Managing a Toll Road Concession

N3 Toll Concession(RF) Proprietary Limited



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Toll Roads in South Africa



- Toll roads introduced in 1984
- Tolls based on the 'User Pays Principle'
- Grown from 27 kilometres to 3,120 kilometres
 - 1,832 km managed by SANRAL
 - 1,288 km managed by three concessionaires
- Toll roads constitute 14.6% of the National Road Network of 21 403km



The Asset

- A single purpose company
- Effective date 02 November 1999 30 year concession
- Cedara to Heidelberg 415kms
- N3 links the industrial heartland in Gauteng to the country's biggest and busiest port in Durban
- AADT varies between 11,000 and 16,000 at the plazas
- 30 35 % heavy vehicles (based on AADT)



Concession Contract



- Concession Contract and 26 Annexures
- Obligations -> Design, Construct, Finance, Operate and Maintain
 - Existing N3
 - Future De Beers Expressway
- Risks assumed by N3TC
 - Traffic, funding, and construction
- Risks assumed by SANRAL
 - Delivery of site, MAGA, toll rate adjustments, and overloading



Governance



- **Board of Directors**
- **Quarterly Meetings**
- Committees include:
 - Audit
 - Finance
 - Procurement
 - Social and Ethics
 - Remuneration
 - Strategic Initiatives



Risk Management

- Ongoing risk assessment Risk Matrix
- Business continuity plans
- Ongoing internal audits of toll operations
- Annual external audit of the Annual Financial Statements
- Annual Key Performance Indicators (KPIs)
- Business Model Outsourcing
- Role of Independent Engineer and Inter-creditor Agent



Design & Construct Systems

Pavement Management

- Obligation to maintain the road pavement and structures, and to provide a remaining structural capacity at the end of the Concession
- Network condition monitoring annual measurements
- The Pavement Management System(Juno Viewer)
- Determining the capex strategy
- Pricing the capex strategy
- Three-year rolling programme
- Independent reviews
- Bridge Management
 - The Bridge Management System(CSIR)



The Geotechnical Management System (ARQ Consulting)







Design & Construct



- Design
 - Capacity: LOS D Contractual Minimum Level of Service
 - Pavement: Functional and structural compliance requirements
 - Tenders Invited
 - Evaluation by N3TC and award by Procurement Committee (PC)
- Construction
 - Contract documentation FIDIC and COLTO
 - Tenders invited
 - Evaluation by Engineer and N3TC and award approval by PC
- Routine Road Maintenance (RRM) outsourced to PDEs and **SMMEs**
- BEE compliance



Toll Operations

- Toll Collection Services outsourced.
- Revenue collection risk assumed by Operator.
- Toll collected at four mainline and five ramp plazas.
- 58,000 transactions per day.
- Automatic Vehicle Classification (AVC).
- Video Toll Audit System (VTAS).
- Queue Length Monitoring.
- Electronic Toll Collection (ETC).









Traffic Management

- Operations 24/7:
 - Traffic counts and weigh in motion data;
 - Route Control Centre 0800 N3 HELP;
 - Route Patrol Service;
 - Incident Management System;
- Incident Reporting Information System (IRIS).
- Variable message signs and cameras.
- Average speed enforcement.
- PPP with law enforcement agencies.



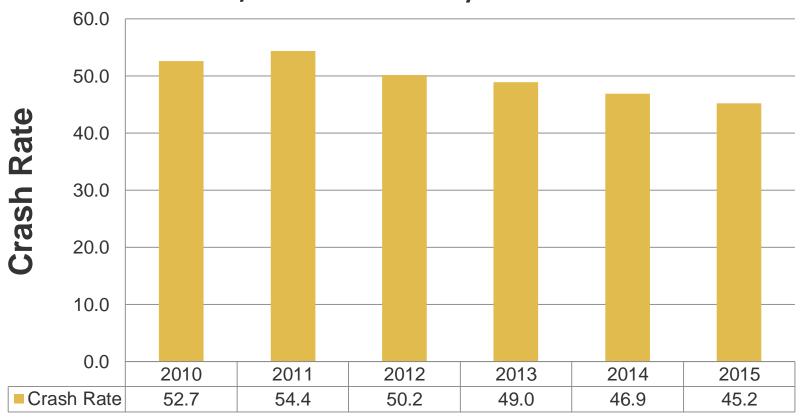






Traffic Management: Crash Rate

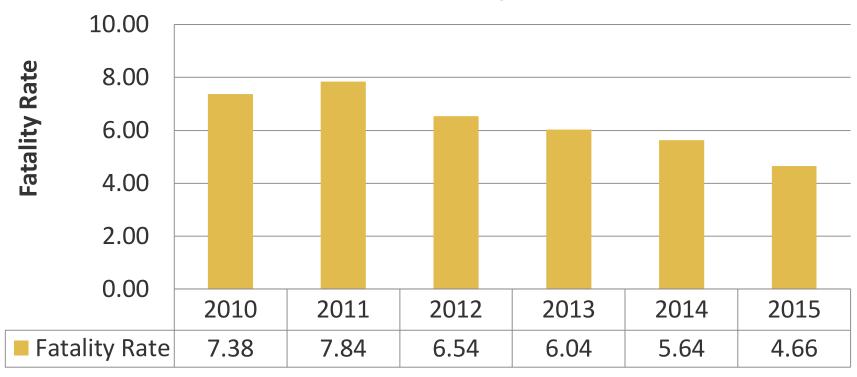
Crashes/100 M.V.Km January to June





Traffic Management: Fatalities

Fatalities/100 M.V.Km January to June





Traffic Management: Critical Date Planner

N3TC :CRITICAL DATES YEAR PLANNER : 2015														Inland Schools Gauteng,Limpopo,North west, Mpumalanga, Free State Coastal Schools KZN, Eastern Cape, Northern Cape, Western Cape Cedara to Heidelberg										Potential leave Public holidays Only Cedara to Mooi			Special Events Only Cedara to Tugela Only Cedara to Lions R				REV 2: 8 JANUARY 2015									
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Finance

- At Inception debt/equity ratio was 83/17.
- Fixed rate and CPI linked debt.
- Financial model update: six-monthly.
- Preference share issue.
- Refinancing.
- Hedging.

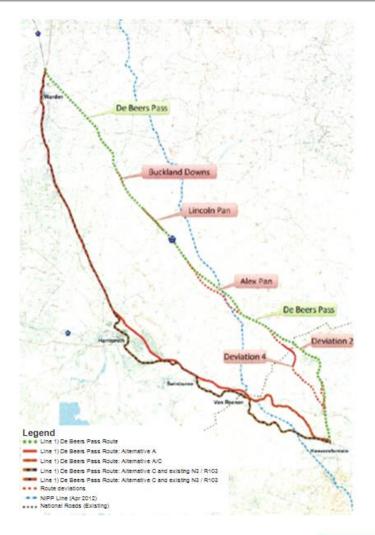






De Beers Expressway

- Contractual obligation
- Alternative to existing road section between Keeversfontein and Warden
- Traffic trigger AADT 13,900
- Conditions to undertaking the works
 - Obtaining required environmental authorisations
 - Obtaining the requisite funding
 - No outstanding legal challenge
- Capital expenditure is scheduled to commence in 2018







Regulatory



- Environmental Management Plan
- Compliance monitoring by Independent **Environmental Consultant**
- Use of reclaimed asphalt and steel slag
- Initiatives with Birdlife SA, Midlands Conservancies Forum, Endangered Wildlife Trust, Wildlands **Conservation Trust**
- Health and safety
 - Ongoing HS audits









Corporate Social Investment (CSI)

- Priority areas
 - Education
 - Tourism
 - **Environment**
 - Enterprise Development
- Review of 2014 Activities
 - Number of CSI projects: 78
 - Number of lives touched 74,000
 - Number of CSI Jobs created: 640 full time and 462 part time
 - 10 bursaries awarded
 - CSI Spend: R10million
- Targets set by SANRAL exceeded
- N3 Gateway









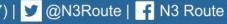
Marketing

Value Proposition – Brand Awareness – Reputation

- Align activities with business purpose and values
- More than a Road... Safety. Convenience. Mobility
- Radio and print media releases
 - Tracking of + and media
- Sponsorships and community event support
- Partnerships with Imperial, BMW and Community Medical Services
- Social media
 - Twitter handle @N3Route (50 000 followers)
 - Facebook
 - YouTube
- *Mobility* mobile application
- N3TC website
- 0800 N3 HELP Customer Care line







Closing thoughts

- Ingredients for a successful Toll Road Concession
 - Shareholder and SANRAL support
 - Experienced cohesive team
 - Appropriate risk management strategies
 - Good corporate citizen (Economic, Environmental and Social)

