

TRANSFORMATION POLICY

OF THE SOUTH AFRICAN NATIONAL ROADS AGENCY SOC LIMITED



SANRAL
SOUTH AFRICAN NATIONAL ROADS AGENCY SOC LTD



Reg. No. 1980/00864/00

**BUILDING SOUTH AFRICA
THROUGH BETTER ROADS**

South African National Roads Agency SOC Limited (SANRAL) Transformation Policy

Policy Reference Number	<input type="text"/>
Version Number	<input type="text"/>
Effective Date	<input type="text"/>
Review Date	<input type="text"/>
Policy Owner	<input type="text"/>
Signature	<input type="text"/>
Policy Sponsor	<input type="text"/>
Signature	<input type="text"/>
Date of Approval	<input type="text"/>

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The Transformation Policy is informed by the Transformation Framework as set out in Horizon 2030 - SANRAL's long-term strategy.

SANRAL recognises that it can help to build a capable and developmental state, and drive economic development through the provision and maintenance of critical infrastructure.



SANRAL is repurposing itself because South Africa has embarked on a process of fundamental transformation that opens the path for inclusive, broad-based economic development

This Transformation Policy will promote growth, mobilise investment, create jobs and empower citizens.



- 2.1 SANRAL recognises the critical role it plays in the construction and related industries. It is mindful of the impact the construction industry and its procurement has on millions of people across South Africa in terms of business and job opportunities.
- 2.2 SANRAL accepts the responsibility consequent to the above, especially the need to use its procurement to contribute to transforming the construction industry in particular, and the South African economy in general.
- 2.3 SANRAL accepts the responsibility to maximise the participation of black contractors, professionals, suppliers and designated groups (i.e. black entities) in all SANRAL projects, capitalising on the provisions within the prevailing legislative and regulatory frameworks.

- 2.4 SANRAL commits to breaking down monopolies in the supply chains of materials, equipment, technologies, systems and other areas within the construction and related industries to ensure broad-based participation by black South Africans.
- 2.5 SANRAL commits to facilitating structured arrangements for the direct benefit of local communities in ventures that source resources from local areas, including traditional and communal land.
- 2.6 SANRAL commits to providing development support to black business through structured development programmes and partnerships with industry players to ensure meaningful, rapid development and growth of black entities in the construction and related industries.
- 2.7 SANRAL commits to fully complying with localisation requirements to promote the local manufacturing industry in accordance with the Industrial Policy Action Plan of the Department of Trade and Industry.
- 2.8 SANRAL fully recognises that it has a responsibility to its stakeholders and citizens. Protection of the environment is thus a priority in all SANRAL projects.
- 2.9 SANRAL commits to pursuing engagements with all recognised industry associations to seek cooperation and support in advancing participation of black entities in the construction industry in order to achieve inclusivity.



- 2.10 All SANRAL projects shall be facilitated through Project Liaison Committees (PLCs) that shall be set up locally in the targeted project areas with relevant stakeholders.
- 2.11 For large/key projects, such PLCs shall be overseen by a Political Oversight Committee (POC) and/or Technical Steering Committee (TSC), subject to applicability and practicality.
- 2.12 SANRAL commits to ensuring that the procurement of professional services supports and nurtures black South African consultants through the encouragement of joint ventures, consortia, partnerships and other appropriate structures.



- 2.13 SANRAL commits to supporting the development and participation of businesses owned by people in designated categories including black people, women, youth, people with disabilities and military veterans.
- 2.14 SANRAL shall use its own discretion to determine which of its projects use internal stakeholder management resources or external social facilitation services. With a threshold of R100m as a guide, any decision to use external social facilitation services shall be subject to a competitive bidding process.

- 2.15 SANRAL shall ensure that after the awarding of all projects, service providers present a clear transformation plan outlining the participation of black South Africans in the project, capitalising on the provisions within the prevailing legislative and regulatory frameworks.
- 2.16 All second-tier procurement shall be executed in accordance with the provisions of the relevant clauses of this policy to maximise the participation of black entities.

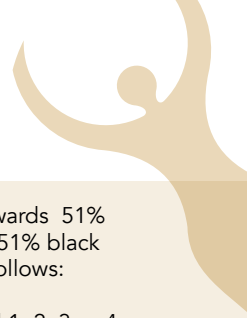


- 2.17 All service providers must be registered on the National Treasury Central Supplier Database (CSD) and must comply with any other relevant legislative requirements.
- 2.18 This Transformation Policy shall be included in SANRAL's procurement policy and procedures and in all tender documentation.



In this policy, clause headings are for convenience and shall not be used in its interpretation unless the context clearly indicates a contrary intention:

- 3.1 an expression which denotes
 - 3.1.1 any gender includes the other genders;
 - 3.1.2 a natural person includes an artificial or juristic person and vice versa;
 - 3.1.3 the singular includes the plural and vice versa;
- 3.2 this section covers both the definitions and acronyms relating to this policy;
- 3.3 the following expressions shall bear the meanings assigned to them below and cognate expressions bear corresponding meanings:
 - **B-BBEE Act:** Broad-Based Black Economic Empowerment Act, 2003 (Act 53 of 2003). This act provides the legislative framework for broad-based black economic empowerment in South Africa.
 - **Black individuals, contractors, suppliers and entities:** With reference to this policy 'black' encompasses all previously disadvantaged groups with specific reference to African, Coloured and Indian race groups.
 - **CDP:** Community Development Programme.
 - **CIDB:** Construction Industry Development Board.
 - **Company:** A juristic person incorporated in terms of the Companies Act, 2008 (Act 71 of 2008).
 - **Competitions Act:** The Competition Act, 1998 (Act 89 of 1998).
 - **Concessions:** A long-term contract awarded via a tender process for the design, construction and financing of a section of road. The successful concessionaire will recover its costs by collecting tolls from the road users.
 - **Consortia:** An association of several entities for a singular purpose.
 - **Constitution:** Constitution of South Africa.
 - **CSD:** Central Supplier Database of National Treasury.
 - **CTROM:** Comprehensive Toll Road Operations and Maintenance. This is a project awarded for the collection of toll fees and the routine maintenance of the road for a set period.
 - **EME:** Exempted Micro Enterprises, which is an entity with an annual turnover of R10m or less.
 - **Emerging entities:** Relatively newly established businesses.
 - **Entity/entities:** A person, partnership, organisation or business that has a legal and separately identifiable existence.



- **Entities in ownership transition:** Those entities progressively moving towards 51% black ownership. In order to accommodate the challenge of attaining the 51% black ownership target, SANRAL shall allow progression of black ownership as follows:
 - Year 1 - minimum 35% black ownership - B-BBEE contributor level 1, 2, 3 or 4
 - Year 2 - minimum 41% black ownership - B-BBEE contributor level 1, 2, 3 or 4
 - Year 3 - minimum 46% black ownership - B-BBEE contributor level 1, 2 or 3
 - Year 4 - minimum 51% black ownership - B-BBEE contributor level 1 or 2.
- **Equity:** Ownership interest or claim of a holder of ordinary shares of a company.
- **Established entities:** Businesses that have been in existence over a long period of time, usually associated with being successful.
- **FMS:** Freeway Management System.
- **Designated Groups:** Defined in the PPPFA regulations of 1 April 2017.
- **ICT:** Information Communications Technology.
- **Innovative materials:** These are new materials such as those modified by the addition of nano-technological additives to increase the ability of previously poor-quality material to meet the specification.
- **ITS:** Intelligent Transport System.
- **Joint Venture:** A business arrangement in which two or more parties agree to pool their resources for the purpose of accomplishing a specific task e.g. a project or special business activity.
- **Military veterans:**
 - (a) rendered military service to any of the military organisations, statutory and non-statutory, which were involved on all sides of South Africa's liberation war from 1960 to 1994;
 - (b) served in the Union Defence Force before 1961; or
 - (c) became a member of the new South African National Defence Force after 1994, and has completed his or her military training and no longer performs military service, and has not been dishonourably discharged from that military organisation or force: Provided that this definition does not exclude any person referred to in paragraph (a), (b) or (c) who could not complete his or her military training due to an injury sustained during military training or a disease contracted or associated with military training.
- **Non-core services:** Activities considered to be outside of the mandated scope of operations but are required to support the execution of the core activities.
- **OEM:** Original equipment manufacturer.

- **ORT:** Open Road Tolling is the collection of tolls on toll roads via electronic systems without the use of traditional toll booths (free-flow tolling).
- **PFMA:** The Public Finance Management Act, 1999 (Act 1 of 1999).
- **POC:** Political Oversight Committee, a high-level committee chaired by the Member of the Executive Committee (MEC) to resolve policy and political issues pertaining directly to the project.
- **PPFA:** The Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000).
- **PLC:** Project Liaison Committee, which is a committee whose responsibility it is to create a platform for project liaison, works execution, sub-contracting, employment facilitation and communication with the community.
- **QSE:** Qualifying Small Enterprise, which is an entity with an annual turnover of between R10m and R50m.
- **RRM:** Routine Road Maintenance.
- **SMME:** Small, medium and micro enterprises
- **South African owned entity:** An entity registered within South Africa in terms of the applicable South African legislation and pays taxes to the South African Revenue Services (SARS).
- **SPV:** Special purpose vehicle.
- **TSC:** Technical Steering Committee, a committee consisting of SANRAL personnel who oversee the design and execution of the contract. Their role is to liaise with all stakeholders during the design and construction phase.
- **Traffic and Transportation Operations:** Includes ITS, FMS, ORT, CTROM, land and property technologies, overload control projects.

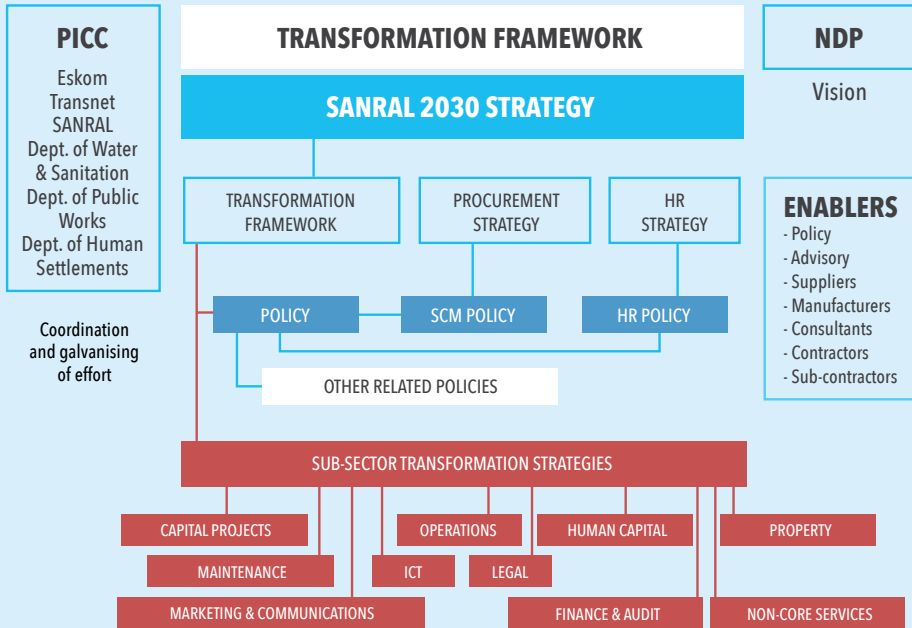
4. PURPOSE (4.1) AIM

The purpose of the policy is:

- 4.1.1 To ensure inclusive participation of black South Africans in the opportunities generated by SANRAL through its annual financial investment in the construction and related industries.
- 4.1.2 To add to existing government preferential procurement policies, thus ensuring accelerated transformation.



4.2.1 This policy seeks to articulate the Transformation Framework as outlined in the Horizon 2030 Strategy document.



SANRAL's Transformation Policy is informed by:

5.1 The Constitution of the Republic of South Africa, 1996

The Constitution enshrines the right of all South Africans to equality and provides for specific measures to be taken to redress historical imbalances of past policies.

5.2 Broad-Based Black Economic Empowerment (B-BBEE) Act, 2003

This act provides the legislative framework for broad-based black economic empowerment in South Africa. The primary purpose of the B-BBEE Act and the Sector Codes – some of which are referred to in the SANRAL Transformation Policy – is to address the legacy of exclusionary apartheid policies and enhance the economic participation of black people in the South African economy.



5.3 **Preferential Procurement Policy Framework (PPPFA) Act, 2000 Regulations 2017**

The Preferential Procurement Regulations which came into effect on 1 April 2017 have the following provisions

- Introducing the prequalification criteria which allow the advancement of selected categories by limiting competition only amongst themselves.
- Encouraging procurement from small enterprises and designated groups, particularly through sub-contracting for contracts above R30m.
- Allowing organs of state and public entities to specify conditions that only locally produced or locally manufactured goods meeting the stipulated minimum threshold for local production and content will be considered for certain designated sectors.

5.4 **Public Finance Management (PFMA) Act, 1999**

This act seeks to secure transparency, accountability and sound management of revenue, expenditure, assets and liabilities of the institutions to which the Act applies.

5.5 **Military Veterans Act, 2011**

To provide for principles recognised by the state as governing the affairs of military veterans and for policy objectives in this regard; the President to be Patron-in-Chief of all military veterans; benefits relating to military veterans; the establishment of the Advisory Council on Military Veterans and the Military Veterans Appeal Board; and certain functions of the Department of Military Veterans; and to provide for matters incidental thereto.

5.6 **Mineral and Petroleum Resources Development Act, 2002**

This act makes provision for equitable access to and sustainable development of the nation's mineral and petroleum resources; and to provide for matters connected therewith.

5.7 **Competition Act, 1998**

This act provides for the establishment of a Competition Commission responsible for the investigation, control and evaluation of restrictive practices, abuse of dominant position, and mergers; and for the establishment of a Competition Tribunal responsible to adjudicate such matters; and for the establishment of a Competition Appeal Court; and for related matters.

5.8 **CIDB Act, 2000**

This act provides for the establishment of the Construction Industry Development Board; to implement an integrated strategy for the reconstruction, growth and development of the construction industry, and to provide for matters connected therewith.

5.9 **Industrial Policy Action Plan (IPAP)**

This policy aims to achieve higher levels of inclusive, sustainable economic growth and radical transformation through structural change in the economy by breaking out of commodity dependence and moving towards a diversified, knowledge economy in which increasing value-addition and export intensity define South Africa's growth trajectory. It further prioritises labour intensive sectors with the view to increase job opportunities; increasing their participation in global value chains and broadening economic participation which are critical for radical economic transformation.

5.10 All other relevant legislative frameworks and regulations that have a bearing on this policy.



The provisions of this policy apply to all the sectors of SANRAL's business.

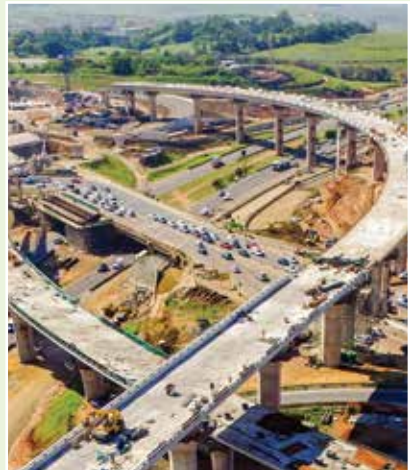
The sub-sectors are as follows:

- 6.1 Capital Projects
- 6.2 Road Maintenance
- 6.3 Operations
- 6.4 Property
- 6.5 Information Communications Technology (ICT)
- 6.6 Finance and Audit
- 6.7 Legal
- 6.8 Marketing and Communications
- 6.9 Human Capital
- 6.10 Non-core Services.

POLICY POSITIONS ON SUB-SECTORS

6.1 Capital Projects

- 6.1.1 In the CIDB Grades 8 - 9 SANRAL shall only do business with generic contractors, joint ventures, consortia and other partnerships that are entities in ownership transition with a B-BBEE Level 1, 2, 3 or 4.
- 6.1.2 Clause 6.1.1 shall also apply to generic consultants.
- 6.1.3 Clause 6.1.1 shall also apply to generic suppliers.
- 6.1.4 The maximum number of tenders to be awarded to a single entity shall be limited to three (3) per province but shall not exceed fifteen (15) nationally per SANRAL financial year. For entities that are only based in one province, the maximum number of tenders to be issued shall be five (5) per SANRAL financial year.
- 6.1.5 Main contractors shall use a National Treasury - developed database in accordance with Clause 9.3 of the PPPFA under the auspices of the PLC.
- 6.1.6 SANRAL shall promote joint ventures, consortia and other partnerships in all SANRAL projects in order to ensure inclusivity, participation and growth of black business.



- 6.1.7 Where necessary SANRAL shall provide direct development support or through its partners to contractors in the generic CIDB grades one to four (1 - 4), professionals and suppliers or other equivalent benchmarks to ensure that their status and prevailing conditions are not a barrier to entry to opportunities created by SANRAL.
- 6.1.8 SANRAL shall enter into empowerment agreements with entities in the supply chains for construction materials, equipment and other supplies/resources to level the playing field and to ensure that space is secured for emerging entities to secure and supply such materials and equipment for SANRAL projects. Such empowerment agreements shall include measures to benefit local communities if such supplies are sourced locally. To this end, it is preferred that such empowerment agreements are broad-based in nature.
- 6.1.9 SANRAL shall structure projects in a manner that guarantees balanced and fair access to black entities in the general categories of CIDB Grades 1 - 4; Grades 5 - 7; Grade 8 and Grade 9 or other equivalent benchmarks. Such projects shall promote joint ventures and consortia by allocating a larger percentage of the contract to such partnerships with a greater black ownership, while ensuring larger sub-contractor participation if the main service provider is an established business that is not sufficiently transformed i.e. with a B-BBEE contributor level 1,2,3 or 4.
- 6.1.10 SANRAL shall ensure that the contract terms and conditions are set to balance contractor, professional and supplier incubation with broad participation of black entities in projects. This consideration shall include project amount, project length, project scope and project duration.
- 6.1.11 SANRAL shall set an annual adjustable target of the total number of black contractors, professionals, suppliers and designated groups that will be awarded contracts and the total budgeted contract value to be reserved for black business.
- 6.1.12 Except for complex projects (including bridges) where CIDB grades 5 and above are required, SANRAL shall award contracts exclusively to black contractors, professionals, suppliers and designated groups in the generic CIDB Grades 1 - 4 or equivalent benchmarks in all community development projects in compliance with the provisions in the PPPFA.

6.2 Road Maintenance Projects



- 6.2.1 SANRAL shall fully apply the principles 6.1.1 to 6.1.12 above to road maintenance except where not applicable.
- 6.2.2 Infrastructure protection projects shall be structured to benefit Military Veterans in accordance with the PPPFA Regulations, 2017. Such projects shall be issued through a mechanism agreed with the Department of Military Veterans and in compliance with the prevailing legislative framework.
- 6.2.3 SANRAL shall continuously review and improve the existing routine road maintenance (RRM) contract model to maximise the broad-based participation of black local entities and communities.
- 6.2.4 SANRAL shall engage with OEMs in traditional road furniture and road safety material supply chains to ensure that black entities participate in the areas of manufacturing, distribution, installation and maintenance of these within SANRAL's road network.
- 6.2.5 SANRAL shall promote the supply of innovative materials for roads. This shall be used as an empowerment venture to ensure the entry of black entities in the areas of manufacturing, distribution, installation and maintenance.

6.3 Operations Projects

- 6.3.1 All toll concession entities shall be entities in ownership transition and shall have a consortia level minimum B-BBEE Level 1, 2, 3 or 4 rating.
- 6.3.2 All CTROM tenders shall specify that the tenderers must be entities in ownership transition of toll operators and shall have a corresponding minimum B-BBEE Level 1, 2, 3 or 4 rating.
- 6.3.3 All toll development and operations advisory services shall be provided by qualifying service providers in accordance with the principles stipulated in relevant clauses of this policy as applicable to that supplier category e.g. Professional Services, Legal, Financial Services, Audit etc.
- 6.3.4 Toll operation contracts shall be awarded to majority South African owned entities, consortia or SPVs. Exceptions shall be approved by the SANRAL Board.



- 6.3.5 All traffic and transport-related operations contracts shall be awarded in accordance with the principles stipulated in this policy for operators and professionals.
- 6.3.6 Toll operation contracts shall be limited to three (3) for any single toll operator where the operations period overlaps or is concurrent. Exceptions shall be approved by the SANRAL Board.
- 6.3.7 Toll operations contract terms shall be limited to six (6) years with an option to extend by a further two (2) years subject to technical and transformation performance.
- 6.3.8 SANRAL shall drive and support initiatives to develop and grow black professional capacity in the fields of traffic engineering and operations.

6.4 Property

- 6.4.1 SANRAL shall pursue black estate agents and property developers to ensure that there is an adequate supply of black entities and professionals within this industry. SANRAL shall engage established black industry associations in this regard.



- 6.4.2 SANRAL shall only do business with estate agents and property development entities that are entities in ownership transition with a corresponding minimum B-BBEE Level 1, 2, 3 or 4 rating for contracts above R300m.
- 6.4.3 SANRAL shall target and allocate all opportunities below R100m to black estate and property development entities that are B-BBEE contributor level 1 or 2.

6.5 Information Communications Technology

6.5.1 SANRAL shall only do business with ICT entities that are entities in ownership transition with a minimum B-BBEE Level 1, 2, 3 or 4 rating for contracts above R50m.



6.5.2 SANRAL shall reserve contracts below R50m exclusively for black-owned businesses segmented as follows:

- R0 – R10m for EMEs - B-BBEE level 1 or 2 contributor
- R10 – R50m for QSEs - B-BBEE level 1 or 2 contributor.

6.5.3 SANRAL shall structure and package ICT projects in a manner that guarantees balanced and fair access to black ICT suppliers. Such projects shall apply the principle captured in clause 6.1.9 to maximise the participation of black entities in joint ventures or sub-contracts.

6.5.4 SANRAL shall engage with OEMs in various ICT supply chains including infrastructure, software, systems and technology to ensure that empowerment ventures are concluded to broaden the participation of black entities in the provision of corporate and road-related ICT services.

6.6 Finance and Audit

6.6.1 SANRAL shall only do business with finance and audit entities that are entities in ownership transition, with minimum B-BBEE Level 1, 2, 3 or 4 rating.

6.6.2 SANRAL shall limit opportunities for tendering to one (1) service area, i.e. (audit or non-audit) per firm, to ensure that opportunities for black participation are maximised.



6.6.3 SANRAL shall promote joint ventures in all SANRAL issued finance and audit tenders in order to maximise the participation of black entities.

6.6.4 Finance and audit services provided to toll concessions and toll operations shall be required to include black entity participation plans before any contract extensions or renewals are considered.

6.7 Legal



6.7.1 SANRAL shall only do business with legal entities that are entities in ownership transition, with minimum B-BBEE Level 1, 2, 3 or 4 rating.

- 6.7.2 SANRAL shall promote joint ventures in all SANRAL-issued legal tenders in order to maximise the participation of black business.
- 6.7.3 Legal services provided to toll concessions and toll operations shall be required to include black business before any contract extensions or renewals are considered.

6.8 **Marketing, Advertising and Communication Services**

- 6.8.1 SANRAL will only do business with entities in ownership transition with corresponding minimum B-BBEE Level 1, 2, 3 or 4 rating in the marketing, advertising and communication services non-core services for all tenders above R200m.



- 6.8.2 For projects between R50m and R200m SANRAL will do business with 45% black-owned businesses with a corresponding minimum B-BBEE Level 2 rating. This is aligned to the Marketing, Advertising and Communications Sector Code.
- 6.8.3 SANRAL will target and allocate all marketing, advertising and communication services contracts below R50m to black-owned suppliers (EMEs and QSEs) with a B-BBEE Level 1 rating.
- 6.8.4 SANRAL primary contractors shall allocate a minimum 30% of the value of outsourced work to sub-contractors with at least 51% black ownership and a B-BBEE Level 2 rating for projects above R30m.
- 6.8.5 SANRAL will allocate a minimum 30% of its media spend for community and small-scale media-owners.

6.9 Human Capital

6.9.1 SANRAL shall ensure full compliance with its Employment Equity Plan targets in all internal recruitment. Where practical such targets shall be deliberately exceeded.

6.9.2 SANRAL shall set specific targets for scholarships, bursaries and internships to grow the pool of young professionals. All skills development ventures shall be intended to generate sufficient capacity to meet internal needs and supply the market.

6.9.3 SANRAL shall continue to pursue skills development, and research and development initiatives through strategic partnerships with institutions of higher learning. Partnerships and support to institutions of higher learning shall be inclusive of previously disadvantaged institutions.



6.9.4 SANRAL shall accelerate the number of registered engineers through its on-the-job training at the Technical Excellence Academy. This shall include a specific focus on women and youth professional engineers.

6.9.5 SANRAL will form strategic partnerships with service providers who are entities in ownership transition with a corresponding minimum B-BBEE Level 1, 2, 3 or 4 to facilitate the growth and development of black SMMEs.

6.9.6 SANRAL, through its projects, will train and develop local labour in order to attain the relevant skills.

6.9.7 SANRAL shall identify, train, develop and nurture black small contractors through its projects, especially the CDP and RRM Programme with the aim of improving their CIDB grade.

6.9.8 SANRAL shall pursue exchange programmes with reputable international institutions and associations to expose its staff to global best practice.

6.10 Non-Core Services

- 6.10.1 SANRAL shall target and allocate all non-core service contracts below R50m to black-owned suppliers (EMEs and QSEs), except for insurances, credit ratings and other specialist advisory services.
- 6.10.2 SANRAL shall only procure non-core services from entities in ownership transition with corresponding minimum B-BBEE Level 1, 2, 3 or 4 rating.
- 6.10.3 SANRAL shall promote joint ventures in all SANRAL - issued non-core services tenders in order to maximise the participation of black business.



7. RESPONSIBILITIES

Overall responsibility for implementation and monitoring is with the Transformation Unit. The sub-sector implementation, market research and monitoring of impact and effectiveness rests with the relevant sub-sector heads.

8.



PROCEDURES (COVERED IN SUB-SECTOR STRATEGIES)

This will be covered in sub-sector strategies.

9.



LINKS TO OTHER POLICIES

The Transformation Policy is linked to the following policies:

- Engineering
- Environmental
- Financial
- Human Resources
- Information Communications Technology
- Marketing and Communications
- Property
- Supply Chain Management and Procurement
- Compliance
- Governance
- Other related policies.





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