

THURSDAY, 13TH DECEMBER, 2018

MINISTERIAL STATEMENT

ON THE

STATUS OF A CONCESSION AGREEMENT FOR AN INTEGRATED TOLLING
SYSTEM WITH INTELLIGENT MOBILITY SOLUTIONS AND THE COST OF THE
MICHEAL CHILUFYA SATE TOLL PLAZA AND RETIREMENT HOUSE OF THE
FOURTH REPUBLICAN PRESIDENT

BY THE

HON. MINISTER OF HOUSING AND INFRASTRUCTURE DEVELOPMENT, MR
CHITOTELA, MP

Mr Speaker, I would like thank you for the opportunity given to me to render a combined ministerial statement in three parts. I am grateful for the opportunity to update hon. Members of this august House and indeed, the entire nation regarding the three matters as follows:

- (a) the status of the concession agreement with Messrs Intelligent Mobility Solutions on the integrated tolling system;
- (b) the cost of the construction the Michael Chilufya Sate Toll Plaza; and
- (c) the cost of the constructing the retirement House for the Fourth Republic President of Zambia.

Mr Speaker, I believe as the Hon. Minister for Higher Education alluded to that as a nation, we need to disseminate correct and factual information to the people out there so that we do not mislead them. The official information I will provide through this ministerial statement will clarify the misconceptions and therefore, set the record straight.

Sir, first of all, I will start with the status of the concession agreement with Messrs. Intelligent Mobility Solutions on the Integrated Tolling System in Zambia. The Tolls Act No. 14 of 2011 empowers the Road Development Agency (RDA) as the tolls authority for all public roads in

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Zambia. Through this piece of legislation, the RDA is mandated to construct toll plazas and any other related infrastructure to support collection of toll fees from all the road users.

Sir, Part II of the Tolls Act, and particularly Section 6 (1), mandates the RDA to appoint suitable persons as toll collectors. For the avoidance of doubt, I wish to quote the Section of the legislation as follows:

“Section 6 (1): the agency may, on such terms and conditions as it may determine, appoint any suitable person as a toll collector for purposes of this Act and to perform such other functions as the agency may specify.”

Mr Speaker, in October, 2015, in line with the cited provision of the Tolls Act, the RDA appointed the National Road Fund Agency (NRFA) as the toll agent for the collection of inland tolls. In addition to the provision I have quoted, Part IV, Section 14 (1) of the Tolls Act further provides that my ministry, in consultation with the hon. Minister responsible for finance and in accordance with the Public Private Partnership Act of 2009 is empowered to authorise any person to operate and maintain any toll road under a concession agreement.

Mr Speaker, in order for me to sufficiently answer the question of whether the Government allegedly single-sourced the management of tollgates in the country, allow me to provide details of the background of the issue as follows:

- (a) on 30th January, 2017, the Road Transport and Safety Agency (RTSA) received an unsolicited proposal for a Public Private Partnership (PPP) from Lamise Trading Limited in association with Kapsch International for the purposes of developing an integrated road traffic management and tolling system;
- (b) after determining that the proposal met the requirements of Public Private Partnership Act No. 14 of 2009, RTSA proceeded to issue an advert in the public media to request for competing proposals;

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- (c) four competing proposals were received from MTM KZM TRAFFIX (South Africa), Grandview International (Zambia/Romania), Fischer Consulting (South Africa), and Rashmitha Information Systems (India);
- (d) out of the four proposals, only the proposal from Fischer Consulting of South Africa was considered comparable in nature and scope to the original unsolicited proposal;
- (e) the two proposals were then evaluated after which it was determined that the proposals from Lamise Trading Limited in association with Kapsch International was the best. This led to the subsequent conditional approval of the proposal by Lamise Trading Limited by the PPP Council; and
- (f) the approval by the council was conditional upon Lamise Trading Limited and Kapsch International providing a legally binding joint venture agreement incorporated under the laws of Zambia to execute the project.

Mr Speaker, it must be noted that the inclusion of tolling and the construction of thirty-six toll plazas was part of the initial submission to RTSA. However, the tolling component was not approved by the PPP Council and, therefore, was not part of the concession agreement at that stage. This was because road tolling is the mandate of RDA and not RTSA.

Sir, consequently, on 21st August, 2017 Messrs. Lamise Trading Limited in association with Kapsch Trafficom, at that time incorporated in Zambia as Intelligent Mobility Solutions, submitted an unsolicited proposal to the RDA for a separate tolling solution which was to be integrated with the RTSA system.

The unsolicited proposal submitted by Lamise Trading Limited and Kapsch International involved the construction, enhancement, expansion and maintenance of the toll infrastructure at twenty-five tolling sites. Under the proposed concession, Intelligence Mobility Solutions was to

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invest a total of US\$38.3 million towards supplying, installation and maintenance of the advanced integrated tolling system at the twenty-five toll plazas for a period of seventeen years.

Mr Speaker, the PPP Council then invoked Section 35 (*d*) of the PPP Act, which I quote as follows:

“A contracting authority may negotiate an agreement, subject to the approval of the PPP council, without using the competitive selection process in cases where there is only one source capable of providing the required service, such as, when the provision of the service requires the use of intellectual property, trade secrets or other exclusive rights owned or possessed by a certain person or persons.”

In this regard, Intelligent Mobility Solutions was the only entity capable of providing the integrated tolling solution because to implement the tolling component, the use of their intellectual property and other exclusive rights possessed through the RTSA concession agreement was required.

Mr Speaker, following the review, consultations and negotiations on the proposed tolling solution, a decision was made to terminate the negotiations with Intelligent Mobility Solutions, as provided for in the law. The negotiations were terminated because the Government was of the view that the proposed concession was not going to deliver value for money and, therefore, was not in the best interest of the Zambian people.

Mr Speaker, given the decision made by Government, the wrong impression and deliberate misinformation to the effect that the RDA has already signed the concession agreement with Intelligent Mobility Solution are totally incorrect, dishonest and unfounded.

Mr Speaker, I wish to take this opportunity to reiterate that the Government of His Excellency the President of the Republic of Zambia, Mr Edgar Chagwa Lungu, is committed to work with the private sector in developing quality infrastructure across the country.

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Mr Speaker, the Government has also got interest to work with the private sector to improve the revenue streams for reinvestment in infrastructure assets. In our desire to work with the private sector, our only condition is that the partnerships created by the Government and the private sector should result in a win-win situation, nothing more nothing less. This is because we have a mandate to deliver and we shall continue to undertake projects what provides maximum benefit to the economy and the people of this country.

Mr Speaker, as I conclude the first part of my address, I wish to state that resource mobilisation and infrastructure development efforts across all sectors will continue to be a priority of the Patriotic Front (PF) Government and this shall be undertaken within the existing national laws and through consultative processes.

Mr Speaker, secondly, allow me to also address the matter concerning the cost of the Michael Chilufya Sata Toll Plaza on the Ndola/Kitwe Dual Carriageway constructed by the Government. The Government wishes to provide clarification on the matter in order to dispel the false information that has been in circulation following commissioning of the facility.

Mr Speaker, the PF Government under the leadership of His Excellency the President of the Republic of Zambia, Mr Edgar Chagwa Lungu, is strategically investing in construction, upgrading, rehabilitation and maintenance of the road infrastructure with a view to open up the country for economic development. This commitment is best demonstrated through the various road infrastructure programmes the Government is implementing such as the Link Zambia 8,000 Km Road Project, Lusaka 400 km Project (L400), Zambia Township Roads Project and the feeder roads programme under the Improved Rural Connectivity Project.

Mr Speaker, the financial sustainability of these programmes is enhanced with the contribution and support from the road users. Therefore, the PF Government in November, 2013, initiated the National Road Tolling Programme with the objective of exponentially increasing non-tax revenues in the form of tolls for road construction and maintenance.

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Sir, to-date, a total of twelve inland toll stations, namely; Chongwe, Shimabala, Katuba, Mumbwa, Manyumbi (now called the Frederick Titus Chiluba Tollgate), Kafulafuta, Chembe, Kalense, Kakonde, Kateshi, Humphrey Mulemba and the recently commissioned Michael Chilufya Sata are operational. Between November, 2013 and September, 2018, a total of K2.53 billion was collected from inland toll plazas, ports of entry and weighbridge stations across the country.

Mr Speaker, the Government has noticed a worrying trend by some sections of society opposed to the PF Government that are deliberately misleading and misinforming the public on the agenda to transform the country through infrastructure development. The assertion that the cost of the recently commissioned Michael Chilufya Sata Toll Plaza on the Kitwe/Ndola Dual Carriageway is too high and does not represent the true cost of putting up the infrastructure is one such example.

Mr Speaker, the Michael Chilufya Sata Toll Plaza has been constructed at a total cost of US\$4.3 million, inclusive of 16 per cent Value Added Tax (VAT) and 5 per cent contingency. The contract for the project was signed in July, 2017, at which point the exchange rate between the United States dollar and the Kwacha was about US\$1 to K8.9.

Mr Speaker, contrary to assertions that the toll plaza cost K52 million, the true cost of the toll plaza in the local currency is about K38.27 million. The cost breakdown is as follows:

<i>Item</i>	<i>Cost (US\$)</i>
civil works	1,850,000
buildings	707,010
tolling system (booths and equipment)	161,700
power supply and related installations	270,573
signal lighting system for traffic control	58,672
surveillance system	143,887
designing fee	95,739

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preliminaries and generals	319,130
VAT (16 per cent)	602,517
Contingency	159,565
<i>Total</i>	4,300,000

Mr Speaker, you may wish to note that as at 30th November, 2018, a total of K6,715,635 had been collected from the Michael Chilufya Sata Toll Plaza from the date it was commissioned by His Excellency the President of the Republic of Zambia, Mr Edgar Chagwa Lungu. The Michael Chilufya Sata Toll Plaza is the largest toll plaza constructed in Zambia to date. This plaza spans across two carriageways. The facility was designed to process at least 17,000 vehicles per day without adversely affecting the flow of traffic. The scope of work includes, and not limited to, the following:

- (a) construction of rigid pavement at the toll plaza and on both approaches;
- (b) construction of parking and detention bays;
- (c) construction of the toll plaza canopy;
- (d) construction of a control building;
- (e) construction of an equipment building; and
- (f) installation of tolling booths and tolling systems.

Mr Speaker, prior to the commencement of the construction works of toll plazas in the country, my ministry, through the RDA, engages independent consultations to prepare detailed design and cost estimates. Based on the detailed design that was prepared for the construction of the Michael Chilufya Sata Toll Plaza, the consultant estimated a cost of US\$6.6 million. This is was an independent consultant. Therefore, delivering the Michael Chilufya Sata Toll Plaza at a cost of US\$4.3 million represents a saving of US\$2.3 million which is commendable.

Mr Speaker, the Government has recently constructed other major toll plazas such as Katuba and Shimabala. The cost of these two toll plazas were US\$2.8 million on a single carriageway and US\$2.2 million, respectively. The cost difference between the two toll plazas and the Michael Chilufya Sata Toll Plaza is because of the difference in size. As I have earlier alluded

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to, the Michael Chilufya Sata Toll Plaza spans across the two carriageways between Ndola and Kitwe while Katuba and Shimabala are on single carriageways.

Mr Speaker, there is a tendency by some people that would want to mislead the public to just say other countries in the region are building the same infrastructure without citing one country and which toll plaza. We did the research and it was revealed that what other people were claiming that building a structure similar in size and quality at US\$500,000 was not true. This is absurd and misinformation and is calculated to mislead the Zambian people. According to the report published by the Iowa State Road Department in the United States of America (USA), the cost of constructing a plaza on a four lane road like the Ndola/Kitwe Dual Carriageway is estimated at US\$12 million.

These are facts and anybody can Google to find this information. This is contrary to claims that other countries in the region have constructed toll plazas at a cost of US\$500,000, which is not even enough to buy software or systems required. In fact, none of the countries in the Southern African Development Community (SADC) implementing tolling programmes have constructed an equivalent structure to the Michael Chilufya Sata Toll Plaza at a cost of US\$500,000. This is total misinformation. This is because the US\$500,000 is not even enough to procure the tolling system installed at the toll plaza. I, therefore, wish to challenge those misinforming the people to come forward with facts, otherwise, they must stop misleading the Zambian people.

Mr Speaker, before I conclude and turn to the final part of my address, I would like to point out that nobody questioned when the PF Government awarded the contract to construct the Manyumbi Toll Plaza to Njobvu Transport Limited, whose owner stood on the ticket for the United Party for National Development (UPND) in Mumbwa at K48 million. The Michael Chilufya Sata Toll Plaza only cost K38 million.

Mr Speaker, I now turn to the third and last part of my statement which is on the cost of constructing the retirement house for the fourth Republican President, Mr Rupiah Bwezani Banda.

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Mr Speaker, I wish to start by informing the hon. Members that the scope of works for the construction of the house for the fourth Republican President included the following:

- (a) the main house with the associated perimeter fence, external works such as landscaping, paved road works, walkways and parking spaces, sewer, water and electrical reticulation systems; and
- (b) three staff houses with perimeter fence around the 25 ha of land.

Mr Speaker, the project was phased starting with the construction of support facilities followed by the main house with associated external works at a total cost of US\$2,435,489.45. It should be noted that the cost of constructing the house for the fourth Republican President is comparable to those of constructing the houses for the second and third Republican Presidents which are K13,693,072.32 and K11,263,770.52 with similar components and general requirements. Considering the figures I have alluded to as well as the changes in the exchange rate between the United States dollar and the Kwacha over the time period, the conclusion is that the costs for the three houses are indeed comparable. This is a demonstration that the costs are dictated by market forces and not subjectively determined, otherwise, the differences would have been huge.

Mr Speaker, on the issue of comparing the cost of the house of the fourth Republican President to the Michael Chilufya Toll Plaza, our conclusion is that comparing the cost of house for the fourth Republican President and the Michael Chilufya Sata Toll Plaza, whatever the criteria used, is not rational. This is because these are two completely different facilities and, hence, there is no basis whatsoever of comparing their costs due to the differences in design, scope and requirements. You cannot compare the cost of a toll plaza where you are putting software connecting to Lusaka and paying the Zambia Electricity Supply Corporation (ZESCO) in excess of US\$270 million to the cost of a house for a former President.

Mr Speaker, the achievements of the PF Government under the leadership of His Excellency the President of the Republic of Zambia, Mr Edgar Chagwa Lungu, have unsettled the Opposition.

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Mr Speaker, this is why there is a deliberate campaign to discredit the successes by claiming that the projects are either exorbitantly priced or riddled with corruption. This is absolutely not true and a deliberately calculated move to create paralysis in Government operations. We shall, therefore, continue to deliver world class infrastructure as long as it is of benefit to the Zambian people and we get value for money.

Most of those that are behind condemning Government investment in infrastructure have opportunities to enjoy quality infrastructure facilities when they travel abroad. On the other hand, many of our people only rely on the Government to provide these facilities here in Zambia. As Government, we will continue emphasising that the benefits and importance of investing in the infrastructure sector are far reaching. Expenditure on infrastructure is an economic stimulant and an important counter cyclical measure in times of economic downturns. Ultimately, the investments will result in socio-economic vibrancy through job creation and local empowerment for our people.

Mr Speaker, I wish to conclude my statement by reaffirming that despite the deliberate campaign to misinform our people in Zambia with the hope of disrupting the Government's agenda to transform Zambia, His Excellency the Republican President and his team are responsible and prudent and will remain focused on delivering sustainable development through the many projects including those in infrastructure.

Mr Speaker, I thank you.