



get out there



THE AUTOMOBILE ASSOCIATION OF SOUTH AFRICA

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Submission to the Department of Transport Steering Committee on Gauteng Tolls by the Automobile Association of South Africa – 24 March 2011.

The Chairman
Steering Committee on Gauteng tolling
Pretoria

Dear Sir,

The Automobile Association of South Africa ('the AA') represents its AA members and the general South African motoring community and plays an oversight role in motoring matters and related consumer issues. The AA submits:

1. The South African Government has a responsibility to ensure the proper development and maintenance of the transport infrastructure in South Africa. This infrastructure includes National, Provincial and Local Municipal roads which are required by South African motorists in order to satisfy their commercial and social needs, and which in turn are beneficial to the economic welfare and growth of the country.
2. Contributing to the current road safety and road congestion crises in South Africa is the critical lack of affordable and accessible public transport. The public transport system is patently inadequate, and as a result the public has no choice but to resort to private transport.
3. The AA petitions the National Department of Transport and SANRAL not to continue with the proposed tolling of the Gauteng Freeway Improvement Plan (GFIP) and urban tolling in general. The AA has serious concerns that this will constitute an unfair manner of supporting the country's roads infrastructure network and that it will discriminate against the local commuters. It will also have a serious impact on the safety conditions of alternative routes where they exist.
4. The extent of the proposed tolling in phase two of this project will leave almost no alternative routes for motorists and freight to use.
5. We need also to emphasize the reliance that industry has on road transport to achieve its purpose to transporting natural resources, materials and products across the country. The implementation of a toll will push up freight distribution costs, not only in the immediate vicinity of Johannesburg and Pretoria, but throughout the region. Businesses will have no

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THE AUTOMOBILE ASSOCIATION OF SOUTH AFRICA (ASSOCIATION INCORPORATED UNDER S21) REG NO 1932/004001/08

alternative but to pass these costs on to consumers creating a further burden to South African citizens.

6. A toll structure, as proposed, will have the detrimental consequence of over-taxing road users, who unavoidably would have to pay toll fees every day. This user-pay principle, used to alleviate the shortage of state funds for road construction and maintenance, will not be beneficial to more disadvantaged motorists who will be forced to absorb the additional costs. In seeking alternatives, road congestion will simply shift to a, which would not be fair to local residents, and which will also have a serious impact on road safety on such alternative routes.
7. The proposed toll structure will therefore seriously affect local commuters as the alternative routes were not designed to cope with the anticipated high traffic volumes as was evidenced during the recent construction phase. Higher traffic volumes on inadequate and poorly maintained roads will result in delays and damage to vehicles. The question is who will bear the cost of maintaining these alternative roads?
8. As stated above the extensive tolling plans in Phase two will result in an even more acute situation for motorists in finding suitable untolled alternatives.
9. Funds collected from the toll roads may not subsidise other infrastructure projects in the region, and therefore will have no reciprocal benefit to the community.
10. SANRAL has as its purpose the maintenance and development of South Africa's national road network. However, one cannot ignore all the other roads in the South African network, such as municipal roads and other alternatives to the main national roads, which SANRAL is not obliged to maintain.
11. At a macro level the AA is concerned with the lack of evidence to suggest that alternative methods of subsidising the roads network in South Africa have been extensively explored. It is also of critical importance that Government establishes clear and supported policy on road maintenance spending on all road infrastructure, including national roads, provincial roads and municipal roads.
12. A dedicated road fund will create a more equitable and supportive system, which will assist all concerned to enjoy access to reasonable and safe transport in the form of a properly maintained road infrastructure. Furthermore, such a fund will also create a secure, adequate and stable flow of funds to the correct authority. Funds so derived should then be apportioned across the entire road network, according to a predetermined formula or priority with transparency as the cornerstone.
13. The AA recommends that the dedicated road fund be established out of the current surcharge on fuel. Such a fund would be administered and maintained by the National Treasury and will have as its main goal the maintenance and development of all roads in South Africa. It could also be utilised to contribute to road safety projects, and will create an equal distribution of funds for the development and maintenance of all roads in the country. This collection mechanism is in place and currently operational although without transparency on the utilisation of these funds.
14. The argument for a ring fenced dedicated road fund and the use of a portion of those funds to service the existing loans of the GFIP is strengthened based on the relatively small portion required from the income derived from the fuel levy to service the current GFIP loans. In 2010, petrol and diesel sales reached 20,476,596 mega litres. The current fuel levy accrued an estimated R34 billion last year. Published reports indicate that R1.6 billion would be required annually to service the GFIP loans. The AA's 2008 Road Maintenance and Funding

report indicates that R100 billion is required to fund the backlog in road maintenance and recommends that at least R36 billion be spent towards this on an annual basis.

15. From an economic point of view, we are supportive of the view from Investec economist Annabel Bishop, who has gone on record to state that the introduction of tolls will increase the cost of doing business in Gauteng and thus will, in effect, be contrary to the Presidents' New Growth Plan and will serve to undermine rather than support the aims of the New Growth Plan of growing employment by five million new jobs over the next ten years.
16. Further, we concur with the view taken by Grant Thornton Advisory Services, Gillian Saunders who has stated on record that the greater economic effect of the GFIP tolls has been drastically underestimated. At the proposed 66c per kilometre the average running cost per vehicle could be as much as 40% more. The AA believes that the potential influence of the toll could be as much as 1% added to the PPI.
17. A further point of contention is the capital intensive nature of the toll collection and the potential outflow of Rand to a foreign entity. The nature and appointment of the toll collection agency is also questioned and the AA asks for full transparent disclosure in this regard. It is apparent from the Kapsch website that the partnership with Traffic Management Technologies (TMT) was established in October 2007. Media investigations suggest that the majority shareholding the toll collection company, Electronic Toll Collection (ETC) is held by KapschTraffic Com AB. No doubt this company is a profit making entity and the AA requests full disclosure of funding and profit distribution which the South African motorist is expected to bear.
18. An additional point of contention which could arise are the potential concessions granted to public transport. While it is important to mitigate the cost of public transport, minibuses included, a case may be made for discrimination and preferential treatment of a particular transport sector which no doubt will attract constitutional and competitive challenges.
19. On the issue of other taxes imposed on motorists the AA requires disclosure by Government on the application of eNaTIS transaction fees, the fuel levy, vehicle licensing fees and the "Green Tax" on new vehicles. All the above revenue is generated from the motorist and yet full disclosure on the amount and how it is utilised has not been forthcoming from Government. This situation needs to be urgently remedied.
20. The AA has canvassed the opinion of South African road users via its website petition which is attached as annexure A. A presentation will be made to the Minister of Transport in this regard. Attention is drawn to the specific questions that the AA intends pursuing with the Ministry.
21. The AA urges the Department of Transport and SANRAL to give serious consideration to the above, which we strongly believe will be in the best interest of the South Africa's motoring public.

Yours sincerely

Gary Ronald
Automobile Association of South Africa
24 March 2011