



THE DEPARTMENT OF TRANSPORT

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To: All Head of Departments
Accounting Officers

Adjustments in fuel and tariffs for motor transport

On the 1st April 2007, the Department of Transport with assistance from our service provider introduced the new tariff calculation model to be used to calculate the tariffs for officials that make use of their private vehicles and Subsidized vehicles on Scheme A and Scheme C.

The service provider provides The National Department of Transport with the raw data for updating the motor vehicle rates model. The model that was used previously was outdated and not flexible enough to accommodate both petrol and diesel vehicles. The raw data used in the model is obtained from the same service provider that provides rates to the Automobile Association.

All calculations are done in terms of the methodology as set out in Transport Handbook no1 of 1977. The tariffs as set out in the handbook make provision for fuel consumption, maintenance and capital depreciation.

The Department of Transport embarked on a process of aligning the fuel tariffs that is payable on a monthly basis to officials traveling with motor vehicles to be a true and accurate reflection of the actual cost incurred.

The database currently in use reflects the accurate and regular updated information in terms of fuel consumption, maintenance and capital depreciation. The capital and maintenance costs are updated annually in April, with the fuel tariffs being adjusted monthly as per the prices published by the Department of Energy.

After thorough consultations with the service provider, they have noted that the rates in general declined despite the steep fluctuation in the fuel pricing, annual capital and maintenance adjustments.

The main reasons for these declines are based on the following:

- The introduction of new entry level models in the market within certain vehicle categories reduced the capital depreciation to be written off within these categories.
- New vehicle models have been included in the data base used for the calculation of capital, maintenance and fuel consumption and older model vehicles have been removed.
- Engines of new vehicles are more fuel efficient and vehicles can therefore travel further on a liter of fuel. Therefore even though the fuel price escalated, the rate of reimbursement in certain categories declined.
- More vehicles are being sold with a service or maintenance plan, which is included in the price of the vehicle.

Kind regards,

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Government Motor Transport.