

Extra burdens on the RAF

THE ROAD Accident Fund has noted several stories published in the media in the past few weeks, especially in your publication, raising concerns about the fund's deficit and the bonus paid to its CEO Jacob Modise.

Financial challenges facing the RAF are well documented and have existed for many years, in fact more than three decades. We are also extremely concerned by this deficit and how a lack of funding has left us unable to settle all claims lodged with us in a speedy manner.

The R42.4-billion deficit reflected on the RAF's balance sheet as at March 31, 2010, the end of the previous financial year, is mainly as a result of the provision for outstanding claims that are actuarially determined on an annual basis, that takes into account, inter alia, historical trends and predictions relating to accidents, time to report and settle claims, growth in average claim amounts, etc.

The truth is that while the RAF remains grossly underfunded, the increasing number of road accidents and the rise in settlement costs is putting an extra burden on the organisation already struggling to meet its financial obligations.

Road accidents, which the RAF has no control over, are the biggest cost driver for the

organisation. About 15 000 people are killed on the country's roads each year and more than 300 000 are injured.

A fuel levy is currently the main source of revenue for the RAF and for years this has not been adequate. A Revenue Requirement Model was developed by the fund, and approved by the National Treasury, to address this shortage, but has failed to ensure that the RAF is adequately funded to settle all claims finalised.

For example in the 2009 financial year, the RAF requested a fuel levy of 38c per litre based on the Revenue Requirement Model, but was awarded only 17.5c per litre by the Finance minister, less than half the amount requested.

This has not taken into account the cost of settling claims that have increased drastically (by 16 percent in the

previous financial year) while the increase in revenue has almost been negligible over the same period from R11.969 to R12.626 billion.

It is an undisputed fact that the RAF was already sinking in a financial quicksand long before Modise joined five years ago. He immediately set on the path of transforming the RAF to arrest ongoing financial challenges and improve systems and processes.

The turnaround strategy that Modise is leading has seen numerous interventions, including the introduction of SAP business management software that has improved staff and financial management.

A state-of-the-art claims processing system is already operating and has facilitated a speedy processing of claims in a paperless environment.

This has helped reduce our backlog by more than 50 percent over the past four years from over 440 000 to 209 186. We are confident that with adequate funding, our backlog will be a fraction of what it is now; if any backlog at all.

Modise would be the first to agree that the RAF still has some way to go before it becomes a world-class service provider, but we are confident that we have turned the corner and are on track towards achieving our goal.

He identified three main

areas of attention to facilitate requisite change to turn the RAF around, namely, Legislative Amendments, Funding Model, and Operational System and Processes.

While he could influence the changes in legislation and lobby for more funding, the only area he can directly influence is operations, and that is the basis of his performance contract with the board.

The RAF is now taking its service to the people through community outreach. Every week RAF consultants visit families of those killed in road accidents, initiating funeral benefit claims ensuring that victims are buried with dignity.

The new legislation (the Amendment Act), which removed some restrictions on benefits for a certain category of passengers, has been introduced. Taxi passengers, who represent a majority of passenger deaths on our roads, can now be given compensation like other road victims and not be limited to R25 000.

These are just some of the many changes introduced under Modise's leadership which have earned him many enemies, especially among those who in the past benefited from legislative and other inefficiencies.

Lastly, we want to remind all that the main reason the RAF exists is to cover, compensate,



CHANGES: Modise has improved systems to help reduce the RAF's backlog, says the writer. PICTURE: SHAYNE ROBINSON

and rehabilitate victims of road accidents and their dependents. The RAF is not in the business of making profit but carries the financial burden that falls on ordinary citizens when accidents occur. We are in no means trying to dic-

tate the way in which the media covers our organisation; all we ask for is fair coverage. **Mandla Mvelase** Executive Marketing and Communications Road Accident Fund Pretoria

WRITE TO US

Write to Letters Editor
Sol Makgabutlane at
Box 61682
Marshalltown 2107
Fax: 011-838-2212

E-mail: starletters@nl.co.za
(No attachments)

- Pseudonyms are not acceptable
- Include full address and daytime phone number
- The letters editor reserves the right to edit or reject letters