The Role and Significance of State Owned Enterprises, Public Entities and other Public Bodies in the Promotion of Urban Growth and Development in South Africa

Prepared for the IUDF Panel of Experts

August 2013

Submitted by:

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1. INTRODUCTION

The National Development Plan (NDP) points out that “although cities are generally more resource efficient than scattered settlements, their concentration requires the development of large sources of energy and water and good transport connections which can place strains on the surrounding natural environment. If this is not resolved, cities face varying degrees of water stress, food insecurity and power shortages” (NDP, 2013). The NDP’s description of urban futures for South Africa indicates the following:

- The ways in which goods are produced, transported and consumed must be progressively greened.
- South African towns and cities must keep up with international innovation in technology, transport and energy production, while local urban innovation systems should be incentivised.
- Ageing urban infrastructures must be refurbished and core infrastructure like roads, transit, sewers and utilities should be properly maintained. There must be a transition to sustainable infrastructure delivery.
- Public transport investment should be used for the spatial transformation of towns and cities.
- New urban development and infrastructure investments should be focused around corridors of mass transit and around existing and emergent economic nodes, applying internationally accepted principles of transit-oriented development.
- The major concentrations of urban poor should be spatially linked into the mainstream of city life through investments in transport infrastructure and the connecting corridors of development.
- Recommendations include containing urban sprawl which may require implementing inclusionary housing policies, using state-owned land for affordable housing.

State-owned enterprises (SOEs) play a major role in most of the above.

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1 NDP, 2013
WHAT ARE STATE OWNED ENTERPRISES

State-owned enterprises (or public entities) are independent bodies partially or wholly owned by government. They perform specific functions and operate in accordance with a particular Act.

In South Africa, in line with international trends, corporatization, i.e. the transformation of state assets or agencies into state-owned corporations, was introduced in some sectors to promote more effective and efficient service delivery particularly following the democratic election in 1994. Internationally, using public authorities rather than full privatization is seen as taking advantage of private-sector efficiencies while maintaining public accountability.

When examining the list of national entities in South Africa, it is evident that many have a direct impact on urban growth and development. These may be broadly clustered into the following categories, illustrated in the diagram below:

- Power generation transmission and distribution
- ICT
- Transport
- Major land holders
- Providers of development support

Figure 1: Categories of SOEs which influence urban growth and development
STATE OWNED ENTERPRISES AND URBAN PLANNING AND DEVELOPMENT

State owned enterprises (SOEs) are now important stakeholders and contributors toward supporting and promoting urban growth and development. Firstly, as major owners of large tracts of well-located land, SOEs have significant power in shaping the urban landscape. This was illustrated in research conducted on land use management in five large urban centres which noted the following:

“In addition to the complexities of urban land use management competencies falling across the departments and spheres of government as mentioned above, every city pointed to the frustration of not having informed access to the land asset base of other spheres of government, particularly in addressing the needs of the poor. In many cases competition and conflict between government was identified as the single biggest barrier to finding affordable well located land for the poor. The highest levels of frustration occurred with respect to state owned enterprise land (SOE), as not only were there issues of non-cooperation but also
the SOE are driven by imperatives of market costing that mitigate against the effective transformatory use of their land for the poor”.2

Secondly, a number of SOEs also provide highly significant structuring elements which may influence development patterns within the city such as transportation networks, bulk infrastructure, energy and ICT infrastructure. Examples include Eskom, Telkom, PRASA, Portnet and Petronet. Thirdly, organisations such as Transnet and PRASA perform an important function in terms of improving urban efficiencies through the provision of mass public transport systems. Given the extent of their influence, effective and efficient planning thus becomes essential for managing coherent urban growth and development.

Figure 2: SOEs which impact urban growth and development

The Development Facilitation Act (DFA) and the more recent Spatial Planning and Land Use Management Bill (SPLUMB), along with the associated guidelines, provide the necessary guidance in this regard. Principles generally relate to the need for promoting integration, optimising the proximity between residential and employment opportunities, preventing urban sprawl, optimising existing infrastructure, ensuring environmental sustainability etc. The table below takes the Section 3c DFA principles which require that “policy, administrative practice and laws should promote efficient and integrated development,” and relates them to requirements and to the SOEs responsible.

Table 1: Linking the DFA principles and SOEs

<table>
<thead>
<tr>
<th>Summarised DFA Principle</th>
<th>Principle Requirement</th>
<th>Contributing or affected SOE</th>
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<tbody>
<tr>
<td>(i) Integration of the social, economic, institutional and physical aspects of land</td>
<td>• Effective and efficient transport networks, systems and services</td>
<td>Transport – Local Context</td>
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<td>• Transnet</td>
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<td>• Passenger Rail Agency of South</td>
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2 Parnell et al, 2006
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<th>Summarised DFA Principle</th>
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<td>development</td>
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<td>African (PRASA)</td>
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<td>(ii) Integrated land development in rural and urban areas in support of each other</td>
<td>South African National Road Agency (SANRAL)</td>
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<td></td>
<td>• Establishment of and or reinforcement of transportation corridors</td>
<td>Transport – Regional Context</td>
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<td>• Effective national and provincial spatial planning</td>
<td>• Airports Company South Africa (ACSA)</td>
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<td>• South African National Road Agency (SANRAL)</td>
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<td>• Passenger Rail Agency of South African (PRASA)</td>
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<td>(iii) Promotion of the close proximity of residential and employment opportunities</td>
<td>Transport – Local context</td>
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<td>• Release of well-located land for residential or mixed use development</td>
<td>• Transnet</td>
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<td></td>
<td>• Effective and efficient transport networks, systems and services</td>
<td>• Passenger Rail Agency of South African (PRASA)</td>
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<td>Major Land Owners</td>
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<td>• Denel (Pty) Ltd</td>
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<td>• National Ports Authority</td>
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<td></td>
<td>(iv) Optimise the use of existing infrastructure and resources</td>
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<td>• Maintain existing infrastructure</td>
<td>Transnet</td>
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<td></td>
<td>• Expand and extent existing infrastructure</td>
<td>South African National Road Agency (SANRAL)</td>
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<td>• National Ports Authority</td>
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<td>(v) Promotion of mixed use development</td>
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<td>• Release of well-located land</td>
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<td>• Improved planning and cooperation across spheres of government</td>
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<td>(vi) Discourage the phenomenon of ‘urban sprawl’ in urban areas and promote the development compact towns and cities</td>
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<td>• Release of well-located land</td>
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<td>(vii) Address the spatial legacy of apartheid</td>
<td>Transport – Local context</td>
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<td>• Establishment of and or reinforcement of transportation corridors</td>
<td>• Transnet</td>
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<td>• Release of affordable well located land</td>
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<td>• South African National Road Agency (SANRAL)</td>
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<td>• National Ports Authority</td>
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<td>(viii) Encourage environmentally sustainable land development practices and processes.</td>
<td>Transport – Local Context</td>
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<td>• Increased use of mass transit</td>
<td>• Transnet</td>
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<td>• SMART city practices</td>
<td>• Passenger Rail Agency of South African (PRASA)</td>
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SPLUMB articulates development principles which apply to spatial planning, land development and land use management by including provisions relating to:

- Spatial justice
- Spatial sustainability
- Efficiency
- Spatial resilience
- Good administration

The table below again links the principles to the development requirements and contributing SOE in realising the intent of SPLUMB.

**Table 2: Linking the SPLUMB principles and SOEs**

<table>
<thead>
<tr>
<th>Broad SPLUMB Principle</th>
<th>Principle Requirement</th>
<th>Contributing or affected SOE</th>
</tr>
</thead>
</table>
| Spatial justice        | • Access to land – general and well located  
                         • Inclusive towns and cities | Transport – Local context  
                         • Transnet  
                         • Passenger Rail Agency of South African (PRASA)  
                         **Major Land Owners**  
                         • Eskom  
                         • Denel (Pty) Ltd  
                         • Transnet (Ltd)  
                         • National Ports Authority |
| Spatial sustainability | • Promotion of land development  
                         • Cost of existing and future infrastructure  
                         • Limited urban sprawl  
                         • Improved access to economic and social opportunities | Transport – Local context  
                         • Transnet  
                         • Passenger Rail Agency of South African (PRASA)  
                         **Major Land Owners**  
                         • Eskom  
                         • Denel (Pty) Ltd  
                         • Transnet (Ltd)  
                         • National Ports Authority  
                         **Infrastructure**  
                         • Eskom  
                         • Transnet  
                         • South African National Road Agency (SANRAL) |
| Efficiency             | • Optimise the use of existing infrastructure  
                         • Effective and efficient IGR  
                         • Coherent short, medium and long term planning | **Infrastructure**  
                         • Eskom  
                         • Transnet  
                         • South African National Road Agency (SANRAL)  
                         **IGR**  
                         • Eskom  
                         • Transnet  
                         • South African National Road Agency (SANRAL)  
                         • National Ports Authority  
                         • Passenger Rail Agency of South African (PRASA) |
**BROAD CHALLENGES WITH SOEs IDENTIFIED IN THE NATIONAL DEVELOPMENT PLAN**

The National Development Plan (NDP) notes that, “while considerable attention has been given to the transformation of SOEs, less attention has been given to the transformative or developmental role that SOEs can play” (NPC, 2013, 438). The NDP comments that “different spheres of government have not cooperated effectively around built-environment functions relating to housing, state-owned land and transport infrastructure” (NDP, 2013, 434). This would include the activities and impacts of SOEs.

Although SOEs play a crucial role in providing critical services for urban development, there is concern around the poor performance of some SOEs (NDP, 2013, 160). In some cases current investment levels are insufficient and maintenance programmes are lagging. The NDP suggests that performance of SOEs may be improved by increased cooperation and competition. Also, institutional and reporting structures and difficult in adapting innovations may contribute.

**PURPOSE OF THIS REPORT**

The report provides an outline in relation to aspects impacting:

- The manner in which specific SOEs frame and impact on urban land use management.
- Integrated development planning - The area of integrated planning among the various spheres, entities and cities needs to be examined in relation to the relevant SOEs.
- Asset management, expansion and release thereof especially non-core land. In relation to the release of land, the implications of market related land pricing on city development offset against the financial imperatives of the SOE.
- Mechanisms for the coordination of implementation and varying timeframes and planning cycles.
- An assessment of the regulatory environment and the impact on entities’ ability to operate and effectively participate in joint or integrated initiatives.

The discussion in this report will be limited to the broad cluster of SOEs related to power, ICT, transport, water and land holding given that these remain core to the promotion of efficient, sustainable, resilient and inclusive urban areas.

The research has relied on a desk top analysis in which existing reports, academic papers, SOE annual reports, and strategic planning documents were used. Where possible and if relevant, the report has included data and mapping.

The report consists of nine sections. Following the introduction, Section 2 first outlines the broad legal framework which guides the establishment and operation of SOEs. This is followed by the key legislative and policy framework for sectors of key importance to urban growth and development. The following five sections then each focus on a key sector for urban development. Section 3 examines land and housing, Section 4 transportation, Section 5 energy, Section 6 water and Section 7 considers Communication. Each of these sections provides an outline of the institutional issues in the sector, examines the challenges in the sector related to integrated urban planning, growth and development, and discusses some possible solutions to these. Section 8 examines what needs to change to promote urban development, while the final section concludes the report and provides several recommendations.
2. OVERVIEW OF THE LEGAL FRAMEWORK GUIDING SOE PARTICIPATION IN URBAN GROWTH AND DEVELOPMENT

The Public Finance Management Act No 1 of 1999 (PMFA) defines a “national public entity” as being the following:

“(a) a national government business enterprise; or
(b) a board, commission, company, corporation, fund or other entity (other than a national government business enterprise) which is—
   (i) established in terms of national legislation;
   (ii) fully or substantially funded either from the National Revenue Fund, or by way of a tax, levy or other money imposed in terms of national legislation; and
   (iii) accountable to Parliament”.

All organisations which fall within the bounds of this definition must comply then with the requirements of the Public Finance Management Act and its associated regulations and or practice notes.

For the purpose of this report, SOEs have been clustered according to development sectors to include:

- Land and housing
- Transport
- Energy
- Water
- Communication

In addition to the PMFA, each sector is guided by its own legislation which must be taken into account when undertaking urban planning and development.

LAND AND HOUSING – THE MANAGEMENT OF NON-CORE LAND

The legal framework guiding the disposal of public owned land is extensive and includes at least the following:

- The Constitution
- Public Finance Management Act
- Treasury Regulations Issued in terms of the Public Finance Management Act
Each Provincial and National Department and PFMA Schedule 2 and 3 Entities are required by way of legislation to maintain a plan for the management of immovable assets which includes a strategy for the disposal of non-core or surplus land.


Chapter 2 of the Bill of Rights outlines the provision in relation to Property Rights. Section 25 notes that “no-one may be deprived of property except in terms of law of general application, and no law may permit arbitrary deprivation of property” while also stating that property may only be expropriated for public purpose or the public interest and must be subject to compensation. Section 25(3) then provides the guidelines for determining compensation by stating that the following aspects must be considered when determining compensation:

a) The current use of the property
b) The history of acquisition and use of the property
c) The market value of the property
d) The extent of the direct state investment and subsidy in the acquisition and beneficial capital improvement of the property

e) The purpose of the acquisition

Importantly, market value is only one of several considerations when determining compensations which would include that applicable to non-core land owned by SOEs.

Public Finance Management Act – No 1 of 1999

The purpose of the Public Finance Management Act is to “…secure, accountability, and sound management of the revenue, expenditure, assets and liabilities…” of national and provincial government departments, constitutional institutions, major and other public Entities.

The PFMA sets the broad framework or parameters for the sale of state assets. Section 6 which outlines the powers and functions for National Treasury states that the department

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3 Ovens, 2008
4 Republic of South Africa “Public Finance Management Act” No 1 of 1999
must “...promote and enforce transparency and effective management in respect of revenue, expenditure, assets and liabilities of departments, public entities and constitutional institutions.” Similarly, Section 18(1)(c) determines the same requirements for the provincial treasuries supporting provincial departments and public entities.

Section 49 states that all organisations regarded as a schedule 2 and 3 public entity must have a financial authority which is then accountable in terms of the PFMA. Section 50 then outlines the fiduciary duties of an entity’s accounting authority by stating that it must “exercise the duty of utmost care to ensure reasonable protection of the assets and records of the public entity”. In addition, Section 54(2) states that an entity is required to report to the relevant Treasury and or the Auditor General before it concludes any transaction in relation to the acquisition or disposal of any significant asset which then include the disposal of entity owned non-core land.

The PFMA also states that the National Treasury must make regulations or issue instructions applicable to departments concerning inter alia “the alienation, letting or disposal of state assets”\(^6\). Regulations are also required for the “improvement and maintenance of immovable state assets”.

In summary, the PFMA makes reference to the need to establish frameworks and regulations for the management of immovable assets which includes the disposal of non-core land. No mention is made of the process or criteria for the determination of the land or property value and or compensation methods.

**Treasury Regulations Issued in terms of the Public Finance Management Act**

Applicable to SOEs, Section 26 of the 2012 Draft Treasury Regulations addresses the disposal management for assets by stating that “the accounting officer or accounting authority must establish an efficient and effective system of disposal management which is fair, equitable, transparent, cost effective and competitive”\(^7\). Subsection 26.1.2 then notes that the accounting officer must ensure that “the supply chain management system sets the mechanism for determining the market value for different types of assets” and further in the same subsection that “consideration be given to the fair market value of the asset and to the economic and community value to be received in exchange for the asset”\(^8\). No guidance is provided on the meaning and or how the concepts of “economic and community value” should be interpreted. The very next clause states that the accounting officer or

\(^{1}\)Ibid
\(^{6}\) See section 76 of the PFMA
\(^{8}\) Ibid Page141
accounting authority must ensure that “reasonable efforts are made to ensure that an appropriately competitive process for disposal is adopted”\textsuperscript{9}.

The SOEs’ disposal management system is required to provide for various disposal options which may include inter alia:

- Public auction
- Public tender
- Transfer to another institution
- Sale to another institution

Interestingly, subsection 26.3.1 notes that the preference point systems outlined in the Preferential Procurement Policy Framework Act, 5 of 2000 and the associated regulations are \textbf{not} applicable to the sale and letting of assets. Rather the award must be made to the bidder with the highest price.

Section 34 which addresses aspects pertaining to trading entities requires that when an entity is disposing of an asset that is outside of the ordinary business of the organisation, it must obtain treasury approval for the transaction. It is assumed that this clause would apply to the disposal of non-core land.

**Government Immoveable Asset Management Act No 19 of 2007**

The Government Immoveable Asset Management Act No 19 of 2007 serves three core functions. “The first is to provide a uniform framework for the management of the immovable assets held or used by national and provincial departments. The second is to ensure that there is coordination of the use of the immovable assets with the service delivery objectives of a national or provincial department. The third provides guidelines and minimum standards in respect of the management of immovable assets. The Act applies to organs of State including all national and provincial government departments, public entities and constitutional institutions but excludes local government”\textsuperscript{10}.

The Act’s principles (Section 5) note that when an immovable asset is acquired or disposed of, best value for money must be realized. Best value for money has been defined as “the optimization of the return on investment in respect of an immovable asset in relation to \textit{functional}, financial, \textit{economic and social return}, wherever possible” and as such is not restricted to a “money related” definition only. The Act does not mention the need to transact an immovable asset at a “market related value”. Rather, a more comprehensive or

\textsuperscript{9} Ibid
\textsuperscript{10} Ovens, 2009
multi-dimensional approach has been adopted in the legislation which is thus more suitable for the acquisition of land for the purposes of sustainable settlements\textsuperscript{11}.

The Act provides some guidance on when property may be deemed non-core by stating that “an immovable asset must be used efficiently and becomes surplus to a user if it does not support its service delivery objective at an efficient level and if it cannot be upgraded to that level”\textsuperscript{12}.

Section 5 of the Act also requires that when disposing of land, the owner must consider whether it can be used:

- by another department or jointly by different departments;
- for social development initiatives of government, and
- in relation to government’s socio-economic objectives, including:
  - land reform,
  - black economic empowerment
  - alleviation of poverty
  - job creation and,
  - the redistribution of wealth.

Each department and entity is required to prepare an immovable asset management plan which must adhere to the principles as outlined in the Act. It must include a portfolio and management plan, a management plan for each immovable asset throughout its life cycle and a disposal strategy and associated management plan. Decisions taken in relation to immovable assets must adhere to the management plan.

Section 13(3) of the Act, which outlines the functions of the department,\textsuperscript{13} states that it may dispose of surplus assets:

(a) by the allocation of that immovable asset to another user; or
(b) by the sale, lease, exchange or donation of that immovable asset or the surrender of a lease but subject to the State Land Disposal Act, No 48 of 1961 and any other provincial land administration law.

Based on the current provisions in the Act, it would be possible for land currently owned by a department or entity to be donated to another department or entity as long as the transaction was in accordance with the immovable management plan and in compliance

\textsuperscript{11} Ibid
\textsuperscript{12} Section 5 of the Government Immovable Asset Management Act No 19 of 2007
\textsuperscript{13} Referred to in the Act as the “custodian” which is in turn defined as “a national or provincial department referred to in section 4 represented by the Minister of such national department, Premier of a province or MEC of such provincial department, so designated by the Premier of that province”.
with the legislation generally. While it is unlikely that prime land would be donated from one department to another, other land, such as that requiring rehabilitation, necessary for the alleviation of poverty and or redistribution could be donated. The critical point is that it is possible to move publically owned land from one department to another without an onerous or indeed, any financial transaction taking place.\textsuperscript{14}

The diagram below outlines the processes involved in managing the disposal of immovable assets.

**Figure 3: Managing the Disposal of Immovable Assets\textsuperscript{15}**

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**State Land Disposal Act No 48 of 1961**

The State Land Disposal Act No 48 of 1961 defines state land as being “any land over which the right of disposal by virtue of the provisions of section 3 (4) of the Agricultural Holdings (Transvaal) Registration Act, 1919 (Act 22 of 1919), and section 78 (3) and (4) of the Town planning and Townships Ordinance, 1965 (Ordinance 25 of 1965) (Transvaal), vests in the

\textsuperscript{14} Ovens, 2009

\textsuperscript{15} Ovens, 2009
State President, and any right in respect of State land”\(^\text{16}\). While the Act is short, with two sections having been repealed and amended on five occasions, it remains a powerful piece of legislation for the following reasons

- “Firstly, the Act allows the disposal of national state land to take place on a centralised basis;
- Secondly, in practice, the disposal of national state land takes place primarily in terms of this Act;
- Thirdly, the Act confers on the President the power to amend or cancel any condition registered against any land conferring any right on the State; and
- Fourthly, the Act prohibits the acquisition of both national state land and provincial state land by means of acquisitive prescription”\(^\text{17}\).

Certain provisions within the Act are currently under review as they are now obsolete and do not reflect the current system of National and Provincial Government and or the imperatives of a developmental state. In addition, the definition of “state land” needs to be amended to bring it in line with post-1994 legislation. Notwithstanding, this Act remains definitive in the disposal of State owned land.

**Expropriation Act, 63 of 1975**

The Expropriation Act provides guidance in relation to possible forms of compensation with “market value” deemed as being the method. Section 12 allows for a maximum compensation of market value plus actual financial losses caused by expropriation, plus the solatium. *This usually means a value much higher than market value.* The Act also provides that either the Minister or the land owner may apply to the High Court for a determination of compensation if no agreement can be reached between the parties.

While the Expropriation Act is currently not being used to gain access to SOE land, there are no clauses within the Act preventing this from occurring.

**Summary Comments**

There is a patchwork of legislation addressing the disposal and acquisition of land which must be considered in the development of strategies for supporting urban growth and development. Apart from the onerous processes and procedures that must be followed, the crux of the debate in relation to accessing SOE non-core land is the determination of land or property value. While the Constitution has a more nuanced approach to determining compensation, the Treasury Regulations are clear that land must be disposed as market

\(^{16}\) Republic of South Africa, State Land Disposal Act, No 48 of 1961

related value. The Immovable Assets Management Act then indicates that the “best value for money” should be achieved which includes the consideration of a number of factors including functional, financial, economic and social return.

The Constitution also introduces the notion of “public interest” in relation to property rights with section 25(4)(a) noting that this includes the nation’s commitment to land reform with the next subsection requiring that the “state must take reasonable legislative and other measures, within its available resources, to foster conditions which enable citizens to gain access to land on an equitable basis”\textsuperscript{18}. It is suggested that the Treasury approach as reflected in its regulations does not fully embrace the Constitution imperatives in relation to property rights.

Sector-specific legislation relating to urban development is outlined in the remainder of this section.

**THE TRANSPORT SECTOR**

There are several important pieces of legislation in terms of overall transport planning and policy related to promoting urban development, discussed below\textsuperscript{19}. Strategic planning for the sector takes place in the office of the Director-General, Transport.

Key aspects of transport planning cascade from national to provincial to municipal levels through the National Land Transport Transitional Act, 2000 (Act No.22 of 2000) (NLTTA). The national sphere of government is broadly responsible for:

- policy and strategy formulation
- overall strategic transport planning and co-ordination in the national sphere and preparing the National Land Transport Strategic Framework (NLTSF) which provides the overarching, national five-year land transport strategy, giving guidance on transport planning and land transport delivery by national government, provinces and municipalities\textsuperscript{20}
- co-ordination between provinces and to address arrangements between the three spheres of government and public entities
- allocation of functions to the most appropriate sphere of government by promoting legislation and promoting or concluding agreements

\textsuperscript{18} The Constitution Section 25(5)
\textsuperscript{19} Based on unpublished research conducted for the Department of Performance Monitoring and Evaluation, 2011
\textsuperscript{20} NLTSF 2006 - 2011
- liaison with other government departments in the national sphere with portfolios that impact on transport issues
- bringing together key players
- assisting provinces that lack capacity or resources and intervening where provinces fail to perform their functions

In addition, the NLTTA provides a framework for integrated land transport planning and service delivery in relation to provinces and local government, defining the responsibilities of provincial and municipal government with regard to planning and managing land transport. The NLTTA enables municipalities to set up transport authorities, to increase capacity at local level to improve local transport planning and service delivery. It indicates that provinces are responsible for more detailed provincial policy and strategy formulation, more detailed transport planning and co-ordination in the provincial sphere, and preparing the Provincial Land Transport Framework (PLTF) for a five-year period. The PLTF should create a strategic framework for the development of transport from a provincial perspective and to co-ordinate the preparation of Integrated Transport Plans (ITPs) within the area.

Municipalities are responsible for municipal transport functions, including municipal public transport, which involves primary responsibility to plan, implement and manage modally integrated public transport networks and travel corridors, including operational planning and to integrate municipal transport planning with land use planning. The NLTTA outlines the minimum requirements for the Integrated Transport Plan (ITP) for each category of municipality (metro, district, local). These should formulate the planning authority’s official vision, policy and objectives, consistent with national and provincial policies, and be aligned with any relevant integrated development planning. Every municipality required to do so by the MEC must prepare a Public Transport Plan which forms part of the ITP. The municipal ITP should be included in the Integrated Development Plan (IDP) of the municipality as the transport sector plan, and incorporated into the municipality’s Spatial Development Framework (SDF). However, research has shown that this is not always the case.

One of the problems with the NLTSF is that it deals only with land transport (road and rail) and is largely silent on rail. With regard to plans and policies, Moving South Africa was developed in the 1990s, and from this sub-sectoral strategies have been developed, e.g. the Freight Logistics strategy, NLTA, Public transport action plan, Maritime policy (draft), road safety issues, SANRAL, RIFSA (road infrastructure framework of SA), and new airports development plan.

The national Public Transport Strategy was approved in 2007. It addresses Accelerated Modal Upgrading, and Integrated Rapid Public Transport Networks (IRPTNs). The aim is to upgrade commuter rail services and bus and minibus services to Rapid Rail and Bus Rapid Transit levels of quality respectively, in all major cities. Following the approval of the
Strategy, the DoT developed an Action Plan, with a focus on implementing Phase 1 (2007 – 2010) IRPTNs in 12 cities and 6 districts. The Public Transport Action Plan drives key road transport programmes such as the BRT, using the Public Transport Infrastructure grant, jointly funded by the municipality concerned.

In areas other than those covered by the national Integrated Public Transport Network Projects, the planning authority remains responsible for the preparation of a full current public transport record (CPTR) and operating licence strategy (OLS) for such areas, and a Rationalisation plan where there are subsidised services in the area as part of their ITP. Only one CPTR, one OLS and one Ratplan are required for any particular geographical area.

PRASA has prepared a Passenger Rail Transport Plan. PRASA is responsible for both commuter and long distance passenger services. Recent positive developments include the involvement of new Metropolitan Transport Authorities and provinces in the planning of commuter rail infrastructure, and the involvement of provinces in the revitalisation of rail branch lines for freight movement. For example, SARCC’s Phase 1 National Rail Plan identified corridors in which rail is the most appropriate mode of public transport consistent with national transport policy. This was a move away from a rail network-based approach, leaving the network planning to municipalities in the context of Integrated Rapid Public Transport Networks (IRPTN). Identification of corridors was done on a regional basis. The function of the Regional Rail Plans is to apply the corridor principle and interpret this policy at the local rail network level with the aim of redefining local rail networks in terms of identifiable travel corridors. This involved close engagement between the Metrorail management team and city transport planning officials.

Currently, freight movement has been left to market forces and managed in term of the quality of road vehicles through the RTQS. Integrated planning of freight transport has received little attention from municipalities despite the fact that the NLT TA provides that freight issues should be dealt with in Integrated Transport Plans.

THE ENERGY SECTOR

The Constitution gives authority to municipalities to engage in the provision of infrastructural services including electricity. It states that “a municipality has executive authority in respect of, and has the right to administer…electricity reticulation.”

The energy sector is guided by two key pieces of legislation, outlined below.

The National Energy Act, 2008 (Act No. 34 of 2008)

The National Energy Act is the enabling legislation that ensures that diverse energy resources are available in sustainable quantities and at affordable prices to support
economic growth and poverty alleviation, taking into account environmental considerations. The Act also provides for energy planning; the increased generation and consumption of renewable energy; contingency energy supply; the holding of strategic energy feedstock and carriers; adequate investment in appropriate upkeep and access to energy infrastructure; measures for the furnishing of certain data and information regarding energy demand, supply and generation; and establishing an institution to be responsible for the promotion of efficient generation and consumption of energy and energy research, and all related matters connected²¹.

_The Electricity Regulation Act, 2006 (Act No. 4 of 2006), as amended_

The Electricity Regulation Act establishes a national regulatory framework for the electricity supply industry and makes the National Energy Regulator of South Africa (NERSA) the custodian and enforcer of the national electricity regulatory framework. The Act provides for licences and registration as the instrument by which generation, transmission, distribution and trading (including the import and export) of electricity are regulated. The Minister of Energy is furthermore empowered to make determinations for the establishment of new generation capacity through Eskom or Independent Power Producers (IPP) for the purpose of greater competition in the electricity generation sector.

When initially introduced to Parliament in August 2005, the Electricity Regulation Bill’s clause IV was very controversial as it placed statutory authority to regulate prices in the hands of municipalities, to be exercised under the guidance of the Minister of Minerals and Energy. Concerns were raised that this would undermine regulatory clarity and stability, which is critical to attracting private investment. Regulation can only be effective if free of political influences. The clause was therefore criticised because of the role of the Minister, and the likelihood that municipalities would lack the capacity to carry out their regulatory functions²². When passed, the controversial chapter which defined the powers and duties of municipalities was omitted, but this is being revisited.

_THE WATER SECTOR_

The water sector is divided into two main sub-sectors, water resources management, guided by the National Water Act (1998), and water services provision, guided by the Water Services Act (1997). These sub-sectors include stakeholders across the national, regional and local level²³.

²¹ Department of Energy, 2012
²² Kessides et al, 2007
²³ National Treasury, 2011

With regard to water, the Constitution does the following:

- addresses the rights of individuals to access basic water and sanitation
- sets out the institutional framework for provision of services
- gives municipalities executive authority and the right to administer the provision of water services within their areas of jurisdiction
- gives national and provincial government authority to regulate local government in terms of water services
- gives national and provincial government the obligation to support and strengthen the capacity of local government to provide services
- gets water resources management as a national competency
- states that everyone has the right to an environment that is not harmful to their health or well-being and supports socially justifiable economic development

National Water Act (No 36 of 1998)

“One of the National Water Act's main objectives is to progressively decentralise the responsibility and authority for water resources management to appropriate regional and local institutions in order, among other things, to enable water users and other stakeholders to participate more effectively in the management of water resources”24. The purpose of the National Water Act is to ensure that the nation’s water resources are protected, used, developed, conserved, managed and controlled to take account of among others, basic human needs, equitable access to water, efficient and sustainable use, facilitation of social and economic development and establishing suitable institutions, and to ensure that they have appropriate community, racial and gender representation25.

The Water Services Act (No 108 of 1997)

The Water Services Act (No 108 of 1997) aims to assist municipalities to undertake their role as water services authorities, and to look after the interests of consumers. It also clarifies the role of other water services institutions, such as water services providers and water boards. This involves establishing institutional arrangements for water services provision, setting out the role of water sector institutions and the requirements for planning and coordination by requiring that each water board compile a water board business plan and that every water services authority compile a water services development plan.

24 DWA, 2004 National Water Resources Strategy
25 DWA, undated
With a view to achieving alignment of water resources management and water services provision activities, the Water Services Act highlights a number of interfaces between water resources management and water services provision where streamlining and integration are required. These are:

- **Strategy and planning:** Aligning strategies and planning for water resources management and the provision of water services, particularly in respect of the links between the catchment management strategies required by the Act and the water services development plans required by the WSA.
- **Water use regulation:** Co-ordinating the common regulatory and audit functions for water resources management and water services, including monitoring and managing compliance with the conditions of water use.
- **Implementation:** Promoting partnerships for developing and managing water resources infrastructure, and implementing interventions in, for instance, water quality management and water demand management.
- **Institutional support:** Sharing capacity for empowering, co-ordinating and supporting water management and water services institutions, and transferring functions to them.
- **Information management and communications:** Integrating or linking information systems and technology, and co-ordinating communication with external stakeholders and partners.

The Act contains specific requirements for water resources management activities to support the provision of water services and promote integrated planning in this regard. These water services development plans are discussed later in this report.

**Municipal Structures Act (No 117 of 1998)**

The Municipal Structures Act outlines the fact that District Municipalities are responsible for bulk water supply, bulk sewage purification works and sewage disposal that affect a significant proportion of local municipalities. The remaining functions are delegated to local municipalities.

**Municipal Structures Amendment Act (No 33 of 2000)**

The Structures Amendment Act assigns the responsibility for “potable water systems” and “domestic sewage and wastewater” to category C (District) municipalities, which includes the water services authority function. The Act does make provision for category B (Local) municipality to perform the water services authority function if authorized by the MEC.

**Municipal Systems Act (No 32 of 2000)**
The Municipal Systems Act makes a distinction between services authority and services provider functions, to be in line with the Water Services Act. It recognises the importance of alternative mechanisms for providing services and outlines requirements for entering into partnerships with others.

**National Water Resources Strategy, 2004**

The National Water Act changed the way water is controlled, from a system of rights based on land ownership to one designed to allocate water equitably in the public interest. The National Water Resources Strategy (NWRS) emphasises water conservation and measures to promote greater efficiency in water use, and outlines the support and assistance needed to do this. It also includes provisions for subsidising previously disadvantaged users. The NWRS allows for the progressive decentralisation of the responsibility and authority for water resources management to catchment management agencies and, at a local level, water user associations.

**Key policy and legislative changes**

The Department’s 2011/12 annual report notes that the Department is participating in a sanitation policy review process driven by the Department of Human Settlements to clarify roles and responsibilities regarding the provision, oversight and regulation of sanitation across the country.

A legislative review of the current water-related legislation is being undertaken. This is to ensure equity in the allocation of water, to improve water resources management and to streamline the regulatory processes.

The National Water Resource Strategy (NWRS) is also being reviewed to ensure that water is at the centre of planning and that it supports the broad national economic and social development goals through the Water for Growth and Development (WfGD) framework without compromising the long-term sustainability of water resources.

**THE COMMUNICATION SECTOR**

The mandate of the Department of Communications (DoC) is:

“To create a vibrant ICT sector that ensures that all South Africans have access to robust, reliable, affordable and secure ICT services in order to advance socio-economic development goals and support the Africa agenda and contribute to building a better world”.

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26 DWA, 2012 Annual report
The Department’s legislative framework consists mainly of the following Acts:

- Broadcasting Act (Act 4 of 1999)
- Electronic Communications and Transactions Act (Act 25 of 2002)
- Electronic Communications Act (Act 36 of 2006) (which is being amended)
- Independent Communications Authority of South Africa Act (Act 13 of 2000)
- Sentech Act (Act 63 of 1996)
- Postal Services Act (Act 124 of 1998)
- South African Post Office SOC Ltd. Act No. 22 of 2011
- South African Postbank Limited Act No 9 of 2010
- Broadband Infraco Act No. 33 of 2007

The Integrated ICT Policy Framework for a converged ICT environment was approved in 2011/12.

A key priority is to increase the penetration of broadband to households. During 2011/12 a Broadband Strategy and Broadband Implementation Plan were developed, an assessment was made of the current Broadband status in SA and a feasibility study regarding the BroadBand Public Private Partnership (BB PPP) process was conducted. This will inform the implementation of the Broadband Plan. Initiatives completed include the development and implementation of a Broadband Infrastructure plan for various municipalities and the finalisation of guidelines for Provincial and Municipal Broadband.

The importance of ICT and the Department for urban growth and development are highlighted in its core functions which include the following:

- To develop ICT policies and legislation that create conditions for an accelerated and shared growth of the South African economy, which positively impacts on the well-being of all our people and is sustainable
- To ensure the development of robust, reliable, secure and affordable ICT infrastructure that supports and enables the provision of a multiplicity of applications and services to meet the needs of the country and its people
- To contribute to the development of an inclusive information society which is aimed at establishing South Africa as an advanced information-based society in which information and ICT tools are key drivers of economic and societal development
- To contribute to e-SkiIIing the nation for equitable prosperity and global competitiveness
- To strengthen the Independent Communications Authority of South Africa (ICASA), in order to enable it to regulate the sector in the public interest and ensure growth and stability in the sector
To enhance the capacity of, and exercise oversight over, State Owned Enterprises (SOEs) as the delivery arms of government
3. LAND AND HOUSING

INTRODUCTION

Access to well-located land will be pivotal in supporting the current urbanisation and urban growth and development requirements in South Africa. As is noted in the preamble of the Housing Development Agency Act, the “...lack of adequate housing to low-income earners has been the delay in the identification, acquisition, assembly and release of state-owned and private land”\(^{27}\). An understanding of the concept ‘well’ or ‘appropriately’ located land is necessary for the effective engagement with SOEs in relation to the identification, categorisation and acquisition of such land.

Prior to 1994, land allocation and markets were dictated and manipulated by the apartheid government to ensure racial segregation and economic dominance. Access to well-located land was the preserve of white South Africans with black South Africans having little or no locational choice. The Apartheid government’s state utilities such as the South African Railways purchased land cheaply or were allocated vast tracts of land for the delivery of services predominately to drive the racially based economy, but also for the spatial management and enforcement of the apartheid city structure.\(^{28}\)

With the establishment of the democratic government, it was anticipated that apartheid segregation would be removed and replaced by a non-racial and integrated society (Kitchin and Ovens)\(^{29}\). In order to assist and manage the spatial transformation, “…a plethora of legislation, policies and programmes was introduced by the newly elected government to assist in the process of “normalizing” land use patterns particularly within urban areas” (Kitchin and Ovens). A number of government initiated programmes such as Breaking New Ground, the social housing programme and the implementation of the Urban Development Zone Strategy have supported access to more expensive and better located land. The underlying assumption in the process of addressing locational equity through access to well-located land in South African cities has generally been the integration of poor communities into historically white areas\(^{30}\).

\(^{27}\) Republic of South Africa, Housing Development Agency Act, No 23 of 2008.

\(^{28}\) Ovens, “Strategy for the Acquisition of State Owned Land” prepared for the HDA, 2010


\(^{30}\) Ovens, “Strategy for the Acquisition of State Owned Land” prepared for the HDA, 2010
Urbanisation and rising urban populations has resulted in extensive growth and development in the major metropolitan and secondary city areas in the last 19 years. Areas such as Diepsloot located in the City of Johannesburg which would have been regarded as poorly located in 1994, now demonstrates locational advantages due to residential growth, commercial and industrial de-centralisation and the expansion of transport networks. Overtime, publicly owned land in close proximity to the former disadvantaged township areas has in some instances now become suitable for housing development.

Notwithstanding the above observation, many low income developments post 1994 have occurred in areas which are commonly regarded as poorly located. Municipalities have continued to identify vast tracts of cheap land often on the periphery of the city to reduce the cost of development. Parnell et al comment that, “…many poor South Africans continue to find it difficult to gain access to well-located land in urban areas, and in some cases the poor might well be located even further from economic opportunities than they were under apartheid. At the same time, many poor South Africans are excluded from the new privatised forms of public space. This has immediate and long term economic and social implications not only for the poor themselves, but also for the sustainability and efficiency of the overall urban environment and for the overall social fabric of the city.”

In post-apartheid South Africa, the SOEs managed by the democratic government have extended services more rapidly to previously disadvantaged communities. However, land acquired during the apartheid period is now being disposed of, based on “market related prices” which in many instances, especially the sale of well-located land, precludes the majority, poor South Africans. The impact of this approach will need careful examination in the development of an Integrated Urban Development Framework for South Africa. While some entities have developed specific policies for managing the disposal process, the extent of the non-core land holding is not easily available.

As already noted in this report, the major owners of non-core land include Transnet, Portnet, Eskom and Denel (in addition to the land held by the National Department of Defence).

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32 Kitchin and Ovens, “Integration Case Studies” Urban Land Mark 2006
CURRENT POLICY ON THE SALE OF NON-CORE STATE OWNED ENTERPRISE LAND

It would appear that only the National Department of Public Enterprises and Transnet have prepared policies toward the sale of non-core properties.

National Department of Public Enterprises – “State Owned Enterprises Non-Core Property Disposal Policy and Broad-based Black Economic Empowerment Guidelines” June 2008

The National Department of Public Enterprises acknowledges in its policy that “property is a strategic and productive asset, a vehicle for economic development, service delivery and transformation”\(^{33}\). In order to improve efficiencies within the different entities, National Government has taken the decision to dispose of non-core land which has been defined as being property that is no longer considered core to operations.

Non-core properties are categorised in the policy as the following:

- Property for sale
- Disposal to the state
- Property for housing
- Property for development

The disposal of non-core properties is also viewed as an important opportunity for supporting B-BBEE with such companies being targeted for the sale of any property on the open market.

In addition to supporting B-BBEE, the policy outlines the core reasons for disposal as contributing to the land reform process and rural development and urban renewal. In the latter case, the policy notes that “where an immovable asset is identified for socio-economic purposes in terms of the Integrated Development Plan (IDP) and Spatial Development Framework (SDF) of a municipality, the SOE should consider the transfer of such asset to the municipality, subject to Board and, where relevant, Treasury approval”. In addition, SOEs are required to consider transferring immovable assets to the Department of Housing if such assets have been identified for affordable or social housing projects or programmes.

Forms of disposal may include sale on open tender, sale without competition, donation “Gratis” transfer, exchange, public private and public – public partnerships and unsolicited bids.

The National Department of Public Enterprises policy notes that “A State Owned Enterprise or a wholly owned subsidiary of a SOE may not dispose of any property unless it has first offered that property for sale to the State and other SOE via the Department of Public

\(^{33}\)National Department of Public Enterprises – “State Owned Enterprises Non-Core Property Disposal Policy and Broad-based Black Economic Empowerment Guidelines” June 2008 Pg3
Enterprises under the same terms and conditions it is otherwise prepared to dispose of that property”. It is evident in this approach that while the SOE must offer the property to other government institutions first, it sets the conditions which would include the price. Moreover, as outlined in the diagram below, the disposal process is a lengthy one with a number of opportunities for delays in the process.

Figure 4: Transnet Group: Immovable Property Disposal Policy, February 2010

The purpose of the Transnet policy is to provide guidelines for “the disposal of all Transnet non-core immovable property and improvements” which comprises residential, retail, office and industrial property.

The Transnet policy is based on the policy of the National Department of Public Enterprises on the disposal of non-core property with some additional caveats. For example, should an organ of State require a particular property, “Transnet is to negotiate the sale of the property – at a market related price”. This point is further emphasised later in the policy.

34 IBID, page 6
35 Transnet Group: Immovable Property Disposal Policy, February 2010
36 ibid, pg6
document when addressing aspects relating to the transfer between the spheres of government by stating that “where Transnet holds immovable property that is identified as essential for the furtherance of socio-economic objectives of Government, transfer of such property for this purpose shall, as far as possible, take precedence over any other proposed disposal purpose for which that asset may have been earmarked. Wherever possible, the immovable property shall be transferred at fair market values and all costs related to the transfer shall be borne by the receiving custodian”\(^{37}\).

Both the Department of Public Enterprises and the Transnet policies on the disposal of non-core property allows for the identification of non-core land which can be transferred to other government departments, sold on the open market or for development by the SOE itself. Government departments would include provincial government and local government.

Both policies require the disposal of non-core properties at “market related prices”. However, there is no single approach in determining what is regarded as “market related”.

**METHODS FOR DETERMINING MARKET RELATED PRICE**

Market value is defined by the South African Valuers Profession and by the International Valuation Standards Committee as being “the most probable price that a willing and informed buyer would pay to a willing informed seller for a property on the date of valuation if the property was sold on the open market.” This tends to imply that market value is a fixed price. Determining the willingness to pay may take a number of forms. For example, the highest and best use principle may be applied which is based on the assumption that a willing buyer and seller would negotiate and settle on a land price linked to the highest and best use of the property, which is the usable potential of a property. This includes considering the physical possibility, economic feasibility and legal viability of the potential.

In South African courts the market approach is accepted as the most accurate approach, and the concept of an open, perfect market is assumed. Many court cases support the principles of market value and willing buyer, willing seller, and have generally laid the basis for compensation. While full market value is expected to be paid for land under the willing-buyer, willing-seller approach, what this means is not clear. For example, the asking price may be determined by the seller or an estimate of market value by an independent valuer. Neither the DPEnor the Transnet policies set guidelines for the process to be followed in the determination of the market related value. This means that it is possible for the SOE to

\(^{37}\) Ibid, Pg8
overinflate the price of the land based on the perceived need or urgency for a department to obtain the land for development purposes.

The willing buyer, willing seller approach has meant that land acquisition has been spatially fragmented, support services to beneficiaries have not been clearly developed, there has sometimes been collusion between land owners and officials to purchase at higher prices, inexperienced officials have sometimes approved the purchase of poor quality land, and bureaucratic delays have sometimes led to sellers finding alternative buyers\(^{38}\).

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**ACCESS TO NON-CORE PROPERTY AND THE CHALLENGES FOR INTEGRATED URBAN PLANNING, GROWTH AND DEVELOPMENT**

This section of the report is based on research work conducted for the Housing Development Agency between 2008 and 2010. The challenges found were diverse, as elaborated below.

An area of concern, especially at the municipal level, is the lack of communication between the SOEs, the Department of Public Enterprises and other National Departments and spheres of government. It was found that policy decisions are taken by the SOEs and DPE including placing a moratorium on the sale of land with limited notification or information dissemination. The HDA research found that poor communication has led to distrust on both the side of the Department or organisation purchasing the land or property and the SOE. This has led on a number of occasions to conflict, weakening the conditions for negotiations.

Similarly, municipalities and development agencies including the provincial departments of housing have failed to adequately identify strategic land for settlement purposes. Consequently, engagements with SOEs have been largely unstructured and poorly coordinated\(^{39}\). This may be linked to the lack of long term development plans.

The disposal of non-core land has also posed challenges. The Immovable Asset Management Act requires departments and entities to identify surplus or non-core land. However, there is no legal imperative stipulating that such land must be released for any purpose. In addition, entities are not compelled to expose their entire portfolio of non-core land at the same time. This means that entities can reveal their non-core land sporadically, giving them the opportunity to retain land with high or projected high development potential for later release, when it makes more financial sense, such as when property values are high. The situation therefore arises where non-core land is held out of circulation until higher prices

\[^{38}\text{Cousins, 2012}\]

\[^{39}\text{Ovens 2009}\]
can be realised, reducing the potential for well-located land to be acquired by the HAD or any other government department.

Along similar lines, if a municipality identified land owned by an SOE for possible acquisition but which has not been exposed by the entity for disposal, the entity concerned is not required to negotiate for its release. Any engagement by the entity relies on its goodwill to act in the broader public interest, although there is an obvious tension between public interest and the entity’s need to maximise the return on the sale of land.

Entities have a policy where revenue from the disposal of non-coreland is intended to finance the expansion of their core business. However, in this case of national departments such as Public Works this appears not to be the case. The Department of Public Works’ failure to remove the moratorium on the sale of publicly owned land reflects a lack of urgency to support the broader development interests of government.

Fragmentation within Transnet also poses challenges. Land owned by Transnet is registered in its name according to the title deeds for accounting purposes. However, land “owned” by the various divisions both core and non-core is reflected in their individual asset registers. This results in a highly fragmented system of managing the physical and financial aspects of the Transnet assets.

In order to address this, there divisional non-core land is being consolidated under a single unit, the Corporate Real Estate unit. This is proceeding slowly as divisions appear to be reluctant to remove the assets from their registers into a consolidated non-core land asset register for the Transnet Group as a whole. The key reason underlying this is that the land assets contribute toward balancing a division’s accounts. Until mechanisms are implemented to remove the fact that land values can be used to boost financial statements of divisions, there will be resistance to the transformation of the management of the non-core land portfolio in Transnet.

The management and development of the Transnet land portions are also problematic. In some cases, buildings or infrastructure have been constructed across boundary lines with some sites having limited or no access, making disposal difficult. Some large, well located Transnet properties in major centres are managed by more than one division. To dispose of land effectively it may be necessary to consolidate several sites owned by Transnet, in order to re-subdivide them to accommodate building transgressions. This is costly in terms of time and budget.

Overall, the fragmentation and poor management of land owned by Transnet land results in lengthy delays in releasing land for development which may mean that trying to access some well-located Transnet land is not worth the effort.
Deciding on the value of land, i.e. market related or best value, is often hugely problematic. SOEs are generally not flexible regarding land price, unlike some national departments. This is because the revenue generated from the sale of non-core land is intended to support the growth and development of the SOE’s core business. Immovable asset values are also used to balance financial statements. SOEs therefore need to ensure that they receive the maximum return possible when disposing of land. They use the PFMA to support their demand market for related prices. However, as already mentioned earlier, there is no such reference in the Act or in its accompanying regulations. Instead, the Immovable Assets Management Act provides the framework for determining the disposal price, not as market related but best value for money.

Unlike SOEs, where revenue from land sales is not expected to support operations, such as in the departments of Rural Development and Land Affairs, and Public Works, the departments concerned seem to be more committed to working in the public interest when disposing of land. Because SOEs are expected to generate a profit and maximise returns, despite the legislative requirement to work in the public interest, their operational imperatives lead to a more self-interested and profit drive approach. A revised approach in legislation which forces a more holistic approach to land pricing, or interventions by Treasury may be needed to change this.

With regard to valuing land, the approach to the rating of publicly owned land by entities and departments is not standard. Standard practice requires that land is rated based on the current zoning, land value and improvements such as buildings. In some cases SOEs rate land according to projected land use, before obtaining or even applying for the change in zoning rights. This is common tendency when land is well-located, has good development potential or the buyer urgently requires the land for expansion. In some cases such as this land may even be valued above its market value.

Because SOEs need to use the revenue from the sale of non-core land for funding the expansion and development of their operations, they will probably be inflexible in relation to the land price. They are also likely to use whichever rating method will maximize their return on the land.

It is therefore important when negotiating with SOEs around acquiring land parcels that the department or agency (e.g. HDA), is well-equipped and prepared and that the negotiating team is a senior one with the necessary skills and experience.

All SOEs and Public Works have databases of their core and non-core land. The Department of Public Enterprises has an integrated database of all its SOEs non-core properties, in an Excel spreadsheet. The Department of Public Works has a centrally managed database from which officials request reports, which are provided in an excel spreadsheet format. These
include a category which indicates if the land is vacant but does not indicate its suitability for housing or other uses.

The SOEs and the Department of Public Works do not appear to have captured all their property information on to a geographic information system. Mapping of vacant land would allow for a more effective way of identifying possible land for housing development.

Municipalities have been responsible for the identification of land for housing development through the IDP and spatial and development planning. This has had limited success with many municipalities’ IDPs and spatial development frameworks being of poor quality. As these are the mechanisms whereby land is allocated to low income housing, this increases the vulnerability of the urban poor.

Intergovernmental relations are of crucial importance in the identification, release and development of land. The lack of coordination between roles players is a major obstacle in the housing delivery process. In order to address this to implement a successful land acquisition strategy, implementation protocols should be drafted between the following departments and SOEs: Rural Development and Land Reform, Public Works, Department of Public Enterprises, Transnet, Denel and Eskom.

As had been seen thus far, the acquisition of State owned land is complex, varying significantly between the spheres of government, departments and entities. This is primarily due to divergent legal frameworks, different operational imperatives, ownership fragmentation and varying capacity levels in government.

**POSSIBLE SOLUTIONS**

**STILL TO BE INSERTED**
4. TRANSPORTATION

INTRODUCTION
“Transportation networks are critical to the spatial transformation of urban areas” (NDP, 2013). For effective and efficient urban areas, “South Africa needs reliable, economical and smooth-flowing corridors linking its various modes of transport (road, rail, air, sea ports and pipelines)” (NDP, 2013). However, the system is outdated, and intermodal linkages are weak. The percentage of freight transport carried on roads (rather than rail) is far too high, contributing to increased strain on the road system.

Within urban areas, the spatial form of the apartheid city has not changed significantly meaning that poor people have to travel long distances to work at great cost in terms of time and money. While some cities have begun to develop new public transport infrastructure, public transport is generally inefficient and people have not moved away from using private cars. “Insufficient attention has been given to integrating modes of transport and coordination across municipalities”40. What is needed to promote urban development is “safe, efficient and cost-effective transport of people and goods” which will increase social and economic access, and contribute to the alleviation of poverty.

INSTITUTIONAL ISSUES
South Africa’s transportation sector is extremely fragmented which seriously hinders an integrated approach to transport planning and implementation. To compound this, the sector falls under two national departments, the Department of Transport and the Department of Public Enterprises. As the National Transport Master Plan (Natmap 2050) notes,

“various transport components of current systems are operated and regulated by different governmental agencies and private operators, at all three spheres of government. Generally there is little coordination amongst key stakeholders, which means each agency and operator tries “to improve those elements under its jurisdiction without consideration of the efficiency and effectiveness of the overall rural and urban transportation systems, and sometimes at the expense of the other components of the various modes of transport. It has also resulted in the exclusion of alternatives or modal system options that do not have institutional sponsors. There is a need to minimise important overlaps by

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40 NDP, 2013
establishing cost effective and homogenous institutions in view of increasing concerns for more efficient and cost effective transportation systems"41.

This fragmentation extends to the lack of coordination between agencies responsible for governing transport and those that provide and operate infrastructure facilities and transport systems.

In addition to the transport departments at national, provincial and municipal level, several commercial statutory organisations (such as public entities) and independent regulatory bodies (funded by national government) have been established. Those that are key to unlocking urban and regional development include:

- **Roads**
  South African National Roads Agency Limited (SANRAL) was established in 1998 as an independent statutory company operating along commercial lines, and is responsible for planning, design, construction, operation, management, control, maintenance and rehabilitation of the country’s national roads.

- **Rail**
  The provision and maintenance of rail infrastructure facilities is a national function under Transnet in the Department of Public Enterprises. Rail infrastructure of national importance includes infrastructure for rail freight and for long distance passenger rail transport, which is owned by Transnet and operated respectively by Transnet Freight Rail (TFR) and PRASA (i.e. lines used for both goods and passengers); and secondly rail commuter infrastructure that is owned and operated by PRASA, through its operating entities Metrorail and Intersite, which lines are also used for both goods and passengers.

PRASA is responsible for passenger rail transport services and regulation including managing rail commuter services, operated by Metrorail, a former subsidiary of Transnet. All PRASA properties not used for rail commuter traffic particularly land and buildings around the stations are managed by Intersite, another subsidiary.

Transnet Freight Rail (TFR) is responsible for freight services. Its monopoly has narrowed rail operations to focus on bulk commodities.

- **Ports**
  Transnet National Port Authority (TNPA), an agency of Transnet, manages South Africa’s ports. TNPA reports directly to the Department of Public Enterprises.

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41Natmap, 2050
Operations within ports are controlled by Transnet Port Terminals (TPT). The National Ports Act 12 of 2005 provides for the establishment of a Port Consultative Committee for each port, including representatives of port users.

- **Pipelines**
  Transnet Pipelines (formerly Petronet) owns and operates nearly all long distance pipelines, whereas the licenses for their construction and operation are issued by the National Energy Regulator. The fact that the main petroleum product pipeline operations are a parastatal monopoly has led to very high charges and delayed investment in new infrastructure\(^{42}\).

**CHALLENGES FOR INTEGRATED URBAN PLANNING, GROWTH AND DEVELOPMENT**

Challenges with the current system include the fact that the hierarchy of plans flowing from the NLT TA are land-based as the Act does not consider maritime or air transport. Cities and Transport Authorities are responsible for integrated planning, but have no control over the rail service or ports, limited control over bus and taxi operations and airport operations. This leads to lack of accountability and difficulties in developing an integrated and holistic approach to transport. In cities with ports, the local authority has no control over port activity, or the planning of such activity, despite the fact that these can impact on municipal transport infrastructure and traffic e.g. increasing road traffic and worsening the condition of roads surrounding the ports. Also, local authorities have no or little control over provincially controlled bus subsidies. In addition, SANRAL has autonomy over the planning of national roads and provincial roads, and provinces often do not have a significant role to play in this regard but are responsible for the management of the roads. Alignment is very difficult and provinces often do not have sufficient funds, therefore SANRAL takes over management as well. The NATMAP 2050 (discussed later) aims to link SANRAL’s plan with policy.

Some of the management information systems are not interoperable and are also inefficiently utilised. National and local data, relevant to the province, are not available in provincial systems.

Key disconnects which arise are:

- Difficulty in creating a holistic and integrated approach to transport in all spheres due to different responsibilities in different spheres of government and agencies (e.g. provincial roads, SANRAL, NPA, Transnet)

\(^{42}\)Natmap 2050
• Difficulty in creating a holistic and integrated approach to transport given the current focus on land transport in the NLTTA

• The planning system is weak on inter-city planning of transport especially rail

• Rail is a national competency, therefore does not get dealt with in provincial policy, but does sometimes filter into municipal ITPs. It would be useful to have an MoU between PRASA and municipalities regarding the ITP.

• For rail freight, the challenge is that Transnet deals with designated core lines and high capacity lines such as Richards bay and Saldahna. Sharing of lines between different entities proves problematic – PRASA owns lines in metro areas, whereas Transnet owns those outside cities, if a passenger train wants to go to Durban but Transnet is doing something on the line, Transnet may not give access.

• Two national departments are involved in the national transport sector (Department of Transport and Department of Public Enterprises), each with different agencies. Thus challenges with rail relate to the Department of Public Enterprises, yet the policy is set by the Department of Transport (the rail policy is currently under discussion).

• Some airports are national, whereas others such as Mafikeng and Umtata, are provincial and not always functional.

In order to highlight the role of transport in the development of efficient and effective urban spaces, and missed opportunities in that regard, a fairly detailed case study has been conducted, outlined below.

**METRORAIL – THE UNDERUTILISED METROPOLITAN MASS TRANSIT RESOURCE**

Metrorail operates in seven of our eight declared metropolitan municipalities in South Africa largely linking the former black township areas with economic hubs and or city centres. Currently, the only metro area not serviced is the Manguang Metropolitan Municipality.

The Metrorail predecessor was the South African Transport services which at its height in 1978/79 transported approximately 500 million passengers per annum. This figure reduced dramatically during the 1980s due to an increase in general protest action and growing competition from the taxi industry. Despite the urbanisation that had taken place and the overall increase in population within our cities, the total passenger numbers 20 years later demonstrated an approximate 7 million trip increase. For a four year period post 1998/99, the passenger trip figures declined with the lowest being reached in 2002/03 with only 465 126 048 trips being recorded. Thereafter, there was a steady increase peaking in 2008/09

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43 Official Metrorail website
with 646 220 238 passenger trips nationally. While there has been a subsequent slow recovery, in the 2010/11 period, there was an approximate 25% reduction in passenger numbers which fell once again below the 1978/79 500 million mark.

### Table 3: Total National Passenger Trips – Metrorail 1998/99 to 2012/13

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Year on Year Growth</th>
<th>Average trips per month</th>
<th>Average trips per month (million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998/99</td>
<td>507 379 579</td>
<td></td>
<td>42 281 632</td>
<td>42.28</td>
</tr>
<tr>
<td>1999/00</td>
<td>491 050 967</td>
<td>-3.2%</td>
<td>40 920 914</td>
<td>40.92</td>
</tr>
<tr>
<td>2000/01</td>
<td>489 487 883</td>
<td>-0.3%</td>
<td>40 790 657</td>
<td>40.79</td>
</tr>
<tr>
<td>2001/02</td>
<td>466 968 185</td>
<td>-4.6%</td>
<td>38 914 015</td>
<td>38.91</td>
</tr>
<tr>
<td>2002/03</td>
<td>465 126 048</td>
<td>-0.4%</td>
<td>38 760 504</td>
<td>38.76</td>
</tr>
<tr>
<td>2003/04</td>
<td>481 798 198</td>
<td>3.6%</td>
<td>40 149 850</td>
<td>40.15</td>
</tr>
<tr>
<td>2004/05</td>
<td>491 902 037</td>
<td>2.1%</td>
<td>40 991 836</td>
<td>40.99</td>
</tr>
<tr>
<td>2005/06</td>
<td>511 908 904</td>
<td>4.1%</td>
<td>42 659 075</td>
<td>42.66</td>
</tr>
<tr>
<td>2006/07</td>
<td>529 729 312</td>
<td>3.5%</td>
<td>44 144 109</td>
<td>44.14</td>
</tr>
<tr>
<td>2007/08</td>
<td>591 836 062</td>
<td>11.7%</td>
<td>49 319 672</td>
<td>49.32</td>
</tr>
<tr>
<td>2008/09</td>
<td>646 220 238</td>
<td>9.2%</td>
<td>53 851 687</td>
<td>53.85</td>
</tr>
<tr>
<td>2009/10</td>
<td>633 992 592</td>
<td>-1.9%</td>
<td>52 832 716</td>
<td>52.83</td>
</tr>
<tr>
<td>2010/11</td>
<td>471 709 310</td>
<td>-25.6%</td>
<td>39 309 109</td>
<td>39.31</td>
</tr>
<tr>
<td>2011/12</td>
<td>516 392 805</td>
<td>9.5%</td>
<td>43 032 734</td>
<td>43.03</td>
</tr>
<tr>
<td>2012/13</td>
<td>528 204 625</td>
<td>2.3%</td>
<td>44 017 052</td>
<td>44.02</td>
</tr>
</tbody>
</table>

**Figure 5: Passengers per annum using Metrorail**

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44 Data source: PRASA 2013
Over the last 15 years, the largest number of passenger trips occurred within the Gauteng region, that is, approximately 52% of all trips nationally. This was followed by the Western Cape with 33% with KwaZulu-Natal having only approximately 13% of all trips.

Figure 6: Provincial split of passenger trips, 1998/9 – 2012/3

In 2011, the PRASA Annual Report noted that “The commuter rail system remains under enormous pressure and struggling to meet demand. The recent two train accidents in Pretoria (April 8th) and Soweto (May 19th) were a stark reminder of the huge challenges that commuter rail still face and the potential for one massive accident to trigger the collapse of the entire system”\(^45\). However, PRASA commenced with the implementation of investment plans for the modernisation of passenger rail services in the country. This has included the acquisition of new rolling stock and a Fleet Renewal Programme with an estimated R97 billion to be spent over an 18 year period. While the PRASA annual reports acknowledge the importance of the rail system to the overall public transport framework, little or no mention is made of the need to engage with the metros in relation to upgrade prioritisation or related matters.

PRASA has attempted to make its services more attractive on some of its commuter lines by introducing express trains. This has included the establishment of a subdivision within Metrorail, known as Business Express for the management and promotion of the service. It would appear that the organisation wished to change the public perception of rail by:

- “Demonstrating the comfort and convenience of train travel;
- Providing commuters with a choice of rail services;
- Restoring dignity to rail travel; and

\(^{45}\) PRASA Annual Report 2011, Pg 31
- Responding to customer willingness to pay for a superior service\(^{46}\).

Apart from different branding used for the trains, increased security and other benefits were also added. This service will be discussed in greater detail in the sub sections below.

**Gauteng and the Metrorail**

The Metrorail in Gauteng serves all three metropolitan areas including local municipalities in the West Rand and Sedibeng. When examining Gauteng routes (See Appendix**3**), it is evident that the rail was intended to move workers from the township areas to the CBD in both Pretoria and Johannesburg, the entire mining belt within the province, and heavy industrial cores such as Vereeniging.

As is evident in the map below, metrorail extensively serves the built up areas within Gauteng. While some of the low income areas developed post 1994 fall outside of the network the majority of the Provinces low income populations have access to Metrorail facilities.

*Figure 7: Map of estimated metro rail coverage in Gauteng*

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\(^{46}\) Metrorail website: http://www.metrorail.co.za/PBe.html
Interestingly, the PRASA route map for the Province includes the Gautrain with intersection points highlighted for Johannesburg Park, Pretoria Central and Rhodesfield Stations. However, the 2011 PRASA Annual Report made the following comment:

“PRASA congratulates the Gautrain Management Agency on the commencement of the Gautrain Rapid Rail Link operations. This was a job well done and a proud moment for South Africa. The Gautrain is a much-needed solution in the high-volume and busiest commuter corridor that clearly justifies a rail intervention. The introduction of modern rail technologies and world class maintenance facilities is a major step for South African railways. The lack of adequate and meaningful integration between the Gautrain with other public transport operations is however a major strategic shortcoming. The physical separation between Gautrain and Metrorail, sometimes with high walls, is something that should not exist in Democratic South Africa. Gautrain should play a key role as a catalyst for public transport transformation and not as a separate stand-alone system that does not contribute to Government’s objective of integrated public transport, improved mobility and access to opportunities for all South Africans.”

In addition, no reference is made to the Bus Rapid Transport System and the possible points for integration with the Metrorail and or the Gautrain systems.

The average number of Metrorail passenger trips from 1998/99 to 2012/13 was 2,715,632,700 with a median result of 2,594,103,253. As is evident in the table and chart below, there is no consistent growth pattern either negatively or positively. The lowest number of trips occurred in the 2010/11 period (2,317,153,314) while the highest number (3,402,606,700) was achieved two years prior to that in 2008/09. Hence within a two year period, the number of passenger trips declined by more than 100 million. The dramatic decrease in 2010/11 can be attributed to an unplanned and unprotected strike in January 2010. The industrial action was linked to proposed changes for improving the service and the dismissal of eight drivers.

Table 4: Gauteng Passenger Trips, 1998/99 to 2012/13

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Passenger Trips</th>
<th>Year on Year Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998/99</td>
<td>258,222,483</td>
<td></td>
</tr>
<tr>
<td>1999/00</td>
<td>260,849,949</td>
<td>1</td>
</tr>
<tr>
<td>2000/01</td>
<td>256,161,348</td>
<td>-2</td>
</tr>
<tr>
<td>2001/02</td>
<td>252,631,852</td>
<td>-1</td>
</tr>
<tr>
<td>2002/03</td>
<td>251,133,341</td>
<td>-1</td>
</tr>
<tr>
<td>2003/04</td>
<td>259,410,325</td>
<td>3</td>
</tr>
<tr>
<td>2004/05</td>
<td>259,967,872</td>
<td>0</td>
</tr>
<tr>
<td>2005/06</td>
<td>268,040,216</td>
<td>3</td>
</tr>
</tbody>
</table>

PRASA Annual Report 2011, Pg.31
Department of Labour, “Annual Industrial Action Report, 2010” Pg.13
Data source: PRASA 2013
<table>
<thead>
<tr>
<th>Year</th>
<th>Total Passenger Trips</th>
<th>Year on Year Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006/07</td>
<td>277 779 635</td>
<td>4</td>
</tr>
<tr>
<td>2007/08</td>
<td>312 139 695</td>
<td>12</td>
</tr>
<tr>
<td>2008/09</td>
<td>340 260 670</td>
<td>9</td>
</tr>
<tr>
<td>2009/10</td>
<td>330 584 886</td>
<td>-3</td>
</tr>
<tr>
<td>2010/11</td>
<td>231 715 314</td>
<td>-30</td>
</tr>
<tr>
<td>2011/12</td>
<td>255 877 931</td>
<td>10</td>
</tr>
<tr>
<td>2012/13</td>
<td>258 653 535</td>
<td>1</td>
</tr>
<tr>
<td>Average</td>
<td>271 563 270</td>
<td></td>
</tr>
<tr>
<td>Median</td>
<td>259 410 325</td>
<td></td>
</tr>
</tbody>
</table>

**Figure 8: Year on year growth in passenger numbers in Gauteng**

**Gauteng Year on Year Growth Rate in Passenger Numbers**

<table>
<thead>
<tr>
<th>Year</th>
<th>Year on Year Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006/07</td>
<td>4</td>
</tr>
<tr>
<td>2007/08</td>
<td>12</td>
</tr>
<tr>
<td>2008/09</td>
<td>9</td>
</tr>
<tr>
<td>2009/10</td>
<td>-3</td>
</tr>
<tr>
<td>2010/11</td>
<td>-30</td>
</tr>
<tr>
<td>2011/12</td>
<td>10</td>
</tr>
<tr>
<td>2012/13</td>
<td>1</td>
</tr>
<tr>
<td>Average</td>
<td></td>
</tr>
<tr>
<td>Median</td>
<td></td>
</tr>
</tbody>
</table>

Metrorail has introduced three business express lines in Gauteng as outlined below:

<table>
<thead>
<tr>
<th>Business Express Option</th>
<th>Area</th>
<th>Seating Capacity</th>
<th>Stopping Stations</th>
<th>Average Travel Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007 Soweto Business Express</td>
<td>Soweto to Johannesburg</td>
<td>360</td>
<td>Naledi, Dube, Johannesburg, Park Station</td>
<td>90 Minutes</td>
</tr>
<tr>
<td>2009 Business Express replaced the 2008 Tshwane Business Express</td>
<td>Pretoria to Johannesburg</td>
<td>520</td>
<td>Pretoria, Centurion, Kempton, Park, Johannesburg Park Station</td>
<td>90 minutes Average (1hour)</td>
</tr>
</tbody>
</table>
According to the Business Express website, “municipalbuses are contracted to provide a feeder and distribution service to the North, East and the City Centre of Johannesburg and Pretoria\(^5\) in support of the Gauteng Business Express. The City of Johannesburg website notes that the Business Express is generally less congested than the normal metrorail service, but the improved service comes at a cost. “For example, a Metroplus monthly ticket on the Johannesburg - Naledi route costs R180, whilst the same ticket on the Metro class costs just R79 - making train travel the cheapest mode of transport in the city. Single journeys from Johannesburg to Naledi are R7.50 for Metroplus and R4 for Metro”\(^5\).

While the Metrorail infrastructure widely covers the Gauteng Province, it would appear that it is inconsistent in its ability to grow and sustain the passenger numbers. If the service is to be a major partner in the provision of mass public transport, significant effort will need to be made in the Province in relation to stabilising and promoting the service. Efforts should be made to optimise land use practices in close proximity to the existing infrastructure in the municipal IDPs, SDFs and GDSs. This requires active, meaningful and sustained engagements between PRASA, the Gauteng Provincial Transport Department and at least the three metropolitan areas notwithstanding the efforts already made through the Business Express. The value which could be derived from the rail assets within Gauteng can and should not be ignored if we are to build and promote accessible and efficient cities.

**Cape Town and the Metrorail**

The Cape Town Metrorail has an expansive network covering the majority of the built up areas within the Cape Town Metropolitan Municipality including the urban areas of Stellenbosch, Wellington and Worcester, each located in other local municipalities not all of which are immediately adjacent to the Metro. Unlike the routes in Gauteng, the Western Cape rail serves both the former township and so called white residential areas.

*Figure 9: Estimated rail coverage in the Cape Town sub-region*

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\(^5\)http://www.metrorail.co.za/PBe1.html

\(^5\)http://www.joburg.org.za/index.php?option=com_content&id=64&Itemid=71#ixzz2bGeWqHkN
The average number of passenger trips from 1998/99 to 2012/13 was approximately 172 million with a median result of approximately 169 million. Over the 15 year period a decline in passenger numbers was found for three years, 2001/02, 2009/10 and 2011/12. The latter two years follow the same pattern as that of the Gauteng Province. However, the Western Cape generally appears to be more stable in relation to more sustained patterns of growth.

Table 5: Western Cape Passenger Trips, 1998/99 to 2012/13

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Passenger Trips</th>
<th>Year on Year Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998/99</td>
<td>152 014 146</td>
<td></td>
</tr>
<tr>
<td>1999/00</td>
<td>159 512 173</td>
<td>4.9</td>
</tr>
<tr>
<td>2000/01</td>
<td>164 407 197</td>
<td>3.1</td>
</tr>
<tr>
<td>2001/02</td>
<td>152 298 614</td>
<td>-7.4</td>
</tr>
<tr>
<td>2002/03</td>
<td>154 847 064</td>
<td>1.7</td>
</tr>
<tr>
<td>2003/04</td>
<td>161 040 485</td>
<td>4.0</td>
</tr>
<tr>
<td>2004/05</td>
<td>169 886 431</td>
<td>5.5</td>
</tr>
<tr>
<td>2005/06</td>
<td>174 740 041</td>
<td>2.9</td>
</tr>
<tr>
<td>2006/07</td>
<td>177 615 334</td>
<td>1.6</td>
</tr>
<tr>
<td>2007/08</td>
<td>194 418 729</td>
<td>9.5</td>
</tr>
<tr>
<td>2008/09</td>
<td>208 660 400</td>
<td>7.3</td>
</tr>
<tr>
<td>2009/10</td>
<td>201 538 211</td>
<td>-3.4</td>
</tr>
</tbody>
</table>

Data source: PRASA 2013
As in Gauteng, three business express lines have been introduced in the Western Cape with one option extending beyond the boundary for the Metro to include Huguenot and Paarl. The service operates early in the morning returning at the close of business in the afternoon.

<table>
<thead>
<tr>
<th>Business Express Option</th>
<th>Area</th>
<th>Seating Capacity</th>
<th>Stopping Stations</th>
<th>Average Travel Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007 Khayelitsha Express</td>
<td>Khayelitsha to Cape Town</td>
<td>300</td>
<td>Khayelitsha, Heideveld, Mutual, Cape Town</td>
<td>40 Minutes</td>
</tr>
<tr>
<td>2009 Premium Express</td>
<td>Strand to Cape Town</td>
<td>252</td>
<td>Strand, Somerset West, Firgrove, Eerste River, Kuilsriver, Mutual, Cape Town</td>
<td>70 minutes</td>
</tr>
</tbody>
</table>

In February 2012, the Business Day reported the intention of National government to transfer the management and planning of Metrorail commuter train services from the PRASA to the large Metropolitan Municipalities. The Cape Town Metro was earmarked as the potential pilot site given that approximately 60% of the city’s residents rely on Metrorail for the daily transport needs. Progress made in this regard cannot be determined as part of the desktop study. However, the very intention to consider the devolution of the

http://www.bdlive.co.za/articles/2012/02/16/cape-town-to-test-taking-over-of-metrorail;jsessionid=837C02F0910E0F08B864112AF49CE906.present2.bdfm
responsibility should be viewed favourably as long as key aspects such as “funds following the function”, capacity requirements and related matters are considered.

Certainly, it would appear that an effort has been made by the Metro to integrate public transport services with initiatives such as the establishment of the City of Cape Town’s Transport Information Centre (TIC). This is “a 24 hour, seven day a week call centre service that provides residents and visitors with information on public transport in Cape Town. It focuses on routes, schedules, ticket prices, ticket outlets and locations of interchanges, ranks and park-and-ride facilities. The TIC also attends to all the feedback for Cape Metrorail, Golden Arrow Bus Services, Park-and-Ride facilities, Dial-a-Ride public transport and kerbside parking management”54.

**eThekwini and the Metrorail**

As has been demonstrated with the other metropolitan areas, the Metrorail in KwaZulu-Natal also extends beyond the eThekwini Municipal Boundary to include urban centres such as Stanger in the north and Park Rynie along the south coast. However, the most significant secondary urban centre within the province to the west of the metro, Msunduzi, is not linked via the metrorail with the service stopping in Cato Ridge.

Within the metro itself, Metrorail largely services the built up area of the city linking the predominately former township areas to the city centre.

*Figure 11: Estimated metro rail coverage, eThekwini*

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When examining the total passenger trips from 1998/99 to 2012/13, the highest number of trips for the 15 year period was achieved in the first year with approximately 90 million trips recorded. The following year demonstrated a 30% drop in usage with the results continuing to decline until 2002/03. The service figures grew once again until the drop off in 2010/11 with a slow recovery thereafter.

Table 6: KwaZulu-Natal Passenger Trips, 1998/99 to 2012/13

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Passenger Trips</th>
<th>Year on Year Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998/99</td>
<td>89 912 139</td>
<td></td>
</tr>
<tr>
<td>1999/00</td>
<td>62 758 115</td>
<td>-30.2</td>
</tr>
<tr>
<td>2000/01</td>
<td>60 949 627</td>
<td>-2.9</td>
</tr>
<tr>
<td>2001/02</td>
<td>53 744 104</td>
<td>-11.8</td>
</tr>
<tr>
<td>2002/03</td>
<td>51 785 051</td>
<td>-3.6</td>
</tr>
<tr>
<td>2003/04</td>
<td>53 481 755</td>
<td>3.3</td>
</tr>
<tr>
<td>2004/05</td>
<td>53 942 366</td>
<td>0.9</td>
</tr>
<tr>
<td>2005/06</td>
<td>60 119 034</td>
<td>11.5</td>
</tr>
<tr>
<td>2006/07</td>
<td>64 725 439</td>
<td>7.7</td>
</tr>
<tr>
<td>2007/08</td>
<td>74 719 467</td>
<td>15.4</td>
</tr>
<tr>
<td>2008/09</td>
<td>83 497 757</td>
<td>11.7</td>
</tr>
<tr>
<td>2009/10</td>
<td>87 960 091</td>
<td>5.3</td>
</tr>
<tr>
<td>2010/11</td>
<td>69 367 107</td>
<td>-21.1</td>
</tr>
</tbody>
</table>

Data source: PRASA 2013
eThekwini is in the process of implementing a programme toward transforming its public transport system. In addition to the inception phase, implementation will take place in four phases to be fully realised in 2027.

Phase 1 includes the construction of four corridors, one of which includes the rail corridor from the city centre to uMlazi in the south of Durban, to be completed in partnership with PRASA. It would appear that the City is attempting to maximise the use of its existing opportunities such as the rail infrastructure for promoting the growth and development of the City.

**Metrorail and the two Eastern Cape Metros**

Metrorail facilities are found in both Nelson Mandela Bay and Buffalo City and in the case of both municipalities, the service is wholly contained within the existing municipal area. In both areas, the metrolines link the former township areas with either industrial hubs such as Uitenhage and the city centres. As is evident in the route maps in Appendix***, both cities are served by a single rather than multiple routes.

**Figure 12: Year on year growth rate, KwaZulu-Natal**

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth Rate</th>
<th>Average</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011/12</td>
<td>77,099,187</td>
<td>11.1</td>
<td></td>
</tr>
<tr>
<td>2012/13</td>
<td>78,486,891</td>
<td></td>
<td>1.8</td>
</tr>
<tr>
<td>Average</td>
<td>68,169,875</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Median</td>
<td>64,725,439</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Figure 13: Estimated rail coverage, Buffalo City**
Figure 14: Estimated rail coverage, Nelson Mandela Bay
Approximately 9 million passenger trips are recorded for both lines in the Eastern Cape, substantially less than other three metropolitan areas already described. Moreover, unlike other areas, the Eastern Cape lines have failed to recover from the 2010/11 industrial action with falling passenger rates in the two subsequent years.

Table 7: Eastern Cape Passenger Trips, 1998/99 to 2012/13

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Passenger Trips</th>
<th>Year on Year Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998/99</td>
<td>7 230 811</td>
<td></td>
</tr>
<tr>
<td>1999/00</td>
<td>7 930 730</td>
<td>9.7</td>
</tr>
<tr>
<td>2000/01</td>
<td>7 969 711</td>
<td>0.5</td>
</tr>
<tr>
<td>2001/02</td>
<td>8 293 615</td>
<td>4.1</td>
</tr>
<tr>
<td>2002/03</td>
<td>7 360 592</td>
<td>-11.2</td>
</tr>
<tr>
<td>2003/04</td>
<td>7 865 633</td>
<td>6.9</td>
</tr>
<tr>
<td>2004/05</td>
<td>8 085 368</td>
<td>2.8</td>
</tr>
<tr>
<td>2005/06</td>
<td>9 009 613</td>
<td>11.4</td>
</tr>
<tr>
<td>2006/07</td>
<td>9 608 904</td>
<td>6.7</td>
</tr>
<tr>
<td>2007/08</td>
<td>10 558 171</td>
<td>9.9</td>
</tr>
<tr>
<td>2008/09</td>
<td>13 801 411</td>
<td>30.7</td>
</tr>
<tr>
<td>2009/10</td>
<td>13 909 404</td>
<td>0.8</td>
</tr>
<tr>
<td>2010/11</td>
<td>9 629 108</td>
<td>-30.8</td>
</tr>
<tr>
<td>2011/12</td>
<td>9 446 674</td>
<td>-1.9</td>
</tr>
<tr>
<td>2012/13</td>
<td>9 196 597</td>
<td>-2.6</td>
</tr>
<tr>
<td>Average</td>
<td>9 326 423</td>
<td></td>
</tr>
<tr>
<td>Median</td>
<td>9 009 613</td>
<td></td>
</tr>
</tbody>
</table>

Figure 15: Year on year growth, Eastern Cape

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56 Data source: PRASA 2013
When examining the data available on metrorail performance, it is evident that the sector struggles to maintain sustained growth in its usage patterns. As was noted in the PRASA 2011 Annual Report,

“Passenger rail in South Africa is facing many challenges as a result of inadequate investment in rail infrastructure, operations, ageing train fleet (rolling stock) and the severe shortage of managerial and technical skills. Limited coverage has also meant that rail lost a significant market share. The result is passenger rail services that fail to respond adequately to passenger demands.

The prolonged under-investment of almost 30 years has resulted in a situation where services are experiencing continued decline in the availability of rolling stock. The condition of the rolling stock is deteriorating faster than the rate of overhauls. Unless the rate of overhauls can be greatly accelerated in the short-term, the level of services is expected to deteriorate. The impact of this will eventually mean a demise of passenger rail in the long term, which currently undertakes almost 2.2 million passenger trips daily.”

In addition to PRASA implementing an improvement plan, major metropolitan municipalities have recognised the importance of mass public transport in which metrorail plays an important part, as being necessary for supporting the City’s growth and development. However, it would appear that significant effort will need to be made to improve the service and image of metrorail in order to ensure its effective integration into the city’s public transport system.

57 PRASA Annual Report, 2011
transport systems. This would include improved planning which reflects the national intentions for supporting urban growth and development, and greatly improved coordination and integration between the different institutions involved.

POSSIBLE SOLUTIONS

Improved spatial planning

The NDP notes that improved social and economic mobility can also be brought about by more effective spatial planning rather than transport interventions, such as establishing more economic opportunities where people live or creating new settlements close to work hubs, which is a long term process.

Integrated planning

To address the challenge of integrated planning, Natmap 2050 presents a framework by which South Africa’s future, multi-modal, transportation systems planning, implementation, maintenance, operations, investments and monitoring decisions are to be made. It is an action plan of the preferred prioritised and itemised policies, institutional, infrastructure facilities, equipment and rolling stock to be implemented and procured on a phased and incremental basis until 2050. Provincial Master Plans 2005-2050 are also envisaged. This is expected to improve interaction between provincial departments of transport and the national department. An integrated and co-ordinated information management system is needed for each province.\(^\text{58}\)

Public transport

Investment in public transport needs to increase. This should include infrastructural measures, such as renewing the commuter train fleet, and providing incentives for public-transport use. Increased investment into the country’s road infrastructure is needed.

Freight corridors

\(^{58}\text{Natmap, 2050}\)
Bulk freight is transported mainly on existing national road and rail networks. These need to be improved, particularly the major corridors such as the N3 between Durban and Johannesburg.

**Transport management at local level**

Current policy to devolve transport management to municipalities is aimed at enhancing alignment across the sector. This needs to be accompanied by strengthening of institutions and alignment of legislation, policy and practice. In cases where metropolitan municipalities are adjacent to each other, as is the case in Gauteng, it may be appropriate to establish a regional transport authority as proposed in Gauteng’s 2055 strategy\(^5^9\).

**Institutional arrangements**

The transport sector is extremely fragmented in terms of institutional structure, regulation and roles and responsibilities. This needs to be addressed in legislation and policy, and IGR arrangements need to be improved greatly.

In metropolitan areas, it may be useful to establish regional transit authorities which operate across the entire city region. This is particularly important in promoting more efficient public transport networks.

\(^{5^9}\) NDP, 2013
5. ENERGY

INTRODUCTION
South Africa’s energy sector is mixed, with varying patterns of state ownership and regulation across subsectors.

Electricity supply involves three phases: generation, transmission and distribution. National government is responsible for generation of electricity and its transmission across the country. The state-owned electricity company, Eskom, is responsible for over 95 per cent of electricity generation and all transmission. Municipalities are responsible for the distribution of electricity to consumers. However, Eskom supplies many customers directly. Some municipalities have limited generation capacity of their own.

In addition, the role of Independent Private Producers (IPPs) is likely to play a greater role in electricity generation in South Africa in future. An IPP is expected to contribute 1 020 MW of generation capacity by 2013. The Department of Energy is also considering several legislative and policy changes to enable IPPs to sell electricity to the national grid.

A private entrepreneur has developed a wind farm in Darling, 70km north of Cape Town. Negotiations were held with Eskom to use the national grid. This project is purportedly the first IPP, and was supported by the Department of Energy, with grants from the Danish government and CEF (Pty) Ltd. The City of Cape Town has signed a power purchase agreement granting them the entire production for 20 years at a negotiated tariff. It will use half for its own needs and sell the remaining power to individuals and companies supporting green electricity generation.

Eskom is in the process of constructing Sere wind farm in the Western Cape. This is a R2.4 billion project, due to be operational at the end of 2014. It is expected to generate up to 100MW for the national grid. It has been argued that independent power producers could generate electricity at a lower cost, and that Eskom has a huge advantage given its access to cheap finance, and the fact that its risks are underwritten by Treasury. This means that the SOE has an unfair advantage which could well discourage IPPs with repercussions for the national energy sector, and therefore urban development.

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60 National Treasury, 2011
61 Ibid
62 Ibid
63 http://www.darlingwindfarm.co.za
64 Mail and Guardian, 2013
The electricity sector is regulated by the National Energy Regulator of South Africa, which is also responsible for the regulation of gas and petroleum pipelines. Eskom has had many successes including generating some of the lowest-priced electricity in the world, achieving revenue adequacy, and financing most of the government’s ambitious electrification program. “Unlike most other state-owned utilities, it has not been draining the state budget nor has it caused diversion of scarce public resources from other social purposes”65. The National Electrification Programme has succeeded in reducing the energy divide between the urban and poor, disadvantaged rural households since 1995. Despite being connected, however, many poor households are not able to afford significant electricity use, with the result that consumption has been lower than expected, and below the level for financial break-even66.

However, the sector faces serious challenges including a tight demand/supply balance and serious financial problems plaguing the distribution segment of the industry. Blackouts began to increase from 2000, as a result of deteriorating distribution networks and their effective decapitalization due to the decreasing amounts that were budgeted and spent on maintenance by the provincial and local governments67. Not only is the reliability of electric service important but so too is the quality of that service, given the heavy reliance of businesses and households on sensitive electronic devices68.

INSTITUTIONAL ISSUES
There are a number of state-owned enterprises in the energy sector. These include:

- **National Energy Regulator of South Africa:** The National Energy Regulator Act, 2004 establishes NERSA as the competent authority for electricity, gas and petroleum pipelines regulation. NERSA derives its revenue by imposing prescribed levies on regulated industries.

- **The National Nuclear Regulator**

- **CEF (SOC) LTD:** The group operates in the energy sector and manages defined energy interests with commercial, strategic, licensing, and developmental roles on behalf of the South African Government, and more recently, with a special focus on renewable and cleaner alternative energy sources. The CEF group is made up of 10 operating entities/subsidiaries.

- **Nuclear Energy Corporation of South Africa**

- **South African National Energy Research and Development Institute**

65 Kessides et al, 2007
66 Ibid
67 Ibid
68 Ibid
Eskom has a near monopoly in generation and transmission accounting for approximately 96% of South Africa’s total installed generating capacity and 96% of generated electricity, also controls close to 100% of transmission assets and supplies about 60% of electricity to final customers with the remainder provided by municipalities who buy most of their power in bulk from Eskom.

Thus, in contrast to the generation and transformation segments, distribution has been highly fragmented. The municipal segment of the distribution sector “includes a small number of very large and a large number of very small distributors.”

Many of the municipal distribution companies are financially non-viable as a result of operating inefficiencies, lack of technical capacity, theft, and a history of non-payment by users.

In order to address this fragmentation, cabinet agreed in 1999 to rationalize the distribution businesses of municipalities and Eskom into six Regional Electricity Distributors (REDs). However, as many municipalities earned significant income from their municipal electricity undertakings they were generally not in favour of REDs. Progress towards transforming the fragmented electricity distribution businesses into six financially viable and sustainable REDs was therefore very slow. The first RED was established in 2005 and “only on paper.” In December 2010 government decided to discontinue the process of establishing REDs.

Kessides et al (2007) note that successful implementation of the original consolidation plan would

“correct the past failure of small municipal distributors to capture economies of scale, skill and specialization; and reduce the substantial differences in the financial status of municipal distributors and the wide disparity in the prices paid by geographically segmented customer groups. However, unfavorable microeconomic conditions were not the only cause of municipal distributors’ problems. Governance, nonpayment, and the municipalities’ traditional dependence on electricity revenue to fund other municipal services were also important contributing factors. The merger and consolidation of municipal distributors is unlikely to adequately, if at all, address these governance problems. To the extent that governance problems at the municipal level and the performance of local economies were major factors, a more promising direction

69 Kessides et al, 2007
70 Ibid
71 Ibid
72 Kessides et al, 2007
73 Ibid
for restructuring and reform would be to remove distribution from direct municipal control”74.

CHALLENGES FOR INTEGRATED URBAN PLANNING, GROWTH AND DEVELOPMENT

The fragmentation of electricity supply and poor planning has caused unfair differences between Eskom distribution and municipal distributors related to the reliability of supply, and the ability of municipalities to serve low income households, tariffs, to the benefit of some large customers, but the detriment of domestic and low-income consumers.75

The future viability of municipalities is threatened by ineffective cost recovery and poor billing, as is poverty alleviation and the participation of the private sector as it undermines confidence in municipalities. At the same time, uncertainty around the status of the distribution industry could lead to continued inadequate investment and deterioration of reliability. This impacts directly on economic growth and competitiveness.

Policy makers have opted for low electricity prices possibly at the cost of a capacity expansion programme to address power outages.

A key issue is Eskom’s market dominance which differs from that of other countries, is not in the public interest, and is a major impediment to future competitive developments in the sector76. However, because Eskom is an SOE operating on business principles, it is likely to make it very difficult for other entities to participate in South Africa’s electricity business77.

POSSIBLE SOLUTIONS

Policy

As in the case of ICT, increased competition and regulation in the electricity are needed. Policy therefore needs to be developed to promote greater diversity in energy sources an in independent power producers (IPPs). Increased participation of the private sector could “provide superior financial, technical and managerial resources; bring greater clarity and transparency to the industry; force the depoliticization of tariffs; and encourage a procurement environment based on competition and cost-effectiveness78. State ownership of energy enterprises needs to be balanced with effective regulation and market reforms to

74 Ibid
75 Ibid
76 Kessides et al, 2007
77 Ibid
78 Kessides et al, 2007
stimulate competition and increase the involvement of the private sector\textsuperscript{79}. At the same time, electricity pricing and access need to accommodate the needs of the poor.

\textit{Intergovernmental relations and cooperation}

More effective structures to increase collaboration and cooperation need to be established. This include those needed to between the government, Eskom, Transnet, Sasol, IPPs and the coal industry to optimise domestic coal use while maximising coal exports\textsuperscript{80}.

\textit{Investments in infrastructure}

Increased municipal investments in infrastructure are needed particularly in the metros. It may be useful to ringfence the electricity distribution of the 12 largest municipalities to resolve their maintenance backlogs.\textsuperscript{81}

\textit{Address capacity shortfalls}

Where municipalities are not able to perform the electricity distribution function, it may be useful to develop an approach whereby better capacitated cities or Eskom take over this function\textsuperscript{82}.

\footnotesize
\begin{center}
\begin{tabular}{ll}
\textsuperscript{79} & NDP, 2013  \\
\textsuperscript{80} & NDP, 2013  \\
\textsuperscript{81} & NDP, 2013  \\
\textsuperscript{82} & Ibid
\end{tabular}
\end{center}
7. WATER

INTRODUCTION
A reliable and safe water supply is critical as it underpins community health, development and economic activity. Future growth in water requirements is expected to be mainly in the metros and large cities, but needs to be balanced with rural water needs, particularly agriculture, to safeguard food security. “Specific attention will therefore need to be given to ensuring adequate future water supplies to urban growth areas, as well as ensuring equitable access to the existing supplies” (National Treasury, 2011).

The Department’s annual report 2011/12 notes that “a huge backlog has developed with regard to the regional bulk water and sanitation infrastructure owned by municipalities, including water treatment and waste-water treatment plants. Surveys done jointly with local governments estimate the backlog at R110 billion. The Department has budgeted R5.4 billion over the next four (4) years to reduce this backlog. This amount excludes the funds that have been allocated in the budgets of local government”83. While the provision of water supply and sanitation services is the responsibility of municipalities, municipalities face a number of generic institutional challenges in this regard84.

Key challenges facing the water sector in the country are:

- Poverty
- Access to water
- Impact of the economy on water
- Water re-use
- Water demand management
- Water wars
- Allocation strategies
- Impact of water quality
- Public participation

The National Water Resources Strategy notes that water resource management can support urban development through85:

83 DWA Annual report, 2011/12
84 DWA Annual report, 2011-12
85 National Water Resources strategy, 2004
• Contributing to the planning and development of urban river floodplains to ensure public safety, and the safety of infrastructure, during floods
• Contributing to the health of urban rivers as social amenities by, amongst other things, ensuring compliance with licence conditions for the discharge of waste
• Supporting public awareness campaigns on the value of urban rivers as social amenities and assisting with clean-up campaigns

**INSTITUTIONAL ISSUES**

As indicated earlier, the institutional arrangements for water services provision are set out in the Water Services Act. The management of water resources has been decentralised by dividing the country into 19 water management areas. An overview of these institutions is provided below.

**Water management institutions**

A water management institution is a catchment management agency, a water user association, a body responsible for international water management, or any person who fulfils the functions of a water management institution in terms of the Act.

Four types of water management institutions are possible, according to legislation:

• Catchment Management Agency (CMA)
• Water User Association (WUA)
• A body responsible for international water management
• Any person who fulfils the functions of a water management institution in terms of the Act.

The country is divided into 19 Water Management Areas (WMA), each of which will have its own CMA. CMAs are statutory bodies required to do the following:

• Investigate and advise on the protection, use, development, conservation, management and control of the water resources in its WMA
• Develop a catchment management strategy which provides the framework for managing the water resources of the area
• Co-ordinate the activities of water users and water management institutions in its WMA
• Promote the implementation of any development plan established under the Water Services Act, such as a water services development plan
• Promote community participation in the protection, use, development, conservation, management and control of water resources in its WMA

“Each water management area is different, with different requirements for water resource management, and the Act gives the governing board considerable flexibility in the approach it adopts to carrying out its duties. Public involvement in this process is essential. The establishment of representative forums helps to develop constructive and trusting relationships between water resource managers and the public, with the aim of forming a common vision and understanding of the future agency’s role and functions”\textsuperscript{86}.

Catchment management agencies may, when empowered to do so, delegate powers and duties to their own committees and to water user associations.

Water User Associations are co-operative associations of individual water users who wish to undertake water related activities for their mutual benefit. More common in rural areas, they operate at local level, for the management of local water resources and associated infrastructure. The WUA is expected to be financially self-sufficient. It falls under the authority of the CMA in which it is located.

**Water Services Institutions (WSI)**

The Water Services Act also provides for four different water services institutions:

• Water Services Authority (WSA)
• Water Services Provider (WSP)
• Water Board (WB)
• Water Services Committee (WSC)

A WSA is a municipality (and only a municipality) responsible for ensuring access to water supply and sanitation services. It may itself perform functions of water services provider, or enter into contract/joint venture with another WSP.

A WSP physically provides water supply and sanitation services to consumers under contract to the WSA. It can be a municipality, water board, NGO, CBO, private sector etc, but has to have the approval of the WSA.

A Water Board is established by the Minister to provide water services to other WSIs. It is a public water services provider and may perform secondary activities.

\textsuperscript{86} DWA, NWRS, 2004
A WSC is a statutory committee that may be established by the Minister should a WSA fail in its duty. It does not refer to a CBO that performs a WSP function at community level.

**Public entities and statutory bodies reporting to the Minister**

According to the DWA Annual report, 2011-12, the public entities and statutory bodies that report to the Minister include 12 Water Boards, one of which is Umgeni Water in KZN.

Umgeni Water describes itself as “a state-owned entity, one of Africa’s most successful organisations involved in water management, and the largest supplier of bulk potable water in KZN. Umgeni Water has six municipal customers, namely eThekwini Metropolitan Municipality, Ilembe District Municipality, Sisonke District Municipality, Umgungundlovu District Municipality, Ugu District Municipality and Msunduzi Local Municipality. The organisation currently supplies 426 million cubic metres of potable water to its six municipal customers”\(^{87}\). In addition, the public entities and statutory bodies listed as reporting to the Minister includes two catchment management agencies, the Trans-Caledon Tunnel Authority, Water Research Commission, Water User Authorities, and the Water Trading Entity (WTE).

The background to the development of the water trading entity is that the water trading account was established in 1983 to ring fence departmental revenues collected through the sale of bulk water and related services from voted appropriations. The trading account was subsequently amended by the Public Finance Management Act (1999), under which it became the water trading entity in 2008. The rationale was to create an entity which would manage the recovery of usage costs to ensure the long term sustainability of South Africa’s water resources\(^{88}\).

The water trading entity has two components: water resource management and infrastructure management. Water resource management deals with the management of water quality, conservation and allocation of water through the catchment management agencies, and where catchment management agencies are not yet established, this is done through the proto catchment management agencies located in regional offices. The infrastructure management component deals with the operation and maintenance of existing infrastructure as well as the development of new infrastructure\(^{89}\).

The strategic aim of the entity is to ensure the reliable supply of water from bulk raw water resources infrastructure to meet sustainable demand for South Africa. Funding for operation and maintenance comes from revenue that is generated from raw water charges. Water resource management charges cover the operational costs of the two catchment management agencies or proto catchment management agencies in cases where catchment agency has not yet been established.

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\(^{87}\) Umgeni Water, www.umgeni.co.za  
\(^{88}\) DWA Annual report, 2011/12  
\(^{89}\) Ibid
management agencies are not yet established. Since its inception, the water trading entity has faced numerous challenges, including reviewing and resolving accounting issues, setting up organisational processes, and verifying the extensive network of national water resource infrastructure. To fund the development of new infrastructure, the entity receives an allocation from the pricing strategy\(^\text{90}\).

In addition to the challenges related to the pricing strategy, the entity has not put proper financial, management and quality controls in place, to ensure efficient operation\(^\text{91}\). These are severely limiting its capacity to finance and manage the bulk water infrastructure efficiently\(^\text{92}\).

**CHALLENGES FOR INTEGRATED URBAN PLANNING, GROWTH AND DEVELOPMENT**

Although the institutional relationships in the water sector are based on statutory authority, the vertical and hierarchical relationships defined in the Act are not clear enough to ensure successful operation and integration. Much depends on institutions developing cooperative and collaborative relationships with each other. Catchment management agencies are the focus of regional water resources management. In order to function effectively, they need to develop positive relationships with stakeholders, administrative authorities, and other water management and water services institutions, including water user associations and a range of national and provincial government departments.

The NWRS notes that “local authorities that are designated as water services authorities are, either directly or indirectly via water services providers, responsible for the provision of water services in their areas of jurisdiction and are therefore also water users. This use, including the treatment and disposal of waste water, will eventually be authorised and regulated by the agencies. Relationships between the agencies and local authorities will need to ensure that there is a high degree of integration between water resources management and water services provision”\(^\text{93}\).

**POSSIBLE SOLUTIONS**

**Policy**

As indicated earlier, great collaboration is needed between the different institutions involved in the provision of water. This includes municipalities. Greater efforts need to be made to enhance IGR structures and enforce collaboration.

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\(^{90}\) Ibid

\(^{91}\) Ibid

\(^{92}\) National Treasury, 2011

\(^{93}\) NWRS, 2004
As with the electricity sector, it is important that pricing and distribution mechanisms do not further alienate the poor and marginalised.

The NDP recommends that an urgent review of current norms and standards for water provision, and the financial implications of these, be conducted as current standards of service provision are unsustainable. This should consider innovative approaches to service provision in remote areas, such as household grants for self-provision\textsuperscript{94}.

**Address capacity shortfalls**

In order to address capacity shortfalls of some municipalities it may be useful to consider establishing regional utilities, or increasing community management, although municipalities need to continue to have their oversight authority for the function. The NDP proposes that the management of water services be strengthened and regional water and wastewater utilities established to support municipalities (including expanding mandates of existing water boards) by 2017.

**Investment in infrastructure**

To address the provision of adequate water in major urban centres, a comprehensive investment programme for water-resource development, bulk-water supply and wastewater management is being finalised\textsuperscript{95}.

\textsuperscript{94} NDP, 2013

\textsuperscript{95} NDP, 2013
8. COMMUNICATION

INTRODUCTION
An effective ICT system is not only critical to economic growth but can also play a major role in reducing spatial exclusion. It is important to ensure that the national ICT structures and policies support the economy’s needs and that inequities in access to ICT based on geographical location, income and education are reduced rather than increased.

Broadband is key to the knowledge economy and to activities that rely on the provision of data and information, particularly in service sectors. It “generates increased efficiency, productivity welfare gains, and potentially contributes to job creation and occupational change. Broadband Infraco, an SOE, is becoming increasingly important as an enabling technology for structural changes in the South African and African economy, most notably via the direct impact on productivity growth, but also by raising product market competition in many sectors, especially in the services sector”96.

The NDP notes that Telkom dominates the telecommunications backbone and telephony markets. It maintains that

“This dominance has been ineffectually regulated, resulting in high input costs for businesses, which has in turn resulted in an increase in the costs of services and products. It has also inhibited investment in growth areas within ICT, such as business-process outsourcing and offshore information-technology-enabled services”97.

Among the constraining factors noted in the NDP are policy constraints, weaknesses in institutional arrangements, conflicting policies, regulatory failure and limited competition.

INSTITUTIONAL ISSUES
A number of organisations fall under the umbrella of the national Department of Communications. These include the following:

- **ICASA** - The Independent Communications Authority of South Africa was established in terms of the Independent Communications Authority of South Africa Act (2000). The authority makes regulations and issues communications licences in terms of

96 Broadband Infraco, 2013 Annual report, 2012
97 NDP, 2012
the Electronic Communications Act (2005) and Postal Services Act (1998). In addition, the authority enforces compliance with rules and regulations, protects consumers from unfair business practices and poor quality services, hears and decides on disputes and complaints brought against licenses, and controls and manages the frequency spectrum.

- **SABC** - The corporation became a limited liability company in 2004, with two operational divisions: public broadcasting services and commercial broadcasting services. The corporation’s service and broadcasting activities are regulated through the licence conditions issued by the Independent Communications Authority of South Africa for each of its radio and television services. It reports to the authority quarterly to comply with licence conditions. The corporation is further bound to meet licence conditions set for its individual radio stations and television channels, and has to abide by regulations set by the Independent Communications Authority of South Africa outlining minimum quotas and standards in areas such as local content.

- **SA Post Office** - The South African Post Office was established in accordance with the Post Office Act (1958) as a government business enterprise to provide postal and related services to the public. The Post Office Act (1958) will be repealed and replaced by the Post Office Bill and the Postbank Bill, which have been enacted into law by March 2012. With the imminent corporatisation of Postbank into a separate entity, more previously disadvantaged communities will have access to banking services. SAPO was granted an exclusive mandate to conduct postal services to South Africa by the Postal Services Act (1998). The Act makes provision for the regulation of postal services and the operational functions of the company, including, its universal service obligations.

  The Post Office is seen to be the core ICT public access network and should be used to achieve South Africa’s universal service goals in the sector. In this regard, post offices will be built, using Expanded Public Works Principles, in several communities each year.

- **Sentech Limited** is a state owned enterprise established in terms of the Sentech Act (1996) and the Sentech Amendment Act (1999) and is listed as a schedule 3B public entity in terms of the Public Finance Management Act (1999). Its mandate is to provide broadcasting signal distribution for broadcasting licensees. Sentech provides signal distribution services for most of the Country’s broadcasters which include the

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98 DCS, 2012 Annual report
Public Broadcaster, Commercial and Community Broadcasters. The VSAT solution provides internet connectivity to Government departments, municipalities and learning institutions, amongst others.

- **NEMISA National Electronic Media Institute of SA**—is a non-profit institute of education which provides skills training at an advanced level for the broadcasting industry.

- **.zadna (.za Domain Name Authority)** - was established to assume responsibility for the .za Domain Name Space. The DoC currently provides funding for the .za DNA until the Authority is fully operational. Funding will then be sourced through a funding model developed in accordance with section 66(3) of the ECT. The DoC is actively involved in the .za DNA and will continue its participation until the Authority is fully operational and sustainable.

- **USAASA Universal Service and Access Agency of SA**—is established in terms of section 50 of the Electronic Communications Act (1999) as a statutory body. The role of the agency is to promote universal service and access to communications technologies and services for all South Africans. It also facilitates and offers guidance on evaluating, monitoring and implementing schemes, which propose to improve universal access and service. The agency is mandated by the Telecommunications Act (1996) to manage the Universal Service Funds. The fund, with monies appropriated by Parliament, is used for infrastructure for the universal services area licensees as well as providing infrastructure for telecentres and school cyber labs (computer laboratories with ICT equipment which enable access to the internet and provide multimedia services).

- **Broadband Infraco**
  Broadband Infraco is a State Owned Enterprise (SOE) involved in those segments of the telecommunications market and value chain that impede private sector development and innovation in telecoms services. Its latest annual report states that it aims to “improve market efficiency in the long-distance connectivity segment by increasing available long-distance network infrastructure and capacity to stimulate private sector development and innovation in telecommunications services and content offerings, as well as to provide long distance national and international connectivity to previously under-serviced areas.

99 [www.infraco.co.za](http://www.infraco.co.za)
In 2010/11 Five Point of Presence (POP) sites were established in the major metropolitan areas. By 2012 the company reported that it had successfully in-sourced network operations and expanded maintenance activities to twelve sites across South Africa. 110 Points of Presence (POPs) were established nationally with 55 of these in under-serviced areas. With regard to national connectivity, the company notes that its National Long Distance Network covers most major cities and towns and all nine provinces. Plans are in place to improve the resilience and scalability of the network to accommodate the expected market demand and to continue to exceed the carrier class expectations of the wholesale market. The continued roll-out of the capital investment programme will extend the reach of the network and improve accessibility to both urban and underserviced areas.

- **Telkom**
  The South African government is the largest shareholder of Telkom, with 39.8% ownership. Telkom fixed line consists of Telkom Consumer which serves residential customers providing voice and data services to customers in their homes, using Telkom's national fixed-line network, Telkom Business which is dedicated to serving businesses of all types and Telkom Wholesale and Networks which is South Africa's leading provider of ICT wholesale facilities, services and solutions and enables customers to grow their businesses.

With regard to coordination of the different SOEs in this sector, and alignment with government policy, the Department of Communications facilitates the development of the strategic and corporate plans of USAASA, NEMISA, Sentech, SABC, SAPO and communicates the Strategic Planning Cycle to all SOEs to ensure alignment and compliance. A new organizational structure has been developed and approved which has given effect to the establishment of the SOE oversight branch to oversee compliance and ensure strategic alignment with government and DoC policies and strategies. In 2011/12 the Department addressed the specific audit findings of SOEs and ICASA to prevent recurrence of adverse audit findings and PFMA transgressions.

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**CHALLENGES FOR INTEGRATED URBAN PLANNING, GROWTH AND DEVELOPMENT**

Effective and efficient ICT can be an enabler of urban and economic growth. However, the communications sector in South Africa faces several major challenges, which can disable economic growth and development. These challenges are limited competition (as evident in

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100 Broadband Infrac, 2013 Annual report, 2012
101 www.telkom.co.za
102 Department of Communications, 2013 Annual report 2011/12
Telkom’s dominance), which increases costs and inefficiencies, and prevents growth and innovation, weak institutional arrangements and ineffective regulation. In addition, the deteriorating fixed-line network is of concern.

There is a tension between investment to enhance ICT to promote economic growth, and the need to extend services to poorer sectors to promote inclusivity.

**POSSIBLE SOLUTIONS**

The state’s primary role in ICT should be to promote competition, regulate operator behavior and address market failure. In order to do this, it is important that a single strategy be developed that addresses the role of state infrastructure interventions to achieve a connected society. Policy also needs to be developed to facilitate the coordination of private and public investment into infrastructure to avoid duplication.

The NDP notes that there is tension between the fact “that municipalities both regulate access for infrastructure (through wayleaves, for example) and compete with private service providers by developing their own broadband networks to perform city management functions. A better distinction of these roles is required to avoid unintended policy outcomes”. In the short term, the NDP proposes encouraging or prescribing “sharing of expensive trenching infrastructure by creating common rights of way for competing operators to lay dedicated lines”.

To address the tension between investment to promote economic growth and the need for social inclusivity, it may be useful to promote collaborative partnerships with the private sector, identifying specific social responsibilities.
9. WHAT NEEDS TO CHANGE TO PROMOTE URBAN DEVELOPMENT

STILL TO BE INSERTED – info below just workings

OVERVIEW OF CURRENT CHALLENGES

- Land
- IGR – lack of cooperation, integration, trust
- IDP/Lack of integrated planning
- Backlogs
- Fragmentation and duplication
- Plans produced at municipal level – entity is doing the planning but isn’t the implementing agency (and vice versa?)
- Public interest mandate vs profit driven, balance sheet approach

POSSIBLE SOLUTIONS

- Intergovernmental forums – see HDA report
- In key sectors such as electricity, communications there is a need for a review of institutional arrangements and encouragement of competition, innovation and creativity at municipal level e.g. IPPs, review of uncompetitive advantages to SOEs such as Eskom and how to ensure that these do not discourage innovation and development.
- Develop public interest mandates for SOEs.

NDP

SOEs need a clear mandate. The closest thing to this is the stakeholder compact required by the PFMA. The most important function of the mandate is to specify why the SOE is needed. Given that these enterprises exist to serve the public interest, it is important that the mandate is precise about what public good the SOE provides and how it serves the public interest. For the large SOEs involved in economic infrastructure provision, their mandate should also include the imperative of financial viability and sustaining their asset base and balance sheet in order to maintain and expand services.

Eskom has a mandate to provide reliable and competitively priced electricity to mining, industry and business, but it also has a mandate to extend affordable access to electricity services to poor households. The former should generally pay a tariff that reflects the full cost, whereas the latter may be eligible for subsidies. It can be disastrous to the financial sustainability of SOEs to confuse these and provide services at below cost if the gap is not covered by an alternative source of finance. (442)

Steps to achieve developmental potential of SOEs:
• Develop public interest mandates that highlight an SOE’s core purpose. Make these publicly available to promote accountability.
• Clarify the responsibility of policy and shareholder ministries.
• Improve coordination between policy and shareholder ministries by making them jointly responsible for appointing the board.
• Ensure appointment processes are credible and that there is greater stability in appointments.
• Ensure regulators have clearly defined powers, and adequate human and financial resources.
• Formulate a long-term plan to develop the policy and technical expertise that SOEs need to fulfil their mandates.
10. CONCLUSION AND RECOMMENDATIONS
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