



MEDIA STATEMENT

**SUBJECT: INCREASE OF ROAD USER CHARGES
(RUCS).**

By:

**Ali Ipinge, Chief Executive Officer, Road Fund
Administration (RFA)**

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Members of the Media

Management and Staff members of the Road Fund Administration

Ladies and Gentlemen

Good morning,

I thank you for responding promptly to our invitation, and to attend to our announcement of the adjustments on the road user charges. As you may know by now, RFA was established by an Act of parliament, Act 18 of 1999 and came into operation on the 1st of April 2000. The RFA is governed by a Board of Directors and operates under the auspices of the Minister of Finance, with corresponding reporting lines to the Minister of Public Enterprises.

The RFA's objective is to manage the Namibian Road User Charges (RUC 's) with a view to secure and allocate sufficient funding for the achievement of a safe and economically efficient road sector in Namibia. The line Minister may effect changes to Road User Charges (RUC 's) enable the achievement of the RFA Act objectives in terms of Section 18(1) of the RFA Act. Section 18(1) of the Act is defined as follows:

“Subject to section 18, the Administration may from time to time after consultation with the Minister and such parties as the Minister may direct, by notice in the Gazette, and in accordance with such principles as may be prescribed, impose any one or more of the following road user charges for the achievement of the objects of this Act,”

The Road User Charges (RUC 's) consists of:

- Fuel levy (i.e. a levy charged on fuel consumption)
- Vehicle Licensing and Registration Fees (collected through NaTis)
- Cross Border Charges (collected at 18 RFA border offices)
- Mass Distance Charges
- Abnormal Load Charges
- Roads Carrier Permits

The development and maintenance of our national and urban road network come at a huge cost, and through the establishing Act, the Road Fund is mandated to ensure that Namibia has well maintained road network, that takes into account the safety of all road users and ensures that the road network is economically efficient.

Therefore, to ensure that there is sufficient funding the RFA adopted the user-pay-principle, in that road users pay for the usage of the roads.

The revenue collected by RFA and the investments made into the roads as well as broader economy, places the organization into one of the key and strategic public sector institutions in Namibia. Given the sluggish economic conditions, RFA, has managed to collect revenue of N\$ 2.37 billion during the 2017/2018 financial year which have increased to approximately N\$2.46 billion for the 2018/2019 financial year and we anticipate to collect N\$ 2,5 billion in the 2019/2020 Financial Year as per the approved Business Plan.

Since 2008, RFA has contributed over N\$ 16.5 billion towards the upkeep and development of the national and urban road network, and commits to contribute as per our Business Plan about N\$ 13 billion between 2019 to 2024. With these contributions, current proclaimed national road network standing at about 48,000 km are maintained annually. RFA, reinvest the money collected back into the road sector network and administrative operations of RFA, RA and Natis operations country-wide. Broadly the support goes to:

- a) Roads Authority (road maintenance and rehabilitation; administrative expenses as well as NaTIS operations to support the National traffic information system; Vehicle licensing, driver testing and licensing renewal.
- d) Local Authorities and Regional Councils;
- e) Traffic law enforcement
- f) National Road Safety Council projects

In maintaining industry norms and curbing administrative expenditures of RA and RFA, we have adopted a prudent approach to administrative cost management

which currently stands at 12,5% of total revenue compared to global industry average of 15%. RFA is well aware that continued increase of the RUC's is not sustainable in the long term hence the adopted strategy of inflation linked increases.

This now brings me to the purpose of today's media briefing:

The approval of a 4.3 % RUC 's increase was granted by the Honorable Calle Schlettwein, Minister of Finance in March 2019. The effective date as per the government Gazette is 1st of May 2019. For instance, the Road Fund, derives about 60% of its revenue from the fuel levy, which will be adjustment from N\$ 1.30 per liter to N\$ 1.36 per liter, as from 1st May 2019.

This increase will certainly bolster the Road Fund revenue to provide additional investments towards the maintenance, preservation and rehabilitation of the national and urban road network which is critical to the attainment of Namibia's transport sector programs, Logistical Hub agenda and economy growth.

Implications of the Five Year Business Plan 2019-2024

The Business Plan is a budget of revenue including loans, and expenditures for Road project and programs funded through the Road Fund, and disbursed to the recipient authorities. It is evident that the amount of funding that can be collected and budgeted for through the Road User Charges is substantially inadequate to achieve the object of a "safe and efficient road sector".

As a direct result of funding limitations on the increases of road user charges, the RFA in this current financial year will be able to fund the following expenses:

- The maintenance of the national road network by the RA (N\$1.2 billion).
- The rehabilitation of the national road network, including bridges structures by the RA (N\$244 million)
- A contribution to the maintenance of urban streets and rural road networks (N\$119 million) to Local Authorities and Regional Councils

- The operation of the Namibian Traffic Information System (N\$40 million) i.e. NaTIS
- A contribution to traffic law enforcement authorities and agencies (N\$38 million)
- A contribution to projects of the National Road Safety Council.
- The administrative expenses of the RA
- The administrative expenses of the RFA
- MDC Automation Project and
- The land acquisition, development and construction of a ONE STOP NaTIS Centre in Windhoek.

In spite of the current model of user pay system which does not provide sufficient resources, Namibia has managed to do well in terms of global ranking in the quality of roads as per World Competitiveness Report which ranks Namibia at 25 spot globally and 1st in Africa. This is achievement that Namibia and broader road sector fraternity is proud of and need to be maintained. RFA support research and innovation in road construction, best practice, usage of environmentally friendly material through the funded institutions.

In addition, RFA, is striving to meet governments national objective to ensure that Namibia becomes the logistic hub and gateway to the land linked countries in SADSC and beyond; with focus for the funding towards the development and upkeep of the Trans Kalahari, Trans Kunene, Trans Oranje and Trans Zambezi corridors.

Further, it part of our strategic intent to ensure that synergy is created between logistics and supply chain stakeholders such as Namport, Walvis Bay Corridor Group, Transnamib and Transport Operators given the impetus provide with the deepening of the Walvis Bay Port. RFA will do its part to ensure that coordination is achieved in the short to medium term.

The full schedule of the revised charges as per government gazette number: 6880, will be made available to yourself and our stakeholder and on the RFA website.

Ladies and Gentlemen, I thank you for your attention and attendance.