Water Treatment Works**, an assessment has been conducted and R6.5 million is required to complete outstanding work.

At the **Mothotlhlung Waste Water Treatment Works**, R4.7 million was disbursed to repair the vandalised equipment at the plant.

2.1.5 Blue and Green Drop Certification

These are incentive based regulations by which the Department of Water and Sanitation measures Water Services Authorities against best practices. The assessments focus on the following areas – process controller, classification, management of maintenance, water quality, management of risk, and implementation of by-laws. In order to attain a Green Drop, the municipality must receive 90% compliance and for the Blue Drop, 95%. For the 2012 financial year, the municipality received a 57.9% score on the Blue Drop, whilst it received a 44% for the Green Drop.

2.1.6 Water Stress Areas and Intervention

Magalies Water Board has been directed to support Madibeng Local Municipality to address bulk water and sanitation service challenges, and to turn around the retail business of the municipality. The directive is governed under the prescripts of the North West Provincial Government's Local Government and Human Settlement Department. The resolution to invoke Section 139 (1) (b) of the Constitution was taken, and the Minister of Water and Sanitation issued a directive as provided for in the legislative provision of Sections 41(1) (ii) and Section 73(1) of the Water Services Act of 1997.

The purpose of the intervention sets out the strategy to be adopted by Magalies Water Board to address challenges in the current municipality water services. The approach has been built around short term (immediate response) to medium term interventions. The interventions were highlighted as follows:

Area	**Affected Households**	**Intervention**	**Funder**	**Implementing Agent**	**Impact**
Majakaneng	7261	Boreholes Augmentation	Department of Water and Sanitation (DWS) and IFM	Magalies Water Board	More than 80% of households receiving water.
Mmakau	2703	Boreholes	DWS, Municipal intervention funding and Bojanala District Municipality (DM)	DWS and Bojanala DM	The demand will be met 100%.
Letlhabile	4955	Boreholes	DWS through the Municipal Water Infrastructure Grant (MWIG)	Magalies Water	60% of households receiving water.
Jericho	1800	Boreholes	DWS	Magalies Water	60% of households are receiving water.

The municipality also provided a summary of interventions, some of which have already been completed. This relates to the Brits Water Treatment Works Upgrade, which is funded from the Regional Bulk Infrastructure Grant. The expected completion date is for 31 August 2017. Spending of this project is at 20%, whilst progress to date, is at 28% completion. It should be noted that this facility was visited by the Portfolio Committee in 2014, and one of the key resolutions of that oversight was that this facility required urgent attention. A progress report to the Portfolio Committee was expected within three months of the September 2014 oversight visit.

2.1.7 Pollution Control

The Madibeng Local Municipality has received complaints lodged by industries at the Brits industrial site regarding the recurrent manhole blockages and pollution affecting their business. The action implemented by the municipality was to:

- Gazette the updated by-laws with stringent measures for polluters;
- Engage and assist affected stakeholders to build evidence for litigation purposes; and
- Issue out permit application forms to industrialists, with an instruction that all industrialists must have permits by January 2017.

2.1.8 Challenges and Interventions

The municipality provided an overview of the challenges and interventions, which included the following:

- In respect of aged bulk water infrastructure, the interventions include the upgrade of the bulk infrastructure from the Brits system. A Memorandum of Understanding has been signed for a water master plan. The tender for the water master plan has already been advertised for water and sanitation and co-funding to the amount of R1.2 million must be paid by the municipality;
- In relation to the poor raw water quality from the Hartebeespoort Dam with high algae blooms during the hot seasons, the intervention was that the Department of Water and Sanitation alerts the municipality to take precautionary measures to deal with quality. It was noted that the current technology is not designed to deal with the faster rate of algae blooms;
- Regarding the shortage of requisite skills and staff complement as well as the retention of skilled personnel, the municipality indicated that it has approved the following posts, namely pollution control officer, superintendent for wastewater, and process controller. The Accounting Officer is assessing the budget to be prioritised for technical posts in the water and sanitation sector;

- Theft and vandalism remain a big challenge. However, the municipality has deployed security personnel to high risk infrastructure such as pump stations and reservoirs; and
- In terms of poor revenue collection, the municipality has drafted a Revenue Enhancement Strategy and Action Plan to be adopted by Council, and has employed a specialist to assist with revenue collection.

2.2 Kgetlengrivier Local Municipality

Kgetlengrivier Local Municipality is highly dependent on grants, and contributes to 60% of its revenue budget. The municipality has a low revenue base as a result of high levels of the indigent population (70%) and low levels of connection rate. Since 2012 the situation with regard to low levels of water in the dam was reported to key stakeholders, including the Department of Water and Sanitation. The municipality has long since communicated with the Department of Water and Sanitation to assist with the cleaning of the dam, but with no success.

The areas affected by the drought mainly centre on Swartruggens, Borolelo, Rodeon, Derby and Redirile. These are not billed on water and sanitation, and this has a direct impact on the revenue base of the municipality. When the drought disaster was declared by council, the municipality used its own funds to ensure water tankering took place. The Department of Water and Sanitation thereafter supported the municipality with six tankers. The tankering exercise has been costly to the municipality.

2.2.1 Status of Water Supply

The number of households with access to infrastructure, piped water is 14 063 households and yard connections is 14 063. The source of this water supply is the Koster Dam, which is augmented by boreholes (6 boreholes in Mazista, 4 in Swartruggens town, 2 in Rosmincol and 9 boreholes in Derby/Redirile), and augmentation by Swartruggens Dam.

The wards and settlements without water are Ward 6 (Moedwill, Spitskop, and surrounding farming areas). Some of the challenges highlighted by the presentation in respect of water supply comprise the following:

- ***Drying of Swartruggens Dam***

The dam level is currently at 2%. The municipality had to stop abstraction due to drought. There is a dispute regarding the ownership of the dam. The Department of Water and Sanitation alleges that the dam is the responsibility of the municipality. To address the above challenge, the council resolved:

- To call for a subsequent declaration of disaster; and
- To de-silt the sludge in the dam with a view to increase the capacity of the dam. The municipality engaged with local contractors to commence with the de-silting of the dam, but due to lack of funds and support from provincial and national departments, the project had to be halted.

The assistance that the local municipality is currently receiving is:

- Support from the Department of Water and Sanitation on the identification of alternative sources of water supply, that is, the Pilanesberg Bulk Water Supply Scheme; and
- Support to complete the de-silting of the dam project. To this end, the local municipality stressed the importance of the Department of Water and Sanitation taking and confirming ownership of dams, and related responsibilities.

A scoping study was conducted by professional engineers and it was estimated that the cost of the project is R12 million. The scoping report was sent to the provincial and national departments but to date, little progress has been made. The municipality is faced with possible litigation over outstanding claims for the de-silting project.

- ***Ageing infrastructure – asbestos pipes are still in use***

The entire Swartruggens town still uses asbestos pipes, which have resulted in high losses of water volume due to leakages. A scoping report was completed in 2012, for technical and financial support to replace the asbestos pipes to polyvinyl chloride (PVC) ones. The application was declined by the Department of Cooperative Governance and Traditional Affairs (MIG unit). New business plans will be developed and submitted to the Department of Water and Sanitation.

- ***Insufficient underground water (low yielding boreholes)***

Boreholes in the areas have dried up. A detailed study on ground water has been conducted. This study revealed that the underground water table is low, hence the boreholes are unable to yield adequate water to meet the demand. Support from the Department of Water and Sanitation was given, which focused on the identification of alternative sources of water. The identified sources of water focused Pilanesburg Bulk Water Supply Scheme, construction of a 12 km pipeline from Rosmincol to the treatment plant and abstraction of additional water from the Polkasdraai fountain. The municipality has forged partnerships with the private sectors, such as Bakwena and Petra diamonds, to address the drought situation. It should be noted that other sectors such as Glencore and Slate Quarries that mine in the area, are not cooperating with the municipality, whilst consuming much of the underground water.

- ***Water use licenses in Polkasdraai – dispute with farming community over abstraction of water***

The municipality is currently involved in a legal dispute with the farmers with the abstraction of water from the source. The municipality is licensed to abstract a maximum of 36.7 litres per second, whilst 10 litres must always be left to flow for the farmers. The water use license has been issued in 2002 and has, to date, not been reviewed. The municipality argues that it is important for the Department of Water and Sanitation to provide support to review the license conditions so as to be able to abstract more water from the source.

2.2.2 State of Sanitation

The number of households with access to infrastructure is 12 393 (including ventilated improved toilets). There are no households using buckets. The wards/settlement without sanitation are Ward 5 (Leeuwfontein). There are currently 153 households who are not connected to bulk sewer lines. The project has since been implemented by the Bojanala District Municipality on behalf of the local municipality. The scope of work was to have 700 households connected to sewer connection, and thus far, 547 are currently connected to the network, whilst 153 are not connected and are using septic tanks. The municipality continuously empties septic tanks as is required by communities. Bojanala District Municipality is to implement Phase 3 of the project, and also connect the remaining households to the bulk line.

2.3 Moses Kotane Local Municipality

Moses Kotane Local Municipality is predominantly rural with 107 villages and two formal townships (Mogwase and Madikwe), with an estimated household population of 76 000. The municipality consists of 34 wards and about 40% of the municipal area is supplied through underground water (boreholes), whilst other areas depend on surface water from Magalies Water Boards and three municipal water treatment plants (Madikwe, Pella and Molatedi).

2.3.1 Water Supply Status

The municipality is split into two zones/regions, that of, the Eastern Region (Mankwe) and Western Region (Madikwe). Most of the Eastern region is supplied by Magalies Water Board, while the Western region is supplied from the municipality’s own systems. Not all of the areas supplied by

Magalies Water Board are receiving a full supply of water on a daily basis. The municipality is still experiencing water supply challenges in areas like Ramokokastad; Mantserre; Manamakgotheng; Disake; Tlhatlaganyane; and Mabeskraal.

The Western region of the municipality, mostly Madikwe, Seshibitswe, Verde and Molatedi are more stable, except for the Pella, Tlokwent, Uitkyk, Moubana, Ntsweng and Khayakhulu areas. The Pella Water Treatment Works requires an upgrade from the 1.4 megalitres per day to at least 4 megalitres per day.

2.3.2 Municipal Intervention on Water Supply

As part of the municipal intervention programme, a study was carried out to identify critically hit areas, termed as ‘hot spots areas’. A total of 16 ‘hot spots areas’ were identified. The municipality has also agreed with Magalies Water Board that once the Pilanesburg Water Scheme is complete, the water supply from Vaalkop will be increased to 50 megalitres per day. The increase will ensure that more water is available to areas such as Ramokokastad, Greater Moruleng, Tlhatlaganyane and Mabeskraal.

The municipality has recently completed its bulk water master plan. If funded properly and adequately, the municipality will be able to address its water challenges. There are important projects initiated from the master plan. Key projects from this bulk water master plan include the following:

- Increasing the storage capacity of the Mogwase Reservoir, including additional pipelines to link to the Mogwase reticulation. This project is costed at R25 million and is funded by the municipality;
- Upgrading Pella Water Works from 1.4 to 4 megalitres per day, with the estimated cost of R8 million, which is currently not funded;
- Construction of Ledig Bulk Water Supply reservoir of a 5 megalitres per day (reservoir and supply line), with an estimated cost of R23 million, which is funded by the municipality and the Maseve and Wesizwe Mine;

- Augmentation of the bulk water within the Madikwe area, costed at R80 million, but is presently unfunded; and
- Bulk water supply extensions, ensuring bulk water supply to the entire municipal area, costed at R110 million, but is not funded.

2.3.3 Sanitation Supply Status

The municipality consists of a mixed type of sanitation infrastructure (waterborne and dry sanitation). The waterborne sanitation only covers Mogwase and Madikwe townships, which total to a household population of approximately 5 700. The rest of the village uses dry sanitation and septic tanks. The municipality's sanitation backlog is estimated at 52 000 households.

In terms of intervention by the municipality on sanitation, the following was highlighted:

- The municipality will embark on a rural sanitation programme in trying to reduce the backlog. The programme is in its fourth year and a budget of R25 million has been allocated for the current financial year, R18 million and R22 million for the two outer years. The municipality is currently busy with the feasibility for the upgrading of Mogwase Water Treatment Works (from 4 ml/d to 8ml/d).

2.3.4 Challenges

The challenges noted by the municipality comprise the following:

- Drying of boreholes and dams due to lack of rains;
- Expansion of villages, especially in tribal land such as Bakgatla ba Kgafela Bakubung ba Ratheo;
- Water tankering to dry areas; and
- Sharing of drinking water with livestock in other areas.

2.4 Moretele Local Municipality

The Moretele Local Municipality has a total of 52 062 households, of which 38 046 have access to basic water services and 24 990 to sanitation services. The backlog of water services comprise 14 016 households and the backlog of sanitation to 27 072 households.

2.4.1 Water Supply

The municipality consists of two clusters, the Southern side, which includes regional bulk water supply schemes and the Northern side consisting of underground water supply. Bulk water is supplied by the City of Tshwane through three schemes, namely: the East Bank, the West Bank (Makapanstad Line) and the Far West Supply Scheme (Motla/Swartdam line). Several wards in the municipality source their water supply from underground sources. In terms of the Makapanstad (West Bank), inadequate water supply and insufficient pressure in the high lying areas contribute to water shortages in this line.

Some of the challenges noted by the municipality include:

- Travelling distances to collect water at Temba;
- Inconsistent water supplies from Temba; and
- Short-term refurbishment of boreholes.

2.4.2 Sanitation Issues

The municipality has a 1 megalitre Waste Water Treatment Works situated in Swartdam. About 2 000 households in Motla have waterborne systems and are serviced by the waste water treatment works. Magalies Water Board is appointed for operations and maintenance of the Swartdam Waste Water Treatment Works. The municipality provides ventilated pit latrine toilets to the community with allocations from the Municipal Infrastructure Grant (MIG).

2.5 Rustenburg Local Municipality

Rustenburg Local Municipality is currently in the midst of extensive water shortages, which impact on communities within the municipal boundaries, particularly in the high lying areas. Excessive water losses as a result of poor infrastructure remain critical and result in loss of revenue for the municipality. It was reported that non-revenue water as a result of increased mining operations, could potentially be utilised as a water source, as it represents a significant opportunity to save water for the municipality.

2.5.1. Status of Water Infrastructure

In terms of the status of water infrastructure, the municipality reported that it has 30 reservoirs, which are in fair condition. However, it was noted that the current water storage capacity was not sufficient and needed to be augmented. It was reported that there are 16 boreholes, which are in good condition. However, there is a need for additional boreholes in rural areas where no bulk water reticulation networks exist. There are 14 pump stations in fair condition servicing the community on regular intervals, as needed. It was noted that some pump stations require upgrading. There are 64 915 water meters in operation in fair condition and a programme is currently underway to replace worn out, leaking and inaccurate water metres. It was reported that these comprise 1 024 313 metres of network pipes, and of these network pipes, 50% are in a fair condition, whilst the remainder is in the process of being replaced.

Vandalism was reported where there is no security at key points. It was reported that whilst there was infrastructure security at all reservoirs, installations and pump station, it was insufficient.

The municipality reported that the water system comprise 36 227 pipe networks. Water sources have an output of 108 megalitres per day, although the borehole supply output is not measured. The total bulk pipe length is 96 km. The total reticulation pipe length, excluding private and external reticulation is measured at 1 374 km. The total storage capacity of reservoirs is 133 megalitres with a 1.3 megalitre water tower, with a further 24 pumping stations.

A key challenge noted in terms of water infrastructure was that within the Rustenburg combined zone, which comprises 9 reservoirs, there is a 111m distance between the highest and lowest reservoir. Further challenges include high water losses of 42%. The water supply to Bethanie, Modikwe and Berseba is insufficient. Direct supply from the Bospoort Reservoir into Boitekong, Meriteng, Seraleng and Freedom Park networks is characterised by no storage, high pressure and bulk pipelines in poor condition. The pumped Bospoort water treatment plant water bypasses high demand areas, whilst there is insufficient pipe capacity at outlets from Tlhabane Lower Reservoir.

2.5.2 Sanitation Infrastructure

Key challenges in respect of sanitation show that many areas such as Meriteng and Seraleng are without reticulation. Areas such as Boitekong Waste Water Treatment Works are under the theoretical required capacity. Furthermore, there is a lack of information on the Marikana system. Whilst there is 18 km of pipeline, less than 30% has spare capacity.

In terms of the sewer system statistics, it was reported that the total gravity pipeline has a length of 959 kilometres (km). There are 11 pump stations. The total waste water treatment capacity is 52.9 megalitres.

2.5.3 Consumer Base

In terms of the consumer base of the municipality, formal water use consumption stood at 88 000 units, whilst informal water use consumption stood at 6 423 units. The total system input was 107.8 megalitres per day and of this amount, the results were the following:

- 57.2 megalitres per day of formal billed metered water;

- 1.3 megalitres per day of formal/informal monitored water;
- 20.4 megalitres per day of estimated supply; and
- 27.7 megalitres per day (27%) of water losses, and of this amount, 19.9 megalitres per day is as a result of physical losses, whilst 7.8 megalitres per day is as a result of commercial losses (customer meter inaccuracies, data handling, errors and illegal connections).

2.5.4 Water Master Plan

Sanitation

In terms of the sanitation master plan of the municipality, priority waste water treatment plants (WWTP) include the Boitekong WWTP as well as plants in Marikana, Lethabong and Monnakato. Priority bulk projects include collector sewer reinforcements in Rustenburg and the Waterval outfall sewer and power station interceptors to accommodate growth in the Waterkloof area.

Water system

The following are priority projects based on existing needs:

- Bospoort Water Treatment Plant to supply Boitkong from the Bospoort reservoirs;
- Separating Rustenburg combined zone into distinct reservoir zones;
- Waterkloof reservoir and establishment of zone;
- Industrial reservoir, reservoir outlet and grey water supply investigation;
- Maumong, Rankelenyane and Lekojaneng storage provision and network investigations;
- Lekgalong and Bosspruit storage provision and network investigations; and
- Tlhabane Lower reservoir and outlet and outlet upgrades from Half million Reservoir.

2.5.5 Intervention Mechanisms

A Water Crisis Intervention Committee was established with representation from stakeholders such as mines, water service providers, the regional Department of Water and Sanitation and the municipality. The Committee was primarily formed to determine potential interventions to resolve and address water backlogs in the area. The proposed interventions range from short, medium to long term interventions. One of the key responsibilities of the Committee includes water balance analysis reporting, as well as conducting inspections and monitoring. Further responsibilities include the performance of key infrastructure installations, planning and implementing water sharing, and undertaking rationalisation programmes during critical water shortage spells.

Some of the key short term interventions include the reduction of distribution losses, as well as reduction of customer leakage. This is an area where the majority of losses occur. A number of initiatives have been employed and implemented for the previous and current financial years, to reduce non-revenue water and manage the demand. These include hydraulic investigation, active leak detection as well as zoning. Rustenburg Town is divided into 16 zones. Investigations are underway to ensure that the supplies from each zone and any supply into other zones can be accounted for.

SITE VISTS TO THE ABATTOIR AND TANNERY TO ASSESS POLLUTION OF INDUSTRY DISCHARGE TO MUNICIPAL STREAMS AT MADIBENG LOCAL MUNICIPALITY AND DAM LEVELS AT SWARTRUGGENS DAM AT KGETLENG

ABATTOIR

Due to concerns raised by Members of the Portfolio Committee on Water and Sanitation and the Madibeng Local Municipality, there was an urgent request to undertake an oversight visit to the abattoir as it was felt that the abattoir contributes to the pollution levels entering the stream. Members were told of the fat residue entering streams, which are as a result of effluent discharge by the workings of the abattoir.

The presenter on behalf of the abattoir provided an overview of the way in which the systems operate at the Brits Abattoir. The first stage is taking solids out and compressing it, whereby water goes back to a tank and then onto a saline filter, and thereafter moving into municipal sewer. The presenter provided some evidence of the quality of water that is emitted into the municipal sewer.

The municipality however argued that, despite directives and notices as per the new by-laws, which prohibited such huge amounts of pollutants to the stream, the abattoir did not heed these directives. Another contentious issue arose on whether the existing pipelines or lack of a water treatment plant for effluent waste by the municipality contributed to the problem.

DE-SILITING AND DAM LEVELS AT SWARTRUGGENS DAM

Drought was declared by the Kgetlengrivier Municipality in 2012. Following this declaration, the municipality has reported low dam levels to numerous stakeholders, including the Department of Water and Sanitation. One of the key challenges that were raised during the site visit was the significant sludge, which reduced the water supply of the dam. The best 'window period' to deal with the sludge was during times of drought when the dam levels were very low. However, this 'window period' was missed on at least three occasions due to intervals of good rains. However, despite the good rains, the storage capacity of the dams was compromised because of the significant sludge build-up.

On-site inspections by the Portfolio Committee revealed very low dam levels. Officials from the Kgetlengrivier Municipality as well as Magalies Water Board noted that interventions underway include transporting water sourced from a local farm to augment the water supply of the dam. The Department of Water and Sanitation has consistently noted that it does not as yet have a strategy for sludge build-up.

A telephonic conversation to the Deputy Director-General: Infrastructure, Department of Water and Sanitation, was made on the day of this site visit. Whilst the municipality and water board claimed the submission of plans to the Department on assistance with de-silting of the dam, the Deputy-General: Infrastructure insisted that this was not the case. The Deputy Director-General maintained that the Department had given instruction to the Magalies Water Board to build a pipeline from the water source at Roslyn Farm to the Swartruggens Dam to provide water to the communities. This was also the case when Ermelo was experiencing water shortages, and this short-term intervention assisted greatly toward ensuring water supply to residents.

3. BRIEFINGS BY THE MINING SECTOR IN NORTH WEST TO ASSESS WATER USE, SUPPLY, AND WATER CONSERVATION AND WATER DEMAND MANAGEMENT

The Portfolio Committee engaged with mining houses in the Platinum Belt region in terms of water use, supply and water conservation and demand management. This engagement included the platinum mining stakeholders who proceeded to provide the Portfolio Committee with an overview of water supply, conservation and demand in their respective areas of operation. The mining stakeholders were represented by Chamber of Mines, Lonmin Mines, Anglo-American; Glencore, Wesizwe Platinum as well as Royal Bofokeng Platinum. Lonmin proceeded to provide an overview of water supply, use, conservation and demand in its area of operation.

3.1 Lonmin Mines

Lonmin provided an overview of water supply, use, conservation and demand in its area of operation. Lonmin provided an overview of its Marikana operations as well as Marikana processing operations. In terms of the Marikana water conservation and demand, the sources of water supply were cited as shaft and borehole abstraction, final effluent from the Lonmin

Waste Water Treatment Plant, the Harbees Canal, the Crocodile River, Buffelspoort as well as potable water provided by Rand Water. Constraints were categorised as water quality, license conditions, reticulation infrastructure, available storage as well as seasonality of rainfall.

It was reported that traditionally, Lonmin has had enough water stored in various catchment dams in normal rainfall periods. However, silting over time, has reduced the storage capacity of catchment dams. In the drier months, more water is supplied by Rand Water Board to top up operations due to dwindling dam levels, more especially during the months of July-September. This was further exacerbated with the increased challenge of 50% evaporation loss. It was noted that the western side of the Lonmin property was most affected.

In 2013, Rand Water was faced with supply concerns, linked to supply fluctuations. A project was launched to secure alternative water supply through boreholes in rehabilitated areas to central plants to mitigate reliance on Rand Water Board, which assists the mine through the drier months. The Lonmin Integrated Water Management Plan Project was initiated in 2010. The goal of this plan is to reduce dependency on supplies of water from Rand Water Board. Phase 1 of this project was tapping into aquifers created by rehabilitated areas, recovery of shaft water and piping the water to the central part of Lonmin property. Phase 2 of this project was about connecting the water network to the Western side of the Lonmin property. The project was matched to the Long Term Mining Plan in terms of priority and scheduling. Furthermore, the end state of this project will have a network of supply to move sources of water across the property, and enable the most efficient use of the right type of water in terms of grade for the operations. In undertaking these initiatives, it would enable the reduction of overall reliance of water supply from Rand Water Board.

3.1.1 Water Demand Management

It was reported that with the drought intensifying, a code was developed similar to Eskom's early warning systems for drops in levels of water in the mine. The consumption of water supplied by Rand Water Board is measured properly across the property, treated and reported on a daily basis. Dam levels across the operation including reservoir levels, which are tracked by a Lonmin Water Robot. The Water Robot is set up and used to flag and call for certain water conservation stages. Stages in code reflect the overall criticality of water security, which then initiates a sequence of conservation measures to reduce water from Rand Water Board usage across the property. Stages initiated provide alternative supply sources established through the Integrated Water Management Plan to balance the system. Stages on communication protocol to support awareness and behaviour to support the stages, are also part of the plan. The protocol is risk based and aims to be proactive in its application, based on outputs from the Water Robot and consumption trends linked to the production plan.

3.1.2 Reduction on Reliance of Water Supplies from Rand Water

These include the following:

- Reduced water pressures;
- Increased inspections on property to identify leaks, waste, control issues, and initiate and do repairs;
- Sharing daily consumption graphs and reports and direct communication with high end users;
- Boosted Integrated Water Management Plan Phase 1 measures in terms of feed;
- Converted grade water to Pandora feed;
- Water Demand Management Plan developed and now part of environmental protocol; and
- Dredging existing storage and return water dams.

3.1.3 Extension of Water and Sanitation Provision to Surrounding Communities

The water infrastructure network spans a distance of 30 kilometres and Lonmin acts as a water services intermediary by distributing water to the surrounding communities. Municipalities use bulk infrastructure to supply 14.4 megalitres of water to communities of Segwalane, Oustad, Bapong, Wonderkop and Moonooi. Bulk water infrastructure is provided to the Wonderkop and Nkaneng areas. Lonmin treats 5 megalitres of waste water from communities daily through two waste water treatment plants and tanker discharge points. Lonmin furthermore provides maintenance and removes blockages in municipal areas.

3.1.4 Input from Other Mining Companies

Whilst other stakeholders such as Anglo-American; Glencore, Wesizwe Platinum as well as Royal Bofokeng Platinum did not prepare formal presentations, they did indicate that their water demand strategies as well as water treatment works project were similar to Lonmin, albeit on a smaller scale.

SITE VISTS TO WONDERKOP WASTE WATER TREATMENT PLANT AND BOREHOLES

The delegation was split into two groups, which visited the Wonderkop Waste Water Treatment Plants and boreholes respectively.

Wonderkop Waste Water Treatment Plant (WWTP)

The Wonderkop WWTP, commissioned in 2010, has a design capacity of 6 megalitres per day, with an output of 1.8 megalitres per day. The allowance for the community sewer is 3 megalitres per day.

The facility comprises a control room, which houses the laboratory and has a good visibility of the plant. The Scada is fully automated to minimise operator activities, and has an emergency generator and auto start in the event of a power failure. . There is a compost plant, which converts dewatered sludge into compost and is a beneficial use of a waste product. The reactor is an optimised civil design to reduce civil costs and modular design.

Anthropogenic aquifer

The second group was taken to an anthropogenic aquifer. It was explained that artificial recharge is a process whereby surface water is transferred underground to be stored in an aquifer. Artificial recharge has many uses, with the 2 prime users in South Africa being water storage and water conservation. Aquifers, like dams can be used to store water, and in doing so, water that would otherwise be lost to evaporation can be conserved for later use.

A pilot study was conducted in late 2011 to determine whether:

- The mining areas created suitable conditions that would lead to substantial anthropogenic aquifers;
- These aquifers have the potential to be further developed; and
- These aquifers could supply Lonmin's current and future peak demands without using more potable water from the regional bulk water utility. The pilot study showed the use of anthropogenic aquifers to be a feasible option for Lonmin.

The site visit focused on the anthropogenic aquifer at Marikana. The explanation given was that the opencast pits that have been backfilled are usually more porous than the surrounding rock, are often shallower and better confined than natural aquifers. This, thereby creates ideal conditions for the underground storage of large volumes of water. These anthropogenic aquifers are near centres of mining activities and thus present significant water storage and re-use opportunities for the industry.

4. CONCLUSION AND RESOLUTIONS

Members of the Portfolio Committee in their considerations, concluded that the local municipalities, within their funding and resources shortages are working toward ensuring rights to access to water and decent sanitation for all citizens in the province. The Member of the Executive Council (MEC), from a provincial perspective provided some financial measures to the Jercio and Moses Kotane areas. This amounted to R7.5 million for Jerico and R2 million for the Kgetleng areas. Some of the challenges highlighted, and which required further deliberations and resolutions, comprised the following:

- The need for the affected municipalities to begin generating revenue;
- Greater public-private participation with mines to assist with water and sanitation issues in the region;
- The reliance on water tankering must lessen, and more work must be done by municipalities to work on supplying standpipes to communities;
- There should be a boreholes audit for the region;
- The central focus of water sustainability in South Africa, is to strengthen the War on Leaks programme;
- Strengthening, complying and enforcement of by-laws by municipal structures; and
- There must be collaboration and synergy between municipalities and different national departments to ensure addressing of issues of pollution.

Report to be considered.

7. BUDGETARY REVIEW AND RECOMMENDATION REPORT OF THE PORTFOLIO COMMITTEE ON TRANSPORT, DATED 16 NOVEMBER 2016

The Portfolio Committee on Transport, having considered the performance and submission to National Treasury for the medium term period of the Department and its entities, reports as follows:

1. INTRODUCTION

The period under review took place against the backdrop of the initial phase of the implementation of the National Development Plan (NDP) (2014-2019). As part of its contribution to the NDP, the transport sector had to identify interventions aimed at accelerating service delivery, increasing sector job opportunities, rural development and skills development. Key priorities in this regard included investments in public transport, maintenance of roads and rail investments. These had a direct bearing on the Government's drive to respond to the challenges of poverty, unemployment and inequality.

1.1 MANDATE OF THE COMMITTEE

The prime mandate of the Committee is governed by the Constitution of the Republic of South Africa, 1996 ("the Constitution"), in respect of its legislative and oversight responsibilities as public representatives. It is required to consider legislation referred to it and consider all matters referred to it in terms of the Constitution, the Rules of the National Assembly or resolutions of the House. It is also required to respond to matters referred to it by Government within its mandate. In addition, the Committee is entrusted with considering the budgets, Strategic Plans and Annual Performance Plans of the Department and entities that fall within the transport portfolio.

1.2 PURPOSE OF THE BUDGETARY REVIEW AND RECOMMENDATION REPORT

Section 77(3) of the Constitution stipulates that an Act of Parliament must provide for a procedure to amend money bills before Parliament. This constitutional provision gave effect to the Money Bills Amendment Procedure and Related Matters Act (No. 9 of 2009). The Act gives Parliament powers to amend money Bills and other legislative proposals submitted by the Executive whenever the Executive deems it is necessary to do so. The Act therefore makes it obligatory for Parliament to assess the Department's budgetary needs and shortfalls against the Department's operational efficiency and performance.

This review seeks to establish whether the Department of Transport and its entities have achieved their aims and objectives, as set out in their Strategic Plans, as well as whether they continue to fulfil their constitutional mandates within the year under review. The focus will be on highlighting the key achievements made, as well as challenges encountered during the 2013/14, 2014/15, and 2015/16 financial years, as reported in the Department's and entities' 2013/14, 2014/15 and 2015/16 Annual Reports and Annual Performance Plans.

1.3 METHODOLOGY

The Committee engaged with the Department and its entities on 11, 12, and 18 October 2016 as well as on 8 November 2016 on their performance and audit outcomes for the period under review.

The Committee met with the following entities:

1. Passenger Rail Agency of South Africa (PRASA)
2. Railway Safety Regulator (RSR)
3. South African National Roads Agency Limited (SANRAL)
4. South African Maritime Safety Authority (SAMSA)
5. Road Accident Fund (RAF)

The report details the analysis of the 2013/14, 2014/15 and 2015/16 Annual Reports and Financial Statements, strategic objectives, budget allocation and financial performance and the recommendations made by the Portfolio Committee on Transport.

The Budgetary Review and Recommendation Report is based on information accessed through:

- The 2015 State of the Nation Address (SONA);
- The Department of Transport's Strategic and Annual Performance Plans (APPs) for 2013/14, 2014/15 and 2015/16;
- The Department of Transport's Annual Report and Financial Statement for 2013/14, 2014/15 and 2015/16;
- The Strategic Plans and the Annual Performance Plans of the entities that fall under the Department of Transport, as well as their Annual Reports and Financial Statements for 2013/14, 2014/15 and 2015/16;
- Quarterly reports of the Department;
- The report of the Auditor-General of South Africa on the audit outcomes of the Department and its entities;
- National Treasury Section 32 Reports;
- The NDP; and
- Oversight visits by the Committee during the period under review.

2. MANDATE OF THE DEPARTMENT OF TRANSPORT

The Department of Transport (hereinafter referred to as "the Department") is mandated with maximising the contribution of transport to the economic and social development goals of society providing safe, reliable, effective and efficient fully integrated transport systems that best meet the needs of passenger and freight users. To attain this objective, the Department is entrusted with the provision of transport infrastructure and services in a manner that is efficient and affordable to consumers and the economy, while ensuring safety and security in all transport modes.

In an endeavour to discharge its mandate effectively and efficiently, the Department has organised itself into the following programmes:

- Programme 1: Administration;
- Programme 2: Integrated Transport Planning;
- Programme 3: Rail Transport;
- Programme 4: Road Transport;
- Programme 5: Civil Aviation;
- Programme 6: Maritime Transport; and
- Programme 7: Public Transport.

In terms of the Department's structure, it was suggested that it boded well for the creation of jobs, the development of the country's urban and rural communities, as well as the improvement of logistics.

2.1 STRATEGIC OVERVIEW 2015/16

2.1.1 Strategic Priorities of Government

In executing its mandate, the Department has to be guided by, *inter alia*, the National Development Plan (NDP), the Medium-Term Strategic Framework (MTSF) (2014-19), the Presidential Infrastructure Coordinating Commission (PICC), the National Infrastructure Plan (NIP) and the 2015 State of the Nation Address. The NDP vision requires an economy that is inclusive, equitable and fast growing. To achieve that end, the NDP points to the need to grow employment, support productivity and efficiency gains, and move toward greater equality. It then proposes more affordable and efficient infrastructure provision linked to higher levels of public investment.

In his 2014 State of the Nation Address, President Zuma highlighted that Government would use PRASAs projects, among other things, "to promote local content and boost growth". In line with these strategic priorities of Government, President Zuma, in his 2015 State of the Nation Address, underscored that the infrastructure programme will continue to expand transport networks and improve roads for economic growth purposes. In addition, the President stated that about R9 billion will be spent on the

Provincial Roads Maintenance Grant (PRMG) also referred to as the *S'hamba Sonke* programme, and that about R11 billion will be set aside for the upgrading and maintaining of non-tolled roads. The President further averred that over R6 billion will be spent in 13 cities on planning, building and operating integrated public transport networks (IPTNs). Finally, the President maintained that Operation Phakisa will be used with a view to unlocking job opportunities in the shipping sector.

The Department has undertaken to finalise and implement the Public Transport Plan. Its key features will include the prioritisation of investments in the right public transport areas. Investment in public transport and transport infrastructure in rural areas also remains a priority in the medium-term. Indeed, the NDP envisions an economy that is inclusive, equitable and fast growing. To attain this end, the NDP points to the need to grow employment, support productivity and efficiency gains and move towards greater equality. It then proposes more affordable and efficient infrastructure provision linked to higher levels of public investment.

Government's MTSF underscores that, while South Africa has a relatively good national economic infrastructure, the challenge is to maintain and expand it to address the needs of a growing economy. Current investment levels are insufficient and maintenance programmes are lagging. Given Government's limited finances, private funding will need to be sourced for some of these investments and policy planning and decision-making will require trade-offs between competing national goals. Government needs not only to better coordinate collaborative investments by businesses, provincial and local government into key infrastructure projects. More importantly, it is also expected to shape its institutional, policy and regulatory environment in order to enable investment, realise the desired efficiencies, improve infrastructure delivery and contribute to economic growth and employment creation.

In the MTSF 2014-19, the NDP has set a growth target of 5% by 2019. To achieve this, the transport sector will embark on various interventions to increase its contribution to economic growth. This will be realised through the private sector partnerships and collaborations in order to unlock obstacles to investment for infrastructure development, maintenance and expansion.

The upgrading of the N3 Corridor and the reduction in logistics have been identified as national priorities by the PICC. The Strategic Infrastructure Programme (SIP) 2 deals with the Durban-Free State-Gauteng Logistics and Industrial Corridor. The road network system into the port is indeed a critical part of the logistics chain and vital to ensure the seamless flow of freight. The N3 route forms the backbone of the logistics corridor between Gauteng and KwaZulu-Natal via the Free State. In support of the priorities set by the PICC, the route is integral to achieving these goals.

While striving for excellence and integration of sustained transport services, the Department and the broader transport sector are crucial role players in the achievement of the NDP. This has been entrenched in the Minister's Delivery Agreement with the President. The Strategic Plan is thus aligned with this agreement in order to ensure that all deliverables are budgeted for and fully implemented. Of significance to the Minister and the Department, are the following outcomes:

Table 1: Minister's Delivery Agreement with the President

Outcome Number	**Sub-Outcome Number**
4: Decent employment through inclusive economic growth.	1: Productive investment is effectively crowded in through the Infrastructure Build Programme. • Ensure monitoring of off-takes by end users on the Infrastructure Programme.

6: An efficient, competitive and responsive economic infrastructure.	1: Regulation, funding and investment improved. • Establish a Single Transport Economic Regulator (STER). • Develop a Private Sector Participation (PSP) Framework for ports and freight rail, removing barriers to entry for private investment and operations within the context of Cabinet-approved policy and with an analysis of the implication of tariffs. 3: Maintenance, strategic expansion, operational efficiency, capacity and competitiveness of logistics transport infrastructure ensured. • Improve national transport planning to develop long-term plans for transport that synchronise with spatial planning and align infrastructure investment activities of provincial and local government that clearly communicate the State’s transport vision to the private sector. • Ensure development and approval of the Integrated Transport Plan. • Develop and implement approved plan and improve market share of containers on rail versus road to ensure that road freight is moved to rail. • Improve and preserve national, provincial and local road infrastructure. • Strengthen road traffic management.

	• Improve public transport. • Strengthen institutional arrangements for public transport.
	6: Coordination, planning, integration and monitoring implementation of SIPs in the NIP. • SIP 1: Unlocking the Northern Mineral Belt. • SIP 3: South Eastern Node and Corridor Development. • Unlocking economic opportunities in North West. • Integrated Urban Space and Public Transport Programme.
7: Comprehensive rural development and land reform.	5: Increased access to quality infrastructure and functional services, particularly in education, healthcare and public transport in rural areas. • Improve transport infrastructure and public transport in rural areas. • Access Road Development Plan for improving rural road infrastructure implemented. • District municipalities implementing IPTN Strategy.
10: Protect and enhance environmental assets and natural resources.	2: An effective climate change mitigation and adaptation response. • Develop strategic policy and regulatory frameworks and programmes to promote a low-carbon economy. • Green Transport Strategy and implementation of Plan formulated and completed.

(Source: Department of Transport, (2016a) ***Annual Performance Plan 2015/16*****, Pretoria, Department of Transport),** adapted.

2.1.2 Strategic Priorities of the Department

The strategic outcomes over the medium term are:

Strategic Outcome-oriented Goal 1: Efficient and integrated infrastructure network and operations that serve as a catalyst for social and economic development

Develop and implement policies and promulgate Acts that are set to drive investments for the maintenance and strategic expansion of the transport infrastructure network, and support the development of transport asset management systems in rural and provincial authorities. The definitive drive of these interventions is to improve the efficiency, capacity and competitiveness of transport operations in all modes.

Strategic Outcome-oriented Goal 2: A transport sector that is safe and secure

Develop and implement policies and strategies that seek to reduce accidents and incidents in the road, rail, aviation and maritime environment.

Amongst others, the Department will speed up the implementation of road safety interventions by reviewing some of the legislative interventions that are geared at addressing the shortcomings of road safety that result in accidents and road fatalities. This will include amongst others reviewing the National Road Traffic Act, by providing for the regulation of driving schools, dealing with driving of motor vehicles whilst under the influence of alcohol and reviewing the current speed limits.

Strategic Outcome-oriented Goal 3: Improved rural access, infrastructure and mobility

Increase mobility and access in rural space by improving transport infrastructure and implementing integrated transport services.

Strategic Outcome-oriented Goal 4: Improved public transport services

Provide integrated public transport solutions through development and implementation of legislation, policies, strategies and regulations. The definitive drive of these solutions is to ensure safe, secure, reliable, cost-effective and sustainable public transport services.

Strategic Outcome-oriented Goal 5: Increased contribution to job creation

Create an enabling environment for employment opportunities in the transport sector through the implementation of labour-intensive interventions and off-takes of ancillary support programmes.

Strategic Outcome-oriented Goal 6: Increase contribution of transport to environmental protection

Develop and implement policies that aim to mitigate climate change and adaptation responses through reduction of greenhouse gas (GHG) emission, aviation noise and pollution at sea.

Strategic Outcome-oriented Goal 7: Effective and efficient management and support

Improve departmental performance by strengthening internal support functions and ensuring good governance controls.

2.1.2.1 Challenges

The following challenges were experienced by the Department during the year under review:

2.1.2.1.1 Administration

The budget for compensation of employees was cut and the National Treasury placed a moratorium on the filling of non-critical posts that were vacant at 31 July 2015.

2.1.2.1.2 Integrated Transport Planning

Cabinet proposed that the Department should consult the PICC on the National Transport Master Plan 2050 (NATMAP 2050). The NATMAP 2050 was submitted to the PICC Secretariat, which recommended that further work should be done with their task team, which was concluded. The meeting with the PICC Management Committee could not take place to finalise the NATMAP 2050 in the financial year.

The Department could not finalise the development of the Harrismith Hub Framework, but developed a Feasibility Study and an Options Analysis for the Harrismith Hub. The Free State Department of Roads, Police and Transport also developed feasibility studies. The Options Analysis and Value Assessment Reports, developed in collaboration with Free State Department of Roads, Police and Transport will be tabled as the basis of the overarching Harrismith Hub Framework.

2.1.2.1.3 Road Transport

The Department has not finalised the Road Accident Benefit Scheme, which was intended to review the compensation model of victims of road accidents as currently dealt with in terms of the Road Accident Fund Act. The scheme was to ensure that the payments of damages arising out of motor vehicle accidents are affordable to the State. The proposal was to ensure that there is no longer payment of huge lump sums for those damages. The amount will be standardised payments for all the victims of road crashes.

There were also delays in receiving inputs from stakeholders.

2.1.2.1.4 Civil Aviation

There were lengthy consultative processes with industry and role players in terms of the National Airports Development Plan, National Civil Aviation Policy, the Airport Company and Air Traffic Navigation Services (ATNS) Amendment Bills and the Civil Aviation Amendment Bill.

While the maintenance and expansion of key transport infrastructure is undoubtedly pivotal, the Department equally needs to attend to the following challenges:

- Improving the level of integration of transport infrastructure network and operations (local, regional and continental);
- Decreasing accidents and incidents (and fatalities) across all transport modes;
- Improving infrastructure, access and mobility in rural and peri-urban areas;
- Ensuring reliability, affordability, accessibility, efficiency, effectiveness and safety of public transport;
- Regulating GHG emissions, noise and general pollution generated by the transport sector; and
- Developing a sector-wide funding model for all infrastructure projects.

2.1.2.2 Achievements

The following were recognised achievements by the Department during the year under review:

2.1.2.2.1 Administration

A total of 66 interns from the previous two cycles were exposed to different training interventions in line with their personal development plans.

The Draft International Relations Strategy was developed and stakeholder consultations were conducted.

A total of 63 vacant posts were filled during the period under review.

2.1.2.2.2 Integrated Transport Planning

Stakeholder consultations on the reviewed White Paper on National Transport Policy were conducted.

The STER Bill was submitted to Cabinet and preliminary consultations on the draft subsidiary regulations were conducted with the Ports Regulator. A business case for the STER was also finalised.

A final draft of the Private Sector Participation Framework was developed. Also, a draft Green Transport Strategy was developed.

2.1.2.2.3 Rail Transport

The Green Paper on National Rail Policy was approved by Cabinet in August 2015 and subsequently launched in September 2015. Stakeholder consultations on the Green Paper were held; and stakeholder inputs on the Green Paper were considered and, where appropriate, incorporated into the draft White Paper, which was also developed.

The Draft National Railway Safety Regulator Bill was developed and consulted with stakeholders. The draft National Railway Safety Strategy was developed and consulted with stakeholders.

2.1.2.2.4 Road Transport

The Department managed to finalise the Administrative Adjudication of Road Traffic Offences (AARTO) proposed legislative amendments. The AARTO Bill was approved by the National Economic Development and Labour Council (NEDLAC), Directors-General Justice Cluster and Justice, Crime Prevention and Security (JCPS) Cabinet Committee. The Department reported in its Annual Report that the proposed amendments are to be presented to Parliament’s Portfolio Committee on Transport (PCOT) for consultation and discussion. The Bill was tabled and referred to the PCOT on 30 November 2015 (which was not so reported in the annual report).

The Department also finalised the development of the draft National Road Safety Strategy. The Strategy is currently being discussed with all the relevant stakeholders and will be submitted to Cabinet for approval.

The Draft Green Paper: Roads Policy was developed and is on route to Cabinet for consideration and approval for Gazetting.

2.1.2.2.5 Civil Aviation

The Department finalised the National Airports Development Plan (NADP) and the National Civil Aviation Policy (NCAP). These documents will be considered by Cabinet for approval during the 2016/17 financial year. Once approved, the NADP will guide and support both overall network planning and the development of individual airports integrated within their broader spatial context. The NCAP will address policy gaps that emerged since the last policy review process and will, amongst others, address civil aviation safety and security; air transport; airport and air space infrastructure, and aviation-related environment matters.

During the 2015/16 performance cycle, the Department completed all the necessary consultations with primary stakeholders who are directly affected by the amendments to the Airports Company and the Air Traffic and Navigation Services Amendment Bills. These stakeholders are the Airports Company South Africa (ACSA), Air Traffic and Navigation Services (ATNS), Board of Airlines Representatives of South Africa (BARSA) and the Regulating Committee. The Amendment Bills are ready for consultation with relevant Cabinet Clusters, Committees and other affected and interested parties. The Department plans to submit the Bills to Cabinet by March 2017 and to Parliament during the 2017/18 financial year.

South Africa has been a signatory to the Letter of Notification of Association with the International Cospas-Sarsat Programme Agreement as ground segment provider as from September 2000. Consequently, South Africa assumed certain obligations and responsibilities in accordance with the expectations of the global Cospas-Sarsat and search and rescue community. South Africa has been fulfilling these obligations and responsibilities over the years by providing distress alert and location data to 14 countries in the allocated Cospas-Sarsat service area through the Low

Earth Orbit Local User Terminal (LEOLUT) and Mission Control Centre (MCC) in Milnerton, Cape Town. The International Cospas-Sarsat Programme Agreement intends to introduce the next generation satellite system, Medium Earth Orbit Search and Rescue (MEOSAR) into the Cospas-Sarsat system. It is anticipated that the MEOSAR will reach full operational capacity in 2018 subject to the availability of ground receiving stations.

As a ground segment provider, South Africa is expected to install a Medium Earth Orbit Local User Terminal (MEOLUT) to provide the MEOSAR system full global coverage. The planned MEOSAR system will address certain time and coverage limitations of the current system. Other advantages of the MEOSAR system include continuous global coverage, including polar and mountainous regions; accurate independent location capability; and more effective use of Search and Rescue resources, with more lives saved. The upgrading of the search and rescue satellite tracking system from the current low altitude (LEOSAR) system to a medium altitude (MEOSAR) system is one area that was reprioritized by National Treasury for allocation in the 2016/17 - 2018/19 MTEF period. The allocation of R100 million was made in the 2016/17 financial year. This project will require 2 to 3 years to complete.

The Civil Aviation Act, 2009 was promulgated on 27 May 2009 and took effect on 31 March 2010. The Act was promulgated to consolidate various Acts within the civil aviation sector. Whilst implementing the Act, a number of errors and shortcomings were identified. These had significant implications in the carrying out of the functions and discharging of responsibilities imposed by the Act. The Department in collaboration with the South African Civil Aviation Authority identified those provisions of the Act that needed to be reviewed. These provisions are contained in the Civil Aviation Act Amendment Bill. Due to the urgency of amending the Act, the Department intends to submit the Bill to Parliament by March 2017.

Bilateral Air Service Agreement consultations were held and reviewed with Egypt, Guinea, Guinea-Bissau, Mauritius, Sierra Leone, Denmark, Norway, Sweden, Curacao, Namibia, Turkey, Zimbabwe, Australia, Israel, Austria and Serbia. An air service agreement was signed with South Sudan.

2.1.2.2.6 Maritime Transport

The African Maritime Charter was approved by Parliament. The Charter provides a legal framework to address challenges in maritime transport facing African countries, it also offers concrete proposals to establish appropriate program and institutions to support and implement such programs.

The Green Paper on the National Maritime Transport Policy was presented to the International Cooperation Trading and Security Cluster in March 2016. The policy aims to develop the maritime transport sector in South Africa that will capitalise on the potential of both shipping and support industries as significant contributors to economic growth and employment opportunities.

The (mock) audit process was completed and the report finalised. Implementation of the International Maritime Organisation (IMO) Convention continues to be monitored on a continuous basis.

2.1.2.2.7 Public Transport

The Reviewed Rural Transport Strategy was finalised and presented to the Transport Ministers and Members of Executive Council (MinMEC). The Minister has approved the submission of the reviewed strategy to Cabinet.

A draft IPTN plan was developed for the OR Tambo District Municipality.

The National Learner Transport Policy was approved by Cabinet in May 2015 and subsequently published for implementation.

A total of 3 226 old taxi vehicles were scrapped during the period under review.

The National Land Transport (NLT) Amendment Bill was submitted to Cabinet in June 2015. As per Cabinet resolutions, further consultations on the NLT Amendment Bill were conducted with the Department of Cooperative Governance and Traditional Affairs in July 2015; and the Bill was re-submitted to Cabinet. The bill was referred to the PCOT after the reporting period on 15 April 2016.

2.1.2.3 Significant events and projects for the year

2.1.2.3.1 Road Transport

Provincial consultation workshops were held at all provinces during the development process of the Draft Green Paper: Roads Policy.

Maritime Transport World Maritime Day 2015 was held in Richards Bay on the 23 September 2015.

2.1.2.3.2 Women in Transport Summit

A summit on Women in Transport was held on 20 to 22 August 2015.

2.1.2.3.3 NATMAP 2050

A broad stakeholder consultation on the review of NATMAP 2050 was held on 30 October 2015.

3. OVERVIEW AND ASSESSMENT OF FINANCIAL PERFORMANCE

3.1 2013/14 AND 2014/15

Table 2: Overview and Assessment of Financial Performance (2013/14 & 2014/15)

Programme	2013/14			2014/15		
	Final Appropriation	**Actual Expenditure**	**Expenditure Percentage**	**Final Appropriation**	**Actual Expenditure**	**Expenditure Percentage**
Administration	333 440	315 578	95%	390 889	377 489	97%
Integrated Transport Planning	74 913	66 373	89%	74 974	74 974	100%
Rail Transport	11 232 843	11 232 840	100%	15 035 507	15 035 507	100%
Road Transport	19 897 209	20 665 564	104%	21 810 020	22 202 862	102%
Civil Aviation	245 515	148 602	61%	160 966	160 966	100%
Maritime Transport	103 557	102 271	99%	101 742	99 623	98%
Public Transport	10 514 190	10 505 616	100%	11 196 571	11 195 677	100%
Total	**42 401 667**	**43 036 844**	**101%**	**48 770 669**	**49 147 098**	**101%**

(Source: Department of Transport 2014 and 2015)

The budget allocation for the Department in 2014/15 equalled R48.7 billion. Transfers and subsidies accounted for R47.8 billion and of this amount, the Department had transferred R14 billion or 29.4% at the end of the First Quarter. Another R3.3 billion or 16.4% had been transferred to the municipalities and provinces, the majority of which was for the PRMG or *S'hamba Sonke*: Roads Maintenance (R1.6 billion or 20% of the R7.9 billion)) and the Public Transport Operations Grant (PTOG), totalling R1.3 billion or 25.9% of the R4.8 billion.

Rollovers were requested as detailed in the table below:

Table 3: Rollovers 2014/15

Programme	**R’000**
Programme 1: Administration Transfers to Higher Education Institutions	3 281
Programme 4: Road Transport Transfer to Road Traffic Infringements Agency (RTIA)	3 825
Programme 5: Civil Aviation Review of the National Airports Development Plan	665
Total	**7 771**

(Source: Department of Transport (2015))

3.2 2014/15 AND 2015/16

Table 4: Appropriation Statement for 2015/16

Programme R’000	**2015/16**			**2014/15**		
	Final Appro-priation R’000	**Actual Expenditure R’000**	**Over/Under Expenditure R’000**	**Final Appropria-tion R’000**	**Actual Expenditure R’000**	**Over/ Under Expend-iture R’000**
Programme 1: Administration	422 169	420 824	1 345	390 889	377489	13 400
Programme 2: Integrated Transport Planning	88 764	88 762	2	74 974	74 974	-
Programme 3: Rail Transport	18 310 610	18 305 274	5 336	15 035 507	15 035 507	-
Programme 4: Road Transport	23 164 889	22 889 198	275 691	21 810 020	22 202 862	(392 842)
Programme 5: Civil Aviation Transport	150 383	145 284	5 099	160 966	160 966	-
Programme 6: Maritime Transport	143 674	142 874	800	101 742	99 623	2 119
Programme 7: Public Transport	11 334 588	11 328 571	6 017	11 196 571	11 195 677	894
Total	**53 615 077**	**53 320 787**	**294 290**	**48 770 669**	**49 147 098**	**(376 429)**

(Department of Transport, (2016b) Vote 35: Annual Report 2015/16 Financial Year, Pretoria, Department of Transport.).

The budget allocation for the Department for 2015/16 stood at R53.6 billion. Of this amount, the Department had spent R53.3 billion of the appropriated budget by the end of the financial year, indicating an under-expenditure by R294.3 million or 0.5%. The biggest under-expenditure, to the tune of R275.7 million, was in the Road Transport programme.

Transfers and subsidies accounted for R52.3 billion and of this amount, the Department had transferred R13.9 billion or 26.6%, mainly to public corporations and private enterprises by the end of the First Quarter for 2015/16. The Department had an available budget of R1.2 billion for operations. By the end of the Second Quarter, the Department had transferred R26.6 billion or 50.7% of its total available budget. These transfers and subsidies were mainly to PRASA, SANRAL, and to the provinces for the PRMG and the PTOG.

By the end of the Third Quarter, the Department had transferred R38.8 billion or 73.8% of its total budget, mainly to PRASA, SANRAL, provinces for the PRMG and the PTOG respectively, and to the municipalities for the Public Transport Network Grant (PTNG). A total of 98% of expenditure by the end of the Third Quarter had been under transfers and subsidies, as well as payments for financial assets, with the remaining 2% having been spent on departmental operations.

By the end of the Fourth Quarter of 2015/16, the Department had transferred R52.2 billion or 99.4%. These transfers had been made to public entities, provinces, municipalities, international organisations and households. Transfers to provinces and municipalities to the end of the Fourth Quarter of 2015/16 stood at 98.7% of the available appropriation. This was attributed to the withholding of the final tranche payment of the PRMG to KwaZulu-Natal for not complying with the conditions set out in terms of the Division of Revenue Act. The Department had transferred 100% of the PTOG and 100% of the PTNG to municipalities. What follows below is an analysis of how the Department spent its budget allocation per Quarter during the period under review.

3.2.1 Programme 1: Administration

The Administration programme spent R420.8 million against R422.2 million that had been allocated to it, translating into an under-expenditure by R1.3 million. During the First Quarter, the Department had spent R81 million or 25.1% under the Administration programme. The main cost drivers in this programme were the compensation of employees and operating leases, for which R42.9 million and R15.9 million had been spent respectively during the First Quarter.

The largest element of operational expenditure to the end of the Second Quarter for 2015/16 was R191.2 million spent under the Administration programme. The expenditure was mainly on the compensation of employees which constituted 46%, travel and subsistence, constituting 20% and operating leases, making up 14%. The high share of compensation expenditure in the programme was due to the fact that 355 employees in the Department, as at the end of September 2015, had been paid for from the Administration budget. Spending on travel and subsistence was for transport costs for the state funerals and for the African Union Conference.

The largest element of operational expenditure to the end of the Third Quarter was R277.6 million spent under the programme, mainly on the compensation of employees (46%), travel and subsistence (17%) and operating leases (10%). The Administration programme was the largest component of operational expenditure in the Department. In addition to office accommodation and support services in the Department, the programme funded the Ministry, the Deputy Ministry and the Office of the Director-General. Goods and services expenditure in the programme constituted 54% of operational expenditure.

3.2.2 Programme 2: Integrated Transport Planning

During the period under review, the Department spent R88.8 million in the Integrated Transport Planning programme and there was no material variance in expenditure. Operational expenditure under this programme to the end of the First Quarter stood at R13 million. The main cost drivers were the compensation of employees, constituting R10.4 million and travel and subsistence accounting for R1 million. Spending on goods and services, as at 30 June 2015, was on the Multi-Modal Transport Plan and Coordination Act, the Private Sector Participation Framework and the Transport Infrastructure Funding Strategy.

Operational expenditure to the end of the Second Quarter was R35.2 million against a benchmark drawings target of R40 million. The underspending was mainly due to delayed invoices for the White Paper on National Transport Policy, NATMAP 2050, Transport Policy Framework, National Transport Planning Databank, as well as STER. Operational expenditure under the Integrated Transport Planning programme to the end of the Third Quarter was R61.7 million, of which more than half was for the compensation of employees. Projects under this programme included the National Transport Planning, NATMAP 2050 Review and the review and update of the White Paper on National Transport Policy.

Operational expenditure to the end of the Fourth Quarter of 2015/16 was R86.3 million of the available appropriation. Spending on the compensation of employees constituted 50% of the operational expenditure in the programme. Projects under this programme included the National Transport Planning Databank, NATMAP review and the review and update of the White Paper on the National Transport Policy.

3.2.3 Programme 3: Rail Transport

By the end of 2015/16, the Department had spent R18.3 billion in this programme. There was under-expenditure on the following projects:

- White Paper on Rail Transport;
- Establishment of a Rail Economic Regulator;
- National Rail Safety Amendment Bill;
- National Rail Safety Strategy;
- Branchline Strategy Review; and

- Moloto Development Corridor.

Expenditure in the Rail Transport programme to the end of the First Quarter amounting to R6.5 million was on operations.

Operational spending was driven by the compensation of employees which was to the tune of R4.9 million, as well as spending on consultants for the following projects:

- Branchline Strategy Review;
- Draft White Paper on Rail Transport; and
- Rail Safety Gap Analysis.

Operational expenditure to the end of the Second Quarter was R12.9 million, representing an underspending of R5 million against the drawings target, mainly due to outstanding invoices for the National Rail Policy Green Paper and the Draft National Railway Amendment Bill. The National Rail Policy Green Paper was published for public comment and the Draft National Railway Amendment Bill was developed.

Operational expenditure to the end of the Third Quarter was R21 million, of which 70% was for the compensation of employees. Spending on consultants was slightly below targets due to outstanding invoices for the National Rail Policy Green Paper and the Draft National Railway Amendment Bill that was still at the "consultation stage". The service provider for the National Rail Policy Green Paper was appointed in December 2015.

Operational expenditure to the end of the Fourth Quarter of 2015/16 was R29.8 million or 89.8% of the available appropriation. Spending on the compensation of employees constituted 68% of operational expenditure in the programme. Major projects funded in the goods and services budget included the development of the National Rail Policy Green Paper and the Draft National Railway Amendment Bill.

3.2.4 Programme 4: Road Transport

During the period under review, the budget allocation for the programme was R23.2 billion and by the end of the financial year, the programme had spent R22.9 billion. The programme overspent on:

- Electronic National Traffic Information System (eNaTIS);
- Operational expenditure mainly due to travelling; and
- *S'hamba Sonke*.

Operational expenditure in the programme to the end of the First Quarter was R141.4 million, the majority of which had been spent on goods and services, mainly for business and advisory consultancy services. The main cost driver of operational expenditure was R119.8 million for consultants for the maintenance of eNaTIS. The misalignment of funding flows for eNaTIS has resulted in over-spending in the programme and vote in previous financial years.

Operational expenditure by the end of the Fourth Quarter of 2015/16 in the programme stood at R215.3 million or 97.8% of the available appropriation, the majority of which had been spent on goods and services due to the cost of maintaining and operating the eNaTIS.

3.2.5 Programme 5: Civil Aviation Transport

The budget allocation for the programme was R150.4 million and by the end of the reporting period, the programme had spent R145.3 million, indicating an under-expenditure by R5.1 million. The programme underspent on a number of projects and overspent on operational expenditure mainly due to travelling. The watch-keeping services project was underspent by R7.8 million and R4.1 million was paid for the management of the Mthatha Airport project which was covered by under-expenditure and other projects.

Operational expenditure amounting to R25 million was spent on goods and services, mainly for communication, business and advisory consultancy services, as well as on the compensation of employees during the First Quarter under the Civil Aviation programme. Operational spending was driven by R9 million under Communications for watch-keeping services, R7.6 million for compensation of employees, as well as spending on consultants for the updating of the NADP.

Operational expenditure under the Civil Aviation Transport programme at the end of the Second Quarter was R45.8 million, representing an underspending of R10 million against the benchmark drawings target. The underspending was mainly due to the outstanding invoices from Telkom for watch-keeping services, as well as the finalisation and the implementation of the NADP.

Operational expenditure to the end of the Third Quarter was R71.9 million, of which 38% was for the payment to Telkom for watch-keeping services and 34% was for the compensation of employees. The total underspending of R13 million against the benchmark drawings target was mainly due to outstanding invoices from Telkom for watch-keeping services. In addition, service providers had not yet been appointed for the amendment of the Civil Aviation Act.

Operational expenditure in the programme to the end of the Fourth Quarter of 2015/16 was 98.4% of the available appropriation. Of this percentage, 43% had been spent on the payment for the watch-keeping services and 34% had been for the compensation of employees. The total underspending of R6 million against the benchmark drawings target was mainly owing to the outstanding invoices from Telkom for watch-keeping services. In addition, the service providers had not yet been appointed for the amendment of the Civil Aviation Act, as well as the state of action plan of carbon (CO_2) emission.

3.2.6 Programme 6: Maritime Transport

Of the R143.7 million that had been allocated to the programme during the year under review, the programme spent R142.9 million, translating into an under-expenditure by R800 000. The programme overspent its budget mainly due to R36.6 million paid to the International Air Pollution Fund. It also underspent on a number of projects, mainly on the Feasibility Study on Boat Services (R6.8 million). The shortfall was covered by shifting funds across programmes.

Operational expenditure in the programme to the end of the First Quarter was R14.2 million, the majority of which was spent on goods and services, and the compensation of employees. Operational spending was driven by R9.2 million for infrastructure and planning services for Oil Pollution Prevention.

Operational expenditure to the end of the Second Quarter was R36.8 million, representing an underspending of R10 million against the benchmark drawings target. The underspending was mainly owing to delays in the appointment of the service providers on the following projects:

- White Paper on the Maritime Transport Policy;
- Cabotage Strategy;
- Review of the Merchant Shipping African Maritime Charter; and
- Feasibility study on the tug boat services.

Operational expenditure to the end of the Third Quarter of 2015/16 was R55.2 million, of which R36.6 million had been paid to consultants and infrastructure and planning services for Oil Pollution Prevention. The underspending in this programme against the benchmark drawings target was mainly thanks to delays in the appointment of service providers for the feasibility study on the tug boat services, as well as the Salvage Strategy projects.

Operational expenditure to the end of the Fourth Quarter stood at R73 million. The Department had shifted, with National Treasury approval in terms of Regulation 6.3.1, R40 million for the arrear contributions to the International Oil Pollution Compensation Fund. The programme had spent 88.9% of the available appropriation due to:

- Delay in the procurement process for the feasibility study on the tug boat service;
- Training on the United Nations dangerous goods; and
- The feasibility study for the development of a marina at Port St Johns.

3.2.7 Programme 7: Public Transport

The budget allocation for the programme was R11.3 billion, with the programme underspending R6 million. Under-expenditure was on a number of projects, including:

- The review of the Taxi Recapitalisation Model (R55 million);
- The implementation of the IPTN Plans in District Municipalities (R28.8 million); and
- Scrapping of taxis (R82.6 million).

A total of R184.3 million was shifted to other programmes to cover over-expenditure on State funerals, eNaTIS, as well as the Oil Pollution Fund.

Operational expenditure to the end of the First Quarter stood at R41.6 million, the majority of which was spent on goods and services, and on the compensation of employees. Operational spending was driven by R27 million paid to the Taxi Scrapping Administrator in May 2015.

Operational expenditure in Transport programme to the end of the Fourth Quarter of 2015/16 was R166.6 million, the majority of which had been spent on business and advisory consultancy service and compensation of employees. Expenditure on operations was 93.8% of the available appropriation mainly due to delays in the review of taxi scrapping model, as well as the implementation of the IPTNs in district municipalities.

Consequently, R98 million was shifted from the goods and services budget, mainly to the Road Transport programme to fund operations and maintenance of the eNaTIS.

3.3 VIREMENTS 2015/16

Table 3: Summary of Virements

Programme	Compensation of Employees	Goods and Services	Machinery & Equipment	Foreign Governments	Households	Total
Programme 1: Administration	-	32 000	5 511	-	401	38 712
Programme 2: Integrated Transport Planning	573	-	54	-	54	681
Programme 3: Rail Transport	(754)	-	-	-	-	(754)
Programme 4: Road Transport	-	122 192	-	-	-	122 192
Programme 5: Civil Aviation Transport	857	-	-	-	-	857
Programme 6: Maritime Transport	(1 384)	(12 667)	-	36 636	-	22 585
Programme 7: Public Transport	389	(102 640)	-	-	(82 022)	(184 273)
Total	**(319)**	**39 685**	**5 565**	**36 636**	**81 567**	**-**

(Source: Department of Transport, 2016b).

3.4 ROLLOVERS REQUESTED

Rollovers were requested as detailed in the table below:

Table 4: Rollovers

Programme	**R'000**
Programme 1: Administration: Road Accident Fund	1 300
Programme 4: Road Transport: PRMG withheld from KwaZulu-Natal	275 691
Total	**276 691**

(**Source: Department of Transport, (2016b)).**

3.5 UNAUTHORISED, FRUITLESS AND WASTEFUL EXPENDITURE

3.5.1 Unauthorised Expenditure

In 2013/14, the Department and the Road Traffic Management Corporation (RTMC) concluded that the transaction fees that were utilised to fund the cost of eNaTIS maintenance and operations belong to the RTMC. The cost of eNaTIS maintenance and operations resulted in further unauthorised expenditure of R392.8 million in 2014/15. Transfer payments to the RTMC that were held back in the previous financial year to reduce the unauthorised expenditure were paid in 2014/15, increasing the unauthorised expenditure in 2014/15.

The cost of eNaTIS maintenance and operations resulted in unauthorised expenditure of R2.4 billion which was incurred in 2013/14 and 2014/15. No further expenditure was incurred in 2015/16 because the over-expenditure on eNaTIS could be covered by the shifting of funds across programmes and because an agreement was reached that the RTMC would carry the cost of eNaTIS from May 2015 onwards.

3.5.2 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure amounting to R1.4 million, included R546 945 for services paid for, but which had not been rendered was underway at the time of reporting, and an overseas trip that had been taken that exceeded the authorisation by R639 725 was under investigation at the time of tabling the Annual Report. Other fruitless and wasteful expenditure under investigation amounted to R61 253, with R87 708 that had to be written-off, and R100 230 that had to be recovered.

3.5.3 Irregular Expenditure

A total of R123 million was declared irregular expenditure and R121.5 million thereof pertained to prior years because a contract had been extended from 1 May 2010 for a period of five years without following procurement procedures. Another R55 803 was declared as irregular expenditure relating to prior years because an advertisement had been placed without following procedures. As regards to the year under review, five cases were declared as irregular totalling R1.6 million because the scope of two contracts and the period of three contracts had been extended without approval.

3.5.4 Measures put in place

Measures reported to have been put in place by the Department to prevent and/or detect irregular expenditure are as follows:

- Where appropriate, cases of irregular expenditure are referred to the Department’s legal services to determine whether any official can be held liable for the irregular expenditure;
- Cases of irregular expenditure are referred to the Department’s Directorate: Investigations and Forensics for investigation when an investigation is required;
- Relevant managers are requested to take disciplinary steps against officials who make or permit irregular expenditure;

- The Bid Adjudication Committee will not consider condoning irregular expenditure until a legal opinion has been obtained where applicable and disciplinary steps were considered;
- The contract management system monitors all payments against orders that are placed, and will detect payments that exceed the contract value;
- The contract management system will detect any payments that are approved for processing for which no order was placed;
- Payments for all procurements must be processed via Supply Chain Management (SCM) so that any irregular procurement can be detected before payment; and
- To prevent the occurrence of not completing the internal order and requisition forms, the SCM component does not make any approval documents or letters of acceptance available until the internal order and requisition forms are completed. - Initiatives to train all officials who are involved in the approval of procurement matters will continue.

3.6 FINDINGS OF THE AUDITOR-GENERAL (AGSA)

During the year under review, the Department received a qualified audit opinion. In addition, the AGSA made material findings on the following:

3.6.1 Annual Financial Statements and Annual Report

The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 40(1)(a) and (b) of the Public Finance Management Act (PFMA) (No. 1 of 1999).

Material misstatements in accruals and tangible capital assets were identified in the submitted financial statements. The material misstatements in accruals were adequately corrected, however the material misstatements in tangible capital assets were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a qualified audit opinion.

3.6.2 Asset Management

Proper control systems to safeguard and maintain assets were not implemented, as required by section 38(1)(d) of the PFMA and Treasury Regulation 10.1.1(a).

3.6.3 Expenditure Management

Effective steps were not taken to prevent irregular, fruitless and wasteful expenditure, as required by section 38(1)(c)(ii) of the PFMA and Treasury Regulation 9.1.1. This is a repeat finding.

3.6.4 Internal Control

3.6.4.1 Management

Instability in management positions resulted in inadequate reviews of the financial information and effective monitoring of compliance of laws and regulations. Slow response by management in implementing systems and processes to ensure proper record-keeping of movable tangible and intangible capital assets to ensure that complete, relevant and accurate information is accessible and available to support financial reporting due to, among other things, the ensuing litigation against the Department, as explained in paragraph 5.12 of the accounting officer's report and notes 32 and 33 to the financial statements.

3.6.4.2 Financial and Performance Management

Adequate systems and processes were not in place to ensure that the Department obtained proper records of movable tangible and intangible capital assets on a regular basis from the service provider to ensure that complete, relevant and accurate information is accessible and available to support financial reporting due to, *inter alia*, the ensuing litigation against the Department, as explained in paragraph 5.12 of the accounting officer's report and notes 32 and 33 to the financial statements.

4. OVERVIEW AND ASSESSMENT OF PROGRAMME PERFORMANCE

4.1 SUMMARY OF PERFORMANCE

Table 5: Annual Performance Targets

Total targets set	50
Targets achieved	43/50
Targets partially achieved	2/50
Targets not achieved	5/50
Success rate	86%
Total budget spent	R53.3 billion or 99.5%

(Source: Department of Transport (2016b)).

During the period under review, the Department had set itself 50 performance targets and of these, 43 or 86% were achieved. Some of the achievements during the year under review included:

- The STER Bill was submitted to Cabinet and a business case for the STER was also finalised;
- The White Paper on National Rail Policy was approved by Cabinet in August 2015 and subsequently launched in September 2015. Stakeholder consultations on the Green Paper were held and stakeholder inputs into the Green Paper were considered and, where appropriate, incorporated into the draft White Paper which was also developed;
- The draft National Railway Safety Strategy was developed and consulted with stakeholders;
- A draft Green Transport Strategy was developed;
- The Department finalised the development of the draft National Road Safety Strategy;
- The NADP and the NCAP were finalised;
- The Reviewed Rural Transport Strategy was finalised and presented to the Transport MinMEC;
- The National Learner Transport Policy was approved by Cabinet in May 2015 and subsequently published for implementation; and

- The Green Paper on the National Maritime Transport Policy was presented to the International Cooperation Trading and Security Cluster in March 2016. The policy aims to develop the maritime transport sector in South Africa that will capitalise on the potential of both shipping and support industries as significant contributors to economic growth and employment opportunities.

Some of the challenges encountered during the reporting period were the following:

- Cabinet proposed that the Department consult with the PICC on NATMAP 2050. The NATMAP 2050 was then submitted to the PICC Secretariat which recommended that further work be done with its task team, which was concluded. However, the meeting with the PICC Management Committee could not take place to finalise the NATMAP 2050 during the period under review.
- The Department could not finalise the development of the Harrismith Hub Framework, but developed a Feasibility Study and an Options Analysis for the Harrismith Hub.
- The Department could not finalise the Road Accident Benefit Scheme which is intended to review the compensation model of victims of road accidents, as currently dealt with it in terms of the Road Accident Fund Act.

4.2 Programme Performance

4.2.1 Programme 1: Administration

Table 6: Programme 1: Administration

Total targets set	8
Targets achieved	7/8
Targets not achieved	1/8
Success rate	87.5%
Total budget spent	R420.8 million or 99.7%

(Source: Department of Transport (2016b)).

Of the 8 performance targets that the Department had set itself for 2015/16 in the Administration programme, 7 or 87.5% were achieved, while 1 or 12.5% was not achieved. The target that was not achieved was:

- Reduce vacancy rate from 23.34% (201 vacant posts) to 10% (86 vacant posts).

At the time of tabling its Annual Report, the Department contended it had managed to fill 63 vacant posts owing to “budget cut on the compensation of employees”, as well as a moratorium by National Treasury on the filling of vacant posts.

4.2.2 Programme 2: Integrated Transport Planning

Table 7: Programme 2: Integrated Transport Planning

Total targets set	9
Targets achieved	6/9
Targets partially achieved	1/9
Targets not achieved	2/9
Success rate	66.7%
Total budget spent	R88.8 million or approximately 100%

(Source: Department of Transport (2016b)).

Under the Integrated Transport Planning programme, the Department achieved 66.7% of its annual performance targets and spent almost 100% of its budget allocation. During the year under review, the Department had undertaken to, *inter alia*, have the “Private Sector Participation (PSP) Framework” developed. However, at the time of reporting, it maintained that the “final draft” of the PSP Framework had been developed. It can therefore not be said that the target was achieved as the “final draft” and not the “PSP Framework” had been developed.

The targets that were not achieved were:

- Final draft of the NATMAP 2050 submitted to Cabinet

The Department averred that while the NATMAP report had been concluded, the audience with the PICC Management Committee (MANCO) could not be secured, as had been targeted in the previous submission. The Cabinet proposed that the Department consult the PICC to get the input before re-submission. The Department further reported that at the time of tabling the Annual Report, the first meeting with the PICC MANCO was still outstanding.

- Harrismith Hub Framework developed

At the time of table its Annual Report, the Department stated that a feasibility study had been conducted on the Harrismith Hub and that a report on the consolidation of Tshiame Industrial Hub, Harrismith Logistics Hub and Maluti-a-Phofung Industrial Development Zone had been completed. It was further asserted that bilateral consultations had been conducted with Free State Provincial Government and the Harrismith Options Analysis and Value Assessment Records had been completed, in collaboration with the Free State Department of Police, Roads and Transport.

4.2.3 Programme 3: Rail Transport

Table 8: Programme 3: Rail Transport

Total targets set	5
Targets achieved	4/5
Targets partially achieved	1/5
Success rate	80%
Total budget spent	R18.3 billion or approximately 100%

(Source: Department of Transport (2016b)).

While the Department had met 100% of its annual performance targets in 2014/15, its annual performance in this programme stood at 80% during the year under review. The target that was partially achieved was:

- National Railway Safety Strategy (NRSS) developed

The Department contended that the “draft” NRSS had been developed and that stakeholder consultation sessions on the “draft” NRSS had been held with PRASA, the RSR.

4.2.4 Programme 4: Road Transport

Table 9: Programme 4: Road Transport

Total targets set	4
Targets achieved	4/4
Success rate	100%
Total budget spent	R22.9 billion or 98.8%

(Source: Department of Transport (2016b)).

While the Department had achieved 90% of its annual performance targets in 2014/15 in this programme, it achieved all of them or 100% during the period under review and spent 98.8% of its budget allocation.

4.2.5 Programme 5: Civil Aviation Transport

Table 10: Programme 5: Civil Aviation Transport

Total targets set	8
Targets achieved	8/8
Success rate	100%
Total budget spent	R145.3 million or 96.6%

(Source: Department of Transport (2016b)).

The Department achieved 100% of its annual performance targets and spent 96.6% of the budget allocation in the Civil Aviation Transport programme.

4.2.6 Programme 6: Maritime Transport

Table 11: Programme 6: Maritime Transport

Total targets set	8
Targets achieved	6/8
Targets not achieved	2/8
Success rate	75%
Total budget spent	R142.9 million or 99.4%

(Source: Department of Transport (2016b)).

Of the 8 annual performance targets that the Department had set for itself, it met 6 and spent 99.4% of the budget allocated to the Maritime Transport programme. The targets that were not achieved were:

- Green Paper on National Maritime Transport Policy submitted to Cabinet

At the time of reporting, the Department maintained that the submission of the Green Paper on the National Maritime Transport Policy to Cabinet had not been approved by the Executive Authority "due to the need for more consultations on the Green Paper".

- Cabotage Policy for Coastal, Regional and Continental Waters submitted to Cabinet

The Department contended that its inability to meet this target was thanks to the fact that the "development of the Cabotage Policy has been incorporated in the National Maritime Transport Policy process".

4.2.7 Programme 7: Public Transport

Table 12: Programme 7: Maritime Transport Public Transport

Total targets set	8
Targets achieved	8/8
Success rate	100%
Total budget spent	R11.3 billion or 99.9%.

(Source: Department of Transport (2016b)).

The Department reported that it had met all of its annual performance targets for this programme. However, one of the targets set was to have the "Taxi Recapitalisation Programme Review Report submitted to Cabinet". At the time of reporting, the Department asserted that the Taxi Recapitalisation Programme (TRP) Review Report had been developed and that the "submission of the report to Cabinet has been approved by the Minister". It is therefore not evident whether the TRP Review Report was indeed submitted to Cabinet, other than that its submission to Cabinet had been approved by the Minister.

5. HUMAN RESOURCE MANAGEMENT

During the year under review, the Department had 862 posts on the approved establishment and of these, 693 were filled. The vacancy rate stood at 19.6%. The highest vacancy rate was in Programme 4: Road Transport which stood at 28.8%. The vacancy rates of Programme 5: Civil Aviation and Programme 6: Maritime Transport followed with 22.7% and 20.9% respectively.

As at 31 March 2016, the annual turnover rate within the Department was 7.5%, down from 9.3% in 2014/15. The highest turnover rate was at the Senior Management Services which stood at 28%. The main reason for staff leaving the Department was transfer, standing at 32%.

6. OBSERVATIONS

On 30 September 2016, the Annual Reports of the entities were on time and tabled in Parliament. The Annual Report of the Department of Transport was, however, late and was only tabled on 31 October 2016.

There was an improvement in the performance reporting of the Department, however, for the first time in several years, it received a qualified audit with findings. The Department and entities received the following findings:

- *Qualified Audit with findings* – the Department;

- *Unqualified Audit with no findings (also referred to as a Clean Audit)* – Cross-Border Road Transport Agency (CBRTA), RTMC, PRASA and South Africa Civil Aviation Authority (SACAA);
- *Unqualified with findings* - SANRAL, RTIA, Driving Licence Card Account (DLCA), PRASA, RSR, ACSA, RAF and SAMSA.

The portfolio’s overall outcomes regressed due to the Department receiving a financially qualified audit outcome with material findings on compliance with legislation and no findings on predetermined objectives. This was due to the Department not having sufficient appropriate records for the eNaTIS assets disclosed in the financial statements.

Key areas of material non-compliance relates to failure to prevent irregular and fruitless and wasteful expenditure, asset management and material misstatements to financial statements submitted for audit.

In terms of progress in audit opinions, there was improvement in performance for RTMC and CBRTA; there was stagnation in performance for SANRAL, RSR, SACAA, SAMSA, PRASA, RTIA, ACSA and the Driving Licence Card Account; and there was a decline in performance for the RAF.

The portfolio’s overall outcomes improved due to a CBRTA and RTMC improving their audit outcomes from unqualified audit opinion with findings to unqualified audit opinion with no findings. There was regression in the audit outcome of the RAF from an unqualified audit opinion with no findings to unqualified audit opinion with finding on compliance with laws and regulations. The Department showed stagnation in compliance with legislation and regression in quality of financial statements.

There was regression in the area of reliable performance reporting by the entities. Annual performance plans of PRASA, RSR, SAMSA and SANRAL contained targets that were not specific, time bound and verifiable. Achievements reported by PRASA, RSR, RTIA and SAMSA were either incorrect or not supported by appropriate sufficient evidence to confirm the accuracy and reliability thereof. The quality of the Department's annual performance reports improved.

Worth noting is that, for the Department, unauthorised and irregular expenditure decreased over 3 years and after follow-up action had been taken.

For the entities, there was a slight improvement in the area of compliance with laws and regulations. The key areas of non-compliance remained SCM resulting in repeated incurrence of irregular expenditure and material misstatements in the financial statements submitted for audit which had been identified in the audit process and corrected by management which led to the portfolio with the exception of the Department achieving financially unqualified audit opinions.

From the presentations and engagements, the Committee noted those areas where improvements were evident, however, concluded that the Department and its entities had not been able to clear repeat findings through implementing all recommendations and corrective measures by the AGSA and the Committee as made since the start of the current term.

The Department will need to focus more attention on ensuring that action plans are implemented to address prior year audit findings and that sustainable solutions are implemented to prevent a recurrence of findings in the area of compliance with key applicable legislation and financial reporting. Vacancies and stability of management at the Department continue to pose significant challenges regarding the operations of the Department and the creation of a control environment to ensure that basic financial, performance reporting and compliance with laws and regulations are enforced.

With specific focus on the entities which appeared before the Committee, the following observations were made:

- SANRAL should be commended for receiving an unqualified audit opinion during the year under review. There is equally an imperative on the part of the entity to attend to repeat findings by the AGSA.
- PRASA should commit itself to implementing the modernisation programme for the commuter rail system with a view to transforming rail commuter services and making them reliable, safe, affordable and comfortable, in line with the vision of the NDP.
- While the RSR should be commended for receiving an unqualified audit opinion, it should ensure that it attends to the issues raised by the AGSA regarding the setting of Specific, Measurable, Achievable, Realistic and Timely (SMART) targets and the evidence required to report on the achievement of those targets, pertaining to compliance with Preferential Procurement Policy Framework Act (PPPFA) requirements and Treasury Regulations, the prevention of irregular expenditure, compliance monitoring by senior management which was lacking for target achievements, compliance with SCM policy, and the high vacancy rate at the entity.
- While the RAF should be commended for receiving an unqualified audit opinion for the consecutive time, it should attend to the issues raised by the AGSA regarding the need to take effective steps to prevent irregular, fruitless and wasteful expenditure (as required by section 51(1)(b)(ii) of the PFMA), compliance with SCM practices, policy and the RAF's own Financial Misconduct Policy, as well as the slow response by management in implementing effective controls to prevent the repeated incurrence of irregular, fruitless and wasteful expenditure.
- SAMSA should be commended for receiving an unqualified audit opinion during the year under review. By the same token, the entity should put measures in place to ensure that it responds to the deficiencies identified by the AGSA, regarding the excessive expenditure over the approved budget in contravention of section 53(4) of the PFMA, the need to take effective steps to prevent irregular, fruitless and wasteful expenditure which increased from previous years,

compliance with SCM policy and the invitation of competitive bids (as required by Treasury Regulations 16A6.1), the effective implementation of Human Resource Management to ensure that adequate and sufficiently skilled resources were in place and that performance was monitored within the finance section as well as records management, the need to develop and monitor the implementation of action plans to address internal control deficiencies, the a lack of consequence management against officials who had incurred and permitted irregular expenditure and fruitless and wasteful expenditure, and regarding the duration of investigations into allegations of misappropriation of assets which exceed 2 years.

The Committee further raised the following observations in its meetings with the Department, public entities and AGSA:

6.1 SIGNIFICANT EMPHASIS OF MATTERS

With regard to SANRAL, alternative tariff revenue to the amount of R6.1 billion for Gauteng open road tolling has not been recognised. In management’s judgement, it is not probable that the economic benefits associated with the transaction would flow to the entity and the amount of the revenue to be recognised could not be measured reliably.

As regards PRASA, the public entity was the applicant in lawsuits related to the purchase of locomotives and the integrated station access management solution (ISAMS). The ultimate outcome of these matters could not be determined at the time of reporting. Furthermore, there was an impairment of rolling stock of R751 million of which R715 million relates to the impairment of locomotives.

Regarding the DLCA, the trading entity is a participant in arbitration proceedings with a former service provider. The ultimate outcome of these matters could not be determined at the time of reporting.

Concerning ACSA, there were material write-offs to the amount of R72 million as a result of the asset verification project.

6.2 MATERIAL MISSTATEMENTS TO FINANCIAL STATEMENT(S)

The accounting authority of SANRAL should exercise effective oversight over the implementation of action plans to address prior year audit findings and also perform detailed reviews of the financial statements. Consequence management should be enforced in the entity and the accounting authority should oversee the implementation of the consequence management in the entity.

A skills review at SAMSA should be performed on the finance section and based on this outcome, consideration should be given to either re-training the existing staff or appointing staff with the appropriate skills and competencies.

The accounting officer of the DLCA, ACSA and PRASA should exercise effective oversight over the implementation of action plans to address prior year audit findings and also perform detailed reviews of the financial statements.

The accounting authority of PRASA should also ensure that all key posts within the finance section are filled in a timely manner with permanent skilled and competent staff.

The Committee noted the material misstatements to financial statements at the Department, as well as at the entities indicated above. Root causes were again identified as key officials lacking appropriate competencies and slow responses by management. The Committee further noted that the root causes for material misstatement at the Department were identified by AGSA as a lack of consequence for poor performance and transgressions and vacancies in key positions.

6.3 PREDETERMINED OBJECTIVES

Management in the Department, as well as the entities should ensure that it is possible to validate the processes and systems that produce the indicator to enable them to produce the required evidence supporting their reported performance. Conversely, they should adhere to the requirements of the Framework for Managing Programme Performance Information (FMPPI) to ensure that all indicators are well defined and verifiable and that all targets are specific and measurable i.e. the nature and required level of performance is clearly specified and measurable.

The Committee noted that lack of specific set targets by entities, a lack of verifiable evidence on performance, as well as a lack of consequences for poor performance and transgressions were the root causes for the findings at the Department and certain identified entities.

6.4 COMPLIANCE WITH LEGISLATION

With regard to SANRAL, processes must be established to ensure that invitation for competitive bids are advertised in at least the government tender bulletin as this is a cheaper medium and is accessible to a majority of potential bidders. Management should also put systems and processes in place to monitor compliance with SCM regulations to ensure that interest is disclosed by all staff members. SANRAL should, furthermore, formulate compliance checklists that detail the compliance requirements for each requirement, and these checklists should be reviewed throughout the procurement process. Management should ensure that the Treasury Regulations are complied with, that requests for quotations should be done timeously to ensure a fair, equitable procurement process and that the bid adjudication committee must verify that the recommended bidder has submitted all the required bid documentation, including the declaration of past SCM practices. This all remains a recurring non-compliance which should be investigated and appropriate action must be taken against transgressors.

With regard to RTIA, there is a need to ensure that recurring non-compliance is investigated and appropriate action taken against transgressors.

With regard to DLCA, management should establish their own policies and procedures, aligned to the Framework for Managing Performance Information and the PFMA, to ensure that performance reporting requirements are properly processed by the Department. They should also focus on ensuring that proper planning takes place prior to procuring goods and services to ensure adequate time to comply with requirements and minimise deviations, and non-compliance with legislation should be investigated and appropriate action taken against transgressors.

With regard to PRASA, management should ensure that the Treasury Regulations are complied with. Requests for quotations should be done timeously to ensure a fair, equitable procurement process and there should be compliance checklists that details the compliance requirements for each requirement, and these checklists should be reviewed throughout the procurement process. Members of the relevant committee and the chairperson should satisfy themselves that all service providers that are recommended for award have all the required documentation in terms of laws and regulations. The list of recommended bidders should be accompanied by a signed checklist confirming the completeness of required documents. Similar to the other mentioned entities above, the recurring non-compliance should be investigated and appropriate action taken against transgressors.

With regard to ACSA and similar to PRASA above, management should formulate compliance checklists that detail the compliance requirements for each requirement, and these checklists should be reviewed throughout the procurement process. Members of the relevant committee and the chairperson should satisfy themselves that all service providers that are recommended for award have all the required documentation in terms of laws and regulations. The list of recommended bidders should be accompanied by a signed checklist confirming the completeness of required documents. Management should properly plan the acquisition of goods and services and exercise sufficient oversight and monitoring of controls to ensure that compliance with SCM policy is achieved. Recurring non-compliance should be investigated and appropriate action taken against transgressors. Furthermore, management should establish their own policies and procedures, aligned to the Framework for Managing Performance Information and the PFMA, to ensure that performance reporting requirements are properly processed by the Department.

With regard to RSR, management should include the declaration part in the tender documentation and perform adequate reviews of the supplier documents submitted in order to identify suppliers who did not submit the signed declarations of interest and they should also put systems and processes in place to monitor compliance with SCM regulations to ensure that interest is disclosed by SCM staff.

With regard to SAMSA, the entity should implement monitoring controls to ensure budget is available before commitment expenditure. Monitoring and oversight over s SCM processes to be enhanced to ensure compliance with SCM laws and regulations. As with the above entities, recurring non-compliance should be investigated and appropriate action taken against transgressors.

With regard to RAF, recurring non-compliance should be investigated and appropriate action taken against transgressors.

6.4.1 Human Resources

During the year under review, the RSR had 487 posts on approved establishment and of these, 175 were filled. The vacancy rate stood at 64%. The highest vacancy rate was in the Chief Operations Officer Department which stood at 70%, followed by the Corporate Affairs Department whose vacancy rate was 63%. As at 31 March 2016, the annual turnover rate within the RSR was at 5.7%. The highest turnover rate was at the Qualified and Experienced Specialists/Mid Management (D1-D5) which stood at 4.0%. The main reason for employees leaving the RSR was resignation, standing at 3%. The RSR had 1 employee with disability.

During the year under review, the Department had 862 posts on the approved establishment and of these, 693 were filled. The vacancy rate stood at 19.6%. The highest vacancy rate was in Programme 4: Road Transport which stood at 28.8%. The vacancy rates of Programme 5: Civil Aviation and Programme 6: Maritime Transport followed with 22.7% and 20.9% respectively. As at 31 March 2016, the annual turnover rate within the Department was 7.5%, down from 9.3% in 2014/15. The highest turnover rate was at the Senior Management Services which stood at 28%. The main reason for staff leaving the Department was transfer, standing at 32%.

The Committee requested the Department to ensure that all funded and critical vacancies are filled as soon as is possible and also requested that the Department and the RSR report back to the Committee regarding their plans to reduce the vacancy rate and ensure retention policies are in place.

6.4.2 Irregular, fruitless and wasteful expenditure

A total of R123 million was declared irregular expenditure and R121.5 million thereof pertained to prior years because a contract had been extended from 1 May 2010 for a period of five years without following procurement procedures. Another R55 803 was declared as irregular expenditure relating to prior years because an advertisement had been placed without following procedures. As regards the year under review, five cases were declared as irregular totalling R1.6 million because the scope of two contracts and the period of three contracts had been extended without approval.

Fruitless and wasteful expenditure amounting to R1.4 million, included R546 945 for services paid for, but which had not been rendered was underway at the time of reporting, and an overseas trip that had been taken that exceeded the authorisation by R639 725 was under investigation at the time of tabling the Annual Report. Other fruitless and wasteful expenditure under investigation amounted to R61 253, with R87 708 that had to be written-off, and R100 230 that had to be recovered.

The cost of eNaTIS maintenance and operations resulted in unauthorised expenditure of R2.4 billion which was incurred in 2013/14 and 2014/15. No further expenditure was incurred in 2015/16 because the over-expenditure on eNaTIS could be covered by the shifting of funds across programmes and because an agreement was reached that RTMC would carry the cost of eNaTIS from May 2015 onwards.

The Committee requested that the Department brief the Committee on the state of affairs of the investigations that were underway at the time of reporting. The Committee further noted that the Constitutional Court Judgment against Tasima was still reserved at the time of meeting with the Department but noted that it would have a significant impact on the findings regarding eNaTIS going forward (the judgement was handed down on 9 November 2016 indicating that the eNaTIS assets and operation should transfer to the Department).

The Committee noted that the Department, SANRAL, PRASA, RSR, RAF and SAMSA did not take effective and appropriate steps to prevent irregular, fruitless and wasteful expenditure.

In all instances, there was a finding that effective and appropriate disciplinary action must be taken against officials who incurred and/or permitted irregular, fruitless and wasteful expenditure, as highlighted in the AGSA report on the audit outcomes of the Department and its entities.

6.4.3 Supply Chain Management

The Committee noted the lack of effective controls to ensure compliance with internal policies with regard to supply SCM and the AGSA's findings in this regard for the Department, SANRAL, PRASA, RSR, RAF and SAMSA. The Committee noted that the main root causes of these findings were key officials lacking the appropriate competencies, as well as a need to implement and apply an appropriate checklist for the compliance to all SCM policies and legislation.

6.4.4 Information Technology Controls

The Committee noted that the Department still had a need to establish an information technology (IT) governance framework that supports and enables the business, delivers and improves performance.

At PRASA, the AGSA found that there was a slow response by senior management to review and update the IT strategic plan, business continuity plan, disaster recovery plan and governing policies and procedures to address the previously reported deficiencies. The inadequate controls within the IT environment over network access and security management, so the AGSA concluded, contributed to the weak internal control management.

6.4.5 Legislative Delays

During interactions with the Department in the 2014/15 and 2015/16 financial years, the Committee reiterated the impact of delays in the processing of legislation on the Department and entities, especially as it was hindering some entities from executing their mandates.

6.5 FINANCIAL HEALTH OF ENTITIES

As far as the going concern status of entities is concerned, the following observations were made:

- With regard to SAMSA, the total liabilities exceeded total assets by R74 768 000. These conditions, along with other matters, indicate the existence of a material uncertainty that may cast significant doubt on the entity's ability to operate as a going concern.

- With regard to CBRTA, the Agency's total liabilities exceeded its total assets by R220 335 194. These conditions, along with other matters, indicate the existence of a material uncertainty that may cast significant doubt on the entity's ability to operate as a going concern.
- With regard to PRASA, a significant net loss amounting to R26 million incurred by the subsidiary was attributed to the budgeted revenue from property investments, third-party projects and commercial projects not materialising.
- With regard to RAF, there was uncertainty as to whether the entity would be able to fund its future obligations as the entity had incurred an accumulated deficit amounting to R145 335 490 000 and total liabilities exceeded total assets by R145 252 092 000.

6.6 INVESTIGATIONS

With regard to PRASA, the accounting authority commissioned a forensic investigation by an independent firm into procurement matters including those previously reported on by the AGSA during the 2014/15 audit and the public protector. The investigation is in progress and the outcome may also have an impact on PRASA's subsidiaries. The Committee was particularly concerned with the investigation underway by Werksmans Attorneys on behalf of PRASA due to the fact that this particular investigation was unfunded and had already incurred approximate expenses of R100 million at the time of compilation of this Committee report.

The public protector issued her report on allegations of financial mismanagement and tender irregularities between 2010 and 2012 in August 2015. As some matters regarding these allegations were not finalised when the report was issued, the investigation is still ongoing. Based on the outcome of the issued report, National Treasury instituted a forensic investigation into approximately 100 contract awards in accordance with the remedial action recommended by the public protector. These investigations are in progress and the outcome may also have an impact on PRASA's subsidiaries. The Hawks are investigating 39 cases reported by PRASA in terms of the Prevention and Combating of Corrupt Activities Act (No. 12 of 2004). The investigation was in progress at the time of this report. The outcome of this investigation may also have an impact on PRASA's subsidiaries.

With regard to SANRAL and SAMSA, an independent consulting firm was appointed by the Accounting Authority to perform an investigation into an allegation of possible misappropriation of the entity assets. The investigation covers the period from 1 April 2014 to the time of reporting and the outcome of the investigation was expected by the end of August 2016.

With regard to RTMC, the investigation pertaining to the fraud case has not been finalised. The matter is still pending before the courts of law and the results thereof have some impact on the recoverability of the balance of the loss that the Corporation has suffered.

With regard to ACSA, the accounting authority has commissioned an independent investigation on alleged irregularities in procurement and contract management processes. At the time of reporting, the outcome of this investigation was still pending.

The Committee requested that the Department brief the Committee on the state of affairs of the investigations that were underway at the time of reporting.

6.7 PERFORMANCE OF THE DEPARTMENT

The Committee noted the impact that the reserved judgment on the eNaTIS matter had on the audit outcome of the Department. The Committee also noted with concern that, had the AGSA regulations and auditing requirements taken the effect of reserved judgments regarding assets into account, the Department would have, in all likelihood, received an unqualified audit opinion, as it had done in the previous nine years.

The AGSA was therefore requested during the briefing with the Committee to investigate and report back on the following:

1. Guidelines should be established on how audits will be conducted of departments and entities in instances where outstanding court judgments may have a substantial effect on the audit outcomes of those institutions; and
2. In instances where the status quo of an audit changes, or where certain requirements were waived in previous audit years, clarity must be timeously provided by the AGSA which will guide institutions being audited on exactly what the changed requirements may entail in order to avoid future late submissions of annual reports.

The Committee further noted that the discussions had during the Budget Review 2016/17 and the Strategic Planning 2015-2020 and Annual Performance Review of 2016/17 highlighted the following points which may impact the Department in its next audit, should these not be rectified:

1. Performance targets for NATMAP and the White Paper on National Transport Policy Review have been amended and adjusted to be completed a year later than indicated in the APP2015/16. In the Budget Vote document, the date for NATMAP submission to Cabinet is 2017 and not 2015/16 as indicated in the APP. The stakeholder consultation which was planned for 2015/16 for the White Paper was removed from the year planning and incorporated into the 2nd quarter of the 2016/17 financial year breakdown as consultations.
2. Cabinet and Parliament approval, establishment and roll-out of the STER was removed from the medium term targets from the Strategic Plan 2015 – 2020. This may also affect the achievement of Outcome 6 of the Minister's Delivery Agreement with the President.

7. RECOMMENDATIONS

7.1 OBSERVATIONS AND RECOMMENDATIONS FROM THE BUDGET VOTE REPORT 2016

7.1.1 The Committee made the following observations:

1. The Committee observed the number of vacancies in the Department and entities, and noted that the reason for this provided by the Department was that it resulted out of the directive by National Treasury, in line with the latter's (National Treasury) austerity measures. The Committee further noted the impact these had on the ability of the Department and its entities to fulfil their mandates.
2. The Committee noted the unfunded mandate of Shosholoza Meyl and the impact it has on the operational budget of PRASA.
3. The budget was quiet about the *Shova Kalula* programme.
4. There were inconsistencies in the targets raised in the 2016/17 APP of the Department and its 2016/17 Budget Vote document.

7.1.2 The Committee recommended that the Minister ensure:

1. The Department has Memorandums of Understanding (MOUs) in place for transfers/grants from the transferring agency to the implementing agency. The Department should evaluate whether value for money was received and whether the Department had mechanisms in place to monitor and evaluate transfers to provinces.
2. The Department continues engagement with National Treasury with regard to the filling of critical posts at the Department and its entities.
3. The Department engages with National Treasury with a view to ensure that funds are secured for the Rail component of the Moloto Corridor Initiative.
4. The Department reviews its funding model as it relates to PRASA in order to address, among other things, the unfunded mandate of Shosholoza Meyl.

5. The Department should ensure that there is an alignment between its amended Strategic Plan, 2016/17 APP and the 2016/17 Budget Vote.
6. The Department provides the Committee with a comprehensive briefing on *Shova Kalula.*

7.2 OBSERVATIONS AND RECOMMENDATIONS FROM THE STRATEGIC PLAN AND APP REPORT 2016

7.2.1 The Committee made the following observations:

1. The Department was commended for undertaking to invest in rural transport infrastructure, as it would discourage migration from rural to urban areas.
2. Inconsistencies were noted in the APP and the 2016 Budget Vote Document. A re-alignment of these documents may be required considering the amendments made to the Strategic Plan targets in the APP for 2016/17.
3. The Committee observed that a budget allocation was made for the roads development of the Moloto Corridor, while no allocation was made for the Rail development on the Corridor.
4. Concern was expressed about the unfunded mandate of the Shosholoza Meyl carried by PRASA.
5. The Committee noted that the Ports Regulator would be facing budgetary constraints going forward.
6. The budget allocation for RTMC was inadequate to effectively combat road fatalities.
7. During the last 5 years the RTMC did not release an annual report on road fatalities.
8. The RTMC, along with the Department and its entities, should be commended for the roles they played in reducing fatalities during the 2016 Easter holidays.
9. There’s a need for the RTMC to work with the manufacturing industry to ensure that safety features were incorporated in all vehicles to reduce the negative impact of accidents.
10. The Annual Performance Targets in the APP of RTIA did not adhere to SMART principles.

11. The Committee observed that the prioritisation of the AARTO Amendment Bill would assist RTIA to execute its mandate optimally.
12. The ATNS, ACSA and SACAA were commended for their good performance by the Committee.
13. The Committee noted that the Department currently had 5 Acting Deputy- Directors General and 2 on suspension which did not auger well for the stability of the Department and its optimal performance. The Committee further observed the number of vacancies in the Department and entities, and noted that the reason for this provided by the Department was that it resulted out of the austerity measures applied by a directive of National Treasury. The Committee further noted the impact it had on the ability of the Department and its entities to fulfil its mandates.

7.2.2 The Committee recommended that the Minister ensure:

1. The Department, with SAMSA, provide a comprehensive briefing on Operation Phakisa.
2. The Department ensures that there is an alignment between the amended Strategic Plan, 2016/17 APP and the 2016/17 Budget Vote.
3. The Department engages with National Treasury to ensure that the key vacant positions of the 5 Acting Deputy-Directors General are filled.
4. The Department further engages with National Treasury to ensure that funds are secured for the Rail component of the Moloto Corridor Initiative.
5. The Department reviews its funding model as it relates to PRASA in order to address, among other things, the unfunded mandate of Shosholoza Meyl.
6. The Department reviews the funding models of the Ports Regulator and the RTMC so that they are able to discharge their mandates optimally.
7. The Department processes legislative amendments without delay.
8. The Department should enhance departmental oversight and engagement with its entities. The Department along with its entities should engage with National Treasury regarding those entities which face financial constraints and liquidity concerns.

7.3 RECOMMENDATIONS MADE BY THE AGSA FOR THE BUDGETARY REVIEW AND RECOMMENDATION REPORT FOR THE 2015/16 FINANCIAL YEAR

1. Regular monitoring of the action plans to ensure that the identified deficiencies are addressed to avoid repeat findings and continued noncompliance. The Committee should request management to provide feedback on the implementation and progress and of the action plan during quarterly reporting.
2. Regular assessments of the status of internal controls, especially regarding financial statement and performance reporting preparation and filling of key vacant posts to ensure stability of management, must be undertaken by management to address deficiencies as and when they arise. The Committee should request management to provide quarterly feedback on status of key controls.
3. The accounting officers/authorities should intensify their focus on ensuring that transgressors are held accountable and that action is taken, as required by the PFMA. Action taken against repeat transgressors should be done so in a timely manner, in order to eliminate repeat findings. List of action taken must be provided quarterly to the Committee for follow up.
4. Processes should be established to ensure that invitation for competitive bids are advertised in at least the Government tender bulletin, as this is a cheaper medium and is accessible to a majority of potential bidders.
5. Management should put systems and processes in place to monitor compliance with SCM regulations to ensure that interest is disclosed by all staff members.
6. Management should formulate compliance checklists that detail the compliance requirements for each requirement, and these checklists should be reviewed throughout the procurement process.
7. SANRAL should explain why repeat findings have not been addressed.

8. Management should ensure that the Treasury Regulations are complied with. Requests for quotations should be done timeously to ensure a fair, equitable procurement process.
9. Management should exercise oversight responsibility over financial and performance reporting, as well as compliance and related internal controls.
10. Latest developments regarding an investigation by the Public Protector into allegations of maladministration and irregular procurement processes pertaining to the Gauteng e-tolling contracts need to be reported on by SANRAL.
11. It should be underscored that the AGSA has been identifying transgressions and/or deficiencies pertaining to PRASA's procurement and contract management, as early as in 2011/12. PRASA should therefore explain why it has not addressed its procurement and contract management. Put differently, PRASA should provide the reason(s) why repeat control deficiencies have not been or are not being addressed.
12. The following measures should be put in place to create an environment that is conducive to compliance with legislation:
    a. Key commitments made to implement the AGSA's recommendations to address the root causes should be promptly implemented;
    b. Control processes should be adhered to at all times when procuring goods and services;
    c. Proper record keeping should be implemented for information supporting compliance and procurement process; and
    d. Consequence management for staff members who fail to comply with applicable legislation should be implemented.
13. The applicable PRASA SCM prescripts should be complied with.
14. Management should address document management system. In addition, it should attend to financial and performance reporting discipline, as well as compliance management.

15. Management should exercise oversight responsibility pertaining to financial and performance reporting, as well as compliance and related internal controls.
16. Management should implement effective Human Relations management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored.
17. Management should establish and communicate policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities.
18. PRASA should implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance management.
19. Regarding the RSR:
    a. It should be highlighted that the RSR has been faring well, as far as compliance with legislation is concerned. Indeed, this has been the case as early as 2010/11. The entity should therefore give the root causes of it performing badly in this area during the year under review and whether it has put in place corrective measures to ensure that non-compliance with legislation does not recur.
    b. The RSR should review and monitor compliance with applicable legislation.
    c. The RSR should indicate whether it has consequence management for staff members who fail to comply with applicable legislation.
    d. The RSR must develop/implement an action plan to address the above-mentioned audit findings.
    e. Notwithstanding the fact that the vacancy rate at the RSR was 64%, it achieved 90% of its performance targets. This means either the targets that the entity had set itself were too low or staff may have been overburdened. RSR should present a retention strategy to the Committee.

20. While the RAF contends that “[…] the number and type of irregular expenditure had improved from 61% from 33 in 2014/15 to 13 at the end of the 2015/16 financial year” and that “[t]his reduction confirms the efficacy of Management interventions and a confirmed reduction is expected”, there is still room for improvement as the irregular expenditure incurred during the year under review is still exorbitant. There is therefore a need for stringent adherence to SCM prescripts.
21. Regarding SAMSA:
    a. SAMSA should implement the action plan to address prior year audit findings.
    b. SAMSA should enhance performance and consequence management.
    c. SAMSA should report on ongoing investigations to the Committee on a quarterly basis.

7.4 THE COMMITTEE RECOMMENDATIONS FOR THE 2015/16 FINANCIAL YEAR BUDGETARY REVIEW AND RECOMMENDATION REPORT

The Committee recommends that the Minister, through the Department, should ensure the following:

7.4.1 The advertising and filling of vacant posts should be prioritised in the Department and the affected entities.

7.4.2 The Department should strengthen its oversight over the entities and report on progress made to remedy all matters raised by the AGSA in its audit reports of the Department and the entities.

7.4.3 Effective steps should be implemented to prevent irregular expenditure. Officials who incurred irregular, fruitless and wasteful expenditure should be duly disciplined. Proper record-keeping should be implemented for information supporting compliance and procurement process. Implement consequence management for staff members who fail to comply with applicable legislation.

7.4.4 The Department and entities should capacitate their Finance and SCM departments with appropriately skilled and competent personnel to prepare credible financial statements. Furthermore, management should ensure that information used to prepare financial statements is accurate and reliable. Staff should be retrained and reskilled to ensure that they comply with legislation.

7.4.5 Control processes should be adhered to in the SCM processes. The Department should establish a task team to identify and address the inefficiencies in the SCM process in the Department as well as its entities. There should be consequences for poor performance and failure to comply with applicable legislation.

7.4.6 The AGSA's recommendations to address root causes should be implemented.

7.4.7 The Department should develop funding plans to ensure the financial sustainability of the entities and should provide the Committee with quarterly updates on strategies to improve the financial health status and reduction of instances where the liabilities exceed total assets of the PRASA, CBRTA, RAF and SAMSA as there were uncertainty as to whether the entities would be able to fund their future obligations.

7.4.8 The Department should monitor, track and engage with its provincial and municipal counterparts on the implementation of the PRMG and other grants to ensure that money is used for its intended purpose, to ensure that there is value for money spent and to prevent a future need for roll-overs as an extension of the two-way Key Performance Indicator (KPI).

7.4.9 The Department should ensure that the amendments made to their Strategic Plan 2015-2020 as well as the APP for 2016/17 and the coming APP for 2017/18 are aligned in such manner as to ensure compliance with the AGSA recommendations and findings.

7.4.10 The Department should ensure that the budget allocation for projects is strengthened and realistic in order to reduce the high amounts of funds being transferred under Virements.

7.4.11 The Department should develop an alternative investment attraction plan in order to make better use of Public-Private Partnerships and promotion of Private Sector Participation in the funding options for various infrastructure projects, such as the Moloto Corridor Project and other major infrastructure projects planned by the Department as well as their provincial and municipal counterparts.

7.4.12 The Department should engage in earnest with National Treasury in order to review its funding model as it relates to PRASA in order to address, among other things, the unfunded mandate of Shosholoza Meyl. The provision of accessibility to long distance rail is an NDP directive and will not be achieved if the matter of this unfunded mandate is not resolved.

7.4.13 The Department with PRASA should engage with Transnet and the Department of State Owned Enterprises in finding a viable solution to resolve the unfunded mandates inherited by PRASA from old Transnet programmes as well as consequent impediments and expenses incurred by PRASA in implementing these unfunded mandates. The Committee in turn will undertake to engage on the same matter with the Portfolio Committee on Public Enterprises in finding a workable solution.

7.4.14 The Department should determine whether the progress made and lessons learned from the watch-keeping services project under the Civil Aviation Programme could not be used to develop or implement a similar watch-keeping service under the Maritime Transport Programme.

7.4.15 The Department should report back to the Committee on the progress and expenditure incurred on the Mthatha Airport project.

8. SUMMARY OF REPORTING REQUESTS

The Committee requested additional matters for the Department to report on:

Reporting matter	Action required	Timeframe
The Department should submit an Action Plan to address the findings of the AGSA	Written plan from the Department of Transport	15 December 2016
The Department should submit a comprehensive briefing on progress made on the Taxi Recapitalisation Programme and the Review thereof	Written briefing from the Department of Transport	15 December 2016
The Department should submit quarterly reports on investigations underway in the Department and all the entities	Written plan from the Department of Transport	Quarterly reports within 60 days of the adoption of this report by the National Assembly
The Department should submit quarterly reports on the achievement of job creation targets in the Department and all the entities	Written plan from the Department of Transport	Quarterly reports within 60 days of the adoption of this report by the National Assembly
The Department should submit quarterly reports on pending litigation as well as settlements reached and judgments for and against the Department and all the entities	Written plan from the Department of Transport	Quarterly reports within 60 days of the adoption of this report by the National Assembly
The Department should submit quarterly reports on human resource management (retentions, secondments, transfers, retirements, training and skills transfers, resignations and dismissals), as well as report on progress in disciplinary matters (including suspensions) in the Department and all the entities	Written plan from the Department of Transport	Quarterly reports within 60 days of the adoption of this report by the National Assembly
The Department should submit quarterly reports on the *Shova Kalula* project	Written plan from the Department of Transport	Quarterly reports within 60 days of the adoption of this report by the National Assembly

The Department should submit quarterly reports on progress regarding the Moloto Corridor Project and how this affects both the Road and Rail Programmes	Written plan from the Department of Transport	Quarterly reports within 60 days of the adoption of this report by the National Assembly
The Department should submit quarterly reports on strategies to address the financial health status of: -CBRTA -RAF -SAMSA -PRASA	Written plans from the Department of Transport and: -CBRTA -RAF -SAMSA -PRASA	Quarterly reports within 60 days of the adoption of this report by the National Assembly.
PRASA should report quarterly on inroads made into the implementation of the Rolling Stock Modernisation Project	Written plan from PRASA	Quarterly reports within 60 days of the adoption of this report by the National Assembly

9. CONCLUSION

The Committee would ensure that the AGSA's recommendations are implemented by the Department. The Committee would further request regular feedback from the Department on key issues impacting entities as identified through the oversight process.

10. APPRECIATION

The Committee would like to acknowledge the Department and entities for presentations made on their Annual Reports and Financial Statements.

The Committee applauds the achievements by the CBRTA, RTMC, PRASA and SACAA in receiving Unqualified Audit opinions with no findings. The Committee is further pleased that the Department has incurred zero unauthorised expenditure during the year under review, compared to the finding in 2014/15 of R 392 842 000.

The Committee would also like to extend a note of appreciation to its support staff during the year under review and in the compilation and capturing of the Committee reports.

Report to be considered.

Attached – Annexure A: List of abbreviations/acronyms

ANNEXURE A: LIST OF ABBREVIATIONS/ACRONYMS

Abbreviation/Acronym	**Meaning**
AARTO	Administrative Adjudication of Road Traffic Offences
ACSA	Airports Company South Africa
AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
ATNS	Air Traffic Navigation Services
BARSA	Board of Airlines Representatives of South Africa
CBRTA	Cross-Border Road Transport Agency
DLCA	Driving Licence Card Account
eNaTIS	Electronic National Traffic Information System
FMPPI	Framework for Managing Programme Performance Information
GHG	Greenhouse Gas
IMO	International Maritime Organisation
IPTNs	Integrated Public Transport Networks
ISAMS	Integrated Station Access Management Solution
IT	Information Technology
JCPS	Justice Cluster and Justice, Crime Prevention and Security Cabinet Committee
KPI	Key Performance Indicator

LEOLUT	Low Earth Orbit Local User Terminal
LEOSAR	Low Earth Orbit Search and Rescue
MANCO	Management Committee
MCC	Mission Control Centre
MEOLUT	Medium Earth Orbit Local User Terminal
MEOSAR	Medium Earth Orbit Search and Rescue
MinMEC	Transport Ministers and Members of Executive Council
MOUs	Memorandums of Understanding
MTSF	Medium-Term Strategic Framework (2014-19)
NADP	National Airports Development Plan
NATMAP 2050	National Transport Master Plan 2050
NCAP	National Civil Aviation Policy
NEDLAC	National Economic Development and Labour Council
NDP	National Development Plan
NIP	National Infrastructure Plan
NLT	National Land Transport
NRSS	National Railway Safety Strategy
PCOT	Portfolio Committee on Transport
PFMA	Public Finance Management Act
PICC	Presidential Infrastructure Coordinating Commission
PPPFA	Preferential Procurement Policy Framework Act
PRASA	Passenger Rail Agency of South Africa
PR	Ports Regulator of South Africa
PRMG	Provincial Roads Maintenance Grant
PSP	Private Sector Participation

PTNG	Public Transport Network Grant
PTOG	Public Transport Operations Grant
RAF	Road Accident Fund
RSR	Railway Safety Regulator
RTIA	Road Traffic Infringements Agency
RTMC	Road Traffic Management Corporation
SACAA	South Africa Civil Aviation Authority
SANRAL	South African National Roads Agency Limited
SAMSA	South African Maritime Safety Authority
SCM	Supply Chain Management
SIP	Strategic Infrastructure Programme
SMART	Specific, Measurable, Achievable, Realistic and Timely
SONA	State of the Nation Address
STER	Single Transport Economic Regulator
TRP	Taxi Recapitalisation Programme