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The Editor
NOSEWEEK
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Dear Sir

The article in *NOSEWEEK* of 1 October 2016 headed "Environment department diverts Sanral bypass plan" refers and begs a response to set the record straight.

The article is deeply flawed in that it contains statements that can be termed hearsay, are untested, not factual and lack credibility. Journalistic integrity has been sacrificed for sensationalism and a narrow-minded objective to besmirch the South African National Roads Agency SOC Limited (SANRAL) at all costs.

In its relentless pursuit of bad news and chronic obsession with negative journalism, your publication has portrayed the South African National Roads Agency SOC Limited (SANRAL) as having scant regard for the environment. Nothing could be further from the truth.

Below are the erroneous statements by *NOSEWEEK* (in bold) followed by SANRAL's response.

SANRAL's rush to push through a plan to reroute the N3 highway between Johannesburg and Durban across De Beer's Pass, shaving just 14km off the existing route at a cost of nearly R10 billion, has met with resistance from an unexpected quarter, the Department of Environmental Affairs.

The N3 De Beer's Pass project has a long history and has undergone a very robust planning process. There has been no rush at all as evidenced by a second, very comprehensive Environmental Impact Assessment (EIA) undertaken by SANRAL over a five-year period. The road already had environmental authorisation from the Department of Environmental Affairs (DEA), issued in 1999. Had SANRAL been in a rush to push through the road, it would have commenced construction on the basis of that authorisation.

SANRAL would also like to point out that 14km shorter in distance when compared to the existing road with its twisting geometry results in significant travel time savings. The De Beers Pass will operate at highway speeds, unlike the existing Van Reenen where due to safety factors, heavy vehicles are restricted to crawling speeds. The De Beers Pass is in fact a gentler alignment with reduced gradients and curves, thereby not only reducing travel times, distance and safety, but also results in a saving of R6 billion over the analysis period for the road user. This is a saving for the economy of South Africa!

The independent Transport Economics Study calculates a 13% relative savings in travel time. Closures on the existing N3 are significant and the De Beers Pass is the most optimal solution in terms of efficiency, savings for the economy and value for money. The independent specialist studies corroborate this along with a technical study done as part of the EIA.

SANRAL has on numerous occasions stated that the estimated cost of the project is R5.2 billion and not R10 billion.

The project is not a reroute but an alternate road to address technical constraints, relieve traffic on the existing route, mitigate against closure of the road. The existing road would still remain and continue to be maintained to national road standards.

Cheerleaders for the proposed road rerouting implausibly suggest that the town will lose only a handful of jobs as a result of being bypassed. However, an economic impact assessment by Mike Schussler of Economists.co.za reckons Harrismith stands to lose annual business worth R890 million and more than 1600 jobs if the De Beers project goes ahead.

As part of the EIA, a suite of independent specialist economic studies were carried out. One of the studies, a Regional Economic Impact Assessment, looked at the impact on the affected towns. The impacts are far below those calculated by Mike Schussler. In fact the Schussler assessment was submitted as part of the comments by the Harrismith Business Forum.

The SANRAL studies were also independently reviewed. The Schussler critique is not a holistic impact study as it did not cover the aggregate benefits of the project, neither did it point to any flaws in the methodology used by the independent specialist. A full response to the Schussler report can be found in the Comments and Responses Report as part of the EIA suite of documents. The jobs created by the project is 26 669.

This also ignores other benefits of the project to the economy as below which is outlined in the Macro Economic Impact Assessment:

- Net Consumer Surplus (NPV) R4.31 billion
- Capital Formation R12.91bn
- Impact on GDP R4.415bn
- Job Creation 26 669 (Direct/Indirect and Induced)
- Increased Tax Revenue R1.537 bn per annum

Schussler makes reference to a 2011 Scoping Report which is not relevant to the EIR. Many key facts from the various studies that are part of the EIA along with the report have been disregarded. Schussler used extracts from the Scoping Report before the EIR and specialist studies were completed. Again Schussler has not considered the specialist studies which outline the economic benefits and impact of the De Beers Pass on the towns. This includes other projects which are aimed at organically growing the town of Harrismith.

The DEA estimates that the negative effects of the new highway will extend far beyond Harrismith – something that the environmental impact assessment (EIA) commissioned by SANRAL failed to address. The DEA says the highway will permanently destroy wetlands in an important Vaal River catchment area, negatively affecting critical water supplies to Gauteng.

The DEA has made no such claim, but has requested clarification of a number of issues which they have outlined in their letter to the independent Environmental Assessment Practitioner. That SANRAL has failed to address the impacts of the new highway on wetlands is also false. The EIA undertaken by SANRAL covers Harrismith and beyond in geographical extent, and includes three wetland studies and a Resource Economics study, which is a first for road EIAs in South Africa. It is also well known that the Vaal River system is under threat from the drought, unlawful irrigation practices and from different pollution sources, such as sewage from inadequate municipal waste water treatment works, industrial effluents, acid mine drainage and other activities taking place within the Vaal River System.

Equally controversial, if not more so, is the proposed Wild Coast toll road, which local community members argue will ruin a fragile eco-system and allow Australian mining group MRC to extract titanium sands from its pristine beaches, further despoiling the area.

A survey of communities along the proposed N2 Wild Coast between Port Edward and Port St Johns, was undertaken by the Human Sciences Research Commission (HSRC) in 2011 followed by a second that widened the scope to include other provinces. The results of both indicated an overwhelming support for the project and outlined the suite of benefits that would accrue. It more importantly enabled affected community members to not only outline their concerns but how the project would improve their lives.

The mining project and the proposed N2 Wild Coast are not related and mining licenses are granted by the Department of Minerals and Resources.

The N2 Wild Coast has environmental authorisation which outlines strict conditions under which construction is to proceed including very specific measures to manage the fragile ecosystem through which a portion of the road traverses.

With only 13 years left to run on the existing concession there is little time to waste for the N3TC. Especially now that the initial capital cost of building the N3 Route has likely

been fully paid off, so revenue (after deducting a small percentage for road maintenance, operational costs and payment to SANRAL) go pretty much to the bottom line. By some estimates revenue from the N3 route is R2bn to R4bn a year. To keep the party going, the concessionaires need the new bypass route. It will allow the N3 Toll Concession (N3TC) which manages the route and collects tolls between Cedara and Heidelberg, to get a fresh 30-year extension on the business and maybe even create a few tempting revolving door job opportunities for SANRAL suits once they exit the public sector.

The current program is for the De Beers Pass Works to be completed by 2022. This provides adequate time in the remaining years of the Concession to repay the loan, which is required for the De Beers Pass works.

The Concession contract makes no provision for any time extension and there is no plan to extend the concession beyond the original period.

The De Beers Pass was planned to commence when the level of service (LOS) along Van Reenen falls below a specific LOS. It was not planned to fund De Beers Pass from a Reserve Account, but to procure loans that would be serviced by toll revenue. The toll revenue is used to repay the loans, provide for ongoing construction, maintenance and operations in order to ensure that the road will operate at specific performance standards.

OUTA reckons that stretch of highway (GFIP) cost an average 321% more than similar roads worldwide

SANRAL held a press conference in March 2016 and requested OUTA to substantiate its claims of irregularities in the construction and management of the GFIP and to provide all information including detailed engineering reports, research and financial calculations on which allegations contained in a published report were based by Wednesday, 6 April 2016. To date OUTA has not provided this report. At the press conference, the shortcomings and flaws in the OUTA report were presented in detail.

It (OUTA) questions, for example, why the N3 Toll Road Concession Contract included a requirement for the De Beers Pass Route, if not as a means to extend the life of the 30 year concession. Why otherwise, it asks, should the concessionaire get the benefit of a route that is fully paid-up once the current contract expires in 2029?

The De Beers Pass works is a contractual obligation and anticipates that the alternate route and its funding obligations are contained within the concession period. There is no provision for an extension to the Concession Contract. In order to fulfil their mandate, SANRAL is required to be proactive in providing capacity and safety for the increase in traffic volumes on the national road network. The De Beers Pass Route was such a project where SANRAL had the foresight to plan ahead and include the route in the concession contract, in anticipation of increased traffic volumes on the transport lifeline between Durban and Johannesburg that have now come to reality.

Opponents argue that the route should be returned, as is, to SANRAL and that tolls should be scaled down to cover maintenance only, or be held at a modest level to fund other essential routes such as the Gauteng Freeway Improvement Project.

The user-pay principle is an ideal mechanism to fund roads of national importance. As traffic volumes increase, road authorities have to make timeous plans to increase capacity to ensure safe and non-congested facilities. This leads to economic growth. Toll income is, therefore, not only a means to fund maintenance, but for continual improvements to the network. Without expansion, the network would become congested and lead to an economic decline.

Mary-Jane Morris of Morris Environmental and Groundwater issued a warning in Noseweek last year: "The traffic will be temporary, but the ecological changes that will result from building the road are forever."

The comment by Ms Morris is really about ecological changes the significance of which has been detailed in the EIR. Ms Morris has submitted comments and a detailed response was prepared to deal with concerns raised.

The traffic demand will continuously increase and is not temporary. The additional corridor capacity will always provide a reduction in congestion and operating costs when compared to the do nothing scenario. By adding capacity through the De Beers Pass Route, the benefits will be on-going compared to the current scenario.

The N3 is still several years away from reaching the point where the De Beers Pass Route or any alternative route with more capacity would be required, says a transport study commissioned by the Harrismith Business Forum to side-check a Techworld Consulting Engineers report, which had recommended proceeding with the De Beers Pass Route.

They are correct in that the N3 is still several years away from reaching a point where more capacity is required. However, SANRAL needs to plan and provide infrastructure for the next 20 years now. It also takes several years to provide the capacity one way or another. Providing a road is not an instantaneous event at the point where you need it and requires planning. The time required to implement a project such as De Beers or any other alternative to improve the corridor capacity is five to 10 years.

However, it must be stated that the Techworld Report is a transport economics report that assesses the economic benefits of implementing the De Beers Pass project in terms of Road User Cost Savings, economic performance measures such as Internal Rate of Return, Benefit-Cost Ratio and Net Present Value. The project surpasses the threshold for all of these and outperforms the various options. The report is not a traffic analysis study. In fact there is a traffic trigger point calculated according to sound traffic engineering principles based on level of service which are utilised in the asset management process.

"The expected traffic growth at a rate of 5% per year from 2016 to 2043 for heavy vehicles travelling between Warden and Keeversfontein is contrary to experience, as

cycles in the national economy will surely result in periods of lower growth," according to the study.

Again one has to look at long-term traffic forecasts. Whilst the short-term forecasts can range from 0 to 8% per annum, with the current economic rate the current growth rates are at the lower end of the scale. However, over the long-term, the traffic growth rates have averaged in the region of 5% per annum. This is what is used for long term planning. Please note this is a traffic growth rate. A classic example is between 2007 and 2009 a similar occurrence occurred. However the growth from 2000 to 2016 over the long term remains in the region of 5%.

The congeniality between SANRAL, the tolling companies and the big construction companies who fixed prices and charged and charged more than three times the going rate for the Gauteng Freeway Improvement Project, is now the stuff of legend. In May, SANRAL announced it was claiming R760m from seven construction firms that had admitted colluding on tenders for various road projects – but this is a pittance compared with the R10.8bn over payment for the GFIP project that OUTA reckons went to the contractors.

The collusive practices by the construction companies are being dealt with through the relevant structure in Government, namely the Competition Commission. There has been a recent announcement (12 October 2016) of an agreement that has been reached between the South African government and the six construction companies. The agreement requires them to collectively contribute R1.5 billion to a fund for socio-economic development. This is over and above the R1.4 billion in penalties awarded by the Competition Tribunal in 2013.

As stated, SANRAL held a press conference disputing the cost calculations by OUTA and has requested information that substantiates their claims that there was an over payment of R10.8 billion. To date this has not been received by SANRAL. SANRAL has compiled a report outlining the shortcomings in the OUTA report and points to glaring errors which were done to either deliberately mislead the public or create sensationalism. The report by OUTA does not quote sources and neglects to name or detail the qualifications of those that have contributed to the report.

I trust the above sets the record straight in the interest of fair and truthful reporting.

Yours faithfully

Koos Smit, Mpati Makoa, Ron Harmse and Thabiso Malahleha - SANRAL