

## South African Vehicle Rental and Leasing Association

### A comparison between Open Road tolling and the suggested Fuel Levy

<b>Preliminary comment</b>	SAVRALA does not dispute the need for an improved road network. In fact the initiative is to be applauded. Likewise it is understood that SANRAL needs to service the debt it incurred. What is in dispute is the cost of use, the potential low compliance levels, the method of payment / collection and the negative impact thereof. The table below shows some of the considerations that inform SAVRALA's position.
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Consideration	Open Road Tolling (ORT)	Fuel levy
User Pay principle	Under current dispensation all tax payers contribute to roads whether they own a vehicle or not. If the user pay principle was the only consideration then the sensible solution would be to reduce income tax and collect the funds necessary for roads exclusively through the fuel levy .	
	A modern road network throughout the country is a matter of primary national interest for the benefit of all citizens and government is obligated to providing an appropriate infrastructure	
	Commuter buses and taxis are exempted. Trucks also provide a service of national interest, they should be exempted. All economically active people contribute to the national patrimony, they should also be exempted. What about Ambulances? The Police? Etc.	All users pay and the burden is shared equitably by all vehicles in terms of their fuel consumption.
Why must people outside Gauteng pay for roads in Gauteng?	Gauteng GFIP users pay for the use of toll roads in the province. No outside contribution.	The same question applies in reverse. Why should Gauteng motorists pay for roads outside the province? Gauteng accounts for more than 60% of the total fuel bill in SA and the true fact is that Gauteng has been contributing to the national roads for years. Alternatively, If this consideration was to be taken to the extreme, one should insist that all roads in SA are tolled.
What if the motorists migrated to secondary roads?	They wouldn't be contributing to better roads. Those secondary roads would deteriorate faster at the expense of already stretched municipalities and SANRAL would not achieve its targets	The fuel levy guarantees that the motorists pay for the use of roads, irrespective of where they drive. They would therefore choose the main roads and not deteriorate the secondary network.
Treasury finds the fuel levy method impractical as the funds could be diverted for other uses	The revenue collected from tolls would be paid into SANRAL's account.	How impractical can it be? It simply requires fuel companies to be instructed to pay the fuel levy directly into SANRAL's account and not to SARS. There would be 5 collection points (refineries) and the legal framework already exists (the Transnet pipeline is financed by way of a fuel levy).
What compliance levels did SANRAL use in its model?	If current experience is to be used as a benchmark, authorities collect about 20% of traffic fines. For non account holders and offenders, SANRAL would have to rely on AARTO and it is not successful. Remark: even the London authorities have major problems in collecting congestion taxes.	SANRAL has yet to disclose this information, notwithstanding many requests. Fuel levy guarantees 100% compliance
	Law abiding citizens would be paying for non compliant users. People could be reluctant to comply if they thought they would get away with it.	No such risk
	Assuming a relatively low level of compliance one must be prepared for major increases in toll fees every year	No such risk

Consideration	Open Road Tolling (ORT)	Fuel levy
What is the cost of administering the ORT?	SANRAL has not fully disclosed the full costs. It is estimated that it will cost about 30% of the revenue to be collected	The administrative costs of the fuel levy method are NIL
Gantries have been built at great expense. and what would one do with them?	The expense has already been incurred. Why waste more money in perpetuating an inefficient system. Gantries could be used for law enforcement and traffic monitoring or earn revenue as advertising boards	
What is the impact of GFIP?	Much better and improved roads. Gains in commuting time, better productivity all round .	
	Increase in inflation as the additional cost to the motorist and freight industry would be reflected in the price of services and goods (basic foods included).	Much lower impact.
	It is estimated that local tourism is likely to be one of the first sectors to suffer the consequences and the risk is that thousands of jobs in outlying and rural areas could be lost when the average Gauteng family will see its annual disposable income reduced unnecessarily by several thousand Rand.	Much lower risk.
	Poor people are more than likely to be the first victims of increased prices.	Much lower risk.
	Prosecution of offenders will flood an overloaded judicial system and curtail its capacity to deal with real criminals.	No such risk.
	The unnecessary use of energy, fuel and paper will impact negatively on the environment.	No such risk. It might even prove be positive because it encourages people to use less fuel.
	All fleet owners have to invest in human resources and introduce systems to audit and process toll fees. These additional costs will be passed on to the consumer.	No such risk and cost
Will the ORT help create more jobs?	The administration of the ORT will be creating a few hundred jobs. The real question is: are these additional jobs really productive and wouldn't they be achieved at the expense of productive job losses in other sectors which would outweigh the gains claimed by SANRAL.	No risk to unemployment levels.
<b>What would be the difference in cost per kilometre travelled?</b>	Cabinet has published the approved toll tariffs as follows: Motorcycles: 24c/km Light vehicles: 40c/km Medium vehicles: 100c/km Longer vehicles: 200c/km Qualifying taxis and buses: exempted. Discounts apply to e-tags, usage at off peak hours and frequent users <b>For the purpose of this document we shall use a round figure of 30c / km to the motorist and SANRAL has no guarantee of collecting same as outlined above.</b>	<b>According to SAVRALA's estimates an increase of less than 40c / litre in the fuel levy would cost less than 4c / km to the average South African motorist. The difference speaks for itself and SANRAL would be able to meet all of its obligations.</b>