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IMMEDIATE RELEASE

**PRELIMINARY BUSINESS SUBMISSION TO THE GFIP E-TOLL
STEERING COMMITTEE
GFIP PROJECT STAKEHOLDER MEETING, MIDRAND CONFERENCE
CENTRE
24 MARCH 2011**

Business Unity South Africa (BUSA) today, made a preliminary submission to the Gauteng Freeway Improvement Project (GFIP) E-toll Steering Committee. In its submission, BUSA highlighted important lessons from the GFIP E-toll experience so far. These include:

- the importance of institutional memory in Government Departments that preside over long-term capital projects;
- the need for adequate prior consultation on projects that has significant cost implications for business and consumers in general;
- the fact that the GFIP E-toll has significant national implications; and,
- that while the principle of tolling may be supported, the implementation of urban tolling systems bring their own very particular complexities.

PROCEDURAL CONCERNS

BUSA emphasised a number of procedural concerns in relation to the stakeholder consultation process on the GFIP. These include a 13 February request to the Minister of Transport for a meeting, which have not yet been finalised and vague responses from the Department in relation to requests for clarity.

Expectations created by the 8 March statement on the establishment of the Steering Committee were also not realised. At a minimum, the mooted inclusion of Business in the composition of the Steering Committee did not transpire. The “constitution” (or terms of reference) of the Steering Committee, which was to be finalised by 20 March, has also not yet been released.

PRIORITY ISSUES

BUSA outlined select issues that must enjoy priority in terms of what the Steering Committee needs to consider. These include:

- the tariffs need to be realistic and affordable, both for the private sector, as well as for ordinary consumers, some of whom already spend up to 60% of their monthly wages on transport costs;
- all economic assessments has to affordability must be updated in the light of the impact of the recent global recession on South Africa's economy;
- a clear idea of the implications of the tariff structuring – freight trucks are for instance unable to adjust schedules to make use of off-peak discounts, and may therefore have to foot the bill for discounts given to other users, which will inevitably be passed on to the consumer, including on some basic foodstuffs; and,
- a significant additional administration and cost burden – this relates mostly to the lack of transferability of E-toll tags between vehicles belonging to the same business or family and the complex systems which will have to be implemented to ensure that there can be distinguished between toll costs incurred for business and private purposes.

LOAN ARRANGEMENTS

Key to the tariff determinations that will be made in the end will be what arrangements can be made in terms of the R22bn GFIP loan that needs to be repaid. BUSA believes that the existing 8 year arrangement may be unnecessarily ambitious, especially considering the lifespan of the infrastructure financed, which will exceed two decades. We believe this situation is analogous to the controversy over the proposed 2010 Eskom tariff increases, which was significantly reduced on the basis of a new financing “mix”.

FUEL LEVY

BUSA believes the SANRAL funding model and the funding facilities it should utilise must be closely scrutinised. The utilisation of funds raised through the fuel levy should be completely reconsidered, including the ring-fencing of funds for roads construction and maintenance. In particular, since the E-toll systems are mooted to be replicated in the City of Cape Town and eThekweni Municipalities, BUSA believes that the better leveraging of the fuel levy may make for a much more predictable, simple, measurable and equitable user pays mechanism.

BUSA ACTION STEPS

If we are to create 5 million jobs in a decade, then every policy, regulation and tariff determination needs to be tested against that imperative. Business believes the current tariff proposal and mooted e-tolling trajectory will weaken the competitiveness of our economy, and therefore the ability of the economy to create jobs. To address this effectively, BUSA:

- will continue constructive engagement through the GFIP Steering Committee;



BUS A

BUSINESS UNITY SOUTH AFRICA

- is pursuing structured bilateral interaction on policy co-ordination level with the Presidency through the task team of the Presidential Business Summit on Job Creation; and,
- is considering making a proposal to Parliament for closer scrutiny of the general SANRAL funding model, as well as the GFIP E-toll, before the tariffs are finalised.

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