

TRANSFORMATION OF THE ROADS DELIVERY PROCESS AND SYSTEM – The Johannesburg Initiative

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ABSTRACT

The authors outline the principal considerations that gave rise to the establishment of the Johannesburg Roads Agency (Pty) Ltd. They also provide a description of the powers and functions of the Agency and certain details regarding its establishment. A major consideration was the allocation and “ring fencing” of staff from the Roads and Stormwater Departments and Sub-Clusters from six former local and metropolitan authorities to the Agency. The submission will also provide insight into selected key performance indicators that are being developed for the structure.

INTRODUCTION

A companion paper in this session (Froneman, Z.J. 2001,a) considered the reasons why organisations are called upon to transform and restructure. Particular reference was made to the situation in Greater Johannesburg and then to the financial issues faced by that administration and political office bearers, and an indication of the issues that needed to be addressed in a transformation process was provided. The iGoli 2002 initiative, or Plan, was also referred to.

This submission will deal with the establishment of the Johannesburg Roads Agency (JRA), and will consider matters pertinent to its formation, like certain powers and functions, that would be relevant to a conference such as this. It may however, be opportune to commence with a brief consideration of the iGoli 2002 initiative – the instrument that gave birth to the JRA.

THE IGOLI 2002 PLAN

This Plan, subtitled “Making the City Work It cannot be Business as Usual” presented a number of strategies (Programmes) that would seek to address the financial and institutional problems faced by the administration. The financial crisis, it will be recalled, had its roots in the non-payment for services and the institutional problems were those associated with a poly-nuclear governmental structure where autonomy resulted in duplication, wastage and inter-structure mistrust. The need to address problems associated with delivery and provision of services was also a major issue.

The six key aims of iGoli 2002, as an integrated and comprehensive strategic initiative are to:

- Improve service;
- improve revenue – in other words, grow the business;
- improve efficiency;

- improve customer care;
- support safety and environmental issues – including giving effect to sustainable development practices; and
- support social and economic development.

Apart from the establishment of a single (local) government structure for Johannesburg (Unicity) the plan sought to implement eight focussed programmes to address the administration's problems. It became quite apparent that these gains could be best realised by operating fairly independently from the rigid legal framework prescribed to local government; and in an environment that promotes accountability, initiative and self discipline and equally rewards excellence and effectiveness.

One sub-programme emanating from this strategy provided for establishment of Municipal Agencies, and the activities pertaining to the provision and management of roads and stormwater, and parks and cemeteries, were perceived to be functions suitable for execution by such structures.

In the roads and stormwater "business" from an annual budgetary provision of R460m, an interest and redemption allocation of some R190m had to be deducted with other fixed costs of R110m, thus leaving a basic R150m as a direct service delivery discretionary allocation. There was enough evidence to conclude (albeit empirically) that the productivity levels had declined to less than 40 percent due to major institutional design defects, excessive duplications and a culture of non-performance. Another major factor was the high charge out costs which were the costs to be borne by service delivery function from some of the corporate services such as treasury, HR, IT, security, office space rentals etc.

A NOTE ON AGENCIES

It is claimed that an agency (as a unit geared towards the provision of a service or an element of infrastructure) is suited for circumstances where groups of users would benefit from the activity. Unlike a trading unit, or entity, a facility like a road, or a stormwater section, benefits a multiplicity of users that may not generally be identifiable. Roads also benefit users not resident in the relevant local authority or jurisdiction.

Due the inadequate dedicated revenue base to support the function, the Council's rates revenue will have to be the main source of finance. However the Agency management has already initiated a process of engaging the city to ensure a reasonable and equitable future allocation of this revenue to ensure that effective multi year planning and service delivery can be undertaken noting that a discretionary year to year allocation by the city to the JRA has adverse limitations The city's response is quite favourable as this approach is consistent with the medium term multi-year budget framework adopted by the Council.

Regardless of the origin and identifiability of users, an agency can be constituted to operate along business principles; and efficiency can be affected by the application of management styles and principles associated with private enterprise. The (local) authority within which the agency will operate, as befits local authorities, will still own the assets inherited and created by the agency but particular officials, formerly employed by the local authority, would however be employed by the agency. The same would apply to the head of the new structure. The introduction of performance-based contracts for senior management cascading to operational teams later on, has been one major compelling reason to induce self motivation and outcomes (and customer) focus at all levels. Such (business) principles nevertheless tend to draw adverse reactions and are not easily tolerated by organised labour in traditional "Council" structures.

The Agency's budget will, by the same token, be allocated or sourced from the (local) authority's budget, and the head of the structure (the MD, etc) will ultimately be responsible for managing the funds so allocated; but more importantly achieving the desired outcomes determined in the annual business plan for the company.

The Johannesburg model for the functioning of the Agencies (and the other structures created in the transformation process) provides for the establishment of a unit, within the Council structure, that would regulate and monitor the performance of these bodies. The said unit (termed the Contract Management Unit or CMU) will in so doing set standards, criteria and other monitoring and performance assessment tools and indices against which the Agency (or other "arm's length" body) would be assessed.

THE JOHANNESBURG ROADS AGENCY (PTY) LTD

The Johannesburg Roads Agency (Pty) Ltd (JRA) was registered on 17 November 2000. The vehicle that was used to establish the JRA was the Promotion of Local Government Affairs Act (Act 91 of 1983) and in particular Section 17d of this instrument. The one limitation that had already been identified is that this piece of legislation requires the Council to divest from the company within an agreed time frame. The company will be re – registered in terms of the newly gazetted Municipal Structures Act which does not have the restrictive divestiture clause thus Council can remain a shareholder in the company to ensure that the general constitutional mandate of local government can always be fulfilled.

Before the registration however it was necessary to establish what functions and staff were to be allocated to the Agency. A critical consideration was the manner in which the said staff, accounts receivable, cash in hand, existing contracts and contractual arrangements, the debtors, fixed assets, goodwill, intellectual property, moveable property, and so on, was to be dealt with. These matters, as well as the "purchase consideration" were set out in what has been termed the "Sale of Business Agreement". This Agreement will be considered briefly later on in this presentation.

The allocation of staff to the JRA structure is the subject of the next part of the paper.

About 2230 employees now work for the JRA and these were all sourced or inherited from the Roads and Stormwater/Technical Services Departments from six previous local authority structures. It is interesting to note that, included in the 2230 employees are certain former Traffic/Public Safety (Technical Section) and City Power (the electricity utility for street lighting and traffic signals) officials and this is indicative of the additional functions and tasks (and "powers") that have been allocated to the JRA. A consideration of these functions and "powers" will also form a topic of discussion in a later part of the presentation.

Essentially the contracts of employment of all members of staff in the Unicity occurred with the announcement of the results of the local government elections held in early December 2000. JRA staff members were not generally afforded the opportunity to indicate their employment preferences. In what has been termed the "preference form" process, but more importantly in a "ring fencing" exercise, staff was transferred to the JRA. The transfers were effected through the provisions (particularly section 197) of the Labour Relations Act (Act 60 of 1995) and were effective from 1 January 2001.

Each member of staff was "transferred" to the JRA together with a recognition of accumulated years service and conditions of service that were pertinent to each of the six employer local authorities as at 1 December 2000. Provision was made with the JRA that staff would remain with their (current) pension/retirement funds. It is worthy to note that all staff in the new structure was assured that, for a period of three years, from the date of the JRA's establishment, no retrenchment

policies would be implemented. This three year guarantee was informed by the need to facilitate a transition on a mindset from bureaucratic to commercial principles retraining of staff, the determination of accurate performance benchmark/s and the refining of the business strategy for attaining a world class service of excellence.

The considerations and accountabilities associated with the recognition of six sets of conditions of service are self-evident.

In the next part of the presentation the content and basic terms and conditions of the Sale of Business Agreement (SBA) will be outlined. The functions and “powers” of the JRA will also be discussed in outline. These agreements and functions will accordingly be refined over the first six months of the company to accommodate omissions and duplications that may have been made during the establishment of the company.

THE SALE OF BUSINESS AGREEMENT

The SBA is to be entered into between the City of Johannesburg, and the JRA – the latter being the “Purchaser”. The “Seller”, was the “successor in law” to the previous six local councils. Notwithstanding the fact that these agreements were drafted in the last quarter of 2000, before the City of Johannesburg was established after the December 2000 local government elections, they have now been ratified and adopted fully for the entire geographical area of Johannesburg. The City now includes the greater part of the former Midrand Metropolitan Local Council. Midrand was previously a constituent of the Kyalami Metropolitan Council.

The draft SBA is straightforward regarding its intent and is prefaced by a statement that the Sellers

“.....have Roads and Stormwater Departments engaged in the development, maintenance and management of municipal roads, traffic management systems and stormwater systems in their respective areas”.

The Sellers in turn “wish” to have these activities (the “Business”) undertaken by a
.... “company as contemplated in Section 17D of the Promotion of Local Government Affairs Act, 91 of 1983”.

In order to effect this, the SBA indicates that the JRA had been formed for this purpose and will be the “Purchaser” in this endeavour

and
“The Sellers intend to sell the Business to the Purchaser as a going concern”.

The cost of the transaction, or selling price, is succinctly paragraphed to read:
“As consideration for the sale of Business and the consequent transfer of the Business Assets and Assumed Liabilities, the purchase consideration shall be the sum of R1000, 00 (one thousand Rand) inclusive of Value Added Tax at a rate of zero percent”.

It is also a requirement that”
“The Purchaser shall cause the issue of 1000 fully paid up shares, to the value of R1, 00 each in the Purchase, in the name of the Sellers as consideration for the purchase price”.

ADDITIONAL CONSIDERATIONS

The Sale of Business Agreement sets out in detail various considerations in respect of the preparation and presentation, or issues of substance and the process in giving effect to:

- Agreement Accounts,
- Completion (i.e. the physical transaction),
- Ownership,
- Contracts,
- Liabilities,
- Warranties,
- Publication in Terms of (the) Insolvency Act, Support,
- Employees,
- Business Plan and Service Delivery Agreement,
- Dispute Resolution,
- Overshoots provision,
- Waiver of Breaches,
- Variations, and
- the normal provisions regarding Domicilium and General.

The draft SBA also sets out in five appendices:

- a) A list of identified personnel who are to be transferred to the “Purchaser” (JRA). It is noteworthy that Annexure “A1” provides for the transfer of additional officials if (non JRA) staff indicate a preference to be employed by the JRA, or if any names had inadvertently been omitted from the original list, or additional functions were to be allocated to the JRA, in which case staff associated with those functions, regardless of where those functions presently lie in the structures, will be transferred;
- b) A list of fixed assets;
- c) A list of “Business Assets” – fixed property, lease agreements and lease of third party fixed property and moveable assets;
- d) A list of warranties, and
- e) “General Agreements”.

It is interesting to note that this (fifth) annexure provides for the allocation of R12m (R6m for capital works and R6m for operating costs), from the city’s transformation budget allocation, for utilisation as “Start Up Costs”.

The SBA appears to be sufficiently comprehensive to facilitate a smooth transfer of a traditional city council function (roads and stormwater) to a stand alone/ “arms length” structure. This is important in creating an effective and efficient service delivery entity and to ensure that accountability and performance are also integral to the operations of the structure.

FUNCTIONS AND “POWERS”

JRA has to assume responsibility for public liability insurance and redress the problems of unsafe infrastructure such as open drains, fallen poles etc. Similarly, it will not be enough to dabble in the asphalt and concrete but the transportation aspect as reflected by traffic congestion indices, accident rates and vehicle running costs.

Two sets of statements need to be recalled at this junction: firstly, earlier in this submission it was mentioned that certain officials from the Traffic/Public Safety and Electricity Clusters were transferred to the JRA. Secondly, it was mentioned above that the “Sellers” indicated what they were engaged in, amongst others,

“the management of municipal roads (and) traffic management systems”.

This serves to indicate that the JRA’s functions would extend beyond building and maintaining roads and stormwater systems.

This state of affairs would bound to be a cause for concern in certain quarters and in the larger local authorities who may boast with transport and traffic planning and engineering divisions or sections, generally associated with City Engineer’s, Metropolitan Planning or Technical Departments. Unless functions and “powers” are clearly and rigorously defined and determined the common problems of duplication of effort, accountability, resource wastage, “turf strife”, etc. will be evident.

These conditions were foreseen in the establishment of the JRA and the efficient government of the Unicity – where the strategic functions in respect of transformation systems planning and management and traffic engineering are also seated but within a Planning Division – that structure referred to in the previous paper. Accordingly a document has been prepared for staff that sets out the division of functions and “powers” of each of the structures with a remit involving these functions. It needs to be mentioned that this particular set and form of duplication of functions has been prevalent in Johannesburg’s administrations for decades. Debates and discussions on the matter have invariably been less than amiable, and often characterised by acrimony.

It is unfortunate that the stage may be set for a budding (or existing) prima donna to perform, posture and pirouette to a turf battle ditty (à la West Side Story), leaving members of the gangs demoralised, demotivated and debilitated. Fortunately disciplinary machinery exists to deal with the most obstinate performers.

The statements that follow outline certain JRA functions and “powers” relative to those earmarked for the Council (Unicity).

(a) Responsibilities:

- JRA - ensure the efficiency of the transportations system
- Unicity - ensure the effectiveness of the transportation system as put forward in Interim Transportation Plans (ITPs)

(b) Selected Key Performance Areas:

- JRA**
 - provide input to ITPs and Local Integrated Development Plans (LIDPs)
 - propose amendments to Council policy and by-laws
 - ensure optimisation of traffic signals utilising tools such as SIDRA and TRANSYT
 - comment on land use applications relative to policy and operational considerations
 - prepare budgets (in terms of LIDPs and ITPs)
 - detail design (in terms of Council policy)
 - implement traffic calming and street closures (in terms of Council policy).
- Unicity**
 - preparation of ITPs (all transport modes)
 - provide input to LIDPs
 - formation of Council policy and matters such as corridor protection and management, traffic calming and associated by-laws,
 - ensure effectiveness of overall transportation system through traditional planning techniques (e.g. modelling – EMME/2, SATURN, etc)

- ensure adherence to policy & business plans by JRA and other Council structures
- comment on land use applications from a strategic perspective (e.g. assessment of impact on effectiveness of the transportation system).

The functions between the JRA and Unicity are further delineated into on-street and off-street (on site) planning initiatives. Generally, through the Unicity's functions pertaining to traffic and transportation is of a strategic nature. The JRA's functions, in turn, are operationally focussed. Thus in the matter of road planning and design the JRA will be responsible for:

- Layout and detailed planning,
- Preparation of construction drawings,
- Management of capital programmes for JRA
- Take-over of new works on completion and
- Undertake the maintenance of all (pertinent) on-street infrastructure – unless other agreements exist.

The document for staff referred to earlier provides additional details of the tasks allocated to the two structures (JRA and Unicity) in respect of:

- Development Management (consideration of townships, rezonings and DFA applications),
- Road Reserve Management (land disposal, public utility wayleaves, encroachments, advertising, etc.)
- Traffic Engineering:
 - a) Safety and capacity engineering
 - b) Traffic signals
 - c) Road closures and traffic calming
 - d) Signs and road markings
 - e) Parking control
- Pavement Management (maintenance):
- Stormwater Management (policy, planning, implementation and maintenance):

In each of these functions and tasks, the JRA's responsibilities have been clearly outlined.

The fact that certain "parties" have not totally bought into the delineation may well lead to the persistence of inter-agency friction and mistrust. However the onus is on the most critical role players to exhibit a measure of maturity in their dealings and, the central matter of customer service and delivery should not be lost sight of. It is unfortunate that the creation of new functional structures in local government often results in blurred responsibility and accountability. It is the blurred accountability, which is often the bane of elected representatives' and residents' lives.

SOME THOUGHTS ON THE MANAGEMENT OF THE JRA

The JRA is responsible for:

- 7430 km of paved roads and 940 km of unpaved roads,
- 275 km of major and 3668 km of minor stormwater infrastructure,
- 320 bridges,
- 180 000 street lights and
- 86500 traffic signal bulbs!

Needless to say this, and the employees, not to mention the fixed and moveable assets already touched on, represents a considerable investment with a replacement value in excess of R15 billion. It will be incumbent on the senior management of the JRA to manage the business in such a manner so as to give effect to the key aims of iGoli 2002.

This should ordinarily be adequate to serve the city effectively. But the reality is that there are distortions in the spatial distribution of the road network other forms of transportation are used well below optimal levels the security and convenience factors. Above all this is the insatiable magnetism of the city that attracts road users from all corners of the country and beyond.

With these aims in mind, and the knowledge that Johannesburg's roads and traffic management systems form the backbone of the city's economic transportation system, and that it is currently unfashionable to speak in favour of road construction and road based transport, it is possible to outline certain key directions for management. An in-depth treatise on the manner in which the JRA, through its policies, functions and outputs will address each of the six key aims of iGoli 2002, can be the subject of a totally separate submission. For the purposes of this presentation however, customer care or service and, sustainability and the environment will be considered.

Notwithstanding the fact that complaints are ideally supposed to be eliminated, it has a good measure of performance benchmarking. The JRA has elected to adopt the speed with, and the time taken, to acknowledge a complaint, and the time it takes to provide the complainant with the required qualitative response, as a measure of customer service. An initial set of key performance indicators were selected as measures:

- telephone response times,
- correspondence response times, and
- efficiency in dealing with complaints.
- Return on investment
- Life cycle cost
- Unit cost reduction
- Increased level of service

Each of these indicators has been allocated units of measure, tolerances and staged implementation schedules.

It will be of interest to the audience that measures of road traffic safety, asset condition management, stormwater management and improvements in productivity and efficiency have also been developed. These are being implemented on the same basis as customer care with unique units of measure, tolerances and implementation programmes.

Finally, issues pertaining to sustainability, and the environment.

The JRA has recognised the fact that the road network, in particular its provision and the management of its use, cannot be ignored in the context of sustainability and the environment.

One of the (as yet) unstated, but principal and overarching policies, that the JRA will adhere to is to contribute to sustainable development by providing, operating, maintaining and improving the city's road network in support of integrated land use and transport strategies. Thus it is also recognised that the provision or construction of roads must proceed with recognition of the benefit of sustainability. Roads and highways are major consumers of natural resources. Waste reduction and recycling are already part and parcel of the construction and maintenance processes employed by the JRA – but it has gone further: sustainability is a principal consideration early in the delivery process. Thus at planning stages, choices are effected that reduce the demand for new materials, to save on transport costs (and hence total costs) and keep waste in check. Locally available aggregates are utilised and where these do not meet quality requirements, road designers and contractors will cooperate and employ relevant construction techniques. Whole life costs is receiving the emphasis it deserves and the obvious advantages of enhanced durability is also

recognised. Basically achieving longer life from rapidly depleting natural resources is what sustainability strives to achieve.

There are a number of concerns surrounding the manner in which the roads that serve Johannesburg are utilised – that includes facilities and infrastructure provided and maintained by first and second tier governments. There is sufficient evidence to indicate that the lack of investment in national and provincial roads is adversely impacting on local roads in Johannesburg. This is also a principal reason why the JRA will be most circumspect in its reaction to any new proposal that seeks to introduce tolls on the surrounding networks. There is a growing concern that additional traffic growth on these networks will find expression in increased use of less than suitable local roads resulting, in turn, to increased local congestion and abuse of roads, accidents, social disruption and damage to the environment.

Clearly the JRA, as the principal manager of road infrastructure use, will need to consider steps to regulate and control traffic movement and its growth – if the current investment climate continues.

There is, however, a major problem that the JRA will need to face: it does not have the remit and function to control the system-wide demand for road space. That is a function of economic well being and development thrusts - that traffic is a function of land use is not an issue – the issue is that land use activity changes very slowly, so a very long term view of land use as a means or tool to regulate traffic movement and growth needs to be adopted. Besides, the JRA is not the planning or development authority. Clearly the JRA will need to adopt a pro-active stance in policy development – whether it be land use policy or any policy that will affect the urban fabric and built environment.

SOME KEY CHALLENGES FOR JRA

Even at this early stage of the development of the JRA, it has been recognised that there are a number of challenges that need to be met. It has also become evident that, in meeting these challenges, consultation and cooperation with other Council structures would be essential, if not critical.

Thus in the matter of transportation coordination the JRA has recognised the need to form a central development axis in line with the IDP.

Concurrent responsibilities are legion and call for a cooperative approach in matters such as :

- Traffic law enforcement, vehicle roadworthiness, driver qualification and proper road use. It will be necessary to become involved in the functions of the new Metro Police structure and possibly provide assistance with driver education in the matter of road use.
- In respect of street cleaning the JRA would need to provide input to the City Parks Division. The Division will need to be informed with new developments in road provision and maintenance initiatives to assist them with their planning and budgeting procedures.
- Traffic calming will need to be effected in close consultation with the Unicity's Planning Division who would be responsible for policy development initiatives.
- Way leave management and advertising within the road reserve will also need to be done in conjunction with the said Planning Division.
- Financial security, and in particular the design and implementation of systems will require the assistance of the Unicity's Treasury Division.

- The development and implementation of integrated electricity infrastructure systems, in respect of traffic signals and street lighting will need to be done in consultation with, and possibly under the direction of, the structure established to managed the city's electricity supply.

CONCLUSIONS

Igoli 2002 has ushered in a new era for the administration of Johannesburg the city, its services and infrastructure. The intentions of this initiative, from organised labour's perspective, appears to be less than honourable – but from a functional and technical point of view, and with due regard to efficient government and cost effective service delivery, iGoli 2002 was long overdue. The reasons for change and transformation were clear.

“The JRA has adopted the following vision “To become a model for other as a premier road manager and service provider in the country with both a management and service delivery capability. At the same time to be competitive in terms of agreed benchmarks, in the private and public sectors alike. “

It is already evident that the JRA's performance and its output will be scrutinised by a host of affected and unaffected parties. Already, however, judging from the interest shown by professionals within and without the Council structures, the JRA is rapidly developing into an employer of choice.

Most importantly, however, the management of a major network asset of considerable value will require the adoption of the most considered management practices. The opportunity has now been created to explore management frameworks where decisions can be made in a structured manner. Systems and sub-systems can be developed that would aid and not hinder the service delivery process and in so doing also provide sound guidance for all parties involved in the provision, maintenance and management of roads in Johannesburg.

BACKGROUND READING/NOTES

The bulk of this submission and presentation was adopted from:

- FRONEMAN, Z J (2001,a)
Institutional transformation and re-organisation of Metropolitan Government: an opportunity to effect a sustainable urban system.

South African Transport Conference, Pretoria, July 2001
- FRONEMAN, Z J (2001,b)

The Provision, Utilisation and Maintenance of Roads in Greater Johannesburg : Recent Developments – Parts 1 and 2 (Unpublished)
- IGOLI 2002 – Making the City Work IT CANNOT BE BUSINESS AS USUAL.

Office of the City Manager, Greater Johannesburg Metropolitan Council 1999/2000