

PUBLIC PRIVATE PARTNERSHIPS IN SOUTH AFRICA

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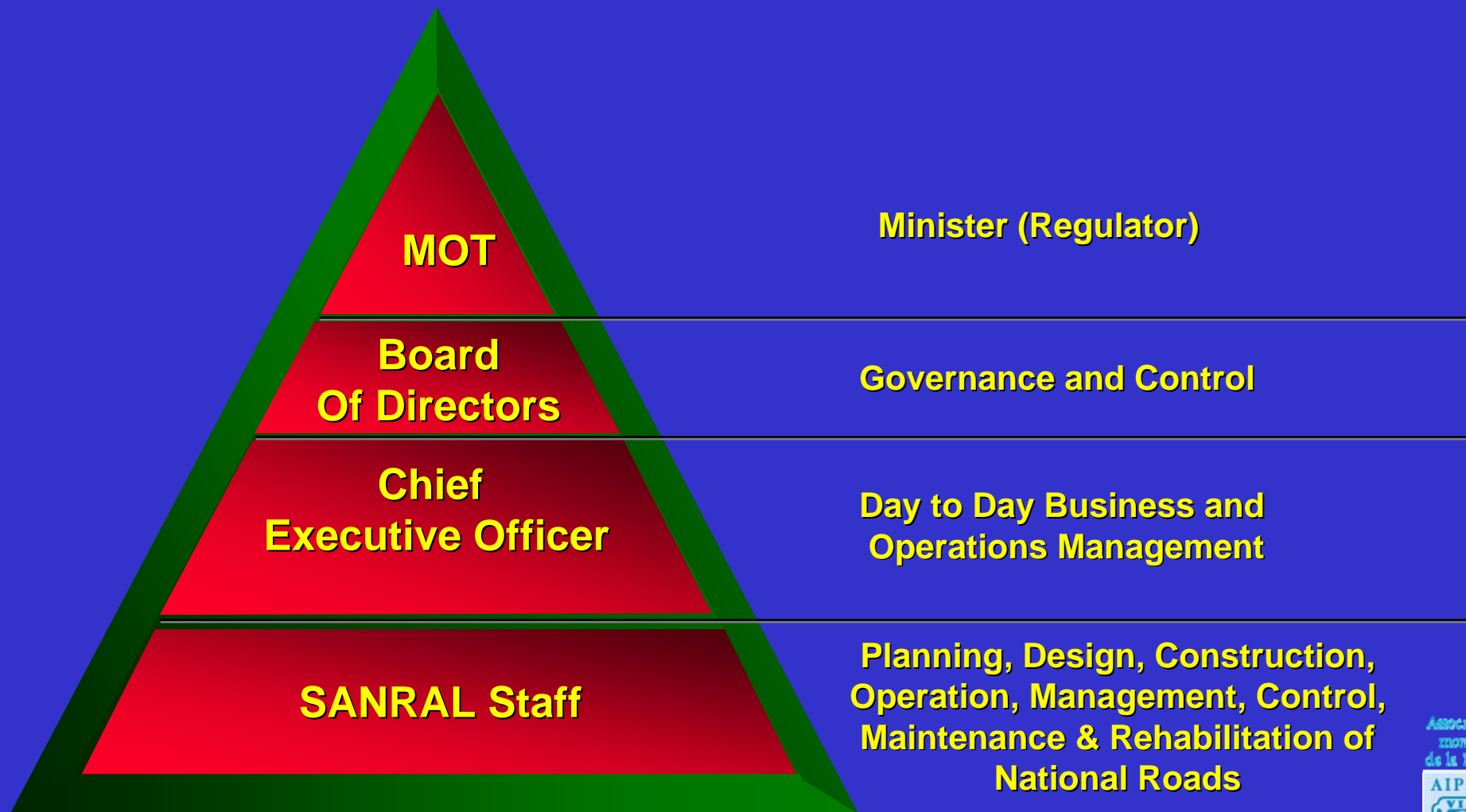


BACKGROUND: SOUTH AFRICAN NATIONAL ROADS AGENCY (SANRAL)

- Registered i.t.o. Company Act – non profit driven State Agency
- Minister of Transport (MOT) sole shareholder – also regulator
- Board of Directors – 1 executive member (CEO), 7 non executive members (including chairman) – appointed by MOT
- Committees
 - ALCO
 - Remco
 - Contracts Committee






SANRAL RELATIONSHIP TO MINISTER/NDOT



SANRAL MANDATE

- Develop and maintain the National Road Network of 17000km
- Incorporation of provincial roads – 20 000km strategic network
- Develop and maintain sustainable toll road network

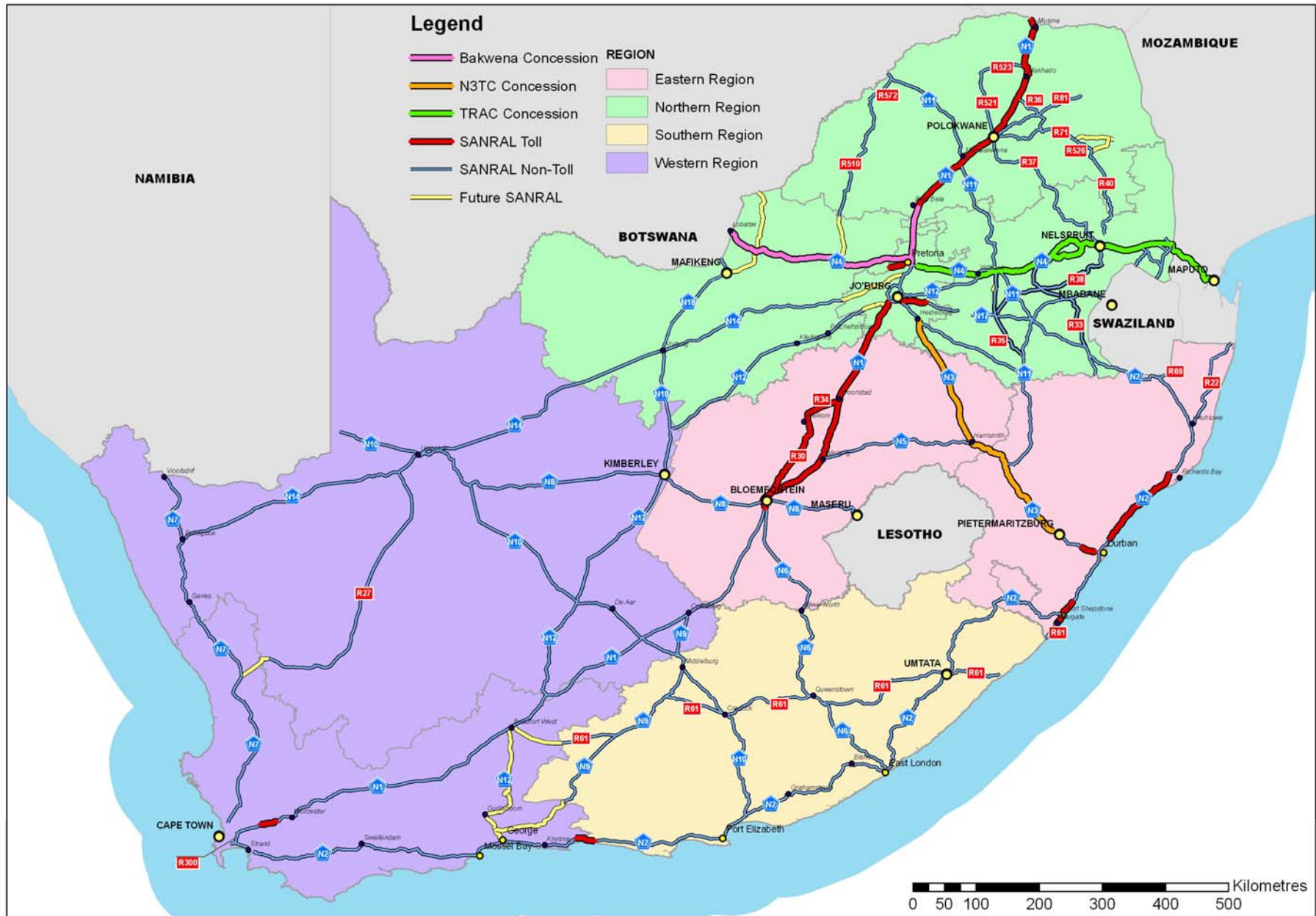
SOUTH AFRICAN ROAD NETWORK

Description		Total Length
Dual Carriageway		2 160
4-Lane Undivided		940
2-Lane Single		62 794
2-Lane Gravel/Dirt		521 978
Total Non-Urban Road Network		587 872
Urban Road Network (Est)		168 000
Total Road Network		755 872

NATIONAL ROAD NETWORK (km)

Description	Non Toll	State Toll	BOT	Total
4-Lane Undivided	11	299	240	550
2-Lane Single	12 772	691	605	14 068
Total	13 600	1 262	1 288	16 150
% of SANRAL Network	84%	8%	8%	

National Road Network



TRADITIONAL FUNDING SOURCES

- Fuel Levy (Historical)
- Treasury grants / allocations
- Loan funding repaid through user charge for
 - State toll roads (State guaranteed or onto SANRAL balance sheet)
 - PPPs

FUNDING METHODOLOGY

- Identify potential toll roads network
- Monitor extent of viability over time
- Consider criteria to develop as PPP or State toll road
- Benefits – release funds for broader non-toll application

REASON FOR EMBARKING ON PPP's (MID 90s)

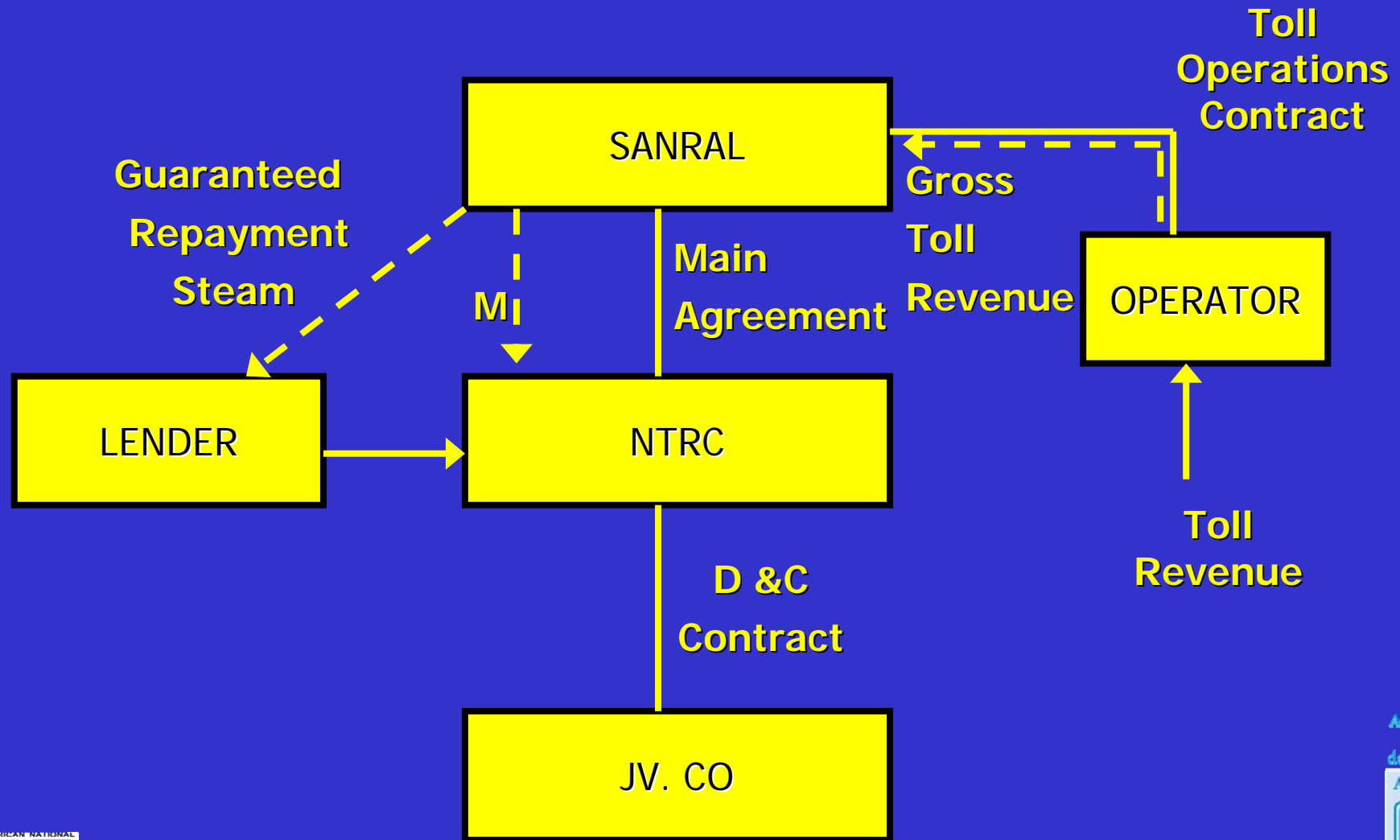
- High debt level and limit on State Guarantee
- Accelerate development and stimulate economy
 - Unlock economic potential of identified development corridors
 - Job creation and socio economic development
- Low government spending on large infrastructure
- Reliance of Government on Private Sector to take part in economic development – political support.

TYPES OF PPP's EMPLOYED (AND WHY?)

Lease back model (1997): design, build, fund and maintain of 123 km of N1 North

- Stepping stone
- Legislation: SANRAL assumes traffic risk and collect tolls
- SANRAL provide guaranteed revenue stream over extended period
- Tenderer to tender contract period to maintain and repay loans for initial construction period

PPP MODEL: N1 NORTH TOLL ROAD



TYPES OF PPP's EMPLOYED (AND WHY?) CONT ...

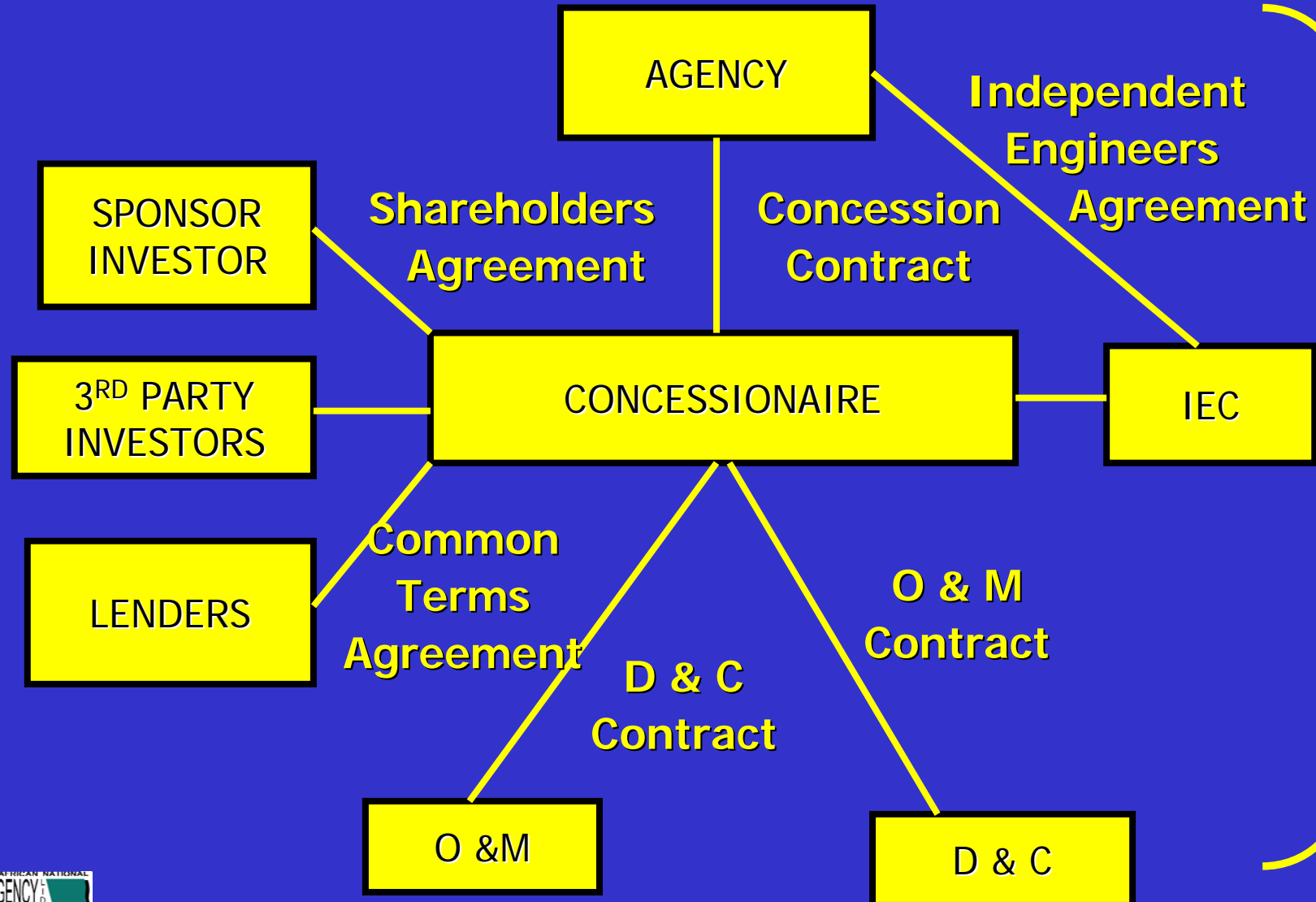
Three projects for the Design Construction, Financing, Operations and Maintenance (icw 1998 to 2004) i.e.

1. Maputo Development Corridor Toll Road (520km)
2. N4 Platinum Toll Road (380km)
3. N3 Toll Road (420km)

TYPES OF PPP'S EMPLOYED (AND WHY?) CONT ...

- Total initial capital outlay of \$1 billion USD
- Limited recourse financing 80:20 debt equity ratio
- Open tolling systems
- Specified hand back conditions
- Performance based functional specifications
- Risk / reward provisions
- Competing roads – economic equilibrium

PPP MODEL



SUCCESS FACTORS

- Achieve objective of off-Government balance sheet funding
- Ideal mechanism for investment acceleration – doubled investment on National Road over 6 years period.
- Performance specification – optimise value for money – efficiency gains
- Employers role by Private Sector enhances institutional capacity and rate of delivery

SUCCESS FACTORS (cont ...)

- In-house management capacity
- Developed financial institutions
- Political support
- Good track record improves risk profile- incentive to optimise benefits – refinance
- PPP's (together with State toll roads) established a road pricing norm

CONCERNS

- Inconsistent political views between different spheres of Government
- Regulatory approval processes are complex, time consuming and unpredictable.
- PPP procurement process is complex, time consuming and expensive.
- Short-term interests of sponsor shareholders adversely impact on long-term investment

CONCLUSION

- Benefits of PPP are different from State toll Authority point of view
- Alignment between political support and regulatory approval authorities is key to successful PPP procurement
- Standard procurement provisions will mitigate the complex procurement process

THANK YOU

