

CHAPTER 6: ROAD INVESTMENT: PRACTICES AND MAXIMISED ECONOMIC RETURNS

6.1 INTRODUCTION

The aim of this chapter is to refine road investment practices in South Africa, to ensure maximised economic returns. The purpose of this thesis, namely to explore ways of maximising the economic returns of road infrastructure investment, is twofold in that it requires the development of assessment techniques and a change in investment practices in order to ensure maximised economic returns. Chapter 5 addressed the question of maximising economic returns, and this chapter will look at investment practices and the impact of political decision making. It is therefore necessary to assess current road investment practices and their impact on maximised economic returns. These will be followed by an analysis of the relationship between policy making and investment decisions. This information will then be used to propose changes to road infrastructure investment practices in South Africa.

6.2 ROAD INVESTMENT PRACTICES AND MAXIMISED ECONOMIC RETURNS

Maximised economic returns can only be obtained if road investment practices are optimised. To this end, decision makers must ensure the investment of relevant road projects, which is achieved by assessing the expected economic effects of such projects through proper modelling techniques and most importantly making the correct implementation decisions. According to Eberts (1999:1-5) the following four factors are important in examining the relationship between transportation and economic development:

- (1) the relevant type of transport investment
- (2) the data necessary to analyse the economic effect of the investment
- (3) appropriate methodology to analyse the economic effect
- (4) the proper dissemination of results and education of professionals regarding the economic effects of transportation investment

Each of these four factors will now cursorily be discussed.

- (1) Types of transport investment encompass two forms, namely capital expansion and capital enhancement. The details were discussed in chapter 1 (sec 1.2.1). As stated previously, the aim of this study relates to capital expansion. The relevant type of road investment is of utmost importance (see ch 3), and researchers should not neglect the more fundamental issues of understanding the different effects of road infrastructure on economic development. It is meaningful to explore the different attributes of road infrastructure and their relationship with economic development, in order to help local decision makers make the right decisions. Economic development generally takes place in the longer run after capital improvements – hence the need for adequate information to guide decision making. Bear in mind that economic returns can only be maximised if road projects that offer the highest economic potential are implemented in practice.
- (2) This ties in accurate and comprehensive data (see ch 4). Most analyses of the relationship between transport investment and economic development do not take into account the intensity of use of the transport system. Economic studies, particularly those using production and cost functions frameworks, typically treat all transport networks as if traffic flows are the same. This is too simplified and may lead to biases in the estimates of the development

contributions of transport infrastructure, while also ignoring the very activity – the shipment of goods – that generates the economic gains. Studies also tend to ignore important data that link the location of businesses and households to the location of the transport system providing them with services. This stems from the problem that most of them use data that are aggregated by some level of government jurisdiction. According to Eberts (1999:3), useful data include transport system characteristics, employment, firm-level characteristics, transportation financing information, commodity flows and accompanying characteristics of the regions in the economic analysis. In addition, the data should be both cross-sectional and related to time series in order to improve the reliability of estimates. The generation of data can be improved if decision makers understand the importance of this information. Over- or underestimates of the economic potential of road projects may result in poor decision making and subsequent poor economic returns.

- (3) There is a clear need for appropriate methodology to analyse the effect of transport investment on economic development (also see sec 4.8). Initially these effects were assessed by cost-benefit analysis. In recent years, analysts have turned to production and cost functions as a means of including a wider range of benefits related to transport investment. This implies larger data requirements to accurately analyse the said relationships. Another factor that impacts on data and modelling techniques relates to the fact that transport has spatial implications – in other words, transport facilities are located in a specific place, provide services to businesses in that specific geographic area and move people and goods between certain points. Any modelling methodology should integrate these effects. In this regard, Eberts (1999:4) cautions that the appropriate methodology has to take into account not only the spatial relations, because the goods and people are

transported between two points, but also the way in which these transport movements fit into a network. The transport system needs to be analysed, because this will provide information on the ease of vehicle and goods movements between the different urban locations competing against one another.

More comprehensive analytical models are required to model these relationships, and should include components of economic development, such as changes in employment, the opening or closing of businesses and impacts on personal income, as well as the transport system performance. Chapter 4 focused on the issues of modelling transport investment and economic development.

- (4) The importance of educating transport professionals and decision makers on the economic effects of transport investment should not be underestimated. Transport investment decisions are becoming increasingly difficult and vital. Roads do not only meet the mobility and accessibility needs of commuters, but are also part of the economic infrastructure of cities – hence the need to assess the economic role of road investment. The evaluation of road investment prioritisation has moved away from ranking projects solely in terms of expected net present values (NPV) or internal rates of return (IRR). Cognisance should also be taken of the project's impact on the GDP and employment creation, and so on. Factors such as whether the transport system will serve as a stimulant of growth or as a cost of growth, the effects on the environment, and numerous other factors (ie GDP increases, employment creation, business growth, etc) must be considered. The increasing complexity in the decision making process calls for greater dissemination of information. From this it is evident that expanded educational efforts are required to ensure that transport professionals and

decision makers are adequately trained in order to ensure maximised economic returns associated with road investment decisions.

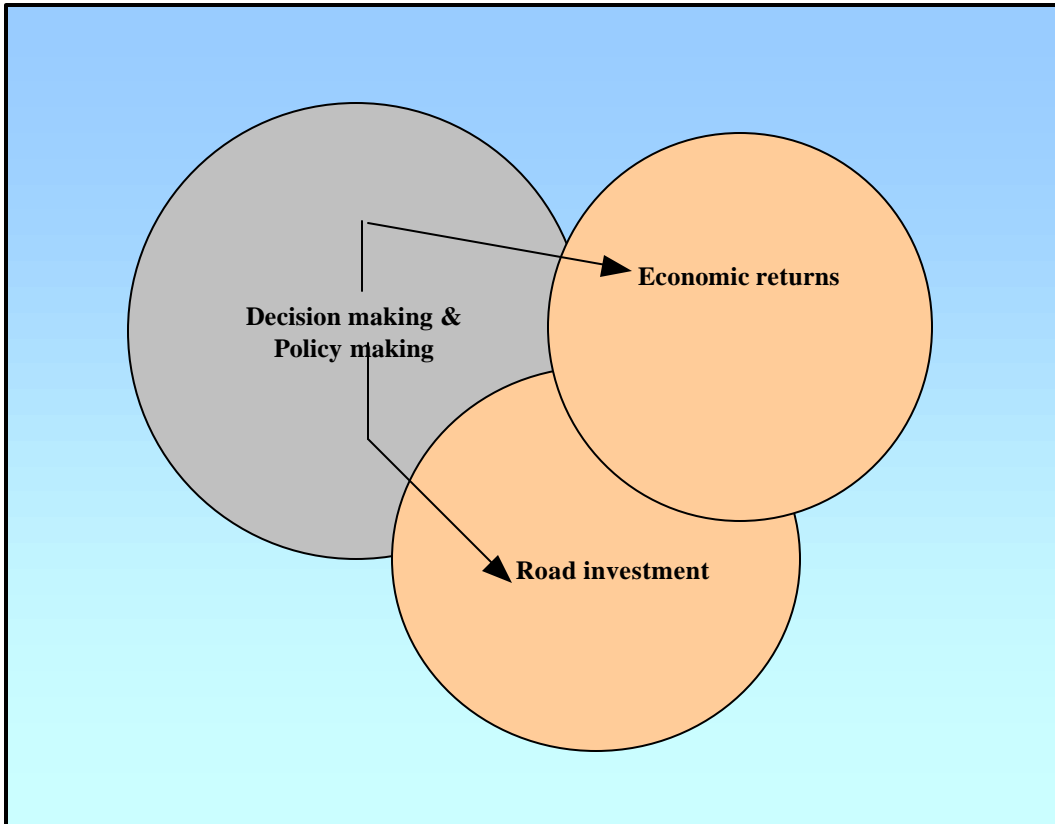
Although the above discussion emphasised the relationship between road investment practices and maximised economic returns, the role of decision makers was clearly highlighted. The next section will address the role of policy making on maximised economic returns.

6.3 MAXIMISED ECONOMIC RETURNS: POLICY MAKING VERSUS INVESTMENT DECISIONS

Most road investment decisions are made at political level. Gramlich (1994:1182) underlines this issue by stating that most state and local officials report that their main hurdle in building new infrastructure capital is gaining the voters' approval – or more specifically the elected politicians. Puentes (2004:2) emphasises and contends that Congress need to move beyond the arguments of money and fundamentally reform the country's dysfunctional transportation system. It is argued that although most Americans live and work in metropolitan areas, these areas make decisions that dispose of only 10 cents of every transportation dollar they generate even though local governments in metropolitan areas own and maintain the vast majority of the transport (including road) infrastructure. According to Puentes (2004:1), the upshot of this policy and these decision making problems is that major highway projects do not create new jobs or spur on economic development as anticipated. From this it is obvious that decision making and policy making play a crucial role in influencing and strengthening the impact of road investment on economic development. In order to maximise the economic returns associated with road infrastructure investment it is necessary to group the interplay between decision making, economic returns and road investment. The

figure below depicts the interplay between policy making and road investment in achieving maximised economic returns.

Figure 6.1: The role of policy making in achieving economic growth



From figure 6.1 it is clear that the interplay between the above three factors is important. The road investment factor refers to the road proposal being considered for investment and may be viewed in terms of the nature of investment, and its scale and location. These factors were discussed in detail in chapter 3. In terms of the three case studies, this relates to decisions in terms of road K8 versus road K16 versus road PWV9. The factor of economic returns has to do with the expected economic returns associated with the road project. Chapter 5 developed a formula on road investment, and the economic potential of each project was analysed in full. In section 5.4 it is stated that road K8 has the highest probability (86%) for high economic returns compared with road K16 (61,25%) and road PWV9 (33,75%). These economic returns are only theoretical if these road projects are

not approved and invested in terms of their economic potential. Thus the third factor, namely policy and decision making, is thus of utmost importance in practice.

According to Banister and Berechman (2000:333), policy making refers to noneconomic factors that influence economic growth. Most importantly, this includes decision making by the political organ and the politicians. Figure 6.1 shows that policy making and the decisions involved, which affect both economic returns and road investment, are the predominant factor in realising economic development benefits from road infrastructure investment. Sections 6.2.1 and 3.4.1 highlighted the scarcity problem of new road investment. This scarcity problem can partly be ascribed to insufficient funding for the construction of road infrastructure. The scarcity problem thus emphasises the opportunity cost related to road investment. An opportunity cost can be defined as the potential benefit that is lost or sacrificed when the selection of one course of action makes it necessary to give up a competing course of action (Garrison & Noreen 1994:48). Cole (1998:108) concurs and defines opportunity cost as a resource cost used to reflect the value of resources used in providing a particular service. This means that limited funding for the construction of one road project (say, road PWV9) implies that the construction of another road (say, road K8) is lost. Should poor investment decisions be made, one can assume that it will be at a high opportunity cost and low returns to the country. This discussion again highlights the prominence given to road PWV9 and the MCDC. Section 1.4.1 highlighted the strategic importance of the SDI programme for government (the political organ). It was also stated that road PWV9 forms part of this policy statement, while roads K8 and K16 have no importance from a policy perspective. From this it is obvious that road PWV9 will be the project with the highest priority, and probability for favourable decision making. This is unsatisfactory because it was shown that this

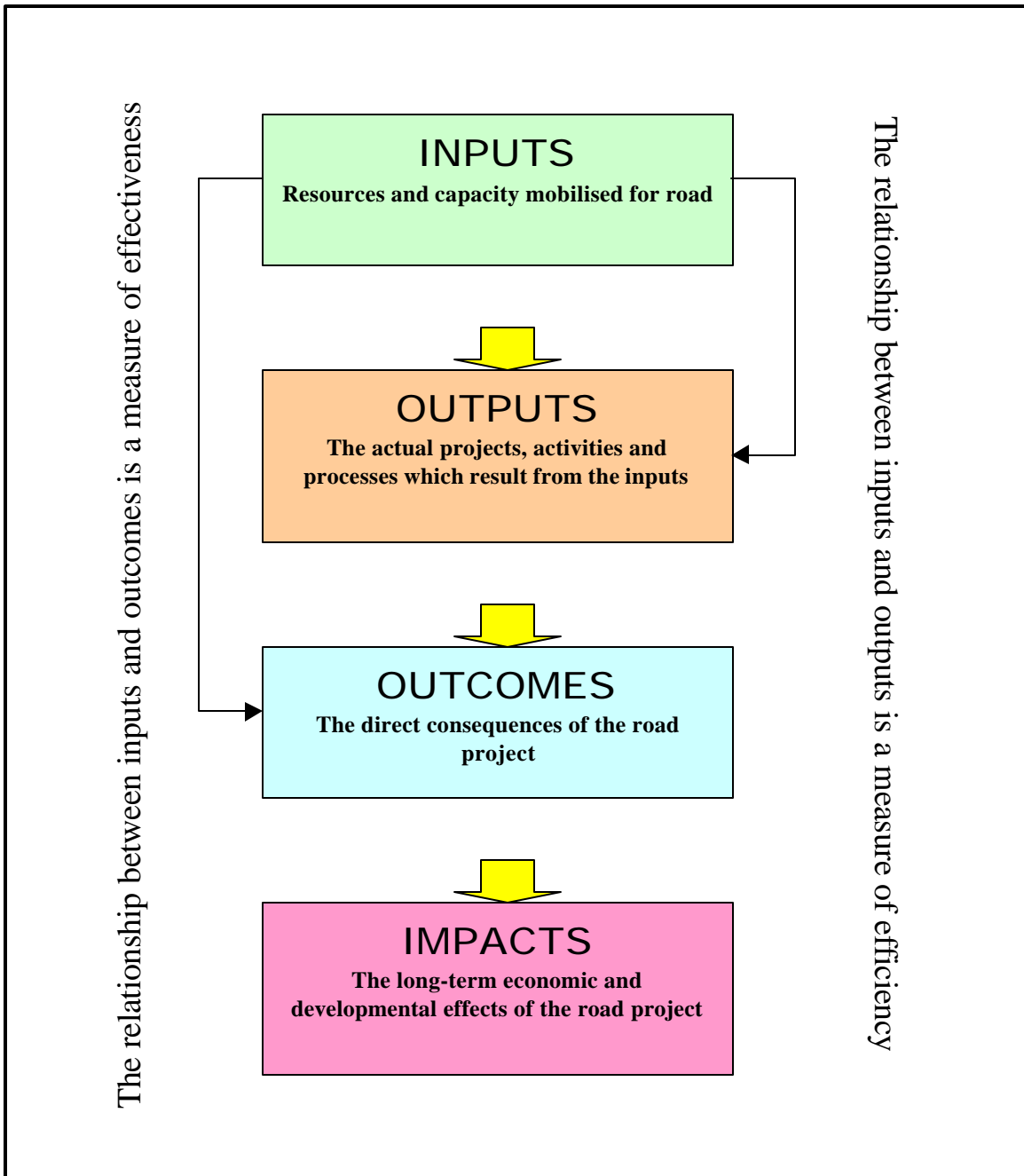
project has the lowest potential for economic returns. Incorrect decision making may thus have long-term opportunity cost implications.

The Department of Provincial and Local Government (DPLG) proposes that the results of LED projects be measured on a number of levels to make accurate measurement possible – hence the need to distinguish between the inputs, outputs, outcomes and impacts of a project (DPLG 2000:8). This also applies to road projects, the aim of which is to maximise economic returns (this is similar to LED projects.) These terms are explained below:

- **Inputs.** Inputs are the resources and capacity mobilised to ensure the road project. Inputs thus involve the cost of the project as well as other activities related to the road investment process.
- **Outputs.** The output is the specific project that directly results from the inputs, which is the actual road being constructed.
- **Outcomes.** Outcomes refer to the direct consequences or results of an output. The outcome is thus the change in conditions once the road has been constructed. This is the direct result of the project and may include the diversion of traffic to the new road.
- **Impacts.** Impacts reflect the wider economic implications of the project as discussed in section 3.2.3. These impacts may relate to a growth in business sales or income or job creation as a result of the road project; and occur over a longer period than the actual implementation time.

The relationship between the inputs, outputs, outcomes and impacts of road projects is a key indicator of the accuracy of policy and the correctness of political decision making on road investment. Figure 6.2 illustrates this relationship.

Figure 6.2: Relationship between inputs, outputs, outcomes and impacts of road projects



Source: Adapted from DPLG (2000:9)

The relationship between inputs and outputs should be considered in respect of how efficiently the road project was established. This involves the relationship between the cost of the project and the actual road constructed.

In order to assess the effectiveness of the road project, it is necessary to consider the relationship between inputs and outcomes. Measuring the network performance improvements in relation to the cost of the project may achieve this. Road authorities may use the relationship between the inputs and outcomes to assess whether the resources to be used will result in the appropriate outcomes. This entails measuring the accuracy of decision making. The impacts associated with the road project are the final measure of good or bad political decision making. The three case studies will be used to demonstrate the impact of decision making.

6.3.1 Efficiency assessments for roads K8, K16 and PWV9

The inputs of the case studies relate to the cost of the projects. It was shown that road K8 (R30 million for 10 km road) has the lowest cost compared to road K16 (R64,25 million for 7 km road) and PWV9 (R350 million for 23 km road). The efficiency of these projects is a measure of the costs incurred in establishing the project, compared with other similar projects. A measure of efficiency is obtained by dividing the cost of the project by the length of the road in order to measure the cost per kilometre. The respective figures are as follows:

- Road K8 – R3 000 000,00/km
- Road K16 – R9 178 571,43/km
- Road PWV9 – R15 217 391,30/km

From this it is clear that road K8 is the most efficient investment in terms of cost per kilometre.

6.3.2 The effectiveness of the investments in roads K8, K16 and PWV9

In terms of road cost in relation to the project outcomes, the expected network performance can be used as a measure. In section 3.5, the network performance of the case studies was discussed in detail. According to section 3.5.1 (table 3.8), all three roads will ensure improvements in the average speed on the respective road networks. The construction of road K8 will result in a 21 km/h improvement on the average speed, while that of K16 will be 4,6 km/h, and road PWV9 6,8 km/h. Table 3.9 in section 3.5.2 shows that the construction of roads K8 and K16 will result in travel time reduction on the road network, while that of road PWV9 will increase. Another significant factor that may impact on opportunity cost is that of the number of jobs created per rand invested in the road project. For the purposes of this study, the jobs created between 2005 and 2010 will be compared with the road construction costs.

Table 6.1: Road cost and jobs created (2005-2010)

Road	Cost (rand million)	Jobs created
K8	30	9 944
K16	64,25	11 574
PWV9	350	16 906

Table 6.1 shows that for road K8, every R3 017 spent on its construction, one job is created. The figure for road K16 is R5 551 per job created, while the cost of road PWV9 is R20 703 per job created. In terms of the effectiveness of the road investment related to job creation as an outcome – road K8 is the preferred road. From the aforementioned one may conclude that roads K8 and K16 will be effective investments, while the effectiveness of road PWV9 is questionable.

6.3.3 The impacts of roads K8, K16 and PWV9

The impacts of the respective road projects were analysed in detail in chapter 5 (tables 5.9 – 5.20). This information showed that road K8 had the highest probability of proper economic development impacts, while road PWV9 had the poorest (road K8 has a probability of 86% for high economic impacts, road K16 61,25%, and road PWV9 33,75%). An empirical investigation of the economic impacts related to the investment of roads K8, K16 and PWV9 was conducted for the purposes of this thesis. This assessment was based on scenarios of socioeconomic growth trends for the study areas of the respective roads for the year 2005 to the year 2020 (in 5-year periods). The purpose of this assessment is to indicate that each road investment decision has an impact on economic development. These decisions need to be managed to ensure maximum returns associated with these investment decisions. Table 6.2 provides detail of the respective assessment years.

The main results are summarised in table 6.3 below.

Table 6.3: Trend scenario for socioeconomic growth of road K8 (2005 – 2020)

Year	Total population	Economically active population (%)	Total formal jobs
Year 2005	130 996	50,3	65 132
Year 2010	154 829	50,3	75 076
Year 2015	178 615	50,3	84 957
Year 2020	246 396	50,9	132 484
Growth rate (%) 2005-2020	88,1%	1,1%	103,4%

From the above table it is evident that for the economy of the study area associated with road K8, the population growth is expected to be 88,1% and that of formal jobs 103,4% from 2005 to the year 2020 (note that these figures did not consider the impact of HIV/AIDS). Although these figures seem fairly high, they are for a 15-year period. The population growth in the study area is about 5 to 6% per annum, while the average growth rate for the Tshwane metropolitan area is predicted to be 3,37% per annum. Given the aforementioned, one can deduce that these figures are acceptable because certain areas in the city will have a negative growth rate. These figures imply that good economic development is expected to occur, which is augmented by the high growth in the formal job sector.

Table 6.4 provides details of the economic impacts associated with the study area of road K16. From this table it is clear that the population growth rate, between 2005 and 2020, is expected to be 77,8% and that of formal jobs, 25,2%. The economic impacts associated with road K16 are lower in relation to those of road K8.

Table 6.4: Trend scenario for socioeconomic growth of road K16 (year 2005 – 2020)

Year	Total population	Economically active population (%)	Total formal jobs
Year 2005	206 736	48,9	123 510
Year 2010	237 000	49,0	135 180
Year 2015	267 206	49,2	146 754
Year 2020	367 502	50,3	154 576
Growth rate (%) 2005-2020	77,8%	2,9%	25,2%

Table 6.5: Trend scenario for socioeconomic growth of road PWV9 (year 2005 –2020).

Year	Total population	Economically active population (%)	Total formal jobs
Year 2005	280 644	43,4	153 042
Year 2010	324 510	44,0	169 948
Year 2015	368 297	44,4	186 726
Year 2020	536 687	45,2	216 522
Growth rate (%) 2005-20	91,2%	4,0%	41,5%

From table 6.5 it is evident that the population growth rate is expected to be 91,2% and that of formal jobs 41,5% in the study area of road PWV9 for 2005 to 2020.

A comparison of the above figures will provide more information on the growth potential of the respective study areas and the expected economic impacts. In terms of these figures, the expected population growth of the study area of road PWV9 is the highest, while that of road K16 is the lowest. These figures support previous discussions (see ch 5) which indicated that the aforementioned study area is not well developed with its large vacant areas, while the latter is located in a

mature urban area. It was also stated earlier that road K8 is expected to have the highest economic growth rate of the different alternatives. This is true if measured in terms of the expected growth rate of formal jobs in the different study areas. For instance, the expected growth rate of K8 is 103,4% compared with 25,2% and 41,5% of roads K16 and PWV9 respectively. The above tables also indicate that road PWV9 is expected to have the highest growth rate in terms of economically active population (4,0%). This can be ascribed to the fact that the area is not well developed at present and that the high growth in population and future economic activity of the area should improve the lives of the economically active population of the area. The other study areas already have high percentages of economically active population (50,9% for road K8 and 50,3% for road K16 compared with only 45,2% for road PWV9).

This discussion highlighted the importance of effective policy making and decision making to ensure that road investments are made efficiently and effectively with the highest economic impacts.

Policy making should thus be refocused to ensure maximised economic returns of road infrastructure investment. The interplay between decision making, economic returns and road investment must thus be optimised to ensure satisfactory decision making for road investment projects and subsequent maximised economic returns.

6.4 REFOCUSING ROAD INFRASTRUCTURE INVESTMENT

In section 6.4 it was argued that policy making on road investment needs to be reformed to ensure maximised economic returns associated with these investment decisions. This problem is not confined to South Africa – but it seems to be a global phenomenon. Puentes (2004:1) concurs and states that sadly, in the USA, the national transportation system is in a bad way and in dire need of fundamental

reform. He goes on to say that billions and billions of dollars of additional federal investments will do precious little to ameliorate transportation problems without significant reform.

Current road investment practices are not focused to ensure maximised economic returns. This was shown throughout this thesis:

- Uncertainty about the important relationship between road infrastructure investment and economic development has led to inappropriate policy decisions (ch 1).
- There is limited understanding of the nature of road infrastructure, often resulting in unsatisfactory investment decisions with poor economic returns (ch 2).
- There is a poor understanding of the relationship between road infrastructure investment and economic development, resulting in limited economic growth (ch 3).
- Ineffective modelling techniques or inadequate economic studies have led to poor investment advice (ch 4).
- There is no formula for road investment and economic development – hence road investment priorities are not based on maximised economic returns associated with these investments (ch 5).
- There is a poor relationship between policy making and investment decisions with resultant poor economic returns (ch 6).

The above problems support the need to refocus road infrastructure investment decisions. Most of these road investment decisions are made at political level, which emphasises the crucial role of policy making in influencing and strengthening the impact of road investment on economic development.

This section proposes certain road infrastructure investment reforms required to ensure maximised economic returns associated with road investment. The road infrastructure investment reforms outlined below are needed to ensure the optimum economic returns associated with road infrastructure investment decisions.

6.4.1 Creating greater efficiency in road infrastructure investment decisions

Section 6.3.1 discussed the issue of efficiency and road investment. It was shown that certain decisions on road investment are not efficient. Reform is thus required to address the problems of over- or underinvestment in road infrastructure. An investment of only 1% in South Africa's infrastructure, particularly in its road infrastructure, could result in a net increase in the GDP of between 2 and 3% (Anon 1995:35).

This efficiency will be achieved if the principal findings of chapters 2 and 3 are implemented. For instance, in chapter 2, it was argued that because this approach is demand led, the unbalanced approach will lead to better investment decisions. South Africa cannot afford the costs associated with the balanced approach towards road investment. Chapter 3 focused on the causality between road infrastructure investment. Any investment decision should focus on the following four themes:

- (1) the investment component or so-called "trigger mechanism"
- (2) the network performance component
- (3) transport economic behaviour which is manifested in location and real effects
- (4) the economic development component

Chapter 4 proposed a framework on how to model the impacts associated with road infrastructure investment and economic development.

Improved efficiency in road investment will maximise economic growth and development.

6.4.2 Rethinking road prioritisation

This study highlighted the process of moving away from road prioritisation based purely on direct transport impacts. The indirect economic implications associated with road infrastructure should play a vital role in setting priorities. This calls for rigorous economic studies, which include both direct transport impacts and indirect economic impacts. Proper economic studies provide a sound basis for improved road priorities and hence investment decisions. Road projects with the highest potential economic returns should receive top priority.

6.4.3 Depoliticising road infrastructure investment decisions

Studies in the USA (Gramlich 1994:1182) have found that state and local officials report that their main hurdle in building new infrastructure capital is in gaining voter's approval. Roughly 20% of all new state and local construction must be approved by referenda. This means that infrastructure investment proposals may be prioritised on political grounds, which may not reflect real priorities. This matter was also discussed in section 6.3.

In South Africa, nowadays political preferences are aimed at addressing social and health-related projects, hence limiting allocations to road projects. In this regard, Van der Merwe and Babamia (DOT 1995:1-1) caution that the expectation is that until social demands such as the improvement of living conditions and education

have been satisfied, it is unlikely that there will be increased funds for transport infrastructure. According to Steyn (2004:58), the most critical aspect of state spending that needs to change is the imbalance between capital spending and spending on social security, because of the large portion allocated to social security in the state budget. Mirrilees (DOT 1991:1-1) agrees and concludes that in the face of this competition (ie the social demands), superficially the requirements for road infrastructure appear to be of less importance. This clearly places road prioritisation in a dilemma.

In addition to the competing demands of other infrastructure and services, the political objectives of the spatial development initiatives (SDIs) may promote incorrect road investment decisions. The MCDC project is a case in point. Although the concept of SDIs is sound, it is based on a fundamentally flawed approach. The projects have limited economic justification and are based mainly on a supply-side approach. Chapter 2 highlighted the problems associated with such an approach.

The discussions in section 6.3 emphasised the need for a proper relationship between political decision making, road investment and economic returns. By depoliticising road investment decisions with effective policy making, maximised economic returns can be achieved with road projects.

6.4.4 Institutional reforms

There is a need for closer cooperation between the different road authorities. This calls for certain institutional reforms to ensure this cooperation. A national road investment body consisting of officials from the different road agencies at all tiers of government, and treasury officials may prove invaluable. This will also

promote meaningful policy making and hence higher economic returns associated with road investment.

This section highlighted the reforms required to refocus road investment in this country. If these reforms are in place it is anticipated that the relationship between policy making and road investment decisions will be optimised thus ensuring maximum economic returns.

6.5 SUMMARY

This chapter assessed the relationship between road investment practices and maximised economic returns. The principal findings are summarised below.

- (1) The following four factors are important in examining the relationship between transportation and economic development:
 - the relevant type of transport investment
 - the data necessary to analyse the economic effect of the investment
 - appropriate methodology to analyse the economic effect
 - proper dissemination of the results and the education of professionals on the economic effects of transportation investment

- (2) Road investment projects need to measure inputs, outputs, outcomes and impacts in order to maximise economic returns. These terms are explained below.
 - **Inputs.** Inputs are the resources and capacity mobilised to ensure the road project. Inputs thus have to do with the cost of the project as well as other activities related to the road investment process.

- **Outputs.** The output is the specific project that results directly from the inputs, which is the actual road being constructed.
- **Outcomes.** Outcomes refer to the direct consequences or results flowing from an output. The outcome is thus the change in conditions once the road has been constructed. This is the direct result of the project and may include the diversion of traffic to the new road.
- **Impacts.** Impacts reflect the wider economic implications of the project. These impacts may relate to a growth in business sales or income or job creation as a result of the road project, and occur over a longer period than the actual implementation time.

The relationship between inputs, outputs, outcomes and impacts of road projects is a key indicator of the accuracy of policy and the correctness of political decision making on road investment decisions. The relationship between input and outcomes measures efficiency, while the relationship between inputs and outcomes measure effectiveness. Road K8 was the most efficient and effective project in terms of the three case studies.

- (3) Current road investment practices are not focused to ensure maximised economic returns. This is based on the following:
- Uncertainty about the important relationship between road infrastructure investment and economic development has led to inappropriate policy decisions.
 - Limited understanding of the nature of road infrastructure often results in incorrect investment decisions with poor economic returns.

- A lack of understanding of the relationship between road infrastructure investment and economic development leads to limited economic growth.
 - Improper modelling techniques or inadequate economic studies lead to poor investment advice.
 - There is no formula for road investment and economic development – hence road investment priorities are not based on maximised economic returns associated with these investments.
 - There is a poor relationship between policy making and investment decisions with resultant poor economic returns.
- (4) The following road infrastructure investment reforms are required to ensure the optimum economic returns associated with road infrastructure investment decisions:
- creating greater efficiency in road infrastructure investment decisions
 - rethinking road prioritisation
 - depoliticising road infrastructure investment decisions
 - institutional reforms

6.6 CONCLUSION

The purpose of this thesis, namely to explore ways to maximise the economic returns of road infrastructure investment, was twofold because it required the development of assessment techniques, as well as changes investment practices to ensure maximised economic returns. The aim of this chapter was to refine road investment practices in South Africa to ensure maximised economic returns.

It was shown that decision making and policy making play a crucial role in influencing and strengthening the impact of road investment on economic development. Policy making includes decision making by the political organ and the politicians. Hence policy making and the decisions emanating from it, which affect both economic returns and road investment, are the predominant factor in realising economic development benefits from road infrastructure investment. It was shown that the relationship between these factors does not support the maximisation of the economic returns of these road investments, a fact proven by the three case studies. In terms of current policy initiatives, road PWV9 receives the highest priority, but this road investment project is inefficient (based on the relationship of input and outputs) and ineffective (based on the relationship between inputs and outcomes), with poor economic impacts expected in the long run. Road K8 is the most efficient and effective road investment project, but does not have any policy priority. The relationship between policy making and road investment decisions are such that high economic returns cannot be expected. This will lead to either over- or underinvestment in road projects in South Africa.

In order to maximise the economic returns associated with road infrastructure investment it is necessary to optimise the interplay between decision making, economic returns and road investment. The policy reforms proposed in this chapter should help to realise this goal.