

## HOUSEHOLD SECTOR – LESSONS TO BE LEARNED FROM THE GAUTENG TOLL ROAD EXPERIMENT

A co-ordinated urban transport and infrastructure strategy is needed. Using the fuel levy for funding transport infrastructure appears more efficient, fairer, and would likely create less negative transport and property market distortions than E-Tolling.

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*It remains to be seen as to whether Government will achieve its aim of implementing its E-Tolling system on Gauteng's National Roads. However, whether or not the tolling goes ahead, the level of opposition towards the toll road system suggests that the "paying public" has limits to how much it is going to tolerate.*

*We may not quite have reached the limit yet, but in the seeming absence of a co-ordinated and well-publicised strategy for urban infrastructure funding, the key concern must surely be that the sharp increases in the various taxes and tariffs may not end any time soon. Municipal rates and utilities such as water are rising at rates well-above consumer price inflation, with many households in the dark as to how their home valuations have been done, Electricity tariffs continue to rise near to 25% per annum with another hike due shortly. Now it is the transport sector, and although it is only a few national roads in Gauteng being tolled at this stage, the public will be aware that other major cities will probably be next, and if successfully implemented why can't other government entities toll their roads too?*

***The property sector was built on low transport costs. A huge urban redesign is required for high transport costs:***

*The key problem with sharp increases, firstly in taxes and tariffs related to the home (assessment rates, water and electricity), and now urban private transport costs, is that SA's cities have been (rightly or wrongly) designed around low taxes, tariffs and private transport costs. We have a low density lifestyle, and our cities "sprawl". This does not create the environment for viable mass public transport.*

*One could argue that people commuting from Joburg's West or East Rand to major business nodes in the Northern regions must relocate to the North. Perhaps, but the North is generally the most expensive property region as it is. Many (though not all) live out east and west because property has been traditionally more affordable, and a relocation drive for those who can afford it will surely drive up Northern suburbs property values even more.*

*Over the decades, property design is changing, and densification is taking place, partly in response to rising costs of transport, which have until now come mainly in the form of congestion time costs. But this a very long slow process, as one cannot demolish, redesign and rebuild large parts of a city overnight.*

*Spare a thought for lower-paid professions such as teachers or nurses. Will it get to a stage where Northern Suburbs institutions' standards suffer because many of these professionals cannot afford to either live or commute to these parts? It is possible, and this is the extent of the possible implications.*

***A far more gradually phased in approach to taxes and tariffs is thus needed, to take into account the slow pace of costly adaptation required. Government learned of the looming electricity shortage in the 1990s, and around that time it was becoming clear that urban congestion was placing pressure on transport infrastructure. That was the time to begin to phase in the "user pays" principle in order to fund infrastructure. It didn't happen, but it doesn't mean that we can make up for lost time by ratcheting up the tariffs at lightning speed.***

***The principle of fairness also needs to be considered and applied:***

The planned toll road system would appear unfair, and this must have contributed to some of the anger. With personal income tax, a progressive system in which the rich pay a higher percentage has been in place for many years. Some of the more wealthy echelons of society may not like it, but at least it does attempt to tax all members of a certain income group fairly equally.

The planned Gauteng National Tolling plans only to charge heavily those Gauteng road users who happen to use a few specific roads in the region. For the rest of us, who are lucky enough not to have to use these roads on a daily basis, we only have to "pay once" for our roads via our normal taxes. This is regardless of the income of the road user (although admittedly the taxi user will be exempt).

It is understood why these tolls so far only apply to a few roads. It is because we have a system where different levels of government are responsible for different roads in the province, and at present it is only SANRAL (SA National Roads Agency Limited) which is on a fund raising drive.

However, the structure of government's entities is not the public's fault, and the current plan is perceived as somewhat unfair, purely based on which entity wants to raise funding at the present time.

***Fuel levy would appear far more fair and less likely to create negative distortions:***

One easy way to spread the burden for funding road upgrades is the fuel levy. A few cents per litre extra would hardly be noticed by motorists across the country, and would have been more than adequate.

Secondly, given that the fuel levy is already in place, and already said to be one of the easiest and cheapest to collect, the additional cost of collecting a few cents per litre for national road funding would surely be zero, far cheaper than the ongoing maintenance of toll road infrastructure, and the administrative staff and infrastructure to accompany it.

***It also needs to be understood that taxes and tariffs are more than just fund raisers. They change behaviour:***

But a far more compelling argument for using the fuel levy to fund transport infrastructure is that toll roads are likely to negatively change road user behavior. Arguably the main purpose of urban freeways was to alleviate congestion of through traffic on smaller urban and suburban roads, shifting it onto a freeway that bypasses unhindered through or around a city. By tolling these freeways, whilst the rest of the roads remain un-tolled, the plan is to displace much of the shorter haul commuter traffic back onto the smaller roads, thereby cause increased wear and tear on those roads and increased congestion.

This surely is not desirable. Rather, the plan should be to ***gradually*** increase the cost of all private vehicle transport in the city, so as to make public (and other environmentally friendly forms of urban transport such as bicycle and walking) transport more attractive. Simultaneously, the parallel leg of the plan should be to create a good public transport system.

All of this requires a co-ordinated urban transport strategy.

Tolls in the style of those in London, where most of the city is E-tolled in zones, and where one is charged when entering a zone, as I understand it, may well work. But again the toll infrastructure and administrative costs must surely be high.

So once again, using the fuel levy springs to mind. In this way government can raise the cost of all private road transport, with the fuel levy being a good proxy for road transport usage as well as transport pollution.. In addition, having one collection authority and one form of transport tax collection, the required co-ordinated urban transport strategy can be enhanced, with a co-ordinated formula for revenue sharing between not only the different road authorities but also between public transport entities requiring subsidies.

***CONCLUDING***

I am obviously simplifying the situation. Urban transport strategies require a lot more detail along with a phased in approach. SA cities were built around low private transport costs. This needs to change but the design of the cities requires a long time to adapt.

In addition, the public may be reaching the end of its tolerance with the continuous and seemingly un-coordinated additions to taxes and tariffs imposed on it. A co-ordinated government infrastructure strategy would hopefully provide more clear signals on how far government plans to take the proliferation of taxes and tariffs.

*Finally, a co-ordinated urban transport and infrastructure strategy, with co-ordinated tax/tariff collection, would more likely not only ensure that the right types of distortions emanating from transport-related taxes takes place, for instance a shift from private to public transport and NOT a shift merely of private transport from national roads to other urban roads. The planned tolling would not appear likely to achieve this.*

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