VISION
To be recognised as a world leader in the provision of a superior primary road network in southern Africa.

MISSION
As the custodian of a public good, we are committed to the advancement of the southern African community through:

- A highly motivated and professional team
- State-of-the-art technology
- Proficient service providers
- Promoting the “user-pay” principle.
CORE VALUES

EPIC

E - excellence
P - proactiveness
I - participativeness
C - integrity
A - care
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**CORPORATE OVERVIEW, PERFORMANCE AND GOVERNANCE INFORMATION**

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CHAIRPERSON’S REPORT

This year has been a dynamic introduction of the new board to SANRAL, its operations, and its customers – the road users – whom it serves. We, as members of the board, are satisfied with the efficiency of SANRAL and its people who effectively implement the processes and procedures, living up to the standard of the agency to remain one of the most efficient State Owned Entities.

During the year under review, the board was actively engaged on the high-profile Gauteng Freeway Improvement Project (GFIP). Over and above the processes followed by the Steering Committee mandated on behalf of the Minister of Transport, the board hosted its own stakeholder representation session.

This session offered an opportunity to the invited organisations to present to us their grievances about tolling on the GFIP as well as their proposed solutions to this issue. Our findings were presented to the Minister of Transport. Since then we have been part of numerous sessions including supporting SANRAL at the National Consumer Commission.

To better focus on SANRAL itself, one of the areas we as a Board looked at particularly closely was job creation and transformation goals within SANRAL. In assessments of the projects, we have come to realise the extent of projects that SANRAL’s staff covers as well as their vast talents, experience and diversity in roles.

However, the board has noted and is concerned that there remains a significant challenge for SANRAL’s transformation plans, particularly in terms of access to work and value for black consultants and contractors and their meaningful participation in SANRAL’s work. The board held a workshop aimed at finding ways of ensuring more inclusivity and an action plan emanating from those deliberations will be implemented.

The board is also concerned with the demographic profile of SANRAL in terms of the Employment Equity Act and has embarked on a process to ensure representivity at all employee levels. The board has therefore developed an aggressive plan with the objective of ensuring a representative demographic profile in line with the country’s overall employment equity objectives.

The board also acknowledges that there is still considerable investment being made and that, for example, talents and experience are being passed on to other aspiring engineers by means of our internship programme.
During the year under review, SANRAL gave opportunity to students equivalent to 67% of SANRAL’s staff compliment to participate in the internship programme and vacation jobs. Additionally, this year SANRAL granted 57 bursaries with a total investment of approximately R4.4 million. I am further encouraged by the fact that a total of nine students graduated in their first degrees, four were employed permanently by SANRAL, and five were further supported to study for their second degrees in the Masters in Engineering Sciences.

SANRAL does not invest in students only when they are at tertiary level, we also support them from Grades 10 to 12 under our scholarship programme. There are 120 learners across the country benefitting from the programme, of which 79% are black students. At the end of the 2011 academic year, 12 Grade 12 learners achieved distinctions in mathematics and physical science. The investment made on the programme was approximately R1.3 million.

SANRAL promotes transformation by ensuring that SMMEs are exposed to work experiences that might otherwise not have been possible. I am encouraged by the 172 contracts that we awarded worth R10.4 billion for new works, rehabilitation and improvement, periodic and special maintenance, routine road maintenance, community development, supervision and other activities. Over this period, SANRAL spent a total of R2.2 billion on contracts with SMMEs, of which more than R1.6 billion went to black-owned firms. Additionally, SANRALs projects trained more than 16 355 people in road-building projects, of which 5 711 were women, and created 80 893 jobs of varying duration.

In addition, 82 contracts have been awarded to consultants, of which the empowerment value for black enterprise ownership was about R283 million (39 percent) of that total spend.

As part of our commitment to SANRAL, we have been active in our relations with members of the media, including engaging on issues that have a national impact. Receiving recognition for the transformative achievements of SANRAL will remain a challenge. However, we hope to further strengthen this relationship towards a common goal of communicating the delivery of infrastructure to the people of South Africa.

I take this opportunity to thank the SANRAL staff members, especially the CEO, Nazir Alli, for leading a dynamic team. I further wish to extend my gratitude and appreciation to the Minister of Transport, Mr Sibusiso Ndebele for his direction and guidance. I am sure SANRAL will only grow from strength to strength.

Tembakazi Mnyaka
Chairperson

“If there are dreams about a beautiful South Africa, there are also roads that lead to their goal. Two of these roads could be named Goodness and Forgiveness.”

Nelson Mandela
CHIEF EXECUTIVE OFFICER’S REPORT

In his 2012 State of the Nation Address, President Jacob Zuma called on the nation to join government in a massive infrastructure development drive. SANRAL is committed to this objective, which will help create decent jobs, develop skills and uplift rural communities to help create a better South Africa for all.

Despite the much-publicised and frequently discussed challenges involving the GFIP over the last year, our commitment to our mandate as set out in SANRAL’s strategic objectives remains firm. In support of government initiatives, SANRAL will be working on the S’hamba Sonke Drive, which includes rural roads. This maintenance project will create jobs and help uplift rural communities. On receipt of the appropriate authorisation and funding, SANRAL will work with the Department of Transport and provinces to provide management and technical support to ensure that this project is a success.

Investor relations
The uncertainty surrounding the Gauteng e-toll project created confusion and negative sentiment in the market and among the general public, both locally and internationally. As a result, SANRAL’s global and national ratings were downgraded in February 2012 to Baa1/P-2 and Aa3.za/P-1.za respectively. Subsequently in May 2012 the ratings were further downgraded to Baa2/P-3 and A2.za/P-2.za respectively, with a negative outlook. Suspended bond auctions and multiple delays of the commencement of e-tolling on the GFIP have affected investor confidence.

We remain steadfast in our conviction that this project will deliver tangible and sustained benefits to Gauteng road users and that it should be implemented in all its facets as soon as possible. We will continue to engage with investors to offer reassurance of SANRAL’s credibility and update them on the status of the GFIP, the N1/N2 Winelands project and the current road network.

Funding
South Africa’s economic activity depends on SANRAL’s ability to develop and expand road networks. Indeed we are excited about the pending increase in the size of SANRAL’s network to more than 18 000km with the process in place to incorporate some 2 000km of Eastern Cape roads.

SANRAL’s ability to develop and expand roads depends on funding. As the Minister of Transport pointed out in his address to the National Council of the Provinces, South Africa is contending with an infrastructure backlog with limited funding available directly from the fiscus.
The minister reiterated the importance of alternative funding sources, including the user-pay principle, if South Africa is to successfully address this backlog. According to its legislation and government policy, SANRAL promotes the user-pay principle through selective tolling to ensure the sustainability of the national road network. Using future revenue streams to build and maintain infrastructure is an effective project funding tool.

**Gauteng Freeway Improvement Project**

SANRAL has reported on the GFIP in its annual reports over a number of years. In his announcement of 31 May 2012 about Cabinet deliberations on the GFIP, the Deputy President confirmed that the decision to implement the project with its chosen funding mechanism was taken after a thorough consultative process and that its implementation was in compliance with appropriate legislation.

The plan to change parts of Gauteng’s freeways with an initial tariff of 50 cents per kilometre (before discounts) was gazetted in March 2008. The required period of public comment was observed and the Minister of Transport considered comments.

After evaluating and awarding tenders, SANRAL completed the majority of Phase 1 of the GFIP in early 2011. After the tariffs were gazetted, public concerns were raised about the implementation of the e-tolling system. Government suspended the tariffs and appointed a task team to review the fee structure.

The task team held public hearings where interested parties, including business and organised labour, made representations. In August 2011, Cabinet announced reduced tariffs and an exemption for public transport vehicles, such as taxis and buses.

In February 2012, after considering further representations from interested parties and the public, government decided to allocate R5.75 billion from the national budget to reduce consumer tariffs to 30 cents per kilometre for light motor vehicles with an e-tag. The implementation date was set for 30 April 2012.

Subsequent to the reporting period, the Gauteng High Court interdicted tolling from starting before completion of a further review process of the original toll declaration and environmental approvals. The appeal against this decision is scheduled to be heard by the Constitutional Court in August 2012.

**Research and technology**

SANRAL will continue to explore technological advances that improve the safety of the roads. We aim to deliver better roads with intelligent features in the fastest, most affordable, safest and environmentally friendly way possible. Technology is therefore essential to improving value for money and overall transport pricing. An example of this is SANRAL’s freeway management system (FMS) in the Western Cape, KwaZulu-Natal and Gauteng, which has grown since 2006.

SANRAL funds various research projects. The largest project is a five-year study on revising the South African pavement design method. It was initiated in 2008 and involves 22 research teams. The study’s end-product will be pavement design software incorporating the latest models for the design of granular, stabilised (cement or bitumen), asphalt, concrete and block pavements.

Two other research projects are expected to yield practical implementation plans for biodiversity management systems within SANRAL.

The first of the two research projects is on fynbos along a section of the N2 in the Eastern Cape. A PhD student was awarded the bursary at the end of March 2012 to carry out this study, which is expected to take two years. The second research project aims to determine appropriate aesthetic and “greening” treatment along selected sections of Gauteng freeways. This pilot study is expected to be complete by the end of 2013.
Small, medium and micro enterprises
SANRAL strives to promote SMMEs in all projects that it undertakes, to contribute meaningfully to the transformation and growth of the South African economy. To exceed benchmarks, we have appointed a service provider to survey SMMEs’ perceptions of SANRAL as a project management organisation or client organisation. This will enable us to better understand the challenges faced by smaller companies, so that SANRAL can improve its policies and processes and enable an easier business environment for SMMEs. This will also accelerate empowerment and transformation through our projects.

Road safety and community development
SANRAL supports the Decade of Action for Road Safety, with a focus on infrastructure, road-user behaviour and post-crash response.

As a road authority, we will continue to improve road infrastructure safety. South Africa has a world-class national road network, but there will always be room for improvement.

SANRAL has adopted a proactive and reactive approach to safe infrastructure. Proactively, we continuously evaluate the national road network against a set of standards and norms. Reactively, we identify and address high-incident areas. In many cases, solutions are not only infrastructure or engineering-based, but close partnerships with education and traffic law enforcement entities are required for a safer road environment.

The psychology behind pedestrian behaviour on freeways is another current research project. This project, funded by SANRAL and conducted by the University of Pretoria, will include an urban and rural setting to determine the different factors affecting the decisions made by pedestrians. The project is expected to start during 2012/13.

SANRAL promotes accessibility and mobility of non-motorised forms of transport by providing appropriate infrastructure.

The work focuses on:
- Constructing pedestrian and bicycle paths to safely accommodate non-motorised modes of transport.
- Effective traffic-calming messages at locations with pedestrian activity.
- Strategically located pedestrian bridges.
- Providing safe access for communities living next to the national road network through parallel service roads and safe crossing points.

Where appropriate, SANRAL has provided lay-bys for taxis and buses to create safe drop-off and pick-up points on the network.

SANRAL’s community development programme creates access and mobility in rural areas along national roads.

It aims to meet the following objectives:
- Help relieve poverty in communities living next to national roads.
- Develop skills through transfer and training.
- Create jobs and encourage community participation.
- Provide facilities to communities next to national roads in remote areas.
- Have a positive impact on households in which women are the breadwinners.
- Develop SMMEs.

SANRAL continues to support skills development in the engineering and built environments. Our bursaries and scholarships have produced new engineers who are joining SANRAL as they complete their studies. We will continue to support and ensure the academic development of all people interested in the field of civil engineering and the related built environment. These skills help to uplift communities and benefit the whole country.
Corporate governance
During the period under review, unsubstantiated claims were made about SANRAL’s procurement practices, particularly regarding the GFIP and the variety of sub-contractors.

We have rigorous processes in place to prevent any form of interference or influence on our procurement and tender decisions. SANRAL’s tenders are always based on National Treasury processes. Repeated audits by the Auditor-General’s office over many years have examined SANRAL’s procurement and tenders, in both policy and practice. I am confident that SANRAL’s procurement practices and the awarding of tenders have always been and remain beyond reproach.

Acknowledgements
I thank our Minister Sibusiso Ndebele and his deputy Jeremy Cronin for their guidance and counsel, and both the outgoing and new Board members for their support.

We extend our sincere appreciation to our industry partners for their efforts. We also appreciate the role of the investor community and the Auditor-General’s office.

I would like to offer a special word of gratitude to my executives and employees in each region who have been pillars of strength to SANRAL during these challenging times. The SANRAL team has remained committed to the goals of the agency and remained proud of the SANRAL brand.

Finally, to all our road users, we remain committed to serving you with excellence and integrity.

Nazir Alli
Chief Executive Officer

As a road authority, we will continue to improve road infrastructure safety.
BOARD OF DIRECTORS

From right to left:
Duduzile Nyamane
BA Social Science MBA MAP

Peter Derman
BA Hons [Social Anthropology]

Roshan Morar
CA [SA] Certified Fraud Examiner

Lungile Madlala
B-tech BSc [Hons] [Civ Eng]

Tembakazi Mnyaka (Chairperson)
B Social Science
MA (Town and Regional Planning)

Sipho Madonsela
BSc (Mechanical Eng) Pr Eng

Anthony Julies
BCom Economics MA Economics

The following Board members served until 30 November 2011:

Lot Ndlovu (Chairperson)
DPLR EDP AMP MAP HRCOSA

Mochele Noge
BCom [Econ] Hons [Acc] CA (SA) HDip [Corp Law]
SAICA M.Inst.D

Frederick Otieno
MBA PhD [Civ Eng] Pr Eng FSAICE

Sindisiwe Mabaso-Koyana
BCom CTA CA [SA] SAICA

NON-EXECUTIVE DIRECTORS

EXECUTIVE DIRECTOR

Far left:
Nazir Alli [Chief Executive Officer]
BSc [Civ Eng] CEng FSAICE MICE FSAAE Grad Dip
Company Direction M.Inst.D

The following Board members served until 30 November 2011:

Lot Ndlovu (Chairperson)
DPLR EDP AMP MAP HRCOSA

Mochele Noge
BCom [Econ] Hons [Acc] CA (SA) HDip [Corp Law]
SAICA M.Inst.D

Frederick Otieno
MBA PhD [Civ Eng] Pr Eng FSAICE

Sindisiwe Mabaso-Koyana
BCom CTA CA [SA] SAICA

Far left:
Nazir Alli [Chief Executive Officer]
BSc [Civ Eng] CEng FSAICE MICE FSAAE Grad Dip
Company Direction M.Inst.D

The following Board members served until 30 November 2011:

Lot Ndlovu (Chairperson)
DPLR EDP AMP MAP HRCOSA

Mochele Noge
BCom [Econ] Hons [Acc] CA (SA) HDip [Corp Law]
SAICA M.Inst.D

Frederick Otieno
MBA PhD [Civ Eng] Pr Eng FSAICE

Sindisiwe Mabaso-Koyana
BCom CTA CA [SA] SAICA
EXECUTIVE MANAGEMENT

Top left to right:
Chief Financial Officer:
Inge Mulder
Bcompt (Hons) CTA CA (SA)

Company Secretary and
Risk Officer:
Alice Mathew
BSc MBA FCIS

Right:
Corporate Services Executive:
Heidi Harper
BA Social Science MBA IPM

Far right:
Engineering Executive:
Koos Smit
BSc (Civ Eng) Pr Eng

REGIONAL MANAGEMENT

Top left to right:
Eastern region:
Logashri Sewnarain
BSc (Civ Eng) Pr Eng PrCPM MSAICE FAarb

Western region:
Kobus van der Walt
BEng (Civ) Pr Eng

Left:
Northern region:
Ismail Essa
ND (Civ Eng) B-tech (Civ Eng)
MBA Pr Cpm AMSAICEE

Left:
Southern region:
Mbulelo Simon Peterson
BSc (Maths and Applied Maths) BSc (Civ Eng)
MBA Pr Eng MSAICE
WHAT SANRAL DOES

Our principal tasks:

- Strategically plan, design, construct, operate, rehabilitate and maintain South Africa’s national roads to support socioeconomic development.
- Generate revenue from the development and management of its assets.
- Undertake research and development to enhance the quality of life of all South Africans, with particular emphasis on their social and economic wellbeing.
- Advise the Minister of Transport on matters relating to South Africa’s roads.
- Finance, plan, construct, provide, operate and maintain roads in neighbouring countries on the request of the Minister of Transport and those countries.

Our objectives:

- Manage the national road network effectively.
- Provide safe roads.
- Carry out government’s targeted programmes.
- Maintain cooperative working relationships with relevant departments, provinces, local authorities and Southern African Development Community member countries.
- Achieve and maintain good governance practice.
- Transformation.
- Achieve financial sustainability.
- Pursue research, innovation and best practice.

Funding the road network

In accordance with the SANRAL Act (1998), the agency is responsible for two separate funding portfolios: toll and non-toll roads. These operations are funded separately and there is no cross-subsidisation of funds between the two portfolios. Non-toll roads are funded by the fiscus through government allocations. Toll operations can be divided into two types – those funded by SANRAL itself and operated on its behalf, and roads concessioned to private parties under public-private partnerships (PPPs).
THE NATIONAL ROAD NETWORK

In his State of the Nation Address, President Zuma invited the nation to join in a massive infrastructure development drive. SANRAL supports this commitment by managing and maintaining 16,170km of the national road network. This is expected to grow to 35,000km. The agency continues to work towards the following objectives:

- Expand the national road network.
- Maintain existing roads in a safe condition.
- Access sources other than tax-based revenues to fund road development.
- Promote transformation.
- Use new technology to improve the travel experience of road users and protect the environment.

During the reporting period, SANRAL made progress in all these areas. However, the nature of our work nearly always involves multi-year projects. Planning, construction, finishing work, capital-raising exercises and expenditure typically extend beyond the limits of one reporting period. As a result, many of the projects mentioned in this report are only due to be completed during 2012/13 or beyond.

SANRAL has developed an asset preservation and expansion strategy that is integral to the management and funding of the country’s system of national roads.

REPORTING PERIOD HIGHLIGHTS

Highlights for the reporting period included the following:

- Awarded 172 contracts worth R10.4 billion for new works, rehabilitation and improvement, maintenance freeway management and routine road maintenance.
- Spent 2.2 billion on contracts with SMMEs – of which more than R1.6 billion went to black-owned firms. Trained 16,355 people in road-building projects and created about 80,893 jobs.
1.1 SUSTAINABILITY REPORTING

A 1987 United Nations conference defined sustainable developments as those that “meet present needs without compromising the ability of future generations to meet their needs”. SANRAL’s approach to sustainability is based on this definition. We can confidently state that we have contributed positively to improving socioeconomic conditions in South African communities. For detailed information, see pages 38 to 41 in Section 1 and pages 47 to 52 in Section 2.

SANRAL uses a combined assurance model that involves agency staff and auditors (both internal and external) to ensure comprehensive risk management. SANRAL’s Audit and Risk Committee monitors the adequacy and effectiveness of the assurance model.

1.2 FUNDING

The roads under SANRAL management will eventually grow to 35 000km. The financial implications of incorporating roads that were previously maintained by provincial authorities pose a challenge that SANRAL will meet through a combination of the following:

- Funding from the national fiscus.
- Funding from the collection of tolls, enabling the development and maintenance of roads using the “user-pay” principle.
- Engaging the private sector to finance the development of some sections of tolled road over a fixed period, with the asset reverting to SANRAL at no charge and in a specified condition.

Since 2004, there has been a steady increase in funding allocations from the national budget to support the non-toll portion of the national road network. Increased funding, however, has been offset by the higher costs of materials. SANRAL’s costs are affected by the prices of fuel, plant, labour and civil engineering materials, and the spiralling price of bitumen. These trends are captured in the Figure 1 below, which shows that prices for road construction, as expressed by the construction price adjustment factor, rose more rapidly than consumer and producer prices.

Figure 1: Indices comparison trend
Non-toll roads account for about 81 percent of the national road network. Tax-based revenues finance the expansion, upgrading and maintenance of these roads. Government’s three-year medium-term expenditure framework sets out future allocations.

SANRAL also uses alternative sources of finance for road infrastructure to reduce its dependence on tax-based revenues.

All major construction work on the GFIP has been completed. Funding of R3.6 billion (nominal) was needed during the year under review. R1.1 billion was raised through the guaranteed HWAY bond programme and R2.4 billion through the non-guaranteed NRA bond programme. SANRAL’s debt will be serviced and repaid through the collection of toll revenue, particularly through the GFIP.

**Effective partnerships with the private sector**

SANRAL has always pursued PPPs, which has rendered substantial dividends.

PPPs with SANRAL’s concessionaires – the N3 Toll Concession (Pty) Ltd (N3TC), the N1/N4 Bakwena Platinum Corridor Concessionaire (Pty) Ltd (Bakwena) and the N4 Trans African Concessions (Pty) Ltd (TRAC) – allow SANRAL to reduce the cost of transport, provide a safer and more reliable road infrastructure, and build the economy of South Africa and its neighbours. To date, the concessionaires have financed capital work to the value of about R5.8 billion.

### 1.3 TECHNOLOGICAL INNOVATION

SANRAL appointed a contractor to operate and maintain intelligent transport systems (ITS) in Gauteng, KwaZulu-Natal and the Western Cape. This national contract was implemented to ensure a coherent, consistent and integrated management approach, with standardised technology, policy and operating procedures in the three regions.

The contractor is subject to a performance-based contract. SANRAL developed an ITS performance-monitoring programme and indicators to measure performance, which ensures that result-oriented objectives with measurable standards are identified, goals are met, an integrated transportation management approach is achieved regionally and nationally, and an efficient and effective service is maintained.

Notable ITS achievements during the reporting period are discussed below.

The **Gauteng** FMS spans 230km and includes 183km of fibre optic cables, 49 variable message signs (VMSes) and 245 cameras, including 20 wireless cameras on the R21. During 2011/12, SANRAL trained over 900 stakeholders, including officials from traffic and emergency services.

The ITS infrastructure backbone is being upgraded to support full network redundancy and ITS field devices.

The **Cape Town** FMS has been operational for the full reporting period and covers major freeways in Cape Town, including freeways that fall under the jurisdiction of Provincial Government of the Western Cape and the City of Cape Town. SANRAL conducts FMS operations from the City of Cape Town’s TMC. SANRAL chairs the monthly operations meetings and initiates management debriefing sessions after major incidents. During the reporting period, the Cape Town FMS facilitated the coordinated response to more than 10 656 incidents on Cape Town’s freeways, including 1 667 vehicle accidents (16 percent), 7 140 stationary vehicles (67 percent), 676 lane closures for road works (6 percent) and 1 173 other incidents such as poor visibility due to veld fires and heavy rains, or animals on the roadway (11 percent).
Incident data collected through the FMS has helped identify the most hazardous locations on Cape Town’s freeways. Remedial measures are being investigated. The FMS has also been used to identify areas with high pedestrian activity and to coordinate law enforcement and educational activities. The system has 221 closed-circuit television cameras (CCTV) and 49 VMSes covering 154km of the busiest freeways in Cape Town. Its field devices have maintained an availability rate of above 90 percent in 2011/12.

The KwaZulu-Natal FMS covers about 100km of the busiest sections of the N2 and N3 national roads. These freeways have 118 cameras and 18 VMS units, linked through a high-speed fibre optic communications backbone to a TMC at the SANRAL offices in Pietermaritzburg.

The TMC deals with about 150 traffic-related incidents per month. Stationary vehicles, mostly heavy, account for about 66 percent of all incidents, followed by vehicle accidents at about 27 percent.

The FMS also monitors the Tongaat Mainline, King Shaka Ramp and Mariannhill Mainline Toll Plazas. SANRAL is expanding the network by an additional 45km to cover the section on the N3 between Camperdown and Cedara. This will include traffic hotspots like Town Hill and the Chota Motala Interchange.

In all ITS projects, TMC operators work closely with traffic, emergency and enforcement agencies. Traffic officials ensure that traffic-related incidents are attended to efficiently and quickly, with the least possible disruption to traffic flow.

**Traveller information**

During the reporting period, SANRAL continued to implement its traveller information system. This will serve as a pre-trip and en-route tool to help drivers select and plan routes. SANRAL has deployed some traveller information in Gauteng, KwaZulu-Natal and Cape Town through social media networks. The national contract will provide traveller information through an advanced traffic information system.
1.4 ENGINEERING OVERVIEW

Toll road network
The current toll road network accounts for about 19 percent (3 120km) of the national road grid. SANRAL manages 1 832km of these toll roads, and concessionaires are responsible for managing and funding the remaining 1 288km. SANRAL will continue to selectively expand toll roads to maintain and grow the national road network in a sustainable manner.

Toll roads respond to South Africa’s need for an improved road system to expand the economy and to meet increased demands on existing infrastructure. SANRAL is developing innovations in this area, including South Africa’s first multi-lane free-flow toll system, which collects tolls electronically.

During the reporting period, SANRAL spent R1.3 billion on operating costs for about 1 900km of toll roads, as shown in the table below. Over the same period, capital expenditure on toll roads amounted to R3.2 billion to strengthen and improve roads, and to build new facilities.

Table 1: Toll roads operational expenditure 2011/12

<table>
<thead>
<tr>
<th>Description</th>
<th>Number of projects</th>
<th>Length (km)</th>
<th>Cost R 000</th>
</tr>
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<tbody>
<tr>
<td>Toll operations and routine maint.</td>
<td>54</td>
<td>1 832</td>
<td>1 162 196</td>
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<tr>
<td>Periodic maintenance</td>
<td>4</td>
<td>108</td>
<td>87 709</td>
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<tr>
<td>Special maintenance</td>
<td>4</td>
<td>29</td>
<td>80 770</td>
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<tr>
<td>TOTAL</td>
<td>62</td>
<td>1 969</td>
<td>1 330 675</td>
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</table>

Note: Operational expenditure excludes any accruals made at year-end and includes expenditure related to contracts awarded in previous financial years, but incurred during 2011/12. Periodic and special maintenance is in addition to routine maintenance of the road network.

Table 2: Toll roads capital expenditure 2011/12

<table>
<thead>
<tr>
<th>Description</th>
<th>Number of projects</th>
<th>Length (km)</th>
<th>Cost R 000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthening</td>
<td>2</td>
<td>32</td>
<td>43 028</td>
</tr>
<tr>
<td>Improvements</td>
<td>25</td>
<td>375</td>
<td>2 288 020</td>
</tr>
<tr>
<td>New facilities</td>
<td>25</td>
<td>95</td>
<td>908 720</td>
</tr>
<tr>
<td>TOTAL</td>
<td>52</td>
<td>502</td>
<td>3 239 768</td>
</tr>
</tbody>
</table>

Note: Capital expenditure excludes any accruals made at year-end and includes expenditure related to contracts awarded in previous financial years, but incurred during 2011/12.
Major toll road projects under way during 2011/12
SANRAL is committed to providing a superior service to its road users. Before a road is designed and built, a great deal of preparatory work takes place, including the incorporation of roads, planning, scoping, environmental impact assessments (EIAs) and other functions that contribute to long project gestation periods. During any one financial reporting period, SANRAL has a range of such projects under way.

A selection of major projects managed by SANRAL during 2011/12 is discussed in the next few pages. In each of these projects, SANRAL involves SMME contractors, employs local labour, provides training and works to ensure skills transfer. Aggregate empowerment, training and job creation figures are provided in the section on training, empowerment and job creation on pages 24 to 25.

N1-N2 Winelands Toll Highway Project
Three tenders for the N1-N2 Winelands project were received in November 2010. After evaluation, the preferred tenderer was announced in October 2011. The user-pay principle for this project is currently being discussed. Due to the Minister of Transport’s announcement that future toll projects are halted to allow for thorough consultation opportunities, contract negotiation has stopped.

The project will improve the N1 and N2 roads through the following actions:
N1
- Widen 35km of road and upgrade infrastructure
- Six new/upgraded interchanges
- 91km of road rehabilitation and asphalt overlay
- Construct approach roads and complete second Huguenot Tunnel
- Extend the integrated FMS
- Install VMSes.
N2
- Construct 13km of new road
- Widen 55km of road and upgrade infrastructure
- 8 new/upgraded interchanges
- 22km of road rehabilitation and asphalt overlay
- Improve capacity at Sir Lowry’s Pass and provide an arrestor bed
- Extend the integrated FMS
- Install VMSes.

The proposed toll roads would create about 5 000 jobs during the construction phase, with at least 72 percent of the total direct jobs going to low-income workers. After the construction stage, about 600 direct jobs will be generated every year. The project has the potential to generate between 1 300 and 2 100 indirect jobs during the initial construction period.

N2: Replacement of block paving at three toll plazas
This contract covers the Mtunzini, Mvoti and Oribi Toll Plazas. The existing pavement of 80mm thick, interlocking concrete paving blocks on top of 20mm of bedding sand has been removed and replaced.

Construction began on 2 August 2010 and was completed in March 2012, at a cost of about R74.4 million. The contract provided 84 jobs for locally recruited labour and R3 675 671 was spent on unskilled labour from the community (about 211 245 person hours). A total of R4 228 247 was spent on skilled labour (about 43 973 person hours). During the project, six locals received driver training.
Concessionaires
About 1,288 km of the tolled sections of the national road have been concessioned to private companies to develop, fund, operate and maintain. The three concessioned routes are as follows:

**Bakwena Platinum Corridor Concessionaire (Pty) Ltd** is responsible for the design, finance, construction, operation and maintenance of 385 km of toll road between Pretoria and Bela-Bela on the N1 and between Pretoria and the Botswana border on the N4.

Bakwena has added an additional carriageway on the N4 between the R512 West and Marikana Interchange. The first 12 km of the 32 km highway upgrade from single to dual carriageway was completed in March 2011. The four remaining phases are expected to be complete by December 2013. Rehabilitation of 28 km of the first phase of the N1 from Pumulani Plaza to Bela-Bela Interchange started in October 2010 and will be completed over 12 months at an estimated cost of R75 million. Phase 2, 3 and 4 will follow, with a total estimated project value of R500 million.

Manual plaza lanes are being upgraded, so that e-tags can be processed in anticipation of the GFIP’s open-road tolling (ORT). These lanes will have the ability to be both manually tolled and fully dynamic (only e-tags can be processed), or a combination of the two modes. This will ensure flexibility to cater for any mix of traffic. A total of 23 lanes are being upgraded, costing R7 million over 12 months. These lanes were completed by the end of 2011.

In March 2011, Bakwena started upgrading the R511/N4 Interchange, adding stop signs and lighting. The project was completed in September 2011 at an estimated value of about R1 million. These improvements have been carried out by SMMEs with minimal disruption to the traffic.

During the reporting period, 1,000 jobs have been created and includes Managerial, Supervisory and Labour.

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**Gauteng Freeway Improvement Project**
In 2006, an intergovernmental working group concluded that the freeways in Gauteng should be upgraded to reduce congestion using tolling as a payment method. After Cabinet accepted the project in 2007 and concluded the toll declaration of the routes, GFIP construction started. In 2011, the toll tariffs, based on the tariff indicated in 2007, were announced. Following public and political objection, several interactions with the public and stakeholders resulted in a reduction of the toll tariffs, announced in the Minister of Finance budget speech in February 2012. The toll commencement date was set for 30 April 2012. The Gauteng High Court interdicted tolling from commencing, before completion of a further review process of the original toll declaration and environmental approvals. The appeal to this decision will be heard by the Constitutional Court on 15 August 2012.

Apart from sections of the N12 freeway towards the East Rand, all the road works have been completed. The construction on the N12 between Tom Jones Interchange and Kingsway Interchange started later than the rest of the GFIP projects. The N12 from Gillooly’s Interchange to Kingsway, the Daveyton/Springs Interchange, falls under three contracts.

- **Package I:** from Gillooly’s Interchange to Rietfontein (R21) Interchange. Construction started 28 May 2008 and expected completion is August.
- **Package K:** from Rietfontein (R21) Interchange (km 9.6) to Tom Jones Interchange. Construction started 15 June 2009 and expected completion is September 2012.
- **Package L:** from Tom Jones Interchange (km 19.3) to Daveyton Interchange. Construction started 8 March 2011 and expected completion is September 2013.

These completion dates depend on weather conditions and the availability of bitumen.

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During the reporting period, 1,000 jobs have been created and includes Managerial, Supervisory and Labour.
The N3 between Heidelberg in Gauteng and Cedara in KwaZulu-Natal is operated by the N3 Toll Concession (Pty) Ltd. During 2011/12, the N3TC repaired and rehabilitated the concrete pavement highway, conducted special maintenance and upgraded drainage, and maintained highway pavements and bridges to the value of about R274 million.

Three additional contracts worth about R64 million were awarded during this period. The contracts focused on resealing sections of the N3 toll route, concrete repairs and grouting, shoulder repairs, drainage improvement works, maintenance, bridge joint and access ramp repairs, and safety improvement.

Due to ongoing shortages in the supply of bitumen, progress on many projects was delayed.

Trans African Concessions (Pty) Ltd manages the N4 East, which links Gauteng with the Port of Maputo in Mozambique. This vital economic artery is known as the Maputo Development Corridor, which aims to stimulate regional cooperation and economic development. Over the last decade, the N4 route has experienced a steady growth in traffic every year, including a 10 percent annual growth of freight vehicle traffic.

TRAC awarded a contract for the rehabilitation of all bridge structures from N4 East from Pretoria to the Mozambique border. The project involves the complete removal and reconstruction of badly eroded and spalling (concrete that is chipping, flaking or damage on its surface) balustrades on the bridges on N4 Section 4 between the Mpumalanga border and eMalahleni.

The contract, worth about R14 million, began in May 2011 and is expected to be completed in June 2012. About 15 casual labourers were trained in-house by the contractor.

TRAC also awarded a contract to mill and replace badly cracked and dried-out old asphalt surfacing with new asphalt in isolated areas from Donkerhoek weigh station to the Mpumalanga-Gauteng border, east of Pretoria. The contract was extended to include the construction of two trial sections of ultra-thin friction course surfacing using bitumen–rubber binder, east of the Hans Strydom Interchange. The ultra thin friction course is a test section for a large project which aims to resurface part of the N4 Section 2 using this type of asphalt and which is aimed to commence by the end of 2012. The contract, worth about R6.8 million, began in August 2011 and will be completed in May 2012.

TRAC is doubling the existing single carriageway road to a divided double carriageway between Schagen and Nelspruit. A new two-lane east bound carriageway is being constructed parallel to the existing road, and the existing road is being widened and rehabilitated to become the west-bound carriageway of the double carriageway. This is a performance-based contract without external contracts supervision. The contract, worth about R170 million, began in September 2011 and will be completed in May 2012. About 317 workers were trained, of which 29 were women.

TRAC recently awarded a contract to double the existing undivided dual carriageway road to a four lane dual carriageway facility between Middelburg in Mpumalanga to the N11 Hendrina Interchange. The project includes the construction of a new two-lane east-bound carriageway parallel to the existing road, widening of all structures and rehabilitation of the existing road to become the west-bound carriageway of the divided double carriageway. A rock quarry, crusher and asphalt plant will be established on-site. This is a performance-based contract without external contracts supervision. The contract, worth R179 million, began in March 2012 and is expected to be completed by March 2014.

About 1 288km of the tolled section of the national road have been concessioned to private companies.
EMPOWERMENT, TRAINING AND JOB CREATION

During 2011/12, SANRAL awarded 172 contracts worth R10.4 billion for new works, rehabilitation and improvement, periodic and special maintenance, routine road maintenance, community development, supervision and other activities. SANRAL spent a total of R2.2 billion on contracts with SMMEs, of which more than R1.6 billion went to black-owned firms. SANRAL projects trained more than 16,355 people in road-building projects, of which 5,711 were women, and created 80,893 jobs of varying duration.

In addition, 82 contracts have been awarded to consultants. About R283 million (39 percent) of the total spend went to BBBEE through black ownership.

Table 3: Contracts awarded

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (R)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Toll</td>
<td>7,183,031,409.45</td>
</tr>
<tr>
<td>Toll</td>
<td>2,417,454,987.23</td>
</tr>
<tr>
<td>Other</td>
<td>856,737,892.15</td>
</tr>
<tr>
<td>TOTAL</td>
<td>10,457,224,288.83</td>
</tr>
</tbody>
</table>

All amounts exclude construction price adjustment, contingencies and VAT.

Socioeconomic development

SANRAL is committed to promoting economic growth by training people to become economically active, reducing unemployment and stimulating small business activity. Tables 4, 5 and 6 provide a snapshot of SANRAL’s contribution to South Africa’s socioeconomic development, reporting on the value of contracts awarded to small and black-owned firms, the extent of training provided, and the number of jobs created.

Table 4: Empowerment, value of work performed in 2011/12

<table>
<thead>
<tr>
<th>Type of projects</th>
<th>SMME utilisation non-black enterprise</th>
<th>SMME utilisation black enterprise</th>
<th>Total rand value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number Rand value</td>
<td>Number Rand value</td>
<td></td>
</tr>
<tr>
<td>SANRAL TOLL AND NON-TOLL</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operational expenditure</td>
<td>351 254,424,137</td>
<td>556 734,779,258</td>
<td>989,203,395</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>317 324,606,984</td>
<td>739 905,468,367</td>
<td>1,230,065,351</td>
</tr>
<tr>
<td>TOTAL</td>
<td>668 579,031,121</td>
<td>1,295 1,640,237,625</td>
<td>2,219,268,746</td>
</tr>
</tbody>
</table>

Note: Total rand value relates to actual expenditure on empowerment for 2011/12, excluding community development projects. The value includes work performed in terms of previously awarded contracts.
### Table 5: Training

<table>
<thead>
<tr>
<th>Type of project</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
<th>Total rand value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SANRAL NON-TOLL ROADS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintenance</td>
<td>3 961</td>
<td>1 951</td>
<td>5 912</td>
<td>6 617 948</td>
</tr>
<tr>
<td>Replacement and improvement</td>
<td>4 050</td>
<td>2 001</td>
<td>6 051</td>
<td>10 430 322</td>
</tr>
<tr>
<td><strong>SUBTOTAL</strong></td>
<td>8 011</td>
<td>3 952</td>
<td>11 963</td>
<td>17 048 270</td>
</tr>
<tr>
<td><strong>SANRAL TOLL ROADS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintenance</td>
<td>379</td>
<td>213</td>
<td>592</td>
<td>1 027 886</td>
</tr>
<tr>
<td>Toll operations</td>
<td>1 170</td>
<td>1 367</td>
<td>2 537</td>
<td>956 622</td>
</tr>
<tr>
<td>Improvements</td>
<td>1 084</td>
<td>179</td>
<td>1 263</td>
<td>2 124 402</td>
</tr>
<tr>
<td><strong>SUBTOTAL</strong></td>
<td>2 633</td>
<td>1 759</td>
<td>4 392</td>
<td>4 108 910</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>10 644</td>
<td>5 711</td>
<td>16 355</td>
<td>21 157 180</td>
</tr>
</tbody>
</table>

Note: Figures in the average equivalent full-time job column are based on an estimated 2 000 person hours per annum. Number of job opportunities realised includes temporary job opportunities.

### Table 6: Job creation

<table>
<thead>
<tr>
<th>Type of project</th>
<th>Person hours</th>
<th>Average equivalent full-time jobs</th>
<th>Number of jobs realised</th>
<th>Total Rand Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SANRAL NON-TOLL ROADS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintenance</td>
<td>15 377 169</td>
<td>3 264 468</td>
<td>9 387</td>
<td>28 915</td>
</tr>
<tr>
<td>Replacement and improvement</td>
<td>13 268 268</td>
<td>2 985 697</td>
<td>8 244</td>
<td>26 051</td>
</tr>
<tr>
<td><strong>SUBTOTAL</strong></td>
<td>28 645 437</td>
<td>6 250 165</td>
<td>17 631</td>
<td>54 966</td>
</tr>
<tr>
<td><strong>SANRAL TOLL ROADS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintenance</td>
<td>3 028 938</td>
<td>1 079 028</td>
<td>2 054</td>
<td>9 560</td>
</tr>
<tr>
<td>Toll operations</td>
<td>552 606</td>
<td>777 514</td>
<td>668</td>
<td>68 801 083</td>
</tr>
<tr>
<td>Improvements</td>
<td>12 421 212</td>
<td>999 859</td>
<td>13 421 070</td>
<td>832 533 257</td>
</tr>
<tr>
<td><strong>SUBTOTAL</strong></td>
<td>16 002 756</td>
<td>2 856 401</td>
<td>9 433</td>
<td>992 478 339</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>44 648 193</td>
<td>9 106 566</td>
<td>27 064</td>
<td>2 224 062 896</td>
</tr>
</tbody>
</table>

Note: Figures in the average equivalent full-time job column are based on an estimated 2 000 person hours per annum. Number of job opportunities realised includes temporary job opportunities.
Non-toll network
About 13 050km of the national road network is not tolled. National Treasury provides a variable allocation to SANRAL to finance these roads. The funds are used primarily for maintenance and improvements based on SANRAL’s asset management systems.

During the reporting period, SANRAL spent R3.2 billion on maintaining non-toll roads, and R4.8 billion on strengthening, improving and providing new facilities on these roads.

### Table 8: Non-toll roads, capital expenditure 2011/12

<table>
<thead>
<tr>
<th>Description</th>
<th>Number of projects</th>
<th>Length (km)</th>
<th>Cost R 000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthening</td>
<td>55</td>
<td>2 084</td>
<td>2 897 199</td>
</tr>
<tr>
<td>Improvements</td>
<td>19</td>
<td>330</td>
<td>1 325 493</td>
</tr>
<tr>
<td>New facilities</td>
<td>19</td>
<td>161</td>
<td>599 791</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>93</strong></td>
<td><strong>2 575</strong></td>
<td><strong>4 822 483</strong></td>
</tr>
</tbody>
</table>

Note: The Capital Expenditure excludes any accruals made at year-end and also includes expenditure related to contracts awarded in previous financial years, but incurred during 2011/2012.

### Major non-toll road projects under way during 2011/12

#### N2: Ballito Interchange upgrade
The interchange cross-road links the village of Umhlali to the coastal town of Ballito. Construction to improve the interchange started in January 2011.

The new interchange will provide the following:
- Bridge over the N2 with four through lanes.
- Double lane west to north loop ramp in the south-west quadrant.
- Double lane east to south loop ramp in the north-east quadrant.
- Double lane, continuous flow west to south onramp.
- Double lane, continuous flow east to north onramp.

The contract, worth about R109 738 939, was awarded on 8 November 2010. Part of the contractor’s expenditure for the 2011/12 financial year was on local labour (R2 903 616) and local black enterprises (R3 771 698). A total of 48 people have been trained in scaffold erecting, shutter fixing, concrete hands and rebar hands.
A total of 50 people received generic training in safety, first aid, flagman duties and traffic management. Four engineering students were employed through the contract. Progress was affected when the contractor experienced internal cash-flow problems. The contractor declared voluntary liquidation in January 2012. The contractor’s insurers, in conjunction with SANRAL, called on selected contractors to tender for the completion of the works, and a new contractor was appointed on 23 March 2012 for a contract period of 12 months.

**N2: EB Cloete Interchange upgrade**
The EB Cloete Interchange is the only four-level interchange in KwaZulu-Natal that provides access to all four directions to both the N2 and N3. It is commonly referred to as “spaghetti junction” due to its multi-level free-flow layout. Traffic on the interchange has steadily increased, resulting in major bottlenecks on the N2 outer ring road and significant delays during peak traffic periods.

Due to its complexity (including a large A-frame structure) and limited capacity to upgrade, a tender for professional services called for a “design competition” to show how the interchange could be upgraded. Consulting engineers proposed various solutions, showcasing the capability of the South African Civil Engineering Industry. The successful consultant’s idea was innovative yet simple, addressing the constraint at the lowest level of the interchange by removing the centre leg of the A-frame structure to allow the ramps to be widened. The A-frame beam would be supported using cables attached to a large steel arch structure. All the other ramps will need to be widened to two lanes and the N2 and N3 carriageways will be widened to four lanes in each direction. This allows for additional lanes to be introduced at a later stage.

The estimated cost of the upgrade is about R550 million. The design is being finalised and the upgrade will begin when funds become available.

**N7: Improvements to Piekenierskloof Pass**
Piekenierskloof Pass is a single carriageway mountain pass between Piketberg and Citrusdal, about 150km north of Cape Town on the road to Namibia.

The contract involves the rehabilitation and widening of 10km of road, the addition of an extra 5km of climbing lanes and the upgrading of seven intersections to improve road safety. The 18-month contract started in October 2010 and is scheduled for completion by the end of May 2012 due to rain delays.

The contract is worth an estimated R120 million. It created 225 equivalent full-time jobs at a value of R18.2 million in 2011/12. Training to the value of about R240 000 was provided to local labourers from the Citrusdal area. Small contractor development provided opportunities to nine black-owned subcontractors at a total value of about R45 million.

**N8: Construction of an interchange and overpass at Thaba Nchu**
The project is located south of Thaba Nchu, in the Motheo District Municipality of the Free State. A traffic study undertaken by SANRAL identified a number of unsafe intersections on the N8 between Bloemfontein and Maseru Border. Two intersections on section 11 of this route are being upgraded to an interchange (km 58.75) and an overpass (km 60.25). A pedestrian bridge is also being constructed, as about 388 school children cross the N8 every day.

Construction began at the beginning of January 2011 and will be complete by May 2013, at a cost of about R109.2 million.
Some of the key works being undertaken include:
- Construction of a new diamond interchange.
- Construction of a new pedestrian bridge across the N8.
- Construction of a new overpass bridge.
- Construction of new bus/taxi bays.
- Upgrading of some municipal roads in the urban area next to the N8/11.
- Construction of a new site for Kgatelopele Tannery Project with access.
- Replacement of houses affected by the construction of the new Thaba Nchu Interchange and the upgrading of the municipal roads.
- Protection and/or relocation of existing services.
- Upgrading/extension of existing culverts and construction of new culverts, stormwater pipes, catchpits, manholes and concrete-lined drains.

A total of 147 labourers, including site staff, have been employed and 154 people, including temporary staff, have been trained at a cost of about R254 257.

**N9: Rehabilitation from Carlton Heights to Wolwefontein**
The works consist of reconstruction of the existing road as well as horizontal and vertical re-alignment. All the major and prefabricated culverts, three river bridges and one road-over-rail bridge were widened. Provision was made for portion of the crushed aggregate for the adjacent contract from Wolwefontein to Colesberg (discussed below).

The contract was awarded in April 2010 and the completion date was revised to the end of January 2013 due to weather delays and additional work that had to be done. The final estimated cost of the project is R353 023 000.

During the peak of the contract, 486 people were employed per month at a total cost of about R46 341 836.

A total of 375 people were trained, at a cost of R281 555, in robot and flagman control, gabion construction, how to start a business and run a business, safety and HIV and AIDS awareness.

**N9: Rehabilitation from Wolwefontein to Colesberg**
The construction of a new grade-separated interchange at Colesberg requires the rehabilitation and widening of the current northbound N1. In addition, five new ramps will be constructed to provide access and mobility in the interchange. Two new two-lane access roads will be constructed over the N1, requiring two new bridges. In addition, 30.7km of the N9 is being rehabilitated and widened between Wolwefontein and Colesberg. Ancillary works include the construction of noise berms next to ramps in the interchange in Colesberg, as well as flood protection berms to manage storm water.

The contract started in March 2011 and is expected to be completed in March 2014. The contract value is an estimated R350 million. To date, 209 local labourers have been employed on the contract. A total of R8.5 million has been spent on local labour. About 54 people have been trained in fire fighting, occupational health and safety, operation of stop/go controls and first aid. About R20 000 has been spent on training. Further training will be provided as the project progresses.

**N10: Completion of foamed bitumen stabilisation between were Ludlow and Hanover**
The final sections of this 62km strengthening contract completed in February 2012, almost 20 months after the contractor moved onsite. This was the first project of its type for the Western region. The final contract value was about R108 million.

In the first three months of the project, the bitumen content was adjusted, lime was substituted for cement active filler and the Wirtgen milling machine was upgraded. Construction was held up on several occasions due to the countrywide shortage of bitumen and transport workers strikes. Nearly 5 000 tons of bitumen were used in stabilisation alone, and a further 2 000 tons were needed for 19mm Cape Seal surfacing with two slurries.
The area’s wettest summer in over 20 years caused further delays. The ground and ambient temperatures were too low from May to August and only minor works were carried out during these periods.

N11: Rehabilitation from Bergville Interchange to Ladysmith
The project entails upgrading 15km of road by widening lanes and rehabilitating pavements on the main carriageway. This includes the realignment of some vertical and horizontal curves to improve traffic safety. Cattle creeps are provided for farms next to the construction zone.

The contract was awarded in March 2010 for 18 months. However, due to the national bitumen shortage, slow progress and inclement weather, the project’s completion has been delayed by up to 18 months.

1.5 ROAD NETWORK MANAGEMENT

To plan for maintenance and rehabilitation, SANRAL’s asset management process uses collected pavement and bridge condition data to predict future performance and traffic data to predict road usage.

Routine road maintenance
The entire proclaimed national road network is covered by a routine maintenance contracts. Routine maintenance is a continuous process that covers crack sealing and patching; repair/cleaning of existing drainage systems; repair and renewal of fences; road signs; road studs and guardrails; burning of firebreaks; protection of the environment through maintenance of trees and shrubs; weed and litter control; and emergency assistance.

In line with SANRAL’s socioeconomic development goals, a minimum of 80 percent of this work is allocated to SMMEs – of which at least 90 percent goes to black-owned firms. The routine road maintenance contract works on a point-scoring system that rewards the use of local SMMEs and labour, and prioritises skills development.

Bridge management
SANRAL’s bridge management system aims to ensure the safety of the travelling public crossing over bridges and major culverts (spans greater than 2.1m or openings greater than 5m²). All bridges and major culverts are inspected by SANRAL-accredited inspectors every five to six years, and any repair work is prioritised based on risk. SANRAL also aims to ensure bridges are visually pleasing.

The number of bridges and major culverts is growing as the national network is expanded. There are 6 876 bridges and major culverts on national routes, including 440 bridges on routes operated by the three concessionaires. The number of bridges changes constantly as new bridges are added and some old structures are demolished or abandoned.

A bridge and culvert inspection was conducted on the majority of the SANRAL network in 2011/12. The verified results help identify the bridges and culverts that need repair in the next few years.

SANRAL uses the overall condition index (OCI) to measure the risks associated with bridges in need of repair. As shown in the table below, the bridge condition exposure measurements have not changed significantly from 2010/11. The slight improvement is based on the five-year condition assessment of the bridges performed during 2011/12.

This percentage could decrease in future when SANRAL takes over major sections of provincial roads. The OCI will differ for different routes. The overall figure for the whole network is given in the table on page 31.
Pavement management
SANRAL’s pavement management system optimises maintenance and funding strategies through life-cycle cost analysis. It aims to preserve the national road network at an adequate level given available financial support. Detailed road data is obtained from surveys performed by SANRAL’s automated road survey vehicle, which is equipped with laser, video and computer-based technologies. The vehicle is capable of measuring and collecting data at traffic speeds. Visual inspections are also conducted to verify these assessments and review the suggested solutions.

To ensure the efficient and safe functioning of the national road network, SANRAL allocates available funding for maintenance based on the following order of priority:
1. Optimised preventative asset preservation actions (for example, cleaning of drainage structures, crack sealing, reseals and overlays)
2. More extensive reconstruction and improvements (for example, rehabilitation and lane additions)
3. New construction.

2011/12 outcomes
The following outcomes were achieved during the reporting period.

Smooth travel exposure
Smooth travel exposure measures the roughness of the road. It shows a performance similar to the previous year, due to various maintenance that SANRAL conducted during the past financial year to sustain the network’s condition.

<table>
<thead>
<tr>
<th>Description</th>
<th>Unit</th>
<th>2009/10 Actual</th>
<th>2010/11 Actual</th>
<th>2011/12 Target</th>
<th>2011/12 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of travel over or undertaken each year on national roads with roughness less than 4.2 (m/km) according to international roughness index</td>
<td>%</td>
<td>96</td>
<td>95</td>
<td>95</td>
<td>96</td>
</tr>
</tbody>
</table>

Note: Roughness refer to the longitudinal road surface undulations affecting the wear and operating costs of vehicles, road safety, and the impact of the vehicle on the road through excitation of vehicle mass.

Low rut exposure
Low rut exposure measures surface depressions that can hold water and cause a vehicle to aquaplane. Measurements for 2011/12 show a similar performance to the previous year, reflecting SANRAL’s focus on this critical safety aspect of network operation.

<table>
<thead>
<tr>
<th>Description</th>
<th>Unit</th>
<th>2009/10 Actual</th>
<th>2010/11 Actual</th>
<th>2011/12 Target</th>
<th>2011/12 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of travel over or undertaken each year on national roads with rut depth less than 20mm</td>
<td>%</td>
<td>99</td>
<td>99</td>
<td>95</td>
<td>99</td>
</tr>
</tbody>
</table>

Note: Rut depth refers to surface depressions that can hold water and cause a vehicle to aquaplane.
High texture exposure

High texture exposure measures the surface macro-texture which affects surface friction at high speeds (→60 km/h) under wet conditions. Measurements for 2011/12 show a decline from the previous year. This reflects the effects of SANRAL’s maintenance undertaken during the reporting period in urban environments that require lower noise surfaces, and therefore lower macro-texture.

Table 12: High texture exposure

<table>
<thead>
<tr>
<th>Description</th>
<th>Unit</th>
<th>2009/10 Actual</th>
<th>2010/11 Actual</th>
<th>2011/12 Target</th>
<th>2011/12 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of travel over or undertaken each year on national roads with macro-texture higher than 0.4mm</td>
<td>%</td>
<td>99</td>
<td>99</td>
<td>95</td>
<td>99</td>
</tr>
</tbody>
</table>

Note: Macro-texture refers to visual coarseness of the road surface that affects surface friction at high speeds (→60 km/h) for wet conditions.

Pavement condition

The following map outlines the condition of national roads. Traffic volume data and projections are crucial factors in SANRAL’s revenue projections and funding strategy, and its maintenance and repair schedules.

Figure 2: Pavement condition, national roads
Road transport management system
The self-regulating road transport management system (RTMS) promotes the correct way to reduce vehicle overloading, proper vehicle maintenance, and the management of driver health.

Self-regulation is a Department of Transport strategy to reduce infrastructure-accelerated wear and damage. The RTMS Steering Committee includes representatives from the Department of Transport (national and provincial), the Council for Scientific and Industrial Research, SANRAL, the Federation of East and Southern African Road Transport Associations, the Agricultural Business Chamber, the Chamber of Mines, the South African Association of Freight Forwarders, the Road Freight Association and representatives from RTMS industry committees (forestry, sugar and coal).

SANRAL continues to support this initiative. Member organisations have significantly reduced incidences of overloading, which results in increased vehicle productivity, fewer accidents and improved driver behaviour.

Overload control
SANRAL continued to address the problem of vehicle overloading in 2011/12. Overloading is a major contributor to high road maintenance costs, causing an estimated R1 billion a year in damages. Loads that do not comply with the design specifications of the suspension, brakes, tyres and steering of vehicles are a safety hazard to all road users.

The three-way partnership to address road overloading includes SANRAL, as the provider of the infrastructure; provinces, which are responsible for law enforcement; and private weighbridge operators.

At more technologically advanced weighbridges, illegally loaded vehicles are identified through weigh-in-motion equipment installed on the roads. Vehicles are then diverted to be weighed on static scales at traffic control centres on main routes. SANRAL has pioneered this system, which accurately selects trucks for legal weighing through numerous remote, less costly screening stations. The trucks are sent to a central weighbridge for mass certification and, in cases of overloading, prosecution. This concept will be expanded as other weighbridges are built.

SANRAL manages and operates 13 weighbridges 24 hours a day, seven days a week, and 12 weighbridges on a less regular basis depending on monitored overloading in the area. As part of its commitment to overload control, SANRAL will build eight new state-of-the-art traffic control centres in Gauteng as part of the GFIP. These centres will be the most technologically advanced centres to date.

Highlights during the reporting period are discussed below:

In 2011/12, the overload control project continued to help protect South Africa’s road infrastructure and improve road safety. Overloading requires constant policing and law enforcement.

**Bakwena** manages three weighbridges: Bapong Traffic Control Centre on the N4 west of Pretoria, Mantsole Traffic Control Centre on the N1 north of Pretoria and the Beitbridge Traffic Control Centre on the N1 in Musina. The Beitbridge centre became operational in September 2010.

At the Mantsole weighbridge, 271,820 vehicles were weighed and 6,452 drivers were charged for being overloaded. The total number of vehicles screened was 698,863. At Bapong Traffic Control Centre, 46,251 vehicles were weighed, and 1,796 drivers were charged for overloading.
The agency built more than 100 new traffic monitoring stations.

Beitbridge Traffic Control Centre weighed 187 829 vehicles and 3 318 drivers were charged for overloading. A total of 847 cases resulted in arrest.

**TRAC** manages the traffic control centres on the N4 between Pretoria and the Lebombo border post with Mozambique. Of the 570 000 heavy vehicles weighed, 9 300 vehicles (1.6 percent) were charged. Ageing control systems (lights and booms) were upgraded within allocated budgets, which greatly contributed to the effectiveness of law enforcement on the project. Although the Middelburg East Load Control Centre weighed the most vehicles, the Komatipoort Load Control Centre charged a higher percentage of vehicles. The N4 load control project directly created 76 permanent jobs, and 61 indirect maintenance and security jobs for SMMEs.

SANRAL introduced two additional weighing facilities in Limpopo along the N1 near Mokopane and the R101 near Polokwane. The two facilities have weighed more than 174 000 vehicles in the past year, of which 2 650 (1.5 percent) were charged. TRAC is managing these facilities based on a short-term agreement with SANRAL.

The N1 load control project has directly created 23 permanent jobs and 15 indirect maintenance and security jobs for SMMEs.

Overloading on the Gauteng section of the N3TC is managed by the Heidelberg Traffic Control Centre. This is a dual-sided facility operated and maintained 24 hours a day under a PPP between SANRAL, Gauteng Province and N3TC. The concession was assisted by Load Control Operations – a joint venture between TRAC and Zimele. On behalf of N3TC, Load Control Operations has successfully performed its operations and maintenance obligations over 2011/12. The company has regularly scored over 95 percent in monthly maintenance performance audits.

During the year, the Heidelberg centre weighed 141 229 heavy vehicles (including buses), which is 29 percent more than in 2010/11. Over the same period, the number of trucks overloaded, but within tolerated weight, increased from 24 921 to 30 577 (up by 23 percent) and the number of trucks charged for overloading decreased from 5 854 to 5 776 in 2011/12 (down by 1 percent). Heavy vehicle volumes have increased by 13 percent from 2010/11 to 2011/12. This has resulted in significant wear and tear of the static scale and the roadway within the facility.

**Traffic monitoring**

Traffic data is fundamental to SANRAL’s planning and design. During the reporting period, the agency built more than 100 new stations on the alternative routes to the toll highways and began re-establishing the counting stations that had to be removed while the GFIP was under construction.
Section 1: The National Road Network
1.6 ROAD SAFETY MANAGEMENT

South Africa, which relies heavily on road-based transport for the movement of people and goods, faces many road safety challenges.

There are about 1 million crashes a year in South Africa, resulting in over 40 deaths a day, 20 people permanently disabled, and several hundred suffering serious injuries. These accidents cost the state, communities and individuals about R133 billion (2011).

SANRAL fully supports the Decade of Action for Road Safety call by the Commission of Global Road Safety, endorsed by the United Nations Road Safety Collaboration. This global drive to improve road safety was officially launched in May 2011, with the primary goal of halving road deaths by 2020.

Based on the recommendations of the World Health Organisation’s World Report on Road Traffic Injury Prevention, countries are encouraged to focus on the following five road safety pillars:

- Road safety management.
- Infrastructure.
- Safer vehicles.
- Road-user behaviour.
- Post-crash response.

SANRAL’s involvement relates specifically to infrastructure, road-user behaviour and post-crash response. The agency hopes to continue making a meaningful and positive contribution to improving road safety.

SANRAL also supports the Safe Systems approach, which represents a fundamental shift in how the agency addresses road safety. In many cases, it is likely that some form of road improvement could be made to reduce the likelihood of a fatal or serious injury occurring. However, in the Safe Systems approach, the interaction of several components of the transport system is considered, rather than implementing individual countermeasures in relative isolation.

Infrastructure

SANRAL’s approach to safe infrastructure will continue to be both proactive and reactive.

Proactively, SANRAL continuously evaluates the national road network against a set of standards and norms during project design, construction and routine road maintenance.

Reactively, SANRAL identifies and addresses high-incident areas. In many cases, solutions require close partnerships with education and traffic law enforcement entities to achieve a safer road environment.

As part of its community development programme, SANRAL promotes pedestrian accessibility and mobility by providing appropriate infrastructure. The agency’s work over the next five years will focus on:

- Constructing pedestrian/bicycle paths to safely accommodate non-motorised modes of transport.
- Effective traffic-calming messages at locations with pedestrian activity.
- Strategically located pedestrian bridges.

Where appropriate, SANRAL will provide lay-bys for taxis and buses to create safe drop-off and pick-up points on the network.

Developing and implementing appropriate tools to identify road safety risks is key to developing a sustainably safe national road network. SANRAL is developing the Netsafe road safety risk tool, which will help guide investment to yield maximum road safety return. The Netsafe method uses a traffic safety model to calculate risk and priority indices for homogeneous road sections.
Road-user behaviour

Road-user behaviour plays a major role in accident rates, and South Africa is no exception, with over 90 percent of accidents preceded by some form of traffic offence (quoted from Road Traffic Management Corporation’s [RTMC: Annual Road Traffic Report]). SANRAL’s road safety education and awareness programmes is therefore aimed at influencing road-user behaviour in a positive and sustained manner.

In South Africa, more than 40 percent of road deaths involve pedestrians. SANRAL’s road safety education programme provides holistic solutions, embracing enforcement, engineering, education and social approaches. Interventions include improving pedestrian routes, speed enforcement and community involvement, such as helping children walk to school. The programme also provides training for officials, youth and community groups.

The road safety education and awareness programme aims to:
- Reduce collision risks at selected hazardous locations.
- Inform pedestrians (particularly scholars) of the risks and how to make use of the safety interventions provided (infrastructure, community volunteers, enforcement assistance).
- Involve government role players (road safety officers, community development officers, law enforcement officers) directly in road safety management.
- Encourage local and provincial authorities to contribute to non-infrastructure solutions (for example, law enforcement, volunteer cross-guards) by providing training and incentives for community involvement, and conducting strategic planning.
- Involve non-governmental organisations in interventions at pedestrian hot spots.
- Encourage national, provincial and local businesses to invest in road safety through strategic, well-managed sponsorships.
- Develop a curriculum for road safety education for Grades 0 to 12.
- Research the impact of educational measures on road-user behavioural changes.
- Implement road safety education in the foundation, intermediate, senior and further education and training phase by offering material in workshops to educators and learners.
- Develop and manage a road safety communication strategy for the national road network.

Post-crash response

The entire national road network has incident management systems in place to ensure the optimal coordinated response to an incident. Initiatives are under way to legislate and roll out incident management systems on all major routes in South Africa, including an expanded network. The existing network has routine road maintenance programmes in place, which remove debris and road hazards, and manage vegetation.

Use of technology to promote road safety

Efficiently responding to an incident is of vital importance. SANRAL uses ITS to manage freeway operations. The use of CCTV video surveillance on urban freeways to detect and notify the relevant emergency authorities of the occurrence of an incident ensures a speedier response. FMSes have already been deployed in Gauteng, KwaZulu-Natal and Western Cape which will be expanded and enhanced to ensure an even more efficient and coordinated response to incidents.
Road safety education projects

Targeting Talent Programme

The University of Witwatersrand (WITS) Targeting Talent Programme is jointly funded by SANRAL and BP South Africa for three years, ending in 2012. A total of 200 learners from Gauteng, Limpopo and Mpumalanga were selected for the residential enrichment programme. SANRAL offered a community development module and the learners were exposed to research methodology, PowerPoint presentation slides and model building. Learners had to identify a road safety problem in their communities. During the first year, a community profile and full description of the road safety issue were submitted.

The Student Equity and Talent Management Unit from the WITS hosted the Safe Routes to School project. A total of 200 Grade 11 learners, all part of the Targeting Talent Programme, were asked to construct a model and present their road safety awareness projects to a SANRAL panel.

Glencowie Senior Secondary School in Limpopo was the overall winner, with Marlboro Gardens and Reitumetse High School, Gauteng coming second and third respectively.

Each winning school was awarded R50 000 from SANRAL for chemistry laboratory consumables. The first-prize winner spent a week in Cape Town visiting SANRAL projects, as well as Table Mountain, for their outstanding work.
Sanral implemented infrastructural changes and improvements to increase road safety for road users and pedestrians.
N2: Cambridge pedestrian walkways
The local municipality conducted a pedestrian study a few years ago, identifying the need for a safe crossing for pedestrians. The walkways have been designed and the nearby community will be consulted from May 2012, when construction starts. Working drawings have been issued and SMMEs have tendered for the works.

N2: Pedestrian facilities at Riet Spruit River
Many school children walk to and from school on this section of the N2. Pedestrians share the roadway with heavy and light vehicles, and there are illegal bus and taxi pick-up and drop-off areas.

The project involves the construction of pedestrian walkways and bus/taxi lay-bys, and the upgrading of the intersection to Selinde Primary School. A cantilever sidewalk on Riet Spruit River Bridge will safely accommodate pedestrians. Education programmes in the communities and schools have begun, and construction will start in July 2012.

N2: Pedestrian facilities at uMzimkhulu River Bridge and uMtentweni Interchange
The project, involves the construction of pedestrian facilities and channelisation of pedestrians, proceeds on the north bound carriageway for approximately 4km which traverses the uMzimkhulu River bridge and the uMtentweni Interchange (off ramp to St Faiths), then heads in a north westerly direction to residential area of Louisiana. Construction will commence in June 2012 with an anticipated completion date of April 2013.

The tender proposals have been received and are being evaluated. Quotations are being sourced from specialised contractors for the construction of cantilevered pedestrian bridge scheduled to commence in June 2012 due to delays in design and drafting of specification.

N2: Provision Of Walkways between Viedgesville and Mthatha
This 15km project involves the construction of pedestrian walkways from Viedgesville to Mthatha. All schools and communities along the road were consulted and a commitment was given to use the walkways at all times. The walkways were completed by 31 March 2012.

N10: Pedestrian activity between Groblershoop and Sternham Township
An average of 2 080 pedestrians, mostly learners, commute between Groblershoop and Sternham Township along the N10 every day. As a short-term solution, SANRAL has improved the signage and road markings, and given safety education talks at schools. Construction of pathways is being further investigated.

N18: Rehabilitation of sidewalks between Jan Kemp Dorp and Hartswater
Pedestrians are using the narrow N18 roadway because the pedestrian path is in a deteriorated state. An investigation recommended upgrading the sidewalk and clearing the areas between the roadway and sidewalk. Cable barriers need to be installed between the road and the walkway. These cables, donated by local mines, are replaced every two years.

The communities and schools in the area will be provided with road safety education including the benefits of using the walkway. Construction is expected to start in August 2012.

R23: Pedestrian activity, Residential area
There are many illegal accesses to the national road, with a high volume of pedestrians using the R23 as a walkway between the CBD and the residential area. There are illegal pick-up and drop-off areas, visibility is poor and there is heavy traffic congestion at intersections during peak hours.

Pedestrian walkways and two traffic circles at the two major intersections are needed. A barrier will also be required to channel pedestrians to safe crossing points.
Consultants were appointed in June 2011 and the design process is under way. Remedial measures were discussed with Lekwa Municipality and suggestions will be incorporated into the final design report. Schools and communities were consulted and road safety education will be implemented when construction starts.

**R300: Pedestrian activity at Hindle Road and Swartklip Interchange**

This portion of the R300 has been identified as a dangerous area for pedestrians by the Cape Town FMS Operations Committee.

CCTV surveillance identified the locations where most pedestrian activity took place, including where and when vehicles were stopping to pick up or drop off pedestrians. Province and the City of Cape Town traffic services have distributed pamphlets to pedestrians and motorists. Traffic officials have also issued warnings to motorists who stop on the freeway. CCTV video footage has been used to demonstrate the extent of the problem and enabled the use of video prosecution.

Numerous operations have been conducted by both the Province and the City of Cape Town traffic services. The progress of this pilot project is reported on, discussed and debated on at Provincial Law Enforcement Technical Committees and Road Traffic Management Cooperation Committee meetings. Pedestrian activity and collision statistics are being monitored to determine the project’s impact.

### Incident management system

**Development of the National Framework and Guideline for Incident Management**

The Department of Transport requested SANRAL to guide the development of the National Framework and Guideline for Incident Management. This involved the following processes:

- Legislative amendments to prescribe incident management deployment.
- Development of a national framework.
- Development of the incident management national policy.
- Drafting of national incident management procedure manual.

This was an 11-month project involving various transport stakeholders. The results were presented to the committee of Transport Officials (COTO) on 30 March 2012. COTO’s recommendations were noted and approved by the Ministers and members of executive council (MINMEC).

This will pave the way for legislative amendments and gazetting. Road shows will be held on the national status of incident management.

The following training colleges registered to offer incident management training in 2011/12:

- Port Elizabeth Traffic Training College.
- Durban Metro Traffic College.
- Manguang Traffic Training College.
- Ethekwini Fire Services.
- KwaZulu-Natal Emergency Medical Response Services.

SANRAL will continue to hold workshops and refresher training courses based on new material. To date, 1 200 emergency service personnel have been trained.

**Concessionaire road safety initiatives**

SANRAL concessionaire’s are contractually required to undertake road safety initiatives with the communities in which they operate. During 2011/12, the following activities were undertaken.
Bakwena’s 24/7 customer care centre managed 21,645 calls, on average this is 60 calls per day. The centre helps road users in distress, mobilises emergency services during accidents and records various incidents that take place along the corridor.

Bakwena is involved in various road safety initiatives along the N4 in the North West Province in partnership with the North West Road Safety and North West Education Department. These initiatives include road safety education workshops, talks and debates, and the creation of a mini traffic centre at Rekgonne Bapo Special School, where the learners are taught basic road safety principles.

Other projects include the cycle for life road safety campaign, which began in 2008 in Tshwane to teach learners about road safety. The scholar patrol project has been operating for five years. Bakwena invested in new reflective scholar patrol kits and refreshed training for the scholar patrol teams. It also partnered with the Department of Agriculture and Community Safety to supply reflective belts for animal-drawn carts, cattle and stray animals.

In partnership with SANRAL, Bakwena held two workshops at Bob Edwards Middle School in Bapong to introduce the road safety education programme to educators. The programme was rolled out to the students during the course of 2011.

N3TC’s road safety efforts are continuously monitored and evaluated. In 2011/12, N3TC launched its road safety campaign – I Put My Hand Up For Road Safety – in line with the Decade of Action for Road Safety. The campaign raises awareness of road safety issues among N3TC’s staff, contractors and the motoring public. The campaign includes road safety Fridays, which raises awareness at the toll plazas on weekends.

In addition, N3TC has established an excellent partnership with the Imperial I-Pledge programme over the December peak travelling period, which helped reduce accidents along the N3 toll route by 75 percent compared to the same period in 2010.

TRAC’s Easter project helps reduce and prevent accidents and fatalities on the N4 toll route and some of its arterial roads over the Easter long weekend – one of the busiest periods on the N4 route. The project included pre-project exposure in the media and at toll plazas, high visibility over the Easter weekend at the emergency services base camp, radio partnerships (10-hour live broadcast on Jacaranda FM and live crossings on Ligwalagwala and Ikwekwezi FM), and fast and effective emergency response times. At least 350 emergency and auxiliary personnel were on standby for the duration of the Easter weekend.

Other TRAC projects include a pilot pedestrian safety project for school children in vulnerable communities along the Elands Valley and Schoemanskloof sections of the N4.

The TRAC helpdesk and roadside assistance teams assisted nearly 9,500 road users in distress in 2011/12. The majority (almost 5,000) required general information and help, while almost 1,500 users required emergency assistance and more than 3,000 reported dangerous incidents, such as veld fires, bad driver behaviour and mechanical problems/vehicle breakdowns. This service is delivered to TRAC’s road users 24 hours a day, seven days a week.

1.7 LAND PORTFOLIO MANAGEMENT

SANRAL acquires land for road improvement and expansion, and in doing so, takes on all the responsibilities of land ownership. Apart from the road reserves acquired by the provinces and the former Chief Directorate (roads prior to the forming of SANRAL that are either registered in SANRAL’s name, or are in the process of being transferred to the agency), SANRAL acquires land through deeds of sale at market-related prices, or, in exceptional cases, by expropriation. SANRAL disposes of surplus land at market-related prices.
SANRAL contracts Manco-Aurecon JV to survey, manage and value property. This ensures that the three disciplines of property management efficiently operate as a single team under common management.

In terms of the land identification process, initiated on 1 April 1998, SANRAL has identified 24,540 properties within road reserves and 2,108 investment properties outside of road reserves that SANRAL is legally entitled to. For investment property values, please refer to note 6.

Other than the road reserves, which are maintained under separate routine road maintenance contracts, Manco-Aurecon JV maintains SANRAL’s properties. All maintenance sub-contractors are black-owned.

All conveyancing is outsourced by Manco-Aurecon JV to black-owned law firms. To address the shortage of black land surveyors and valuers, the service provider is offering scholarships, internships and bursaries to black students. About 2 percent of Manco-Aurecon JV’s turnover, excluding disbursements, is allocated to training and developing black professionals. In compliance with its contractual obligations, the property service provider has awarded seven bursaries (three in survey, two in valuation and two in geographical information system studies). It is also providing experiential training to 14 interns.

Dealing with municipal accounts concerning the properties SANRAL owns remains an issue, as the agency continue to receive bills for land and roads it does not own. Municipalities do not always properly implement the phasing in of rates and taxes on SANRAL infrastructure, or the extent and zoning of property is improperly recorded on systems. The service provider is working to resolve these problems.
DEVELOPING COMMUNITIES AND SUSTAINING THE ENVIRONMENT
DEVELOPING COMMUNITIES AND SUSTAINING THE ENVIRONMENT

REPORTING PERIOD HIGHLIGHTS

Highlights for the reporting period included the following:
• 355 Grade 10, 11 and 12 learners from 23 different schools were nominated to attend sessions at the Integrated Computer Technology laboratory in the Free State.
• A total of 10 788 learners from predominately rural communities in the Free State and Northern Cape took part in the maths and science activities.
• A total of 477 learners attended activities presented by the Science, Technology, Engineering, and Mathematics Pipeline Project (STEM PP).
• An exciting environmental initiative is the Fynbos research project which will culminate in a guideline document for the management of this important plant kingdom.

2.1 COMMUNITY DEVELOPMENT

South Africa’s economic and social wellbeing is influenced by the efficient and effective movement of people, goods and services. Road infrastructure promotes sustainable development and economic growth.

Investments in national road infrastructure enhance regional growth by facilitating the movement of both agricultural and non-agricultural inputs and outputs between producers and markets; improving access to social services such as health and education; and facilitating the movement of people between their residence and their workplace.

SANRAL’s national community development projects focus on providing infrastructure to accommodate pedestrians, non-motorised transport and long-distance mobility. Regional offices identify projects and relevant stakeholder communications form part of the approval process where appropriate. The projects strive to support the government objectives, including the development of SMMEs, training, labour maximisation, skills transfer and improving quality of life.
The key objectives of the community development programme are to:
- Create jobs and access to skills training.
- Promote community participation.
- Provide pedestrian facilities and safe access points for communities living next to the national network.
- Develop SMMEs.

Project highlights
A selection of SANRAL’s community development projects under way during 2011/12 are summarised below. All of SANRAL’s community development work is carried out with local labour, skills development and skills transfer, and in thorough consultation with the communities concerned.

University of the Free State
Integrated Computer Technology Lab
The Integrated Computer Technology Laboratory of the School of Open Learning at the University of the Free State (main campus and Qwaqwa campus) launched its e-Education in Science and Mathematics programme at the beginning of 2009. The programme aims to enable and encourage more learners and students to enter into science-related studies and careers.

A total of 355 Grade 10, 11 and 12 learners from 23 different schools were nominated by their schools to attend the sessions at the Integrated Computer Technology Lab. During the sessions, the learners regularly took part in curriculum-related activities (on average about 11 times during the year, resulting in more than 3,216 exposures). The programme is designed for the “Y-generation”, using technology to create a learning environment.

The laboratories were also responsible for the physics component of 385 B.Sc students (four-year curriculum). The first year modules serve as a bridging course and enable students who do not meet the entrance requirements for the three year curriculum to progress towards obtaining a B.Sc degree. The Concepts in General Sciences module is a prerequisite for further studies in physics at university level.

<table>
<thead>
<tr>
<th>Table 14: Number of learners and students</th>
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<tbody>
<tr>
<td>Grade 10 (selected)</td>
</tr>
<tr>
<td>---------------------</td>
</tr>
<tr>
<td>Main campus</td>
</tr>
<tr>
<td>Qwaqwa campus</td>
</tr>
<tr>
<td>SUB-TOTAL</td>
</tr>
<tr>
<td>TOTAL</td>
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<table>
<thead>
<tr>
<th>Table 15: Number of exposures (number of learners x two-hour sessions)</th>
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</thead>
<tbody>
<tr>
<td>Grade 10 (selected) number of learners</td>
</tr>
<tr>
<td>--------------------------------------</td>
</tr>
<tr>
<td>Main campus</td>
</tr>
<tr>
<td>Qwaqwa campus</td>
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<tr>
<td>SUB-TOTAL</td>
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<td>TOTAL</td>
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</tbody>
</table>
The School of Open Learning at the University of the Free State launched its Family Maths and Science initiative in the Free State and Northern Cape at the beginning of 2009. The sponsors of the programme are SANRAL, ABSA and Old Mutual.

The project aims to demystify maths and science for learners in early school years by regularly exposing learners to family maths and science activities in the classroom and integrating the activities into the curriculum.

A total of 10 788 learners from predominately rural communities in the Free State and Northern Cape were involved in the programme’s maths and science activities during 2011 (144 113 exposures). To achieve this, the School of Open Learning trained 12 regional subject advisors to train and support local educators in the implementation of the programme. The School of Open Learning also publish and issues the 269 participating educators with training material for the classroom.

### Table 17: Participating Schools

<table>
<thead>
<tr>
<th>No.</th>
<th>School</th>
<th>No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Dr Blok Sekondêre Skool, Bloemfontein</td>
<td>13</td>
</tr>
<tr>
<td>2</td>
<td>Eunice High School, Bloemfontein</td>
<td>14</td>
</tr>
<tr>
<td>3</td>
<td>Grey College Sekondêre Skool, Bloemfontein</td>
<td>15</td>
</tr>
<tr>
<td>4</td>
<td>Headstart High School, Bloemfontein</td>
<td>16</td>
</tr>
<tr>
<td>5</td>
<td>Heatherdale Sekondêre Skool, Bloemfontein</td>
<td>17</td>
</tr>
<tr>
<td>6</td>
<td>Hoërskool Sentraal, Bloemfontein</td>
<td>18</td>
</tr>
<tr>
<td>7</td>
<td>Hoërskool Staatspresident Swart, Brandfort</td>
<td>19</td>
</tr>
<tr>
<td>8</td>
<td>Jim Fouche Sekondêre Skool, Bloemfontein</td>
<td>20</td>
</tr>
<tr>
<td>9</td>
<td>Louis Botha Technical High School, Bloemfontein</td>
<td>21</td>
</tr>
<tr>
<td>10</td>
<td>St Joseph’s CBC, Bloemfontein</td>
<td>22</td>
</tr>
<tr>
<td>11</td>
<td>Metsimaphodi Secondary School, Dewetsdorp</td>
<td>23</td>
</tr>
<tr>
<td>12</td>
<td>Ngwathe Secondary School, Kroonstad, Edenville</td>
<td></td>
</tr>
</tbody>
</table>

### Table 16: Summary of learners and students according to race

<table>
<thead>
<tr>
<th></th>
<th>White</th>
<th>Coloured</th>
<th>Asian</th>
<th>Black</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selected learners</td>
<td>66</td>
<td>31</td>
<td>8</td>
<td>249</td>
<td>354</td>
</tr>
<tr>
<td>Concepts in General Sciences students</td>
<td>15</td>
<td>26</td>
<td>10</td>
<td>334</td>
<td>385</td>
</tr>
<tr>
<td>Other learners</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>69</td>
<td>69</td>
</tr>
<tr>
<td>Total</td>
<td>81</td>
<td>57</td>
<td>18</td>
<td>652</td>
<td>808</td>
</tr>
</tbody>
</table>

**Family Maths and Science Programme**

The School of Open Learning at the University of the Free State launched its Family Maths and Science initiative in the Free State and Northern Cape at the beginning of 2009. The sponsors of the programme are SANRAL, ABSA and Old Mutual.

The project aims to demystify maths and science for learners in early school years by regularly exposing learners to family maths and science activities in the classroom and integrating the activities into the curriculum.

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**Nelson Mandela Metropolitan University**

**Integrated Computer Technology Lab**

SANRAL has an agreement with STEM PP, from 2009 to 2011, to “promote the development of human capital and capacity building geared towards science, technology, engineering and related management fields. The emphasis will fall on empowering selected school learners without prejudice of race, gender of culture within the various Engineering Disciplines and Engineering Technologies.”
A total of 477 learners attended activities presented by STEM PP during 2011. The programme attracted 375 learners and an additional 102 learners attended career guidance activities.

The 2011 programme used practical experiments based on the Department of Education’s physical science syllabus for Grades 10, 11 and 12.

Learners were collected from their schools and taken to Missionvale campus of Nelson Mandela Metropolitan University using the bus service arranged by STEM PP. The learners attended a 2-hour session from 15:00 to 17:00. STEM PP is equipped with nine work stations, including a laptop, data recording equipment and associated software.

### Table 18: Participating schools

<table>
<thead>
<tr>
<th>No.</th>
<th>School</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Alexander Road High School</td>
</tr>
<tr>
<td>2</td>
<td>Brandwag High School</td>
</tr>
<tr>
<td>3</td>
<td>Collegiate Girls High School</td>
</tr>
<tr>
<td>4</td>
<td>Daniel Pienaar High School</td>
</tr>
<tr>
<td>5</td>
<td>Despatch High School</td>
</tr>
<tr>
<td>6</td>
<td>Douglas Mbopa High School</td>
</tr>
<tr>
<td>7</td>
<td>Ethembeni Enrichment Centre</td>
</tr>
<tr>
<td>8</td>
<td>Framesby High School</td>
</tr>
<tr>
<td>9</td>
<td>Grey Boys High School</td>
</tr>
<tr>
<td>10</td>
<td>KwaZakhele High School</td>
</tr>
<tr>
<td>11</td>
<td>Khwezi Lomso High School</td>
</tr>
<tr>
<td>12</td>
<td>Lungisa High School</td>
</tr>
<tr>
<td>13</td>
<td>Muir High School</td>
</tr>
<tr>
<td>14</td>
<td>Pearson High School</td>
</tr>
<tr>
<td>15</td>
<td>Riebeeck College</td>
</tr>
<tr>
<td>16</td>
<td>Strelitzia High School</td>
</tr>
<tr>
<td>17</td>
<td>Uitenhage High School</td>
</tr>
<tr>
<td>18</td>
<td>Westering High School</td>
</tr>
</tbody>
</table>

A total of 477 learners attended activities presented by STEM PP during 2011. The programme attracted 375 learners and an additional 102 learners attended career guidance activities.

### Table 19: Summary of learners according to race

<table>
<thead>
<tr>
<th>Grades</th>
<th>Black</th>
<th>Coloured</th>
<th>Asian</th>
<th>White</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>69</td>
<td>14</td>
<td>6</td>
<td>35</td>
<td>124</td>
</tr>
<tr>
<td>11</td>
<td>103</td>
<td>37</td>
<td>14</td>
<td>38</td>
<td>192</td>
</tr>
<tr>
<td>12</td>
<td>104</td>
<td>34</td>
<td>9</td>
<td>14</td>
<td>161</td>
</tr>
<tr>
<td>Total</td>
<td>276</td>
<td>85</td>
<td>29</td>
<td>87</td>
<td>477</td>
</tr>
</tbody>
</table>
N3: Construction of pedestrian facilities at Westville Viaduct and Tshelimnyama

A pedestrian safety study was undertaken to address the high number of pedestrians walking along and crossing this section of the national road. The study indicated the need for formalised pedestrian facilities to improve the safety of pedestrians and motorists travelling along this section of the road. Two sites were identified as needing pedestrian facilities:

- National Route 3 Section 1 (Bridge B93A Westville Viaduct).
- National Route 3 Section 1 (south of the Mariannhill Toll Plaza).

Construction began at the beginning of February 2011 and will be completed by May 2012, at a cost of about R71.7 million.

The project’s key works are discussed below:

National Route 3 Section 1
- Construction of a pedestrian steel walkway attached to the Westville Viaduct bridge deck on the north bound carriageway.
- Concrete walkways linking the bridge to the Pavilion shopping centre and the adjacent cross roads leading to Chesterville township.
- A staircase at Rockdale Interchange to provide access to pedestrian footpaths.
- Palisade fencing along existing footpaths towards Chesterville.

National Route 3 Section 1
- Construction of a pedestrian bridge with concrete walkways linking the community of Tshelimnyama to the Westmead industrial area.
- Retaining structures to support pedestrian walkways running parallel to the N3.
- Pedestrian walkways attached to the Mahogany and Stockville Road underpasses.
- Staircases at Mahogany and Stockville Road underpasses to provide access to the pedestrian footpaths.
- A median barrier with an anti-dazzle screen to prevent pedestrians crossing the freeway.

During the construction period, 102 labours were employed and 54 people were trained at a cost of R183 683.

Concessionaires

Concessionaires on national toll roads participate in community development projects. Highlights during the reporting period are summarised below.

Bakwena has a corporate social investment programme that supports the development of communities along the corridor. There are various ongoing sustainable projects that deal with road safety, environmental and socioeconomic matters. Bakwena has partnered with several government entities and departments to implement these projects.

Bakwena manages and oversees the Chaneng business centre’s projects. Most of these projects have been successful. Despite some challenges at the centre, Bakwena remains committed to ensuring its success and creating similar projects in future.

Mohau Kilner Park children’s home cares for abandoned HIV-positive children. It currently provides residential care for eight HIV-affected children. Bakwena contributed to the purchase of the house in Kilner Park and provides ongoing support depending on the needs of the children.

Bakwena supports a number of other initiatives, including the following:
- Supported Thusanang – an affordable day care centre in Groot Marico.
- Sponsored schools at a total cost of R26 042.
- Main sponsor of the Groot Marico Bosveld Myl – a family sport event.
- Sponsored the Toy Run for the last five years – toys are collected and distributed to the underprivileged in Gauteng. Bakwena’s contribution to date is about R70 000 per year.
- Hosted two successful charity golf days for all stakeholders and sponsors. The proceeds of the day went to Mohau House, Thusanang Early Learning Centre and CANSA.
Developing Communities and Sustaining the Environment
N3TC is committed to the development and training of passionate and committed community members. N3TC assisted over 100 community members in a variety of training and development projects, including basic business principles, computer training, environmental education and art and craft training.

Developing N3TC’s routine route maintenance contractors is a long-term commitment for the company. The contractors, who all come from towns along the N3 toll route, have multi-year contracts with N3TC to conduct route maintenance work such as guardrails, concrete and drainage works, mowing, litter collection, signage and fire breaks. The three contractors attended technical courses on materials, setting out, testing, health safety and environmental programmes, quality and specifications, supervisory development programmes and a variety of other relevant courses as the need dictates.

TRAC hosted the first Junior Cycle Tour in Mpumalanga over four days from 30 March to 3 April 2011. The second tour was hosted at the end of March 2012. TRAC stepped in as title sponsor of the tour six weeks before it was set to start. The route showcased some of the region’s iconic landmarks and scenery. The organisers donated the entry fees from this event (R30 000) back to TRAC. This was used to sponsor cycling development for the disadvantaged in the province.

TRAC partnered with DED, a German development service, to provide a skills development and linkage centre for unemployed people in Mbombela. The centre helps people accredit their skills and find jobs in the formal employment sector. Tailor-made training programmes and sessions are offered in two furnished containers. An employment linkage website has been created to better market the skills of jobless people. Since the start of this project, 184 CVs have been registered and 35 work opportunities have been found.

Other TRAC projects include the following:
- “Adopted” Takheleli Primary School, helping with the school’s management, and development and maintenance of its infrastructure (including access to clean running water and sanitation facilities).
- Supported the Forever Resorts Loskop Marathon – giving a much-needed tourism injection to the greater Middelburg area.
- Supported the Highlands Herald and Border Post newspaper, which provides regional perspectives and news on the local communities, development, trade and tourism growth opportunities.
- Founding sponsor of the Innibos Arts Festival, which provides a R72 million economic injection into the greater Mbombela Municipality during the arts festival and creates jobs. Sponsored services to keep festival goers safe, including an SMS service to find out where and what is happening, a shuttle service, a taxi service for people over the legal drinking limit, media support and the provision of N4 traffic updates at peak times.
- Teamed up with Khumbulani, an arts and crafts organisation, to harvest Jacaranda trees for crafters to create products from the wood in rural areas of Mpumalanga and KwaZulu-Natal.

2.2 ENVIRONMENTAL MANAGEMENT

Environmental management is an integral part of road infrastructure development and road management at SANRAL. A sustainable road network requires basic planning and innovation to find a balance between the road user and road authorities’ interests, and environmental and socioeconomic interests.

Environmental Impacts
During road construction and operation activities, land is transformed, water resources are potentially affected and used, substances are emitted into the air, waste is generated and local communities are affected. SANRAL has both beneficial and adverse effects on the physical and socioeconomic environment in its areas of operation.
Corporate Environmental Policy
SANRAL’s approach to managing the environmental impacts of road construction and operation activities is based on the sustainable development framework and ISO 14001 – an international environmental management standard. We are committed to continual improvement and compliance with relevant legal requirements. SANRAL’s environmental policy addresses the organisation’s environmental impacts and opportunities, providing a framework for the setting and reviewing of environmental objectives and targets.

According to legislative requirements, SANRAL undertakes project-specific EIAs. The agency continues to develop and improve on existing internal guidelines for environmental management. A generic construction environmental management plan (EMP) is used for projects that do not require authorisation and therefore do not have specific EMPs. It is also used to augment specific EMPs, as it addresses general road-building activities. The EMP is updated regularly. The most recent update was in early 2012.

Functional Integration of Legislation
SANRAL continues to forge and maintain mutually beneficial relationships with relevant government departments, particularly the Department of Environmental Affairs (DEA), the Department of Mineral Resources (DMR) and, more recently, the Department of Water Affairs (DWA). SANRAL and the DEA have signed a memorandum of understanding (MoU) to provide an administrative framework that ensures a coherent and consistent approach to road development and the EIA process. It also forms the basis of regular meetings and feedback mechanisms between SANRAL and the DEA to discuss strategic and project-specific issues that affect the two entities.

The MoU with the DMR, which took effect from early 2009, sets out cooperative governance requirements between SANRAL and the department. The memorandum also confirms that SANRAL will make adequate provision for the rehabilitation of land disturbed by mining associated with borrow pits and quarries that provide rock and gravel for the construction and maintenance of national roads. Through continual discussion during the memorandum’s implementation, SANRAL has built relationships with independent environmental consultants and the DMR. It has also had a positive impact on project cash-flow planning, as financial guarantees no longer have to be provided for each project.

A similar agreement is being pursued with the DWA to provide an administrative framework for water-use authorisations. A draft framework for the proposed MoU is in circulation for input by the department’s senior officials. The framework will form the basis for the proposed MoU.

Monitoring and Evaluation
Environmental performance on projects is determined through regular site inspections by project teams, environmental authorities, and internal and external audit teams (environmental management inspectors) where applicable. Environmental highlights are outlined for two projects below.

N1/N12: Misgund Interchange – impact on heritage resources
A Basic Assessment was undertaken for the authorisation of the Misgund Interchange upgrade on the N1/N12. During the public participation process, it was indicated that the area was a heritage site with graves on it. A heritage impact assessment found no visual evidence of a cemetery within the proposed project area. However, two archaeological features of medium-to-high significance were found that would be affected by the proposed upgrade. The area has a concentration of Stone Age artefacts around the dry pans and rivers, as well as spot finds in flat sandy areas. The two sites are documented in a report by the heritage specialist.

The first site is the remains of the earliest known Sotho-Tswana stone-walled settlement type in South Africa. This type occurs throughout Gauteng. The South African Heritage Resources Agency has issued a permit for the destruction of the features on condition of more detailed mapping and documentation by specialists. This work is expected to be complete by the end of April 2012.

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1 ISO 14001 is the most important standard within the ISO 14000 series. ISO 14001 specifies the requirements of an environmental management system for small to large organisations. An environmental management system is a systemic approach to handling environmental issues within an organisation. The ISO 14001 standard is based on the plan-check-do-review-improve cycle.

2 Basic Assessment is the level of environmental assessment applied to activities listed in Listing 1 and 3 of the EIA regulations. These are smaller scale activities; the impacts of these activities are generally known and can be easily managed.
The second site is from the early Stone Age period, with flakes and boulders that could have been a lookout over the Kliprivier about 2km to the south. This site is highly significant, and will not be affected by the proposed interchange upgrade. It will be fenced off and protected during construction and will form part of the environmental awareness training for construction workers.

**N2: Upgrading of Colchester to Coega**
This project involved the upgrade of the N2 section between Coega and Colchester to a dual carriageway. It also included a new bridge over the Sunday’s River estuary and the use of four borrow areas adjacent to the road. Great care had to be taken in this environmentally sensitive coastal dune and estuarine area. An EIA was conducted in accordance with the National Environmental Management Act (1998), which included archaeological, vegetation and aquatic specialist studies to evaluate the impact on the affected areas and the estuarine environment.

**Protecting indigenous plant species**
Before construction started, a professional botanist was employed to relocate protected plants and others worthy of conservation from planned construction areas. The rescued plants were transported to the Coega nursery until the project site was rehabilitated. Relocated plants included Syncarpha recurvata, Aloe ferox, Arctotis stoechiadifolia, Brusvigia gregaria and Ledebouria concolor. Syncarpha recurvata is a threatened species endemic to the Eastern Cape. A total of 80 plants of this species were saved and sent to the Nelson Mandela Metropolitan University’s special preservation programme with the Department of Biology.

**Protecting dune area**
One of the major challenges encountered during construction was working within the sensitive coastal dune area, and the potential for the dunes to slip into working areas and the road itself. Local residents had also expressed this concern. To prevent this, a retaining wall was built to ensure that the dune would be reinstated after the road construction. Rehabilitation also commenced as soon as the construction on this part was complete, to stabilise the dune. It is anticipated that the vegetation cover already established will greatly reduce the potential for creeping or slumping. The early rehabilitation of the area will also allow the effectiveness of these measures to be assessed while the contractor is still onsite, so that alternative rehabilitation strategies can be implemented should the initial attempts prove ineffective.

**Protecting Sunday’s River**
Another major challenge was working within the sensitive Sunday’s River area. To prevent pollution of the river water and soil during construction, a platform was built for access from either side. A number of geo-fabric bags filled with sand from the site were placed on the river bed. This is “clean” sand that does not introduce foreign material into the estuarine area.

Preventing the contamination of the river required considerable effort and expense. A platform was partially constructed on the eastern side of the existing river channel to ensure free movement of water, fish and river boats through the remaining channel. A second smaller platform has now been constructed on the opposite side of the river, but a large channel area still remains between the two. When construction of the piers on the eastern bank is complete, the sand platform and sand bags will be removed. The platform on the western bank will then be extended to allow for the construction of the piers on that side.

**Water re-use**
Although the DWA granted an authorisation for water abstraction, the water used on this project was mainly waste water obtained from the Cerebos Salt works in Port Elizabeth. This resulted in less water being extracted from the river, contributing to fresh water conservation efforts and protection of the river system.

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3 Borrow area is an excavated area where material such as gravel, rock has been dug out for use as fill for road building purposes.
Ongoing Environmental Impact Assessment Processes
N2: Idutywa and Butterworth Ring Roads
The N2 acts as a main road for Butterworth and Idutywa, which results in traffic congestion and significant delays for motorists passing through the towns. As a result, ring roads past the two towns are needed. EIAs have started for both projects, and stakeholder engagement processes and drafting of the scoping reports are under way.

N2: Wild Coast Toll Highway
The DEA’s decision to grant environmental authorisation for the Wild Coast Toll Highway was appealed. In July 2011, the Minister of Water and Environmental Affairs decided to uphold the DEA’s decision. This decision is being challenged and it is subject to judicial review by the High Court.

Research and Development
Some of SANRAL’s proactive environmental initiatives undertaken in the past year are outlined below.

Management of road reserves – fynbos focus
The road reserves represent a range of natural resources, holding cultural, recreational and economic value. It is important to control alien vegetation and retain and manage existing biodiversity. One of our exciting initiatives in this regard is the Fynbos Project, which will culminate in a guideline document for the management of this important plant kingdom, and a PhD qualification for a Nelson Mandela Metropolitan University student.
Reducing the footprint of our roads
SANRAL is involved in exploratory discussions with key industry stakeholders to investigate options for a system or standard for sustainable practices in road systems in South Africa. These discussions reflect the national sustainability priorities and values, particularly in roadway design and construction.

Road noise
SANRAL, in recognition of the impact of noise in built-up areas, is investigating seal types that could potentially reduce road noise. The investigation aims to gather more information on how noise levels differ between the different types of seals used on roads to guide the selection of seals for built-up areas.

The tests are being carried out on two sections of road in Cape Town. For the first section, the research team selected four different types of seals for the tests. The second set of tests was carried out on existing roads with different surfaces. Noise measurements and skid resistance evaluations are done on all these surface types.

Concessionaires
Concessionaires are involved in a number of environmental projects. Highlights during the reporting period are summarised below.

Bakwena, in consultation with the Madibeng Municipality and the Groenkloof community, has installed waste bins in Groenkloof and Modderspruit. A contractor collects and empties the bins, which ensures that the N4 road reserve is kept clean. Bakwena keeps in regular contact with all the parties and the cooperation shown by the communities has been positive.

Bakwena sponsors a food garden in Hammanskraal on the N1. The Leseding Care Centre provides day care to about 500 children and health care support and training to over 300 adults. The centre teaches them to be self-sufficient by growing vegetables in their own gardens. The food garden provides fresh vegetables and nutrition for the children in its care. Bakwena has been supporting this food garden since September 2007.

Bakwena, in partnership with the Endangered Wildlife Trust, has rolled out environmental education workshops for educators. This is part of Bakwena’s annual clean-up campaign, which creates awareness about environmental issues within the Swartruggens area. The clean-up campaign has been running successfully since 2007.

The N3TC Touching Lives corporate social investment programme covers Gauteng, Mpumalanga, Free State and KwaZulu-Natal. During 2011/12, N3TC supported 41 community-based projects, impacting 68,578 people, created 135 jobs and involved 460 volunteers. The programme focuses on 12 core areas, including education, the environment, tourism, job creation, road safety, child welfare and heritage. N3TC’s staff members and contractors are encouraged to support the programme.

TRAC is involved in various environmental initiatives along the Maputo Corridor, including biannual environmental watchdog meetings and a full annual environmental audit is done. TRAC complies with all the relevant environmental statutory requirements as certified by the external auditor.

Fynbos is the natural shrubland vegetation occurring in a small belt of the Western Cape, and is generally characterised by a collection of Proteas, Erics and Restios. Fynbos makes up about four-fifths of the Cape Floral Kingdom, which has been designated as one of the world’s six plant kingdoms. South Africa’s national flower, the King Protea, is a member of the fynbos family.

Fynbos areas have greater species diversity than that of tropical rainforests, with over 9,000 species of plants occurring in the fynbos area, over a third of which are endemic to South Africa. However, this plant kingdom is threatened by agricultural and forestry activities, urbanisation and the spread of alien species. Some species are now extinct and more than 1,000 are endangered, making active conservation of fynbos a priority in South Africa.
TRAC monitors contractors during all construction and rehabilitation programmes to ensure that environmental obligations are met. It has adopted a generic EMP for contractors, which has recently been updated, and is in line with the environmental legislation.

As part of the expansion of the N4 toll road between Schagen and Matafin in Nelspruit, TRAC amended the road design to save an old Wonderboom Fig tree (Ficus Salicifolia) from destruction. The company responded to pleas from the local community and national and international environmentalists to keep the tree in its original position. Although the tree is neither a protected species nor a registered champion tree, TRAC considered the appeals and aligned the road around the tree. The Council for Scientific and Industrial Research used carbon dating to determine that the tree is between 215 and 260 years old.

TRAC is also involved in alien eradication and bush clearing in the environmentally sensitive areas of Schoemanskloof and Crocodile Gorge. Registered alien vegetation is cut and destroyed by teams of SMMEs on an ongoing basis. TRAC conducted annual assessment studies on noise, water quality, weed and alien vegetation. Monthly dust monitoring is done in mining areas. Continued maintenance has taken place on the 3 700 trees planted along the new Nelspruit Ring Road to assist with their growth.

Through BirdLife SA, TRAC funded the development of a tourism and marketing plan for the Mpumalanga Lakes District in and around the town of Chrissiesmeer. The main tourism assets are the freshwater lakes and pans, and exceptional birding. With over 320 pans, this area has the highest concentration of inland lakes and wetlands, and the largest natural inland freshwater lake (Lake Chrissie) in South Africa. The Chrissie Pans Important Bird Area supports over 220 species of birds, including 83 water bird species, 16 globally and nationally threatened bird species, and 17 endemic or near-endemic bird species.
CORPORATE OVERVIEW, PERFORMANCE AND GOVERNANCE INFORMATION
CORPORATE OVERVIEW, PERFORMANCE AND GOVERNANCE INFORMATION

REPORTING PERIOD HIGHLIGHTS

- SANRAL trained 20 staff members in the young professional programme, to the value of R871 200. A total of 17 staff members are doing the middle management programme at a cost of R494 999.
- Six project managers successfully graduated from the construction management programme, with an investment of R390 000.
- A total of 150 of staff attended training, worth R1 325 930.
- There are 32 employees with bursaries who study part-time, at an investment of R312 381.
- SANRAL awarded 57 bursaries to external learners, at a total investment of about R4 488 786.
- A total of 120 learners in the scholarship programme, of which 79 percent are black. The investment made on the programme was R1 300 000.
- Internships and vacation jobs were provided to students equivalent to 67 percent of SANRAL’s staff complement.
- Marketing and communications focused on educating users about e-toll in Gauteng.
- IT hardware refreshed in support of enterprise services.

3.1 CORPORATE OVERVIEW

SANRAL’s employee composition: employment equity and transformation

SANRAL is continuously striving to achieve a diverse workforce that is broadly representative of the South African population and to maximise human resource potential through mentorship and training. SANRAL remains committed to attracting suitably skilled, qualified, dedicated and passionate staff, while reaching set equity targets.

In line with the SANRAL Employment Equity Policy and Plan, annual adjustments are made to meet targets. The Equity Plan is supported throughout the organisation.
Employer of Choice 2011/12 with CRF
SANRAL strives to create a high-performance workplace characterised by its creativity, innovation, flexibility and competitiveness. Highly talented workers are inspired to join and stay with SANRAL as an “employer of choice”. Being an employer of choice is used as a marketing tool to attract and retain top talent. Employees at SANRAL feel a sense of personal achievement, satisfaction, individual purpose and security.

Talent management
Continuously developing skills internally and attracting and retaining additional skilled staff is crucial to sustaining SANRAL. The agency also needs to accelerate the transfer of skills and knowledge throughout the organisation, particularly at management level. Succession, talent and leadership management planning within SANRAL is an ongoing process that evolves in response to changes in the internal and external environment.

SANRAL works with The Gordon Institute of Business Science, the University of Stellenbosch, Engineering Council of South Africa and other locally and internationally recognised learning institutions on the following leadership initiatives:
- Industry specific compliance training.
- Project management.
- Mentoring and coaching by senior managers.
- Career enhancement programmes.
- Leadership and transformation programmes.
- Change management.
The programmes provide participants with insight into their leadership and management capability and style. Overall, the programmes adopted a partnership approach to ensure that the contents were effectively tailored to SANRAL’s needs. An amount of R871 200 was spent on 20 staff members in the young professional programme and R494 999 was spent on 17 staff members in the middle management programme. This training is ongoing.

The Construction Management Programme is highly recommended for all SANRAL employees involved in the management of construction delivery. This prestigious postgraduate short programme is a collaborative effort between the universities of Stellenbosch, Witwatersrand, Cape Town and Pretoria. Every year, SANRAL appoints project engineers/managers to attend the programme. In 2011/12, six project managers successfully graduated from the programme. SANRAL spent R390 000 on this training.

Training and development
To meet its mandate, SANRAL must continue to attract and retain suitably skilled, qualified, dedicated and passionate employees into strategic leadership and operational positions. A total of 150 staff attended the training and about R1 325 930 was spent. In-house training on project management and financing was conducted.

Internal bursaries
To make it possible for employees to take advantage of study opportunities and develop their potential through private study, bursaries are granted to staff members.

There are 32 employees studying part-time. Of these, 15 were African, 7 coloured, 8 white and 2 Indian. This investment was made through the SANRAL internal bursary scheme. The investment of R312 381 was made to benefit 10 employees pursuing diplomas, 6 bachelor degrees, 6 honours degrees and 10 postgraduate studies in engineering, business administration, management and finance.

<table>
<thead>
<tr>
<th>Course</th>
<th>Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Degrees</td>
<td>6</td>
</tr>
<tr>
<td>Diplomas</td>
<td>10</td>
</tr>
<tr>
<td>Honours</td>
<td>6</td>
</tr>
<tr>
<td>Masters</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>32</td>
</tr>
<tr>
<td>Total Investment</td>
<td>R312 381</td>
</tr>
</tbody>
</table>

Table 22: Employee bursaries allocated for 2011/12

Bursaries for external students
The SANRAL bursary scheme for external students was implemented at the beginning of 2007 to sponsor deserving students interested in studying towards civil engineering and related studies in the built environment.

In the year under review, SANRAL granted 57 bursaries for the 2011/12 academic year. Of the 57 students, 5 were coloured, 16 white, 8 Indian and 28 African. The total investment was R4 488 786.

Most of the bursaries were awarded to first-year students supported by the SANRAL scholarship programme. Students who were previously supported by study loans from other institutions were also supported. On completion of their studies, bursary students are employed by SANRAL and mentored in the professional core skills required by the organisation. All bursary students are offered vacation jobs to expose them to the work environment.

In the year under review, nine students graduated in their first degrees, four were employed permanently by SANRAL and five were further supported to study for their Masters in Engineering Sciences.
Scholarships
SANRAL launched its scholarship programme in 2008 to encourage students to excel in mathematics and science and to prepare them for university, with a focus on engineering. There are 120 learners across the country benefiting from the programme, of which 79 percent are black. At the end of the 2011 academic year, 12 grade 12 learners achieved distinctions in mathematics and physical science. The investment made on the programme was R1 300 000 for learners’ tuition fees, boarding fees, stationery and school and sports uniforms.

Internships
SANRAL provides internships to engineering students to help them attain their degrees and to provide work experience. This is done in cooperation with the contractors and consultants working with SANRAL. The number of internships facilitated is equivalent to 10 percent of SANRAL’s staff complement, in line with the performance agreement with the Minister of Transport.

Due to the high demand for practical experience in engineering required by universities and universities of technology, SANRAL provided internships and vacation jobs equivalent to 67 percent of its staff complement.

Higher education
SANRAL continues to sponsor the Chair in Pavement Engineering at the University of Stellenbosch. This sponsorship empowers students and practitioners through high-quality education, training and research, and through partnerships with recognised international institutions in the field of pavement engineering.
The SANRAL relationship with University of Cape Town continues as per the agreement and the appointment of a Chair in Transport Planning is expected to:

- Carry out and disseminate world-class research in appropriate ways, including publishing in high-impact journals.
- Provide leadership in research and scholarship at national and international levels within the field of transportation engineering or transport planning.
- Collaborate and network with researchers in African and other international research organisations, as well as industry.
- Acquire and manage research funding.
- Supervise postgraduate research students and guide post-doctoral researchers.
- Contribute to teaching postgraduate and undergraduate courses.

**Young professionals cluster**

This is a cluster for SANRAL’s young professionals to build themselves up and accelerate their participation and contribution to the organisation. They share knowledge and network within and outside SANRAL. They also encourage professional registration in their respective areas of expertise. A leadership programme is planned for this group.

**Employee Wellness and Living Positively Programme**

SANRAL has comprehensive HIV and AIDS and employee wellness policies covering the workforce and their immediate families.

**Occupational health and safety**

SANRAL has 40 voluntary officers who monitor and implement health and safety issues to ensure optimal conditions for all employees and their service providers. Health and safety standards are continuously improving and the occupational health and safety cluster meets every quarter and works closely with the risk cluster. The officers perform all duties in terms of the Occupational Health and Safety Act (1993) and their training is a priority.

**Diversity management**

SANRAL is committed to diversity within the workforce. The Diversity Management Strategy and Policy has been implemented. Follow-up meetings are held every three months to evaluate and monitor the processes.

**MARKETING AND COMMUNICATIONS**

In 2011/12, the focus was on educating road users about tolling, including electronic tolling as a payment method. When the GFIP toll tariffs were announced during the year, the team launched the registration campaign (“get tagged”) using print and radio, with public relations activities supporting the campaign. GFIP toll collection was subsequently put on hold, together with all other initiatives. SANRAL worked to transparently respond to all enquiries posted by the media.

SANRAL effectively implemented its crisis management strategy to address communication challenges during 2011/12. The team is working on a through-the-line Request for proposal (RFP), encompassing marketing, public relations, communications, advertising and digital marketing services. The RFP is expected to be advertised by end June 2012.
During the year under review, the marketing and communications unit also initiated its yearly research survey on a national platform. The survey started at the end of March 2012 and the results are expected in June 2012. Some of the aspects being tested include:

- Awareness and sentiment towards SANRAL.
- General attitudes and perceptions towards the national road network.
- Measurement and impact of the e-tolling advertising campaign and its linkages to SANRAL.
- Awareness of SANRAL’s spokespeople and their credibility.
- Awareness, understanding and attitudes towards e-tolling.
- Measure the registration status of e-tolling.

**INFORMATION TECHNOLOGY**

The information technology unit acts as a service provider to the agency. The following categories of service are described in detail below.

<table>
<thead>
<tr>
<th>Enterprise application and desktop services</th>
<th>Data communication and network services</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Email.</td>
<td>• Desktop telephony.</td>
</tr>
<tr>
<td>• Managed desktop.</td>
<td>• Data storage.</td>
</tr>
<tr>
<td>• File and print services.</td>
<td>• Disaster recovery and backup.</td>
</tr>
<tr>
<td>• Electronic document management.</td>
<td>• Wide area network.</td>
</tr>
<tr>
<td></td>
<td>• Local area network.</td>
</tr>
<tr>
<td></td>
<td>• Internet services.</td>
</tr>
</tbody>
</table>

**2011/12 hardware refresh and upgrades**

The following hardware has been refreshed during this financial year in support of the enterprise services.

- Notebooks and desktop computers.
- Replaced desktops have been donated to primary schools throughout the country appointed by the Department of Basic Education.
- Unified communications solution.
- Back office servers.
- Data storage solution.
- Offsite disaster recovery.
- mySAP treasury implementation for more efficient processing of financial transactions.

**Planned upgrades and implementations**

**Upgrade of existing electronic document management solution**

Benefits:
- Improved recovery time.
- Less paper storage.
- Improved disaster recovery.
- Improved employee productivity.
- Central document control.
- Better collaboration between business and stakeholders.
- Increased security.

**Implement video conferencing facility**

Travel is often a prerequisite for leveraging new market opportunities. Although nothing can replace the immediacy and impact of live, face-to-face interactions, a large percentage of routine or regular business trips can be eliminated by communicating over video. It has the following benefits:

- Reduced travel costs.
- Increased productivity across dispersed workforces and teams.
- Supports environmental initiatives.
Concessionaire contribution to training and development

**Bakwena** has awarded three bursaries for 2011 – one female in her second year of a Diploma in Road Safety and two males, one in the second year of his Bachelor of Commerce degree and the other in his third year of a Diploma in Information Technology.

A number of training workshops/courses are provided during the course of the year, addressing a variety of topics including health and safety, fire fighting, first aid and life skills.

Bakwena paid the school fees of 21 children of staff employed at Bakwena head office, Mantsole and Bapong traffic control centres. These employees are mostly from the Bakwena Corridor, and this support contributes to the levels of education and skills in the surrounding communities.

Bakwena supports many employees who have enrolled and completed core educational courses and diplomas in public relations, marketing, law and so on.

**N3TC** offers scholarships and bursaries to deserving students and scholars from previously disadvantaged backgrounds. N3TC granted four scholarships and three bursaries in 2011/12. Bursaries were granted to a student completing a Masters in Tourism; a student completing a degree in Environmental Education at Rhodes University; and a civil engineering student.

N3TC also offers its employees opportunities for further development and training. Ten employees either completed or are still involved in various training and development programmes, including Bachelor of Technology degrees and diplomas. N3TC employed three full-time interns in the fields of civil engineering, marketing and tourism.

**TRAC** launched training initiatives to develop interpersonal relationships and communication skills in the workplace, to facilitate intercultural understanding and to achieve a greater understanding and buy-in of TRAC’s customer service philosophy and business code. The company also facilitates a number of specialised training programmes in information technology, engineering and maintenance for staff members who require development in specific operational fields.

TRAC has awarded bursaries to two Mozambican engineering students, who have also received practical skills development training at TRAC’s operational facilities. An LLB student has also received a bursary from TRAC, and the company supports a large number of employees who have completed short courses.

TRAC has an ongoing training programme for its employees. The company is committed to the principles of life-long learning, personal growth and the wellbeing of each staff member.

Various training workshop sessions are hosted monthly at TRAC’s operational centres along the route.

TRAC uses external training facilitators and an internal training officer who has successfully completed a “train the trainer” course. The internal training officer deals with all in-house and practical training requirements, such as induction, toll collection, supervisory skills and wellness programmes. The company also facilitates a number of specialised training programmes for staff members who require development in specific operational fields.
## 3.2 CORPORATE PERFORMANCE INFORMATION

<table>
<thead>
<tr>
<th>No.</th>
<th>Business/ Strategic Objective</th>
<th>Link to Outcomes for the Department of Transport</th>
<th>Objective measures</th>
<th>Baseline</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Manage the national road network effectively</td>
<td>All six outcomes, but primarily Outcome 1: An effective and integrated infrastructure network that serves as a catalyst for social and economic development</td>
<td>Smooth travel exposure</td>
<td>Maintain at 95%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Low rut exposure</td>
<td>Maintain at 95%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>High texture exposure</td>
<td>Maintain at 95%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Bridge condition exposure</td>
<td>Maintain at 90%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Private-sector investment index</td>
<td>Maintain at minimum 30%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>PPPs</td>
<td>* N2 Wild Coast Toll Highway: Record of Decision expected from DEA</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>* N1/N2 Winelands Toll Highway: tender evaluation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>State toll roads</td>
<td>* N3 Mariannhill: Record of Decision expected March 2011</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>* N17 toll extension: Construction current</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>* GFIP phase 1: Construction current</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>* R30 Kroonstad Bloemfontein: Construction current</td>
</tr>
<tr>
<td>Targets / Budget</td>
<td>Target/ Date</td>
<td>Comments</td>
<td>Performance results</td>
<td>Comments / Reasons for Variance</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------------</td>
<td>--------------</td>
<td>--------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Maintain at current levels: 95% of travel on less than 4.2m/km roughness, to be confirmed annually</td>
<td>31 Mar 12</td>
<td></td>
<td>95.67% of travel on less than 4.2 m/km roughness</td>
<td></td>
</tr>
<tr>
<td>Maintain at current levels: 95% of travel on less than 20mm rut depth, to be confirmed by annual analysis</td>
<td>31 Mar 12</td>
<td></td>
<td>99.27% of travel on less than 20mm rut depth</td>
<td></td>
</tr>
<tr>
<td>Maintain at current levels: 95% of travel on higher than 0.4mm texture, to be confirmed by annual analysis</td>
<td>31 Mar 12</td>
<td></td>
<td>98.07% of travel on higher than 0.4mm texture</td>
<td></td>
</tr>
<tr>
<td>Maintain at current levels: 90% of travel over or under bridges with Overall Condition Index (OCI) higher than 80, to be confirmed by annual analysis</td>
<td>31 Mar 12</td>
<td></td>
<td>95.77% of travel over or under bridges with OCI higher than 80</td>
<td></td>
</tr>
<tr>
<td>At least 30% of total budgeted expenditure funded by private sector</td>
<td>31 Mar 12</td>
<td>Subject to obtaining all necessary approvals from other parties for planned toll projects</td>
<td>34.5% of budgeted expenditure funded by private sector</td>
<td></td>
</tr>
<tr>
<td>* N2 Wild Coast: Finalise tender documents</td>
<td>31 Mar 12</td>
<td>Subject to obtaining all necessary approvals from other parties for planned toll projects</td>
<td>* N2 Wild Coast: Two applications to set aside environmental authorisations (Record of Decision)</td>
<td>* N2 Wild Coast: Delays lead to deepening poverty and loss of opportunity</td>
</tr>
<tr>
<td>* N1/N2 Winelands: Conclude concession contract</td>
<td></td>
<td></td>
<td>* N1-N2 Winelands: Preferred bidder appointed and City of Cape Town applied to set aside environmental authorisations and toll declaration</td>
<td>* N1/N2 Winelands: Minister announced halt on all future toll road projects for further consultation</td>
</tr>
<tr>
<td>* N3 Mariannhill: Tender close 31 March 2012</td>
<td></td>
<td>Subject to obtaining all necessary approvals from other parties for planned toll projects</td>
<td>* N3 Mariannhill: Due to proposed N3 freight route, design requirements are being reviewed as more than three lanes per carriageway may be required. Design for projected traffic under way.</td>
<td>Construction completion delays due to bitumen shortage and delays in approvals from other departments</td>
</tr>
<tr>
<td>* N17 toll extension: Construction complete 2011/12, phase 1 tolling to start May 2011 (phase 2: May 2012)</td>
<td></td>
<td></td>
<td>* N17: Tolling at Leandra Plaza (phase 1) started August 2011. Tolling at Ermelo and Trichardt (phase 2) to start in 2012/13</td>
<td></td>
</tr>
<tr>
<td>* GFIP phase 1: Construction Complete 30 June 2011</td>
<td></td>
<td></td>
<td>* GFIP phase 1: Majority construction completed. N12 projects to be completed in 2012/13</td>
<td></td>
</tr>
<tr>
<td>No.</td>
<td>Business/ Strategic Objective</td>
<td>Link to Outcomes for the Department of Transport</td>
<td>Objective measures</td>
<td>Baseline</td>
</tr>
<tr>
<td>-----</td>
<td>--------------------------------</td>
<td>-----------------------------------------------</td>
<td>-------------------</td>
<td>---------</td>
</tr>
<tr>
<td>1</td>
<td>Provide safe roads</td>
<td>Outcome 2: A transport sector that is safe and secure</td>
<td>ORT and electronic toll collection in Gauteng</td>
<td>Toll infrastructure almost complete, Marketing current</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Enforcement unit trained</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Toll infrastructure nearly complete</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Toll infrastructure nearly complete</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>ITS: Promote and enhance integrated traffic management and improve road safety</td>
<td>ITS infrastructure under construction</td>
</tr>
<tr>
<td>2</td>
<td>Carry out government’s targeted programmes</td>
<td>Outcome 3: Improved rural access, infrastructure and mobility</td>
<td>Ensure a safe road environment through routine road maintenance contracts</td>
<td>Maintain at 100%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Outcome 5: Increased contribution to job creation</td>
<td>Address pedestrian hazardous locations</td>
<td>Twelve pedestrian hazardous locations (three per region)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Road safety management system</td>
<td>50% data collected as per road safety management system manual during 2010/11</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td>See item 6</td>
<td></td>
</tr>
<tr>
<td>Targets / Budget</td>
<td>Target/ Date</td>
<td>Comments</td>
<td>Performance results</td>
<td>Comments / Reasons for Variance</td>
</tr>
<tr>
<td>-----------------</td>
<td>-------------</td>
<td>----------</td>
<td>---------------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td>Start account registration</td>
<td>01 Apr 11</td>
<td>Account registration started early November 2011</td>
<td>95.67% of travel on less than 4.2 m/km roughness</td>
<td>Political and public resistance to tolling</td>
</tr>
<tr>
<td>Set up enforcement unit</td>
<td>30 Apr 11</td>
<td>Control structure at RTMC a concern</td>
<td>Enforcement unit set up under RTMC management. Agreement with RTMC is under dispute</td>
<td>Awaiting passage of Amendment Bill, which is essential for successful law enforcement</td>
</tr>
<tr>
<td>Toll system complete and ready for trial operations</td>
<td>01 Apr 11</td>
<td>First 36 gantries</td>
<td>Toll system mostly complete and trial operations started April 2012</td>
<td>General resistance to electronic tolling</td>
</tr>
<tr>
<td>Start electronic toll collection</td>
<td>30 Jun 11</td>
<td>First 36 gantries</td>
<td>Electronic toll collection set to start 30 April 2012</td>
<td>Ongoing public and opposition party resistance to electronic tolling</td>
</tr>
<tr>
<td>Upgrade and enhance existing ITS deployments and implement new common FMS software platform for Gauteng, KwaZulu-Natal and Western Cape</td>
<td>30 Sep 13</td>
<td>Site handover complete. Software workshops and interim advanced traffic information system website discussions in progress</td>
<td></td>
<td></td>
</tr>
<tr>
<td>100% of national road network has active routine road maintenance contracts</td>
<td>Daily</td>
<td></td>
<td>100% of national road network has active routine road maintenance contracts</td>
<td></td>
</tr>
<tr>
<td>Identity, investigate and propose remedial measures at three pedestrian hazardous locations per region per year, as prioritised by region</td>
<td>31 Mar 12</td>
<td>Identified and investigated 12 projects. Proposed remedial measures on 92% of projects</td>
<td>Finalising engineering remedial measures on one project</td>
<td></td>
</tr>
<tr>
<td>Collect data on 50% of network by 31 March 2011, and 100% data by 31 March 2012</td>
<td>31 Mar 12</td>
<td></td>
<td>100% of road safety data collected and data will now be processed</td>
<td></td>
</tr>
<tr>
<td>No.</td>
<td>Business/ Strategic Objective</td>
<td>Link to Outcomes for the Department of Transport</td>
<td>Objective measures</td>
<td>Baseline</td>
</tr>
<tr>
<td>-----</td>
<td>--------------------------------</td>
<td>------------------------------------------------</td>
<td>-------------------</td>
<td>----------</td>
</tr>
<tr>
<td>4</td>
<td>Cooperative working relationships with relevant departments, provinces, local authorities and Southern African Development Community member countries</td>
<td>Outcome 6: Increased contribution of transport to environmental protection</td>
<td>MoU</td>
<td>MoU under discussion, signed with Department of Mineral Resources and DEA</td>
</tr>
<tr>
<td>5</td>
<td>Achieve and maintain good governance practice</td>
<td>Outcome 1: An effective and integrated infrastructure network that serves as a catalyst for social and economic development</td>
<td>Quarterly reports of performance agreement</td>
<td>Report quarterly on performance</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Objective measures</th>
<th>Baseline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee contracts</td>
<td>Maintain at 100%</td>
</tr>
<tr>
<td>PFMA compliance</td>
<td>Maintain 90% compliance of key sections</td>
</tr>
<tr>
<td>Board meeting</td>
<td>0</td>
</tr>
<tr>
<td>Audit and Risk Committee meeting</td>
<td>0</td>
</tr>
<tr>
<td>Disclosure of interests</td>
<td>Maintain</td>
</tr>
<tr>
<td>CEO’s performance appraisal</td>
<td>Maintain</td>
</tr>
<tr>
<td>Risk management</td>
<td>Maintain</td>
</tr>
<tr>
<td>Risk road show</td>
<td>Maintain</td>
</tr>
<tr>
<td>Fraud hotline</td>
<td>Maintain</td>
</tr>
<tr>
<td>Credit rating (Moody’s Investor Services)</td>
<td>Maintain</td>
</tr>
<tr>
<td>Targets / Budget</td>
<td>Target/ Date</td>
</tr>
<tr>
<td>-----------------</td>
<td>--------------</td>
</tr>
<tr>
<td>MoU drafted with Department of Water Affairs</td>
<td>31 Mar 12</td>
</tr>
<tr>
<td>Quarterly reports to Executive Authority on performance against performance agreement</td>
<td>Within a month of end of quarter</td>
</tr>
<tr>
<td>100% of employees work on employee contracts</td>
<td>On start of employment</td>
</tr>
<tr>
<td>Compliance with key sections as identified by Executive Committee</td>
<td>90%</td>
</tr>
<tr>
<td>Four meetings annually</td>
<td>31 Mar 12</td>
</tr>
<tr>
<td>Two meetings annually</td>
<td>31 Mar 12</td>
</tr>
<tr>
<td>Directors and executives disclose interests</td>
<td>31 Mar 11</td>
</tr>
<tr>
<td>CEO’s appraisal done annually by Board</td>
<td>31 Mar 12</td>
</tr>
<tr>
<td>Risk cluster meets four times, including once with Board</td>
<td>31 Mar 12</td>
</tr>
<tr>
<td>Annual</td>
<td>31 Mar 12</td>
</tr>
<tr>
<td>All reported incidents investigated and action taken</td>
<td>Every call ongoing</td>
</tr>
<tr>
<td>National and global scale ratings current at Aa2.za/P-1.za and A3/P-2 respectively, equivalent to sovereign ratings</td>
<td>Maintain ratings at sovereign ratings equivalent</td>
</tr>
<tr>
<td>No.</td>
<td>Business/ Strategic Objective</td>
</tr>
<tr>
<td>-----</td>
<td>-------------------------------</td>
</tr>
</tbody>
</table>
| 6   | Transformation                 | Outcome 3: Improved rural access, infrastructure and mobility  
|     |                               | Outcome 5: Increased contribution to job creation | Community development projects | R0 million |
|     |                               |                                               | Black economic empowerment | Maintain |
|     |                               |                                               | Employment equity | Approved Equity Plan |
|     |                               |                                               | Internships | Maintain |
|     |                               |                                               | Bursaries | 35 |
|     |                               |                                               | Scholarships | 68 |
| 7   | Achieve financial sustainability | Outcome 1: An effective and integrated infrastructure network that serves as a catalyst for social and economic development | Optimum cash management | Maintain |

**Transformation Outcome 3:** Improved rural access, infrastructure and mobility  
**Outcome 5:** Increased contribution to job creation  
**Black economic empowerment:** Maintain  
**Employment equity:** Approved Equity Plan  
**Internships:** Maintain  
**Bursaries:** 35  
**Scholarships:** 68
<table>
<thead>
<tr>
<th>Targets / Budget</th>
<th>Target/ Date</th>
<th>Comments</th>
<th>Performance results</th>
<th>Comments / Reasons for Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget: R141 million. Up to 30% variance on budget acceptable due to delayed approval from local authorities and community acceptance</td>
<td>31 Mar 12</td>
<td>Subject to acceptance/approval from communities and local authorities</td>
<td>R140 million on community development projects</td>
<td></td>
</tr>
<tr>
<td>60% of total spend on routine road maintenance projects contracted to black SMMEs. 30% for other projects</td>
<td>31 Mar 12</td>
<td>80% of total spend on routine road maintenance projects contracted to black SMMEs 37% for other projects</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Achieve targets in approved plan and prepare new plan for 2011-2014</td>
<td>01 Oct 11</td>
<td>Targets achieved. New plan to 2014 approved November 2011</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of internships equivalent to 10% of total staff</td>
<td>31 Mar 12</td>
<td>38 internships (total number of staff: 224)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum 45 bursaries awarded to external students</td>
<td>31 Mar 12</td>
<td>57 bursaries awarded</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum 116 scholarships awarded to school learners</td>
<td>31 Mar 12</td>
<td>100 scholarships awarded, with 58 new applicants accepted in 2012, subject to receipt of their 2011 academic reports</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Timely investment of cash received at optimum rates. Average return on investment higher than SAFEX margin on deposit rate (market published rate)</td>
<td>Daily</td>
<td>Consistently invested at optimal rates in a timely manner. SAFEX margin on deposit rate was outperformed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Optimal availability of cash. Monthly cash requirements submitted to SANRAL treasury at least 14 days before start of month</td>
<td>Monthly</td>
<td>Optimal availability of cash. Monthly cash requirements submitted to treasury at least 14 days before start of month</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly cash requirements accurate within specified tolerance levels. Monthly cash flow forecasts within 15% and 20% of actual spending</td>
<td>Monthly</td>
<td>Monthly cash flow requirements forecast at following levels: Toll: 29% variance between forecast and actual spend. Non-toll: 7% variance between forecast and actual spend</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No.</td>
<td>Business/ Strategic Objective</td>
<td>Link to Outcomes for the Department of Transport</td>
<td>Objective measures</td>
<td>Baseline</td>
</tr>
<tr>
<td>-----</td>
<td>--------------------------------</td>
<td>-------------------------------------------------</td>
<td>------------------</td>
<td>---------</td>
</tr>
<tr>
<td>74</td>
<td>Reduce cost of borrowing to ensure financial sustainability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>75</td>
<td>Reduce cost of borrowing to ensure financial sustainability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>77</td>
<td>Lengthen maturity of funding to match life of SANRAL’s assets (roads)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>73</td>
<td>Budget</td>
<td>R0 million</td>
<td></td>
<td></td>
</tr>
<tr>
<td>76</td>
<td>Monitor efficiency of SANRAL</td>
<td>Maintain</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Pursue research, innovation and best practice</td>
<td>Outcome 1: An effective and integrated infrastructure network that serves as a catalyst for social and economic development</td>
<td>Pavement engineering</td>
<td>Five-year research project to 31 March 2014</td>
</tr>
<tr>
<td>Targets / Budget</td>
<td>Target/ Date</td>
<td>Comments</td>
<td>Performance results</td>
<td>Comments / Reasons for Variance</td>
</tr>
<tr>
<td>--------------------------------------------------------------------------------</td>
<td>--------------</td>
<td>----------------------------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td>Re-launch NRA bonds programme</td>
<td>31 Oct 11</td>
<td></td>
<td>Successful re-launch in March 2011. No recent major funding, but spread on NRA bonds maintained and improved to ensure cheaper future funding</td>
<td></td>
</tr>
<tr>
<td>Two-way prices available at all times on HWAY and NRA bonds. Weekly spot checks</td>
<td>Weekly</td>
<td>Weekly spot checks performed</td>
<td>Two-way prices available at all times on HWAY and NRA bonds. Weekly spot checks performed</td>
<td></td>
</tr>
<tr>
<td>by treasury manager</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average term to maturity of debt longer than eight years to reduce refinancing</td>
<td>Monthly</td>
<td></td>
<td>No recent major funding. Average term to maturity of outstanding debt is 10.6 years</td>
<td>Failed auction in September 2011 and suspended further auctions until tolling on GFIP starts. Issued NRA014 in lieu of auctions</td>
</tr>
<tr>
<td>and better match asset life</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10% variance of expenditure to total budget for non-toll budget. Toll budget</td>
<td>31 Mar 12</td>
<td>Subject to approvals from relevant authorities</td>
<td>Actual expenditure at March 2012: Toll: R7 732 million Non-toll: R8 722 million</td>
<td>Construction delays due to bitumen shortage and approvals from departments</td>
</tr>
<tr>
<td>subject to approvals by other parties. Toll: R6 388 million Non-toll: R9 911</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>million</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>← 7.5% of total expenditure on overheads</td>
<td>31 Mar 12</td>
<td></td>
<td>2.55% of total expenditure on overheads</td>
<td></td>
</tr>
<tr>
<td>Revise pavement design method – final version by March 2014</td>
<td>31 Mar 14</td>
<td></td>
<td>66 research reports issued for comment (see <a href="http://www.sapdm.co.za">www.sapdm.co.za</a> for more details)</td>
<td>On target</td>
</tr>
</tbody>
</table>
SANRAL operates within the public contracting arena, where it is essential to lead a wide range of stakeholders with a common operating philosophy of values and ethics. Corporate governance is key to achieving this. It improves corporate and economic efficiency and enhances credibility, which ensures SANRAL meets its core objectives to manage the primary road network, ensure best value for money and preserve financial market confidence.

Corporate governance and the management of risk, including the prevention of fraud and corruption, is at the heart of the way SANRAL operates. The organisation has a strong track record of good, transparent governance in the achievement of its economic, environmental, and social objectives. This encourages a culture of candour and trust throughout the organisation.

The Board formally acknowledges that the values of integrity and service excellence must be pursued in all its decisions and activities.

Disclosure of interests
The Board makes all decisions independently and transparently, without any conflict of interests that could affect judgement or decisions. SANRAL monitors a formal register of interests for the Board, the senior management team and staff involved in procurement. Disclosure of interests is a standard agenda item at every Board and Contracts Committee meeting. Should there be a conflict of interest, the director must be recused from the pertinent deliberations and decisions.

All gifts worth R200 or more received by employees as a result of their employment have to be declared in the register of gifts, which is maintained at all SANRAL offices.

Code of conduct

All service providers and contractors are contractually bound to fair and ethical practice.

Board of Directors
The Board is appointed by the Minister of Transport for a term of three years. This ensures adequate continuity of serving members. This is confirmed annually at the annual general meeting.

The SANRAL Act stipulates that the Board must have eight members. The minister appointed four new Board members on 1 December 2011, following the expiry of the previous Board’s term. Four members from the previous Board, including the CEO, continued to serve on the Board. The majority of the directors are non-executive and independent, with skills including engineering, human resources and accounting. The newly appointed directors are:

- Tembakazi Mnyaka (chairperson).
- Peter Derman.
- Sipho Madonsela.
- Roshan Morar.
The Board is guided by the Board Charter and Code of Conduct, which are reviewed annually. The Board’s primary responsibilities include accountability for SANRAL’s performance and delivery against mandate, providing effective, ethical leadership, ensuring good governance practice, providing strategic direction and ensuring appropriate reporting.

The chairperson of the Board is an independent non-executive director. She provides overall leadership and ensures the orderly conduct of the Board and its meetings. The roles of the chairperson and the CEO are separate.

The non-executive directors are largely independent. They have access to information and property of SANRAL in the course of fulfilling their responsibilities. They have direct access to the external and internal auditors and professional advisors.

Six meetings of the Board, including two special meetings, were held during 2011/12. All of them had the required quorum.

**Table 23: Board meeting attendance**

<table>
<thead>
<tr>
<th></th>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Lot Ndlovu*</td>
<td>Chairperson</td>
<td>A</td>
<td>✓</td>
<td>✓</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td>Non-executive</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Anthony Julies</td>
<td>Non-executive</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Sindi Mabaso-Koyana*</td>
<td>Non-executive</td>
<td>A</td>
<td>✓</td>
<td>✓</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Lungile Mchunu</td>
<td>Non-executive</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>A</td>
<td>✓</td>
<td>A</td>
</tr>
<tr>
<td>Mochele Noge*</td>
<td>Non-executive</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Dudu Nyamane</td>
<td>Non-executive</td>
<td>A</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Fred Otieno*</td>
<td>Non-executive</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>--</td>
<td>--</td>
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</tr>
<tr>
<td>Tembakazi Mnyaka#</td>
<td>Chairperson</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Non-executive</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Peter Derman #</td>
<td>Non-executive</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Sipho Madonsela #</td>
<td>Non-executive</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Roshan Morar #</td>
<td>Non-executive</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>A</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Nazir Alli</td>
<td>CEO - Executive</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>A</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

* Retired 30 November 2011
# Appointed 1 December 2011
✓ Member, present
A Member, absent
-- Not a member
Board remuneration
Board remuneration is determined annually by the Minister of Transport. The minister approved a substantial increase of the Board’s remuneration in January 2012. Historically, Board remuneration has been considered quite low in comparison to remuneration at comparable state-owned entities.

Board evaluation
An independent service provider conducted a Board evaluation exercise during 2010/11. The evaluation concluded that the Board and its committees functioned effectively, supported by appropriate governance structures. Areas needing improvement were considered during 2011/12. A Board evaluation could not be conducted during 2011/12 as the previous Board’s term was extended every three months and the new Board was finally appointed in December 2012.

Company Secretariat
The Company Secretary and Risk Officer provides support to the Board and develops systems and processes to enable it to function effectively. The Secretariat develops the Board’s annual plan and the agenda for meetings in discussion with the chairperson. The Secretariat guides the Board on corporate governance matters, the Companies Act and other governance-related legislation. A two-day induction programme was organised in January 2012 for the newly constituted Board.

Board committees
The Board has established four committees to help it ensure the integrity of functions and oversight responsibilities.

Committee meetings were held regularly based on a Board-approved schedule. The four committees are:
- Contracts Committee.
- Audit and Risk Committee (required by the PFMA and the Companies Act).
- Social, Ethics and Transformation Committee (required by the Companies Act).
- Assets and Liabilities Committee.

Contracts Committee
This committee had five members, including two executives and an independent industry specialist member, until November 2011. With the appointment of the new Board in December 2011, the committee now consists of three Board members. It meets on a monthly basis and quorum requirements were met for all meetings. The committee is guided by its Charter and the Board Code of Conduct.

The skills of the members are predominantly in the areas of engineering, contracting and management. The committee ensures that all tenders are adjudicated fairly and in accordance with the tender rules. It considers the submissions made by management and awards the tenders in compliance with a strictly applied tender process. It ensures that contract expenditure is properly authorised in accordance with the established, delegated powers approved by the Board. It also monitors transformation and empowerment in the construction industry as a result of SANRAL’s projects.
Disclosure of interests is a standard agenda item at every meeting. The committee awards contracts independently and fairly.

### Table 24: Meeting attendance

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mochele Noge*</td>
<td>Non-executive chairperson</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Lungile Mchunu</td>
<td>Non-executive</td>
<td>A</td>
<td>A</td>
<td>√</td>
<td>√</td>
<td>A</td>
<td>A</td>
<td>A</td>
<td>A</td>
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<tr>
<td>Mike Lomas*</td>
<td>External</td>
<td>√</td>
<td>A</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>A</td>
<td>A</td>
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<tr>
<td>Sipho Madonsela #</td>
<td>Non-executive chairperson</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Peter Derman #</td>
<td>Non-executive</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Nazir Alli</td>
<td>CEO - Executive</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Koos Smit</td>
<td>Engineering executive</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
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</tr>
</tbody>
</table>

#### Audit and Risk Committee

This committee had three independent, non-executive Board members and an observer, who was also a non-executive Board member during the year. An advisor to the committee was also appointed by the previous board, but he attended one of the three meetings. The committee met four times during the year. Quorum requirements were met for all meetings.

The skills of the members were predominantly in the areas of accounting and engineering. The committee ensures the integrity of SANRAL’s accounting, audit and risk functions. It managed the relationship with the internal and external auditors. It is guided by the Audit and Risk Committee Charter and the Board Code of Conduct. Further details are provided in the Report of the Audit and Risk Committee on page 88.
Social, Ethics and Transformation Committee
This committee was previously called the Human Resources and Remuneration Committee. The Companies Act required SANRAL to establish a Social and Ethics Committee before 30 April 2012. The Board instituted this committee in August 2011 and increased its functions to cover all responsibilities legislated in the act. It held six meetings during the year, with all quorum requirements met. The Human Resources and Remuneration Committee had four members, including one executive. The Social, Ethics and Transformation Committee’s is made up of three non-executive directors, with human resources and management skills. The committee is guided by its Charter and the Board Code of Conduct.

The Committee monitors SANRAL’s activities, particularly in the following social and ethical areas, with an emphasis on transformation:
• Social and economic development, including good governance and anti-corruption.
• Good corporate citizenship.
• The environment, health and safety, including the impact of SANRAL’s activities.
• Consumer relationships.
• Labour relations and employment, including remuneration, conditions of service, service benefits, human resource planning and skills development.
• Compliance with legislation.
### Table 26: Meeting attendance

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fred Otieno*</td>
<td>Non-executive, independent chairperson</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Lot Ndlovu*</td>
<td>Non-executive, independent</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Heidi Harper*</td>
<td>Corporate services executive</td>
<td>√</td>
<td>√</td>
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<td>--</td>
<td>--</td>
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<tr>
<td>Dudu Nyamane</td>
<td>Non-executive, independent chairperson from Jan 2012</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
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</tr>
<tr>
<td>Tembakazi Mnyaka</td>
<td>Non-executive, independent chairperson</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Peter Derman #</td>
<td>Non-executive, independent</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>√</td>
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</tr>
</tbody>
</table>

1: Human Resources and Remuneration Committee  
* Retired 30 November 2011  
# Appointed 1 December 2011  
√ Member, present  
A Member, absent  
-- Not a member

### Assets and Liabilities Committee

This committee had three non-executive directors as members (five members until November 2011, including three executives). It meets regularly, generally every month, and is supported by SANRAL’s treasury. All meetings held during the year had the required quorum.

The committee formulates policies and controls governing SANRAL’s financial risk management activities, including liquidity, investments, interest rates, and credit. The committee sets risk management parameters for each risk category and reviews the treasury’s performance. The provisions in the Treasury Policy and Control Manual regulate the treasury’s activities. The committee periodically reviews the relevance and validity of these controls. Any proposed amendments are subject to Board approval.

### Table 27: Meeting attendance

<table>
<thead>
<tr>
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</thead>
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<tr>
<td>Mochele Noge*</td>
<td>Non-executive chairperson</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Anthony Julies</td>
<td>Non-executive</td>
<td>A</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>A</td>
<td>√</td>
</tr>
<tr>
<td>Nazir Alli*</td>
<td>Executive</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
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</tr>
<tr>
<td>Inge Mulder</td>
<td>Executive</td>
<td>A</td>
<td>√</td>
<td>√</td>
<td>√</td>
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<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Alice Mathew</td>
<td>Executive</td>
<td>√</td>
<td>√</td>
<td>√</td>
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</table>
### Director/Membership

<table>
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<tr>
<th>Director/Member</th>
<th>Position</th>
<th>24 Jan 2012</th>
<th>28 Feb 2012</th>
</tr>
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<tbody>
<tr>
<td>Anthony Julies</td>
<td>Non-executive</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Tembakazi Mnyaka</td>
<td>Non-executive</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Roshan Morar *</td>
<td>External</td>
<td>√</td>
<td>√</td>
</tr>
</tbody>
</table>

* Retired 30 November 2011
# Appointed 1 December 2011
√ Member, present
A Member, absent
-- Not a member

### Delegation of authority
SANRAL has a delegation of authority framework, approved by the Board annually. The most recent approval was in August 2011. The framework is guided primarily by the SANRAL Act and the PFMA. It records the nature and extent of the authority delegated to the Board committees and management. It also ensures that no one acts beyond the scope of authorised delegations.

### Compliance
Compliance is a management competency. The Board acknowledges that compliance with applicable laws and standards is an ethical imperative, and monitors compliance through the Social, Ethics and Transformation Committee. SANRAL is committed to complying with all applicable legislation and non-binding codes and standards, such as the King III Code on Corporate Governance, the United Nations Global Compact Principles and the Organisation for Economic Cooperation and Development recommendations. Management ensures that SANRAL's compliance is monitored every week. The responsibility for ensuring compliance lies with the manager or cluster concerned. SANRAL has always endeavoured to comply with relevant governance legislation, such as the PFMA, Treasury regulations and the Companies Act, as amended.

SANRAL is formally establishing a compliance framework, which will enable better monitoring of key compliance areas.

### Stakeholder relationships
Stakeholder relationships are generally managed on a project-by-project basis. Engagement with affected stakeholders is guided by the SANRAL Act. SANRAL's reputation is paramount. The uncertainty surrounding the implementation of ORT in Gauteng has forced SANRAL to re-examine its stakeholder liaison responsibilities and strategies.

### Credit ratings
SANRAL maintained its global scale issuer rating of A3 (long-term) and P-2 (short-term), in addition to its national scale issuer rating of Aa2.za/P-1.za by Moody’s Investor Service until the end of February 2012. The long-term ratings dropped to Baa1 (global scale) and Aa3.za (national scale) with negative outlook. The uncertainty and delays surrounding electronic tolling on the Gauteng network and the accompanying political and public resistance has led to this downgrade.
Strategic Plan and performance information
A three-year rolling Strategic Plan was drawn up for 2011/12 in line with National Treasury guidelines. The Minister of Transport approved the plan and signed a performance agreement with SANRAL. Performance management and reporting is key to SANRAL’s governance responsibility. Important performance areas were identified against each strategic objective. Performance against relevant and measurable targets was monitored regularly, approved by the Board and reported to the minister on a quarterly basis. The annual performance information report is published in the annual report.

Risk management
Enterprise-wide risk management is an integral part of SANRAL’s fulfilment of its mandate. The Board is responsible for risk management within the organisation. SANRAL has developed a risk register through continuous assessment of current risks and identification of new risks. All employees are encouraged to be alert to risk exposures and express their concerns. The risk cluster analyses each risk and initiates appropriate mitigating action and treatment. All risks are documented in the risk register and are communicated to the Board and employees where appropriate. The Internal Audit Coverage Plan is risk-based and risk management is a standing item on all Board and committee meetings, with ongoing oversight by the Audit and Risk Committee.

The risk cluster meets at least four times a year, including one risk and strategy session with the Board. SANRAL’s risk appetite and tolerance is acknowledged at 100 percent, as it generally has to manage any risk arising in the delivery of its mandate. The risks are rated on a scale of 1 to 10 for impact (severity) and likelihood (probability) of occurring. The Board has determined that all risks with a risk value of 30 or more (out of 100) must be brought to its attention as a standing agenda item at all Audit and Risk Committee and Board meetings.

The major risks in the primary risk register included the uncertainty surrounding electronic tolling on the Gauteng network, the delay in the required amendment legislation relating to electronic tolling, the erratic supply of bitumen, the delays in obtaining approvals and permits from relevant departments, and the poor safety record on South African roads, primarily influenced by road-user behaviour. SANRAL will continue to monitor and mitigate these risks.

Prevention and response to fraud and corruption
SANRAL’s core activities are in the public works, construction, and maintenance industry. This industry is particularly vulnerable to malpractice, primarily due to the involvement of many role players and the magnitude of funds involved. SANRAL is aware of its exposure to and the dangers of fraudulent and corrupt activities. Collusion and fronting are challenges on project sites. The vigilant monitoring and education of newer entrants is critical in the management of the conduct, relationships and activities of the role players in any project.

SANRAL subscribes to a fraud hotline service which is operated by Tip-Offs Anonymous, an independent service provider. This whistle-blowing service is available to anyone, within the organisation or externally, to anonymously report suspected wrongdoing, unethical behaviour, theft, corruption, fraud or other incidences that could harm SANRAL’s operations, sustainability and reputation.
All substantive allegations are thoroughly investigated by expert, external investigators. All investigations are conducted in a transparent, fair, and objective manner, respecting the rights of the individuals implicated. SANRAL aims to communicate its intolerance of malpractice throughout the construction community.

During the year, SANRAL conducted forensic investigations. SANRAL investigated allegations that it had set up roadblocks and tried to coerce motorists to register for e-tags. These allegations were found to be false. The traffic accommodation measure from road markings were claimed to be roadblocks.

An annual governance and risk road show is held for employees at corporate and regional offices to enhance awareness of governance and risk management. Governance principles, lessons learnt from forensic investigations and the risk register are discussed in detail.

It is important that quality governance and responsible risk management continue to be integral to SANRAL’s organisational culture – with every employee and director upholding the core values of service excellence and integrity. SANRAL’s corporate governance structures and practices will continue to evolve and improve.

SANRAL subscribes to a fraud hotline service which is operated by Tip-Offs Anonymous, an independent service provider.
3.4 REPORT OF THE AUDIT AND RISK COMMITTEE

In terms of Treasury Regulation 27.1.7 and 27.1.10 (b and c), the Audit and Risk Committee reports on certain events, as well as its actions and findings for the financial year ended 31 March 2012.

1. AUDIT AND RISK COMMITTEE MEMBERS AND MEETINGS

The Audit and Risk Committee consists of the members listed below and meets at least four times per year as per its approved Charter. During the year, four meetings were held.

A new Board was appointed by the shareholder, effective 1 December 2011.

The members up to 30 November 2011 were as follows:

- Sindi Mabaso-Koyana, Chairperson (independent non-executive Board member)
- Mochele Noge, Member (independent non-executive Board member)
- Fred Otieno, Member (independent non-executive Board member)
- Anthony Julies, Observer
- Vivien Natasen, Advisor

The new committee members were as follows:

- Roshan Morar, Chairperson (independent non-executive Board member)
- Sipho Madonsela, Member (independent non-executive Board member)
- Lungile Madlala, Member (independent non-executive Board member)
- Anthony Julies, Observer

2. RESPONSIBILITIES OF THE COMMITTEE

The Audit and Risk Committee has adopted the Audit and Risk Committee Charter read in conjunction with the Internal Audit Charter, which has been confirmed by the Board, as its terms of reference in discharging all its responsibilities as regulated therein.

3. ADEQUACY OF INTERNAL CONTROLS

SANRAL’s system of internal control provides reasonable assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. From the various reports submitted by internal and external auditors, including the management report of the external auditors on the annual financial statements, the Audit and Risk Committee concluded that no significant or material non-compliance with prescribed policies or control weaknesses have been identified. Where risks and control weaknesses have been identified, the committee is satisfied that the management responses and corrective actions and/or improvements proposed are adequate to address the weaknesses identified and reported.
4. INTERNAL AUDIT

During the year under review, the internal audit function was outsourced to PricewaterhouseCoopers and Business Innovations Group Consortium. They were appointed for an initial three-year period ending 31 March 2010, with the option to extend for a further two years at the discretion of SANRAL. This extension was approved by the Contracts Committee with the recommendation of the Audit and Risk Committee and ended 31 March 2012.

The Audit and Risk Committee approved an Internal Audit Charter, which stipulates the terms of reference for the internal audit. The Audit and Risk Committee considered and approved the internal audit annual operational plan and the three-year-plan. All internal audit work, reports and progress reports were reviewed by the Audit and Risk Committee.

Internal audit also actively participates in SANRAL’s risk cluster to identify and assess risks.

5. EVALUATION OF ANNUAL FINANCIAL STATEMENTS

The Audit and Risk Committee has:
• Reviewed and discussed with the Auditor-General and the Board of Directors the audited financial statements to be included in the report.
• Reviewed changes in accounting policies and practices.
• Reviewed significant adjustments resulting from the audit.
• Reviewed the annual integrated report and recommended it for Board approval.

The Audit and Risk Committee concurs and accepts the conclusions of the Auditor-General on the annual financial statements and is of the opinion that the audited financial statements be accepted and read together with the report of the Auditor-General.

Roshan Morar
On behalf of the Audit and Risk Committee as at 31 March 2012
Date: 22 May 2012
The reports and statements set out below comprise the annual financial statements presented to the shareholders:

| 4.1 | Report of the Auditor-General | 94 |
| 4.2 | Directors’ Report | 98 |
| 4.3 | Statement of Responsibility by the Board of Directors | 108 |
| 4.4 | Certificate by the Company Secretary | 109 |
|      | Statement of Financial Position | 110 |
|      | Statement of Comprehensive Income | 111 |
|      | Statement of Changes In Equity | 112 |
|      | Statement of Cash Flows | 113 |
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|      | Notes to the Annual Financial Statements | 128 |
Financial Statements for the year ended 31 March 2011

SECTION 4
4.1 REPORT OF THE AUDITOR-GENERAL

Introduction
1. I have audited the accompanying financial statements of the South African National Roads Agency SOC Limited (SANRAL) set out on pages 98 to 178 which comprise statement of financial position as at 31 March 2012, the statement of comprehensive income, statement of changes in equity and the cash flow statement for the year then ended, the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority’s responsibility for the financial statements
2. The board of directors which constitutes the accounting authority is responsible for the preparation and fair presentation of financial statements in accordance International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), the Companies Act of South Africa, 2008 (Act No. 71 of 2008) and the South African National Roads Agency Limited and National Roads Act, 1998 (Act No. 7 of 1998), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General’s responsibility
3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion
6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the South African National Roads Agency SOC Limited as at 31 March 12, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the PFMA and the Companies Act.

Emphasis of matter
7. I draw attention to the matter below. My opinion is not modified in respect of this matter:

Going concern
8. The directors’ report on page 98 to the financial statements indicates the suspension of the tolling for the Gauteng Freeway Improvement Project (GFIP), scheduled to commence on 30 April 2012. The toll income from the GFIP is significant to the ability of SANRAL to service its current and future obligations. This may cast significant doubt on the entity’s ability to fund its obligations until such time that the tolling of GFIP commences.

Other reports required by the Companies Act
9. As part of my audit of the financial statements for the year ended 31 March 2012, I have read the Director’s Report, the Audit Committee’s Report and the Company Secretary’s Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports I have not identified material inconsistencies between the reports and the audited financial statements in respect of which I have expressed an unqualified opinion. I have not audited the reports and accordingly do not express an opinion on them.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS
10. In accordance with the PAA and the General Notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives
11. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 68 to 77 of the annual report.

12. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information.

The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).
13. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

Compliance with laws and regulations
14. I did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA.

Internal control
15. In accordance with the PAA and in terms of General notice, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. I did not identify any deficiencies in internal control which we considered sufficiently significant for inclusion in this report.

OTHER REPORTS
Investigations
16. The investigation is being conducted by the Specialised Commercial Crime Unit (SCCU) in Port Elizabeth on alleged fronting and maladministration

Pretoria
31 July 2012
INTRODUCTION
The directors present their annual report as part of the audited annual financial statements of SANRAL for the year ended 31 March 2012.

SANRAL is incorporated as a state-owned company in South Africa in terms of the Companies Act (No. 71 of 2008), and is listed as a national public entity in schedule 3A of the Public Finance Management Act (No. 1 of 1999) [PFMA], as amended.

The Board of Directors acts as the accounting authority in terms of the PFMA, section 49(2)(a).

PRINCIPAL ACTIVITIES
The principal activities of SANRAL are the financing, management, control, planning, development, maintenance and rehabilitation of South Africa’s proclaimed national road network, as prescribed by the South African National Roads Agency Limited and National Roads Act (No. 7 of 1998).

The GFIP – the largest project of its kind in South Africa in two decades – heralds the introduction of the multi-lane free flow electronic toll collection system, also known as an open road tolling system, which does away with the need for physical toll plazas. Unfortunately, the start of tolling on GFIP has been indicted, pending a review by the court.

The long-awaited N1/N2 Winelands concession was awarded to Protea Parkways Consortium during the year, but has also been suspended pending a court application.

The declared national road network on 31 March 2012 was 16 170km. Of this, 81 percent are non-toll roads and 19 percent are toll roads. Subsequent to year-end a further 2 077km of non-toll roads in the Eastern Cape were incorporated in the national road network.

Although the national roads account for 2.6 percent of the total road network in South Africa, about 23 percent of the total vehicle kilometres travelled is on national roads. Vehicle kilometre travel density is currently increasing by 3.4 percent per year, which reflects the increase of traffic on national roads.

During 2011/12, R4 570.4 million (2011: R7 840 million) was spent directly on toll roads, comprising R3 239.8 million for capital and R1 330.7 million on maintenance. During the same period, R7 940.6 million (2011: R5 781.3 million) was spent directly on non-toll roads, split between capital works (R4 704.9 million) and maintenance (R3 235.8 million).
DIRECTORS AND SECRETARY
The Board, as appointed by the Minister from 1 May 2008 to 30 November 2011, consisted of the following people:

- Executive Director
  N Alli [Chief Executive Officer]

- Non-executive Directors
  L Ndlovu [Chairperson]
  A Julies [Public official]*
  S Mabaso-Koyana
  L Mchunu [Public official]**
  M Noge
  D Nyamane
  F Otieno

* Mr Julies is the appointed representative of the Minister of Finance and is an employee of National Treasury.
** Ms Mchunu is an employee of the City of Tshwane (Local government).

The Minister appointed a new Board from 1 December 2011, consisting of the following people:

- Executive Director
  N Alli [Chief Executive Officer]

- Non-executive Directors
  T Mnyaka [Chairperson]
  P Derman
  A Julies [Public official]*
  S Madonsela
  L Madlala [Public official]**
  R Morar
  D Nyamane

* Mr Julies is the appointed representative of the Minister of Finance and is an employee of National Treasury.
** Ms Madlala is an employee of the City of Tshwane (Local government).

For the year under review A A Mathew was the company secretary and her business and postal addresses are:

** Business address
48 Tambotie Avenue
Val de Grace
Pretoria
0184

** Postal address
P.O. Box 415
Pretoria
0001
ORGANISATIONAL STRUCTURE
SANRAL is managed in three clusters: finance, engineering and corporate services. Inge Mulder, Koos Smit and Heidi Harper headed these clusters, respectively, for the year under review.

SANRAL is further divided into four regional offices and a corporate office. The regional managers are Ismail Essa (Northern Region – Menlyn, Pretoria), Kobus van der Walt (Western Region – Bellville), Mbulelo Peterson (Southern Region – Port Elizabeth) and Logashri Sewnarain (Eastern Region – Pietermaritzburg).

For reporting purposes, SANRAL separates its business activities and accounting records into toll and non-toll operations. Toll roads are deemed to be self-funding, and for the purposes of financial analysis are assumed to amortise debt over a period of 30 years. SANRAL’s toll road business is funded through borrowings on the capital markets and has traditionally been underwritten by the national government through a guarantee for the issuance of bonds. The historical guarantee is R6 billion. The quantum of this guarantee is fixed but the term is perpetual. SANRAL, with the support of the National Treasury consolidated its bond issues (except the historical SZ bonds) under a domestic medium-term note programme in two parts – for bonds that are underwritten by a sovereign guarantee and those that are non-guaranteed. The programme provides flexibility for SANRAL to fund its toll road programme in a structured manner. All the bonds issued are listed and traded on the JSE Limited.
The guaranteed bonds are identified by the prefix SZ and HWAY, and the non-guaranteed by the prefix NRA.

The borrowing limit approved by National Treasury is R47.91 billion of which up to R37.91 billion will be guaranteed. The non-guaranteed domestic medium-term note programme totals R15 billion. Monthly auctions are used to issue both NRA and HWAY bonds, following feedback received from investors to ensure optimum cost of borrowing against investor demand. However, after a failed auction in September 2011, further auctions were postponed and none has been held since then, due to the extraordinary grant received for the toll portfolio. There is also an additional guarantee for a Rand Merchant Bank loan of R529 million for the initial construction phase of the N1 Great North Road and R170 million for ongoing maintenance. This guarantee also covers consumer price index (CPI) adjustments provided for in the loan agreement.

The European Investment Bank showed its confidence in SANRAL through a loan of R1.1 billion, received in 2010/11.

The Austrian governments’ export credit agency, OeKB, issued a guarantee to SANRAL, which was used to borrow from a local financial institution at very favourable rates. This ECA facility of R550 million has been only partially drawn down and the remaining tranche was expected to be drawn by end of July 2012, but a request to postpone this drawdown was submitted to the lender.

At 31 March 2012, cash and cash equivalents held were R9.2 billion (2011: R2.8 billion). The significant increase is as a result of the grant received from the fiscus on 30 March 2012 to alleviate the impact of the further reduction in the toll tariffs for GFIP as announced by the Minister of Finance during his budget speech in February 2012. In the normal course of business, SANRAL maintains a healthy liquidity buffer to ensure the following:

- To limit liquidity risk, SANRAL has maintained a three-month liquidity buffer (3x monthly estimated expenditure).
- The crisis in the financial markets caused a high degree of uncertainty with regard to the timing of “entering” the markets. The timing of raising the finance was a function of the number of projects under construction. Notwithstanding the volatility of the financial markets, SANRAL tapped the capital markets, supported by the government guarantee, under relatively favourable conditions to ensure timely payment for the works under construction.

Furthermore, the surplus cash was invested prudently throughout the year to ensure the best possible return within the specified counterparty investment limits. The weighted investment rate for the current financial year was 5.65 percent (2011: 6.4 percent).

Non-toll roads are financed through parliamentary appropriations on the vote of the National Department of Transport – Vote 36.

**TAXATION**
SANRAL has been exempted from income tax in the Government Gazette of 22 December 2003 (Revenue Laws Amendment Act, 2003 section 1(l) and 2(d)). This exemption was backdated to the inception of the entity, and therefore no provision has been made for income tax or deferred tax.

**OPERATING RESULTS**
The net operating profit before finance cost for the year was R938.1 million (2011: R967.1 million). The loss after deducting finance cost is R2 482.4 million (2011: R1 647.9 million).

The financial statements on pages 98 to 178 set out fully the financial position, results of operations, changes in equity and cash flows of SANRAL for the financial year ended 31 March 2012.
REVIEW OF OPERATIONS

• Property, plant and equipment

Road assets are valued on a depreciated replacement cost basis. The revaluation of the road network and structures were reviewed at year-end and adjusted. The adjustment is mainly caused by the increase in crude oil prices leading to high fuel prices. Apart from increasing the normal transport costs for road building it caused a significant increase in the cost of bitumen of approximately 26 percent in the period, increasing the replacement cost of road assets. The remaining life of these assets is considered when determining their depreciated replacement cost, taking the condition of the pavement into account. In the financial year the average condition of national roads improved due to the capital projects (strengthening) that were completed as well as lower rainfall overall. This resulted in a positive revaluation adjustment to property, plant and equipment of R35.4 billion, after depreciation and impairment in this financial year. Further information is available in note 5 and 6 of the financial statements.

• Revenue

  o Revenue from non-toll operations was R4 488.6 million for the year, which is a 33.7 percent increase from the previous year. This represents the grant received from government of R8 651.6 million, less R4 626.9 million capitalised and deferred for the year, plus R463.9 million realised from government grants received and capitalised in previous years.

    Included in other income are contributions from other spheres of government and the private sector of R70.4 million. The monies received from other entities (to the extent that it has already been expensed) relate to projects managed by SANRAL, including assets owned by the other entities, and they contribute their proportionate share to the projects. The expenditure is included in the total expenditure reported in the financial results.

  o The revenue from toll operations was R2 050.6 million for the year, which is a 19.6 percent increase from the previous year. The increase in revenue is attributable mainly to the extraordinary grant received from government of R5 043.9 million to fund the toll portfolio, of which R151.1 million was realized in revenue. Additionally, the increase in revenue is as a result of an average traffic increase of 4.4 percent. The adjustment of toll tariffs was in line with CPI. The opening of the N17 Leandra mainline and ramps in September and November 2011, respectively as well as the R30 Brandfort mainline in December 2011, contributed less than 3 percent to the increase in toll revenue.

  o The comprehensive toll road operations and maintenance contract model consolidates the responsibility for the various activities and risks associated with the operations of the toll route. Under this arrangement, the main contractor is responsible for the total operation of the toll route. The operator under this model pays the actual gross income (tariff x vehicle) to SANRAL and then claims discounts, concessions and violations as a cost, based on an agreed cost matrix.

• Profit before taxation

  o The non-toll operating profit after finance charges, for the year ended 31 March 2012 was R190 million, compared to a loss of R353.7 million for the previous year. Although income has increased by 30.6 percent, expenditure, mainly operational expenditure on roads, increased by 38 percent. Operational expenditure includes routine, ad hoc, special and periodic maintenance on roads. The increase in revenue and other income, available for operating expenditure, of R1 082.6 million is due to the increased allocation received from government appropriated to operating expenditure. This increase in income was used to increase expenditure on repairs and maintenance by R1 090.6 million (44.7 percent) and on fees for services, other expenditure and lease payments by R88.8 million (17 percent). Normal depreciation increased by R77.5 million (18.8 percent), but the increase in the value of investment property by R226.7 million contributed to the profit. Due to the improvement on the overall condition of non-toll roads no depreciation for condition was made.
The toll operating loss after finance charges for the year ended 31 March 2012 was R2 672.4 million, which is a significantly larger loss than the R1 294.3 million loss in 2011. This is mainly a result of the increase in finance costs of R805.5 million (30.8 percent), due to the continuous borrowing to fund the loss in revenue as a result of the delay in toll commencement of GFIP. Additionally the operational expenditure increased by R323.7 million, which includes routine, ad hoc, special and periodic maintenance on these roads. Finance income decreased by R102.2 million (23 percent) due to lower interest rates. There was an increase in toll income, excluding the grant, of R185.3 million (10.8 percent). The increase in repairs and maintenance of R283.9 million (41.9 percent) and the increase in normal depreciation of R285.6 million (67.5 percent), due to the significant increase in completed capital works, increased the overall loss.

SANRAL currently applies the benchmark treatment of International Accounting Standard (IAS) 16 “property, plant and equipment”, which allows for the valuation of assets at fair value. SANRAL has adopted this principle as opposed to depreciated cost. Fair value in this instance represents the depreciated replacement cost, due to the specialised nature of these assets. This methodology takes the unit cost for road bed, layers and structures into account, as well as the condition or remaining life of the road asset.

In terms of IAS 36, assets must be assessed annually and impairments recorded if their income generating potential is estimated to be less than the carrying value. Non-toll assets have been identified as a non-cash generating unit. The International Financial Reporting Standards (IFRS) do not prescribe the impairment of non-cash generating units and allow other standards to apply in such instances. SANRAL has elected to apply the International Public Sector Accounting Standard 21 to determine the carrying amount of a non-cash generating unit.

- Finance charges
  Net finance charges in 2012 were R818.7 million higher than in the previous year.

  Finance income
  Due to slightly lower yields during the year the gains on financial assets and liabilities decreased by R10.6 million. Higher cash holding increased the interest received on bank deposits by R76.2 million (35 percent). A total of R91.1 million (2011: R190.1 million) was received from repurchase agreements during the year.

  Finance expense
  Interest expenses increased by R805.4 million (30.8 percent), resulting in the significant net increase of finance charges. This is mainly as a result of the increase in borrowings to fund the loss in revenue and to some extent toll capital work in progress. Of these finance charges, R84.4 million was capitalised to assets under construction. Further details of finance costs (encompassing both interest and held-for-trading gains and losses) are included in note 27 to the financial statements.
REVIEW OF FINANCIAL POSITION

• Share capital
  The shareholding for the current year has remained unchanged. The Minister of Transport holds all shares issued by SANRAL.

• Land
  SANRAL’s property management is undertaken by a service provider that has the skills and resources required to manage and maintain our large land portfolio consisting of road reserve and adjacent severed properties. The service provider is a single entity that delivers all aspects of land surveying, valuing, property maintenance and management services. The service provider is managed by a team of SANRAL staff located in all our Regional and Head offices.

  The contractual targets include a requirement that fifty percent of all work be subcontracted. This provides opportunities for small and previously disadvantaged firms to obtain property work from SANRAL. However, it remains difficult to engage professional black owned firms in sufficient numbers. The contractual requirement to offer training and promote economic development by addressing skills shortages and making work available to targeted groups has been complied with.

  We comply with company law and IFRS by ensuring that all land acquired by our predecessors, whether inside or outside of the road reserve is identified and transferred into SANRAL’s name. Land outside of road reserves is categorised as investment property or “other” land if it has no investment value due to its small size and/or nominal value. The land identification process and the transfer of land to SANRAL will expand as further provincial roads are added to our network. All land acquired by SANRAL since our inception date has always been transferred to us.

  Our road reserves consist of 25 540 properties, while we have a total of 2 108 investment properties.

  A complete register of all land registered in SANRAL’s name may be inspected at the SANRAL head office.

  More details on the value and identification of land is disclosed in note 5 and 6 to financial statements.

• Investments
  SANRAL’s non-current investments are set out in note 9 to the financial statements. No significant acquisitions or disposals occurred in the period under review.

  Financial instruments, in the market making portfolio, are used to manage risks that SANRAL is exposed to in the capital markets. Details of the various risks and SANRAL’s policy to manage these risks are set out in note 34 to the financial statements.
MATERIALITY FRAMEWORK
A materiality framework has been developed for reporting losses through criminal conduct and irregular fruitless and wasteful expenditure or for significant transactions that require ministerial approval, as envisaged in section 54(2) of the PFMA. The framework was finalised by SANRAL after consultation with external and internal auditors, and formal approval was given by the Board on 25 May 2004. The framework was updated in January 2012 to incorporate the latest approved budget, resulting in a materiality value of R40 million.

CONTINGENT LIABILITIES
Details of legal proceedings are provided in note 31 to the financial statements.

EVENTS SUBSEQUENT TO BALANCE SHEET DATE
The GFIP tariffs were approved by the Minister of Transport and published in the Government Gazette on 13 April 2012, for the second time. This followed a second round of consultative meetings, in this financial year, with stakeholders. The Minister of Finance announced the further reduction of the GFIP tariffs to an e-tag rate of approximately 30c per kilometer, but gave SANRAL a once–off grant of R5.75 billion (incl VAT) to ensure its borrowing level is sustainable. Toll commencement was scheduled, as per the Ministers’ budget, to commence on 30 April 2012.

On 28 April 2012 the North Gauteng High Court, granted an interim interdict to stop the start of tolling on the GFIP, pending a review.

Subsequent to this, Moody’s ratings agency downgraded SANRAL as follows:
- On a global scale, local and foreign currency issuer downgraded to Baa2/P-3 from Baa1/P-2.
- South African national scale issuer ratings downgraded to A2.za/P-2.za from Aa3.za/P-1.za.

The government and Sanral have since appealed to the Constitutional Court to set the interdict aside. The Constitutional Court is scheduled to hear the appeal on 15 August 2012.

PUBLIC-PRIVATE PARTNERSHIPS
In addition to its parliamentary appropriation, SANRAL seeks other sources of finance to enhance the national road network that can reasonably be recovered through user charges. PPP’s allow SANRAL to negotiate investments through the diverse sources of funding available from the private sector to meet identified infrastructure and service delivery needs, in a manner that is cost-effective and appropriately adapted to each particular project. Furthermore, this enables finance to be secured for the improvement and preservation of the country’s road infrastructure assets for periods well beyond government’s three-year expenditure horizon.

As a secondary benefit of PPPs, such as concession agreements, SANRAL has succeeded in attracting foreign direct investment into several projects, bringing both additional capacity and finance to promote economic development and stimulate growth. The multiplier effects of expenditure on road infrastructure contribute to economic growth and social development through job creation and economic independence.
The agreement with N3 Toll Concessions (Pty) Ltd is effective from 2 November 1999 and terminates on 1 November 2029.

The agreement with Bakwena Platinum Concession Consortium (Pty) Ltd is effective from 27 August 2001 and terminates on 26 August 2031.

See note 34 in the financial statements for further information.

SANRAL has considered the implications of International Financial Reporting Interpretation Code 12 and the Accounting Standards Board’s guideline in terms of accounting for assets under concessions, and has decided to account for these assets by recording these as property, plant and equipment. In the absence of clear accounting guidance from these guidelines, SANRAL has set out its interpretation in note 6.

CREDIT RATING
To strengthen SANRAL’s ability to attract funds for its toll portfolio and instil confidence in the investor community, SANRAL has obtained credit ratings, from Moody’s, an independent international rating agency since March 2007.

The credit rating enables SANRAL to raise non-guaranteed and guaranteed debt competitively, thus further releasing tax-based revenues to meet other pressing demands.

As indicated above this rating was affected by the decision of the North Gauteng High Court as well as the Ministers’ simultaneous postponement of toll commencement on GFIP. Moody’s indicated that the successful commencement of toll on GFIP and the stabilization of SANRAL’s financial status would be required in order to upgrade the entity to its initial rating.

CORPORATE SOCIAL INVESTMENT
SANRAL believes that communities should receive lifelong benefits that help people become economically independent. We continue to insistently pursue a number of projects that support the development of human capital in South Africa. Apart from the provision of training programmes in construction works, SANRAL also focuses on developing human capital through educational programmes at tertiary institutions, providing internships for trainees and awarding bursaries and scholarships to university students and high school learners.

AUDITORS
The Auditor-General (AGSA) is the external auditor of SANRAL, as prescribed in the South African National Roads Agency Limited and Roads Act – section 36 (3)(a).

DIVIDENDS
No dividends have been declared by SANRAL.

GOING CONCERN
The going concern basis has been adopted in preparing the financial statements. The directors recognise the threat to this basis of preparing as a result of the further delay in the start of tolling on GFIP.

Even though toll commencement is delayed, SANRAL, with the support from government, has publicly committed to ensure that it meets all its obligations. The R5.75 billion (incl VAT), received from the fiscus has ensured that SANRAL is able to do this for the foreseeable future as well as the liquidity buffer that is maintained as part of the risk strategy. Additionally, government, through National Treasury has committed to enable SANRAL to meet its obligations and has submitted a proposal to Cabinet for a special appropriation of a further R1.9 billion in the form of a subordinated loan.
This will ensure that SANRAL has sufficient cash reserves to meet all its obligations in terms of creditors and investors for at least 18 months. Cabinet has also confirmed that the user-pay principle is still the policy of government, therefore it is opposing the court application against tolling on GFIP, together with SANRAL as applicants.

Therefore, the directors are confident that this is a temporary setback and not a material uncertainty and SANRAL will continue as a going concern. This was specifically confirmed by National Treasury.

As required by our act, the non-toll and toll operations are run as two separate entities, which includes the financing thereof. The non-toll operations are not allowed to borrow money for any part of the operations and are also not allowed to budget for a cash deficit. Thus non-toll operations are totally reliant on government allocations - a cash operation.

The toll operation finances itself and is not allowed to be subsidised by the non-toll operations. To this effect, the loan supportable by revenue calculation completed biannually to determine the ability of the portfolio and its revenue flows to repay its debt. The debt service cover ratio (greater than 1) and the traffic volumes of a road are considered before conducting feasibility studies to ascertain the viability of the road to operate as a toll road. If the loan supported by revenue value is positive, the declaration will be considered.

The toll operations’ model is commonly known as the J-curve model. Because it may not collect toll revenue until the improvements or additions have been made to a declared toll road, SANRAL continues to borrow funds, reflecting losses, until such time as revenue is collected. The strength of a toll road will determine how long it takes to turn positive after the initial construction period is completed. Normally, this could be between 12 and 20 years – well within the expected life of the road. The model also takes future capital and operating expenditure into account.

SANRAL may not be placed under judicial management or in liquidation except by an act of Parliament (Section 10 of the South African National Roads Agency and National Roads Act No 7 of 1998). This is an implied guarantee from the republic.

DIRECTORS’ INTERESTS IN CONTRACTS
The directors’ interests in contracts that were entered into in the year under review are detailed in note 32 to the annual financial statements.

Addresses
SANRAL’s business, postal and registered addresses are as follows:

<table>
<thead>
<tr>
<th>Business address</th>
<th>Postal address</th>
<th>Registered address</th>
</tr>
</thead>
<tbody>
<tr>
<td>48 Tambotie Avenue</td>
<td>P.O. Box 415</td>
<td>48 Tambotie Avenue</td>
</tr>
<tr>
<td>Val de Grace</td>
<td>Pretoria 0015</td>
<td>Val de Grace</td>
</tr>
<tr>
<td>Pretoria 0184</td>
<td></td>
<td>Pretoria</td>
</tr>
</tbody>
</table>

Tembakazi Mnyaka
Chairperson of the Board
4.3 STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The directors are responsible for the preparation, integrity and fair presentation of the financial statements, performance information and the annual report of The South African National Roads Agency SOC Limited. The financial statements presented on page 98 onwards have been prepared in accordance with IFRS, and include amounts based on judgments and estimates made by management. The directors also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the financial statements.

The going concern basis has been adopted in preparing the financial statements. The directors believe that based on the projected medium-term expenditure framework allocations and the policy of adjusting the toll tariffs in line with the consumer price index, SANRAL will be a going concern in the foreseeable future. These financial statements support the viability of SANRAL.

The financial statements have been audited by independent auditors, who were given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Directors and committees of the Board.

The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The audit report of the Office of the Auditor-General is presented on page 94.

The financial statements were approved by the Board of Directors on 29 May 2012 and are signed on its behalf.

Tembakazi Mnyaka
Chairperson of the Board
4.4 CERTIFICATE BY THE COMPANY SECRETARY

I hereby confirm in terms of Companies Act (Act No. 71 of 2008), as amended, that for the year ended 31 March 2012, The South African National Roads Agency SOC Limited has lodged with the Companies and Intellectual Property Commission, all returns as are required in terms of this Act, and that all such returns are true, correct and up to date.

Alice Mathew
Company Secretary
11 May 2012