

South Africa: ANC provincial premier renounces electronic-tolling populism

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Having reached the limits of his populist pretenses, Gauteng province Premier David Makhura of the African National Congress has called on motorists to pay the widely hated electronic tolls introduced on the province's roads in December 2013.

Gauteng has the smallest land area and the largest population of any province of South Africa, with more than 12 million people, and includes both the country's largest city, Johannesburg, and the national capital, Pretoria.

In comments later denied by his office, the *Saturday Citizen* quoted Makhura as saying, "We have to respect the government's decision for it has the upper hand. If I was to advise anyone in Gauteng, I would say, 'Please continue to pay.'"

He was speaking at a meeting on February 6 to discuss the recommendations of a panel set up last year to review the socioeconomic impact of e-tolls. Makhura himself appointed the panel amid a faction fight which pitted a group of Gauteng ANC leaders including Makhura and ANC Provincial Chairman Paul Mashatile against members of the party's national leadership, particularly Transport Minister Dipuo Peters. (See: "South Africa: ANC and unions exploit popular anger over electronic toll collections")

ANC top brass are seen as unsympathetic to the 10-percentage-point drop suffered by the party in Gauteng provincial assembly representation in elections last May. With metropolitan elections looming in 2016, Gauteng party leaders felt compelled to adopt a populist posture. They denounced e-tolling "in its current form" in an attempt to deflect widespread disgust with ruling party arrogance and corruption, including more than US\$20 million unlawfully spent on "security upgrades" at the private country home of President Jacob Zuma.

The February 6 meeting discussed recommendations from the review panel which included a hybrid funding model. This would rely in part on increasing fees for tyres and vehicle license fees, funding from provincial taxation as well as reduced-cap e-tolls. Makhura said all that is still to be decided is how the e-tolls will be paid, the tariff rates and who will be exempted.

Last November SANRAL, an agency of the national government tasked with implementing and overseeing the e-toll system, raised only R415 million (US\$35.96 million) in a bond auction, or R100 million less than it was hoping for. At a bond auction on February 4, SANRAL raised just two thirds of the R600 million it was targeting. This is roughly the monthly amount the agency needs for debt servicing, road maintenance, operating costs and the refinancing and repayment of maturing bonds. *Business Day* editorialised that the turf war between the Gauteng ANC and ANC national leaders "has now become a critical operational issue [for SANRAL] that is a matter of weeks away from developing into a full-blown crisis." The newspaper observed that the lukewarm response to the latest two bond auctions is despite SANRAL debt being guaranteed by the Treasury.

As far as international financiers are concerned, the problem is that the Treasury also guarantees such ill-managed or unprofitable entities as the power utility ESKOM, the Land Bank, South African Airways and the South African Post Office. Every time the national government issues a guarantee allowing some state-owned entity to borrow funds needed to stagger on, the international credit rating agencies record the amount as a minus on the South African sovereign balance sheet, thereby potentially lowering the credit rating of the country as a whole.

Having imposed rolling blackouts on the country

throughout the first week of February, ESKOM raised US\$1.25 billion in its first international bond sale in nearly two years. Since then Moody's and Standard & Poor's have downgraded the company's credit rating amid a R225 billion funding shortfall in the five years to March 2018. Finance Minister Nhlanhla Nene is expected to give details in his budget speech later this month of how the government intends to raise the R20 billion it has pledged to ESKOM.

The utility is increasing charges to consumers to help plug the gap, beginning with a 12.69 percent increase in April. Nomura economist Peter Attard Montalto said annual tariff increases of as much as 25 percent may be necessary to keep ESKOM viable.

This is the backdrop against which Makhura's comments should be read. Given a choice between meeting the needs of Gauteng's people and pandering to the greed of international finance, Makhura will toe the line and choose financiers.

The ANC has no perspective independent of the demands of finance capital. As expected of it, it now seeks to strong-arm Gauteng road users into meeting the demands of ruthless bondholders who are already cutting SANRAL off from funding because public opposition to e-tolls threatens their bond income.

Only three bidders participated in the last SANRAL auction. The agency has lost six bidders since the Gauteng government set up the e-toll review panel in June. SANRAL chief financial officer Inge Mulder said the lack of liquidity in the market as a result of the collapse of mass-market lender African Bank—forcing a rescue underwritten by the central bank—had also contributed to higher bond spreads for most state-owned companies.

SANRAL has the equivalent of US\$350 million of bonds maturing by September.



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