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**Mr John Motsatsing**

cc Mr Ngwako Thoka  
cc Justice Project South Africa  
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cc Organisation Undoing Tax Abuse

**Department of Transport**  
**Private Bag X 193**  
**Pretoria**  
**0001**

**27 March 2019**

Dear John,

**RESPONSE: GAZETTE 42291 - INCREASE IN RTMC TRANSACTION FEES**

It is a pleasure to once again correspond with you regarding traffic matters. My comments on the aforementioned gazette are appended below.

**1. Apparent error in Government Gazette 42291**

In the introductory paragraph, reference is made to "...transaction fees for the year 2018/19...". Since 2018 is in the past, and the financial year in question undoubtedly ends in 2020 rather than 2019, I presume this was in error and refers to 2019/20.

If such is the case, the gazette is likely to have no legal standing if promulgated. It would be proper for the gazette to be withdrawn and re-issued with the correction. I will comment further, nonetheless, as though that were not the case.

## 2. Background

The Transaction Fee was predicated as a funding mechanism for eNaTiS and implemented at a level of R30 per transaction in July 2007.

As the eNaTiS system is a complex, nationwide system which holds data on over 12 million vehicles and 12 million licences, it is right that it should be adequately funded.

However, it is also incumbent for the RTMC to demonstrate to the road user that proper value for money is being received in respect of this fee.

Prior to the implementation of eNaTiS, the data on vehicles and driving licences was held and processed without there being any need for a fee to be charged to fund such operation, and the details around the implementation of eNaTiS and the charging of the fee remain controversial. It is a matter of history that the introduction of eNaTiS was botched, causing substantial hardship for vehicle owners and marked drops in vehicle registrations, with considerable economic damage to South Africa.

## 3. Current status of eNaTiS

In consequence of the Constitutional Court judgment *Department of Transport and Others vs Tasima (Pty) Ltd* on 9 November 2016, Tasima was ordered to hand over the eNaTiS and associated services to the RTMC.

As a result, the "eNaTiS" Transaction Fee is now referred to as an RTMC Transaction Fee and is described in the abovementioned Government Gazette 42291 as "Transaction Fees to be paid to the Road Traffic Management Corporation".

Further on, I will expand on the key point, which is that the fee no longer merely funds eNaTiS, but the RTMC as a whole, so any changes to the fee must be weighed up against the RTMC's governance and delivery failings.

#### 4. RTMC Revenue streams

According to the RTMC's 2017-2018 annual report, the RTMC derived revenue from the following sources:

R198 555 000	Grant income from the National Department of Transport
R585 317 558	Transaction Fees from licences
R8 499 626	Infringement fees from fines issued by National Traffic Police and Road Traffic Inspectorate
R4 430 489	Fees collected for training at Boekenhoutkloof College
R30 200 650	Fees charged for access to NaTiS data
R3 617 790	Interest received from investments (call account and investment account at the Reserve Bank)
R136 668	Proceeds from sale of assets
R 10 556 496	Sponsorships

The RTMC's total revenue was thus R841 316 297 versus expenditure of R1 145 598 610, giving a loss of over R300m.

I am not aware of any legislation which requires the RTMC to ring-fence the Transaction Fee revenue solely for the purposes of the operation of eNaTiS. A reading of the financial information of the RTMC confirms that the Corporation's management regards and uses this revenue as being of general application rather than merely limited to the operation of eNaTiS as was the case in the past.

Any attempt to increase the Transaction Fee must therefore be interrogated against the RTMC's broader financial and governance record, and the effectiveness of the organisation as a whole. The quantum of the fee can no longer be adjudicated merely on the narrow needs of the eNaTiS system. However, there exist no public criteria in terms of which the fee is set.

For a fee of such an onerous nature, the absence of these criteria is not acceptable, because the RTMC is wasteful, profligate and ineffective. It has numerous financial and structural issues which require attention. For it to receive 14% extra on the Transaction Fee would be, under the circumstances, improper to say the least.

## 5. RTMC staffing costs

The staff complement of the RTMC was 772 in the 2017-2018 financial year, and total staff costs of R455 401 283 enable one to compute an average annual staff cost per person of R589 898.

Since this is an average and there will be many junior and clerical employees earning far less than this, there are substantial numbers of RTMC staff earning enormous salaries. This is confirmed on page 61 of the RTMC's annual report for 2017-2018 in the table "*Personnel cost by salary band*", reproduced as follows:

*Personnel cost by salary band*

Employee expenditure constitutes 40% of the RTMC's total budget

Level	Personnel expenditure (R0'000)	Percentage of personnel expenditure to total personnel cost	Personnel expenditure as a % of total expenditure (R0'000)	No. of employees	Average personnel cost per employee (R0'000)
Top management	21 323	5%	2%	8	2 665
Senior management	47 398	10%	4%	53	894
Professional qualified	100 544	22%	9%	97	1 037
Skilled	157 766	35%	14%	324	487
Semi-skilled	128 371	28%	11%	290	443
<b>Total</b>	<b>455 401</b>	<b>100%</b>	<b>40%</b>	<b>772</b>	<b>590</b>

It is astonishing that the lowest rung of "semi skilled" staff should come at an average personnel cost per employee of R443 000 per annum, or R36 916 per month. At the risk of being flippant, it certainly falls into the '*nice work if you can get it*' category.

Equally astonishing is the average cost per employee of the top management band, at R2 665 000 per annum, or R222 083 per month. These figures are similar to salaries paid to many directors and senior managers of JSE-listed entities whose turnovers are an order of magnitude or greater higher than that of the RTMC.

Since the RTMC is an SOE with government as the sole shareholder, these vast salaries are paid solely at the taxpayer's risk. I do not believe I am being too bold when I say this speaks of an astonishing disconnect with both the current poor economic circumstances in which the majority of South Africans find themselves, and the country's abysmal macro-economic outlook and growth prospects.

The RTMC, like many other SOEs, has become a locus of enrichment for a small elite.

With the RTMC's employee cost at 40% of turnover, the imposition of disproportionate Transaction Fee increases goes, in no small part, to fund the luxurious lives of RTMC staff. This is wrong. It was never the intent of the legislator for the Transaction Fee to fund these levels of opulence, especially when the results of the RTMC are so dire.

## **6. RTMC Expenditure**

In the 2017-2018 financial year, a loss of R322 919 073 arose, which the RTMC attributes to NaTIS-related services (R137 million), curriculum development on road safety collaboration with the Department of Basic Education (R30 million) and book entry provision for bad debts amounting to R176 million.

Any company which must provide for bad debts amounting to 21% of its annual revenue is unarguably being badly run. This level of mismanagement and over-expenditure is addressed, in the private sector, by implementing economies, reducing staff costs and improving efficiencies. Since the RTMC falls within the public sector with its limited resources, such measures should be doubly important.

Instead, the Minister seeks, with this latest increase in the Transaction Fee, to bail out the RTMC and cover up its bad management by increasing the revenue stream from a stealth tax.

## 7. History of the Transaction Fee

The following table sets out the quantum of the Transaction Fee since implementation. It also shows the Stats SA CPI inflation rate as in February of each year, and what the Transaction Fee would have been had it increased by CPI in each year.

YEAR	Stats SA CPI	Inflation- adjusted fee	Actual Fee	Variance
2007		R 30.00	R 30.00	R 0.00
2008	9.80%	R 32.94	R 30.00	R-2.94
2009	9.59%	R 36.10	R 30.00	R-6.10
2010	5.71%	R 38.16	R 36.00	R-2.16
2011	3.68%	R 39.56	R 36.00	R-3.56
2012	6.10%	R 41.98	R 36.00	R-5.98
2013	5.85%	R 44.43	R 36.00	R-8.43
2014	5.92%	R 47.06	R 36.00	R-11.06
2015	3.91%	R 48.90	R 36.00	R-12.90
2016	7.00%	R 52.33	R 42.00	R-10.33
2017	6.57%	R 55.77	R 42.00	R-13.77
2018	3.03%	R 57.46	R 72.00	R 14.54
2019	4.50%	R 60.04	R 72.00	R 11.96
<b>TOTAL</b>		<b>R 584.73</b>	<b>R 534.00</b>	<b>R-50.73</b>

As can be seen, the government's failure to implement small annual adjustments in the Transaction Fee has led to an under-recovery versus CPI since the Transaction Fee was introduced.

The following table shows a projection of the previous table into 2023 presuming CPI of 5.1%, with no increase in the Transaction Fee. It can clearly be seen that if the current fee level is maintained, it will result in an over-recovery versus CPI until 2023.

YEAR	CPI	Inflation- adjusted fee	Actual Fee	Variance
2019	5.10%	R 60.04	R 72.00	R 11.96
2020	5.10%	R 63.10	R 72.00	R 8.90
2021	5.10%	R 66.32	R 72.00	R 5.68
2022	5.10%	R 69.70	R 72.00	R 2.30
2023	5.10%	R 73.26	R 72.00	R -1.26
<b>TOTAL</b>		<b>R 332.42</b>	<b>R 360.00</b>	<b>R 27.58</b>

## 8. Discussion of the under-recovery of the Transaction Fee

For the following reasons, I do not believe the historic under-recovery of the Transaction Fee versus CPI is of significance, nor that the Transaction Fee should be increased to recover it after the fact:

8.1 Neither the RTMC nor Tasima has ever previously made any claim that the Transaction Fee was inadequate and not covering the costs of the operation of eNaTiS. It was therefore evidently adequate in real terms and the inevitable conclusion is that the public have been over-charged for it, whether or not the increases have been cumulatively behind CPI.

8.2 There is no evidence that the Transaction Fee was ever set at a provable level to begin with. It was an arbitrary figure.

8.3 The incorporation of the eNaTiS system within the RTMC should have resulted in increased economies in operating costs of the systems, with reduced operating costs and therefore lower levels of funding required.

8.4 It is evident from the RTMC's financial statements that it now relies on the Transaction Fee to fund much more than just eNaTiS, and as a result it is now funding broader mismanagement and waste. This cannot be justified under the banner of funding the historic under-recovery.

## 9. Effectiveness of the RTMC

It is not necessary to enter into a prolonged discussion of the RTMC's failures. The following bullet points will suffice:

- ‡ Under the RTMC, the traffic fatality rate doubled from 6.97 fatalities / 100 million vehicle kilometres in 1998, to 12.02 fatalities / 100 million vehicle km in 2006. The RTMC has not issued this fatality rate since 2006, despite the data being available for it to do so.
- ‡ The preliminary deaths-per-day figure for the Christmas season, as derived from the RTMC's public media statements, has risen from 20 in 2008 to 43 in 2017. Another way of putting the situation is that one's risk of death in a traffic crash has at least tripled since the RTMC was founded 20 years ago.
- ‡ The quality of the RTMC's traffic data is abysmal. Since 2000, traffic data has only been issued on fatal crashes, which constitute 1% of the total number of crashes. What data does exist is defective to the point of unusability, since it has not, since 2011, included such basic information as crashes by street element. None of the RTMC's traffic data reports since its founding meet the Stats SA standards for statistics issued by an organ of state.
- ‡ Massive corruption has plagued the RTMC in respect of the office rental scandal and the hiring of luxury suites for the AFCON Cup, for which nobody has yet been called to account almost ten years after the fact.

In summary, the RTMC is useless. It has destroyed road safety and wasted billions in public money. There is no rational reason for the motorist and taxpayer to continue to fund it, and, by extension, no justifiable reason for an increase in the Transaction Fee.



There are enough demands on the public purse without throwing more money in the direction of this gigantic feeding trough which benefits only an overpaid elite who presided over a massive loss in the last financial year and have delivered no other results which might justify their enormous remuneration or the funding thereof by the motorist.

## 10. Summary

### 10.1 Under-recovery of historic Transaction Fee revenue.

I do not believe an argument can be made in favour of increasing the quantum of the Transaction Fee to balance historic under-recoveries, since there is no evidence that either the RTMC or Tasima suffered any prejudice as a result.

### 10.2 Justice and fairness in taxation

Since a vehicle owner is compelled by statute to pay the Transaction Fee, it is a type of taxation. It is a common principle of taxation that it should be broad and progressive. Instead, the Transaction Fee is a concentrated and regressive tax, affecting only the 20% or fewer of South African citizens (natural and juristic) which own vehicles, without heed to the broader benefits which vehicles bring to all citizens in their function of enabling commerce and transporting goods and passengers.

Substantial increases in concentrated and regressive taxes therefore disproportionately affect those who are directly taxed, and result in higher costs to all citizens than a broad tax, since they are subject to multipliers in the value chain before reaching the consumer in the form of the goods and services purchased.

To subject those who pay the Transaction Fee to successive annual increases of 72% and now, with the current proposal, a further 14%, is to completely disregard the principles of justice and fairness in taxation.

### 10.3 South African economic position

An increase in any fee charged by a State-owned entity should not exceed CPI. SANRAL, for example, is prohibited by statute from increasing toll fees by an amount exceeding CPI, and there is no reason why the RTMC, or any other entity of the Department of Transport should be excluded from this commonsense position except where required otherwise on a case-by-case basis.

The purpose of a department of State or a State-owned entity is to serve the public and be self-sufficient, not to generate windfalls by exploiting the public. Conversely, it should not plunder its coffers through mismanagement and then, pleading poverty, use a statutory instrument to brute-force a bailout without any regard for the public. It should especially not do this in successive financial years.

### 10.4 Mismanagement and financial imprudence of the RTMC

The RTMC's own financial data shows that it is badly run. Its bad debts are exorbitant, its staff are cocooned in a golden bubble of astonishingly high salaries, and it has come to rely on the Transaction Fee to sustain this. The RTMC should set its house in order, implement believable economies and re-assess its headcount and remuneration levels. It would be a disservice to the public to grant increases in the Transaction Fee exceeding three times CPI to fund these levels of excess and incompetence.

## 10.5 Lack of demonstrable results and value added by the RTMC

The RTMC has added zero to road safety in South Africa. All available data demonstrates that road safety collapsed within the first ten years of the RTMC's existence, and what little data has been available since shows that the decline has continued. It is impossible to conclude otherwise than that the RTMC has, in fact, caused the collapse of road safety, since the decline started in the year the Corporation was founded.

Traffic deaths are increasing, licensing fraud is so rampant now that bought licences have become the rule rather than the exception, and the RTMC has totally failed to impact on any of these factors or develop statistically-sound approaches to turning the situation around.

Put another way, the purpose of the Road Traffic Management Corporation is to manage road traffic. It has not done so. There is no sound reason why the public should be requested to provide an over-inflation increase in the RTMC's main funding stream while the Corporation is completely ineffective and incompetent at carrying out its basic mandate.

## 11. Proposal

In light of the foregoing, my view is as follows:

11.1 The Transaction Fee should be held at its current level of R72 until 2023, whereupon a regular, annual increase no greater than CPI should be granted.

11.2 The RTMC should be investigated by an independent firm of auditors with a view to implementing substantial cost cuts.

11.3 The CEO of the RTMC should be held to achieving set targets in the measurement and reduction of fatality rates. Both his salary and the granting of any further increase in the Transaction Fee should be contingent upon these targets being achieved - if the South African motorist and taxpayer is to fund a body whose job is to limit road deaths, that body should either fulfil that mandate or be shut down.

11.4 Once suitable efficiencies have been implemented at the RTMC, and proven results obtained, the current Transaction Fee, which is applicable to vehicle licensing only, should be broadened to include all eNaTiS transactions, so that it can be a broader-based fee set at very low levels which achieves the revenue required without concentrating the load solely on a single class of road user conducting a single type of transaction. I urge the Department of Transport to carry out a study on the types of transactions to which such a broad-based fee could be applied, and determine an estimate of the quantum of such a fee, in order that the revenue stream be sustainable, affordable and to end the public disenchantment with the Transaction Fee.

I trust you will find the foregoing helpful.

Yours faithfully,



Rob Handfield – Jones  
**Managing Director**