

ADDRESSING ROAD TRANSPORT REGULATORY ISSUES

**An Important Step Towards
Achieving Objectives of AfCFTA**

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Agenda

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1. Introduction and Background

- Africa accounts for less than 3% of global trade and intra-Africa trade is at about 16%.
- Reasons for the continent's poor economic performance are well documented: lack of diversified productive capacity, inadequate infrastructure, fragmented regulatory policies and regimes, under-capacitated regulatory institutions and inefficiencies in the cross-border transport systems.
- Carrying over 80%, road transport plays a critical role of facilitating trade and enhancing regional integration, and it is an indispensable input to international economic cooperation and foreign trade.
- Road transport provides vital links that connect economic hubs in different countries and facilitates movement of goods between RECs.
- Out of 55 countries in Africa, 16 are landlocked and depend on road transport for access to international markets.
- The landlocked countries are not just cut off from sea resources but, much more importantly, they have no direct access to seaborne trade, which continues to be essential for successful participation in international commerce.

Introduction and Background...

- To be competitive at the global level, Africa must be able to move goods on the continent, and to and from other regions at the same speed or better than other regions do.
- The cost and quality of road transport services is of critical importance to trade competitiveness and this is heavily influenced by the quality of hard and soft infrastructure.
- Whilst hard infrastructure is a necessary requirement, the biggest challenge affecting cross-border road transport operations and intra-Africa trade is regulatory fragmentation between trading partners.
- The AfCFTA presents a significant opportunity for Africa. However, there is need for an efficient transport system that enables faster travel, facilitates efficient cross-border movements and achieves the goal of seamless movement of goods and services.
- Therefore, one important step for Africa is to address road transport regulatory fragmentation as it is a major source of inefficiencies in the cross-border transport system.

2. Regulation of Road Transport

- Cross-border road transport is regulated through a number of instruments (protocols, treaties, corridor based MoUs, trilateral and bilateral road transport agreements)
- The intention of these instruments is to establish efficient, reliable, dependable, cost effective and productive cross-border transport operations able to effectively facilitate regional trade, regional integration and socio-economic development.
- The instruments shape the transport market, performance of the cross-border transport system, performance of corridors and the efficiency of trade flows.
- In practice, countries conclude stand-alone instruments with countries that they trade with. The instruments concluded with different countries are not necessarily aligned.
- The instruments vary in scope and depth. Depending on the finer details in the instruments, some of the provisions may create regulatory barriers to cross-border road transport operations.
- Transport operators often have to adapt to multiple requirements on any given trip that they undertake.
- The resulting barriers have a direct impact on the supply and costs of freight transport services between countries, and consequently trade and regional competitiveness.

Regulation of Road Transport...

- At national level, regulation of cross-border road transport is informed by various national legislative and regulatory instruments that deal with cross-border road transport and road traffic matters.
- Cross-border legislative instruments prescribes administrative procedures, market access criteria, requirements and standards, permit systems, third party insurance, measures for controlling the supply and demand etc.
- Road traffic instruments prescribe road traffic matters - vehicle standards, equipment on vehicles, vehicle testing, vehicle axle load, compliance and law enforcement, and management of road traffic related matters such as road safety, road accidents and incidents.
- Whilst the instruments implemented by respective countries have good intentions, they are not necessarily aligned which result in unharmonised regulatory regimes, standards, permit systems, market access criteria and other requirements.
- The lack of regulatory alignment creates NTBs which affect performance of the cross-border transport system (transit time, volumes of trade and logistics costs).
- These issues are pertinent to the sustainability of cross-border road transport operations and directly affect trade flows between countries.

3. Regulatory Issues Affecting Road Transport

Regulatory differences across jurisdictions

- Cross-border road transport operations are regulated by a complex mix of unharmonised national, bilateral, corridor and multilateral instruments which result in regulatory inefficiencies, market distortions, uncertainties and increase costs.

Unaligned regulatory regimes between trading partners

- Regulatory regimes are anchored on different objectives ranging from protecting the transport market for locally registered carriers to restricting movement of foreign vehicles, balancing supply and demand, enhancing competitiveness and quality of service.
- Many countries have implemented quantity regulation as a means of balancing supply and demand.
- Quantity regulation brings with it institutions, administrative procedures, documentation, conditions and several penalties.
- Quantity regulation limits competition, which affects the quality of transport services in the market.

Regulatory Issues Affecting Road Transport...

Unharmonised Permit systems

- The permit systems are based on different regulatory regimes, requirements and standards that carriers must adhere to, based on the regulatory regime, the type of permit issued and national vehicle standards etc.
- They are also not standardised in terms of architecture and procedures which makes integration and exchange of critical regulatory information cumbersome.

Vehicle standards

- Vehicle standards are defined in each country's domestic legislation and regulations that deal with national road traffic matters.
- The maximum vehicle dimensions and standards on axle configuration vary between some countries.

Vehicle axle loads

- Countries implement different maximum permissible requirements on mass for a wheel, axle, axle unit, vehicle or a combination of vehicles.
- Countries have also implemented different tolerance levels on loads exceeding the maximum permissible vehicle GVM.

Regulatory Issues Affecting Road Transport...

Weighbridges

- Fixed weighbridges are located on the regional road network across different territories and sometimes away from the regional network.
- The weighing devices used at different weighbridges are not of the same standard. They are also not synchronised and sometimes also not properly calibrated which affects their accuracy.

Equipment on vehicle standards

- There are different standards as it pertains to equipment on vehicles.
- Some countries require fitment of additional equipment in addition to factory fitted equipment on vehicles.

Law enforcement operating procedures

- Law enforcement operations are conducted with a view to check and enforce domestic legislative provisions, which are not necessarily aligned to legislative requirements in other countries.
- There are many inspections checkpoints which are not coordinated. While most are legal, some are not.
- Some countries do not implement standard operating procedures for law enforcement.

4. Impact of the Regulatory Issues

- Create a blend of fragmented regulatory approaches and unaligned regulatory standards which negatively affect cross-border transport movements and efficiency of trade.
- Transport operators are subjected to different regulatory requirements and standards between country of origin, transit country and destination country.
- Unnecessary complexities resulting in inadequate or poor quality transport services, inefficient transport operations and high logistics costs.
- Unpredictable operating environment for transport operators and traders which is manifested through delays, long transit times, penalties and high compliance costs.
- Market distortions owing to quantity regulation and inability for transport operators to access certain markets.
- A cross-border road transport system not able to effectively facilitate trade between trading partners on the continent and international trade.
- Overall, it creates a regulatory environment that is not fit to support achievement of the objectives of the AfCFTA.

5. Recommendations

Addressing road transport regulatory issues requires commitment and coordination at continental level. It is recommended that the below be included in the AfCFTA trade in services agenda:

- **Harmonisation of regulatory instruments and regulatory regimes:** It is likely that the current set of protocols, treaties and bilateral agreements on transport will remain strategic to many countries. It is therefore important to ensure that these instruments are harmonised.
- **Migration from bilateral to multilateral agreements:** An agreement must be reached on migrating from bilateral to multilateral agreements. This must be based on harmonised regulatory standards which countries must domesticate.
- **Harmonised and transparent technical standards:** Once agreed, countries must review and set harmonised and transparent technical standards and regulations based on international standards.
- **Harmonised permit systems:** Establishment of harmonised cross-border road transport permit systems which are based on harmonised regulatory requirements, administrative procedures and technical standards.
- **Qualitative regulatory regime over quantitative regimes:** Move from quantitative to qualitative regime. Experience has proven that when properly implemented, qualitative regulation improves competition which will improve the quality of transport services.

Recommendations...

- **Liberalisation of road transport markets:** Move towards full liberalisation of market access to transport operators. As this is done, regulatory authorities will need to monitor and control the quality of services that are rendered.
 - Countries must also harness progressive liberalisation of cabotage as this will ensure that countries with inadequate or under capacitated local transport operators benefit from good quality transport services from operators in other countries.
- **Weighbridges:** Synchronisation of weighbridges and calibration of weighbridges. Investment in new technologies such as weigh-in-motion should also be pursued. Arrangements for mutual recognition of weighbridge certificates
- **Reforming regulatory institutions:** Need for reforming and capacitating existing regulatory authorities, creating dedicated transport regulatory institutions, modernising their administrative and support systems. Better training should also be considered.
- **Improved regulatory coordination and collaboration:** Regulatory harmonisation needs to be supported by effective coordination and collaboration between regulatory institutions within and between countries.
- This will improve resolution of real and perceived regulatory inconsistencies and bottlenecks.

Recommendations...

- **Standard operating procedures for law enforcement:** There must be coordination and standard operating procedures for law enforcement authorities to tackle operational inefficiencies, duplications, eliminate illegal checkpoints, enhance effectiveness and promote pro-trade facilitation law enforcement operations.
- **Implementation and monitoring structures:** Establishment of national structures (to work closely with REC Secretariats) for monitoring implementation of regulatory instruments.
- **Management of road transport administrative issues:** Given the disparities in the regulatory frameworks, regulatory requirements and standards discussed, there is a definite need for establishment and capacitation of transport tribunals in RECs.

6. Concluding Remarks

- Regulatory fragmentation is perhaps the biggest NTB to cross-border transport movements and trade between countries in Africa. It is therefore important that the Continent addresses the road transport regulatory issues.
- Addressing Africa's road transport regulatory fragmentation is critical to the Continent's prosperity and the AfCFTA has made this more urgent given the opportunities ahead.
- The recommended interventions will create certainty and predictability of regulatory requirements, regulatory regimes and standards, and standard operating procedures.
- Overall, they will culminate in a fit-for-purpose regulatory framework which will result in improvement of regulatory effectiveness and efficiency that will result in cross-border transport system efficiency.
- This in turn will enhance intra-Africa trade, international trade and integration of the Continent.



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