

# 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

- 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 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



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

- 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

- 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](#))
- Geotechnical Management
  - The Geotechnical Management System ([ARQ Consulting](#))







- 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 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).

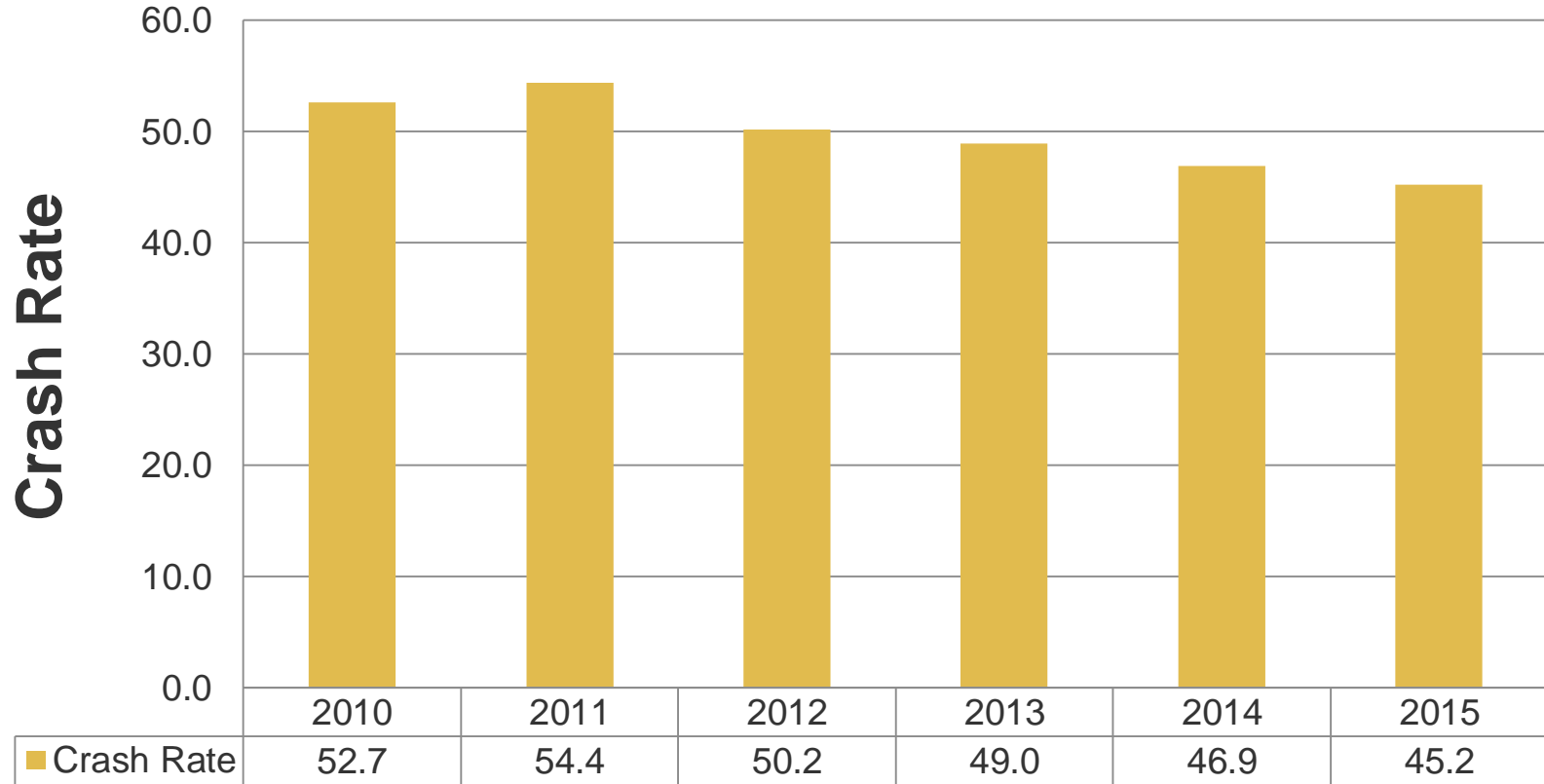


- Operations 24/7:
  - Traffic counts and weigh in motion data;
  - Route Control Centre – 0800 N3 HELP;
  - Route Patrol Service;
  - Incident Management System;
- Incident Reporting Information System (IRIS).
- Variable message signs and cameras.
- Average speed enforcement.
- PPP with law enforcement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

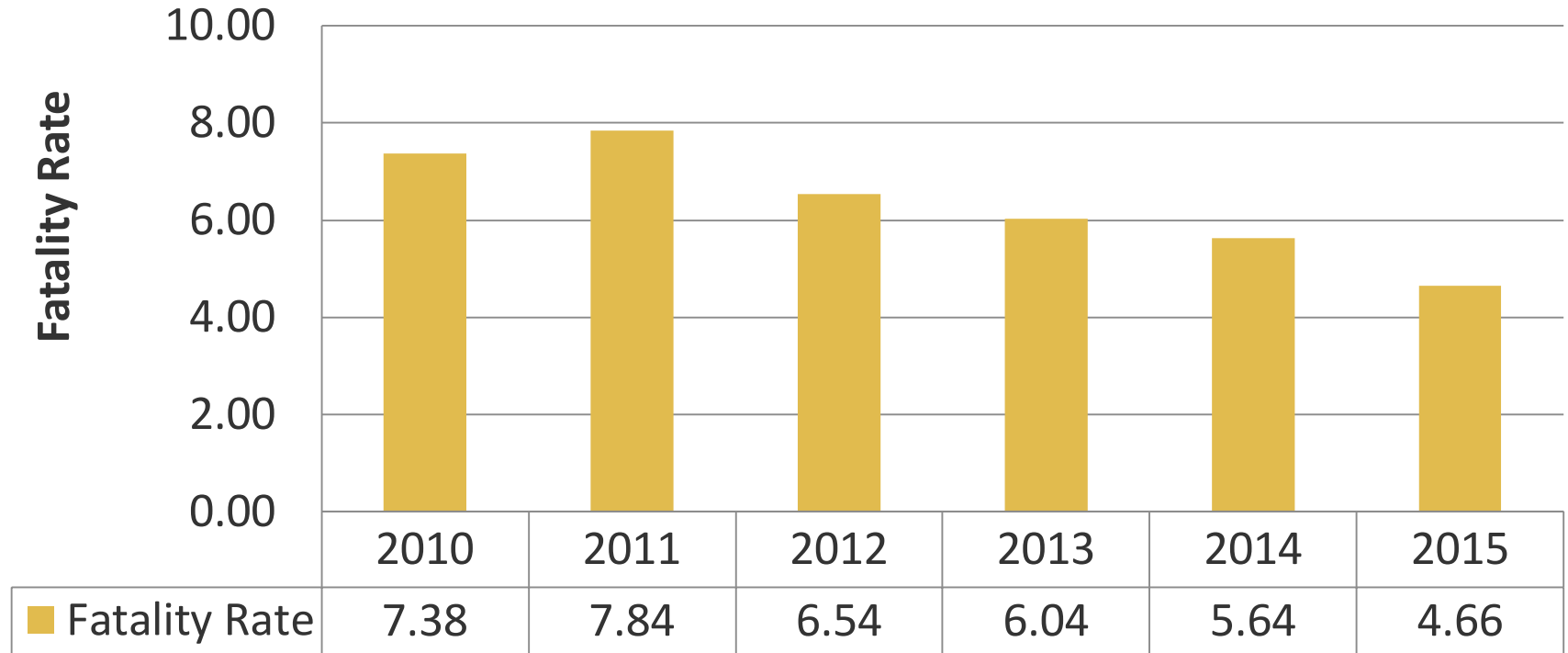


# Traffic Management: Crash Rate

## Crashes/100 M.V.Km January to June



## Fatalities/100 M.V.Km January to June





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

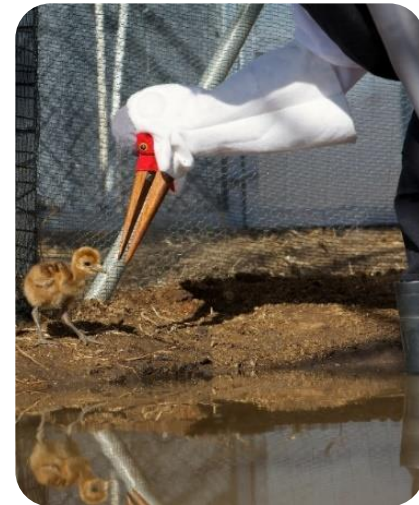


- Contractual obligation
- Alternative to existing road section between Keeversfontein and Warden
- Traffic trigger – AADT 13,900
- Conditions to undertaking the works
  - Obtaining required environmental authorisations
  - Obtaining the requisite funding
  - No outstanding legal challenge
- Capital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





- Environmental
  - 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





- 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)