###### National Assembly

**Question No: 899**

**899. Mr T Z Hadebe (DA) to ask the Minister of Transport:**

Whether the Road Accident Fund has any debt that has remained unpaid for 30 days or more; if so, (a) what (i) are the details of these debts, (ii) are the reasons for non-payment in each case, (b) on what date will each debt be settled and (c) what (i) processes, (ii) procedures and (iii) mechanisms are in place to ensure that payments are made on time?

**REPLY**

On 28 February 2017 the Road Accident Fund (RAF) presented its financial position and cash constraints to the Portfolio Committee on Transport (PCoT). This presentation was linked to the debts as posed in this Parliamentary Question and included reference to the RAF’s 2013/14, 2014/15 and 2015/16 Annual Financial Statements previously presented to PCoT inclusive of the same financial reality.

The RAF has debt that has remained unpaid for 30 days or more, defined for purposes of this reply as money the RAF is required to pay immediately and excludes borrowings. To avoid doubt, the RAF has no borrowings;

(a)(i) debts older than 30 days (Claims Creditors as at 4 April 2017 and Trade Creditors as at 28 February 2017) comprise of a total of 14 555 individual debts with a combined value of R 5.5 billion, which are debts processed for payment but have not yet been paid. In respect of Claims Creditors (payments due in relation to claims made under the Road Accident Fund Act, No. 56 of 1996) (Act), the details of the debts are set out in the table below:

|  |  |  |  |
| --- | --- | --- | --- |
| **Claim Creditor Category** | **Number of Claims Creditors** | **Value in Rand** | **Payment Date** |
| Claimant creditors - capital | 5 198 | R 3 960 543 951 | Less than 180 days from date of payment request as per the RAF’s Cash Management Plan |
| Claimant creditors - cost | 3 792 | R 748 282 177 |
| Writ creditors (capital and / or costs) | 1 858 | R 783 182 863 |
| Supplier creditors | 180 | R 2 465 110 |
| Undertaking creditors | 199 | R 3 100 830 |
| RAF attorneys, actuaries and other claim operations service providers | 3 147 | R 60 009 169 |

Details of debts due to Trade Creditors are captured in the table below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Category** | **Number of Trade Creditors** | **Number of Transactions** | **Value in Rand** | **Payment Date** |
| Trade Creditors | 17 | 181 | R  6 147 178 | Dependent on reconciling of items |

(ii) the reason for non-payment in respect of each Claims Creditor is the lack of cash to make payment when due as a result of the mismatch between the funding the RAF receives *via* the Road Accident Fund Fuel Levy (approximately R2.8 billion per month) and the payments the RAF is required to make to Claims Creditors in terms of the Act (approximately R3 billion per month), and the reasons for non-payment in respect of each Trade Creditor is due to engagements in the ordinary course of business with the suppliers of goods and services on items being queried for any number of reasons – also known as reconciling items.

(b) the RAF implemented a Cash Management Plan based on the RAF’s actuarially determined Funding Model, to determine the number of days necessary to effect payment on the basis of the monthly Road Accident Fund Fuel Levy income forecast and the monthly claim settlement patterns and related service level agreements (these calculations are refreshed when circumstances change materially, or at a minimum once a year). The key objective of the Cash Management Plan is to ensure the maximum number of payments to all categories of Claim Creditors and Trade Creditors, within the available cash constraints, noting that there is insufficient cash to settle all debts which are due for payment at any point in time. Currently the maximum payment days the RAF endeavors to honor are 180 days from when the debt was processed for payment. However, the exact date of settlement of the outstanding debts in respect of each of the Claims Creditors is unknown as the payment date is dependent on the category of debt as defined in the Cash Management Plan and the available cash to make payment (which is in turn dependent on the fluctuating monthly Road Accident Fund Fuel Levy income and the *ad hoc* recovery of diesel rebates, which reduce the Road Accident Fund Fuel Levy income), number of claims settled, number of judgments, number of writs, and operational interruptions as a result of bank account attachments. The exact date of settlement of the outstanding debts in respect of each Trade Creditor is unknown because of the dependency on the reconciling of items.

(c) noting the challenges relating to cash constraints and the reconciling of items, the following mechanisms are in place to ensure that payments are made: (i) manual and automated payment processes, and daily, weekly and monthly reporting mechanisms, (ii) the RAF Accounts Payable Policy and Standard Operating Procedure, and (iii) the Cash Management Plan.