

COSATU's submission to the Advisory Panel on the Socioeconomic Impact of e-tolls

1. Introduction

The Congress of South African Trade Unions welcomes the opportunity to present before the Advisory Panel on the socioeconomic impact of the e-tolls. We particularly want to commend the Premier of Gauteng, David Makhura for reopening this highly contentious matter of Gauteng e-tolls. We hope this time round the proposals from stakeholders will be taken seriously instead of this process just being used to comply with consultation requirements.

We note that we have been requested to address in our submission, the following questions:

- What are the economic and social impacts of GFIP and the e-tolls?
- What is the impact of the GFIP and e-tolls on the environment?
- How and where are the costs and benefits of GFIP and e-tolls distributed across society and the economy?

COSATU has made various submissions before the implementation of the e-tolling system, including before the Parliament's Portfolio Committee on Transport, the Alliance Task Team, NEDLAC Section 77 and the process that was lead by former Deputy President, Kgalema Motlanthe. The proposals in those submissions are still relevant and the issues that have arisen since the implementation of the e-tolls confirm our concerns; for instance the escalation of the phenomenon of cloning of the number plate and the attendant billing errors.

COSATU has consistently been opposed *in principle* to the introduction of open road tolling in Gauteng and the likely introduction of the same system in other parts of the country. The reasons for our opposition can be summarised as follows:

- E-tolling will add to the burden of the poor who will be forced to pay more to travel on highways which were previously free of charge.
- Tolls will perpetuate exclusion because those who without money to pay for the tolls will be excluded from access to the best roads
- Public transport is totally inadequate
- Tolls represent a form of privatisation
- High cost of collection

We discuss these reasons in more detail in the next section of this submission.

2. Reasons why COSATU is opposed to e-tolling

2.1 Tolls will add to the burdens of the poor

The tolls will put a direct burden on the poor of Gauteng, who will be forced to pay to travel on highways which were previously free of charge.

It will not just affect the people of Gauteng, as the government has now conceded that e-tolling will replace the existing toll-gates throughout the country.

It is not true that only the middle class use our highways. Government's own statistics show that a third of all commuters travel by car, and that half of all working people earn less than R3000 a month. This means that many low income earners use private cars to travel to work, because our public transport system is so unreliable that they have no alternative. Public transport is also unavailable outside peak-commuter hours, including weekends, when Gauteng residents travel distances across the Province to visit friends, attend funerals, etc.

Levels of personal debt are running at an all time high, particularly for low income earners. The proposed cap of R450 or R500 for e-tag registered private class A vehicles (which amount has not been included in the notice for comment as is therefore currently theoretical) will be cold comfort to low income earners who simply do not have any spare disposable income. In any event, the cap will only apply to e tag holders. SANRAL's calculation that the majority of e tag registered private vehicle users will spend less than R300 a month on tolls is also no source of comfort. The point is, large numbers of private vehicle users simply do not have a single extra rand to spend.

Tolls will also put an indirect burden on the poor of the whole of South Africa, by adding to the cost of transporting goods within and to and from our industrial heartland. They will have an immediate effect on food inflation.

2.2 Tolls will perpetuate exclusion

We already live in a society highly divided by the unequal distribution of wealth and income. The poorest 10% of the population shares R1.1 billion whilst the richest 10% shares R381 billion.

We see these inequalities reflected in access to public services. Good health and education services currently belong to the wealthier sections of society, who can afford to pay. The poor majority have to suffer underfunded, understaffed and inferior services.

In these areas we are starting to move away from the pernicious and socially divisive 'User-pays' principle for basic public services. Good progress is being made in the health sector, through the NHI, to bring about one universal service. No-fee schools are another example of how we are trying to escape from the 'User-pays' principle for basic public services

We should not therefore be moving in the opposite direction when it comes to the equally essential public service provided by our public roads. 'User-pays' means that you cannot use the best roads if you cannot afford to pay.

Toll roads will become a move back to the kind of social and economic inequality in access to basic services which we are starting to move away from in health and education.

The logic of the 'User-pays' principle is that those without the money to pay the tolls should be excluded from access to the best roads. They must find the potholed side-roads, while those with the money glide along the highways in their fancy cars.

We have consistently argued that taxation must be the main source of funding for road infrastructure. After all we pay taxes precisely so that government can build and maintain roads, hospitals, schools, etc. If additional revenues have to be raised by government, then this must be done through a progressive tax system where the more you earn the more you pay, rather than tolls which take no account of the ability of the drivers' to pay.

2.3 Public transport is totally inadequate

We acknowledge that government has now exempted registered public transport vehicles from the tolls, but very few buses and taxis actually use the tolled highways, and public transport largely remains woefully inadequate both in quality and in the numbers of people that it serves. A third of our people use private cars to get to and from work, not from choice but because our public transport system is expensive, unsafe, and unreliable.

The promise of massive investment in our overcrowded, run-down commuter rail services is good news, but this will take years to come on stream. In any event, the allocations are largely for the improvement of what currently exists, and not the massive expansion of passenger capacity which is so sorely needed.

With regard to bus passenger transport, apart from the BRTs in Joburg and Cape Town, not a single new subsidised bus route has been put in place for over ten years! This has left new settlements completely stranded in terms of affordable mass public transport. In addition, the subsidies allocated to the bus industry for existing subsidised routes have not kept up with inflation, resulting in a deterioration of services.

Regarding the taxi industry, its economic structure and operating model dictates that fares remain high, that levels of vehicle maintenance are low, and driver behaviour is ill-disciplined. As a consequence safety is severely compromised. Enforcement of safety and employment regulation in the industry is virtually non-existent. The use of our motorways by private cars is therefore not a luxury for most users. If they are forced off the highways because of cost, they will not transfer to non-existent reliable public transport, but take their cars on to the side roads, and create levels of congestion that our municipalities will not be able to cope with. Traffic management will become a nightmare, and it is highly likely that our already shocking road fatality statistics will rise.

2.4 Tolls represent a form of privatisation

COSATU has consistently opposed privatisation of public services. The introduction of a tolling system that brings in the private sector to operate the tolled roads is, in our view, a form of privatisation, the commodification of what ought to be an essential publicly funded public service.

What makes it worse is that the contracts signed with the companies operating the tolls remain secret. All the evidence indicates that the revenues from the tolls are going to be enormous and that the loans will be paid off quickly, leaving the private operator to milk the public.

2.5 Cost of collection

Another reason for opposing the tolls is the cost of collection, which SANRAL itself has conceded will consume a massive 17 percent of the money collected in tolls. This means that tolls are not only an unfair but also a grossly inefficient way of raising the money for road improvements

Even if the government makes further cuts in the level of tolls, the collection costs will become an increasingly larger percentage of the amount collected. As Cliff Johnston of the SA National Consumer Union has pointed out: "This is the ultimate tragedy of the plan... that the road user will still have to foot the bill of more than R1, 1 billion per annum to cover the electronic toll collection process, regardless of how much they reduce the toll rate and cross-subsidise the revenue required with fuel levies and/or the national fiscus mechanisms". The fact that the contract for collection is said to be "ad measure" i.e. that it is not fixed, but is based on services provided, makes no difference to our argument. A large portion of the revenue collected will ultimately find its way into the pockets of the toll operators.

3. The crisis in the implementation of the system

The system has been dogged by serious problems since it has been introduced. In the first place there have been problems relating to the billing system. The system has also in a way encouraged the breaking of the law where many motorists have decided to falsify the number plates. The falsification of number plates or cloning will exacerbate the billing problems. There has been massive resistance to the system and it would make no sense at all to continue with it in its current form. However, we do understand that the debt should be paid and alternative funding model should be found. This is discussed in the next section of this submission.

4. Alternative funding proposals

In 2012 the Alliance established a task team to look into alternative funding model for GFIP. We propose that the Advisory Panel on e-tolling should seek the report of that process which we believe can help greatly in proposing alternative funding proposals. We just want to highlight here some of the ideas that were discussed during that process.

The National Treasury had made a presentation on funding requirements of SANRAL to meet the debt and in terms of that presentation the picture looked as follows:

SANRAL	2012/13	2013/14
	Rm	Rm
Interest on outstanding loans	1,769,25	2,115,67
Interest on road construction and toll capital expenditure	57,37	8,29
Routine road maintenance	92,83	92,28
Reduced toll operation costs	519,03	337,08
ITS operations	46,03	65,54
Gauteng Freeway Management System	162,44	61,98
Total (a)	2,646,95	2,680,84
14 % VAT	370,57	375,32
Total (b)	3,017,52	3,056,16

It was noted from these figures that R3bn would be required per annum going forward to repay the debt. The task team then considered the following options to get the R3bn:

- An additional national fuel levy of 14 cents per litre, based on an estimated annual 22, 5 billion litres of fuel consumed and the revenue requirements of SANRAL
- 1% surcharge on personal income tax payable
- An additional 45% personal income tax bracket: above 1500 000 taxable income per year
- Increased company tax
- Prescribed assets
- Increase and standardisation of vehicle licence fees

The task team was of the view that the additional fuel levy option could be implemented relatively quickly and easier; although there were different views in relation to whether this should be a long term measure or a short term measure as long term proposals were being considered. The task team had noted calculations made by National Treasury, which demonstrated the average annual sales of fuel 21.5bn litres. On this figure, for every 1c per litre additional levy, R215m can be raised as shown in the table below.

Fuel Litres and Estimated Revenue	
Million Litres sold 21 500	
R million	Rand/ litre
215	0.01
2 150	0.10
2 365	0.11

2 580	0.12
2 795	0.13
3 010	0.14
3 225	0.15

For R3bn to be raised annually, an additional 14c levy would be required. This option was supported, as it would be easy and quick to implement through an amendment to the Regulations to the Customs and Excise Act.