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BUSA SUBMISSION ON THE DRAFT NATIONAL INFRASTRUCTURE PLAN 2050
("NIP 2050") PHASE 2

Background

BUSA is a confederation of business organisations including chambers of commerce and industry, professional associations, corporate associations and unisectoral organisations. It represents South African business on macro-economic and high-level issues that affect it at the national and international levels. BUSA's function is to ensure that business plays a constructive role in the country's economic growth, development, and transformation and to create an environment in which businesses of all sizes and in all sectors can thrive, expand and be competitive.

As a principal representative of business in South Africa, BUSA represents the views of its members in a number of national and international structures and bodies, both statutory and non-statutory. BUSA also represents the interests of South African business in the National Economic Development and Labour Council (NEDLAC), Business Africa, International Organisation of Employers (IOE), and International Labour Organisation (ILO).

Introduction

BUSA would like to thank the Department for the opportunity to submit written comments on the draft National Infrastructure Plan (NIP) 2050 Phase 2. BUSA congratulates the Department on the implementation of the NIP 2050 Phase 1 and the finalising of the NIP 2050 for public participation. As a responsible corporate citizen and the leading apex representative of business in South Africa, BUSA and its members have committed to support the President's call to grow our economy in an inclusive manner. Notwithstanding the capacity constraints faced by government as well as other challenges in financing the infrastructure. BUSA and its members believes that it could play a significant role in

financing, delivering, and accelerating the infrastructure development through the effective implementation of the Public Private Partnership initiatives.

BUSA believes that both government and the private sector have potential to play a significant role in contributing to areas of improving service delivery, knowledge and innovation services, public-private cooperation and stimulation of competition, spatial transformation, industrial development localisation and environmental sustainability.

General Comments on the NIP 2050 Phase 2

The effect of corruption, skills shortages and financial mismanagement in municipalities is a reality. The recent Auditor General's report stated that only 16% of South Africa's 257 municipalities have been given a clean audit for the 2020-21 financial year, signifying the overall regress of financial management in the past five years. The afore mentioned factors have potential to impact delivery and should form a basis of what need to be addressed if South Africa is to have a successful infrastructure roll out.

Investment / funding and financing will be key to deliver infrastructure. NIP 2050 Phase 1 assumed that because banks, pension funds, etc. manage large sums of money on behalf of shareholders - that this money is available to invest in infrastructure. This assumption needs to be considered carefully in Phase 2, as these institutions are responsible for delivering certain returns to their shareholders, which may not match the intentions of these infrastructure projects.

Care needs to be taken that government does not over-reach its role description in this process. In some instances, government intends to run with the whole process, which might not be its role. Instead, government should provide a conducive policy environment to support private sector to implement, thus leading to shared responsibilities.

Though the NIP 2050 Phase 2 deals with education infrastructure, the skills required to ensure that all infrastructure comes to realisation should not be left behind. These include

skills for a green and just energy transition. Training institution infrastructure, including the use of Technical and Vocational Education and Training should be considered in the plan.

There is a need for more development of how human settlements planning can be coordinated with the private sector, to crowd in greater private sector investment. Therefore, infrastructure planning should include routine consultations with the private sector to identify opportunities for coordination between private and public sector and mixed-use developments

Municipal electricity, water, and sanitation

Some of our big businesses are in rural towns where challenges of access to reliable electricity and clean water are looming large. Outside of the metros there are only a handful of local municipalities that are effective in-service delivery and maintaining infrastructure. Where these services are not delivered effectively, it has a huge impact on business conditions. We have recently seen prominent businesses in rural municipalities that are closing their operations and moving to other areas of the country where service delivery is more effective. Where these businesses move away, the rural economy loses its anchor and there will inevitably be a ripple effect on employment figures and local businesses that supply these businesses. Unless basic service delivery is addressed in earnest, we are likely to see a large-scale de-industrialisation of the rural areas.

BUSA acknowledges and appreciates the frank assessment of the status quo in the problem statement and supports the principles of the interventions proposed, however we do not believe that the NIP's proposed actions are bold enough to address the magnitude of the challenges. For instance, under point 2.2.2 it states "...a 10-year, multibillion Rand effort to achieve a redesign of the electricity distribution sector failed in the absence of a change in the allocation of constitutional powers and functions. New thinking is required." We agree with this assessment, and it applies equally to other municipal trading services. With the notable exception of electricity distribution, where greater competition is proposed, the proposals back-track on this statement under 2.2.4 where it states, "Constitutional responsibility for electrical distribution, water and

sanitation, and solid waste collection will stay with local government and there will therefore be no large-scale and across-the-board institutional reforms...”. Instead, a series of “...incentives and regulatory interventions.” is proposed. This seems to be a missed opportunity and a clear mismatch between the diagnosis and the proposed solutions. We submit that drastic measures are required to reverse the current trend. Whilst there may be no guarantee that a constitutional amendment permitting a wholesale centralisation would be effective, other avenues should be considered. For instance, the powers of national and provincial government to intervene in municipalities could be strengthened to go beyond administration and a transfer of functions on ad hoc basis, under specified conditions, with the consent of other spheres of government (for instance Parliament) should be considered. The same, soft measures currently catered for in the Constitution has not proved successful, so a rethink is required.

Another mechanism we believe can achieve this vision is with the co-operation of the private sector.

The Bureau for Economic Research at the University of Stellenbosch in a 2021 research note¹ found that: “The complex developmental problems that South Africa faces cannot be solved with local municipalities operating in isolation. There is a need for better management of inter-jurisdictional collaboration between the players. They include municipalities, water boards, provinces, Eskom, and national departments. Public-private partnerships may also provide valuable opportunities. These could, for example, help improve the management, expansion, maintenance, and operation of select revenue-generating components of service delivery.” The study recommended amongst other things that:

- It is important to ensure that professionals have the necessary qualifications. It may help if municipal managers are required to register with professional bodies

¹ SA’s municipal challenges and their impact on local economic development

- A mechanism that sanctions or removes municipal officials from their positions if they are consistently underperforming might contribute to better outcomes.
- Supply chain management and audit processes need to prevent fraud and corruption but should not hamper spending.

In this regard we support the proposals for dedicated PPP support units, but certain preconditions are required. Private sector entities do not have the security of a fiscal guarantee and hence cannot absorb the same level of risk associated to revenue collection as the public sector. The NIP states that municipal trading services must be financially sustainable, critical to achieving this, and the only condition under which private sector could meaningfully participate, is if a strict business-like approach is followed to revenue collection. Private sector entities must be permitted to act against non-paying municipal customers if the state is serious about attracting private sector to municipal service delivery.

Solid Waste Services

A recent study by Sanergy, states “driven by population growth and urbanisation, landfill sites in the country’s largest metros are filling up at a much faster pace than new capacity is being secured, putting waste management services in a race against time to establish new landfills — an expensive and administratively cumbersome process — and to find solutions to divert more waste from landfills.” The study emphasises the known challenge of the country running short of landfill airspaces, thus making recycling a critical option to reduce waste to landfills. The primary focus should be on moving waste up the waste hierarchy, with disposal as the absolute last resort. Communities require waste recycling infrastructure that will in-turn support Small Medium and Micro Enterprises to create jobs and create litter free municipalities. Municipalities themselves also require financial support to address their waste management infrastructure, such as weighbridges at landfill sites and waste collection trucks - to this effect we note the initiative by Department of Forestry, Fisheries, and the Environment (DFFE) in donating waste collection trucks to various municipalities, this is indeed a step in the right direction to support municipalities in the war against waste, however, more infrastructure support is still required.

Landfill Gas Power Generation

In September 2022, the National Energy Regulator of South Africa issued a consultation paper on concurrence with the ministerial determination on the procurement of new generation capacity of 1000MW from co-gen, biomass and landfill. Business is of a view that infrastructure support in landfill gas to power generation plants will support the country's energy security, where municipalities will be able to generate own power using landfill gas. This will further support environmental and socio-economic challenges, ultimately contributing to the country's economic reconstruction and recovery plan.

The DFFE has established a Working Group for Energy Programme to investigate sustainable acquisition, processing and use of biomass for the production of various forms of energy and applications. The Working Group should be taken into consideration when developing infrastructure to support landfill gas power generation.

Construction Waste

The construction industry contributes significantly to the country's economy through infrastructure development (e.g., building of bridges, houses etc). The industry has expanded rapidly worldwide and further growth is envisaged. The growth in the industry has contributed to a great deal of more construction waste being generated. Literature suggests that as much as 30% of the material delivered to a construction site ends up as waste, this has been identified as one of the core problems in the construction industry across the world. The increase in construction waste has been driven by the fact that construction projects are now much more complex. This has made it harder for construction managers to manage waste effectively. Also, building waste is difficult to recycle and reuse, due to contamination – for example when wet concrete or mortar is dumped on other waste materials.

In South Africa, between 5 million and 8 million tonnes of construction waste are generated annually, with only a small fraction reused or recycled. The result is that a large amount of construction waste is disposed of in landfill sites, which are rapidly reaching capacity. To this effect, there needs to be an alignment on how construction waste will be handled, and the use of technology needs to be optimised.

Road Infrastructure

Road networks are at the heart of the freight, logistics and supply chain value chain, especially for transporting core business products and service ranging from farms to storage areas and markets for consumption and export. Overreliance on roads for the movement of goods leads to congestion, quick wear, and tear in the road infrastructure network. The South African grain industry, transports over 70% of its output by road, up from roughly 20% prior to deregulation. To incentivise businesses to support this initiative, the rail network needs to function efficiently and be cost-effective. We need to shift from road to rail for bulk goods transportation, but this will never negate the importance played by road infrastructure. As outlined in the first phase of the NIP, the shift from rail to road was largely facilitated by the closing of unprofitable sidings, theft, vandalism, and the decay of rail infrastructure. Be that as it may, the flexibility offered by road freight outcompetes rail for short haul whereas the cost benefits make rail more attractive for long-haul transport (Bina and others, 2014; 134).

Road is also more attractive for the movement of small product quantities. The abolishment of marketing boards and the rise of independent traders that offer 'just in time' supply options post deregulation also bodes ill for rail transport over road. In essence then, whilst we support road-to-rail initiatives, there should not be an expectation that we will ever get back to the same levels of rail transport and road transport will continue to play a vital role in logistics value chain. The importance of road infrastructure to the entire transport, freight and logistics and supply chain sector can therefore not be overemphasised.

In a study done by [Jabulani C. Nyawo](#) and [Pfano Mashau](#) in 2019², it was found that the impassability of access to the roads by rural people does not only impede the delivery of

² The development of the rural roads network for sustainable livelihoods in South African local municipalities

basic services such as education, information and education information but also affect sustainability and growth of local enterprises.

BUSA supports the stated goal in the NIP of a road network that will support the movement of people and goods in an efficient, affordable, safe, and environmentally sustainable manner and the aspiration to be less reliant on roads and have a better balance for freight between rail and road.

The NIP acknowledges the problems with rural areas and the negative impact which that has on rural communities and the economy. It also pinpoints the reasons for the deterioration in rural roads accurately. Business supports the following conclusion on page 29 that most of the provincial roads are not adequately maintained due to inappropriate spending, lack of competence and capacity, corruption, and a lack of oversight. The consequence management for underspending by provinces and municipalities should be strengthened. We also believe that serious consideration should be given to transferring key provincial roads to the administration of SANRAL.

We believe that here also public-private partnerships are important but the modalities of this should be unpacked. We certainly support private sector participation in service level agreements for the constructions and maintenance as well as building capacity. The NIP does not, however, speak to crowding in private sector capital. Once again, revenue collection is key to return on investment. Most provincial and municipal roads are not revenue-generating and hence the scope for private sector investment may be limited. However, where road infrastructure is subject to tolls, a concerted effort should be made to attract private sector capital to expand and refurbish critical road infrastructure.

BUSA fully support the recommendations in respect of road infrastructure, especially that there must be strong state capability to work with the private sector and form partnerships and alliances. There must also be the political will to work with private sector.

Recommendations

Broader Integration with other Government Initiatives and Policies

- The NIP 2050 Phase 2 initiatives should be linked to the Waste Management
- Masterplan currently under development by the DFFE, to ensure shared resources and alignment of initiatives.
- The 2020 National Waste Management Strategy should also be taken into consideration.
- Integration / alignment between all spheres of environmental departments e.g.
- Department of Water and Sanitation (DWS), DFFE air licensing authorities and waste authorities should all work harmoniously to enable waste beneficiation opportunities to avoid disposal to landfill.
- The processes and turn-around time to obtain authorisation / licenses for these beneficiation initiatives should be expedited e.g., if a biogas plant is established to reduce wastewater waste and food waste from landfill, from an Atmospheric Emission Licences perspective this should be fast tracked.
- All initiatives should continue to drive the concept of circular economy and waste to energy.

Waste Infrastructure:

- Business supports the proposal in the NIP 2050 Phase 2 regarding the increase of competition in waste collection. However, clear protocols on how this will be managed is required. Business is of a view that municipalities do not have enough technical capacity to be able to evaluate bids from private companies to allocate contracts to, thus leading to possible corruption. Also, there should be a strict governance process in place to ensure that private waste collectors are paid timeously. Currently, some of the private waste collectors stop waste collection due to invoices not being paid for over 90 days.
- Municipalities need to be enabled to support various initiatives to avoid landfilling of waste, including integration of waste pickers into the waste industry / sector.
- Support needs to be provided towards development of waste infrastructures such as buy back centres, material recovery facilities, central recycling collection areas

in residential areas, increased waste management trucks and regular maintenance thereof.

- There needs to be a dedicated focus on service delivery to collect recyclables in all households in municipalities. Municipalities should also indicate where potential drop off centres for specialised waste (i.e., e-waste, batteries, fluorescent tubes, pharmaceutical waste, etc) are located.
- Municipal by-laws need to be revisited to reflect various waste management initiatives, with necessary monitoring and compliance measures in place.
- Initiating a compulsory requirement for large metros to install Waste-to-Energy facilities with incentives programs through green financing / green fund. This will also alleviate some of the electricity challenges faced by metros.
- Have functioning weight bridges in all municipal landfill sites.

Improved Construction Procurement and Utilisation of Lean Construction Tools:

Training construction site workers could make a big difference to waste control and prevention. This is aligned with lean thinking; in that it aims to empower people to play a part.

Separation at Source: Separation at Source is a necessary precursor to a viable waste economy. Therefore, it should be implemented in municipalities across the country to also support the effective roll out of Extended Producer Responsibility and minimise waste to landfill. Separation at Source enables the supply of high quality and high volumes of recyclables. With higher value recyclables a wider spectrum of technology outlets may be considered to valorise waste and create value (and economic potential) in the entire waste value chain. However, clear roles and responsibilities between municipality and industry, in terms of who will be responsible for this activity is required.

2. Water and Sanitation

- The country continues to face water shortages therefore, close management of this reality is required as well as how infrastructure could be leveraged to support the foreseen pressure.

- The NIP 2050 needs to look at measures to secure water infrastructure from climate change and security challenges. Climate adaptation strategies need to be developed.
- Critical water supply networks need to be protected from growing community protest actions. In recent years, the operation of critical pump stations within the Integrated Vaal River System (IVRS) was impacted by community protest actions.
- Another key initiative to be tracked and monitored by the NIP 2050 is the commission of the Lesotho Highlands Water Project Phase 2. The country, specifically the IVRS, can ill afford any further delays which is now scheduled to be commissioned in 2028.
- Phase 2 addresses building blocks such as reducing water losses and ensuring that Municipal Waste-Water Treatment Works are run efficiently. The deterioration in surface water qualities is a matter that needs to be urgently addressed, therefore priority needs to be given to initiatives that addresses this challenge such as support to the National Eutrophication Strategy, Green Drop reporting, and treatment of legacy Acid Mine Drainage.
- Given that South Africa is a water scarce country, there requires an extra duty and accountability by all stakeholders both on the supply and demand side to preserve this vital natural resource. Key to this is ensuring a sustainable, effective, and transparent water resource management strategy that ensures the availability of water for current and future use. Water security is fundamental not only to the lives and health of South Africans, but to the growth and sustainability of our economy.
- Water Conservation and Water Demand Management (WC/WDM) is a critical enabler to drive sustainable use of our water resources, as well as to ensure long-term strategies are in place to meet future requirements. Municipalities must focus efforts on putting in place and implementing WC/WDM strategies and measures to conserve water and reduce demand.
- A whole value chain approach needs to be taken around water conservation and water demand management. In this regard, it requires a mindset shift by users and reforms to day-to-day actions by Water Service Authorities to optimise existing

water supplies, and by consumers to minimise use, including the use of mechanism to incentivise the right behaviours.

- There are various areas where monitoring and compliance to water governance and legislation needs to be improved. The issue of inadequate monitoring of water by users and non-payment for water needs to be addressed. Better metering and billing measures need to be implemented so that all users are aware of consumption and ensure payment for their water consumption, including some industrial users that are currently not monitored and operating without water-use licences.
- Full implementation of the no-drop programme by municipalities and its use to be used as an indicator of performance and measure of incentivisation. In addition, Water Services Authorities must be obliged to submit mandatory monthly water balances to assist in monitoring the state of non-revenue water and losses.

Trading Services

The effective use of grant funding is commendable; however, it is insufficient to make the institutions financially sustainable. Key elements of financial sustainability must include focussed attention to water loss reduction, reducing and eventually eliminating non-revenue losses, and increasing revenue to ensure continuity of service and system and institutional viability.

The proposed reform on institutional structures such as the creation of municipal-owned companies should not unduly burden the system by creating new layers of hierarchy that continue to weigh heavy on the institutions. Reforms must introduce efficiency enhancements or cost reductions for it to be effective.

Currently, municipalities are themselves facing immense challenges with the basic provision of supply, governance, and expenditure of the budget allocations. These challenges will further be exacerbated with the introduction of additional layers of institutional reporting. An arms-length approach with third party contractual arrangements

for provision of services should be contemplated for effective management of the services.

Road Infrastructure

Road infrastructure plays a critical role in South Africa's economy. It makes it possible to transport goods and services, but it also enables movement for people, enhancing productivity within the economy. With bulk of products being transported via roads, road building and maintenance should be prioritised until rail infrastructure is addressed. It is our view that the NIP 2050 Phase 2 should link rail infrastructure to road infrastructure, to ensure that roads are not overburdened. Business supports the action plan to move 50 million tonnes of freight from road to rail, however it also notes that this is an ambitious target.

With increase investment in renewable energy infrastructure, roads in provinces where renewable energy projects will be developed will require focused attention and funding. This is to allow road surfacing / strengthening to carry high traffic volume of heavy-duty vehicles, road enlargement to allow easy turning of heavy-duty vehicles transporting equipment's such as wind turbine blades.

Consideration should also be given for such roads to be transferred to SANRAL (following correct procedures) to ensure proper maintenance and to alleviate financial pressure on provinces.

The Railway Safety Regulator recently stated that "infrastructure in SA logistics sector needs to be a priority, alongside a regulatory framework that has no nonsense approach to criminality, if the country's roads, rail and transport industries are to thrive and be considered safe again."

The plan should clearly indicate what determines "priority roads". Our recommendation is that this should be guided by National priorities including Strategic Infrastructure Projects designations. On the three-year actions – year references are appreciated; however, it is

unclear what is the target date is – is it the start or end of the calendar year or financial year.

Effective road infrastructure is an effective way to improve road safety. By ensuring road infrastructure investment in South Africa, the country will be one step closer to addressing the high number of accidents on South Africa's roads.

BUSA calls for bolder guidance, with explicit calls for concessions and PPPs to support the delivery of rail and bus services in municipalities.

Way Forward and Conclusion

The failure of government to spend its infrastructure budgets over the years has decimated the construction sector leading to the closure of the large construction companies with the consequent loss of employment and scarce skills in the sector and country.

There is a need to include a statement that acknowledges the need to address the systemic issue of working with the relevant education department to address basic education deficiencies which limit the throughput of learners into STEM based careers which serve as the feeder to growing and transforming this community of practitioners and companies. The limited pipeline of learners will remain a constraint if this is not addressed.

An efficient and effective public procurement system should be highlighted as a prioritised mode of delivery as it is currently a bottleneck and obstacle to efficient provision of infrastructure. This is a core problem that stands in the way of the efficient/ effective provision/ implementation of infrastructure that should be confronted and not skirted around.

In terms of the signs of progress, it is important that the backyard residential units are developed according to current municipal standards such as the NBR and that bulk

wastewater services are expanded to accommodate increased effluent volumes. The unintended consequence of such programs should not be the degradation of urban areas into slums.

By promoting and enforcing the need for payment (municipality electricity) for such services beyond the provision made for free basic services. Culture of non-payment must be addressed if this objective is to be achieved. Also, prosecution for theft of such services such as electricity. Illegal direct electrical connections and by-passing of prepaid meters are instances of such theft. This will not be realised unless measures are taken to deal with the ineffective policing / implementation of the current public procurement system and high levels of tender fraud.

The private sector is committed to social infrastructure and call for a constructive role for the private sector in appropriate roles, particularly through shared service delivery.

BUSA supports the conclusion of the spectrum auctions, the importance of concluding digital migration, and wider rollout of mobile broadband across the country.

Organised crime has become an enormous threat to the delivery of infrastructure across the country. However, solutions to this problem must be integrated with the criminal justice system.

Business is of the view that the governance of infrastructure should include systematic reviews of the delivery of mechanisms for value of money and projects should be designed to minimise risks as the ultimate way to improve value for money. The private sector is well able to bear some of those risks including financing and operating risks in certain projects. Governance structures should ensure that infrastructure projects are systematically assessed to allocate appropriate roles to private and public sectors. This could be a core function of Infrastructure South Africa. The Department of Public Works and Infrastructure (DPWI) in conjunction with the Hawks, the SIU and private sector Associations involved in infrastructure development or the promotion of anti-corruption

activities, has established an Infrastructure Build Anti-Corruption Forum (IBACF). Therefore, existence of this forum should be striving to protect the “Infrastructure” as a national asset from sabotage, vandalism, and theft at all times.

Business Unity South Africa together with its members across various sectors believes in South Africa’s potential to attract and retain both the current and future foreign direct investments and domestic direct investments through infrastructure maintenance and development. While we support every government effort aimed at reviving South Africa’s struggling economy, we remain cautiously optimistic about the prospects of the latest proposed NIP 2050. Similar initiatives in the past to address the country’s economic challenges have often yielded very little or no positive outcomes. The fact of the matter is that NIP 2050, with all its good intentions, remains another plan in a list of previous economic revival plans. How this plan is implemented, will determine, to a large extent, its success or failure. It would be very unfortunate to see it go the way of most plans that have been developed in the past. As the main private sector representative, we would like to be active participants supporting the DPWI in the NIP 2050 to ensure that the economy of the country remains sustainable and viable for business. We are happy to avail ourselves at your earliest convenience to discuss any of the items raised in this submission

Yours Sincerely,



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