

CEO Remarks at the MDC Information Meetings in Windhoek, Keetmanshoop, Walvis Bay, Oshakati, & Rundu (24 – 30 March 2006)

Heavy Vehicle Owners & Operators

Stakeholders in the Road Sector

I am happy to see you all here today at this information meeting on the introduction of the Mass Distance Charges, MDC in short. The Road Fund Administration Act, No. 18 of 1999, mandates us to operate the road user charging system, a system that provides for independent regulation of the road funding in accordance with the economic efficiency criteria and full cost recovery from road users. In this regard, the Road Fund Administration is mandated by the Government of the Republic of Namibia to determine the amount of funding for road projects and programmes; to determine the manner in which such amount of funding shall be allocated in terms of the budget; and to determine and impose the types and rates of road user charges. This last point is very important to take note of with regard to the imposition of the Mass Distance Charges.

The same Act mandates the Road Fund Administration to collect **fuel levies** through the oil industry network; to collect **Cross Border Charges** through an appointed agent, recently appointed Iroko Investments (CEO, Mr. Rairirira Mbetjiha); and to collect the **license fees** on an annual basis, a function that is carried out by the Namibia Traffic Information System centres, known as NaTIS in short, and by approved registering authorities, such as the local and regional

authorities. The only missing link in this chain has been the collection of MDCs that are meant to equalize the payment for the usage of our national road network. The MDCs were supposed to have been implemented about 4 years ago but due to a protracted consultation process with the stakeholders and roleplayers, the implementation was delayed. The delay has put us in a serious predicament where some road users have been using the roads but not paying their fair share for this usage. As a result, RFA has been faced with a damning shortage of funds for the maintenance of our national road network. To illustrate to you how serious this shortage of funds has affected our operations, we had to revise our 5-year Business Plan several times just to try to live within the means of our scarce resources. We have decided not to construct new roads; to rehabilitate only the roads that have reached their life span; and only to fund the maintenance of most of our roads until such a time when we get adequate funding. The Minister of Finance has become very strict with regard to assisting State-owned Enterprises that are not self-sustaining. Any subsidy from Government has to be targeted and in that regard, RFA is no exception. The Minister has also become very direct about her targets in terms of reducing the debt burden. She prudently attempts to avoid the debt trap and the situation where today's road users would mortgage the future of your children and mine simply because these road users don't want to equitably pay for the usage of the road from where they draw their daily bread. We must earn our keep. In this regard too, it has become increasingly difficult to get the Minister's approval to borrow funds for the road sector. On the other hand, the generosity of the

international community has disappeared with regard to grant funding. What options are we left with? The only option is to rely on our own resources and this is why we are introducing the MDCs, among other measures, to ensure that we collect enough funds to sustain our road network in an impeccable condition.

The MDC were meant to be implemented during the 2005/2006 financial year to raise N\$100 million and together with a moderate increase in fuel levies of about 22 cents per litre, the proceeds from these two collection systems were supposed to generate revenue in order for the Roads Authority to rehabilitate, for instance, the road between Okahandja and Karibib, Trunk Road 7/1, that will cost the Roads Authority about N\$162 million. However, this did not happen. The increases in fuel levies were not granted and the MDC system was not implemented because of a protracted process of consultations with stakeholders. The road between Okahandja and Karibib is falling apart, not only due to the good rains that we have been blessed with this year but because the road has also reached the end of its life span. If that road is not rehabilitated in the next 12 months, it will continue to cause so much inconvenience to the motorist and investors alike to the extent that lives might be lost soon. To those who oppose the introduction of the MDCs while our road network is dissociating, we want to receive their suggestions about how to mobilise adequate financial resources in a less painful way. Namibia prides in her impeccable road network and would like to be considered as a hub of the transport sector in the SADC region. We can therefore not afford to stand idly by while our road network is going to the dogs. Government has given RFA the mandate to be the custodians of the national

road network and we are not going to shirk from this responsibility. The nation is watching us to see if we shall deliver the expected goods at an acceptable standard and deliver we shall.

The purpose of these meetings is to inform and not to consult stakeholders. Cabinet has already deemed it right that the MDCs should be implemented as from 1st April 2006 and we are at an advanced stage of preparing for such a launch. We recognise that the system we will be using for the next 12 months in collecting MDCs might not be 100 percent water-tight. Some stakeholders are claiming that the refunding system is not yet finalised. This is not true. We are already implementing a refunding system with regard to the fuel levies and RFA has valuable experience and capacity to handle the MDC refunding system. RFA will implement the MDC system through NaTIS and through Iroko, our CBC agent, while we are putting in place a Global Positioning System that would be satisfactory to most, if not all, heavy-vehicle owners and operators. So, please bear with us during the next 12 months while we are putting this system in place and perfecting it for the benefit of all road users in Namibia. We need your support and critique, but not your criticism.

I wish you all fruitful, constructive, and forward-looking deliberations in order for all of us in the road sector to make our maximum contribution towards the attainment of the objectives of Namibia Vision 2030.

I thank you for your kind attention