



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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MEDIA STATEMENT

CLARITY ON NEXT STEPS ON PHASE 1 OF THE GAUTENG FREEWAY IMPROVEMENT PROGRAMME

Following the 26 October 2022 Medium-Term Budget Policy Statement ("2022 MTBPS") announcement by the Minister of Finance on phase 1 of the Gauteng Freeway Improvement Project (GFIP), further clarification is provided by the National Treasury how government will take over the existing debt and associated obligations of SANRAL. These obligations will be shared between national and provincial government. SANRAL's total debt as at 31 March 2022 was R45.936 billion. GFIP phase 1 was funded as part of the Toll Portfolio and not as a ringfenced project, the value of debt attributed to GFIP Phase 1 is R43.031 billion.

The Gauteng Provincial Government's commitments to this will be to national government, as follows:

- 30 per cent of the debt and interest obligations of GFIP phase 1
- Paying for the maintenance costs of the GFIP phase 1 network

The amount announced by the Minister represents a majority of the national government obligation, and will ensure that SANRAL remains a going concern in the medium-term. National government will make arrangements for the rest of the funds related to its share of the debt obligation at the appropriate time, in line with the conditions and obligations related to the process, and in a manner that does not negatively affect the overall fiscal trajectory as outlined in the 2022 MTBPS.

The implementation modalities of the province's commitments will be set out in an agreement between national government and the provincial government, and the provincial obligations will be to the National Revenue Fund. The agreement is also expected to set out how the province will pay for these commitments. One of the conditions of the R23.7 billion proposed in the Special Appropriation Bill is that these modalities must be concluded by 31 December 2022. Decisions expected by the province will also include the treatment of legacy matters such as revenue collected from users who have been paying their toll fees and/or those who have not paid.

Gauteng Provincial Government must finalise a long-term revenue solution that makes funding available for the maintenance of the road network, with SANRAL continuing to execute the maintenance thereof.

The option to utilise the existing toll mechanism remains open and would result in the toll network proclamation remaining in place. If the province's provision for maintenance of the network is

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financed through other revenue streams within its area of responsibility, the processes on undeclaring the toll network, in terms of section 27 (1) of the South African National Roads Agency Limited and National Roads Act (Act 7 of 1998) will need to be undertaken. This notwithstanding, all necessary statutory and regulatory processes that must take place to give effect to the Minister of Finance's announcement are underway including consultation with relevant stakeholders. Until a notice in the Government Gazette is issued, SANRAL has a statutory obligation to collect any toll fees due to them.

The functional assignment of roads, in terms of the Road Infrastructure Strategic Framework for South Africa remains in place. As a result, the 201 kilometres of the national roads on the GFIP network will remain as national roads and can only be reassigned to other spheres of government by notice in a Government Gazette, with the concurrence of SANRAL debt holders.

National government affirms that direct road user charges are the most effective, equitable and efficient way to finance road infrastructure. It is also a mechanism to manage transport demand, impacting on modal choice and spatial inequality.

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