5 March 2015

Dear Road Accident Fund Stakeholder

RAF FINANCIAL STATUS UPDATE

The Minister of Finance recently allocated a significant increase of 50c per litre of fuel sold to the RAF Fuel Levy. Due to improved productivity, the RAF funding model remains insufficient to meet its claims settlement commitments and in this regard your patience and understanding are necessary to allow the RAF to meet its obligations within its current available funding.

The RAF has undertaken to share regular updates on the Fund's financial position in the spirit of continuous transparency.

At the time of writing this, the total amount owed to approximately 4,760 service providers and claimants amounts to +-R5.6bn. You may recall that the previous communication reported a total amount owed of +-R6.2bn. The reduction follows on the December Court recess and the feastive season break. Since middle January, activity has returned to normal levels again and it is expected that the amount owed will again start increasing. In anticipation of the RAF year-end, a steeper increase is actually anticipated than that which has prevailed to date.

Kindly note that the 50c increase in the fuel levy will take effect on 1 April, but will only be received from June as the levy is paid in arrears over two months.

A breakdown of the current amount requested but not paid is tabulated below:

	0 - 15 Days	15 - 30 Days	30 - 60 Days	60 - 90 Days	90 - 120 Days	+120 Days	Total
Total	R 1 405 509 899	R 712 052 746	R 632 716 136	R 898 036 523	R 1 124 783 734	R 911 315 989	R 5 684 415 027

Since April 2014, the RAF has paid 9,748 writs amounting to R1.79 billion, with the number of writs requested not yet paid amounting to 832 and valued at R110 million. This amount will need to be ringfenced in the cash allocations and will impact negatively on all other service providers included in the amount that is ringfenced for plaintiff attorneys. Writs requested not yet paid represent 2% of all payments requested not yet paid as per the above. Instances of writs have increased significantly since September 2014 when available cash was no longer

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sufficient. The issuing of writs is disruptive to our general operations. As a result of this, only the sherriff and a number of firms benefit at the expense of all other creditors. Furthermore, the issuance of writs continues to disrupt the cash management model by seeing committed funds allocated to writs. The perception that only the issuance of writs guarantees payment is a fallacy as all our actions in recent months contradict this. The disruptions caused by writs and removals also delay payments as our teams rely on their equipment to enable them to process claims and make payments.

With respect to the action plan we communicated in the previous letter, it should be noted that the dedicated e-mail addresses are operational, but turnaround time requires improvement. We are working on this.

The other actions are in various stages of implementation. These included:

1) Developing a strategy for the management of the available monthly funding.
2) Implementing forecasting that will see predictability and transparency.
3) Regular communication regarding the general status and issues, as well as stakeholder-specific matters.
4) A review of processes associated with claims payments being embarked upon to secure efficiencies.
5) Integration of the claims and the financial systems being discussed.
6) Improved reporting mechanisms and easy access to information.
7) Increasing the capacity in the Treasury Department being addressed.
8) Engagements with Regions being revisited to ensure that the efficiency of that process also improves.

Kindly note that with respect to the stage a claim or invoice finds itself in that you need to engage with the relevant functions in the Operations Department. The Treasury Office is focused on the claims/invoices requested for payment as reflected in the Financial System only.

In general, our focus remains on settling the longest overdue items first. We are furthermore still in the process of establishing a predictable pattern of payments, but I remain hopeful that we will regain stability in the next 6 weeks or so.

We wish to reiterate that the RAF can only succeed at managing this situation with your support and cooperation and we remain dedicated to honouring our commitments.

Yours sincerely

Ms Y van Biljon
Chief Financial Officer