



INTERNATIONAL ROAD FEDERATION
FEDERATION ROUTIERE INTERNATIONALE

SOUTH AFRICA

The N3Toll Concession(Pty)Ltd: Lessons Learnt during the Bidding and Operations Phase

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OVERVIEW

- The SA National Road and Toll Road Network
- The N3 Toll Concession(Pty) Ltd (N3TC)
- Lessons Learnt





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Who we are and what we do ?

- N3TC has a thirty-year Concession Contract.
- Operations commenced on 2 November 1999.
- Design, Construct, Finance, Operate and Maintain the N3 Toll Route.
- Toll Route length: 415 kilometres.





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Who we are and what we do?

- Four mainline toll plazas and five ramp plazas.
- Traffic: 12 000- 16 000 vehicles per day - 35% heavy vehicles.
- On average 55 000 toll transactions are registered daily. (No ETC as yet)
- Approximately 50 million tons of freight on the Route per annum.





Lessons Learnt

1. Construction Contract Structure

- **N3TC contracted with the N3 Contractors Consortium:**
 - Design and Construct Lump sum Contracts
- **The N3 Contractor Consortium were also N3TC Shareholders.**





Lessons Learnt

1. Construction Contract Structure Cont.

- **Construction Contracts**
 - Initial Construction Works(ICW);
 - Upgrade Repair and Replacement Contracts and
 - De Beers Pass: 100km of new road.
- **ICW scope of works was underestimated by Contractors – Premature Failures/ Claims.**
- **Conflict arose between Contractor Shareholders and Other Shareholders.**





Lessons Learnt

Solution

- Concession Contract Amended in 2005.
- New Pavement Engineering Strategy developed by N3TC.
- N3TC adopted Conventional Construction Contract Format: Client – Engineer - Contractor.
- N3TC invites tenders from capable contractors.

Lesson No 1

Carefully consider the contractual relationship between the Construction Shareholders and the Concession Company.





Lessons Learnt

2. Public Acceptance of the Tolls

- **Affordability vs Willingness to Pay**
 - Pricing Principle: Value Based Pricing:
The Customer considers:
 - What do they get for their money?
 - Do they get a competitive advantage?
 - What alternatives are available?
 - What is the cost of the alternatives?





Lessons Learnt

2. Public Acceptance of the Tolls cont.

- The tariffs on the N3 were increased by a one off 29% - upfront
- **Solution**
 - Identified key customers and “sold the increase.”
 - Improved the customer service offering.
 - Embraced our brand promise “Safety. Convenience. Mobility.”

Lesson No 2

Selling a product vs posting a toll?





Lessons Learnt

3. Toll Tariff Adjustment

- Tolls adjusted annually by CPI.
- The Cost Base can escalate at a higher rate than CPI.
- Disconnect between revenue and costs – particularly URR cost.
- Need protection against “Super Cost” increases.
- Hedging can offer a partial solution.

Solution

The Concession Contract should allow for “Super Cost” sharing mechanism.

Lesson No 3

The Toll Tariff Adjustment mechanism should be carefully considered.





Lessons Learnt

4. Traffic Predictions

An Art vs a Science?

Traffic Mix	Predicted	Actual
Heavies	20%	35%
Lights	80%	65%

Traffic Growth	Predicted	Actual
Heavies	5%	+8%
Lights	2.5%	2.2%

Solution

Do an independent review.

Lesson No 4

Be cautiously optimistic.





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Lessons Learnt

5. Law Enforcement

- Key Areas
 - Public Safety
 - Road Safety
 - Overload Control





Lessons Learnt

5. Law Enforcement Cont.

- Underestimated:
 - Law enforcement matters we had to deal with;
 - Lack of Government commitment to Road Safety;
 - Public's general disregard for the law;
 - Effort to improve road safety; and
 - Ability to determine the damage caused by overloading.

Solution

The Concession Contract should allow for dedicated Law Enforcement.

Lesson No 5

The Authorities should dedicate law enforcement services to the project.





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THANK YOU

