

E-tolling – the winners and losers

The e-toll saga must rank as one of the more significant political developments so far in 2012. Implementation of a firm government decision, reconfirmed several times by senior cabinet ministers, has been stopped. Democracy, social capital and open society forces are the winners. Economics and infrastructure development could be the losers. It is also not over yet, more winner and losers may emerge.

The winners

The saga reminded me of the time when the TAC (Treatment Action Campaign) and others forced the SA government to do a U-turn and provide anti-retrovirals for HIV/Aids patients. Civil society groups, individuals, political parties and others came together, used the space that democracy and an open society provide and changed the status quo. Peaceful protest marches, fiery speeches, court actions, leadership, aggressive media campaigns ... democracy and citizens' power in full force. **Democracy** was a clear winner.

Traditional adversaries like the DA and Cosatu were on the same side. Upper, middle and low income classes were united in their indignation. As Cosatu leader Zwelenzima Vavi tweeted, it shows what can be done if citizens stand united and reach out beyond their normal differences. Middle and upper class people who really hate Vavi and Cosatu's guts now stand in admiration of them. Bit by little bit **social capital** is being built.

All of this underlines the power and reality of an **open society** in SA. It was open society forces that curtailed government's power. It also created an outlet for citizens to vent their frustration, anger and opposition in a peaceful and constructive manner. No need for an Arab Spring. It confirmed that despite all the fears of some people that SA is losing its democratic space, the opposite is actually true.

In summary, South Africans care about their freedom. The sponsors of the Secrecy Bill should take note.

Given that SA is embarking on a massive public infrastructure drive having these winners are important benefits to have. We have to live with the consequences of mega projects for generations to come, so it is important to get them right. Also, the scope for shenanigans in big infrastructure projects is enormous. Having a watchful eye of the citizenry watching over all these decisions can only help for better decision making and curbing shenanery.

The much vaunted petrol tax

Just as the truth is a first victim of war, information is a first victim of intense activism. There is a severe misconception around petrol taxes. People argue that they already pay a petrol tax for roads. The levy that used to be part of the petrol price and allocated for road works was abolished in 1988 – 24 years ago! The levy was abolished, but of course not the petrol tax itself. There is a petrol tax but no such thing as a dedicated road levy.

The petrol tax has gone up over the years. Successive ministers of finance have used it as a mechanism to raise funds. It helped SA to maintain a healthy balance between direct taxes

(personal and company taxes) and indirect taxes (petrol, VAT, excise taxes). Without the increased petrol contribution, personal and company taxes would certainly have been higher.

For the last few years the petrol taxes also make a contribution to local government – a portion of the price one pays at the pump, goes directly to the country's ten metros. Taxis charging up and down may very well contribute more to your local metro than thousands of home owners who live in modest properties.

Alternatives

The simple reality is that the superb new roads of Gauteng must be paid for. If it cannot come from a non-existent petrol levy for roads, and consumers refuse to pay, who then must pay? The view from e-toll opponents that they do not object to the new roads, only to paying for them, is not very useful. There are only three or four sources:

- Impose a fuel levy dedicated to the Gauteng roads. It can be either a national or provincial levy. Apparently a levy of around 9c/10c per litre nationally will do the trick. The levy will be much higher of course if it is levied in the Gauteng province only. (Question: why should other provinces pay for what is essentially a Gauteng benefit?).
- Raise income and/or company tax. A simple surcharge on tax payable will be administratively easy and could presumably be kept low. (Question: why should people/companies who never use the Gauteng roads pay for it?).
- Raise VAT fractionally. (If e-tolls could not make it past political opposition, how on earth would a VAT increase make it?).
- Let the fiscus pay for it all. (Question: which budgets must then be cut to release money for this?).
- (There is also the very legitimate suggestion that corruption should be stopped and the money so saved used for the Gauteng roads. It is a well-intentioned suggestion but rather impractical ... good to vent anger, not really helping to solve the problem.)

The least desirable alternative is that infrastructure development is scaled down and existing budgets are first used to pay off the Gauteng roads. The country's national road system has been repaired and rebuilt impressively over the last few years – yes, SANRAL did a VERY good job on that score – and even some provincial roads are beginning to improve. It would be an absolute tragedy if that process is interrupted or scaled down.

The losers

The above paragraph also highlights the losers in the process so far.

The first is the sound economic principle that the user pays for what is used. We pay for water, electricity, airports, national roads – why not urban roads too? But it does not look as if that principle is getting much traction.

The second possible loser is infrastructure development. This issue is critically linked to finding alternative ways to fund infrastructure. Resolving it is imperative otherwise infrastructure development will suffer.

The biggest loser of all is **political process**. The case for E-tolling has not been made to the public, particularly the cost of collection. That is a political failure. It is the function of politics to listen to people, but also to guide them... it is an iterative process. It simply did not happen here. Mr Zuma, his minister of Transport and the deputy have all been missing in action. In fact, the deputy minister has on occasion even undermined action! Absolutely astonishing. Government is a clear loser from this failure of politics.

So What?

Dep-pres Kgalema Mothlanthe is chairing a special cabinet committee that will deal with the E-toll issue. Will, in quintessential South African fashion, a compromise emerge that can leave everybody with a bit of win-win? Mr Mothlanthe can either make name for himself as a consensus builder that defused a nasty situation or he can end up holding a poisoned chalice – both ways it may even have an influence in Mangaung. Watch this space, the show is not over yet.