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#WhatSACanBe

*100 DAYS TO UNLEASH ECONOMIC GROWTH
AND GET SA BACK ON TRACK*



INFRASTRUCTURE: CONNECT COMMUNITIES, CREATE WEALTH

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August 2024

Published by the South African Institute of Race Relations

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Introduction

For the first time in three quarters of a century, South Africa has ceased being a one-party-dominant state. The era of predictable and inflexible government power is over. In its stead, South Africans now find themselves in a new era of politics – one that must be defined by pragmatic, pro-growth policy. It is in this spirit that the South African Institute of Race Relations (IRR) has decided to publish *#WhatSACanBe: 100 days to get SA back on track*, a series of nine short papers each focusing on a different key policy area. Taken together, these papers offer a dynamic programme of action for the Government of National Unity (GNU) as it sets out its aims and gets to work earning the trust of South Africans.

The 2024 elections drew a fundamental dividing line in our politics between the country’s pro-growth coalition – in the main represented in the GNU – and the pro-poverty parties, which have been denied access to the levers of government power.

But this arrangement is precarious. For democratic consolidation to succeed, the GNU must record notable governance wins in the short term. The policy proposals in this publication series show how a GNU can initiate crucial reform, quickly.

Embarking on a 100-day period of catalysing reform will make maximum political capital available to the GNU and its members. Public sentiment tracks upwards in the slipstream of economic improvements. A period of one hundred days following the first full meeting of the new GNU forms a natural timeframe within which pragmatic, constructive and meaningful government action will ensure an environment of good faith towards the GNU.

The responsibility to make the most of this moment by adopting a proactive, pragmatic plan of government lies heaviest on the leaders of political parties that find common cause in constitutional democracy, the rule of law, and good faith to remedy past failures and build on past successes. If the GNU is willing to do more together to rescue South Africa, this historic moment will be the rebirth of a hopeful rainbow nation.

Parties that occupy the pro-growth mainstream of South African politics based on the common ground of an economic system built on thriving businesses and job creators of all sizes able to operate in a fair, free and responsibly regulated economy; that believe in the ability of individuals and communities to find solutions; that acknowledge the fundamental role and dignity of secure ownership of property and the repudiation of historical crimes against South African property owners; that seek to protect and promote the rule of law; and that hold true to the non-racialism of our Constitution – these parties, as a single constellation, hold between them the capacity to give South Africans hope again. At the core of these convictions lies the critical matter of economic growth – the catalyst for upward social mobility through jobs and a reliable welfare system. Achieving economic growth is the primary challenge and opportunity for the GNU.



Five tests for any reform proposal

The GNU needs a set of policy solutions that satisfies at least five key criteria:

1. Multiple GNU partners will have to support the proposed policies;
2. Labour interests, workers, entrepreneurs, businesses, markets, and investors should be left in no doubt that fundamental and positive changes are being made in the policy environment;
3. External stakeholders will have to be brought on board, or ways will have to be found to address their opposition;
4. The policy solutions will have to make a substantive, tangible change in the lives of ordinary South Africans in the short, medium, and long term; and
5. The outcomes of policy solutions have to be popular with the electorate, with the goals being clearly communicated by the GNU.

Every *#WhatSACanBe* policy reform is therefore scored on the basis of five simple questions:

1. Will voters support it?
2. Will economic stakeholders welcome it?
3. Will GNU partners buy into it?
4. Will the media support it?
5. Will opponents derail it?

Context of crises

Amidst the euphoria of taking office, the new administration must be under no illusions about the scale of the challenge. Some of the crises the GNU faces are, in no particular order:

1. An ineffective, bloated, and politicised civil service;
2. An overburdened judicial system that risks losing public trust;
3. A decline in the general standing, independence, and fairness of judicial officers;
4. An ineffective police force likely antagonistic to reform;
5. A small and shrinking tax base under immense strain;
6. Increasing water shortages across the country;
7. Violent crime, especially against the most vulnerable, running rampant in sub-middle-class areas;
8. A local currency of fluctuating reliability;
9. High levels of government debt;
10. Consistently high unemployment and youth unemployment rates;
11. Failing and unreliable road, rail, and port infrastructure;
12. Mass blackouts of power in large parts of the country due to a national power grid functioning at close to 60% capacity; and
13. Child malnutrition in rural and inner-city areas.



With the above as the context, proper consideration can be given to setting out a viable and successful path forward. Great as these challenges would be to any incoming government, a pragmatic and outcomes-focused programme of government will ensure a vigorous turnaround and the introduction of pro-growth policy consensus.

Priorities of the people

Polling by the IRR over the past decade has repeatedly emphasised the key priorities of South Africans, revealing surprising unity across demographic divisions. The most recent survey indicated the following priority problem areas:

- Unemployment and job creation
- The abuse of women or children
- Corruption
- Electricity or load-shedding
- Housing
- Water and sanitation
- Education
- Poverty
- Inequality, including gender and racial inequality
- Health care

Economic growth forms the foundation of all solutions in these priority areas. To earn maximum political capital from their initial policy actions and announcements, it is advisable that policymakers focus on economic growth as the key to meeting public demands on these priorities, ensuring that the government's agenda is unambiguously pro-growth.

Key policy categories

From the above, it is plain that infrastructure policy could be used to deliver change and generate political capital for the new government. This paper, the sixth in the #WhatSACanBe series, focuses on infrastructure reform with the aim of connecting communities and creating wealth.

Infrastructure: Connect communities, create wealth

What should the GNU do?

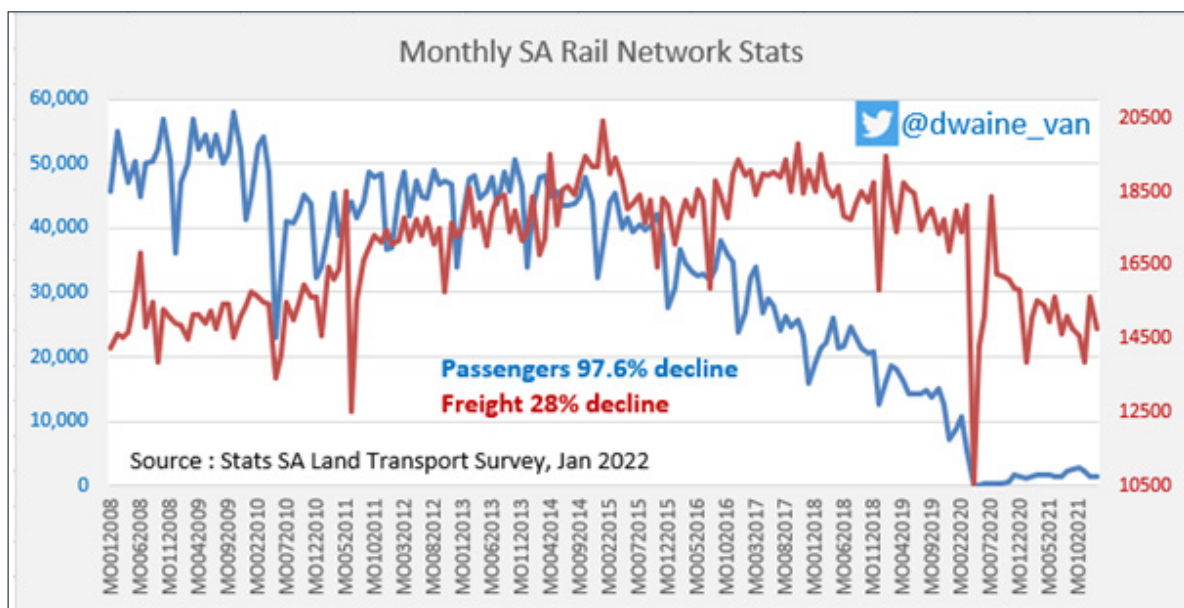
The GNU should create a public private partnership to heavily invest in immediate repairs to port and rail infrastructure, ideally by allowing major exporters or groups of exporters to take ownership of specific sections of rail for a period of 15 years at which point the state will have the option to buy them back.



The GNU should establish a new specialised railway police unit to protect rail infrastructure from theft and vandalism.

Why should the GNU make this change?

Much of South Africa's appeal to investors in the short term is rooted in South Africa's abundance of commodities. While the mining and agricultural sectors have been strangled by bad policy in recent years, investment in these industries would likely be the first to revive if the policy environment changed. The scale of these industries is severely limited by South Africa's terrible rail and port infrastructure, which places hard limits on commodity exports. For example, Exxaro Resources Ltd, a major coal miner, said that "9 million tons of producers' shipments were 'lost' due to transport issues" in 2021 alone.



If this infrastructure is improved even existing investments may become more profitable and the number of exports may gain a temporary boost in the short term. This would generate more tax revenue and might create more sustainable jobs.

While ideally Transnet should fulfil this function, it is riddled with corruption and inefficiency and is thus unlikely to be able to solve short-term infrastructure shortfalls. Granting ownership to exporters for 15 years would give time for Transnet to be rebuilt so that it could resume full control of the rail system. At the same time, giving exporters security of ownership for a significant duration would make it easier for them to invest in the infrastructure.

In the long term, shifting a higher proportion of freight to rail will lower transport costs, make the highways safer and reduce the cost of maintaining national highways.

This proposal is based on calls from exporters for improvements in infrastructure, as the current weakness in the system severely limits exports.

How should the GNU make this change in terms of laws, regulations, etc.?

Government would have to quickly identify specific areas of infrastructure which would benefit from repaired rail infrastructure – such as, for example, a mine operating below capacity due to poor infrastructure imposing limits on exports. It can do this by consulting major exporters.

The state would then need to open a transparent process to grant ownership to interested parties who will then carry out repairs and/or expansion of the infrastructure. Resources and regulation would also have to be aligned for the creation and capacitation of the specialised railway police in compliance with the Police Act.

Will it fly?

Will voters support it?

Voters are likely to be mostly indifferent to the proposals. Public enthusiasm for the ideas could be boosted by focusing some of the scheme on the passenger train infrastructure, though the scale of the deterioration of the system means short-term improvements will be limited. Some voters will welcome it as a likely source of jobs.

Will economic stakeholders welcome it?

Investors who are already invested in the commodities market in South Africa have been calling for these improvements for some time and would welcome them. Investors would see this as a “serious” reform which they have been hoping for, and would praise the move.

Will GNU partners buy into it?

Parties in favour of greater state economic intervention may see the proposal as an attempt to “put the needs of business before the needs of people” and as an attempt to permanently privatise the rail network, while others would welcome it as an opportunity for “job creation”, or see it as a potential patronage opportunity.

Will the news media support it?

Many media figures and academics will attack the proposal as “crony capitalism” and the unnecessary privatising of state infrastructure. They will claim that the sale will allow particular exporters to more easily create monopolies. But much of the more centrist parts of the media would likely welcome the move as a positive and concrete step.

What's the downside?

Will opponents derail it?

The only major opposition to these proposals will be in the trucker industry – and the taxi industry, if the improvements incorporate passenger rail infrastructure. The taxi industry is a powerful player in South Africa and might be tempted to go to extremes to protect its monopoly of transportation. However, as the focus of this policy is goods transportation, more opposition will likely come from the trucking industry. With proper law enforcement protection many of these potential pitfalls can be mitigated. Without improvements in public order policing few serious reforms will be possible in any sector.

Conclusion

The importance of infrastructure cannot be overstated. Should South Africa aspire to higher levels of growth, job creation, and improving the quality of life, getting the basics right is the first step.

That South Africa's infrastructure stock has declined is clear to see. It affects businesses across the board, especially those that are smaller and lack the resources to "state-proof" themselves that larger corporates might have. When the avenues available for moving goods and people become more expensive, the economic growth potential of the country is also inhibited. Over time, the average quality of life declines.

The reforms proposed in this paper offer an invaluable means to put end to a vicious cycle of low transportation capacity on both road and rail, dangerous highways, high infrastructure maintenance costs and worsening local and national infrastructure.

To this end:

- Set up consultation channels with major exporters to identify specific areas of infrastructure which will benefit from repaired rail infrastructure;
- Create public private partnerships to heavily invest in immediate port and rail repairs;
- Open a transparent process for major exporters or groups of exporters to take ownership of specific sections of rail for a period of 15 years at which point the state will have the option to buy them back; and
- Align resources and regulations for the creation and capacitation of the specialised railway police in compliance with the Police Act

In the short term, these reforms provide the GNU with policies that must be refined and agreed upon during the upcoming National Dialogue. A firm and clear programme of government arising from the National Dialogue will allow the GNU to seize the initiative and build on the momentum of the pragmatism of the multi-party effort. In the medium term, these reforms will encourage investment in, and the growth of, mining and agriculture, among other industries. In the longer term, the infrastructure reform proposed here will unlock opportunity for economic growth and improve living conditions for all South Africans.



This paper offers not merely a set of solutions, but a means by which to fundamentally reframe national infrastructure quality and reliability, and fix firmly in place the legitimacy of a new pragmatic and constructive multi-party government.





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