

**TRANSPORT REFORM INITIATIVES IN
NAMIBIA: EXTENT AND PROGRESS TO
DATE**

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ABSTRACT

At Independence on 21 March 1990, Namibia inherited a strictly regulated transport sector, benefiting only a few. Government published a White Paper on Transport Policy in 1994 confirming that this sector be deregulated and restructured to allow for a more competitive environment. Following this the Ministry of Works, Transport and Communications started with several ambitious initiatives mostly grouped in the MWTC2000 Project, to change the regulatory and institutional environment of the transport sector.

All Civil Aviation Acts are currently reviewed while the operations of the eight major airports/aerodromes will in 1997 be transferred to a State Owned Enterprise (SOE). Similarly will the road sector be deregulated with the promulgation of the Road Traffic and Transport Act later this year while a system of Road User Charges based on full cost recovery, will be implemented in phases over the next two years. Parts of the Department of Transport (DOT) will be restructured into a Roads Authority while the present DOT staff engaged in roads maintenance and construction work will be transferred to a corporatised Roads Contractor. This contractor must be competitive with the private sector within two years and will also be broken up into smaller contractors.

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The logo for ATRF 96 features a stylized map of Namibia composed of several overlapping, semi-transparent shapes. The text "ATRF 96" is printed in a bold, sans-serif font across the center of the map.

ATRF 96

1 INTRODUCTION

When Namibia became an independent Republic on 21 March 1990, she inherited a transport sector that operated within a system of strict economic regulation. It was difficult to enter any market as the operators within the different sub-sectors were effectively entrenched in their respective environments. A comprehensive report on the status quo, Transport and Communications in Namibia was at the time commissioned by the Swedish International Development Agency (SIDA) to assist the incoming Government with initial policy and development planning in this important sector.

The incoming Government stated that all Namibians must share in the economy and development of Namibia. This policy directive was in direct conflict with the strict regulatory framework already in place. This was confirmed when Government published its basic policy objectives which are as follows,

- to revive and sustain economic growth
- to create employment opportunities
- to alleviate poverty
- to reduce inequalities in incomes
- to promote an efficient use of scarce resources

This policy shift required major changes in the regulatory framework of the transport sector. The purpose of this paper is to reflect on the resulting initiatives that flowed from the new government policies and to report on the progress of implementing these. The paper will firstly cover the major policy reform initiatives and will then report on the institutional changes that flowed and will flow from these initiatives.

2. POLICY REFORM

The first step taken by the Government of Namibia to restructure the transport sector was to withdraw certain portions of Acts to initiate an open transport regime. This was done as an interim measure until proper Acts could be formulated to support the basic objectives of Government.

Following a number of studies on introducing efficiency in the various sub-sectors, Government issued a major policy directive with the publication of the White Paper on Transport Policy in October 1994. This policy document covered all the different transport modes namely road transport, rail transport, shipping and civil aviation. It also stated that the overall goal of Government in the transport sector is to ensure that Namibia has safe, effective and efficient transport services in balance with the transport needs and capacity of the country.

The major aim of the new policies was therefore to improve effectiveness and efficiency in the provision of transport services by removing entry barriers and to create an environment for healthy competition not only between the different sub-sectors but also within each sector. It was accepted that the main instrument to improve performance in the transport sector is competition.

This competition-based policy was a clear break with the pre-independence policies that were often protectionist, benefiting only a few. In order to implement these policies in all the sub-sectors, the Ministry of Works, Transport and Communication initiated several studies on possible regulatory and institutional change.

3 REGULATORY REFORM INITIATIVES

3.1 CIVIL AVIATION

At Independence Namibia inherited a number of Acts and Regulations that can be described as protectionist on the one hand and falling short of the requirements of the stipulations of the existing International Conventions on the other. With the policies of efficiency and competition as contained in the White Paper, most of these pieces of legislation and supporting Regulations needed to be amended or replaced

These changes are presently being evaluated and a two-pronged approach will be adopted to implement the necessary changes. In the short term the Acts will be amended to reflect the Government policies on deregulation and the introduction of competition both on the international and domestic routes. In the long term the different Acts and Regulations will be consolidated into one piece of legislation to accommodate all the regulatory measures pertaining to civil aviation.

3.2 ROADS AND TRANSPORTATION

The road transport environment is also set up as a protectionist and anti-competitive environment. This environment was entrenched in the Road Traffic Act of 1977, originally a South African law. Permits are required for all road transportation activities. This system allowed for protection of already established operators and prevented competition in certain sectors.

This environment will be changed completely with the implementation of the Road Traffic and Transport Act of Namibia following its promulgation this year. Some of the major implications of this legislation are as follows:

- Mention has already been made of the White Paper on Transport Policy that advocates the principle of competition to increase efficiency, according to which the need for a service will provide the incentive to supply that same service. This will lead to a fully deregulated domestic market. Only one exception is presently envisaged, local authorities and municipalities will be allowed to regulate bus and taxi traffic if they so desire.

- Another measure that was adopted to enhance quality is to introduce the policy of self-regulation by means of a body driven by operators and professional drivers namely, the Operators and Drivers Association of Namibia (OPDA) This will enable the transport industry to set and manage appropriate standards and criteria for registering professional operators. This association will also be empowered to train drivers and operators. The role of Government will therefore be reduced to ensuring that the association does not engage in anti-competitive practices, that the criteria for membership of the association is fair and a reflection of Government policy and that the overall goal of enhancing quality is attained.
- A further development will be that a distinction between major and minor offenses will be made. Minor ones will be decriminalized and dealt with administratively and with fines set to ensure that it does not pay to commit an offense Major offenses will still be subject to criminal procedure
- The whole system of roadworthiness testing as well as the driver training centers will be run by agents, and an Inspectorate will be created to ensure appropriate standards.

3 3 CHANGING THE ROADS FUNDING PRINCIPLES

The Namibian Constitution requires that all Government revenue be deposited in the Central Revenue Fund All Governmental expenditures are then funded from here Various books have been written and papers presented on the negative aspects of this classic Government financing model where an efficient road maintenance program is pursued. This problem was also recognized in Namibia and following separate studies on road taxation issues, Cabinet approved in principle a system of Road User Charges (RUC) for Namibia.

The RUC will be managed by a National Roads Board which will adhere to inter alia the following underlying policy principles:

- Government will still be responsible for the provision and maintenance of the roads infrastructure in Namibia. This does not mean that the Government will execute these tasks:
- The system will promote the efficient utilization of resources for road maintenance and construction in that it will only fund those projects that are economically viable. Where Government wishes to engage in a roads project for other reasons, for example, job creation, such projects will not be funded completely by the Road User Charging System. The "social" cost for such a project will be funded from appropriations approved in the National Assembly:
- The system will be based on full cost recovery of both the marginal and fixed costs of providing, maintaining and administering the roads. This has the

implication that road users and not the general tax payer will pay for the roads they collectively use:

- The system will be non-discriminatory. This means that foreign road users will pay the same as domestic users for using roads. It also has an implication for road-rail competition where rail charges reflect the full cost of providing and maintaining that infrastructure and road transport operators have to date not paid fully for the damage they cause to roads. In future they will be required to fund these costs;
- The system will be based on equity. This implies on the one hand, that each road user group will pay according to the damage it causes to the road infrastructure and, on the other that no cross-subsidization will take place between these user groups;

The system will fund the following activities in the road sub-sector:

- All construction and maintenance costs to provide, upgrade and maintain the rural road network with the exception of 'social' costs;
- The bulk of the maintenance costs of urban roads presently maintained by local authorities and municipalities. The Urban Roads Maintenance Model developed to assist these authorities in compiling their claims specifies that only road maintenance resulting from road use will be considered;
- The cost of traffic law enforcement;
- The cost of maintaining and improving road safety systems in Namibia;
- The cost of administering the roads infrastructure by means of a Roads Authority. This Authority will be charged with the planning and execution of all road maintenance and construction activities. At present it is also envisaged that this Authority will supply the secretariat for the National Roads Board.

The following main instruments were accepted as road user charges:

- Fuel levies on diesel and petrol being used on-road. It is important to note that off-road users will not be charged with these levies as these levies are per definition charges for road use;
- Annual vehicle license fees;
- Weight distance charges to recover the cost of the additional damage caused by trucks and abnormal vehicles to roads. This instrument will be used to support the equity principle;
- Transit fees on foreign registered vehicles (of the weight distance type) to recover the road damage costs of such vehicles. This instrument will also be used to

ensure that foreign and domestic vehicles pay equally for the amount of damage they cause.;

- Sales taxes on vehicles and vehicle related commodities will not be seen as road user charges but rather as general taxes accruing to the Central Revenue Fund.

Initial steps for implementation have already been taken and a coordinated process is about to start for full-scale implementation.

3.4. ROAD-RAIL COMPETITION

At Independence in 1990 the railway sector was operating in a protected environment. This sector is dominated by Transnamib, a SOOE created in 1987, prior to Independence. The company is a multimodal transport company concentrating on the railway sub-sector, but with extensive business activities in road haulage, shipping, property and tour operations. The country's national airline, Air Namibia is also part of Transnamib. The railways operations encompass the cost of provision and maintenance of the infrastructure and rolling stock and as such the freight charges cover the full cost of infrastructure and operations.

The railway sector has since Independence been increasingly exposed to competition.

- In 1991 Cabinet removed the so-called reserved goods scheme. This scheme identified 14 commodities for rail transport only. The removal of this scheme exposed the railways sector to increased competition
- Deregulation of the domestic transport sector in line with the policies of the White Paper will expose the railways to even more competition.
- The Memorandum of Understanding that regulates cross-border traffic and to which Namibia will become a signatory does not provide protection for the railways.
- A further shift to road haulage is expected when the Trans- Kalahari Highway project is completed in 1998. This new road will shorten the distance between Central and Northern Namibia and the industrial hub of South Africa by about 500 kilometers.
- The implementation of the road user charging system for Namibia as set out above, will increase the competitiveness of the railway sector as transport operators will then be required to pay for the full cost of the provision and maintenance of the road infrastructure.

3.5 SHIPPING

This sub-sector was always open for competition and no major regulatory or institutional changes are planned for this sector.

4. INSTITUTIONAL CHANGES

4.1 THE MWTC2000 PROJECT

The Ministry of Works, Transport and Communications developed a special project to manage the required institutional changes to implement policies to ensure efficiency. This project supports the objectives of government and is based on the following guidelines approved by Cabinet:

- It is an objective to reduce the number of public servants;
- Government wishes to withdraw from non-core activities that can be more efficiently performed in the private sector;
- Services should as far as possible be rendered on the principle of user charging for full cost recovery;
- SOOEs should be self-financing and more open to competition;
- The governance of SOOEs regarding ownership, regulation and charging levels should be reviewed;

The project concentrates on restructuring the Department of Transport of the Ministry of Works, Transport and Communication. Initiatives include the improvement of governance of SOOEs, the implementation of the Road User Charging System as set out above, the creation of an autonomous Roads Authority funded through a Dedicated Road Fund, as well as the implementation of a commercialized airport operations entity and a commercialized roads contractor consisting of all Departmental road maintenance and construction staff. Other initiatives include the commercialization of the Government Garage and initial work to restructure the remainder of the Ministry. The project has a duration of four years.

4.2 GOVERNANCE OF SOOE'S

Presently Government does not have a consistent policy regarding State Owned Operational Entities (SOOEs). There is a general lack of monitoring and regulating of SOOEs and almost no performance auditing takes place. This has led to particular problems with Transnamib, the railway multimodal SOOE where the owner, Government, has to date not received acceptable financial results.

The MWTC.2000 Project envisages an Advisory Committee on the Commercialization of Operational Activities in the Government (ADCOM) that will ensure that all restructuring in Government is done consistently. It would also be responsible for a coherent policy on setting the objectives for SOOEs as well as setting principles for accountability, monitoring and regulation of these SOOEs. A major motivation for

this committee is the fact that Government presently does not have a Department or Ministry specifically charged with SOOE governance.

Although this committee will not be vested in the Ministry of Works, Transport and Communications, its creation is essential to properly guide the establishment of the envisaged new SOOEs in the transport sector.

4.3 CIVIL AVIATION

A separate paper on the commercialization of the operations of airports, aerodromes and air navigation services in Namibia will be delivered at this conference, therefore my paper addresses this initiative that will affect about 200 employees only through the following paragraph.

Government has approved that the operations of the nine major regional airports may be removed from Government and placed in an Airports Company wholly owned by the State. This company will be established under the Company' Act, will be self-financing and will operate at arm's length from the Government.

4.4 ROAD MAINTENANCE AND CONSTRUCTION ACTIVITIES

The Department of Transport was always responsible for the provision and maintenance of the rural roads infrastructure in Namibia. Historically this developed into the Department also performing all maintenance and the bulk of all road construction activities with the private sector only taking up the construction peaks. This work method has over the years slowly evolved to the present situation where most road construction activities are performed by road contractors. The Department has also and on a pilot basis recently tested the ability of the private sector to do road maintenance works.

Parallel to this initiative the Department has started restructuring the basis on which its road maintenance activities are managed. Presently consultants are engaged in a pre-implementation study to transform all road maintenance staff with the departmental equipment pool into a 'roads contractor.' This roads contractor will be set up as a SOOE that will operate at arm's length from the Government. It would however be required to become competitive during the first two years of operation whereafter all maintenance activities will be advertised on open tender. A further requirement will be to downsize over time by creating and empowering small contractors from the ranks of the main contractor each with its own set of equipment. This will ensure that the present 'monopoly' on road maintenance will not be maintained in another format.

This restructuring will take place in 1997 and will promote several of the Government's policies. It will reduce inequalities in income and promote the efficient use of resources which in turn would make funds available for economic development in other sectors.

In support of this restructuring the Department of Transport is already implementing an in-house program to create contractors in three of the twenty-four road maintenance districts towards the end of this year. The maintenance contracts will be negotiated on a regional basis and will include all maintenance activities in that district.

This restructuring will affect about 2900 employees who will be transferred to the new SOOE

4.5 ROAD FINANCING

In the chapter on regulatory initiatives the principles and charging instruments of the Namibian RUC system are set out. The MWTC2000 Project will implement this system over the next two years.

The integrity of the system will be maintained by the National Roads Board which will ensure that funds are effectively and efficiently expended. As this system will be based on a forward looking approach, the charges for a specific year will be set only after the planned expenditure is approved.

Presently the Department of Transport is finalizing the structure and responsibility of an independent Roads Authority that will not only manage the road infrastructure of Namibia with the relevant maintenance management systems, but will also act as secretariat for the National Roads Board. This Authority will also manage all roads maintenance and construction activities by means of contracts to ensure efficient utilization of resources. It is estimated that about 220 employees will be transferred to the Authority.

4.6 GOVERNMENT GARAGE

The restructuring of this entity employing about 550 employees is presently delayed until the extent of the commercialization exercise in the rest of the Ministry is better defined.

4.7 REMAINDER OF THE MINISTRY

The MWTC2000 project must also ensure that the policy, regulatory and strategic functions that will remain in the Ministry are adequately and competently staffed. This part of the restructuring is done parallel to the restructuring mentioned above. It is however expected that about 200 employees out of a present establishment of 3600 will remain in the Government Service.

5. CONCLUSION

The transport sector with regard to the provision of freight and passenger services was at Independence heavily regulated and protective in outlook. This prevented new entries into the market and therefore excluded competition to a large extent.

The incoming Government supported objectives to inter alia promote economic development, to create employment opportunities and to promote the efficient use of scarce resources. These objectives called for a new set of regulatory rules in the transport sector. The Government has with the adoption of the White Paper on Transport Policy endorsed the principle that competition is an important and effective tool to improve efficiency.

Another principle that is entrenched in the new legislation that follows from the White Paper is that of self-regulation. Transport operators will in future, through an Operators and Professional Drivers Association, be instrumental in setting the sector's own quality standards, with Government inter alia ensuring that the Association does not exclude operators unfairly.

Government also endorses the user-pay principle and has approved a system of Road User Charges with a Dedicated Road Fund for Namibia based on full cost recovery of all road provision, maintenance and administration charges.

It was also accepted that Government should withdraw from non-core activities. The implications for the Department of Transport is that the operations of certain airports and aerodromes as well as road maintenance activities will be commercialized over the next two years.

This paper sets out to reflect the progress on implementing the changed policies of Government and concludes that after an initial period of assessing options, much has been achieved in the last few years. The remaining initiatives are all either in the implementation or pre-implementation phase and will be fully implemented by the year 2000.

Once the restructuring of the transport sector is carried through, Namibia can truly claim that she has gone a long way in bringing efficiency to the transport sector.

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