Fixing The National Infrastructure

NEWSPAPERS recently reported that passengers on the luxury liner QE II had to disembark in Cape Town via an old warehouse – because the infrastructure to accommodate them does not exist.

A country failing to invest in infrastructure is like a homeowner who spends no money on his house or garden. Before long the property looks neglected and in time everything falls apart.

The public perception is that SA is spending less on infrastructure now than in 1994 – money is being wasted, stolen and siphoned off by corruption. Mayors are paying themselves too much. (Can reports be true that Peter Marais is paying a church minister R500 an hour for counselling and prayers?)

In 1994 the general government sector – that includes the lot, central government departments, provinces, local authorities and public corporations – spent 2.3% of GDP on capital programmes. And in 2000 this sector's public expenditure was … 2.3% of GDP!

Obviously capital expenditure has not been reduced.

What did happen, was a shift in priorities. According to the latest *Intergovernmental Fiscal Review*, capital spending by local authorities is going mostly towards electricity and water projects. Nobody can really argue with that, even though we may find the potholes and the broken streetlights irritating.

Such maintenance problems show that 2.3% of GDP is not enough; SA has to increase capital spending. What are the prospects for that happening?

Minister of Finance Trevor Manuel has increased capital expenditure in the 2001/02 fiscal year by 46%. Now the problem is that some of this money may not be used in the current fiscal year. First too little money and now too much!

Manuel's recently announced medium-term expenditure plans provide for a further 50% increase in capital expenditure over the next three years. Over a four-year period, therefore, an increase of some 120%.

Portnet, Spoornet and several other state corporations have also announced increases in their capital budgets.

Over many years, very little money was spent on station buildings and new trains. Our harbours are hopelessly inefficient. But funds are now being set aside for improvements to this infrastructure and hopefully QE II passengers will in future be able to disembark in better conditions!

The drought in SA capital expenditure did not start after 1994; it goes back to the Eighties, when the ANC was still banned, Nelson Mandela was in prison and PW Botha appeared to be unstoppable.

Take, for example, roads. Until 1988 we paid 8c per litre of petrol and 10c per litre of diesel into a fund that was used to maintain the country's roads. The Botha government suspended this system in April 1988, partly to pay for Mossgas.

Of course, the predictable happened. Expenditure on road maintenance declined steadily over the next decade and by 1998 it was R11 billion less than it would have been, had the pre-1988 system been continued. The condition of many of our public roads bears witness to this.

On 1 April 1998, exactly ten years after the levy payments to the road fund was scrapped, the National Roads Agency (NRA) was launched with a mandate to look after the country's roads. According to NRA calculations, they need about R1.2 billion a year to do their job. Last year they got R701 million from Manuel's budget, this year it is just more than R1 billion and R1.3 billion has been earmarked for 2003.

At last the drought of the Eighties is being broken.

But the fact remains, our capital expenditure is still insufficient. Neither do we have the capacity to do it efficiently. But we have turned the corner. Now we should simply persevere, and Manuel's medium-term expenditure plans show the necessary political and administrative will to do so.

However, local governments have in the main not yet followed the example set at central and provincial levels.

Johannesburg, where a silent revolution took place in 2000, is an exception. Some 15'000 of the council's 29'000 employees have been transferred from the municipal wage bill to new employers, who are providing municipal services on a contract basis.

Initial results are encouraging. Council's deficit has been reduced from R314 million to zero and a positive bank balance has replaced the R400 million overdraft. At the same time, capital expenditure was increased from R309 million in 1998/99 to R821 million in 2000/01 –165% in two years. And the difference can be seen: road markings are being repainted, broken traffic lights are replaced … not enough, but a start.

The deterioration we have had since the Eighties has been reversed. After a decade or so of continued improvement, we may be surprised at the good condition of South Africa's house and garden.

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