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COLLECTING THE ROAD TARIFF UNDER CONTRACT

(Prepared by Ian G. Heggie, revised February 1998)

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COLLECTING THE ROAD TARIFF UNDER CONTRACT

1. COLLECTING ROAD USER CHARGES UNDER CONTRACT:

NEW ZEALAND

In New Zealand, all road user charges are collected under agency agreements as follows:

- (i) The fuel excise is collected by the New Zealand Customs which charges a fee equivalent to 0.2 percent of revenues. Evasion is negligible, since funds are collected at source at New Zealand's only refinery, or at ports of entry.
- (ii) The sale of weight-distance charges is managed by a unit within the Land Transport Safety Authority (LTSA) at a cost of about 3.2 percent of revenues – about half is spent on collection and the balance on enforcement. The certificates are sold through the NZ Post, BP petrol stations, Vehicle Testing NZ, NZ Automobile Association and AMI Insurance. Operators can also buy licenses through remote terminals. Evasion causes the loss of about 12 percent of revenues (9.4 percent from heavy vehicles and 2.8 percent from light vehicles) and legal avoidance for about 7 percent of revenues.
- (iii) The collection of motor vehicle registration fees is also managed by the LTSA on a similar basis at a cost of about 18 percent of revenues. Registration certificates are sold through the same types of agency as the weight-distance charges. Extent of evasion is unknown.

2. COLLECTING THE FUEL LEVY UNDER CONTRACT: YEMEN

[This example has been translated from the Arabic. It is not a formal contract, but a memorandum of understanding. The memorandum is not particularly well drafted, but works well in practice. On the 20th of each month, the National Petroleum Company sends the road fund a statement showing deliveries of gasoline and diesel oil to all distribution depots, the fuel levy is applied to these figures, and a cheque for the total amount is sent to the road fund bank account.]

YEMEN PETROLEUM COMPANY
HEAD OFFICE
SANA'A

MINUTES OF THE MEETING

On Wednesday 5-15-1996, a meeting between the representatives of the Yemeni Petroleum Company (YPC) and the Directors of the Road Maintenance Fund met at the YPC Headquarters.

The YPC Team was composed of:

- | | | |
|----|---------------------|--|
| 1. | Abdelghani Aklaan | Financial Director |
| 2. | Akil Sarimi | Deputy Finance Director |
| 3. | Hamza Sabri | Head of the Government Accounting Office |
| 4. | Adil Abdallah Salah | Head of General Accounting Office |

The representatives of the Road Maintenance Fund were:

1. Eng. Abdelkarim Haifi Director of the Road Fund Board
2. Eng. Abdelhakim Al-Aghabari General Manager of the Road Fund

The two Parties agreed to:

1. A request was made for the statements of fuel sold from 16-1 to 30-4-1996. Once these statements have been received, the funds payable to the road fund will be disbursed. Thereafter, transfer of the funds due to the road fund will be made on the 20th of the following month, starting in June.

2. Payments for the period mentioned in (1), cover the period up to the end of May 1996.

3. The administrative expenses incurred by YPC, will be settled following the same procedures used for the Agriculture Promotion Fund, and will be deducted before transferring the funds to the Road Maintenance Fund Central Bank Account No. 5402010900174.

The memorandum is signed by the members of the two teams.

3. COLLECTING INTERNATIONAL TRANSIT FEES UNDER CONTRACT: MOZAMBIQUE

[This example has been translated from the Portuguese. The contractual arrangement is not working too well, because the contractor still sells some of the certificates at the border and this is thought to lead to significant evasion and leakage. Some changes are being considered which would ensure that certificates had to be purchased in advance so that no money changed hands at the border. A sample of the bank-note quality transit certificates is attached at the end of this contract.]

FUND FOR MAINTENANCE OF ROADS AND BRIDGES

Contract No. 02/FUN/95

This contract for rendering of services has been made and signed between the Fund for Maintenance of Roads and Bridges (FMER), the "client," represented by its president and the National Agency for Navigation and Freight (AFRENA), and the "contractor" represented by its Director General.

1. *Object of the Contract*

It is intended with this contract that the contractor be responsible for the procedure of sale of coupons for payment of international transit fees to the foreign transporters that use the Mozambican roads, and such procedure is hereby named "services."

2. *Obligations of the Client*

2.1 To supply regularly to the contractor the coupons to be sold in agreed upon quantities;

- 2.2 Indicate the routes used by the transporters for which the contractor will sell the coupons;
- 2.3 Control, using its own means or third parties, the effectiveness of the sale and all other factors associated with the charging of foreign vehicles;
- 2.4 Pay to the contractor 3 percent of the total revenues resulting from the sale of coupons and duly deposited in the account of the client, within 45 days of reporting the sale of coupons by the contractor;

3. *Obligations of the Contractor*

- 3.1 Sell the coupons to the foreign transporters that use the Mozambican roads, on the routes previously established by the client and listed in an Annex to this contract;
- 3.2 Fulfill all its contractual obligations in the rendering of these services and guarantee efficiency through the adoption of techniques and equipment acceptable to the client. The contractor should, in light of this contract, act as a counselor to the client and safeguard the rightful interest of the client in its relationship with third parties;
- 3.3 Deposit daily into the Local Accounts of the FMEP, to be opened by the contractor in name of the client, the revenues of the day. These local accounts should be opened with the condition that the deposits can only be transferred to the Central Account of the FMEP;
- 3.4 Fill daily the “daily map” (returns) corresponding to the sold coupons (bilhetes);
- 3.5 Present monthly a status of the executed work, including the monthly summary, the daily maps, and the bordereaux (slips) and the deposits in the local accounts;
- 3.6 The situation of the work will only be paid if it includes the documents listed in the previous item.

4. *Duration of the Contract*

4. This contract will have a duration of one year, counted from the date of signature, and will be automatically renewed if the partners do not express the wish to terminate it.

5. *Infractions by the Client to the Contractor*

- 5.1 If the contractor does not achieve the objectives of this document, the client will orally call this to its attention. If, in the opinion of the client, the contractor does not adequately respond, it will be advised in writing;
- 5.2 Finally, if the response to the above is not adequate, the client has the right to send a letter terminating the contract. The termination of the contract will be in effect one month after the reception of the letter.

6. *Termination of the Contract*

- 6.1 The contract can be terminated in the event of force majeure, and in this case the interested party shall send in writing to the other part, 30 days prior to the knowledge of the intention to terminate the contract. (very confusing in the original).

6.2 It is considered force majeure:

- (a) If the contractor do not rectify the errors, detected and notified according to clause 5, in 30 days;
- (b) Insolvency, bankruptcy or liquidation of the contractor;
- (c) The default by one of the parties on any of the clauses of this contract;
- (d) Political or social changes that results in changes in the strategy of the Government in relation to the international transit fees;
- (e) If the client is in default on the payment of the work situation presented by the contractor, in the period stated in clause 2 of this contract;

6.3 Any of the parties can terminate the contract by its own initiative, outside the clauses 4, 6.1 and 6.2 (force majeure), if it advises the other part by giving not less than 60 days notice.

7. *Payment after the Termination*

7. After the termination of the contract by clause 6, the client shall proceed to pay all bills due to the contractor, after all the deposits of the receipts has been done, and after the process of the accounts (or counting) of the coupons and after the unsold coupons are returned to the client, according to clauses 2 and 3.

8. *Coupons*

8.1 The client will supply the coupons to be sold by the contractor. The contractor shall, in no less than 30 days, request in writing for more supplies, and the client shall supply them in not more than 30 days of the date of its reception;

8.2 Such coupons will be the basis of the calculation of the revenues. For this purpose the contractor shall prepare a monthly accounting of the sale of coupons, as stated in clause 3. This accounting will be subject to annual auditing by the client;

8.3 The contractor is responsible for the conservation and safety of the coupons once they are delivered by the client, and it shall have a safe place to keep the coupons. In case coupons are lost or wrongfully damaged, the client has the right to be indemnified by the contractor.

9. *Inspections and Auditing*

9.1 The client has the right to inspect all the procedures of sale of coupons. The contractor shall organize a filing system for the documents, namely:

- ◆ Copies of deposits slips
- ◆ Balances of the accounts of the Fund
- ◆ Copies of the daily maps of sale of coupons and the monthly summary
- ◆ Copies of the correspondence with the client

9.2 The sale of coupons is subject to the annual auditing of FMEP by an independent auditor.

10. Disputes and Conflicts

10. The disputes and conflicts and other situations that may hurt the relationship of the parties will be resolved in a friendly manner between them, and the recourse to the judicial instance will only be made in case of disagreement.

11. Effectiveness

11. The contract is effective 15 days after the signature by both parties.

[An attachment to the contract shows transit fees payable on different routes]

Bank Note Quality Certificates Used for Transit Fees

REPUBLICA DE MOÇAMBIQUE
MINISTÉRIO DA-CONSTRUÇÃO E ÁGUAS
FUNDO para MANUTENÇÃO de ESTRADAS e PONTES

TAXA RODOVIÁRIA 75 US\$ CUPÃO A No. 00035010
ROAD FEE SETENTA E CINCO DÓLARES AMERICANOS

BEIRA - MACHIPANDA
 MACHIPANDA - BEIRA
 ZÓBUÊ - CUCHAMANO
 CUCHAMANO - ZÓBUÊ

• VALIDO SÓ PARA UM DOS TRAJECTOS (MARCAR)
• VALID ONLY FOR ONE OF THE TRIPS (MARK)

VIATURA: MATRÍCULA TXR 768 T
PLATE No. R.O.A.
PAIS DE REGISTO R.O.A.
COUNTRY OF REGISTRATION INTER.
MARCA/MODELO INTER.
MAKE/MODEL

ATRELADO: MATRÍCULA GMT 832 T
PLATE No. WESTERN ROSE
PROPRIETÁRIO WESTERN ROSE
OWNER OF VEHICLE

CARIMBO DA ENTRADA / ORIGINAL PARA ALFÂNDEGA À ENTRADA / ORIGINAL FOR CUSTOMS AT ENTRY POST
CARIMBO DO POSTO DO CONTROLO / CÓPIA BRANCA PARA POSTO DO CONTROLO / WHITE COPY FOR CONTROL POST
CARIMBO DA SAÍDA / EXIT STAMP / CÓPIA VERMELHA PARA ALFÂNDEGA À SAÍDA / RED COPY FOR CUSTOMS AT EXIT POST

4. PROPOSAL TO COLLECT INTERNATIONAL TRANSIT FEES UNDER CONTRACT: ZAMBIA

[This example is based on a proposal put forward by the National Roads Board in Zambia]

A recent report on harmonizing international transit fees, prepared by the PTA Secretariat and the SATCC Technical Unit, has recommended that these fees should, in the future, be paid by

coupon. At present, they are paid in cash and many staff manning the border posts refuse to accept anything other than hard currency (i.e., travelers checks and PTA units of account are not accepted). Not only is this a security risk for drivers who must carry large sums of hard currency, there is ample evidence of widespread evasion and leakage. International vehicles stopped at weigh-bridges in Zambia are frequently found without receipts showing payment of transit fees (the driver uses part of the funds to pay off staff at the border post and then pockets the rest), and the actual collections remitted to the Ministry of Finance are well below their potential. In Zambia, collections fell sharply when responsibility for collecting international transit fees was transferred from British Petroleum (who collected them under contract) to the Customs Department. In Tanzania, the treasury only receives about \$150,000 of the estimated \$3.0 million that should be collected annually in transit fees.

To deal with this problem, the Federation of Regional Road Freight Associations, which includes representatives of the transport industries in Lesotho, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe, has resolved that a coupon system should be implemented in the region. To this end, the Federation of Zambian Road Hauliers (Fedhaul), has prepared a scheme to be piloted in Zambia, and a similar scheme is being introduced in Mozambique. The basic elements of the scheme are as follows:

- ◆ In the future, all transit fees will be paid by coupon. Coupons are printed in bank note quality—with watermarks and other security devices—and collecting agencies are issued equipment to detect counterfeits.
- ◆ Coupons will be issued through regional transporters associations who have indicated willingness to purchase quantities in bulk and distribute them to their members.
- ◆ Coupons consist of three parts which are used as follows: (i) stub retained by issuing authority (Fedhaul), (ii) part II retained by collecting agency at the border (border collection in Zambia will be carried out by one of the commercial banks which has branches at all border posts), and (iii) part III will be retained by the transporter as proof of payment and will be canceled on exit by the collecting agency as proof of payment (to ensure that vehicles which do not pay on entry do so on exit).
- ◆ The payment cycle involves four main steps: (i) transporter purchases the coupons for cash, (ii) driver hands the coupons to the collecting agency at the border post, (iii) collection agency returns the coupons to Fedhaul, and (iv) Fedhaul transfers the funds used to purchase the coupons into the road fund account.
- ◆ Fedhaul charges a 5 percent commission for its services, and it is expected that the commercial bank collecting coupons at the border will do the same. The costs of printing coupons is estimated at \$200,000, and this will be financed through a commercial bank loan to be repaid from revenues over 3 years.

Annual revenues for Zambia alone are expected to exceed \$1.8 million gross, or \$1.6 million net of coupon printing and administration costs.