South Africa's State and Business Governance of Public Private Partnerships for Provision of Services and Infrastructure: A Case of Gauteng E-Tolls

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Abstract: The aim of the paper is to demonstrate that whilst the intersection of governance of the state and business in Public Private Partnerships (PPP) is meant to deliver efficient and reliable public services and infrastructure, it also conveniently serves the selfish interests of the two parties. Typically, a PPP involves parallel fragmentary existence of monostatic and adaptive governance, wherein the former serves state interests while the latter fulfils business commercial motives. In the process of the monostatic governance serving bureaucratic interests of the state and the adaptive allowing for unfettered financial and commercial transactions, society's social good remain circumvented. The paper uses Gauteng freeway e-tolls to demonstrate that notwithstanding the apparent societal resistance of the system, as evidence through the ballot-box reaction against the African National Congress (ANC) during the 2016 municipal elections, the state and business have stood firm in their collusion to sustain the initial intension. Hence, the recent assessment of impact which has provided evidence of the deleterious effects did little to sway the original decision of e-tolling. Therefore, the paper concludes that the state's insistence on e-tolling and bureaucratic repression of societal interests is a function of the imperatives to service business' financial and commercial gates at the expense of tax paying public.

Keywords: Business, Gauteng freeway e-tolling, Governance, Public Private Partnerships, State

1. Introduction

Public Private Partnerships (PPPs) have traditionally been adopted as an international strategy meant to fast track service delivery and the provision of infrastructure (Brinkerhoff & Brinkerhoff, 2011; Glasbergen, 2012; Leviäkangas, Nokkala, & Talvitie, 2015; van den Hurk & Verhoest, 2015; Mukhopadhyay, 2016; Bjärstig & Sandström, 2017; Regan, Smith & Love, 2017). These PPPs are considered as an effective strategy for the construction and maintenance public infrastructure and provision of services through which business finances the delivery projects and therefore, bears a greater risk (Bjärstig & Sandström, 2017, Regan et al., 2017). Internationally, PPPs are mostly used for efficient and effective governance purposes between the state and business as well as for ensuring sustainability of projects (van den Hurk & Verhoest, 2015; Mukhopadhyay, 2016; Bjärstig & Sandström, 2017). That is, PPPs are regarded as an effective tool that could be used to enhance sustainable service delivery through mutual partnerships between the state and business. The role of the two parties in the partnership becomes crucial in the governance processes of public goods and service delivery projects. Moreover, the governance of PPPs involves long-term investments and efforts from both the state and business through contractual agreements (Glasbergen, 2012; van den Hurk & Verhoest, 2015; Mukhopadhyay, 2016).

The governance of PPPs mostly involves the use of both public and private institutions and structures of authority through a collaboration which focuses on the allocation of resources as well as coordination and control of activities in society or the economy (Leviäkangas et al., 2015). Through PPPs, the state hopes to reduce high costs, improve efficiency and effectiveness as well as enhance customer orientation in public service delivery and infrastructure (Mukhopadhyay, 2016; Bjärstig & Sandström, 2017; Leviäkangas et al., 2015; Regan et al., 2017). Different ways and arrangements are adopted as measures to lower the costs associated with administration, management, provision of access and supply of various public services and infrastructure. Thus, governance is regarded as the common denominator for the achievement of these development actions (van den Hurk & Verhoest, 2015; Mukhopadhyay, 2016; Bjärstig & Sandström, 2017). PPPs are a new governance tool that replaced the traditional method of contracting for public services through competitive tendering processes.
(Glasbergen, 2012; van den Hurk & Verhoest, 2015). However, South Africa’s PPPs seem to be used as a strategy wherein the state and business’ collusion of governance is a way to fulfill their selfish interests by using the tax payers’ money in the name of provision of public services and infrastructure. Theoretically through desktop review, this paper demonstrates that whilst the intersection of governance of the state and business in Public Private Partnerships (PPP) is meant to deliver efficient and reliable public services and infrastructure, it also conveniently serves the selfish interests of the two parties. The paper uses the Gauteng e-tolling system as a case to make the demonstration. Given this background, the paper is therefore, presented in five sections inclusive of this introduction and the conclusion. The second section discusses the categories as well as the characteristics of PPPs for service delivery and infrastructure. In the third section, governance of PPPs in the 21st century is discussed. The fourth section focuses on the Gauteng e-toll system and the implications of South Africa’s 2016 local elections results specifically in Gauteng Province. The paper then concludes that the state and business’ collusion of governance in some of the PPPs is a strategy to fulfil their selfish interests through the tax payers’ money in the name of addressing societal needs.

2. Categories and Characteristics of Public-Private Partnerships for Public Services and Infrastructure

Universally, PPPs are considered as common development tools that are accepted for governing service and infrastructure delivery projects in both first and third worlds (Leviäkangas et al., 2015; van den Hurk & Verhoest, 2015; Mukhopadhyay, 2016; Bjärstig & Sandström, 2017; Regan et al., 2017). Seemingly, PPPs are an appropriate strategy essential for service delivery which is characterised by efficiency, legitimacy, accountability and sustainability (Mukhopadhyay, 2016; Bjärstig & Sandström, 2017). PPP as a concept, does not have a uniform definition however, common features are shared among different definitions (Bjärstig & Sandström, 2017). Bjärstig & Sandström (2017:58) defined PPPs as “collaborative arrangements in which actors from two or more spheres of society (state, market and/or civil) are involved in a non-hierarchical process, and through which these actors strive for a sustainability goal”. Whereas Koppenjan (2005:137 cited in Brinkerhoff & Brinkerhoff, 2011) defines a PPP as “a form of structured cooperation between public and private partners in the planning/construction and/or exploitation of infrastructural facilities in which they share or reallocate risks, costs, benefits, resources and responsibilities”.

Based on the definitions, there are common features that are used to define the concept of PPPs. The first feature entail an arranged and agreed collaboration between the state and business although the range of partners may vary based on different partnerships (Glasbergen, 2012; van den Hurk & Verhoest, 2015; Mukhopadhyay, 2016; Bjärstig & Sandström, 2017). Secondly, there must be a formalized long-term partnership and/or at minimum, a mutual collaboration so to execute the set commitments through which the partners’ contributions complement each other to enable them to effectively achieve their goals rather than on their own (Bjärstig & Sandström, 2017; Regan et al., 2017). Thirdly, the partners must share resources, risks and benefits, that is, shared ownership and sharing of responsibilities equally is important (Brinkerhoff & Brinkerhoff, 2011; Glasbergen, 2012; van den Hurk & Verhoest, 2015; Bjärstig & Sandström, 2017). Lastly, the aim of the PPPs is to provide the society with public services and/or infrastructure (van den Hurk & Verhoest, 2015; Bjärstig & Sandström, 2017). PPPs are therefore, considered as formally arranged partnerships for a specific timeframe between the state and business which are based on a defined set of rules and norms as well as shared resources, responsibility and benefits for enhancement of efficient and sustainable public service and/or assets delivery.

The adoption and usage of PPPs can be experienced in many policy fields inclusive of education, energy, environment, healthcare, infrastructure as well as rural and urban development, among others (van den Hurk & Verhoest, 2015; Bjärstig & Sandström, 2017). Additionally, the same partnerships could be implemented within a variety of contexts such as global, national, regional, provincial as well as local levels for service delivery purposes (van den Hurk & Verhoest, 2015; Bjärstig & Sandström, 2017). PPPs can also take different forms and serve a variety of purposes inclusive of “serving a regulative function, playing a methodological, supportive and supervisory role as well as functioning as a knowledge and communication platforms” (Bjärstig & Sandström, 2017:59). In some cases, PPPs are described as “an institutional arrangement for financial cooperation,
a development strategy, a tool for solving problems, conflicts and providing community amenities, an arrangement for crisis management and knowledge transfer, or a way to modernize the public sector” (Bjärstig & Sandström, 2017:59). Partnerships between the state and business can be categorized as either market, social or policy oriented (Glasbergen, 2012; Bjärstig & Sandström, 2017). Market oriented PPPs mainly focus on strengthening markets and bolstering institutional effectiveness while social partnerships focuses on providing a voice to mostly unrecognized groups (Glasbergen, 2012; Bjärstig & Sandström, 2017). The role of policy PPPs is to set the agenda and policy development and therefore, service and infrastructure delivery projects locate themselves across the three different types of PPPs (Glasbergen, 2012; Bjärstig & Sandström, 2017).


PPPs are regarded as alternative modalities of achieving good governance that is a result of the collaboration between the state and business (Advent, Finnemore & Sell, 2010; Mukhopadhyay, 2016). Practically, most PPPs still struggle to achieve the aspired societal benefits due to a number of factors such as poor implementation, skewed incentives, lack of capacity and skills as well as inability to adhere to the focus and goal of the partnership. The most contributing factor to the failure is the type of authority that the members of the partnership have access to and can also mobilize which include among others the institutional, delegated, expert, principled and capacity bases (Advent et al., 2010; Brinkerhoff & Brinkerhoff, 2011). Most often, PPPs operates with delegated responsibilities whereby authority is on loan basis from certain institutions and/or authoritative actors that could represent both the state and business (Advent et al., 2010; Brinkerhoff & Brinkerhoff, 2011). Delegated authority can be supplemented with expert and capacity based authority in order to be able to achieve the aspired societal goals of the PPPs. Simultaneously, they might integrate principle based authority to endorse, distribute and support certain governance norms and principles (Advent et al., 2010; Brinkerhoff & Brinkerhoff, 2011). However, this kind of authority may be more beneficial for institutions which share common societal goals as compared to the state and business’ current partnerships that have stood firm in their collusion to sustain the initial non-societal intension. This authority framework implies that PPP partners can influence their delegated, expert and capacity authority to promote governance norms and principles while the principle based authority support like-minded partners and stakeholders (Advent et al., 2010; Brinkerhoff & Brinkerhoff, 2011). Although several norms such as accountability, equity, social inclusion and empowerment are supposed to be rationale for many PPPs, the majority of the partnerships serve selfish interests of the state and business.

Generally, there are three models of governance that deal with institutional processes and rules for authority and decision making between the state and business, namely: the monocentric, multilevel and adaptive models (Termeur et al., 2010; Kok & Veldkamp, 2011; Pereira & Ruysenaar, 2012). Monocentric governance model comprises of a state...
that is at the centre of political power and authority thereby exercising control over the society, economy and relevant resources (Kok & Veldkamp, 2011; Pereira & Ruysenaar, 2012). Whereas, multilevel governance model emphasises that policy and administration starts internationally then infiltrate down to and between different policy and administrative levels which include the national, regional/provincial and local levels. This model holds that the distribution of governance to different levels is more efficient and effective as compared to monocentric governance (Termeer et al., 2010; Pereira & Ruysenaar, 2012). The adaptive governance model involves "a systematic process for improving management policies and practices by learning from the outcomes of management strategies that have already been implemented" (Pahl-Wostl et al., 2007:4, cited in Termeer et al., 2010). This model assumes that the world is characterised by continuous and unexpected changes that could mostly result in unpredictable consequences (Termeer et al., 2010; Pereira & Ruysenaar, 2012). Therefore, this model accepts challenges associated with uncertainty by preparing for continuous and unexpected changes through adaptive capacity to deal with the consequences related to the implementation of societal development plans (Kok & Veldkamp, 2011; Pereira & Ruysenaar, 2012). Apparently, the governance of South Africa's PPPs requires such unlimited flexibility to maximise social net gains as required generally for societal development.

The governance of PPPs should be characterised as "participatory, transparent ... accountable ... effective and equitable ... promotes the rule of law ... ensure that political, social and economic priorities are based on broad consensus in society and that the voices of the poorest and the most vulnerable are heard in decision-making over the allocation of development resources" (UNDP, 1997:12, cited in Pereira & Ruysenaar, 2012). This type of governance approach is mainly concerned with institutions and processes through which the society pronounces their needs and exercise their legal rights for the management of the country's affairs at all levels (Termeer et al., 2010; Kok & Veldkamp, 2011; Pereira & Ruysenaar, 2012). The aim is to ensure that the political systems provide development opportunities for the whole society by means of proper governance of PPPs. However, South Africa's state and business seem to use the flexibility of the adaptive model to fulfil their selfish interests which compromise the satisfaction of societal needs and further ignores their human rights. The governance of this partnership focuses more on serving bureaucratic interests of the state and allowing business's unfettered financial and commercial transactions while society's social good remain circumvented. The Gauteng freeway e-tolls demonstrates that notwithstanding the apparent societal resistance of the system, as evidence through the ballot-box reaction against the African National Congress (ANC) during the 2016 municipal elections, the state and business have stood firm in their collusion to sustain their initial intension. The next section focuses on the Gauteng freeway e-tolls and its effects on the 2016 local government elections.

4. The Gauteng Freeway E-Tolls and 2016 Local Government Elections

South Africa’s PPPs are regulated under the Public Finance Management Act (PFMA) 1 of 1999 which was adopted five years after the dawn of the democratic dispensation (National Treasury, 2007). It is in this PFMA that a clear and transparent framework for the state and its business partners’ mutually beneficial commercial transaction which should mainly be for public good is outlined. PPPs leverage business capital to fund infrastructure, services and transfer of scarce skills between the parties, by sharing risk between the partners, delivering budgetary certainty and guarantee of expected quality gained from the collaboration (National Treasury, 2007; Fombad, 2014; Solana, 2014). South Africa’s PPPs have a number of characteristics which include: a clearly defined project; contractual relationship with a life span of 5 to 30 years; business being involved in all stages of the project; funding that sometimes combine state and business funds, payments arrangements that are output-based; and, adequately maintained fixed and operational assets over the project’s lifetime (National Treasury, 2007; Fombad, 2014; Solana, 2014). The country’s PPPs are however, not a strategy of outsourcing functions, a donation by business for public good and privatization of state assets and liabilities (National Treasury, 2007) but must provide accessible and affordable public infrastructure and services to the society.

In South Africa, the Gauteng Province distance-based e-tolling system driven by South African National Road Agency Limited (SANRAL) in partnership with the state’s Department of Transport, was officially activated in December 2013. This system is adopted
as a strategy to collect money from road users in order for the state to be able to repay the loan that was taken to develop Gauteng Province freeways which were mostly developed in preparation for the 2010 Federation of International Football Association (FIFA) World Cup (Advisory Panel, 2014; Ramoroka, 2014). The collected fees are also used for continuous improvement and maintenance of the roads for sustainability and efficiency of the infrastructure. Beneficially, the system reduced high costs of building manual toll plazas and paying for the human resources involved in their operations (Noordegraaf, Annema & van Wee, 2014; Ramoroka, 2014). The use of detection infrastructure known as electronic toll gantries, are built every 10 km along the freeways (national roads and R21) to collect information of all the vehicles passing underneath them for billing purposes (Advisory Panel, 2014; Ramoroka, 2014).

The recent study to establish the impact of the Gauteng Freeway Improvement Project (GFIP) and the e-tolling system societal wellbeing uncovered critical facts. Firstly, reflection of the apartheid racial patterns through trips taken by the working class to and from areas of economic activities and the location of gantries present racially configured spaces (Advisory Panel, 2014). That is, the e-tolling system has contributed to racially determined costs and benefits, limited access to transport services and infrastructure, longer travel duration and congestion and difficulties in accessibility of education, health and recreational facilities (Advisory Panel, 2014; Ramoroka, 2014). Secondly, for households, the benefits of the transport infrastructure clearly outweigh the costs of paying for it, through both the e-tolls as well as a national fuel levy (Advisory Panel, 2014). Households are heterogeneous entities, and as a result not all those which necessarily benefit from the system will be able to afford the e-tolling fees. Lastly, the assessments failed to explicitly take into consideration the historical socio-political context of the urban region, including the travel patterns of different economic classes. Affordability analyses conducted at the level of regional GDP instead of household level was also of no good use in this case. Lack of consideration of alternative mobility solutions for the long term as well as cost benefit analyse that ignored the costs associated with secondary road usage are also some of the reasons for the rejection of the e-toll system by majority of the working class (Advisory Panel, 2014).

The demonstrations against the e-toll system by various organisations and opposition parties as well as the recent assessment of impact which has provided evidence of the deleterious effects, did little to sway the original decision of e-tolling. Gauteng municipalities, inclusive of Ekurhuleni and City of Tshwane Metropolitan, Sedibeng District, Emfuleni, Lesedi and Midvaal Local Municipalities owe SANRAL more than R2.3m for unpaid e-toll bills while some of the municipal cars are not even fitted with an e-tag (Raborife, 2015). Furthermore, the Economic Freedom Fighters (EFF) which is against what they call the ‘privatization of public roads' receives invoices for its vehicles but ignores them (Barletta & Middleton, 2015). Ironically, the state also has unpaid e-toll bills worth millions of Rands. The results of South Africa's 2016 municipal elections specifically in Gauteng Province also provided evidence that the society was not happy with the former ruling party's development initiatives inclusive of the e-tolls. That is, the election results have drastically changed, removing the ANC in power and leaving the DA for the first time in the democratic history as the ruling party for the Tshwane and City of Johannesburg Metropolitan Municipalities. The loss of the ANC in the metropolitan municipalities through the recent ballot-box reaction is a sign of crying and unsatisfied society over the governance of some of the public goods and services such as the e-tolls through the PPPs. Instead of taking public's concerns into consideration, the state and business have finalised a plan intended at the implementation of a similar project in the Western Cape freeways (Davis, 2015). Typically, the country's PPPs meant for enhanced provision of public goods and services involve parallel fragmentary existence of monostatic and adaptive governance, wherein the former serves state interests while the latter fulfils business profit related commercial motives. In the process of the monostatic governance serving bureaucratic interests of the state and the adaptive allowing for unfettered financial and commercial transactions, society's social good remain circumvented. Regardless of the evidence provided against some of South Africa's PPPs, the state and business still have plans to implement same projects such as the e-toll in other provinces.

5. Conclusion

This paper revealed that PPPs are classified into five groups by using their approach and the categories include: local regeneration, policy, infrastructure,
development and governance. Regardless of the different categories of PPPs, the partnerships between state and should always provide for effective and efficient public services that are well governed and serve the expected societal needs. Generally, the paper identified three models of governance that deal with institutional processes and rules for authority and decision making between the state and business, namely: the monocentric, multilevel and adaptive models. However, South Africa's state and business partnerships seem to take advantage of the flexibility of the adaptive model by using it to fulfill their selfish interests which compromise the satisfaction of societal needs and further ignores their human rights. Regardless of the critical facts uncovered by the recent study to establish the impact of the GFIP and the e-tolling system on societal wellbeing, the state and business persuade with their partnership motives. The demonstrations against the e-toll system by various organisations and opposition parties as well as the recent assessment of impact which has provided evidence of the deleterious effects, did little to sway the original decision of e-tolling. The insistence on e-tolls resulted in the ANC loosing political and administrative power in the Tshwane and City of Johannesburg Metropolitan Municipalities. Therefore, the paper concludes that the state's insistence on e-tolling and bureaucratic repression of societal interests is a function of the imperatives to service business' financial and commercial gates at the expense of tax paying public. The paper recommends that the governance of South Africa's PPPs such as the Gauteng e-tolls, must focus on fulfilling societal needs instead of serving the state and business' selfish agendas. That is, the society must be at the heart of the partnership which takes into consideration, the public voice during the different phases of such projects.

References


