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ECONOMIC ANALYSIS

TRANSPORT PICTURE

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FOREWORD BY THE MINISTER

HONOURABLE JT RADEBE

With different economic factors affecting the lives of billions of people across the world, it is not safe to live without researching and analyzing the right trends and channels conducive to economic growth and social development. The escalating oil and food prices, as cases in point, continue to negatively impact on the lives of people across the world, particularly the poor and empirical data is essential to help make informed responses to such challenges.

As a result of the increase in oil prices, transport costs alone have been at the root of global inflation. Therefore, how we respond to the challenges posed by these rising oil-induced escalating transport costs may in turn either help ease or aggravate the consequent economic burdens on our people. Key to resolving transport related challenges is to understand evolving dynamics within the transport sector nationally and globally and to communicate these dynamics to the population at large to enable them to make informed decisions on transport issues.

It is therefore relevant for the Department of Transport to inform people on transport services, transport costs and effects of rising oil prices and the recommended need therefore to use alternative means such as public transport as counter-measure to rising transport costs. The **Transport Picture** report goes beyond a mere reflection on escalating transport costs and their relationship with inflation in general, to deal with the wide range of issues that would be of value to various interested parties in our country.

I therefore present the **Transport Picture** which gives the necessary information regarding the transport sector's performance in our economy. Such information is important given the socio-economic developmental role that transport plays in the various spheres of our country's development - hence we continue to say "Transport is the Heartbeat of South Africa's economic and social development." As the spotlight falls on our 2010 transport sector's preparedness to host a successful soccer event, it is important that we provide this transport overview and ease the concerns of those who could have ever doubted our capacity to stage a world-class event.

Issues covered in the report includes references to the fact that the rail and road infrastructure have experienced some challenges due to lack of investment in these sectors for a long time. It also reflects on the trend of increased investments on the transport systems to realize our overall infrastructure objectives as set out in the Accelerated Shared Growth Initiatives of South Africa (ASGISA). The continued investment in transport infrastructure will assist us reduce transport challenges and to meet our 2010 transport requirements. The report reflects on the progress we have made on a number of areas; including

- the merger of our three passenger rail entities and those being, the SARACC, METRORAIL, Shosholoza Meyl, into one entity, in order to improve the efficiency of our passenger rail service;
- the continued implementation of our Public Transport Strategy and Plan;
- the overhaul and the regulation of the taxi industry through our Taxi Recapitalization Programme;
- the progress in the implementation of our National Freight Logistics Strategy; and
- the huge investments on the Transport Infrastructure such as Airports, Roads and Public Transport Infrastructure for 2010.

In other words, the **Transport Picture** provides the necessary factual information on Government's implementation of Transport policies and programme - and I'm therefore delighted to present this report for South Africa to judge our progress.

EXECUTIVE SUMMARY

It is without a doubt that transport in itself is one of the major components of the South African economy, especially it's ability to facilitate trade by moving goods and people. Transportation also contributes to the economy by generating revenue and by providing millions of jobs. It is on this backdrop that the Economic Analysis Unit presents the first publication of the transport picture for 2008. This publication succinctly outlines the key economic activities within the transport sector for the first quarter of 2008.

There are a number of issues that are brought to the fore in relation to each of the modes of transport in this publication:

- Firstly, in the public transport realm it is shown that the beginning of 2008 started off with rail passenger journeys below 40 million, despite maintaining a service level of above 86% of trains running on time. The Taxi Recapitalisation Programme is continuing , reporting in November 2007 has shown that more than 12,000 taxis being scrapped since the initiation of this project and a budget allocated for 8,000 taxis approved for the 2008/09 financial year.
- Secondly, investment into the transport sector is continuing full steam ahead to improve capacity and performance. Approximately R70 billion has been put aside for road infrastructure and R11.5 billion for pipeline infrastructure, in order to deal with the expected 2010 world cup demand.
- Road safety continues to be a major challenge within the South African context, despite experiencing a marginal decline in the number of crashes experienced on our roads. This has to some extent also put the Road Accident Fund under financial pressure to appropriately deal with the backlog in claims.
- Air passenger traffic numbers continue to grow from 23 million to over 36 million passengers, however airlines continue to be under pressure to maintain high service levels to its customers amid the increasing fuel prices. In the 2007/08 financial year it was shown that port terminals handled 3.4 million (twenty foot equivalent units), despite some of the ports having experienced power cuts, which delays the movement of goods within the ports, thus causing congestion.
- Finally, the alignment of the Transport Sector Broad-based Black Economic Empowerment charter is currently still underway, in order to secure effective economic and social transformation of the transport sector.

Amidst the various constraints e.g. resources, efficiency, access and capacity faced by the sector, many strides are made towards the development of seamless integrated and efficient transport system.

1. INTRODUCTION

South Africa has set itself a target of increasing its Gross Domestic Product (GDP) to 6 percent by the year 2014. For any country to realised such a growth in GDP from 5.1 percent currently to the set target, its transport system should be at its best. That is the reason why transport is often referred to as the heartbeat of the economy. The economic growth of any country is associated with the well being of the citizens of that country. Therefore, the improvement in the transport system will benefit both the industrial development and the public in general by making transport accessible and affordable.

Government has put in place interventions such as the continuous investment in transport infrastructure development. Infrastructure improvement has a significant impact on the competitiveness of an economy and this is clearly emphasised by the Accelerated and Shared Growth Initiative for South Africa (ASGISA). This initiative (infrastructure investment) is aiming at improving efficiency and effectiveness of the public transport system as well as its safety and reliability. Other initiatives to support economic growth and the improvement in the standard of living for ordinary people of the country include Taxi Recapitalisation Project, and progress around this project are detailed in this transport picture.

This transport picture document provides an analysis of all transport modes, with a particular emphasis on rail, road, maritime, aviation, transport via pipelines and other transport related matter such as safety. In addition, three boxes are presented: Box 1 provides a status quo of the Road accident Fund (RAF) and Box 2 gives progress made with regards to the developments in aviation industry in the African continent as reported by Civil Aviation News. Box 3 provides a detailed progress with regards to the development of the transport sector Broad-Based Black Economic Empowerment Charters.

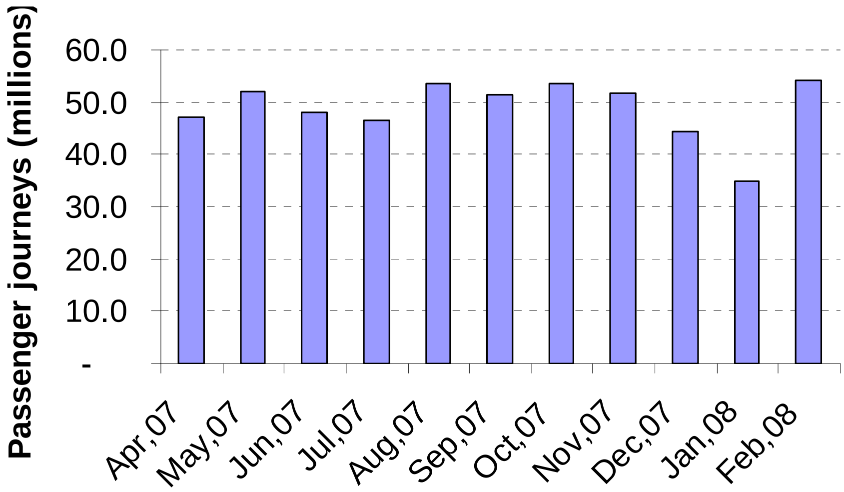
2. MODAL ANALYSIS

This section deals with Rail Transport with the emphasis being put on the commuter rail, Road, Civil Aviation, Maritime and Pipeline Transport. Progress is also provided on the Black Economic Empowerment charters as they relate to transport.

2.1 RAIL TRANSPORT

The focus in this section falls particularly on commuter rail. The reason for this is that the Department of Transport subsidises this mode. Figure 1 below gives a national picture of passengers transported on a monthly basis, in all the regions where commuter rail services are provided.

Figure 1: Metrorail Passenger Journeys from April 2007 to Feb 2008



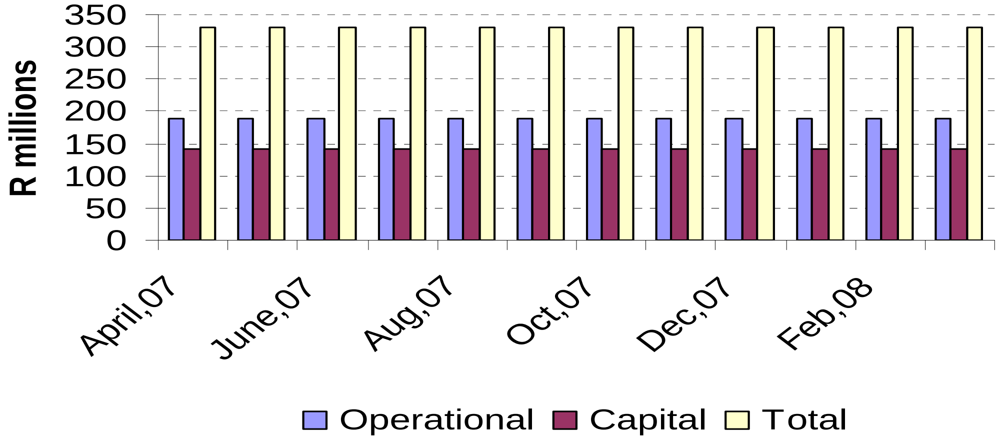
Data Source: SARCC Information Centre, 2008

Figure 1 show that in the financial year 2007/08 the monthly passenger journeys in most of the months, were above the 40 million level. In January 2008 however, the level of passenger carried fell below 40 million. It is not clear, what is the cause of this decline. It is however, thought that it could be attributed to the fact that most workers were still enjoying December 2007 holidays. Further it could be attributed to the reduction in the number of trains between Mabopane and Tshwane as a result of the burning of some trains on this line in January 2007.

Subsidy disbursement for commuter rail

Figure 2 below shows the subsidy the Department disbursed for the commuter rail.

Figure 2: Monthly commuter rail subsidy disbursement from April 2007 to March 2008



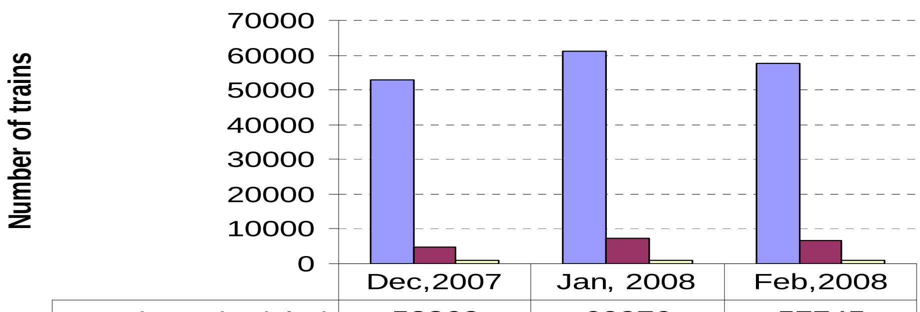
Data Source: DoT Rail Operations, 2007

Figure 2 shows the operational, capital and total monthly commuter rail subsidy. The total subsidy payment throughout the financial year 2007/08 remained constant at about R329 million a month. It should be reiterated that the prefixed amount of operational subsidy to be paid to commuter rail does not provide the necessary incentive for the operator to increase passenger numbers. An incentive based system in terms of which the operator is paid more in the situation where more passengers are carried and the operator penalized where fewer passengers are conveyed, should be tested.

Train reliability and overhaul

Figure 3 reflects the reliability of the commuter rail system.

Figure 3: Commuter train service reliability



	Dec,2007	Jan, 2008	Feb,2008
Trains scheduled	52862	60976	57745
Trains delayed	4776	7420	6804
Trains cancelled	884	1051	836

Trains scheduled Trains delayed Trains cancelled

Data source: SARCC Information Centre, 2008

Figure 3 shows that of the total number of trains scheduled in Dec 2007, Jan and Feb 2008, 884 trains, 1051 and 836 trains in respective months were cancelled. In percentage terms the numbers of trains cancelled to the total trains scheduled in the respective months are 1.67%, 1.72% and 1.45%. The percentages of delayed trains to the total scheduled trains in the respective months are 9.03%, 12.17% and 11.78%. The percentage of trains running on time after allowing for both the cancelled and the delayed trains in the respective months are 89.3%, 86.11% and 86.77%. The percentages of trains running on time need to be benchmarked against international norms to establish whether the commuter rail services that are currently provided are good or poor. It therefore needs research to come-up with a definitive statement on the quality of the current service. There are many reasons that can be attributed to the cancellation and the delay of trains amongst which outdated technology plays a part.

In as far as capital subsidy is concerned approximately 790 coaches were overhauled and upgraded as at the end of the financial year 2007/08. SARCC is also committed to overhaul and upgrade another 700 coaches at an estimated cost of R2 billion.

Concerning incidents and accidents, the total injuries up to the end of February 2008 are 265. There were 30 fatalities and 34 suicides cases up to the end of February 2008.

2.2 ROAD TRANSPORT

Road transport plays a meaningful role in the movement of goods and people. The importance of roads on our society and economy can never be emphasised. This section on road transport discusses various issues and/projects such as road infrastructure, Taxi Recapitalisation Programme, car ownership, bus subsidies and road safety.

Road infrastructure

Government is responding to the need for improvement of our road infrastructure, which has reportedly been in poor condition for quite a long time. About R70 billion have been put aside for the next coming three years for the maintenance and upgrading of the road infrastructure. A further R3 billion has been allocated for the Extended Public Works Programme for access roads. According to the Department of Public Works, this programme aims to provide work opportunities coupled with training, and covers all spheres of government and state-owned enterprises (SOEs). The Department of Transport is part of this programme and mainly involved in road construction projects.

With the 2010 FIFA World Cup coming to South Africa, a need for expanding and improving our road infrastructure networks especially in host cities like Johannesburg, Durban and Cape Town has risen. The Department through SANRAL has invested about R55 billion into the Gauteng Freeway Improvement Scheme. This investment is divided into three phases, in which the first phase costing about R12 billion is due to be completed in 2010. The first phase will entail the improvement of the existing network and construction of new free ways such as the N17 to the West Rand. An example concerning the improvement of the exiting network includes construction works that are currently underway between the Albertina Sisulu Freeway (R21) and Atterbury Road in Pretoria. Garsfontein Road will be upgraded and linkage to the N1 will be provided. It is envisaged that this would alleviate heavy traffic congestion, which is currently being experienced on Atterbury Road.

The Gauteng Freeway Improvement Scheme entails the provision of interconnected outer and inner ring-roads, and a direct link for SOWETO motorists. This is bad and good news for road users in Gauteng. It is bad news because the project will be financed through a “user pay principle” whereby motorists will be charged for the use of the improved roads. In other words these roads will be tolled. One should hope that by then the petrol prices would have stabilised as motorists are currently feeling the pinch. The good news is that traffic flow will improve through the provision of additional lanes on the existing freeway network. Government’s plan to promote public transport is part of this initiative as it plans to include inter-modal transport hubs to surface and rail based public transport facilities. It is expected that this scheme will also promote the use of public transport and ride sharing. But without an improvement in the public transport system, it would be hard to achieve this, and this remains a challenge for government as a whole.

The Taxi Recapitalisation Programme

It has been more than a year since the launch of the Taxi Recapitalisation Programme (TRP). This programme was launched throughout all provinces in South Africa.

Table 1: Taxi Recapitalisation scrapping statistics: 02 November 2007

Provinces	Total applications received	Total applications exiting the industry	Total otvs received	Total otvs demolished	Total vehicles in yard	Total vehicles awaiting payment	Total otvs Paid	Total amount paid (R’000)
EC	2,866	27	2,479	2,281	198	12	2,363	R118,150
FS	1,943	32	1,546	1,356	190	-	1,432	R71,600
GP	3,982	102	1,258	1,153	105	1	1,167	R53,350
KZN	2,170	46	1,555	1,448	107	20	1,474	R73,700
LP	2,597	3	2,284	1,929	355	1	2,208	R110,400
MP	3,408	24	2,275	1,807	468	1	2,127	R106,350
NW	3,408	24	2,275	1,807	468	1	2,127	R106,350
NC	310	3	220	131	89	-	194	R9,700
WC	932	13	322	275	47	3	275	R13,750
Total	**20,400**	**259**	**13,205**	**11,521**	**1,684**	**65**	**12,381**	**619,050**

Data Source: DoT, Taxi Recapitalisation, 2008

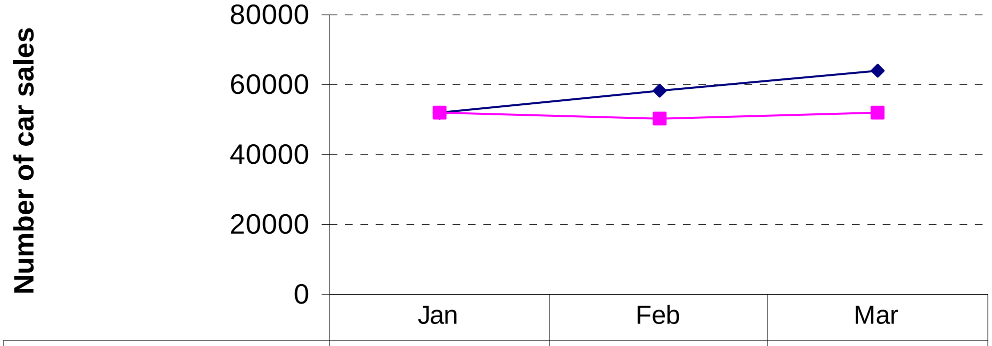
From Table 1 above it is clear that as on 2 November 2007, about R619 million had been paid for scrapping of 12,381 old taxi vehicles, with Eastern Cape having paid the highest amount to taxi owners, followed by Limpopo and then by Mpumalanga and North West (both having paid the same amount). The lowest amount was paid in the Northern Cape.

National Treasury has recently approved a budget for the scrapping of 8,000 old taxis during 2008/09 financial year across all provinces, which will amount to R400 million. This amount is less than the amount that was budgeted for during the 2007/08, which was R470 million even though more than R600 million was eventually spent. In light of the above, there is a challenge with regards to actual expenditure on this process and the budgeted amount. The Department may need to find ways of dealing with this matter in future. The exceeded amount could be due to the success of this programme.

Car ownership

The car sales market was characterised by various challenges during 2007 such as difficulties with e-NaTIS registration, and interest rate hikes. The past three months (January to March 2008) have recorded lower car sales as compared with car sales in the same period last year.

Figure 4: Total local car sales between January and March (2007 & 2008)



	Jan	Feb	Mar
Total Local Car Sales 2007 (NAAMSA & AMH)	52213	58477	64071
Total Local Car Sales 2008 (NAAMSA & AMH)	52205	50523	52240

Data Source: NAAMSA, 2008

January 2007 and 2008 total local car sales were almost the same, with January 2008 sales declining by 8 units or 0,02%. In February 2008, 20,523 units were sold as compared with 58, 477 units that were sold in February

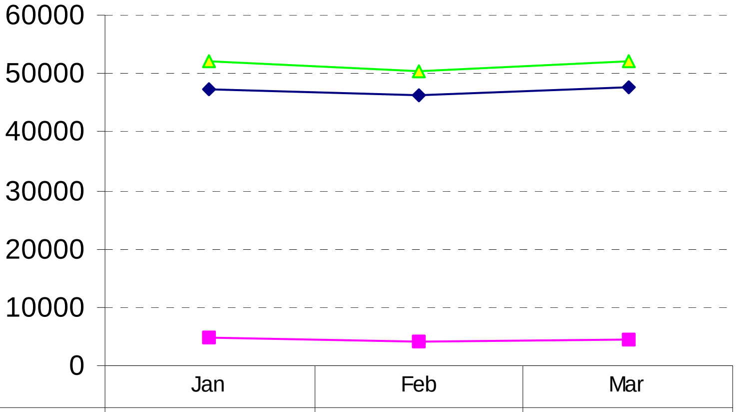
2007. This shows a decline of 7,954 units or 13,6 percent. March total local car sales were 52,240 units while the car sales in the same period last year were 64,071 units. This shows a decline of 11,831 units or 18,5 percent. The National Association of Automobile Manufacturers of South Africa (NAAMSA) attributes the following past events as causes of lower local sales: the cumulative effect of interest rate increases, negative effects on disposable income due to increase in energy, fuel and food prices, and also negative consumer sentiment and business confidence.

Local passenger sales continue to lead in this market even though the performance of this category has declined in 2008 as compared with its performance in 2007. In March 2008, 31,047 units of passenger cars sales (NAAMSA and Associated Motor Holdings (AMH)) were recorded while 40,908 units were recorded during the same period in 2007. A decrease of 9,861 or 24,1 percent was realised. This decline could be attributed to interest rate hikes.

The performance of the light commercial vehicles showed a slight decline in March 2008 as compared with the same period in 2007. The March 2008 car sales (NAAMSA and AMH) recorded 17,755 units while 19, 924 units were recorded in March 2007, thus showing a decline of 2,169 or 10,9 percent. Medium and heavy commercial sales have been showing a steady increase in sales since January 2008 when 2,617 units were recorded, followed by 3,229 units and 3,438 units that were recorded in February and March 2008 respectively. Despite increasing difficult economic conditions such as interest rate hikes, and increase in fuel and food prices, sales of vehicles in this category have not been affected. NAAMSA attributes the good performance of medium and heavy vehicles to fixed investment and infrastructural spending trends, which are currently taking place throughout the country.

NAAMSA local car sales are the highest when compared to AMH car sales. This shows that NAAMSA's share in the local car market is bigger than the AMH share (see Figure 5). For example in March 2008, NAAMSA local car sales were 47,778 units while AMH car sales were 4,462 units. In January and February 2008, NAAMSA's local shares in the car market were 47,296 units (90,6%) and 36,248 units (91,5 %) respectively.

Figure 5: Total local car sales between January and March 2008

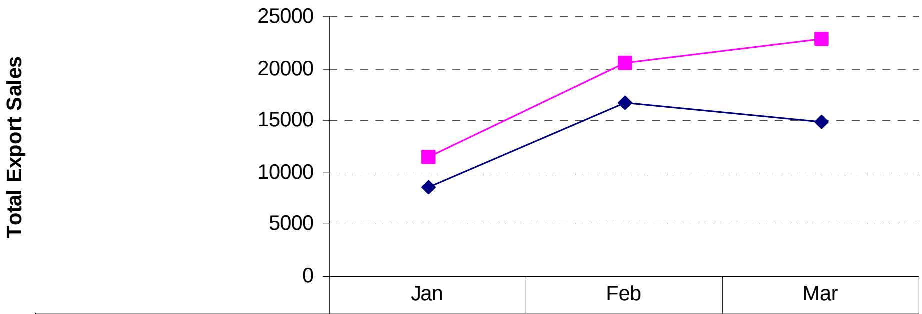


	Jan	Feb	Mar
Total Local Car Sales 2008 (NAAMSA)	47296	46248	47778
Total Local Car Sales 2008 (AMH)	4909	4275	4462
Total Local Car Sales 2008 (NAAMSA & AMH)	52205	50523	52240

Data Source: NAAMSA, 2008

Export sales in 2008 have shown an increase as compared to the same period last year (see Figure 6). In March 2008 export sales were 22,866 units while the export sales were 14,865 units during the same period last year. This shows an increase of 8,001 units or 53,8 percent. When comparing the March export sales with February export sales, there was an increase in sales by 11 percent or 2,270 units. According to Engineering News (18 April 2008) the high export sales in March could be attributed to Toyota Corolla joining the export market. Furthermore, about 11,207 units were exported by Toyota South Africa to 40 international countries, taking up 49 percent of export sales in March.

Figure 6: Total export sales between January and March (2007 & 2008)

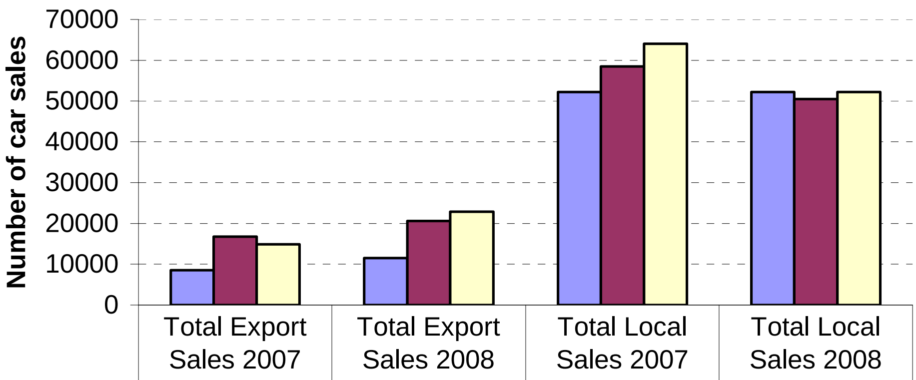


	Jan	Feb	Mar
Total Export Sales 2007	8556	16737	14865
Total Export Sales 2008	11548	20596	22866

Data Source: NAAMSA, 2008

Even though there have been some setbacks on the local market, export sales are proving to be gaining momentum as shown in Figure 6. According to NAAMSA March statement, export sales will be beneficial to the domestic component (in terms of increase in total sales) and vehicle manufacturing operations, and also contribute to a positive trade balance.

Figure 7: Total export and local car sales between January and March (2007 & 2008)



	Total Export Sales 2007	Total Export Sales 2008	Total Local Sales 2007	Total Local Sales 2008
Jan	8556	11548	52213	52205
Feb	16737	20596	58477	50523
Mar	14865	22866	64071	52240

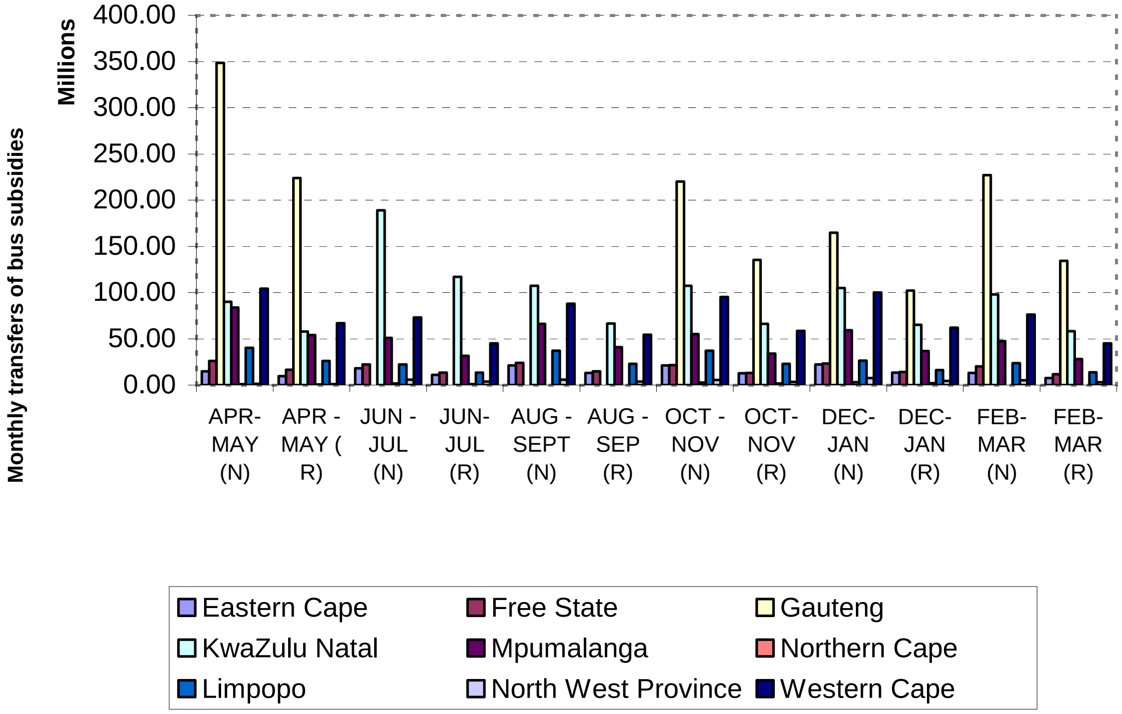
Data Source: NAAMSA, 2008

Figure 7 shows that local car sales outperformed the export sales in both years. There was a decline in total local car sales in January to March 2008 as compared with the same period in 2007. The month of March in 2007 and 2008 proved to be the best performing month in total local car sales during the first quarter of the respective years although there was a decline in car sales when comparing March 2007 and 2008. The total local car sales declined by 11,831 units (18,5%) from 64,071 units to 52,240 units during this period. The cost of living has rapidly increased during the past months due to increase in inflation. The Consumer Price Index (CPI) increased to 10,6 percent in March as a result of an increase in food and oil prices. On 10 April 2008 the Monetary Policy Committee (MPC) announced the increase of the repo rate by 50 basis points, bringing it to 11,5 percent. It is expected that a further increase in interest rates during the coming months, and could affect consumer spending in all durable goods such as vehicles.

Bus subsidies

Figure 8 below show bus subsidies monthly transfers to different provinces during the 2007/08 financial year. The Department had budgeted about R2,5 billion for bus subsidies in 2007/08 but had to put in additional funds of R300 million to ensure that claims from different provinces were paid. This led to a total transfer of about R2,8 billion to all the nine provinces even though about R510 million is still outstanding in terms of subsidy transfers.

Figure 8: Monthly transfer of bus subsidies from DoT to the provinces, as from April 2007 to March 2008



Note: N = Nominal, R = Real

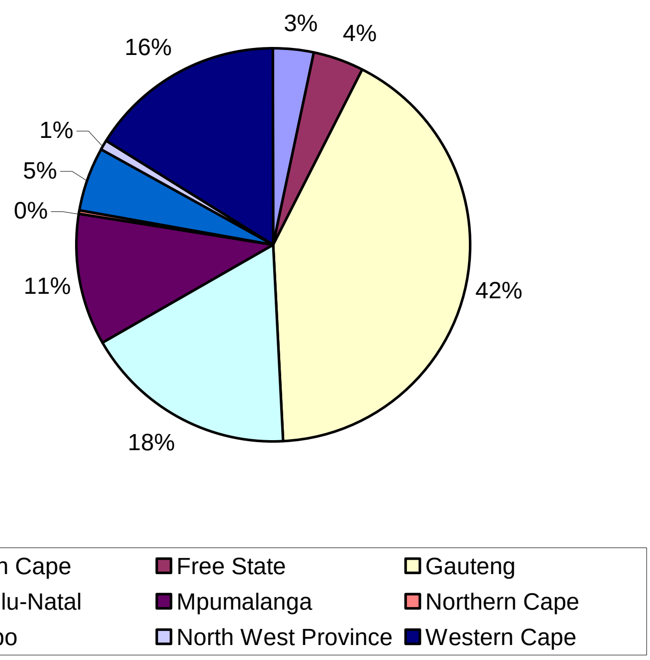
Data Source: DoT, Bus Operations, 2008

The allocation of funds is shown in nominal and real terms in Figure 8[1]. From nominal and real figures one can see that inflation has had a negative effect on bus subsidies in real terms during the past few months.

Gauteng is the province that received the largest portion (42%) of subsidy payments. KwaZulu Natal and Western Cape provinces followed in terms of subsidy distribution with 18 percent and 16 percent of total bus subsidies respectively having been distributed to these provinces.

[1] Nominal values express the actual amount transferred at a given time and real values show the money's worth in goods and services, by excluding the impact of inflation.

Figure 9: Percentage distribution of bus subsidies to provinces



Data Source: DoT, Bus Operations, 2008

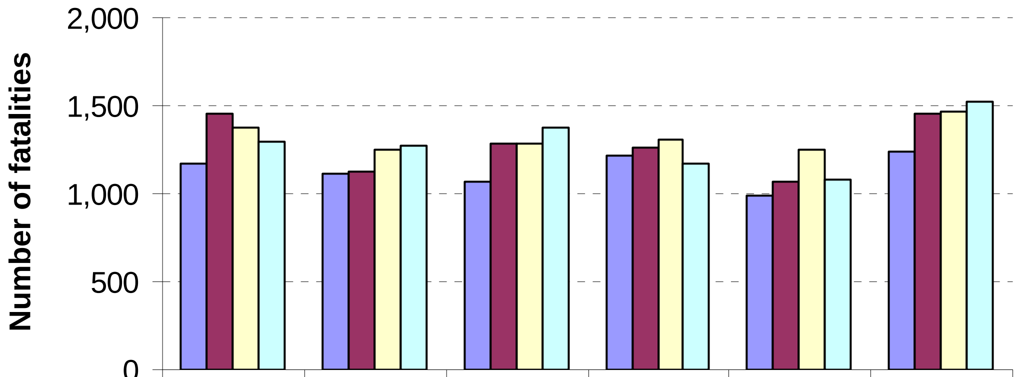
As seen above provinces such as Gauteng, KwaZulu-Natal and Western Cape received the highest portions of subsidies as compared with provinces such as the Northern Cape and Limpopo. The fact is that these former provinces have larger population sizes when compared with latter provinces. Thus a larger portion of subsidy transfers would be required to meet the demand in provinces such as Western Cape and KwaZulu-Natal.

Road Safety

Road safety is one of the issues where all road users including pedestrians have to take responsibility for. Innocent people die everyday from accidents that are largely caused by human error such as driving under the influence of alcohol and speeding.

As depicted in Figure 10, the trend in the number of fatalities during the third quarter (Q3) and fourth quarter (Q4) of 2004-2007 has been unpredictable. December has remained as the month with the highest number of fatalities over these years except in 2005 when it was slightly lower than the fatalities that were recorded in January 2005. An increase in the number of fatalities during December could be due to the increase in the number of road users travelling during the Festive Season.

Figure 10: Estimated number of fatalities during the third and fourth quarter from 2004 to 2007

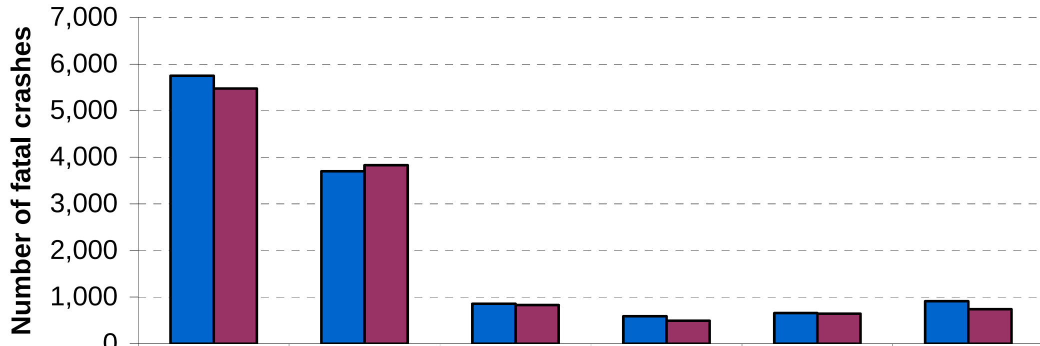


	Jul	Aug	Sept	Oct	Nov	Dec
2004	1,165	1,114	1,065	1,215	987	1,237
2005	1,457	1,129	1,282	1,258	1,064	1,454
2006	1,378	1,254	1,289	1,302	1,249	1,467
2007	1,300	1,270	1,379	1,174	1,077	1,523

Data Source: RTMC, 2008

There has been a decrease in the number of fatal crashes by different types of crashes except in overtaking related crashes between 2006 and 2007. For example the pedestrian, and hit and run crashes were 5,751 and 5,478 respectively (see Figure 11). It shows that this category of crashes decreased by 273 or 4,7 percent during this period. With respect to the number of crashes per type of crash, the pedestrian and hit and run crashes are the highest followed by overtaking, and failure to stop or yield.

Figure 11: Estimated number of fatal crashes per type of crash

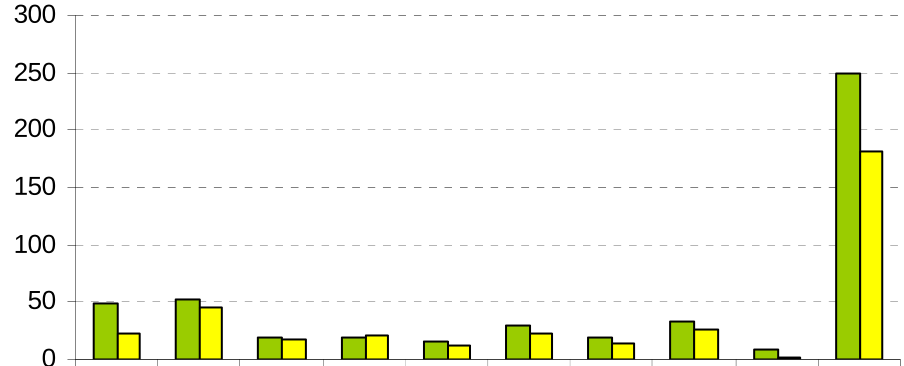


	Pedestrian & hit and run	Overtaking related	Failure to stop or yield	Unsafe turning manoeuvres	Poor visibility & following distance	Other & unknown
2006	5,751	3,697	856	588	662	912
2007	5,478	3,827	832	491	645	738

Data Source: RTMC, 2008

Some measures need to be put in place to reduce the number of crashes in all these categories. This could for example include road safety programmes that would target pedestrians using busy road intersections. Any of the programmes put in place would need to be in line with the Road to Safety Strategy 2006 onwards.

Figure 12: Number of fatal crashes in provinces during Easter period in 2007 and 2008



	GP	KZN	WC	EC	FS	MP	NW	LP	NC	Total
2007	48	53	20	20	16	30	20	34	9	250
2008	23	45	18	21	12	22	14	26	1	182

Data Source: RTMC, 2008

As for the Easter period in 2007 and 2008, there has been a decline in the number of crashes that occurred in eight provinces except the Eastern Cape, which recorded an increase of one fatal crash. This decrease could be attributed to the extensive Arrive Alive Campaign that is implemented in all provinces during this period. The number of fatal crashes decreased by 27, 2 percent from 250 to 182 crashes in 2007 and 2008 respectively (see Figure 12). The challenge in relation to road safety is how to to reduce the number of accidents throughout the year.

Box 1: Road Accident Fund

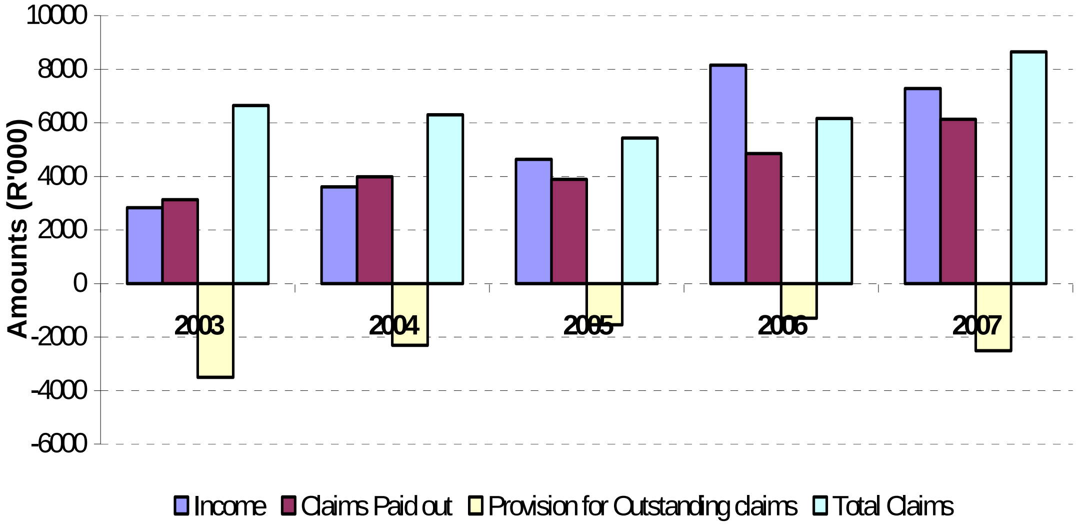
The Road Accident Fund (RAF) is a state insurer established by statute. It provides insurance cover to all drivers of motor vehicles in South Africa in respect of liability incurred or damage caused as a result of a road accident. This was as a result of the Motor Vehicle Assurance Act 29 of 1942, which made it compulsory for all motor vehicles in South Africa to have insurance. This cover excludes liability incurred in relation to property damage (such as damage to vehicles, buildings, vehicle contents).

The RAF operates a system whereby the claimant is assigned a percentage of responsibility for the accident, while the Road Accident Fund pays the claimant a percentage of a full settlement based on a percentage (this percentage is based on the extent of injuries in an even of an accident) that was deemed not to be their responsibility. In 1986, the collection of premiums via the fuel levy was introduced. The Road Accident Fund took over from the Motor Vehicle Accident Fund in 1997, through the Road Accident Fund Act 56 of 1996.

The RAF shall procure the funds it requires to perform its functions, firstly by way of a fuel levy in respect of all fuel sold within the Republic which was 41.5 c/l in the past financial year (2007/08) a new 5 cents proposed increase which was effected on the 02 April 2008, which makes the new fuel levy contribution to be 46.5 c/l to date; secondly by raising loans. The Central Energy Fund Act, 1977 (Act No. 38 of 1977) makes provision for the fuel levy to be paid on a monthly basis and it is calculated on the basis of the fuel sold in that particular month. Statements reflecting the sale of fuel within the Republic have to accompany such payments. This is collected by SARS and it is transfered to National Treasury where allocations for all departments are made.

The purpose of the above statute is to attempt to ensure that there is funding to meet the liabilities of all victims of motor vehicle accidents. The emphasis of this legislation is related to protecting pedestrians.

Figure 13 Income, Claims paid out, Claims outstanding[2] and Total claims March 2003 – March 2007 in RAF (R' millions)



Data Source: RAF Annual report 2007

Figure 13 indicates that cash flow (the income generated through fuel levy together with loans) that RAF has over the years is not enough to cover the total cost of claims that needs to be paid in a particular year. For example in the financial year ended March 2003, RAF had an income of R2 824 millions and received R6 634 of the total claims. During this financial years RAF managed to pay out R3 118m for claims and had R3 516m claims outstanding. This clearly is not a very good picture in which an organisation finds itself. If the situation persist poor citizen of the country might be deprived a chance to be compensated on time. Beside the poor service to the citizens of the country, this could lead to RAF bankruptcy.

It has been reported that a mountain of backlogs claims, high administrative costs, and a widespread of fraud and corruption and a huge liability for outstanding claims have plagued the fund. Looking at the financial years **2004/2005/2006**, it appears that deficit in the fund has declined significantly. This was as a result of the improvements in RAF systems to clamp down fraudulent claims and corruption, which resulted from the implementation of the turnaround strategy according to RAF Chief Executive Officer. The cost of claims for lawyers and experts has been viewed as the major contributing factors for the high deficit in 2007 financial year. This **remains off target[3]**, because the organisation does not have control over this element.

Furthermore, RAF is in a process of amending the Act so that all claims are guided by new proposed limit of about R160 000 or less per claim. This will help significantly in capping the claims under control and manageable, as the

[2] Target referred to the target set to reduce deficit at RAF for it to operate effectively.
[3] Refers to the claims registered by RAF that have not been finalized at the end or have been reopened and not finalized by year-end. This is presented as an annual component and it differs from one year to the other and it will always be negative every time when it is not paid in that year.

CEO of the fund noted that one Swiss national was claiming more than R1.6bn from the fund.

Besides focusing on the negatives (such as fraud and corruption) it will be of paramount importance for the RAF to look at the ways and means to increase its income at the same pace as the number of claims that they receive in each financial year for the business to maintain sustainability.

According to the report on the business day Thursday, 17 April 2008 RAF has a liability of R24bn for the outstanding claims. The CEO of RAF was reported saying that this cost (R24bn) had stabilised and the claims backlog had been steadily brought down from about 582000 to 445682. This improvement in the fund was brought about by the R2.7bn cash injection from the government during the past financial year.

2.3 AIR TRANSPORT

The next section focuses on the civil aviation in South Africa and includes highlights of passenger traffic globally. Aviation provides the only worldwide transportation network, which makes it essential for global business activity and leisure travel. The contribution of civil aviation to the gross domestic product is very small, however it continues to play a critical role in facilitating economic growth nationally, regionally and globally. Aviation transports close to 2 billion passengers annually and 40 percent of inter-regional exports of goods (by value) worldwide according to International Air Transport Association.

Preliminary World Airport Traffic Results for 2007

Airports Council International[4] (ACI) reported that the total global traffic (passenger numbers) increased by 6.4 percent (estimated 4.5 billion passengers) in 2007. These preliminary results for 2007 traffic were based on monthly reports of total traffic from over 870 airports. With the exception of Latin America, international traffic outstripped domestic in every region and airports reported an 8.2 percent increase in international passenger numbers.

Strongest increases were noted in the Middle East where international traffic increased by 17.6 percent and the total traffic increased by 16.5 percent. In Africa the international traffic grew by 4.6 percent and the total traffic increased by 13.7 percent whereas international traffic in Europe increased by 8.2 percent and the total traffic increased by 7.3 percent. The international traffic in Asia-Pacific increased by 7.9 percent and reached a total of 7.7 percent. North-American international traffic showed an increase of 4.8

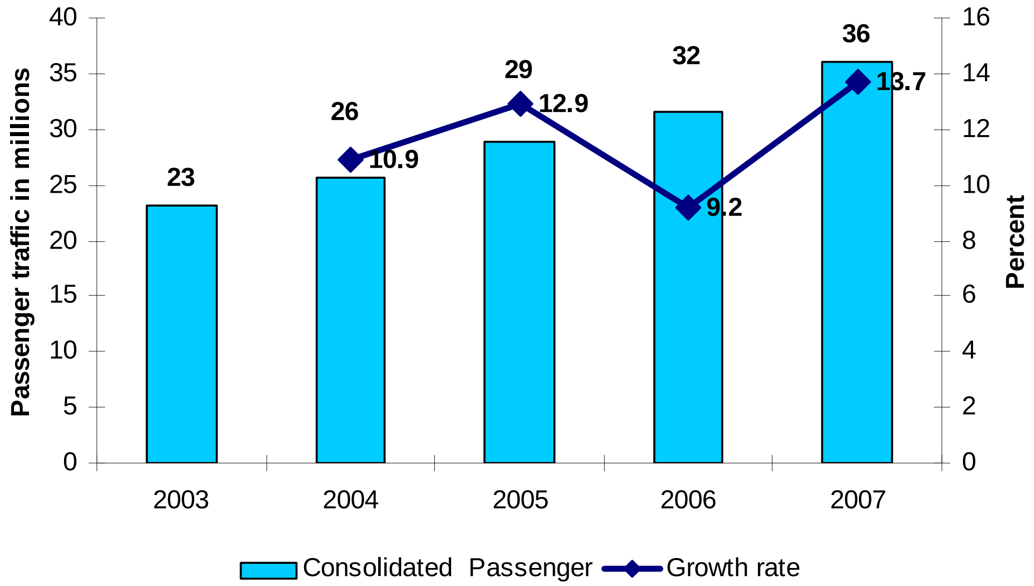
[4] Airports Council International is the world's trade association for airports. Representing 573 members operating over 1,643 airports in 178 countries and territories.

percent contrasting with a 3.3 percent growth in total passengers (international and domestic).

According to ACI Airport Service Quality Awards in the African region in 2007, the best airports were OR Tambo, Cape Town, Durban and Nairobi.

Passenger traffic continues to increase in the ten controlled ACSA airports as reflected by different charts in this section.

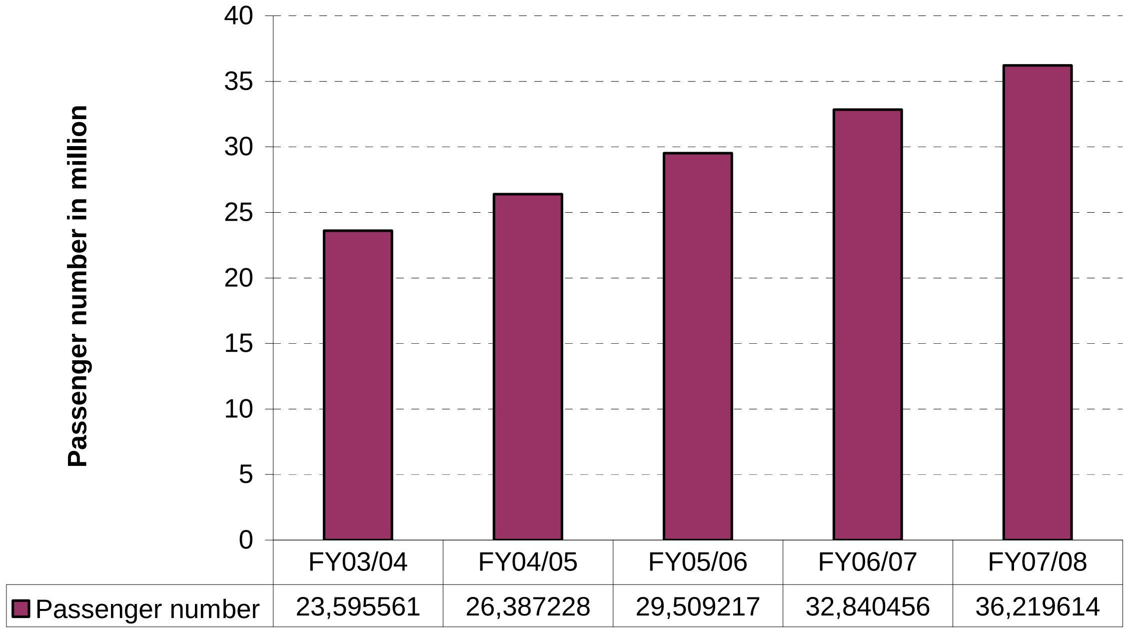
Figure 14: Total consolidated passenger numbers and growth rates for the ACSA controlled airports: 2003 to 2007



Data Source: ACSA, 2008

Figure 14 shows that the demand for air transport has increased steadily over the years in South Africa. Passenger numbers have grown from 23 million in 2003 to 36 million in 2007. The rising Gross Domestic Product (GDP), disposable income and living standards have increased the demand for air transport for both business and tourism purposes. Improvements in the airline efficiency and increased competition have reduced the costs of airline tickets and have made air transport more accessible to many people. The growth rates remained positive from 2004 to 2007. As indicated in Figure 14 in 2007 the growth rate increased by 13.7 percent compared to 9.2 percent in 2006. The rapid growth in the aviation industry is also attributed to the effects of globalisation such as greater connectivity and liberalisation of skies.

Figure 15: Total consolidated passenger numbers for the ACSA controlled airports: 2003/04 to 2007/08



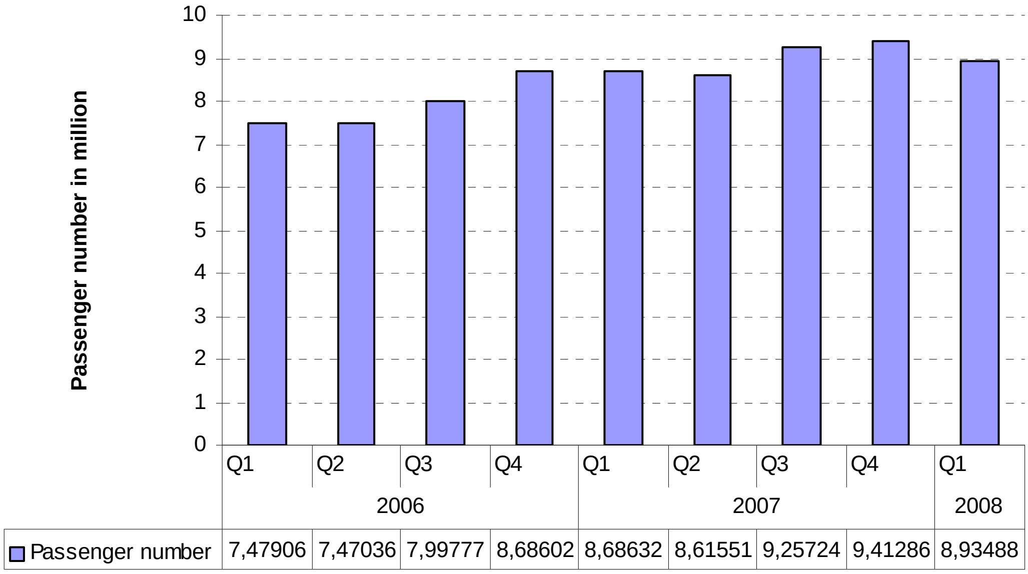
Data Source: ACSA, 2008

The rapid increase in passenger numbers can also be depicted during the financial years 2003/04[5] (over 23 million) to 2007/08 (over 36 million). The passenger demand has grown by 53.5 percent from 2003/04 to 2007/08 as shown in Figure 15.

The quarterly consolidated total arrivals and departures are reflected in Figure 16. The fourth quarter every year reflects the highest growth as a result of the December holiday season.

[5] Financial year starts 1st April to 31st March of the following year

Figure 16. Quarterly consolidated passenger departures and arrivals for the ACSA controlled airports for the years 2006 and 2007



Data Source: ACSA, 2008

Passenger number increased from 8.6 million during the first quarter of 2007 to over 8.9 million (2.9%) during the first quarter of 2008. During the December holiday season passenger demand reached a peak of 9.4 million (increase of 8.4%) and during the fourth quarter of 2007 as compared to 8.6 million during the fourth quarter of 2006. Quarterly figures show a pattern of reaching a peak during the fourth quarter of a year. Aviation passenger figures vary from quarter to quarter because they are also affected by seasonal fluctuations, global events, fuel prices and currency volatility.

Box 2: Civil Aviation News

African Airlines Association news

The 39th African Airlines Association (AFRAA) Annual General Assembly (AGA) concluded with optimism about the future of the aviation industry in Africa. Airlines performed better in 2006 and 2007 compared to earlier years. Traffic carried went up by more than 7 percent in 2006 and this trend is forecast to continue over the next five years.

South African Airways news

South African Airways' (SAA) is moving into the next phase of its membership of Star Alliance, with both parties focusing their efforts on furthering their combined presence on the African continent. SAA joined the Star Alliance in 2006. SAA is the only African carrier in the Star Alliance network and will be joined by Egypt Air by the end of the year 2008. Their future joint membership status gives other international carriers in the alliance access to an extensive route network throughout Africa. A total of 11 Alliance members currently service Africa as part of their route network. SAA has the strongest presence on the continent with 19 African destinations in East and West Africa. As part of the airline's restructuring, SAA will continue to focus on Africa and will expand its African route network to new destinations, as well as add capacity on various routes.

Airport Company South Africa news

ACSA appointed ground-handling companies, which are Menzies Aviation and BidAir Services, on the 25th February 2008. The main focus of the two companies is to achieve superior, world-class passenger service experiences at the airports managed by ACSA. The new service providers have committed themselves to improving baggage delivery standards through innovative and world-class service delivery practices.

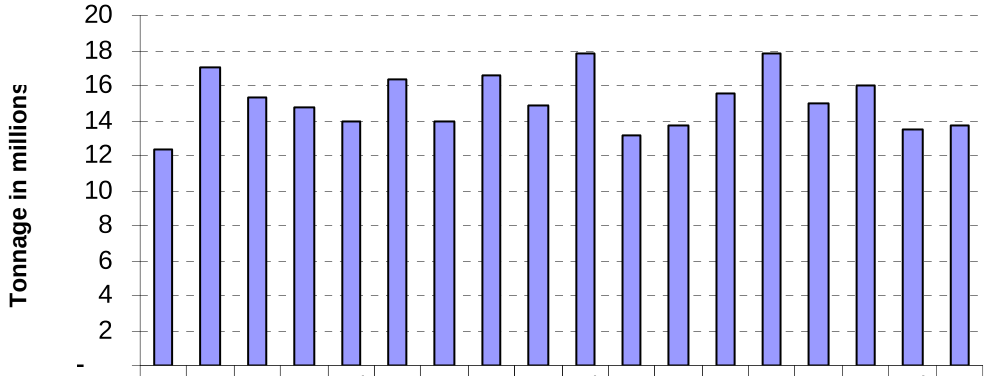
2.4 MARITIME

Maritime section details activities from the seven ports in South Africa. All the figures in this section are limited to freight. Transnet National Ports Authority (NPA) is the custodian of the country's primary trading hubs, managing the most vital conduits of the country's imports and exports. Eight of the country's major seaports are controlled and managed by the NPA namely; Richards Bay, Durban, Saldanha, Cape Town, Port Elizabeth, East London, Mossel Bay and Ngqura (Coega) in the Eastern Cape. These ports continue to serve as gateways between South African and world economies.

According to 2007/08 annual report, the Port Terminals handled a record 3.4 million TEUs (20 foot equivalent units). That is, 13 percent higher than the previous year. Transnet Port Terminals doubled investment in capital equipment to R1.7 billion during the financial year 2007/08.

The following maritime statistics give an overall picture of activities in the seven South African ports (excluding Coega).

Figure 17: Total cargo handled at ports of South Africa: October 2006 to March 2008



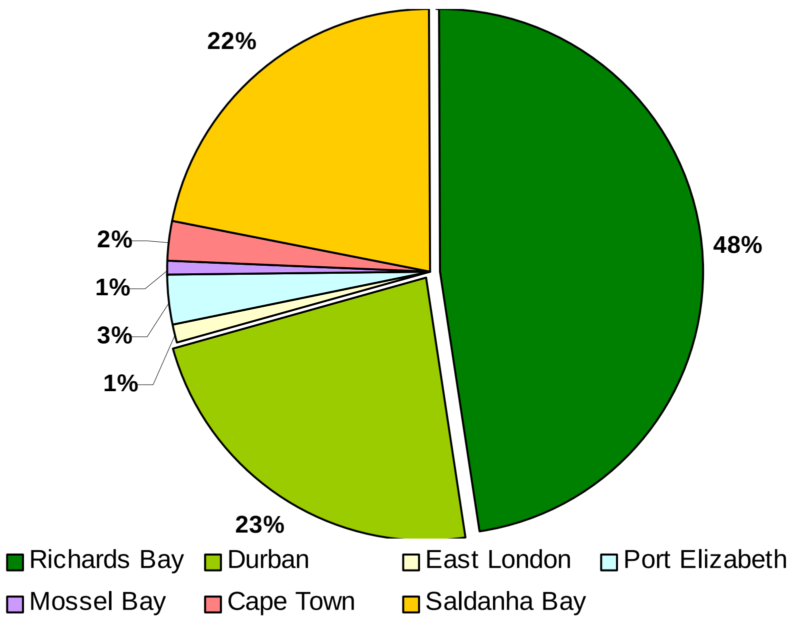
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
	2006			2007												2008		
Tatal cargo	12	17	15	15	14	16	14	17	15	18	13	14	16	18	15	16	13	14

Data Source: NPA 2008

The latest NPA figures indicates that the South African ports handled over 43 million tonnes during the first quarter of 2008 as compared to 45 tonnes during the first quarter of 2007. Cyclical fluctuations occur monthly as reflected in figure 17. It is evident that November 2006, July and November 2007 were good months for South Africa's exports and imports. The main challenge experienced during the first quarter of 2008 by one of Africa's busiest ports, Durban, was the issue of power cuts that caused congestion and delays, which could cost maritime business millions of rand. Other negative impacts experienced by the Cape Town port is berthing delays of up to 130 hours, affecting 8 vessels.

Despite the disruptions of the power cuts Durban remained the second highest cargo handler as indicated in Figure 18.

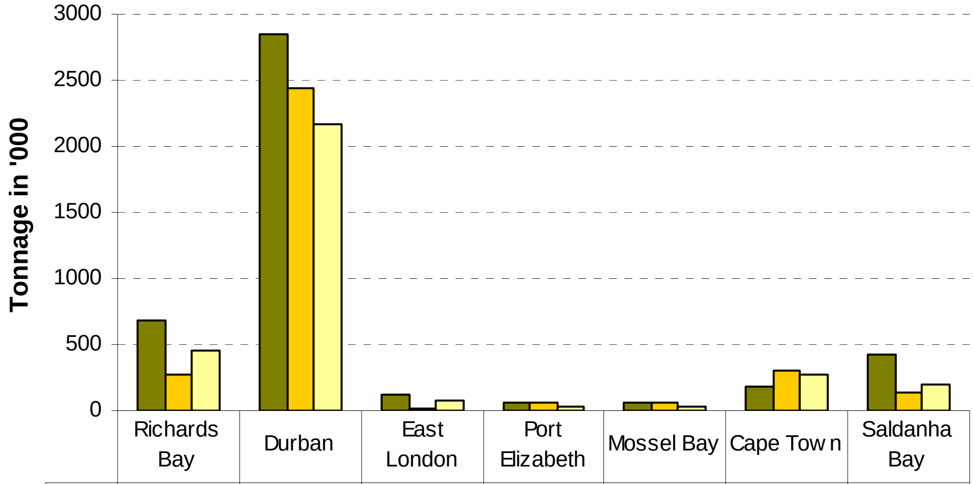
Figure 18: Share of the total cargo handled per seven ports during the first quarter of 2008



Data Source: NPA 2008

Richards Bay handled 48 percent of the total cargo during the first quarter of 2008, with its tonnage comprising mainly of bulk cargoes such as coal, wood-chips, Ferro-alloys, chrome ore and alumina. Durban accounted for 23 percent of these cargoes, mainly petroleum and general cargo. Saldanha's 22 percent comprised mainly of iron ore exports. Fruit and agricultural produce were the main commodities handled by Cape Town (2% of the total), while manganese ore, and CKD (completely knocked down) vehicle components were the main contributors to Port Elizabeth 's 3 percent share (Figure 18).

Figure 19: Total imports: Bulk and Break bulk during the first quarter of 2008

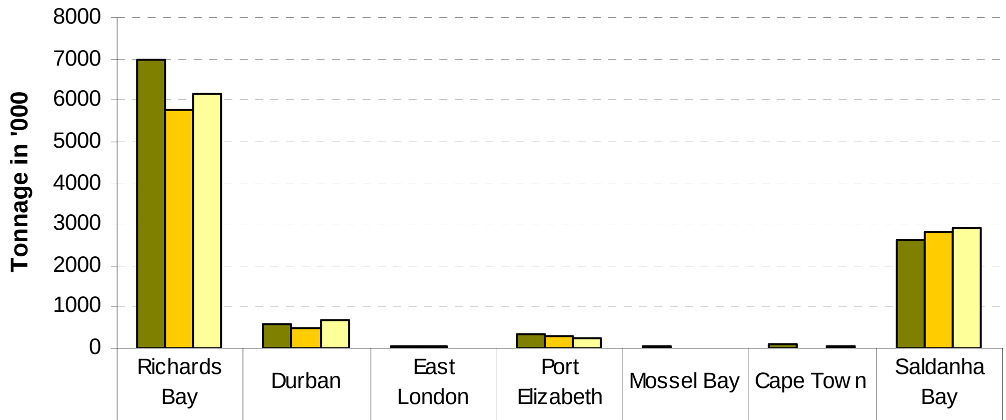


	Richards Bay	Durban	East London	Port Elizabeth	Mossel Bay	Cape Tow n	Saldanha Bay
Jan	676,146	2842,196	116,862	62,47	62,04	179,132	424,807
Feb	274,032	2437,673	9,96	61,673	67,438	309,919	133,984
Mar	460,544	2169,981	74,972	27,437	35,538	267,057	197,833

Data Source: NPA 2008

The overall picture in Figure 19 indicates that the bulk of cargo imported lands in Durban.

Figure 20: Total exports: Bulk and Break bulk during the first quarter of 2008



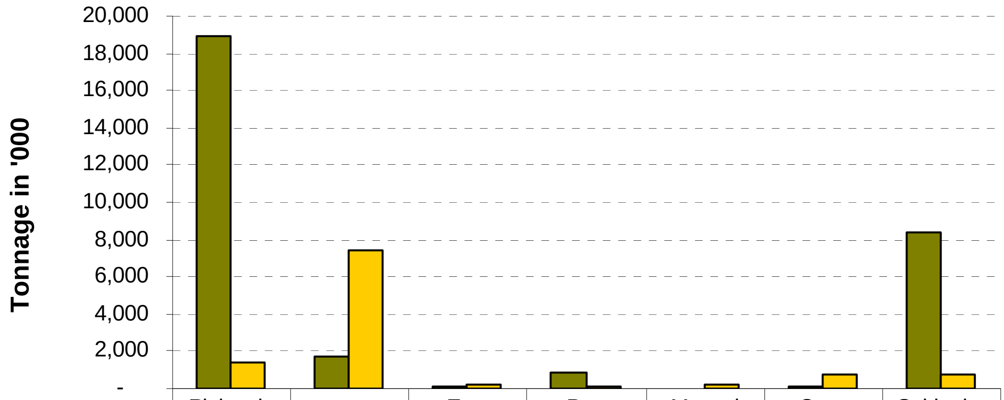
	Richards Bay	Durban	East London	Port Elizabeth	Mossel Bay	Cape Tow n	Saldanha Bay
Jan	6995,504	595,158	26,711	358,266	30,576	87,099	2625,582
Feb	5792,915	502,433	24,615	284,934	1,915	13,585	2829,027
Mar	6144,754	662,164	20,724	262,488	10,235	32,022	2913,243

Data Source: NPA 2008

Figure 20 shows that Richards Bay handled exports of over 18.933 thousands tons of break-bulk and bulk cargoes during the fist quarter of 2008 followed by

Saldanha 8.368 thousand tonnes. The export tonnage (60, 428 thousand) was nearly three times as large as the import tonnage (21.783 thousand).

Figure 21: Exports versus imports during the first quarter of 2008

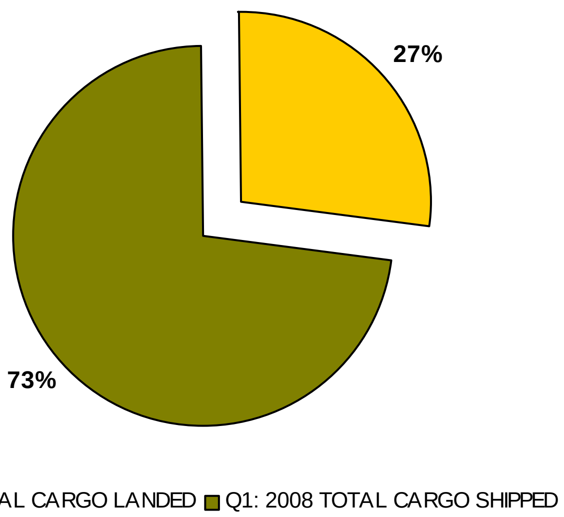


	Richards Bay	Durban	East London	Port Elizabeth	Mossel Bay	Cape Tow n	Saldanha Bay
Q1:2008 Exports	18,933	1,760	72	906	43	133	8,368
Q1:2008 Imports	1,411	7,450	202	152	165	756	757

Data Source: NPA 2008

As outline in Figure 21, tonnes exported exceed tonnes imported during the first quarter of 2008. The biggest performers in handling cargo in tonnes (exports) are Richards Bay with 18.933 thousand tonnes and Durban with 7.450 cargoes in tonnes imported. Richard's Bay and Saldanha are commonly net exporters and Durban a net importer.

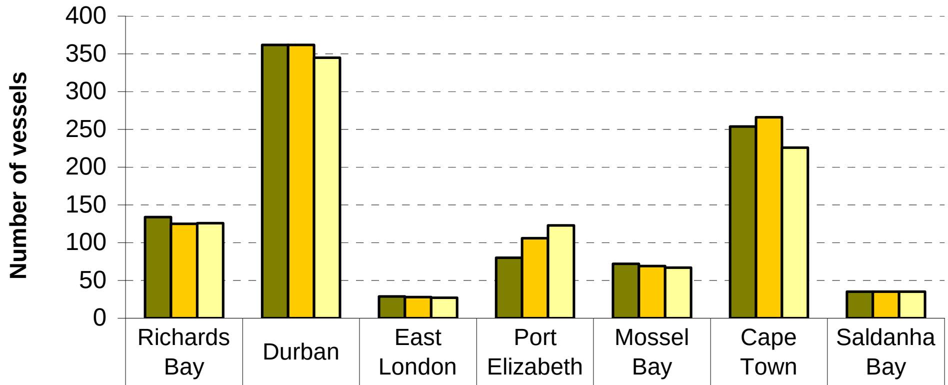
Figure 22: Total Bulk cargo Landed and Shipped at SA Ports during the first quarter of 2008



Data Source: NPA 2008

Total cargo shipped amounted to 31.086 thousand (73% of total cargo) and 11.086 thousand landed (28% of the total cargo). Richard Bay and Durban dominated the export and import this category as illustrated in the previous figures. The number of vessels that disembarked is illustrated in Figure 23.

Figure 23: Total number of vessels at SA Ports during the first quarter of 2008



	Richards Bay	Durban	East London	Port Elizabeth	Mossel Bay	Cape Town	Saldanha Bay
Jan:2008	134	362	29	80	72	254	35
Feb:2008	125	362	28	106	69	266	35
Mar:2008	126	345	27	123	67	226	35

Data Source: NPA 2008

Measured in terms of vessel arrivals, Durban is South Africa's busiest port. Of the 290 vessels handled during the first quarter of 2008, Durban accounted for 1 069 (36,8%), followed by Cape Town handling 746 vessels (25.7%) and 385 vessels in Richards Bay (13.2%).

With the restructuring of Transnet in progress, Port Terminals' approved a five-year capital expenditure plan to expand the capacity of the Saldanha iron ore terminal to 45 million tons and to commence terminal operations at the Port of Ngqura (container, bulk and break-bulk) by the end of 2008.

The accelerated construction of the new container terminal at Durban Pier 1 is expected to provide capacity for container traffic in excess of 3,5 million TEUs through the port of Durban.

Growth prospects remain strong. Port Terminals expects that revenue will double over the next five years.

2.5 PIPELINE TRANSPORT

This section looks at the current investment in Pipeline Transport, and the volume of fuel transported by Transnet pipelines from the period 2001 to 2007.

Current Investment in Pipeline Transport

During the National Budget Speech in February 2008, the Minister of Finance, mentioned that in the new financial year of 2008, Transnet will invest in excess of R78bn in infrastructure. Investments also include the construction of a liquid fuels pipeline from Durban to Gauteng at a cost of R11.5 billion to boost capacity for 2010 (National Treasury.Feb2008.Budget Speech). This project was initially at a cost of R9.5 billion, the initial design had been for a 406mm or 16-inch pipeline, and had been based on historical economic growth rates. The new configuration is in line with South Africa's 6% growth target, hence Transnet Pipelines has increased its pipeline capacity to 610mm or 24-inch, capable of transporting 6.5 billion litres a year of finished products. The decision to increase pipeline capacity came at a time when South Africa was increasing its importation of refined fuel products, owing to the limitations on domestic refining capacity. Total South Africa Pty suggested earlier that South Africa could import between 1 billion litres and 1.2 billion litres of refined liquid fuels, including petrol and diesel, in 2007 alone (Engineering News, July 2007. Real Economy News).

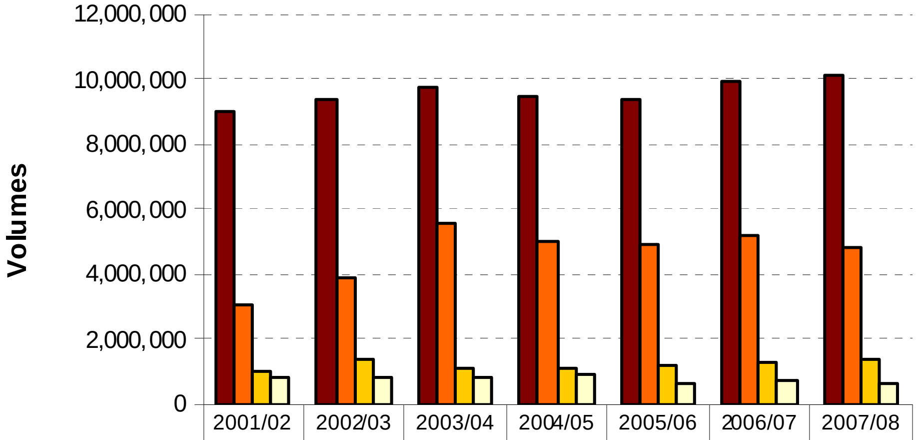
Transnet Pipelines, formerly known as Petronet, anticipated that work on its multi-product fuel pipeline, which will carry petrol; diesel and jet fuel, will start during the first quarter of 2008. It is crucial for this project to start at the said period in order for it to be completed by the third quarter of 2010. Final licence conditions are awaited by Transnet Group regarding a record of decision signalling environmental sanction from the National Energy Regulator of South Africa (Nersa). While a licence to construct the pipeline was awarded by Nersa to Transnet Pipelines in September 2007, which was competing with iPayipi Consortium, a private entity, to build a Durban-to-Gauteng fuel-transport network.

Meanwhile, Petroline Holdings, private-owned petroleum pipeline firm, have been granted a construction licence by Nersa to construct a new petroleum pipeline costing R4.2 billion. This pipeline will traverse from Matola harbour or terminal in Mozambique via Nelspruit in Mpumalanga, where a petroleum storage depot will be found, to Kendal in South Africa. According to a Mozambican media report, Mozambique's energy minister, Salvador Namburete, confirmed that construction of a 450km (280 miles) fuel pipeline with a capacity of transporting more than 5 million cubic metres of petroleum products from Mozambique to South Africa will start in September 2008. It is expected to reach completion by the end of 2009 (Mining Weekly Online.March 2007).

This pipeline would reduce time taken to transport fuel products from Mozambique to South Africa and would also reduce cases of theft of petroleum products at the port. This would ease growing fuel shortages in South Africa, particularly in its industrial heartland, Gauteng province.

Figure 24 and 25 show the volume of commodities transported by Pipelines during the period 2001/02 to 2007/08 financial years.

Figure 24: Volumes of Commodities Transported by Pipelines: 2001/02 - 2007/08 (Financial Year)



	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Total Refined products Mlkm	8,944,984	9,352,197	9,711,119	9,458,313	9,362,888	9,865,138	10,084,80
Crude oil Mlkm	3,056,325	3,862,356	5,549,206	5,012,606	4,894,077	5,170,686	4,822,658
Avtur Mlkm	993,425	1,367,947	1,118,608	1,073,256	1,192,491	1,312,962	1,372,816
Synthetics Mlkm	839,185	823,735	810,368	885,745	660,240	683,562	612,311

Data source: Transnet Pipelines

Figure 24 depicts a decline in the volume of all commodities transported through pipelines in the financial years 2004/05 and 2005/06. This was attributable to, among others, a series of interruptions to fuel supplies during December 2005, in South Africa. There was a shortage of fuel supply at many locations throughout the country. This also included shortages of jet fuel at Cape Town International Airport.

Figure 25: Volumes of Petrol and Diesel Transported through Pipelines: 2001/02 - 2007/08 (Financial Year)

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Diesels	3,267,484	3,565,455	3,624,221	3,413,588	3,421,874	3,826,050	4,148,496
Petrol	5,677,500	5,786,742	6,086,898	6,044,726	5,941,014	6,039,089	5,936,307

Data source: Transnet Pipelines

Figure 25 reflects a slight decline in the volume of petrol within 2004/05 and 2005/06 financial years. This was due to severe fuel supply shortages in December 2005 in South Africa. There is also an insignificant decrease in the volume of petrol, and increase in diesel volume during 2006/07 and 2007/08 financial years. This was attributable to the fact that diesel had been cheaper than petrol for the previous months, before its price increase recently, therefore people moved from petrol consuming cars to diesel consuming cars. The recent growth in trucking industry which is diesel consuming also had an effect to the increased supply of diesel over petrol.

Currently, the fuel supply chain is under immense pressure because of the demand for fuel which exceeds the supply. Fuel supply shortage is due to, among other things, insufficient pipelines in this country, since the existing Transnet Pipelines between Durban and Gauteng is already operating at its full capacity, and does not meet fuel demand any longer. Hence the construction of the 61 cm planned pipeline should be speeded up, although it will only be completed by 2010, but it will ease pressure to some extent. In the meantime, fuel will have to be transported to inland by road.

2.6 BEE

Box 3: BEE Charters

During the last issue of Transport Picture it was highlighted that we are in a process of aligning all eight sub-sector charters with Department of Trade & Industry (DTI) Codes of Good Practice with an ultimate aim of gazetting under section 9 of Black Economic Empowerment (BEE) Act of 2003 and therefore to give them legal standing. Currently all sub-sectors have completed their alignment process. Maritime was the first to complete the process and others followed. The DOT has been working hard with third party analyser (Empowerdex), to ensure that all sub-sector charters documents are true reflection of actual scorecards targets, which were agreed upon.

The next milestone in finalizing the charter process is to have a last Transport Sector BEE Steering Committee meeting. The aim of the Steering Committee meeting will be to endorse the alignment process and finalisation of the charters, discuss other issues for implementation process e.g the appointment of Transport BEE Charter Council to monitor progress within the industry. The other milestone to follow is to forward the Integrated Transport Sector Broad-Based Black Economic Empwerment (B-BBEE) Charter to Cabinet for noting their recommendation made in January 2006 and steps taken to address them, which include amongst others:

a) That Transport Sector is a key sector to develop a BEE sector charter
b) Transport Sector BEE Charter should be aligned to DTI Codes of Good Practice and other related government legislative framework and
c) Ensure wide consultation with key stakeholders in the process of both charter development and alignment.

All above Cabinet recommendations were addressed through working groups engagements in the alignment process, meetings, bilaterals with stakeholders, presentations in seminars, and involvement of other government departments e.g. the DTI and the Department of Public Enterprise. The next level to finalise the charter process will be a presentation of a submission to DTI to gazette Integrated Transport Sector BEE Charter under section 12 and 9 of BEE Act 2003.

3. CONCLUSION

This issue of the transport picture has outlined the performance of the various modes of transport for the first quarter of 2008. It clearly shows that there has been a decline in the activities particularly in the rail and road sub-sectors. In January 2008 there was a decline in the rail passenger journeys, which was below 40 million compared to December 2007, which was above 40 million. Amongst the contributing factors to the low performance levels in the rail sector was the burning of trains in Tshwane as well as the holiday season that resulted in the low level of rail utilization by commuters. The consistent increases in interest rates have finally started to impact on vehicles sales, which have declined by 7% compared to the same period last year.

With 2010 on our door step much improvement is expected on our roads, an amount of R70 billion for next coming three years has been allocated for road infrastructure, maintenance and upgrading and an additional R3 billion for Extended Public Works Programme for access roads, all of which is an attempt by government to alleviate traffic congestion.

The Taxi Recapitalisation Programme is also underway, despite the challenges faced with limited budget allocations and support for the programme. Even though the National Treasury had allocated R400 million for the project, more funds are required to effectively implement and rollout the Taxi Recapitalisation Programme. Recently SANTACO, which is the officially recognized taxi body, had announced its withdrawal from the programme until their concerns are addressed. In an effort to secure the future success of this pogramme the DOT engaged the taxi body to address its concerns. Failure to have the relevant industry role-players on board can put the success of the TRP at risk.

Although there has been a decrease in fatal crashes of about 4.7 percent in pedestrian hit and run crashes during 2006 and 2007, figures are still not acceptable. Road safety continues to be a major concern for Government and various initiatives are being undertaken to curb the high accident rates. The arrive alive campaign continues to play a positive role in reducing road accidents.

There is continued increase in demand for air transport, which is evident in the increasing passenger numbers. Since 2003 passenger numbers grew from 23 million to 36 million in 2007. Continued investment is also being made in the pipeline sector. In the 2008/09 financial year Transnet will invest R78 billion on pipeline infrastructure development towards this project. Already R11,5 billion has been set aside for investment towards the construction of a liquid fuel pipeline between Durban and Gauteng for 2010 capacity. All of which is aimed to improve service capacity and efficiency.

Progress towards the finalisation of Transport Sector B-BBEE Charter development process is nearing the end, which started in 2003. All eight sub-sectors charters have been completed with regards to alignment with the DTI codes of good practice in ensuring that the Integrated Transport Sector B-BBEE

Charter is gazetted under section 9 of BEE Act of 2003. The DoT is looking forward towards a successful launch and implementation of this project.

It is evident from the above that many strides are being made within the Transport sector, despite the many challenges that exists. Change will not happen over night, however slowly but surely a move towards a better transport system to service the needs of its users (passenger and freight) are being made.

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5. LIST OF ACRONYMS

ACSA	Airport Company South Africa
ACI	Airports Council International[6]
AMH	Associated Motor Holdings
BEE	Black Economic Empowerment
B-BBEE	Broad-Based Black Economic Empowerment
DIA	Durban International Airport
DTI	Department of Trade and Industry
DoT	Department of Transport
NAAMSA	National Association of Automobile Manufacturers of South Africa
ORTIA	OR Tambo International Airport
RAF	Road Accident Fund
RTMCC	Road Traffic Management Corporation
SARCC	South African Rail Commuter Corporation
SAA	South African Airways
TRP	Taxi Recapitalisation Programme

[6] Airports Council International is the world's trade association for airports. Representing 573 members operating over 1,643 airports in 178 countries and territories.

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