CROSS BORDER TRAVEL ISSUES IN THE SADC REGION

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1. Introduction

1.1 Objective

The objective of this paper is to discuss cross border travel issues, namely: transit charges and insurance matters. A background information on the harmonization process of the road transit charges, the current situation and the way forward will be sequentially presented. As to harmonization of motor vehicle insurance schemes the possibility of the expansion of the yellow card scheme in use in COMESA, or any other system, all over the SADC region will be presented and its viability discussed.

1.2 Background Information

Road transport in the SADC region is becoming the most dominant mode of transport and the demand of good service is increasing constantly. However the change, for the better, of the road transport system in terms of service quality is far behind demand.
This is mainly due to inadequate financing system applied in most of the SADC Member States.

In general, funds for road maintenance activities come from the member States treasuries allocated under the normal budgetary system. Thus, road maintenance funding faces competition from new priority social sectors such as education and health.

As a result of the situation as described above, roads have deteriorated considerably over the last decade in the region with the budget allocated for road maintenance decreasing in real terms.

Taking cognizance of these factors, the SADC Member States have decided to implement some institutional reforms in the road subsector. Financing of the roads is one of the most critical issue to be addressed with the reforms.

Thus, with the assistance of the World Bank SADC Member States adopted the RMI (Road Management Initiative) principles and are now in the process of implementation.

The creation of the road funds, roads board and the autonomous road authorities, are some of the agreed actions to be taken by the Member States under the restructuring of the road sector. This mainly caters for maintenance and rehabilitation of the national road network.

For the regional road network, mostly used for cross border travel, alternative funding, in terms of Road Transit Charges are being levied.

Road Transit Charges contribute to road fund revenues.

Another innovation is the participation of the private sector in the management of roads through their representation in the roads board as well in direct contribution to financing road maintenance in the short term and provision of new roads in the long run. This is through the fuel levies being collected in some member States. The private sector is agreeable to this approach as long as the funds collected from the road user charges are actually spent in road maintenance. The representation of the private sector in the roads board, where they take part in management of the road fund, is a guarantee for proper user of the collected funds from road users who are mainly constituted by the private sector.

Historically road transit charges for cross border travel differ from country to country and reflects the difference of road maintenance costs in the SADC Member States and also the efficiency of the institution responsible for maintenance (administrative costs).

Due to the importance of the road transit charges in the development of the road transport system, SADC Member States decided to harmonize them so that cross border procedures can be smooth and easy to handle. One advantage of such a measure is leveling of the play field among the transport providers of this region.

Attempts to harmonize road transit charges started in the eighties but due to different conceptions of what and how to harmonize the transit charges, the agreement was difficult to be achieved.

In fact, harmonization of the road transit charges is one of the delicate and controversial issue among the SADC Member States.

Several studies have made recommendations, however a little has been implemented. With the Protocol on Transport, Communications and Meteorology which is a binding instrument, which oblige the signatories to comply with its provisions, Road Transit Charges will form an annex to the protocol which means that all the signatories will be obliged to implement them. The harmonized methodology for setting the transit charges are now acceptable to all the SADC Member States and now remains a few details still to be addressed i.e. the review of the data used to calculate the road transit charges, and the production of the implementation manual to help the Member States in the implementation process.

Another bottleneck of the cross border transport is the delay at the border post. SATCC-TU, with the assistance of USAID, has embarked in a programme of improvement of the cross border procedures. One of these measures is the harmonization of the insurance scheme. The yellow card system, currently in use in COMESA States is being considered on its viability for extension to cover the SADC/COMESA region. This takes into account other systems in use, eg that in SACU member States where third party cover is secured through fuel levies.

2. Road Transit Charges

The subject of road transit charges is being considered by all the regional organizations in the sub-Sahara region and, considering that some Member States belong to more the one organization, COMESA, SADC and SACU, it was decided to form a Joint Task Team to come up with harmonized transit charges acceptable to all Member States. The referred Joint Task Team is composed of SATCC-TU, COMESA Secretariat, and SACU.

The terms of reference demanded the team to address the following:-

a) Establishment of a common set of principles and a standardised methodology for calculating transit charge;
b) Determination of the levels of charges to be levied;
c) Formulation of an appropriate system for charging and collecting of the revenue;

d) Examination of issues associated with the implementation of the proposals;

e) Examination of options for management of the funds arising from revenues collected from road transit charges.

In the work to set up the road user charges in the SADC region the Join Task Team adopted the basic principles as follow:

i. Non-discrimination: i.e. transit vehicles with similar characteristics and loads undertaking trips between the same origins and destinations should be treated equally in respect of the payment of road transit charges, irrespective of the country in which such vehicles are registered.

ii. Equity: i.e. in the context of the proposed charging system the charges need to be fair. Fairness implies that charges should relate to the damage inflicted on roads by different classes of vehicles without cross-subsidisation, as far as is pratically possible.

iii. Transparency: i.e. the method of calculating the proposed charges for transit traffic, the elements thereof, and the practical levying thereof should be transparent and broadly acceptable to all participating countries.

iv. Foreign operators to pay in the host country: i.e. foreign operators should pay for the use of road infrastructure in a host country.

v. Foreign operators to pay for the road use: i.e. the charge to be paid by foreign vehicles in a host country should be broadly based on the cost which such vehicle impose on the road network they use in that country.

In addition to the above principles, the SADC protocol on Transport, Communications and Meteorology stipulates the following additional guidelines for setting road user charges:

vi. The use of roads should be priced so as to improve transport economic efficiency;

vii. Road users, including foreign road users, should contribute to the full costs of maintaining roads and progressively contributing to the full costs of providing roads;

viii. The charges should not unfairly impact on inter-modal competition;

ix. The charging system should be flexible enough to ensure that transit vehicles do not duplicate payments, for example, through domestic and transit charges for the same purpose;

x. The charging system should be simple and inexpensive to implement and acceptable to all competing groups;

xi. The charges should fully recover from road users the costs associated with the economically justifiable future road provision and maintenance programme.

Based on the approach and methodology set out above, road transit charges were determined for all the SADC countries, except Angola, where it has not been possible to obtain any of the basic information necessary for deriving such charges. The proposed charges yet to be reviewed are given in table below:

Proposed Road Transit Charges For the SADC Region (US$/100Km)

Country	Light Vehicles	Buses	2-3-Axleed HGVS	4-5-Axled HGVS	➢ 6-Axeled HGVS
Botswana	0.60	3.40	4.20	8.80	12.20
Lesotho	1.00	5.00	8.40	13.45	20.80
Malawi	1.35	5.40	7.90	15.55	20.50
Mozambique	1.50	7.10	10.50	21.10	27.90
Namibia	1.60	9.25	12.00	23.00	31.90
South Africa	0.35	1.55	2.15	4.25	7.55
Swaziland	0.55	2.65	3.65	7.55	8.80
Tanzania	0.90	3.90	5.70	11.40	15.05
Zambia	0.90	4.00	5.90	11.90	15.70
Zimbabwe	0.75	2.90	4.20	8.25	10.90
Average	**0.95**	**4.50**	**6.45**	**12.50**	**17.00**

2.1 Implementation

Implementation of the harmonized transit charges has been the most critical part of the whole process due to differences of the SADC Member States in the approach of management of funds collected. In some Member States road transit charges are considered as part of the general taxation revenue. Consequently, the funds collected from transit charges are reallocated according to the priorities set up by the Government. In this process allocation to roads are neglected due to need of other equally critical areas, mostly social sectors of education and health.

This approach has been criticized by the road users who claim that road user charges should be strictly used for road maintenance. As a result of this discussion, the committee of Ministers directed SATCC-TU in 1995, to conduct a study on the viability of creating a regional road fund where all the road transit charges revenues would be banked and used only for maintenance of the regional trunk road network. The study recommended postponing the implementation of such a measure until the environment in the road sector improves. Such environment includes the creation of national road funds in all the SADC Member States, and establishment of the autonomous road authorities and the road board.

Another aspect of great concern is the adoption of country-specific vis-à-vis uniform charges as decided by the Committee of Ministers. Ideally, the uniform transit charges should be applied to all the SADC Member States in a situation where maintenance costs are similar. This is not the situation in the region. Maintenance costs differ considerably and the administrative costs, price of construction materials and the technology applied, are some of the main causes of such difference. Thus, SADC Member States decided to adopt country specific transit charges until these differences are minimised to an acceptable level to allow the adoption of uniform transit charges.

2.2 System of Collection of Charges

2.2.1 Current Situation

Any method adopted to collect charges should be administratively simple and efficient. The method of payment should be generally accepted by users and must be user friendly. In addition, to retain confidence of users in the system, there is need for transparency and accountability to all stakeholders.

The current practice is to collect transit charges from road users at the point of entry (i.e. the border post). These charges are collected from operators of heavy vehicles and channeled by customs officers through the Government Consolidated Revenue Accounts which are administered by the Ministries of Finance. Consequently, the revenues collected from road users are not used solely for the provision of, and maintenance of the road network.

Apart from the problems affecting the integrity of revenue collection, the operations of road hauliers are also adversely affected by:

- The driver having to carry large amounts of cash in convertible currency for the payment of road transit charges and other ancillary expenses. This exposes the driver to risks from highway robbers and possible loss of the cash imprest; and
- Inflexibility of operations which arises from the fact that the driver is given a fixed amount of money to pay road transit charges for a specified journey. In the event that the operator obtains cargo for a different destination whilst the truck is outside its home base, difficulties are encountered in securing additional cash for the driver, to pay for the diversion.

2.2.2 Suggested Instruments for Collection of Transit Charges

Some instruments for collection of charges have been discussed and recommended as follows:

i. Collection of transit charges by a selected government department. This system of collecting revenues is not user friendly and robust;
ii. The use of coupons for the payment of road transit charges. This is user friendly system, which has operated satisfactorily and efficiently between Malawi, Mozambique and Zimbabwe from 1984 to 1992.
iii. Designation of a commercial bank in each country which will issue coupons to transit transport operators.

2.3 The Probable Method to be Adopted

From the past experience, it seems that the use of coupons would appear to offer, on balance, especially for commercial vehicles operators, a viable system of collecting charges.

To facilitate implementation, it is desirable that the regional economic groupings in Sub-Sahara Africa adopt the same system. With the existence of toll roads, in South Africa and extending to Mozambique, mechanisms are yet to be worked out to avoid duplication of payment for travel on the toll road section of a particular route.

3. Insurance

3.1 The Situation of Motor Vehicle Insurance

Motor vehicle insurance is one of the issues of concern contributing to delays at the border posts. An appropriate regional vehicle insurance scheme is therefore, an important measure to improve the service at the border posts. In the SADC region there is not as yet a harmonized motor vehicle insurance scheme. For the COMESA Member States the “Yellow Card” system has been operational for years, and SACU has a fuel based third party insurance scheme.

3.2 Yellow Card System

The Yellow Card system is a motor vehicle insurance card recognized by member countries who are signatories to the Protocol on the establishment of the Third Party Motor Vehicle Insurance System. It guarantees that the operator of the vehicle to which it is issued has insurance which complies with the requirements of the country in which the vehicle is being operated. The card provides that in the event of an accident for which the motorists is liable, the national bureau for the Yellow Card in that country will pay the liability. The bureau in the country where the card was issued will reimburse the first bureau for the payment, as a handling fee.

Harmonized motor vehicle insurance laws lead to improvements in transport efficiency and also enables the region to function in an integrated manner. Despite being in a foreign country, motorists will feel as though they were in their own country, because, in the event of an accident, they know they are covered by laws similar to those of their own country. This creates a sense of regional identity.

In addition, because the National Bureaux of the Yellow Card Scheme form a network and exchange information on a regular basis, they therefore advocate for uniform insurance policies and practices in the region. This contributes to creating regional networks and fostering dialogue on regional issues.

At the regional level, the National Bureaux are linked through the Inter-Bureau Agreement, which spells out the rights and obligations of the bureaux. The Council of Bureau is the body which is responsible for the coordinating and supervising the administrative, legal, financial and operational aspects of the system. The COMESA Secretariat provides secretarial support to the Council Bureaux.

Currently the Yellow Card is operational in eleven countries: Burundi, Democratic Republic of Congo, Eritrea, Kenya, Malawi, Rwanda, Tanzania, Uganda, Zambia and Zimbabwe.

3.3 SACU's Fuel based Third party Insurance System

SACU's compulsory third party insurance is based on a levy included in fuel which used to finance a Motor Vehicle Accident Fund. The money is used to compensate third party victims of motor vehicle accidents. One of the advantages of the fuel levy system is that it ensures that all motorists are at least third party insured. Another advantage is that administrative costs of collecting the levy is low compared to collecting premiums from individual motorists. Five of the SADC countries finance their mandatory third party bodily injury schemes through the imposition of a levy on fuel. The levy serves as the equivalent of the premium for third party bodily injury cover.
The question of coverage of foreign motorists is one which generates discussion well out of proportion to its economic effect on the fund. With the exception of Botswana, foreign motorists are

covered under a presumption that they have or will contribute to the levy through the purchase of fuel. To be covered under the fuel levy in Botswana, foreign motorists are required to purchase a token for five pula, valid for one year. While legally the Motor Vehicle Accident Fund has no obligation to compensate victims of vehicles without tokens or with expired tokens, the fund does in fact compensate such victims.

3.4 Proposal for Extension of the Yellow Card System

In line with the decision of the two regional organizations SADC and COMESA, to work together in matters of common interest, SATCC-TU and COMESA Secretariat agreed to run a project with the following objectives:

- Recommending ways to enhance the Yellow Card system to make it more efficient.
- Developing regional model insurance legislation to provide a rationalized and harmonized legal framework to effectively support the operation of the Yellow Card System.
- Extend coverage of the Yellow Card system to include countries currently not covered by the system.

For the extension purposes, a Steering committee was formed comprising, SATCC-TU. COMESA Secretariat and some Countries where the Yellow Card has been functioning. A consultant was engaged and national workshops were organized in some SADC Member States and culminated in a regional workshop held in Lusaka from 29th November to 1st December, 1999.

The benefits of the yellow Card Scheme were discussed during the workshop and consensus was reached on the following:

Benefits to the motorists:

- Covering medical expenses for the motorist and passengers.
- Travelling with coverage to all other countries that participate in the scheme without purchasing policies at each border.
- Facilitating efficient road transportation, by minimizing delays, inconveniences and extra expenses at border crossings.
- Purchasing from a local insurance company using local currency.
- In case of accident, to avoid the detention of drivers, cargo and vehicles, and the need for sureties from High Commissioners and Embassies.

Benefits to Insurers:

- Exploring new regional markets and expanding opportunities for premium income.
- Yellow Cards are purchased in local currency from local insurers who retain the premiums.
- Enables insurers to operate with a simple and efficient regional mechanism.
- High-end risks are cooperatively reinsured through a re-insurance pool.
- Provide a forum for discussion of common interests among insurers, through the Council of Bureaux.

Benefits to Nations:

- Assures coverage for injuries to citizens arising from acts of foreign motorists.
- Encourages trade and tourism among member countries by reducing border delays.

- Simplifies verification of insurance cover from foreign motorists.
- Reduces government costs by eliminating the need for impoundment of vehicles and detention of motorists.

As of now, countries targeted by this project are in the process of consultation at national level with the concerned institutions to come up with a definitive answer to the proposal for extension of the Yellow Card Scheme to them. Technical issues still have to be resolved as to the extension of the Yellow Card Scheme to states that base third party insurance on fuel levy, and other matters of importance for successful implementation.

4. CONCLUSIONS

It is clear to all that for SADC and COMESA member States, hamonization of procedures at the border posts is a measure of vital importance for the development of the region leading to the creation of the southern Africa community. Indeed, apart from the effort to harmonize road transit charges and motor vehicle insurance schemes, other initiatives such as; harmonization of road traffic signs, harmonization of road design standards and specifications, harmonization of axle load limits, harmonization of driving licenses, have been finalized and some have already been implemented.

At the border post level, some work towards harmonization of the documentation has been initiated to avoid discrepancies and proliferation of forms demanded by the different customs in the SADC region.

In the case of road transit charges, the technical work has been completed and implementation will start soon after updating of the charges has taken place with recent traffic data. In the meantime SADC member States are taking steps to guarantee that road user charges to be collected are actually deposited into dedicated road fund accounts and that they are subsequently used to finance road maintenance activities. This will be effected by the reforms underway through creation of national road funds with participation of the private sector in the management of the fund.

Another pre-requisite is the establishment of an Autonomous Road Authority in the SADC member States which will be funded inter alia by the road fund.

As to the proposed extension of the yellow card motor vehicle insurance scheme, it seems that an understanding will be reached to enable implementation to proceed. However, a number of issues as to how to deal with the current motor vehicle insurance schemes in place in some of the SADC member States still need to be addressed and resolved before any change of the status quo. It is envisaged that this will be a private sector driven initiative.

SACU, SADC and COMESA are planning to continue with the consultations until definitive and acceptable recommendations are reached.

Reference

Joint Task Team, 1997. Proposed System of Harmonised Road Transit Charges for the SADC Region, Volume1- Main Report, Southern Africa Transport and Communications Commission (SATCC).

SADC/COMESA, 1999. Third Party Motor Vehicle Insurance Regional Workshop, COMESA Secretariat.