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FROM : G. L. ROBERTS, SENIOR MECHANICAL ENGINEER
TO : H. W. CHIPETA, PRINCIPAL TRANSPORT OFFICER
RE : FINAL REPORT ON ADVISOR'S ACTIVITIES UNDER THE MALAWI COMMERCIAL
TRANSPORT PROJECT

MAJOR ACTIVITIES OF THE ADVISOR

I. DEVELOPMENT OF EQUIPMENT SPECIFICATIONS

The Advisor has developed equipment specifications acceptable to the various donors supporting the increase of Malawi owned and operated international trucking capacity.

These specifications were developed in close coordination with each Donor's varying procedures and requirements to ensure that the equipment could withstand the environmental and operational conditions found in the Southern African Region.

Specifications for British Grant funded equipment were developed by the Advisor and reviewed by technical representatives of the Crown Agents as required by the BDDSA.

Specifications for German Grant funded equipment were developed by the Advisor and reviewed by a technical representative of COPA Consultants as required by KFW.

Specifications for the United States Grant funded equipment were developed by the Advisor.

In addition as a preliminary exercise to developing the equipment specifications the Advisor undertook a study of the regional heavy truck maintenance facilities and trailer manufacturing facilities.

2. PREPARATION AND EVALUATION OF TENDERS

Preparations

The Advisor in close liaison with representatives of Crown Agents, GOPA Consultants and USAID drafted the necessary tender documents which were acceptable to BDDSA, KFW, and USAID.

The advertised tenders called for the following commodity.

- BDDSA - Ten heavy duty 6 x 4 truck tractors and tank semi-trailers, spare parts and tyres.
- KFW - Twenty four heavy duty 6 x 4 truck tractors, spare parts, and tyres.
- USAID - Twenty four tank semi-trailers, spare parts and tyres.

Evaluation

The Advisor in close liaison with representatives of Crown Agents, GOPA Consultants, and USAID evaluated the offers received and made a recommendation to purchase that was accepted by each Donor Agency. The awarded contracts were as follows:

- BDDSA - Scammell, ten 6 x 4 road tractors and spare parts.
 - Crane Fruehauf, ten tank semi-trailers and spare parts.
 - Avon, 440 tyres, tubes, and liners.
- KFW - MAN, twenty four 6 x 4 road tractors, spare parts and 480 tyres, tubes and liners.
- USAID - Trans-Sand International, twenty four tank semi-trailers, spare parts and 680 tyres, tubes and liners.

3. PRODUCTION INSPECTION AND DELIVERY COORDINATION

Inspection

BDDSA - KFW

The Advisor was not responsible for the initial manufacturing inspection of these units as this task was contracted to Crown Agents as required by BDDSA and GOPA Consultants as required by KFW.

However, the Advisor did inspect the Crane Frachauf manufacturing facility and the trailers in production on his own time when visiting Great Britain.

USAID

The Advisor was responsible for and carried out the pilot model inspection of the tank semi trailers supplied by Trans-Sand International. This inspection was conducted at the manufacturing facility of IGSA who were subcontracted to assemble these trailers in Mexico City.

Delivery Co-ordination

The Advisor was not responsible for this task relative to the equipment funded by BDDSA.

The coordination of delivery of the KFW and USAID funded equipment is on going. The first 12 trailers and all 24 tractors have now landed in Durban in RSA. The first complete units should arrive in Malawi by end March. The second shipment of 12 trailers will leave Houston on approximately 16th March to arrive Durban approximately 20 April. The remaining 12 tractors are currently stored in Durban and will remain there to be linked up with the incoming trailers. All 24 units should be delivered in Malawi at latest by mid May. The completion of delivery

coordination will be the responsibility of the Malawi Commercial Transport Project Equipment Coordinator.

4. FINAL TECHNICAL INSPECTION AND ACCEPTANCE OF EQUIPMENT

The Advisor completed this task for the equipment funded by BDDSA at the Port of Dar-es-Salaam at which time the units were turned over to Press Transport.

The Advisor will perform a technical inspection of the KFW and USAID funded equipment at the Port of Durban. Any defects will be reported to the respective manufacturers for correction before acceptance. However, the final inspection and acceptance in Lilongwe will be the responsibility of the Malawi Commercial Transport Project Equipment Coordinator.

5. IDENTIFICATION AND IMPLEMENTATION OF A FINANCIAL INTERMEDIARY

During the first 11 months of the Advisor's time in country the work to establish and implement a financial intermediary revolved around the concept as presented in the original project paper. This called for Indebank to be involved in the management role for a locally formed financial institution which was to be called "Transmode". Unfortunately the minority shareholders for the proposed local company were not acceptable to USAID and Indebank became less and less interested in taking part in the project and finally withdrew from all involvement.

With the impending collapse of the "Transmode" idea the Advisor made contact with the Leasing and Finance Company of Malawi (LFC) in November 1986 to discuss the possibility of using LFC as the required financial intermediary. After several months of negotiations both USAID and KFW agreed to the use of LFC as the financial intermediary.

The Advisor then acted as coordinator and facilitator for the negotiations between the LFC and the Government of Malawi represented by the Ministry of Finance, Ministry of Justice and Ministry of Transport and Communications. These negotiations resulted in the acceptance and signing of a Master Lease Agreement between the Government of Malawi (Ministry of Finance) and the Leasing and Finance Company of Malawi in August, 1988.

6. COMPREHENSIVE INSURANCE FOR MALAWI COMMERCIAL TRANSPORT PROJECT VEHICLES

The Advisor was responsible for the coordination of the effort to identify a viable source of comprehensive Vehicle Insurance for Malawi Commercial Transport Project vehicles that will pay damage claims in a readily convertible currency (US Dollars). An attempt was made to place this insurance with a US underwriter however both the cost and terms were totally unacceptable due to the nature of the fuel transport being undertaken. In this end Lolyds was willing to underwrite the policy and an Agreement was reached with MIBRO after soliciting quotations from various Malawi based brokers all relying on Lolyds for cover. This agreement calls for two years of full comprehensive insurance with both the claims and premiums paid in US Dollars. As a result of additional negotiations the Petroleum Control Commission (PCC) has agreed to make the required Kwacha counterpart payments to the MCTP Special Fund in lieu of paying this same sum to MIBRO for the usual pool insurance now in effect for vehicles transporting fuel for the PCC. The actual mechanics of the insurance payment is yet to be worked out between Ministry of Transport and Communications and USAID.

7. PROJECT EQUIPMENT MONITORING SYSTEM

The Advisor has developed a monitoring system which tracks vehicle utilization, lease payments, scheduled and unscheduled maintenance and the sale of spare parts and tyres.

This system receives input from the financial intermediary, maintenance contractor and the fuel transport broker. The Ministry of Transport and Communications analyses the input and then the system provides feedback where required such as maintenance information provided to financial intermediary etc. A flow diagram of the system is shown in figure I.

This system also provides for a quarterly physical inventory of spare parts and tyres. It will remain in operation for the initial lease term of 60 months and provide each donor with a quarterly report during that period.

8. SUPPORT FOR MALAWI INTERNATIONAL TRANSPORTERS

The existing environment within which the Malawi international road transporter operates is a hostile one. It is characterized by very high capital and operating costs, poor equipment support, difficult permit procedures in surrounding countries and what certainly seems like an unlimited number of foreign road transporters interested in moving Malawi's import and export cargo.

The Advisor has provided support for the infant Malawi international road transport industry in numerous areas such as equipment specifications, operations, procurement, maintenance and road service permits in surrounding countries.

However, the area in which the Advisor has had the greatest success in improving the current operating environment is the reduction of the high cost structure faced by Malawi's international road transporters. The three specific areas of cost that have been addressed with some success, are as follows:

- A. Use of leasing as a financing alternative to the purchase of road transport equipment. This approach greatly improves the operators cash flow, has positive income tax benefits and provides access to new equipment at monthly rates that are realistic and affordable for the Malawi operators.
 - B. Assisting Malawi transporters in their negotiations and constant submissions to the Reserve Bank for an adequate level of foreign exchange to permit efficient and effective operation. This support has been offered to help obtain revolving accounts for fuel purchases outside Malawi, agent and other necessary administrative services, repair and maintenance services and finally toll and permit fees.
 - C. The development of a system to rebate duty and surtax paid on spare parts and tyres by Malawi international transporters and the subsequent negotiations with the Ministry of Finance and Department of Customs and Excise which resulted in the adoption and implementation of the system. This system has been operating successfully for 18 months.
9. AXLE LOAD ENFORCEMENT
- The steadily increasing number of heavy road transport vehicles will continue to take its toll on the road system of Malawi. The present pavement and bridge structures were

not designed for the number of equivalent axle loadings or the extreme overloading which they are now subjected to on an almost daily basis.

The Advisor upon his arrival in Malawi discovered that four sets of new portable axle weighing equipment funded through the 5th Highway Project had been in the country for two years but had not been unpacked or put into service by the Road Traffic Department. This equipment had remained unused due to the lack of a sufficient number of weighbridge attendants and lack of funding to obtain the necessary training for operators.

The employment of additional weighbridge attendants was not possible in the short term so the Advisor concentrated first on securing the training for attendants already employed. After protracted negotiations with the Ministry of Finance which lasted six months funds were released. The training was performed by the equipment manufacturer, Treavor Deakin Limited. Two training programmes, one each in Lilongwe and Blantyre were carried out during which all the existing weighbridge attendants were trained to use, maintain and calibrate the portable axle weighing equipment.

The Advisor then developed and submitted a plan to formulate and implement additional weighbridge teams to enhance the existing axle load enforcement programme. However, due to a continuing inability to employ additional attendants only one set of the portable axle weighing equipment was put into regular use. Fortunately recent donor funding from GTZ in the form of Kwacha counterpart funds have been made available and additional attendants have been employed to fill non-established positions.

10. VEHICLE TEST EQUIPMENT

This area was originally the responsibility of the training Coordinator however at year end 1987 it was shifted to the Advisor. At that time a review was conducted of the previous activity in this area. The Road Traffic Department had ordered brake testing and other equipment from the CBD Equipment Company of South Africa which was purchased by USAID in early 1986 through a direct letter of commitment. Unfortunately a considerable number of major components for the equipment purchased were not supplied by the manufacturer and the civil works needed for installation were still not completed when the Advisor took over responsibility for this area.

A physical investigation was taken of the equipment received and the Advisor established a dialogue with the manufacturer to negotiate for the remaining items not shipped and the installation. These initial efforts and all subsequent action on the part of the Advisor to obtain the components, plans, drawings, maintenance information and operating instructions not supplied by CBD had proved unsuccessful. At that point the Advisor was instructed by PIC to investigate other options for solving this problem.

The Advisor travelled to South Africa to try and locate CBD and to consult with other manufacturers and major users of the type of brake testing equipment needed by the Road Traffic Department. An attempt was made to procure the necessary components from other suppliers but this proved unsuccessful. A firm was consulted concerning the possible conversion of the existing equipment to a different load-cell and indicator system. However this conversation would be of an unorthodox and untested design and not certified by the South African Bureau of Standards.

Meetings held with equipment users in South Africa clearly indicated that CBD equipment is unreliable, poorly supported and in all cases was being replaced.

As a result of the Advisor's investigations a recommendation was made to the Ministry of Transport and Communications to scrap the existing equipment and replace it with equipment that can be supported within the Southern African region. An RFP for this procurement still needs to be developed

SUMMARY

The activities outlined above accounted for the majority of the Advisor's time however many additional areas and special activities were undertaken as well. The Advisor will be happy to discuss any activity undertaken by him during his tenure.

A number of recommendations are presented in the next section to support and strengthen the road transport sector which will require a strong commitment and continued interest on the part of the Government of Malawi. It is the Advisor's view that the current level of commitment to the support and improvements are sorely inadequate. This is a serious matter given the absolute importance of international and domestic road transport to the health and survival of Malawi's economy relative to its land locked position.

RECOMMENDATIONS

1. Leasing

The leasing concept although not originally contained in the design of the Malawi Commercial Transport Project has proven to be a very "appropriate" mechanism for financing

the cost of road transport equipment. The continued use of this system is strongly recommended and should be the cornerstone in any new Donor funding programmes for commodity assistance.

2. Government Support

Cost reduction efforts already in place should be strongly supported and expanded by the Government of Malawi and in particular by the Ministry of Transport and Communications and Ministry of Finance.

- A. Custom duty, surtax and input levy should be removed from all heavy duty road transport equipment both powered and trailered units. This removal should also apply to spare parts and tyres for this class of equipment.
- B. Donors should be encouraged to support "duty free" conditions for all commodity aid and to the road transport industry. Expensive capital equipment can not and will not be protected in an environment of prohibitive cost.
- C. The basic nature of road transport requires that the use of routes and product served must be extremely flexible. To date the Reserve Bank of Malawi does not seem to have grasped this operating reality which requires transporters to act quickly or face loss of market share and excessive costs. The Ministry of Transport and Communications should campaign vigorously for the following:
 1. Importation of second hand road transport equipment that is technically sound
 2. Direct importation of tyres and spare parts by transporters.

3. Closer liaison between the Reserve Bank and Ministry of Transport and Communications concerning requests for foreign exchange allocations.
4. Coupon systems with surrounding countries to minimize the use of hard currency for tolls, fees and permit charges.

3. Training

The initial training conducted under the Malawi Commercial Transport Project should be continued and expanded to include the following:

- a. Industry wide training in the areas of vehicle operation, finance, administration, preventive maintenance and drivers instruction.
- b. An intensive set of in country short courses in vehicle testing procedures, operating principles and road enforcement for Road Traffic Department Vehicle Inspectors.
- c. Up to date copies of the Road Traffic Act should be made available for employees of the Road Traffic Department and Ministry of Transport and Communications as there is considerable confusion as to what are the "regulations" concerning many areas in the Act.

4. Road Traffic Department

Two of the Advisor's activities, axle load Enforcement and vehicle test equipment as well as numerous cases of permit and exemption problems underscore the absolute need for an operational study of the RTD and a subsequent reorganisation which will reflect the major areas of importance and thus increase efficiency and effectiveness.

Donor funding should be identified for the organisational study, implementation of new operating procedures and

technical assistance to support the major responsible areas of the RTD such as vehicle registration, driving licences, vehicle inspection, Road service permits etc.

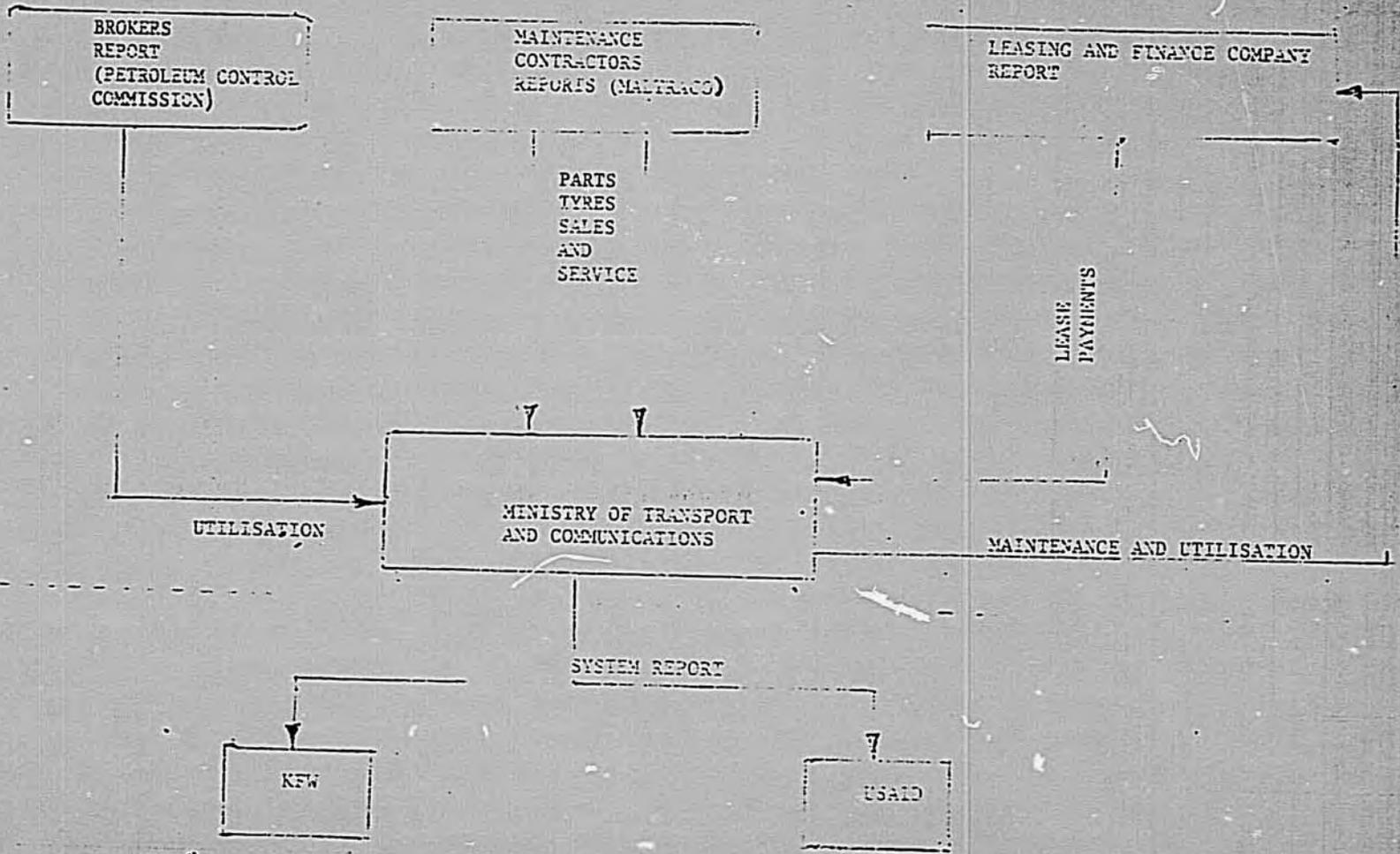
5. Government Policy

A much stronger commitment by the Government of Malawi will be necessary if the Malawi road transport industry is to grow into a viable, efficient, effective and safe sector of the Malawi economy capable of providing strategic transport capacity. At a minimum the following areas must be addressed:

- A. Professional positions left vacant for months and sometimes years within the Ministry of Transport and Communications should be filled with the best qualified candidates as soon as possible.
- B. The Ministry of Finance and the Reserve Bank of Malawi must make an increased commitment to the road transport operators as outlined in recommendation 2.
- C. Strict enforcement of current regulations regarding Road Service Permits and exemptions as well as axle overloading.
- D. Development and implementation of a graduated fine structure for axle overloading that accurately reflects the damage inflicted upon the pavement structure by overloaded axles.
- E. Shifting the responsibility for and the operation of axle load enforcement from the RTD to the Ministry of Works who are the responsible authority for construction and maintenance of the road network in Malawi. In addition the current funding provided from the GTZ special tyre fund to be used for axle load enforcement should also be shifted.

- F. Empower the Vehicle Inspectors of the RTD to stop, inspect and impound unsafe vehicles as an autonomous authority without the requirement of police presence.
- G. require all permit and trip pass fees to be paid in hard currency by transporters from countries requiring the same of Malawian operators
- H. Strict adherence to the traffic sharing agreements with surrounding countries in relation to granting permits to foreign transporters and equitable treatment for Malawi transporters.

FLOW CHART : MONITORING SYSTEM FOR LEASE-PAYMENT, UTILISATION AND MAINTENANCE



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