

NATIONAL DEPARTMENT OF
TRANSPORT

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NATIONAL DEPARTMENT OF
TRANSPORT

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Government Motor Transport

Reference: T118

TRANSPORT CIRCULAR NO. 5 OF 2003

TO ALL HEADS OF DEPARTMENTS, ACCOUNTING OFFICERS AND
TRANSPORT OFFICERS.

SUBSIDISED MOTOR TRANSPORT POLICY: EFFECTIVE FROM 1 JULY 2003

COTO, a committee of Head of Department of Transport to which the coordinating committee on Government Motor Transport (CCGMT) reports to, has approved a new Subsidised Motor Transport Policy, **with effect from 1 July 2003**.

This policy document replaces all previous Subsidised Motor Transport instructions issued by the National Department of Transport.

All the National/Provincial State user departments may participate on this contract, including South African Police Services (SAPS) and the South African National Defence Force (DOD).

Should any questions arise as to the interpretation of the Subsidised Motor Transport Policy instructions, they are to be referred to the National Department of Transport and **not to the service providers(s)**, by the Head of the department and in the case of Provinces via the Provincial Department of Transport.

Kindly ensure that this circular minute is distributed to all Subsidised Motor Vehicle owners and officials within your Department/Administration.

L Hoole

For DIRECTOR-GENERAL: TRANSPORT

Date: 11 July 2003

POLICY FOR A NEW SUBSIDISED MOTOR TRANSPORT SCHEME

SCHEME A

1. Definitions

In these instructions, unless the context otherwise indicates –

- a. "assigned" official kilometres" means the number of official kilometres prescribed for a specific subsidised vehicle;
- b. "capital remuneration" means the State's contribution to the capital cost based on the purchase price minus the estimated resale value of a subsidised vehicle, payable in equal monthly instalments for the duration of the selected official utilisation period;
- c. "department" means the department or provincial administration referred to in section 7 (2); (ii);
- d. "head of department" means the head of the department referred to in the Public Service Act, 1994 (Proclamation No. 103 of 1994, chapter 3), and unless otherwise indicated, an officer to whom they have delegated their powers in terms of these instructions;
- e. "officer" means
 - a person who has been appointed permanently, notwithstanding that such appointment may be on probation, to a post contemplated in section 8 (1) (a), and includes a person contemplated in section 8 (1) (b) or 8 (3) (c); (i);
 - a person who has been appointed on contract in terms of section 8 (1) c) (ii) of the Public Service Act, 1994; and
 - section 9 (1) of the Restitution of Land Rights Act, 1994 (Act 22 of 1994);
- f. "regulation" means a Public Service Regulations, unless otherwise indicated;
- g. "selected official utilisation period" means the utilisation period selected by an official, in respect of the utilisation of a subsidised vehicle, subject to approval by the head of the Department;
- h. "subsidised motor transport" or "subsidised vehicle" means motor transport which in terms of these instructions is to be utilised by an officer;

"transport officer" means the officer appointed by the head of the department to, inter alia, administer the department's subsidised transport.

"service provider (s)" means the private sector company that will provide the finance, maintenance and administration for the Subsidised Transport Scheme within a contract issued by the State;
- k. "responsibility manager" means the accounting officers in terms of the Public Finance Management Act "Act No.1 of 99, Section 36";

"benchmark Price" means the set capital amount per category of vehicle for purchase purposes as amended by the Department of Transport quarterly.
- m. "de novo" means from the beginning.

2. An overview

The appointed service provider (s) within a contract issued by the State will do the provision of finance, maintenance, and administration for the Subsidised Motor Transport Scheme.

An officer will qualify for Scheme "A" if he or she travels, for job related purposes, a minimum of 21 000 and not exceeding a maximum of 29 000 official kilometres per year. It is however, the prerogative of a head of Department to approve official kilometres in excess of 29 000 kilometres.

The combined capital remuneration and maintenance allowances will be paid to the official as the fixed cost element of the monthly travel allowances and will be calculated by the Service provider (s). The service provider (s) will deduct the fixed cost element from the official's salary over the contractual period electronically by way of a stop order via PERSAL or PERSOL.

The fuel allowance constitutes the variable cost element of the monthly travel allowance and is calculated according to the actual official mileage completed per month multiplied by the fuel allowance tariffs in cents per kilometre as prescribed in Annexure "B".

Note:

Officials are compelled to keep accurate records if they intend claiming tax relief for actual running expenses.

3. Interpretation

Should any questions arise as to the interpretation of these instructions, they are to be referred to the National Department of Transport by the Head of the department and in the case of Provinces via the Provincial Department of Transport.

4. Delegation

Unless otherwise indicated, a Head of a department may delegate any of the powers conferred upon them by these instructions to any other officer on the conditions that they so determine.

All amendments and subsequent review of this policy and/or related outsourced contracts must be reviewed and ratified by the CCGMT, COTO and MINCOM before implementation.

5. Purpose

The provision of a Subsidised Vehicle to an officer is deemed a work facility, which enables them to undertake essential and approved official journeys in those cases where the use of other available transport is neither practical nor economical. The concession to qualifying officers to participate in the Subsidised Motor Transport Scheme is not a service benefit but a work facility, which cannot be construed as a right.

6. Policy

a. Participation in the Scheme

Provinces and Departments participating in the Subsidised Motor Transport Policy must, through their Provincial Tender Boards, participate in National Contract RT77.

Where an officer's duties necessitate the official use of a motor vehicle and where the provision of a Subsidised Motor Vehicle is in the interest of the State, the allocation of a vehicle is left to the discretion of the Head of the department. All reasonable, alternative means of transport are to be considered, taking into consideration the economic implications thereof.

b. Provincial policy

It is the prerogative of each Province, National department to implement a provincial / departmental Subsidised Motor Transport Policy, which cannot digress from this policy.

In respect of Provincial administrations, the policy must be developed and ratified by the Head of the Provincial Department of Transport or their delegate before implementation.

Advisory Committee

The Head of the department should appoint a committee to advise them, with regard to the responsibilities and powers conferred upon them under these instructions.

The function of this committee will be to de novo evaluate all applications for Subsidised Vehicles based on the Subsidised Motor Transport regulations and to advise and make recommendations to the Head of the department.

In respect of National/Provincial departments, the committee should be, at least, represented by a Chief Financial officer or by his/her delegate and a line manager (s) from within each Chief Directorate and the Head of the department or their delegate should chair the committee.

The functions of the advisory committee should at least be, inter alias: -

- Verification of the application in terms of job description and the Policy;
- Determine the application of the vehicle to suit the job description;
- Vet application, utilisation period and kilometres;
- Review all applications in the context on previous kilometres travelled and/ or available exception reports from the service provider (s) on utilisation of a previous vehicle; and
- Submit a monthly report assessing compliance to this Policy and allocation of Subsidised Vehicles relating to Subsidised Vehicles to the Head of the Provincial Department of Transport.

7. Details stipulated within contracts

The State and service provider(s) shall stipulate the following in each individual contract with the official: -

- the capturing of all log sheet data;
- the handling of shortfall or excess official kilometres travelled;
- the insurance that shall be paid by the State.
- the maintenance plan;
- handling of suspected driver misuse and abuse; and
- the termination of the individual contracts and/or disposal of the vehicles.

Note:

No transfer of contracts between appointed service provider(s) shall be authorised.

8. Specific Qualifying Criteria

The contracted utilization period and official kilometers are negotiated with the State in consultation with service provider(s). An officer will qualify for Scheme "A" if he or she travels, for job related purposes, a minimum of 21 000 and not exceeding 29 000 official kilometres per annum. It is however, the prerogative of a Head of department to approve official kilometres in excess of 29 000 kilometres.

It is the responsibility of the respective department to ensure that both the official and (in the case of disables persons) the nominated driver have a valid drivers licence when provided with a Subsidised Motor Vehicle.

Hence, an official may not loan, or permit any person to make use of his/her Subsidised Vehicle for official purposes in his/her absence.

Where an official's duties necessitate the official use of a motor vehicle and where the provision of a Subsidised Vehicle is in the interest of the State, the applicant must complete the Z81 application form (Annexure "A"). This is to ascertain the level of responsibility and scope of work for which the applicant is responsible. All applicants must submit the following information in addition to the Z81 application form, which is to be certified by the Head of the directorate: -

- a copy of the applicants identity document, latest salary advice and drivers licence;
- a driver suitability permit issued by the Provincial Department of Transport;
- the kilometre and daily utilisation of a Government or outsourced vehicle for the previous six months; and/or
- the kilometre utilisation of a privately owned vehicle for approved official service for the previous six months; and/or
- the total projected official assigned kilometres that the official shall undertake, per month, which would be subject to changing circumstances that may occur.

In cases where no statistics of official kilometres are available due to the creation of new posts or a new appointment, only the total projected official assigned kilometres that the officer shall undertake per month must be reflected on the Z81 application form.

Every application for a Subsidised Motor Vehicle must be evaluated as a new application.

9. Application for a Subsidised Motor Vehicle

An official, who complies with all the specified qualifying criteria and wishes to be provided with a Subsidised Vehicle for the performance of their official duties, should submit to their department a Z81 application form. The application form should be signed by the responsible Director and countersigned by the Chief Director.

Note:

The service provider(s) shall assess the credit worthiness and affordability of each individual application received to determine whether the official is financed for a purchase of a Subsidised Vehicle under the Scheme.

10. Allocation requirements

An official may be allocated any motor vehicle under National Contract RT77, provided it is identified as a Subsidised Vehicle, taking into consideration the smallest functional vehicle, subject to the approval of the Head of the department.

The Head of the department shall approve the Subsidised Vehicle request taking into consideration the nature of the official duty for which it is required. The National Contract RT77 is utilised by the National Department of Transport in determining the price of benchmark vehicles and the associated monthly travel allowances. (Annexure "D").

The Scheme does not make provision for existing Government-owned vehicles to be taken over as Subsidised Vehicles.

Service provider(s) shall be responsible for the financing and purchasing of all Subsidised Vehicles through National Contract RT77. Service provider(s) must ensure that all vehicle orders be approved by the designated responsibility manager in terms of the MTEF budget allocation of the relevant department before submission of vehicle orders to the National Department of Transport.

Service provider (s) shall then complete a vehicle order and forward it to the National Department of Transport for audit and approval before the order is placed with the motor manufacturers. An official may exercise the option of purchasing a more expensive vehicle other than the benchmark, which has been approved by the Head of the department. Any additional costs relating to the purchase of the more expensive vehicle will be borne by the official. These additional costs include the difference between the purchase price inclusive of VAT as well as on a monthly basis the difference in the maintenance and capital allowances.

Since all Subsidised Vehicles are purchased directly from the manufacturers, circumstances does not permit the change or cancellation of vehicle orders once these orders have been placed with the manufacturer. Therefore, officials must consider affordability and personal preference of vehicles before the final quotation with the service provider (s) is signed.

11. Additional non-standard factory installed accessories

- a. Should an officer's work terrain and conditions justify the installation of additional non-standard factory installed accessories, the Head of the department may approve the installation thereof as standard vehicle equipment. The benchmark price [Annexure D] excludes approved accessories, pre-delivery services (PDI) and delivery costs. This implies that all approved accessories; pre-delivery services (PDI) and delivery costs can be added to the benchmark price of the vehicle for the purpose of calculating affordability.
- b. All Subsidised Vehicles purchased must be supplied with a factory fitted, VESA approved gear-lock. The gear-lock will be treated as an approved accessory.
- c. All Subsidised Vehicles are to have their odometers sealed prior to collection by officials.
- d. Where an officer requests the installation of additional non-standard factory installed accessories and these are not approved in terms of paragraph 11a, the official is personally responsible for financing these accessories.
- e. The service provider(s) is contractually obligated to order only additional accessories available on National Contract RT77. Should an official require any additional accessories, it should be arranged directly by the official with the elected dealership, before taking delivery of the vehicle.
- f. The cost of any additional non-standard equipment for disabled officials must be borne by the department.

12. Official utilisation period

The official utilisation period for a Subsidised Vehicle shall be for a minimum period of 32 months and a maximum period of 48 months. The official must complete the contracted utilisation period that has been negotiated per individual contract with the service provider (s). (Refer to Annexure B1)

Further, the official has to complete the official mileage as agreed with the State, subject to the conditions set out in paragraph 8.

The average annual thresholds relating to mileage would require an official to travel a minimum of at least 70% official and 30% private mileage, based on the total kilometres travelled and is subject to the conditions set out in paragraph 22. The cost of private mileage incurred in excess of the allowed 30% will be borne by the official.

The 70% official and 30% private mileage is based on the following principle which is intended to provide a guide for Responsibility Managers to effectively manage the utilisation of a Subsidised Vehicle.

Formula for calculation of the 70% official and 30% private mileage:

$$70\% \text{ official kilometres} = \text{cost to the State} / \text{total cost} \times 100$$

$$30\% \text{ private kilometres} = \text{cost to official} / \text{total cost} \times 100$$

13. Official leaving the employment of the State

Should an official not meet the contractual official kilometres when leaving the employment of the State, service provider(s) will be obliged to raise all additional penalties to the individual which are: -

- a. early finances termination charges in consultation with the State;
- b. a higher interest rate, and
- c. the outstanding settlement value of the vehicle.

14. Monthly Travel Allowance

The monthly travel allowances are based on benchmark vehicles listed on National Contract RT77.

If an official exercises the option to purchase a more expensive vehicle other than that which is approved by the Head of the Department, the monthly travel and other allowances will be limited based on the approved benchmark.

If an official exercises the option to purchase a less expensive vehicle than that which is approved by the Head of the Department, the monthly allowances will be based on the actual vehicle purchased.

The monthly travel allowance schedule is split into two distinct parts:

- a. Fixed cost element, which comprises of the capital remuneration (loan instalment amount + interest) calculated by the service provider(s) and the maintenance allowance.
The maintenance allowance paid shall vary according to the officials contract and is dependant on the contract period, make, and model and vehicle category approved for the official by the Head of the department.
- b. The fuel allowance constitutes the variable cost element of the monthly travel allowance and is calculated according to the actual official mileage completed per month multiplied by the fuel allowance tariffs in cents per kilometre as prescribed in Annexure "B". The applicable fuel tariff will be calculated in terms of the prevailing Provincial fuel price issued by the Department of Mineral and Energy from time to time.

It is the prerogative of a Head of department and or his/her delegate to pay the first fuel allowance and an S&T advance to an official based on an approved travel plan. All subsequent travel allowances are payable monthly in arrears through the payroll system.

15. Maintenance plan

To ensure that a Subsidised Vehicle remains in good condition, it is imperative that the vehicle is serviced in accordance with the manufacturers guideline as set out in the service manual and the kilometres will be regarded as private (for officials account).

A maintenance plan, will be limited to the number of kilometres of a vehicle, as prescribed by the manufacturers guideline as set out in the service manual and will be administered by the service provider(s). The maintenance plan is intended to cover all expenses related to the maintenance as prescribed by the manufacturers guideline as set out in the service manual for normal wear and tear of a vehicle.

The maintenance contract will exclude the following:

- damage arising from abuse of vehicles;
- accident damage; and
- glass windscreens

The maintenance plan limits the replacement of tyres to 8 tyres (two sets) for category "A" and "D" vehicles. For Category "B" and "C" vehicles, tyres are limited to 10 (two and a half sets).

16. **Logsheets**

It is necessary that all official trips be authorised. A travel plan must be prepared pre-facto and then be approved by the Responsibility Manager before an official trip is undertaken with a Subsidised Vehicle. (Annexure "F")

A log sheet, form Z79 (Annexure "E"), is to be completed in triplicate by the official. The logsheet is to reflect all distances covered, both official and private. The original Z79 must be directed to the departmental transport officer on or before the seventh of each month. Please note that the logsheet should be completed from the 1st of a month to the 31st of that specific month, in terms of Annexure "B" as amended from time to time.

It is the responsibility of the Head of department to verify the utilisation of the vehicle and to ensure that all entries thereon are accurate and legible. A logsheet summary is to be completed by the departmental transport officer who will submit it to the service provider(s).

The following signatures must appear on the Z79 and must be strictly controlled

- a. **Signature of Official;**
The signature is that of the official in whose name the Subsidised Vehicle is registered.
- b. **Signature of the Head of the directorate or his/ her delegate;**
This certification implies that the kilometre distance on the log sheet corresponds with the kilometre distance on the odometer of the vehicle and that the vehicle is still in good condition and services have been completed as per the maintenance contract.
- c. **Signature of the Directorate/departmental Responsibility Manager;**
This certification implies that the log sheets have been checked to ensure that trips which have been indicated as official (as per the monthly travel plan) and are in fact official and that it has been approved by them or their delegated officer and all official trips undertaken were necessary and in the interests of the State.
- d. **The service provider(s) must submit exception reports on odometer and log sheet records to the Head of department for investigation and appropriate action in terms of the Public Service Regulations and compliance to this Policy.**

Should the vehicle not have been used at all during the month, or only private distances have been covered during the month, the logsheet is nevertheless to be completed with the reasons as to why the vehicle has not been officially used, endorsed thereon, and the log sheet is to be submitted to the departmental transport officer.

Copies of the log sheets are, in all cases, to be retained by the department for reference purposes.

Note:

The service provider(s) shall be responsible for managing reports on the fuel allowances for kilometres travelled, per official, per department. The reports will be distributed and discussed monthly with the relevant departments.

17. **Suspensive conditions with regard to title deed**

The Subsidised Vehicle although registered in the official's name only takes transfer of the title deed from the service provider(s) when the: -

- a. full amount of the purchase price has been repaid by the official; and
- b. selected official utilisation period has elapsed.

Note:

The service provider(s) will determine the outstanding balance.

18. Control measures

18.1 It is the duty of the official to exercise due care and diligence with regard to the custody and maintenance of the vehicle. The vehicle is to be available for inspection by authorised persons.

18.2 Risk management

Risk Manager(s) in each Province/National department should be responsible for the following: -

- To implement risk management measures and directives issued by the Minister of Transport.
- Manage all risk associated with the Subsidised Motor Transport Scheme.
- Analyse all identified risk areas and make recommendations to eliminate or reduce risks.
- Provide a performance audit function to measure contract compliance of service provider(s) and State.
- Analyse all exception reports and implement appropriate operational actions to reduce or eliminate these identified exceptions.

19. Private use

Private mileage, undertaken at the officials cost, should be reflected in the logbook. It should also be noted that according to the SARS the distance travelled between home and work in a Subsidised Vehicle is deemed private mileage.

However, should any discrepancies arise from the interpretation of private mileage, it is the prerogative of each Head of department or his/her delegate to adjudicate the circumstance of the claim and take a final resolution. [Refer to Public service regulation, 1999 and PSCBC Resolution 3 of 1999.i.e. collective agreement on remunerative allowances and benefits].

20. Use of Government workshops and stores not permitted

An official provided with a Subsidised Vehicle may not under any circumstances utilise the services of any Government Garage, or Government-owned workshops, or of any Government stores and Government contracts, for the maintenance and operation of the Subsidised Vehicle.

21. Fines administration

The official is responsible for payment of all traffic fines incurred.

22. Rules and regulations

These provisions, which are applicable to Subsidised Motor Transport, bind the official participating within the scheme.

Failure to comply with the provisions and, or instructions issued in respect of Subsidised Transport, will render the offending official liable to disciplinary action in terms of the Public Service Regulations. In certain cases, the repossession or withdrawal of the concession in respect of the use of Subsidised Motor Transport may be enforced as sanctions to a disciplinary process.

23. Tax on monthly travel allowance

Section 8(1) of the Income Tax Act, 1962 (Act No. 58 of 1962), provides that an amount received as an allowance for travelling expenses on business, which has not been so expended, must be included on the recipient's taxable income. Where no record is kept of the use of the motor vehicle for business purposes, a distance of 14 000 kilometres is deemed to be travelled for private purposes. The total number of kilometres would in such case be limited to 32 000 kilometres, which has the effect that only 18 000 kilometres shall be deemed to be travelled for business purposes.

24. **Withdrawal**

Normal Withdrawal

Ownership of the vehicle shall transfer to the individual subject to the conditions as set out in paragraphs 12 and 17. Each department should advise the Head of department and the official participating in the Subsidised Motor Transport Scheme of normal withdrawal of a Subsidised Vehicle at least 3 months before termination of the contract.

Premature withdrawal

If for any reason, such as dismissal, retirement, ill health, death, resignation, retrenchment, or where an official is transferred a post where a Subsidised Vehicle is not justified, the monthly travel allowances and insurance shall terminate.

The State will not be liable for any allowances after the date of termination of a contract. This implies that the official is liable for the full outstanding debt on the date of withdrawal.

The Head of departmental should advise the service provider(s), in writing, of the date of termination within 48 hours of notification thereof.

A Subsidised Vehicle exceeding the number of kilometers, as prescribed by the manufacturers guideline as set out in the service manual and the maintenance contract, can be prematurely withdrawn, subject to the threshold requiring an official to travel a minimum of at least 70% official mileage, based on the total kilometers traveled.

25. Vehicle exceeding the number of kilometers, as prescribed by the manufacturers guideline as set out in the service manual and the maintenance plan: -

Officials will under no circumstances be allowed to withdraw from a contract unless a minimum of 32 months has been completed.

Officials that have travelled in excess of the number of kilometres of a vehicle, as prescribed by the manufacturers guideline as set out in the service manual and the maintenance contract, and 32 months have expired on the contract should adhere to the following process: -

- An application should be made to the advisory committee;
- Attached to the application, the official should submit proof, that 70% of the total mileage incurred to date, is official mileage; and
- Proof must be in a form of completed Z79's over the period that the vehicle has been utilised.

The advisory committee will present the application to the Head of the department, who will have the discretion of whether an official should continue utilising the vehicle at an increased vehicle maintenance tariff or whether a new vehicle should be approved.

26. **Transfer between Provinces and Departments**

Should an official transfer from one department to another or from one Provincial Administration to another, the service provider(s) must be notified immediately by the departmental transport officer and the official concerned. The service provider(s) shall then be responsible for transferring the official's account to a regional office closest to the place of transfer.

a. General

In view of the fact that the State and the service provider(s) have an interest in the vehicle for the period that it is used within official service, the State shall, subject to the provisions of paragraph 26, bear the full cost of the insurance on the behalf of the official for the vehicle approved by the Head of department.

The payment of excess in the event of an insurance claim shall be, in the case of a claim arising from the official use of the vehicle, the State will reimburse the official on proof of validity of that claim and in the case of the claim arising from the private use of the vehicle, the excess must borne by the official. Therefore, it is advisable that each department should budget for insurance premiums on Subsidised Vehicles.

Consequently, any reimbursements of an excess payment in respect of a claim resulting from the official use of the vehicle are credited to the State and any reimbursement of an excess payment in respect of a claim resulting from the private use of the vehicle be paid to the official.

b. Increased excess payments

Excess payments may be increased by the insurer, as part of the loss control and risk management program that is managed by the insurer on behalf of the State. The amount, by which such increased excess payment shall exceed the standard excess payment, shall in all instances be for the account of the official, regardless of whether the claim originated during official or private use of the vehicle.

c. The vehicle is to be insured

Before an official takes delivery of the Subsidised Vehicle, the department and the service provider(s) are to ensure that the vehicle is insured in terms of the contract arranged from time to time by the State. The insurance policy which is to be obtained in an official's name, is to be renewed annually, on or before the expiry date, without decreasing the benefits or cover and is to be kept in force for the full duration of the period that the vehicle is used for official service.

The National department/Provincial Administration must pay insurance premiums annually, to the insurance service provider on the 31 March of each year electronically via BAS, FMS or PERSAL.

In terms of the financial regulations, all payments must be made within 30 days of invoice date to prevent financial misconduct.

d. Insurance cover

The policy which is to be taken out and kept in force, is to embrace the following cover:

Comprehensive motor insurance covering all the normal risks not covered by the Road Accident Fund Act, 1996 (Act 56 of 1996).

ii. Loss or damage caused by, or in connection with, civil commotion, labour riots, strikes and/or mutiny.

iii. Loss or damages caused by or in connection with hail, fire and/or natural disasters.

iv. Loss or damage caused by or in connection with war, civil war and/or martial law.

Loss or damage caused by or in connection with politically inspired uprising, riots and terrorism, in respect of vehicles used within the Republic of South Africa, or a foreign country.

Note:

The State would be liable for claims by authorised official passengers against the official driver in respect of personal injuries not covered by the abovementioned act or policy.

e. Additional insurance cover

The liability of the State in respect of the insurance premium is limited to the total premium payable in respect of the vehicle, which was in terms of paragraph 10 deemed to be the smallest and cheapest vehicle, suitable for the functional duties of the officer. If the insurance premium of the vehicle is higher as a result of -

The official's personal preferences for another type, larger, or more expensive vehicle;

- ii. The official's request that the vehicle be insured at a higher value;
- iii. Additional cover requested by the official in respect of additional non-standard accessories;
- iv. Cover requested by the official in order that an excess payment need not be made in case of a claim;
- v. Personal cover or any other cover than that prescribed in paragraph d being included in the policy; and
- vi. Life cover is an elective preference of officials participating in the scheme and should bear all costs thereof. The service provider(s), providing capital finance, will afford the official the opportunity to take out additional insurance cover in order for the vehicle to be settled, upon death.

The official is to negotiate with the authorised insurer and notify his department with regard to the additional premium payable. After the department pays the additional amount annually in advance, the department is to arrange for the insurance in the normal manner, including the additional cover in respect of which the officer has already paid in advance.

f. Special endorsements and certificates

The following endorsements are to be reflected on the comprehensive policy mentioned above:

"Third-Party Indemnity Extensions (Indemnity to Employer)

It is hereby declared and agreed that in terms of and for the purpose of that section of the Policy dealing with liability to third parties, the Company indemnifies the State (hereinafter called the "Employer") in respect of any accident that may occur whilst the motor car described in the schedule of the Policy is being used by the Insured or any other persons in the employment of the Employer upon the business of the Employer provided that: -

- such indemnity shall not include liability for death of or bodily injury to any person in the employ of the Employer arising out of and in the course of such employment;
- the Employer is not entitled to indemnity under any other Policy; and
- the Employer shall, as though he were the Insured, observe, fulfil and be subject to the terms, exceptions and conditions of the policy in so far as they can apply to the Employer.

"Further, the terms exceptions and conditions of the Policy apply"

- ii. As long as the State has a financial interest in the Subsidised Vehicle, the comprehensive insurance policy described above, in addition to the aforementioned endorsement "Third-Party Indemnity Extensions" is also to be endorsed as follows: -

"Agreement "

It is hereby declared and agreed that the service provider(s) (hereinafter referred to as the "Owner") is the owner of the motor vehicle described in the Schedule hereto and that the said motor vehicle is the subject of an agreement entered into between the Owner on the one part and the Insured on the other part. It is further declared and agreed that the said Owner has an interest in any moneys which, but for this Endorsement, would be payable to the Insured in terms of the policy in respect of the loss or damage of the said motor vehicle (which loss or damage is not made good by repair, restoration or replacement) and such moneys shall be paid to the said Owner of the motor vehicle, as long as he is the Owner or is regarded as the Owner under the Agreement, and his receipt shall be a full and final discharge to the Company in respect of such loss or damage. Unless otherwise expressly agreed to in this Endorsement, nothing herein contained shall amend or affect the rights or liabilities of the insured, or of the Company, respectively, in terms of, or in connection with the Policy, or any provisions or conditions thereof."

- g. Certificate to be furnished to Insurer

The Company, with whom the aforementioned comprehensive insurance policy contract is entered into, is to be furnished with a certificate, signed by the Head of the department, to the effect that a Subsidised Vehicle has been allocated to the official for the execution of his official duties.

- h. Policy to be retained by official

The insurance policy and the subsequent renewal receipts are, after they have been recorded by the department, to be handed to the official, for use by him/her should they find it necessary to claim for any loss covered by the insurance.

Payment of premiums

How they are to be paid

The first annual/ pro rata insurance premium must be paid to the service provider(s) before the official takes delivery of the vehicle. Thereafter, the department pays the annual renewal insurance premiums, to the service provider(s) via electronic bank transfer within 30 days of invoice date.

Before payment of the initial or renewal premium, the department is to ensure that the official has paid any additional premium for which the official is solely responsible.

- ii. Refunds of premiums when policies are cancelled

If, for any reason, a Subsidised Vehicle is withdrawn from official use during any period covered by insurance, the department is to ensure that the insurance policy is cancelled immediately and is to request the Insurers for a refund of the premium in respect of the unexpired period of insurance. The official is entitled to the full amount of any refund made in respect of premiums paid by him or her for additional cover.

j. **Claims on Insurers**

Official claims

The official shall deal directly with their Transport Officers and the Insurers with regard to any claims lodged in terms of the policy. Excess payments are to be dealt in accordance with the provisions of paragraph 26.a. The official should maintain a proper file of correspondence between himself/herself and the Insurers for record purposes.

ii. **Payment of claims**

The Insurers shall pay directly to the official, any compensation due to the insured, in terms of the policy, subject to the provisions of the endorsement "Agreement". Compensation paid to the service provider(s) by the Insurers is to be remitted to the official, except in respect of the total loss of the vehicle, in which case any outstanding portion of the loan shall first be deducted thereof.

28. **Garaging and parking**

Normal garaging

The cost of overnight garaging of Subsidised Vehicles are to be borne by the official.

Ad hoc parking

Where an official has made use of ad hoc parking whilst on official duty, the actual expenditure incurred by him/her, the department, shall bear the cost thereof on receipt of proof of payment.

29. **Registration and licensing**

The service provider(s) shall be the title-holder and shall be responsible for the registration of the Subsidised Vehicle. On receipt of the particulars necessary for the licensing of the Subsidised Vehicle, the official shall ensure that the vehicle is licensed at the Local Licensing Authority. The cost of the registration and licensing is to be borne by the official.

30. **Procedures**

The service provider(s) in conjunction with the State will provide the administrative procedures for the new Subsidised Motor Transport Scheme.

31. **Relief Transport**

Any official provided with a Subsidised Vehicle may not utilise a vehicle provided by the State.

Should an official's duties temporarily change rendering his or her current Subsidised Vehicle unsuitable for a specific duty, the following process shall apply: -

- a. A written request must be directed to the Head of the department;

The Head of the department may approve a request and allow an official to make use of a Government vehicle provided that a special task or function must be executed and that the task or function cannot be executed in the official's Subsidised Vehicle. This approval is subject to:

The vehicle instalment must still be paid by the official; and

- ii. No official kilometres that are undertaken by the relief vehicle are to be credited, against the Subsidised Vehicle.

32. Emergency Services vehicles

All emergency vehicles, example traffic response vehicles must be clearly branded with the designated logo/decals as approved by the Province.

POLICY FOR A NEW SUBSIDISED MOTOR TRANSPORT

SCHEME B

1. An overview

Scheme B is a managerial option and the participation therein is left entirely to the discretion of Provinces or Departments (Head of the department).

As a result of escalating capital costs associated with purchasing Subsidised Vehicles and the increasing administrative burden of managing a fleet of Subsidised Vehicles a Province or department may choose the option to allow officials to utilise their own private vehicle for business related purposes. (Refer to Annexure B2)

This is on the proviso that the official travels less than 21 000 official kilometres per year and do not qualify for a Subsidised Vehicle under Scheme "A".

The official will be remunerated on the prescribed kilometre rates for actual business kilometres travelled that appear under "private on official" c/km on Annexure "C".

The State shall not contribute towards the insurance and maintenance of the vehicle utilised.

No Scheme "B" vehicles shall be supplied or purchased through National contract RT 77.

2. Interpretation

Should any questions arise as to the interpretation of these instructions, they are to be referred to the National Department of Transport by the Head of the department. In the case of Provinces this is to be done via the Provincial Department of Transport.

3. Delegation

Unless otherwise indicated, a Head of a department may delegate any of the powers conferred upon him or her by these instructions to another officer on the conditions that he or she so determines.

4. Financing arrangements

The Service provider(s) shall make available vehicle financing to officials, completing between 6000 and 21000 official kilometres per year under this scheme. The official may purchase a new or second hand vehicle, at the same interest rate offered under scheme "A". Individual applications of officials will be credit vetted under this scheme before financing is made available.

The Service provider(s) is required to negotiate fleet discounts with a wide range of manufacturers/dealerships for the purchase of new or second-hand vehicles. The Service provider(s) on a periodic basis to officials shall supply details of the negotiated discounts.

The vehicle financing of second hand vehicles is also subject to a technical inspection by the Service provider(s).

When purchasing a new or second-hand vehicle a financial deposit is required by the Service provider(s) under this financing arrangement.

Please note that individuals will not be able to transfer existing vehicle/ motor loans to this source of funding.

Officials completing less than 6000 official kilometres per year may participate under this scheme using his or her own private vehicle. These officials shall not qualify for the negotiated financing arrangements available through the Service provider(s).

5. Official kilometre distance

“Private on official” tariffs, in terms of Annexure “C” as amended from time to time is only payable to officials on actual official kilometres travelled.

The payment is subject to the official completing a trip authorisation and travel plan (Annexure “F”), pre-facto and the Responsibility Manager should approve it before an official trip is undertaken.

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Government Motor Transport

Reference: T118

TRANSPORT CIRCULAR NO. 5 OF 2003

**TO ALL HEADS OF DEPARTMENTS, ACCOUNTING OFFICERS AND
TRANSPORT OFFICERS.**

SUBSIDISED MOTOR TRANSPORT POLICY: EFFECTIVE FROM 1 JULY 2003

COTO, a committee of Head of Department of Transport to which the coordinating committee on Government Motor Transport (CCGMT) reports to, has approved a new Subsidised Motor Transport Policy, **with effect from 1 July 2003.**

This policy document replaces all previous Subsidised Motor Transport instructions issued by the National Department of Transport.

All the National/Provincial State user departments may participate on this contract, including South African Police Services (SAPS) and the South African National Defence Force (DOD).

Should any questions arise as to the interpretation of the Subsidised Motor Transport Policy instructions, they are to be referred to the National Department of Transport and **not to the service providers(s)**, by the Head of the department and in the case of Provinces via the Provincial Department of Transport.

Kindly ensure that this circular minute is distributed to all Subsidised Motor Vehicle owners and officials within your Department/Administration.

L Hoole

For DIRECTOR-GENERAL: TRANSPORT

Date: 01 July 2003

POLICY FOR A NEW SUBSIDISED MOTOR TRANSPORT SCHEME

SCHEME A

1. Definitions

In these instructions, unless the context otherwise indicates –

- a. "assigned" official kilometres" means the number of official kilometres prescribed for a specific subsidised vehicle;
- b. "capital remuneration" means the State's contribution to the capital cost based on the purchase price minus the estimated resale value of a subsidised vehicle, payable in equal monthly instalments for the duration of the selected official utilisation period;
- c. "department" means the department or provincial administration referred to in section 7 (2); (ii);
- d. "head of department" means the head of the department referred to in the Public Service Act, 1994 (Proclamation No. 103 of 1994, chapter 3), and unless otherwise indicated, an officer to whom they have delegated their powers in terms of these instructions;
- e. "officer" means
 - a person who has been appointed permanently, notwithstanding that such appointment may be on probation, to a post contemplated in section 8 (1) (a), and includes a person contemplated in section 8 (1) (b) or 8 (3) (c); (i);
 - a person who has been appointed on contract in terms of section 8 (1) (c) (ii) of the Public Service Act, 1994; and
 - section 9 (1) of the Restitution of Land Rights Act, 1994 (Act 22 of 1994);
- f. "regulation" means a Public Service Regulations, unless otherwise indicated;
- g. "selected official utilisation period" means the utilisation period selected by an official, in respect of the utilisation of a subsidised vehicle, subject to approval by the head of the Department;
- h. "subsidised motor transport" or "subsidised vehicle" means motor transport which in terms of these instructions is to be utilised by an officer;
- i. "transport officer" means the officer appointed by the head of the department to, inter alia, administer the department's subsidised transport.
- j. "service provider (s)" means the private sector company that will provide the finance, maintenance and administration for the Subsidised Transport Scheme within a contract issued by the State;
- k. "responsibility manager" means the accounting officers in terms of the Public Finance Management Act " Act No.1 of 99, Section 36";
- l. "benchmark Price" means the set capital amount per category of vehicle for purchase purposes as amended by the Department of Transport quarterly.
- m. "de novo" means from the beginning.

2. An overview

The appointed service provider (s) within a contract issued by the State will do the provision of finance, maintenance, and administration for the Subsidised Motor Transport Scheme.

An officer will qualify for Scheme "A" if he or she travels, for job related purposes, a minimum of 21 000 and not exceeding a maximum of 29 000 official kilometres per year. It is however, the prerogative of a head of Department to approve official kilometres in excess of 29 000 kilometres.

The combined capital remuneration and maintenance allowances will be paid to the official as the fixed cost element of the monthly travel allowances and will be calculated by the Service provider (s). The service provider (s) will deduct the fixed cost element from the official's salary over the contractual period electronically by way of a stop order via PERSAL or PERSOL.

The fuel allowance constitutes the variable cost element of the monthly travel allowance and is calculated according to the actual official mileage completed per month multiplied by the fuel allowance tariffs in cents per kilometre as prescribed in Annexure "B".

Note:

Officials are compelled to keep accurate records if they intend claiming tax relief for actual running expenses.

3. Interpretation

Should any questions arise as to the interpretation of these instructions, they are to be referred to the National Department of Transport by the Head of the department and in the case of Provinces via the Provincial Department of Transport.

4. Delegation

Unless otherwise indicated, a Head of a department may delegate any of the powers conferred upon them by these instructions to any other officer on the conditions that they so determine.

All amendments and subsequent review of this policy and/or related outsourced contracts must be reviewed and ratified by the CCGMT, COTO and MINCOM before implementation.

5. Purpose

The provision of a Subsidised Vehicle to an officer is deemed a work facility, which enables them to undertake essential and approved official journeys in those cases where the use of other available transport is neither practical nor economical. The concession to qualifying officers to participate in the Subsidised Motor Transport Scheme is not a service benefit but a work facility, which cannot be construed as a right.

6. Policy

a. Participation in the Scheme

Provinces and Departments participating in the Subsidised Motor Transport Policy must, through their Provincial Tender Boards, participate in National Contract RT77.

Where an officer's duties necessitate the official use of a motor vehicle and where the provision of a Subsidised Motor Vehicle is in the interest of the State, the allocation of a vehicle is left to the discretion of the Head of the department. All reasonable, alternative means of transport are to be considered, taking into consideration the economic implications thereof.

b. Provincial policy

It is the prerogative of each Province, National department to implement a provincial / departmental Subsidised Motor Transport Policy, which cannot digress from this policy.

In respect of Provincial administrations, the policy must be developed and ratified by the Head of the Provincial Department of Transport or their delegate before implementation.

c. Advisory Committee

The Head of the department should appoint a committee to advise them, with regard to the responsibilities and powers conferred upon them under these instructions.

The function of this committee will be to de novo evaluate all applications for Subsidised Vehicles based on the Subsidised Motor Transport regulations and to advise and make recommendations to the Head of the department.

In respect of National/Provincial departments, the committee should be, at least, represented by a Chief Financial officer or by his/her delegate and a line manager (s) from within each Chief Directorate and the Head of the department or their delegate should chair the committee.

The functions of the advisory committee should at least be, inter alias: -

- Verification of the application in terms of job description and the Policy;
- Determine the application of the vehicle to suit the job description;
- Vet application, utilisation period and kilometres;
- Review all applications in the context on previous kilometres travelled and/ or available exception reports from the service provider (s) on utilisation of a previous vehicle; and
- Submit a monthly report assessing compliance to this Policy and allocation of Subsidised Vehicles relating to Subsidised Vehicles to the Head of the Provincial Department of Transport.

7. Details stipulated within contracts

The State and service provider(s) shall stipulate the following in each individual contract with the official: -

- the capturing of all log sheet data;
- the handling of shortfall or excess official kilometres travelled;
- the insurance that shall be paid by the State.
- the maintenance plan;
- handling of suspected driver misuse and abuse; and
- the termination of the individual contracts and/or disposal of the vehicles.

Note:

No transfer of contracts between appointed service provider(s) shall be authorised.

8. Specific Qualifying Criteria

The contracted utilization period and official kilometers are negotiated with the State in consultation with service provider(s). An officer will qualify for Scheme "A" if he or she travels, for job related purposes, a minimum of 21 000 and not exceeding 29 000 official kilometres per annum. It is however, the prerogative of a Head of department to approve official kilometres in excess of 29 000 kilometres.

It is the responsibility of the respective department to ensure that both the official and (in the case of disables persons) the nominated driver have a valid drivers licence when provided with a Subsidised Motor Vehicle.

Hence, an official may not loan, or permit any person to make use of his/her Subsidised Vehicle for official purposes in his/her absence.

Where an official's duties necessitate the official use of a motor vehicle and where the provision of a Subsidised Vehicle is in the interest of the State, the applicant must complete the Z81 application form (Annexure "A"). This is to ascertain the level of responsibility and scope of work for which the applicant is responsible. All applicants must submit the following information in addition to the Z81 application form, which is to be certified by the Head of the directorate: -

- a copy of the applicants identity document, latest salary advice and drivers licence;
- a driver suitability permit issued by the Provincial Department of Transport;
- the kilometre and daily utilisation of a Government or outsourced vehicle for the previous six months; and/or
- the kilometre utilisation of a privately owned vehicle for approved official service for the previous six months; and/or
- the total projected official assigned kilometres that the official shall undertake, per month, which would be subject to changing circumstances that may occur.

In cases where no statistics of official kilometres are available due to the creation of new posts or a new appointment, only the total projected official assigned kilometres that the officer shall undertake per month must be reflected on the Z81 application form.

Every application for a Subsidised Motor Vehicle must be evaluated as a new application.

9. Application for a Subsidised Motor Vehicle

An official, who complies with all the specified qualifying criteria and wishes to be provided with a Subsidised Vehicle for the performance of their official duties, should submit to their department a Z81 application form. The application form should be signed by the responsible Director and countersigned by the Chief Director.

Note:

The service provider(s) shall assess the credit worthiness and affordability of each individual application received to determine whether the official is financed for a purchase of a Subsidised Vehicle under the Scheme.

10. Allocation requirements

An official may be allocated any motor vehicle under National Contract RT77, provided it is identified as a Subsidised Vehicle, taking into consideration the smallest functional vehicle, subject to the approval of the Head of the department.

The Head of the department shall approve the Subsidised Vehicle request taking into consideration the nature of the official duty for which it is required. The National Contract RT77 is utilised by the National Department of Transport in determining the price of benchmark vehicles and the associated monthly travel allowances. (Annexure "D").

The Scheme does not make provision for existing Government-owned vehicles to be taken over as Subsidised Vehicles.

Service provider(s) shall be responsible for the financing and purchasing of all Subsidised Vehicles through National Contract RT77. Service provider(s) must ensure that all vehicle orders be approved by the designated responsibility manager in terms of the MTEF budget allocation of the relevant department before submission of vehicle orders to the National Department of Transport.

Service provider (s) shall then complete a vehicle order and forward it to the National Department of Transport for audit and approval before the order is placed with the motor manufacturers. An official may exercise the option of purchasing a more expensive vehicle other than the benchmark, which has been approved by the Head of the department. Any additional costs relating to the purchase of the more expensive vehicle will be borne by the official. These additional costs include the difference between the purchase price inclusive of VAT as well as on a monthly basis the difference in the maintenance and capital allowances.

Since all Subsidised Vehicles are purchased directly from the manufacturers, circumstances does not permit the change or cancellation of vehicle orders once these orders have been placed with the manufacturer. Therefore, officials must consider affordability and personal preference of vehicles before the final quotation with the service provider (s) is signed.

11. Additional non-standard factory installed accessories

- a. Should an officer's work terrain and conditions justify the installation of additional non-standard factory installed accessories, the Head of the department may approve the installation thereof as standard vehicle equipment. The benchmark price [Annexure D] excludes approved accessories, pre-delivery services (PDI) and delivery costs. This implies that all approved accessories; pre-delivery services (PDI) and delivery costs can be added to the benchmark price of the vehicle for the purpose of calculating affordability.
- b. All Subsidised Vehicles purchased must be supplied with a factory fitted, VESA approved gear-lock. The gear-lock will be treated as an approved accessory.
- c. All Subsidised Vehicles are to have their odometers sealed prior to collection by officials.
- d. Where an officer requests the installation of additional non-standard factory installed accessories and these are not approved in terms of paragraph 11a, the official is personally responsible for financing these accessories.
- e. The service provider(s) is contractually obligated to order only additional accessories available on National Contract RT77. Should an official require any additional accessories, it should be arranged directly by the official with the elected dealership, before taking delivery of the vehicle.
- f. The cost of any additional non-standard equipment for disabled officials must be borne by the department.

12. Official utilisation period

The official utilisation period for a Subsidised Vehicle shall be for a minimum period of 32 months and a maximum period of 48 months. The official must complete the contracted utilisation period that has been negotiated per individual contract with the service provider (s). (Refer to Annexure B1)

Further, the official has to complete the official mileage as agreed with the State, subject to the conditions set out in paragraph 8.

The average annual thresholds relating to mileage would require an official to travel a minimum of at least 70% official and 30% private mileage, based on the total kilometres travelled and is subject to the conditions set out in paragraph 22. The cost of private mileage incurred in excess of the allowed 30% will be borne by the official.

The 70% official and 30% private mileage is based on the following principle which is intended to provide a guide for Responsibility Managers to effectively manage the utilisation of a Subsidised Vehicle.

Formula for calculation of the 70% official and 30% private mileage:

$$70\% \text{ official kilometres} = \text{cost to the State} / \text{total cost} \times 100$$

$$30\% \text{ private kilometres} = \text{cost to official} / \text{total cost} \times 100$$

13. Official leaving the employment of the State

Should an official not meet the contractual official kilometres when leaving the employment of the State, service provider(s) will be obliged to raise all additional penalties to the individual which are: -

- a. early finances termination charges in consultation with the State;
- b. a higher interest rate, and
- c. the outstanding settlement value of the vehicle.

14. Monthly Travel Allowance

The monthly travel allowances are based on benchmark vehicles listed on National Contract RT77.

If an official exercises the option to purchase a more expensive vehicle other than that which is approved by the Head of the Department, the monthly travel and other allowances will be limited based on the approved benchmark.

If an official exercises the option to purchase a less expensive vehicle than that which is approved by the Head of the Department, the monthly allowances will be based on the actual vehicle purchased.

The monthly travel allowance schedule is split into two distinct parts:

- a. Fixed cost element, which comprises of the capital remuneration (loan instalment amount + interest) calculated by the service provider(s) and the maintenance allowance.
The maintenance allowance paid shall vary according to the officials contract and is dependant on the contract period, make, and model and vehicle category approved for the official by the Head of the department.
- b. The fuel allowance constitutes the variable cost element of the monthly travel allowance and is calculated according to the actual official mileage completed per month multiplied by the fuel allowance tariffs in cents per kilometre as prescribed in Annexure "B". The applicable fuel tariff will be calculated in terms of the prevailing Provincial fuel price issued by the Department of Mineral and Energy from time to time.

It is the prerogative of a Head of department and or his/her delegate to pay the first fuel allowance and an S&T advance to an official based on an approved travel plan. All subsequent travel allowances are payable monthly in arrears through the payroll system.

15. Maintenance plan

To ensure that a Subsidised Vehicle remains in good condition, it is imperative that the vehicle is serviced in accordance with the manufacturers guideline as set out in the service manual and the kilometres will be regarded as private (for officials account).

A maintenance plan, will be limited to the number of kilometres of a vehicle, as prescribed by the manufacturers guideline as set out in the service manual and will be administered by the service provider(s). The maintenance plan is intended to cover all expenses related to the maintenance as prescribed by the manufacturers guideline as set out in the service manual for normal wear and tear of a vehicle.

The maintenance contract will exclude the following: -

- damage arising from abuse of vehicles;
- accident damage; and
- glass windscreens

The maintenance plan limits the replacement of tyres to 8 tyres (two sets) for category "A" and "D" vehicles. For Category "B" and "C" vehicles, tyres are limited to 10 (two and a half sets).

16. Logsheets

It is necessary that all official trips be authorised. A travel plan must be prepared pre-facto and then be approved by the Responsibility Manager before an official trip is undertaken with a Subsidised Vehicle. (Annexure "F")

A log sheet, form Z79 (Annexure "E"), is to be completed in triplicate by the official. The logsheet is to reflect all distances covered, both official and private. The original Z79 must be directed to the departmental transport officer on or before the seventh of each month. Please note that the logsheet should be completed from the 1st of a month to the 31st of that specific month, in terms of Annexure "B" as amended from time to time.

It is the responsibility of the Head of department to verify the utilisation of the vehicle and to ensure that all entries thereon are accurate and legible. A logsheet summary is to be completed by the departmental transport officer who will submit it to the service provider(s).

The following signatures must appear on the Z79 and must be strictly controlled.

- a. **Signature of Official;**
The signature is that of the official in whose name the Subsidised Vehicle is registered.
- b. **Signature of the Head of the directorate or his/ her delegate;**
This certification implies that the kilometre distance on the log sheet corresponds with the kilometre distance on the odometer of the vehicle and that the vehicle is still in good condition and services have been completed as per the maintenance contract.
- c. **Signature of the Directorate/departamental Responsibility Manager;**
This certification implies that the log sheets have been checked to ensure that trips which have been indicated as official (as per the monthly travel plan) and are in fact official and that it has been approved by them or their delegated officer and all official trips undertaken were necessary and in the interests of the State.
- d. **The service provider(s) must submit exception reports on odometer and log sheet records to the Head of department for investigation and appropriate action in terms of the Public Service Regulations and compliance to this Policy.**

Should the vehicle not have been used at all during the month, or only private distances have been covered during the month, the logsheet is nevertheless to be completed with the reasons as to why the vehicle has not been officially used, endorsed thereon, and the log sheet is to be submitted to the departmental transport officer.

Copies of the log sheets are, in all cases, to be retained by the department for reference purposes.

Note:

The service provider(s) shall be responsible for managing reports on the fuel allowances for kilometres travelled, per official, per department. The reports will be distributed and discussed monthly with the relevant departments.

17. Suspensive conditions with regard to title deed

The Subsidised Vehicle although registered in the official's name only takes transfer of the title deed from the service provider(s) when the: -

- a. **full amount of the purchase price has been repaid by the official; and**
- b. **selected official utilisation period has elapsed.**

Note:

The service provider(s) will determine the outstanding balance.

18. Control measures

18.1 It is the duty of the official to exercise due care and diligence with regard to the custody and maintenance of the vehicle. The vehicle is to be available for inspection by authorised persons.

18.2 Risk management

Risk Manager(s) in each Province/National department should be responsible for the following: -

- To implement risk management measures and directives issued by the Minister of Transport.
- Manage all risk associated with the Subsidised Motor Transport Scheme.
- Analyse all identified risk areas and make recommendations to eliminate or reduce risks.
- Provide a performance audit function to measure contract compliance of service provider(s) and State.
- Analyse all exception reports and implement appropriate operational actions to reduce or eliminate these identified exceptions.

19. Private use

Private mileage, undertaken at the officials cost, should be reflected in the logbook. It should also be noted that according to the SARS the distance travelled between home and work in a Subsidised Vehicle is deemed private mileage.

However, should any discrepancies arise from the interpretation of private mileage, it is the prerogative of each Head of department or his/her delegate to adjudicate the circumstance of the claim and take a final resolution. [Refer to Public service regulation, 1999 and PSCBC Resolution 3 of 1999.i.e. collective agreement on remunerative allowances and benefits].

20. Use of Government workshops and stores not permitted

An official provided with a Subsidised Vehicle may not under any circumstances utilise the services of any Government Garage, or Government-owned workshops, or of any Government stores and Government contracts, for the maintenance and operation of the Subsidised Vehicle.

21. Fines administration

The official is responsible for payment of all traffic fines incurred.

22. Rules and regulations

These provisions, which are applicable to Subsidised Motor Transport, bind the official participating within the scheme.

Failure to comply with the provisions and, or instructions issued in respect of Subsidised Transport, will render the offending official liable to disciplinary action in terms of the Public Service Regulations. In certain cases, the repossession or withdrawal of the concession in respect of the use of Subsidised Motor Transport may be enforced as sanctions to a disciplinary process.

23. Tax on monthly travel allowance

Section 8(1) of the Income Tax Act, 1962 (Act No. 58 of 1962), provides that an amount received as an allowance for travelling expenses on business, which has not been so expended, must be included on the recipient's taxable income. Where no record is kept of the use of the motor vehicle for business purposes, a distance of 14 000 kilometres is deemed to be travelled for private purposes. The total number of kilometres would in such case be limited to 32 000 kilometres, which has the effect that only 18 000 kilometres shall be deemed to be travelled for business purposes.

24. Withdrawal

Normal Withdrawal

Ownership of the vehicle shall transfer to the individual subject to the conditions as set out in paragraphs 12 and 17. Each department should advise the Head of department and the official participating in the Subsidised Motor Transport Scheme of normal withdrawal of a Subsidised Vehicle at least 3 months before termination of the contract.

Premature withdrawal

If for any reason, such as dismissal, retirement, ill health, death, resignation, retrenchment, or where an official is transferred a post where a Subsidised Vehicle is not justified, the monthly travel allowances and insurance shall terminate.

The State will not be liable for any allowances after the date of termination of a contract. This implies that the official is liable for the full outstanding debt on the date of withdrawal.

The Head of departmental should advise the service provider(s), in writing, of the date of termination within 48 hours of notification thereof.

A Subsidised Vehicle exceeding the number of kilometers, as prescribed by the manufacturers guideline as set out in the service manual and the maintenance contract, can be prematurely withdrawn, subject to the threshold requiring an official to travel a minimum of at least 70% official mileage, based on the total kilometers traveled.

25. Vehicle exceeding the number of kilometers, as prescribed by the manufacturers guideline as set out in the service manual and the maintenance plan: -

Officials will under no circumstances be allowed to withdraw from a contract unless a minimum of 32 months has been completed.

Officials that have travelled in excess of the number of kilometres of a vehicle, as prescribed by the manufacturers guideline as set out in the service manual and the maintenance contract, and 32 months have expired on the contract should adhere to the following process: -

- An application should be made to the advisory committee;
- Attached to the application, the official should submit proof, that 70% of the total mileage incurred to date, is official mileage; and
- Proof must be in a form of completed Z79's over the period that the vehicle has been utilised.

The advisory committee will present the application to the Head of the department, who will have the discretion of whether an official should continue utilising the vehicle at an increased vehicle maintenance tariff or whether a new vehicle should be approved.

26. Transfer between Provinces and Departments

Should an official transfer from one department to another or from one Provincial Administration to another, the service provider(s) must be notified immediately by the departmental transport officer and the official concerned. The service provider(s) shall then be responsible for transferring the official's account to a regional office closest to the place of transfer.

27. Insurance

a. General

In view of the fact that the State and the service provider(s) have an interest in the vehicle for the period that it is used within official service, the State shall, subject to the provisions of paragraph 26.e bear the full cost of the insurance on the behalf of the official for the vehicle approved by the Head of department.

The payment of excess in the event of an insurance claim shall be, in the case of a claim arising from the official use of the vehicle, the State will reimburse the official on proof of validity of that claim and in the case of the claim arising from the private use of the vehicle, the excess must borne by the official. Therefore, it is advisable that each department should budget for insurance premiums on Subsidised Vehicles.

Consequently, any reimbursements of an excess payment in respect of a claim resulting from the official use of the vehicle are credited to the State and any reimbursement of an excess payment in respect of a claim resulting from the private use of the vehicle be paid to the official.

b. Increased excess payments

Excess payments may be increased by the insurer, as part of the loss control and risk management program that is managed by the insurer on behalf of the State. The amount, by which such increased excess payment shall exceed the standard excess payment, shall in all instances be for the account of the official, regardless of whether the claim originated during official or private use of the vehicle.

c. The vehicle is to be insured

Before an official takes delivery of the Subsidised Vehicle, the department and the service provider(s) are to ensure that the vehicle is insured in terms of the contract arranged from time to time by the State. The insurance policy which is to be obtained in an officials name, is to be renewed annually, on or before the expiry date, without decreasing the benefits or cover and is to be kept in force for the full duration of the period that the vehicle is used for official service.

The National department/Provincial Administration must pay insurance premiums annually, to the insurance service provider on the 31 March of each year electronically via BAS, FMS or PERSAL.

In terms of the financial regulations, all payments must be made within 30 days of invoice date to prevent financial misconduct.

d. Insurance cover

The policy which is to be taken out and kept in force, is to embrace the following cover:

- i. Comprehensive motor insurance covering all the normal risks not covered by the Road Accident Fund Act, 1996 (Act 56 of 1996).**
- ii. Loss or damage caused by, or in connection with, civil commotion, labour riots, strikes and/or mutiny.**
- iii. Loss or damages caused by or in connection with hail, fire and/or natural disasters.**
- iv. Loss or damage caused by or in connection with war, civil war and/or martial law.**

Loss or damage caused by or in connection with politically inspired uprising, riots and terrorism, in respect of vehicles used within the Republic of South Africa, or a foreign country.

Note:

The State would be liable for claims by authorised official passengers against the official driver in respect of personal injuries not covered by the abovementioned act or policy.

e. Additional insurance cover

The liability of the State in respect of the insurance premium is limited to the total premium payable in respect of the vehicle, which was in terms of paragraph 10 deemed to be the smallest and cheapest vehicle, suitable for the functional duties of the officer. If the insurance premium of the vehicle is higher as a result of -

- i. The official's personal preferences for another type, larger, or more expensive vehicle;
- ii. The official's request that the vehicle be insured at a higher value;
- iii. Additional cover requested by the official in respect of additional non-standard accessories;
- iv. Cover requested by the official in order that an excess payment need not be made in case of a claim;
- v. Personal cover or any other cover than that prescribed in paragraph d being included in the policy; and
- vi. Life cover is an elective preference of officials participating in the scheme and should bear all costs thereof. The service provider(s), providing capital finance, will afford the official the opportunity to take out additional insurance cover in order for the vehicle to be settled, upon death.

The official is to negotiate with the authorised insurer and notify his department with regard to the additional premium payable. After the department pays the additional amount annually in advance, the department is to arrange for the insurance in the normal manner, including the additional cover in respect of which the officer has already paid in advance.

f. Special endorsements and certificates

- I. The following endorsements are to be reflected on the comprehensive policy mentioned above:

"Third-Party Indemnity Extensions (Indemnity to Employer)

It is hereby declared and agreed that in terms of and for the purpose of that section of the Policy dealing with liability to third parties, the Company indemnifies the State (hereinafter called the "Employer") in respect of any accident that may occur whilst the motor car described in the schedule of the Policy is being used by the Insured or any other persons in the employment of the Employer upon the business of the Employer provided that: -

- such indemnity shall not include liability for death of or bodily injury to any person in the employ of the Employer arising out of and in the course of such employment;
- the Employer is not entitled to indemnity under any other Policy; and
- the Employer shall, as though he were the Insured, observe, fulfil and be subject to the terms, exceptions and conditions of the policy in so far as they can apply to the Employer.

"Further, the terms exceptions and conditions of the Policy apply"

- ii. As long as the State has a financial interest in the Subsidised Vehicle, the comprehensive insurance policy described above, in addition to the aforementioned endorsement "Third-Party Indemnity Extensions" is also to be endorsed as follows: -

"Agreement "

It is hereby declared and agreed that the service provider(s) (hereinafter referred to as the "Owner") is the owner of the motor vehicle described in the Schedule hereto and that the said motor vehicle is the subject of an agreement entered into between the Owner on the one part and the Insured on the other part. It is further declared and agreed that the said Owner has an interest in any moneys which, but for this Endorsement, would be payable to the Insured in terms of the policy in respect of the loss or damage of the said motor vehicle (which loss or damage is not made good by repair, restoration or replacement) and such moneys shall be paid to the said Owner of the motor vehicle, as long as he is the Owner or is regarded as the Owner under the Agreement, and his receipt shall be a full and final discharge to the Company in respect of such loss or damage. Unless otherwise expressly agreed to in this Endorsement, nothing herein contained shall amend or affect the rights or liabilities of the insured, or of the Company, respectively, in terms of, or in connection with the Policy, or any provisions or conditions thereof."

- g. Certificate to be furnished to Insurer

The Company, with whom the aforementioned comprehensive insurance policy contract is entered into, is to be furnished with a certificate, signed by the Head of the department, to the effect that a Subsidised Vehicle has been allocated to the official for the execution of his official duties.

- h. Policy to be retained by official

The insurance policy and the subsequent renewal receipts are, after they have been recorded by the department, to be handed to the official, for use by him/her should they find it necessary to claim for any loss covered by the insurance.

- i. Payment of premiums

- i. How they are to be paid

The first annual/ pro rata insurance premium must be paid to the service provider(s) before the official takes delivery of the vehicle. Thereafter, the department pays the annual renewal insurance premiums, to the service provider(s) via electronic bank transfer within 30 days of invoice date.

Before payment of the initial or renewal premium, the department is to ensure that the official has paid any additional premium for which the official is solely responsible.

- ii. Refunds of premiums when policies are cancelled

If, for any reason, a Subsidised Vehicle is withdrawn from official use during any period covered by insurance, the department is to ensure that the insurance policy is cancelled immediately and is to request the Insurers for a refund of the premium in respect of the unexpired period of insurance. The official is entitled to the full amount of any refund made in respect of premiums paid by him or her for additional cover.

j. **Claims on Insurers**

i. **Official claims**

The official shall deal directly with their Transport Officers and the Insurers with regard to any claims lodged in terms of the policy. Excess payments are to be dealt in accordance with the provisions of paragraph 26.a. The official should maintain a proper file of correspondence between himself/herself and the Insurers for record purposes.

ii. **Payment of claims**

The Insurers shall pay directly to the official, any compensation due to the insured, in terms of the policy, subject to the provisions of the endorsement "Agreement". Compensation paid to the service provider(s) by the Insurers is to be remitted to the official, except in respect of the total loss of the vehicle, in which case any outstanding portion of the loan shall first be deducted thereof.

28. **Garaging and parking**

Normal garaging

The cost of overnight garaging of Subsidised Vehicles are to be borne by the official.

Ad hoc parking

Where an official has made use of ad hoc parking whilst on official duty, the actual expenditure incurred by him/her, the department, shall bear the cost thereof on receipt of proof of payment.

29. **Registration and licensing**

The service provider(s) shall be the title-holder and shall be responsible for the registration of the Subsidised Vehicle. On receipt of the particulars necessary for the licensing of the Subsidised Vehicle, the official shall ensure that the vehicle is licensed at the Local Licensing Authority. The cost of the registration and licensing is to be borne by the official.

30. **Procedures**

The service provider(s) in conjunction with the State will provide the administrative procedures for the new Subsidised Motor Transport Scheme.

31. **Relief Transport**

Any official provided with a Subsidised Vehicle may not utilise a vehicle provided by the State.

Should an official's duties temporarily change rendering his or her current Subsidised Vehicle unsuitable for a specific duty, the following process shall apply: -

a. A written request must be directed to the Head of the department;

The Head of the department may approve a request and allow an official to make use of a Government vehicle provided that a special task or function must be executed and that the task or function cannot be executed in the official's Subsidised Vehicle. This approval is subject to:

The vehicle instalment must still be paid by the official; and

ii. No official kilometres that are undertaken by the relief vehicle are to be credited, against the Subsidised Vehicle.

32. Emergency Services vehicles

All emergency vehicles, example traffic response vehicles must be clearly branded with the designated logo/decals as approved by the Province.

POLICY FOR A NEW SUBSIDISED MOTOR TRANSPORT

SCHEME B

1. An overview

Scheme B is a managerial option and the participation therein is left entirely to the discretion of Provinces or Departments (Head of the department).

As a result of escalating capital costs associated with purchasing Subsidised Vehicles and the increasing administrative burden of managing a fleet of Subsidised Vehicles a Province or department may choose the option to allow officials to utilise their own private vehicle for business related purposes. (Refer to Annexure B2)

This is on the proviso that the official travels less than 21 000 official kilometres per year and do not qualify for a Subsidised Vehicle under Scheme "A".

The official will be remunerated on the prescribed kilometre rates for actual business kilometres travelled that appear under "private on official" c/km on Annexure "C".

The State shall not contribute towards the insurance and maintenance of the vehicle utilised.

No Scheme "B" vehicles shall be supplied or purchased through National contract RT 77.

2. Interpretation

Should any questions arise as to the interpretation of these instructions, they are to be referred to the National Department of Transport by the Head of the department. In the case of Provinces this is to be done via the Provincial Department of Transport.

3. Delegation

Unless otherwise indicated, a Head of a department may delegate any of the powers conferred upon him or her by these instructions to another officer on the conditions that he or she so determines.

4. Financing arrangements

The Service provider(s) shall make available vehicle financing to officials, completing between 6000 and 21000 official kilometres per year under this scheme. The official may purchase a new or second hand vehicle, at the same interest rate offered under scheme "A". Individual applications of officials will be credit vetted under this scheme before financing is made available.

The Service provider(s) is required to negotiate fleet discounts with a wide range of manufacturers/dealerships for the purchase of new or second-hand vehicles. The Service provider(s) on a periodic basis to officials shall supply details of the negotiated discounts.

The vehicle financing of second hand vehicles is also subject to a technical inspection by the Service provider(s).

When purchasing a new or second-hand vehicle a financial deposit is required by the Service provider(s) under this financing arrangement.

Please note that individuals will not be able to transfer existing vehicle/ motor loans to this source of funding.

Officials completing less than 6000 official kilometres per year may participate under this scheme using his or her own private vehicle. These officials shall not qualify for the negotiated financing arrangements available through the Service provider(s).

5. Official kilometre distance

“Private on official” tariffs, in terms of Annexure “C” as amended from time to time is only payable to officials on actual official kilometres travelled.

The payment is subject to the official completing a trip authorisation and travel plan (Annexure “F”), pre-facto and the Responsibility Manager should approve it before an official trip is undertaken.