



TRANSCOM/720
25 May 1994

ECONOMIC COMMISSION FOR AFRICA

MISSION REPORT

STAFF MEMBER ON MISSION	M.E.DHLIWAYO, EAO-TCTD
PURPOSE OF MISSION:	To participate in the following ECOWAS meetings:- (i) Sensitization Seminar for Land Transport Operators, Security Agents and Customs Officials on the Implementation of ECOWAS Transport Decisions and Protocols; (ii) Sixth Meeting of the Higher Committee on Land Transport (HCLT).
VENUES OF MISSION:	Lome, Togo
MISSION DATES:	31 January - 5 February 1994
CITATION OF ACTIVITIY:	International Cooperation

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Background

1. The mission was undertaken within the framework of implementing the facilitation aspects identified during the baseline assessment and the development of objectives and strategies for the Second United Nations Transport and Communications Decade for Africa.

2. In response to the request from the Economic Community of West African States (ECOWAS), the following papers were presented to the seminar and meetings:

- (i) Manual for Heavy Goods Vehicle Drivers;
- (ii) Outcome of the first phase of the Human Resources and Institutional Development project (for information);
- (iii) Brochure on UNTACDA II (for information);
- (iv) Review of transit charges in the various subregions (TRANSCOM/651).

Attendance

3. The seminar and meeting of the Higher Committee on Land Transport (HCLT) was attended by representatives from the following countries: Benin, Burkina Faso, Liberia, Mali, Niger, Nigeria and Togo. The delegations comprised transporters, customs officials, immigration officials, road transport officials, and law enforcement agents.

4. The following organisations were also represented: UNCTAD, ECOWAS, Brown Card Scheme Secretariat, West African Road Transporters Union (WARTU) and ECA.

Proceedings of the Seminar

5. The following agenda items were considered:

- (i) Official opening
- (ii) Memorandum on the implementation of decisions and protocols directly relating to facilitation of free movement of goods and persons in the ECOWAS subregion.
- (iii) Follow-up of recommendations of the seminar organised by CEAO in Ouagadougou 26-30 September 1988 on the implementation of

Inter-State Road Transport and Transit Conventions (TIE, ISRT) and directives to eliminate excesses of check points along inter-State roads.

- (iv) Report of member States on the status of implementation of ECOWAS decisions and protocols relating to transport.
- (v) ECA report on Review of Transit Charges in the various subregions.
- (vi) Any other business.
- (vii) Adoption of the report.

6. The major decisions and recommendations made during the seminar were as follows:

- (i) The meeting requested ECA to assist the ECOWAS Secretariat in preparing a rationalised methodology for determining and collecting transit fees (see annex I)
- (ii) A recommendation was made on the need to establish a National Committee to monitor the progress made in the implementation of the ECOWAS protocols and decisions relating to transport.
- (iii) The meeting further requested that ECA works closely with ECOWAS secretariat on the determination of vehicle operating costs on the inter-State roads taking account of axle load limits.
- (iv) On the reduction of check points the meeting recommended that a forum be created for regular exchange of ideas and points of view between transporters and law enforcement agencies under the auspices of the National Committees.
- (v) ECA was also requested to assist ECOWAS in undertaking a study on transit transport costs.

Proceedings of the Sixth Meeting of the ECOWAS Higher Committee on Land Transport.

7. The following agenda items were considered during the meeting:

- (i) Consideration of the report of WARTO on the check points along the community roads with regard to the free movement of goods and persons.
- (ii) Information on the national bodies responsible for the registration of vehicles and the issuance of driving licences.
- (iii) Presentation of the Community project on road safety and accident prevention in the West African subregion.
- (iv) Presentation and consideration of the memorandum on training in the transport sector.
- (v) Consideration of the report on the sensitization seminar for land transport operators and security agents on the implementation of ECOWAS Decisions and Protocols relating to transport.
- (vi) Any other business
- (vii) Adoption of the report and closing.

8. Major decisions and recommendations made were as given below:

- (i) The meeting endorsed the need for a National Monitoring Committee to be responsible for ensuring that the decisions and protocols are implemented.
- (ii) The meeting recommended that the WARTO report be updated and extended to cover all the sixteen ECOWAS member States. The report should be presented to the next meeting of HCLT.
- (iii) On the road safety and accident prevention programme, the meeting recommended national and subregional action plans for implementing the following strategies:
 - ✓ Establishment of Road Safety Councils;
 - ✓ Standardization
 - ✓ Road Network Management

- (iv) The meeting requested ECOWAS and ECA to work out the modalities for organizing workshops on the Design and Management of road Safety Programmes.
- (v) Recommendations made during the seminar were adopted by the HCLT.

Conclusions and Recommendations

9. The outcome of the deliberations of the seminar and the HCLT meeting shows that although all the decisions and protocols adopted, signed and ratified by ECOWAS member States meet the requirements for smooth facilitation of inter-country movement of goods and people in the subregion, their implementation is not satisfactory. This shortcoming may be accrued to:

- (a) lack of training and/or clear instruction of/to the operatives in the field in the implications of the need to implement the decisions and
- (b) non-existence of rationalised transit charges;
- (c) corrupt practices by the operatives arising from inadequate incomes or greediness;
- (d) sovereignty.

10. These issues are very difficult to address and solve but effort should be made by member States to reduce the impact and try to foster regional cooperation through the introduction of, inter alia, shared border crossings, use of coupon system for paying transit fees, introduction of rationalised transit fees and better incentives for the operatives.

11. It is recommended that ECA assists ECOWAS on the undertaking of corridor studies covering transit fee determination based on actual road user costs and border crossing administration. ECA should also conduct workshops on facilitation in order to increase awareness to the operatives on its importance to the realisation of regional cooperation.

12. Training workshops on the design and management of road safety programmes should also be conducted. Modalities for organising such a workshop should be discussed with ECOWAS.

ECONOMIC COMMISSION FOR AFRICA

**RATIONALISED METHODOLOGY FOR ASSESSING TRANSIT
CHARGES IN THE VARIOUS CORRIDORS**

**Presentation prepared for the ECOWAS Seminar
on facilitation
Lome, Togo
31 January - 2 February 1994**

INTRODUCTION

1. The existing surface transport corridors play a very important role in the movement of goods and people, thereby contributing to the promotion of regional integration and socio-economic development of the African continent. These corridors also play a major role as economic outlets for the fifteen landlocked countries. Most of these countries are among the least developed countries in the world and face very serious economic problems due to the absence of free access to the sea resulting in the restriction of trade activities and hence reduced economic development. Their exports are less accessible to potential world buyers while their imports carry additional cost margin (15 to 20%) largely due to high transit costs.
2. A coordinated approach of developing these transport corridors is therefore the most appropriate and pragmatic way of achieving accelerated regional integration, socio economic development and the achievement of self-sustenance.
3. This issue of high transit costs has serious implications on the overall economic development of these countries and even some of the coastal African countries. These countries are exporters of raw materials and importers of manufactured goods. It is estimated that road transport costs are 2.5 to 3 times higher in Africa than in other regions. With the existing low demand for raw materials and the increased import prices of the manufactured goods, some African countries cannot pay their import bills from their export earnings and hence face chronic balance of payments difficulties. Furthermore a 10% reduction in transport costs will result in annual savings of US\$ 12 billion.
4. Within the context of implementing the strategies and objectives of the Second United Nations Transport and communications Decade for Africa, one of the important preparatory activities for the establishment of the African Economic Community, a methodology for selecting a rational way of determining transit charges is proposed.

SELECTION OF A RATIONAL METHOD FOR DETERMINING AND COLLECTING HARMONIZED TRANSIT CHARGES

CONSIDERATIONS

5. To be accepted and implemented by all, the method selected for determining and collecting transit charges must respect national interests of the countries concerned by reconciling as much as possible the interests of the state and those of economic

operators. It must be practical and should take due account of the realities in the countries concerned.

6. Harmonization of road transit charges entails follows:

- harmonization of the methodology and principles of cost recovery;
- harmonization of road network classification, traffic counts by vehicle categories, routine/periodic maintenance costs etc.

7. Thus, harmonization would mean a rate established per country through uniform principles methodologies and parameters and not uniform standard rate for all the countries. A uniform rate based on a regional average would result in countries recovering ESA unit costs are higher than their costs and vice versa. As a result there would be income transfers from one country to another. The use of a regional average would raise questions of equity and the need to establish a mechanism for the redistribution of inter-state income, which could lead to disputes.

8. The methodology selected must obey a number of criteria, including:

- (i) Harmonization and simplification of the procedures;
- (ii) Uniform system of taxation to ensure a better recovery of road maintenance and rehabilitation costs; the tax must be calculated on the basis of the weight of the vehicle, the number of axles and the distance covered on each type of road, by making a distinction between tarred and untarred roads.
- (iii) Harmonization of road transit statistical data (design standards, classification of road networks, traffic counts by vehicle categories, routine and periodic maintenance costs, design costs etc);
- (iv) Utilization of a single customs document covering the goods throughout the transit transport, aligned with the United Nations Layout key;

- (v) Formulation of a more flexible and effective uniform financial guarantee scheme likely to enhance the carrier's profession;
- (vi) Transparency in revenue collection and management.

9. It must also take cognisance of the following principles and concepts:-

- Establishment of a common methodology and principles for calculating the charges,
- Determination of the levels of common charges to be levied,
- Formulation of a uniform system for charging and collection of revenue;
- Proposals on the use and management of the funds arising from revenues collected from road transit charges.

10. Agreement must be in place on the following fundamental principles and concepts:

- Transit traffic (including nationally registered vehicles) must pay for the use of highway infrastructure;
- Payment must be related to the cost of providing and maintaining the highways used;
- Revenue realized from payment made by transit traffic must be utilized in maintaining and improving the highway links in question so as to minimize vehicle operating costs.
- There should be no other additional charges imposed on vehicles engaged in transit traffic operations.

DETERMINATION OF THE TRANSIT CHARGE

11. The principle is based on determining the full cost recovery on the basis of ESAs for different vehicle categories, specifically HGVs with an ESA equal to or greater than one. The following elements are used to calculate ESA costs:

- Average annual daily traffic of different HGV categories for paved inter-state roads,

- Design standards and economic life of the links;
- Full depth rehabilitation costs at the end of the links;
- Total routine and reseal maintenance costs during the design life of the links;
- At the end of the design life of links, a residual value of 20 per cent of rehabilitation costs is assigned;
- The maximum ESAs are calculated on the basis of an enforced axle load limit, agreed upon in the corridor/subregion.

12. The resultant figure will be the full damage cost recovery and depending on the agreement this can either be charged as a transit fee or better still a percentage of it thus taking into account exogenous factors such as the environment.

COLLECTION OF THE CHARGE

13. It is proposed that payment of the user road charge be made either at the point where the transit operation commences or at the entry border post/inland point where the journey commences. Instead of paying the fee with hard currency, it is proposed that transit charges be settled by coupons.

14. To implement the coupon system, it is recommended that each government in collaboration with the economic operators should:

- identify and designate an institution that would issue coupons to truckers;
- work out arrangements with the Central Bank for the prompt repatriation of road transit charges on the bases of used coupons.

EVALUATION OF TRANSIT TRANSPORT CORRIDORS

1. The proposed methodology for the evaluation of transit corridors developed by the World Bank as part of the SSATP component on Trade Facilitation is based on analytical audits of:

- * Infrastructure
- * Operations and Traffic

- * Trade facilitation
- * Trade Logistics
- * Institutions

Infrastructure

2. The objective of this audit is to detail the physical characteristics of the infrastructure in each of the identified corridors. The survey would necessarily collect information on both movement links and interchange modes within the transport corridors. The information required would include:

(a) Transport Movement Links

- (i) Distances between major origins/destinations, by mode and country (e.g. distance by road from Bamako to border with Côte d'Ivoire, and from border to port of Abidjan).
- (ii) Specification of infrastructure (e.g. paved, gravel or earth road or gauge of railway).
- (iii) Condition of the infrastructure by main link.
- (iv) Speed, axle loads, and other physical restrictions.
- (v) Number, type and location of controls and checkpoints.

(b) Transport Interchange and Cargo Storage Points

- (i) Port infrastructure, port equipment, storage capacity and condition, customs facilities, specific transit facilities.
- (ii) Location, size, capacity of inland transfer terminals and handling equipment available (e.g. rail/road transfer terminals, railway yards, container terminals, bonded warehouses).

(c) Infrastructure costs

- (i) Expenditure actually allocated to the maintenance of the existing corridor infrastructure.

- (ii) Estimate of the expenditure which should be allocated for adequate maintenance of the infrastructure.

3. The review must detail not only the existing situation but must also describe any plans for the rehabilitation or improvement of the infrastructure. The proposed time frame of the proposed investments and their expected effects should be detailed.

Operations and Traffic

4. It is essential to understand how each mode in the corridor operates, what type of equipment is used, performance levels, operating costs and constraints. The following list gives a guide to the approach needed:

- (i) Identify detailed time schedules for each mode. This should include loading, unloading and waiting times, movement times, delays at customs, checkpoints and border crossings. Several transport operators and freight forwarders should be contacted and the schedule prepared by main commodity, and consignment type (general) cargo, containerized, dry and liquid bulk etc.). Identify the potential for reducing total transit time and the constraints to such reduction.
- (ii) Identify the characteristics of the vehicle fleets used e.g. size and axle configuration of trucks/wagons, type of containers, ship type and size.
- (iii) Determine the tariffs charged by each mode or, when applicable, the door-to-door tariff. As discounts may be common, a range of customers must be contacted. Conference rates are a reference point for ocean shipping tariffs but, given the extent of discounts used by the conference and the "outsider" shipping, best estimates of average tariffs will have to be based on interviews with shippers and freight forwarders.
- (iv) Based on the vehicle and infrastructure characteristics estimate, wherever possible, long run variable transport operating costs for each mode and corridor. The analysis should determine where inputs, such as fuel and spares, are purchased and the incidence of indirect taxation.

- (v) Obtain commodity flows via each corridor for the previous five years. Regional traffic refers to trade exchanges between neighbouring countries and often faces different procedures and formalities.
- (vi) Understand the organizations operating the corridors: Ownership and control, employees, profitability, subsidies, own account versus for hire, etc.
- (vii) Obtain information on the operating strategies used by each mode (groupage services, wagonload, block movements, unit trains, etc).
- (viii) Determine the nationality of the transport operators and whether there are formal or informal traffic sharing arrangements, national fleet protection etc.

Trade Facilitation

5. It is essential to understand fully the procedures and documentation necessary for the conduct of foreign trade. This would include the procedures required to obtain import/export licenses as well as the procedures and documentation required for customs clearance. The following approach is suggested for this aspect of the study:

- (i) Documentation: Identify all documents required for the import/export of each product (import license, certificate of origin, clearance papers, letter of credit, Chamber of commerce authorization, shipping documents, etc.), the time required for each document and the difficulties faced.
- (ii) Freight forwarding: Identify which firms are branches of international freight forwarders and which are local freight forwarders.
- (iii) Freight bureaux: Check whether there is a requirement to use an entity in control of arranging overseas freight movement. If a national freight bureau operates the advantages/disadvantages of the system.
- (iv) Customs procedures for imports/exports in both landlocked and transit countries. The constraints posed by the procedures, the need for and cost of informal payments of customs to expedite clearance. Do informal payments allow under-declaration of C.I.F. values.

- (v) Nominal and effective use of international customs procedures, such as the T.I.F. (Transport International Ferroviaire) or the T.R.I.E. (Transport Routier Inter-Etats), in the region. Use of other procedures, including police or customs controlled convoys.
- (vi) Availability and quality of telecommunications, telephone/fax/telex. Problems with the transmission of documents required for customs clearance.

Trade Logistics

6. The objective of this audit is to document the overall door-to-door movement by each available route and mode: the delays and constraints, the combined customs procedures, total number of halts or inspection stops and all the elements that differentiate one route from another.

- (i) Use the tariff/cost information obtained in the operations audit to determine direct costs for a shipper using that route. Direct costs are only the costs which are incurred in cash, and do not include time related costs such as delays and reliability of the costs such as delays are reliability or the costs of insurance/loss/damage.
- (ii) Use the information collected in the operations audit to estimate overall transit times by route and the equivalent inventory costs as a function of the C.I.F. value and financing costs. Estimate also the variability of transit times and the probability of late arrivals (reliability). This information should then be valued as a function of the C.I.F. value.
- (iii) Calculate the cost of insurance for trade goods, the actual loss and damage to goods imported/exported and the extent to which the insurance compensates for such losses. Calculate the total cost of loss and damage provision, including the cost of delay in setting insurance claims.
- (iv) The addition of the direct (i) and indirect (ii and iii) costs will provide an estimate of the overall generalized (financial costs to the user. Comparison of the route generalized costs and the distribution of transport flows may indicate anomalies. Such anomalies should be investigated to determine whether certain costs have been missed or whether shippers place higher valuation on time and/or reliability.

Trade-Transit Transport Institutions

7. This audit identifies the institutional environment in which the shippers, transport operators and government organizations perform. The institutional environment often has a direct and very significant effect on the costs/tariffs, capacity and efficiency of routes. It plays, therefore, a significant role in route and transport mode choices.

- (i) The scope and effectiveness of trucking regulation in both landlocked and transit country on market entry, operations, vehicle loads, tariffs etc.
- (ii) The main institutions involved in transit movements (e.g. Shipper's Council, Chamber of Commerce, National Shipping Company, Trucking Association), their roles in the transit process, their relative strength and the constraints they create.
- (iii) The scale and distribution of private sector involvement in the freight forwarding and transport industries: size and ownership of companies, local and overseas participation, extent of competition.
- (iv) Availability of credit and foreign exchange to individual entrepreneurs.
- (v) The role played by the Central Bank and commercial banks in trade-transit operations.
- (vi) The effect of parallel markets for foreign exchange on the choice of route/modes/transporters by shippers.
- (vii) Institutional arrangements for trade insurance - role of local insurance companies.
- (viii) The nominal and effective implementation of the UNCTAD Maritime Code (40/40/20 rule).
- (ix) Traffic sharing between landlocked and transit country nationals - agreements, institutions and enforcement.

8. Any other institutional aspects should be noted in this audit and the constraints they create or their advantages should be clearly documented. The audit should include

an analysis of the main institutional constraints within the system and discuss possible reforms to the system. Any proposed reform, such as privatization or total deregulation, should be accompanied by a sketch analysis of whether it is economically feasible and realistic in the social-political-economic environment of the corridor.