

Report of the Standing Committee on Transport and Public Works on the 2016/17 Annual Reports of the Department of Transport and Public Works and its Entity Government Motor Transport for the year ended 31 March 2017

The Standing Committee on Transport and Public Works, having considered the Annual Reports of the Department of Transport and Public Works and its Trading Entity, Government Motor Transport, for the year ended 31 March 2017, referred to it, reports as follows:

1. Introduction

As part of its oversight function, the Standing Committee on Transport and Public Works (the Committee) considered the Annual Reports of the Department of Transport and Public Works (the Department) and its Trading Entity, Government Motor Transport (GMT), on 20 October 2017. Annual reports are the key instruments for departments to report on performance measured against their performance targets and budgets as outlined in their Strategic Plans and Annual Performance Plans.

The Annual Report Programme for the 2016/2017 financial year was advertised in newspapers, inviting stakeholders and members of the public to attend and participate in the discussions.

The Committee deliberated on Part A: General Information, Part B: Performance Information and Part D: Human Resource Management of the Annual Reports of the Department and its Trading Entity.

2. Department of Transport and Public Works

2.1 Overview

The Department plays a significant role in all aspects of service delivery to the people of the Western Cape.

From an expenditure perspective, the Department spent 99,1% of its budget allocation and maintained a clean audit report for the fifth consecutive year. The continued deterioration of the rail system has impacted on commuters and has also increased congestion and pressure on other elements of the public transport system in the Western Cape. Poor driver behaviour on the province's roads has continued to lead to road crash fatalities. The sale of the Tafelberg property in Sea Point brought the policy around the use of state owned property for affordable housing to the fore. The upper limits of the employee compensation budget also impacted on the filling of critical vacant posts as limited funds were available.

Structural defects in respect of schools were a challenge to the Department and the Committee will continue to monitor interventions in this regard. The Department continued to support the Go George Transport System and provided innovation within the Provincial Traffic Section with the development of the District Safety Plans that are directed towards reducing the number of fatalities on our roads.

The filling of vacancies in terms of employment equity targets remains a challenge for the Department especially in terms of attracting Africans and females. However, small strides were made in increasing the representivity of women in senior management positions.

2.2 Findings

- 2.2.1 The promotion of employment equity within the Department's organisational structure to correct the imbalance in terms of race and gender is concerning and has consistently been raised by the Committee. The Department has managed to improve their gender representivity in their senior management team from 30% women in the 2015/2016 financial year to 36% women in the year under review. The Department has been less successful in rectifying the race balance.
- 2.2.2 The National Minister of Transport has committed R8,4 billion to repairing the rail network infrastructure and rolling stock. There is a comprehensive plan between all three spheres of government with regard to Metrorail and the Public Rail Agency of South Africa to improve public transport in order to deal with the problem of traffic congestion.
- 2.2.3 The South African National Taxi Council will be holding its provincial elective conference in November this year. There exist two factions within this organisation. The Department has entered into a departmentally facilitated mediation process where an independent mediator (with a legal background) will be appointed to engage both parties on their identified issues.
- 2.2.4 Four properties were identified to be made available through the provincial Department of Human Settlements to private sector developers for the construction of affordable housing. The geographic location of these properties are Mitchells Plain, Charlesville and George.
- 2.2.5 The progress of the Manenberg site is dependent on the overall plan of the Manenberg Community Programme that involves the possible rationalisation of schools in the area and also the identification of a site for a new hospital. There has been cordial community involvement with the School Governing Bodies and School Principals in the area. It is a possibility that a new school will be built on part of the old GF Jooste Hospital site and the remainder of the site would be utilised for a smaller development.
- 2.2.6 Irregular expenditure, amounting to R5 million, during the year was partly attributed to non-adherence to preferential Procurement Regulations, common law fraud and non-compliance with Supply Chain Management delegations. R4,4 million of this amount was condoned in terms of irregular expenditure because services were provided for the actual cost. The remaining R597, 000 was as a result of fraud. In this case the Department succeeded to recover part of this amount from the relevant official's pension fund pay out. The official has been prosecuted and has been convicted on 46 counts of theft. The accused was later sentenced to six years imprisonment wholly suspended for 5 years and 3 years correctional supervision. As

a result, the Department was only able to recover R168 000 of the debt and the balance was raised as a liability.

- 2.2.7 The Department was challenged on its disposal policy for immovable property. The current policy is in the process of being reviewed and will be presented to Cabinet before the end of 2017. This policy will guide the disposal of immovable property in terms of certain principles and priorities in respect of socio-economic objectives that will be aligned to the Government Immovable Asset Management Act, 2007 (Act 19 of 2007).
- 2.2.8 The Western Cape Provincial Property Portfolio Committee was established in terms of Regulation 3 (1) of the Western Cape Land Administration Act, 1998 (Act 6 of 1998). The Committee consists of officials from provincial and national government departments and four external members not employed by government with proven property expertise. The Provincial Property Portfolio Committee's Annual Report, as provided for in the Regulations, has not been tabled in the Western Cape Provincial Parliament. The Department has acknowledged that there was noncompliance in terms of providing the necessary reports in terms of the specific legislation and committed to ensure that proper and complete records are maintained in order for this provision to be adhered to. It should be noted that the Western Cape Land Administration Act (Act 6 of 1998) is under review as it was promulgated prior to the Government Immovable Asset Management Act, 2007 (Act 19 of 2007) coming into effect.
- 2.2.9 The empowerment of communities to participate in applying for government tenders was encouraged by the Department. The Department has many programmes, one of which is located within the supply chain section. Here a dedicated team engages rural communities and provides training on the completion of the relevant forms as well as registration on the Construction Industry Development Board, the Western Cape Supplier Database and the National Treasury Central Supplier database. These teams include officials from the South African Revenue Services in order to assist prospective service providers with the issuing of tax clearance certificates. In addition, because all formal tenders are registered on the I-Tender system, prospective service providers receive a SMS or email alerting them that a tender is going out for a specific category of work.
- 2.2.10 The Sea Point Main Road (Tafelberg) property was offered to the market with the tender process closing in June 2015. During November 2015, the Provincial Cabinet granted approval for the disposal of the property to the successful bidder. A subsequent court challenge has made further consultation necessary. This process has been concluded and the Provincial Cabinet has taken a decision to dispose of the property. This matter is presently being challenged in Court. The National Government instituted an Intergovernmental Dispute Resolution (IGR) process which was served on Provincial Government. The Province responded that the Tafelberg matter did not fall within the IGR mechanism as it included a third party, which was a private individual and not a sphere of government. There is presently a legal process underway in terms of the Ndifuna Ukwazi Group as well as an application lodged by National Government.

- 2.2.11 When the provincial cabinet decided not to rescind from the Tafelberg matter, part of the decision was that the Helen Bowden site would be utilised to maximise the number of affordable housing opportunities that would make the development financially viable without the need for additional subsidies. There are 110 residents on the Helen Bowden site and the Department has been counselled that it would not be advisable to embark on an eviction process at this point in time as the Department would then be forced to provide suitable alternative accommodation for the affected residents.
- 2.2.12 The number of registered vehicles increased by 2.82%. Road safety education is beneficial in that it trains and educates the youth by teaching them the rules of the road. Participatory education techniques include debate competitions and developing models and solutions for road safety.
- 2.2.13 The marginal underspending on Programme 3: Transport Infrastructure, is mainly due to transfer payments not affected as municipalities were unable to execute infrastructure projects as planned. The Department provides subsidies to municipalities for the upgrading of municipal main roads which is often the main street running through a town. The Department subsidises 80% of the cost of the infrastructure project. No claims were received from municipalities during the year under review.
- 2.2.14 The underspending on Programme 6: Community-Based Programmes, was partly due to the loss of accreditation by a training provider, Northlink College, with the Sector Education and Training Authority that resulted in the implementation of the Trade Test Support Programme being delayed.
- 2.2.15 One of the main services of the Department is Public Works Infrastructure Services and one of its key functions is to construct and maintain health, education and general building facilities. The Department of Basic Education (DBE) established the Accelerated Schools Infrastructure Delivery Initiative (ASIDI) with the aim of eradicating backlogs in school infrastructure by applying a combination of strategies for immediate and medium-term improvements in infrastructure delivery. The request from the DBE to the Western Cape Education Department was to design and build three replacement schools in 12 months. Filcon was awarded the tender and the three sites were handed over to this contractor on the 18th of March 2013. Problems were experienced during the contract period and this in turn led to the contract being cancelled on the 3rd of April 2014. The Directors of Filcon were South African. The company is held liable and therefore claims instituted for damages is pursued against the company. The Department has a mechanism in place whereby it performs a check on South African based contractors with whom they do business. When Filcon failed to produce satisfactory results, the Department appointed a completion contractor. They also obtained legal advice at the time because part claims for damages suffered against the contractor could not be made. For this reason, the schools had to be completed so that the incidental costs and other

damages could be assessed while rectifying poor performance by the initial contractor and then finally instituting a claim. The schools have now been completed and the final accounts are in the process of being reconciled so that the Department can pursue the claim for damages suffered against the company at which point one single claim will be instituted.

2.2.16 Apprentices who are supported by the Department attended training at the Bellville Mechanical Workshop. A total of 15 mechanical artisans completed their training through the Apprenticeship Programme, of which four artisans were permanently employed by the Department after registration. The Department's aim is to retain as many of the artisans as possible as the availability of apprentices is much needed by the South African economy.

2.2.17 The Kwa-Faku Primary School is a replacement school project initiated by Department and the Western Cape Education Department (WCED) to alleviate an existing structurally defective school. The school was opened on the 17th of July 2000. The media has widely reported that this school is an experimental project as the building is made out of styrofoam and concrete, which is classified as Alternative Building Technology. Since then numerous defects have been reported to the WCED and the Department, including a problem with dust. These concerns were raised and reported to the Western Cape Education Department by the Principal and parents of learners in 2010 with no response. As a result of the defects, learners have been moved out of the school and are currently being accommodated in mobile classrooms. The construction of the mobile classrooms amounted to R7,8 million. Conditions within these mobile classrooms are not conducive to learning as the structures retain heat and become very hot in summer which may have an effect on the concentration capacity of the learners. This project was not part of the Department's initial plan but after intervention from the Standing Committee, was added to the plans for the year under review.

The placing of the mobile units compromised the original design which was planned to take up the land of the final school. The school has been redesigned to fit into the remaining land without compromising the outcome of the final school to any of the applicable building standards. Alternative Building technology and designs are important and should be supported and pursued where it is proven to be a viable option but not at the expense of a community.

2.2.18 The Leeuwenhof Residence is a provincially owned building which is the residence of the Premier. The Department has spent R7.23 million for scheduled maintenance in phase one, which comprises an exercise to divert some of the underground water that was impacting on the residential buildings. Phase 2 is due to be undertaken during the current financial year.

2.2.19 The Department is in the process of reviewing their organisational structure for the Roads Branch and these posts were evaluated in terms of the new organisational design. The micro-structure organogram is in the process of being implemented.

- 2.2.20 The annual turnover rates for staff by critical occupation was high across post levels three to five. This relates to the road worker/ road supervisor level and the entry level for a provincial traffic officer.

3. Information requested

- 3.1 The Committee REQUESTED that the Department provides it with the following:
- 3.1.1 A list of the properties and the value attached to each property that constitutes the R200 billion worth of government owned immovable infrastructure assets;
- 3.1.2 A breakdown of the properties that are leased by national, provincial and private entities and the tariffs charged;
- 3.1.3 A breakdown per district level of the 88 953 work opportunities that were created in terms of the Expanded Public Works Programme;
- 3.1.4 A breakdown per district level of the 539 unemployed young people who were offered training opportunities in construction;
- 3.1.5 The cost of the construction of the Kwa Faku Primary school that involved the use of alternative building technology techniques, the cost of erecting the mobile units at the school, the anticipated cost of a replacement school and the cost of any maintenance to the original structure that may have been undertaken;
- 3.1.6 A list of the workshops that were offered, specifying the areas in which they were offered, for the training of communities on the tendering procedure; and
- 3.1.7 A date as to when the hospital that is to replace the previous GF Jooste hospital will be completed.

4. Recommendations

- 4.1 The Committee RECOMMENDED that:
- 4.1.1 Amendments to the Disposal Policy on infrastructure include an active public participation strategy as well as ongoing engagement with affected stakeholders; and
- 4.1.2 Communication with rail commuters should be improved, not only in respect of current faults and train delays, but also on the future plans of Metrorail.

5. Resolutions

- 5.1 The Committee RESOLVED to, at a future date, request the Department to brief it on its:
- 5.1.1 Disposal policy relating to the Helen Bowden Site outlining the current situation as well as the current state of affairs at the site; and

- 5.1.2 Strategic Talent Plan and Employment Equity Plan with specific reference to measures undertaken to address the disparity in employment equity targets, specifically in terms of race, gender and persons with disabilities, in order to ensure representivity with the Department and GMT.

6. Government Motor Transport

6.1 Overview

GMT is a crucial component to the service delivery capacity of the many arms of government. It encompasses a wide range of functions and is the only trading entity within the Department of Transport and Public Works. It operates as an independent business unit responsible for vehicle fleet management services to provincial and national government as well as to other entities. GMT has maintained its clean audit status. GMT continues to strive to deliver efficient fleet management services and has also made progress on a number of initiatives such as the completion of the pilot for driver tags.

6.2 Findings

- 6.2.1 The Committee noted the long and successful service of Mr Johan Koegelenberg, Director of GMT. Mr Yasir Ahmed, the Chief Director for Transport Regulations, is presently caretaking GMT. There is a process underway to fill this position.
- 6.2.2 The need for cost-cutting across all government departments required GMT to assist its client departments in ensuring effective and efficient use of vehicles in the fleet and the prevention of abuse of fleet vehicles. This however did not impact on other programmes or functions. Part of the cost saving methodology was keeping rate increase at a minimum. Apart from this there was no impact in terms of service delivery or standards within GMT.
- 6.2.3 The disparity that exists within the levels of representivity within GMT in terms of gender and race is concerning. The Department is attempting to ensure that it attracts people who have the necessary experience and competence and who are prepared to work for government.
- 6.2.4 The construction of new premises and office accommodation allowed GMT to acquire additional capacity to grow the fleet to optimal levels and to continue to improve its services to clients. The budget of 2016 indicated a plan to consolidate GMT in terms of new premises. The delay in the move to Rusper Street Maitland was as a result of a problem with the contractor. The initial phase of the consolidation involved moving a number of the officials that are currently housed in the Hope Street, Roeland Street area to Rusper Street and then to move all vehicles from the Top Yard. There needs to be further work at Rusper Street in terms of the construction of a multi-story car park and a second office area. The Department has an estimate of the financials for the second and third phase and, based upon the funding provided in terms of the upcoming Medium Term Expenditure Framework,

will be able to commence the work, complete it and finally see a consolidation of GMT in Maitland.

The contract was terminated with the original contractor due to non-performance and the fact that there were applications for liquidation against the contractor. On this basis the Department cancelled the contract before suffering any damages. It then had to appoint a completion contractor. Before a site is handed to a contractor, the contractor must submit a construction guarantee. In this case, the completion contractor was unable to do so within the time-frames provided and the contract was cancelled. The site was not yet handed over to the second contractor at this stage. Therefore a third process had to be undertaken. A contractor was appointed and the site was handed over and completed in terms of Phase one.

6.2.5 The Department has commenced with online auctions, e-auctioning, which is a cost effective means that yields a greater responses. The revenue or proceeds from the auctions amounted to R55,3 million for the year.

6.2.6 The Committee expressed concern regarding the representivity levels within GMT. The Department has an Employment Equity Plan in place. In terms of succession planning, the Department, with the support of the Corporate Services Centre, has embarked on a process to develop a Strategic Talent Plan that aims to identify talent streams or pools within the Department in order for it to focus on and be able to identify people and support them through the organisation so that they are able to meet the necessary requirements from one position to the next.

6.2.7 The revenue collected decreased by R25million compared to the previous year. This was due to client departments trying to save money and in so doing travelled much less than the previous year. Therefore the number of kilometres travelled impacts directly on GMT's reserves.

6.2.8 The debt outstanding from previous years relates to clients not wanting to settle interest debt. The impact of this on service delivery is not significant.

7. Information requested

7.1 The Committee REQUESTED that the Department provides it with the following:

7.1.1 The names of the contractors who were awarded tenders during the various phases of the construction of the new GMT premises in Maitland, the contract values attached to each tender as well as the plans for the current sites in Paarden Island and Roeland Street;

7.1.2 In addition to the above, an assurance that public funds were not lost in the process;

7.1.3 A clear plan, budget and timeframe for the implementation of the second and third phases of Rusper Street, Maitland as well as the project completion date; and

7.1.4 The duration of the contract valued at R30 million that was awarded to Third Quarter Consulting CC.

7.2 The Committee further REQUESTED that the Department of the Premier provides it with the names of the provincial government departments who have made applications to the Department of Public Service Administration requesting a deviation from the Public Service Regulations, copies of the applications that were made and the respective responses to these applications.

8. Inputs by Members of the Public

Verbal submissions were received from members of the public on transport infrastructure within Nyanga, the awarding of tenders to contractors and on the sale of the Tafelberg site. Members of the Public and the Department were encouraged to engage with each other in respect of their various concerns.

9. Acknowledgement

9.1 The Committee wishes to acknowledge and congratulate the following Members and Officials on their contribution to its work as well as in their respective areas of work within the Department:

- 9.1.1 Adv Lennit Max, Chairperson of the Committee from 1 April 2016 - 15 January 2018 in respect of the year under review, for his leadership in effectively directing the Committee to fulfil its oversight role;
- 9.1.2 Mr Nceba Hinana, current Chairperson of the Committee, on his appointment;
- 9.1.3 Mr Cedric Ismay, Chief Financial Officer of the Department, who retired at the end of May 2017 and Adv Chantal Smith on her appointment as Chief Financial Officer;
- 9.1.4 Mr Johan Koegelenberg, Director of GMT, who retired at the end of March 2017 after 46 years of service in Government; and
- 9.1.5 Mr Kenny Africa, Mr Yasir Ahmed and Ms Bernie McMahon for their sterling achievements at the National Department of Transport's Annual Transport award ceremony in 2016.

10. Conclusion

The Committee notes its appreciation for the response of the Department of Transport and Public Works and Government Motor Transport to the scrutiny of the Annual Reports and wishes to thank the Minister and Head of Department for their contributions and efforts in this regard.



MR NCEBA HINANA

CHAIRPERSON: STANDING COMMITTEE ON TRANSPORT AND PUBLIC WORKS

DATE: 9/11/2017