

15N 92121

P: MAL/059.07D

PA-ABT-798

**DRAFT**

**PRELIMINARY DRAFT**

**TRANSPORT POLICY ANALYSIS REPORT**

**Prepared in support of:**

**THE MALAWI RAILWAY RESTRUCTURING PROJECT**

**Prepared by:**

**Abt Associates, Inc.**

**Funded by:**

**USAID/SARP/Zimbabwe**

**Funded via:**

**The Privatization and Development Project  
(Prime Contractor: Price Waterhouse)**

## TABLE OF CONTENTS

---

	Page
<b>Study Objectives and Report Format</b> . . . . .	i-ii
<b>Section A: Draft Transport Policy Framework</b>	
Draft Transport Policy Framework . . . . .	1-A to 19-A
<b>Section B: Draft Terms of Reference for Institutional Support to the Ministry of Transport and Communications</b>	
Draft Terms of Reference for Institutional Support to the Ministry of Transport and Communications . . . . .	1-B to 6-B
<b>Section C: Assessment of Hardware and Software Requirements for the Ministry of Transport and Communications</b>	
Assessment of Hardware and Software Requirements for the Ministry of Transport and Communications . . . . .	1-C to 7-C
<b>Section D: Main Report</b> . . . . .	1-D to 33-D
Chapter 1      General Aims of Transport Policy . . . . .	1-D
1.1    Introduction . . . . .	1-D
1.2    Aims and Objectives . . . . .	1-D
Chapter 2      Transport Modes in Malawi . . . . .	4-D
2.1    Introduction . . . . .	4-D
2.2    Transport Sector Overview . . . . .	4-D
2.3    Road Transport . . . . .	5-D
2.4    Rail Transport . . . . .	6-D
2.5    Lake Transport . . . . .	7-D
2.6    Air Transport . . . . .	7-D
2.7    International Transport . . . . .	8-D
2.8    Regional Co-operation . . . . .	9-D
2.9    Summary . . . . .	9-D

## TABLE OF CONTENTS *(cont.)*

---

	Page
Chapter 3	Existing Government Transport Policy . . . . . 10-D
3.1	Introduction . . . . . 10-D
3.2	Existing Transport Policy . . . . . 10-D
3.3	The Policy Process . . . . . 12-D
3.4	The Transport Planning Division . . . . . 13-D
3.5	Road Traffic Department . . . . . 13-D
3.6	Department of Civil Aviation . . . . . 14-D
3.7	Marine Division . . . . . 15-D
Chapter 4	Main Problems in the Transport Sector . . . . . 17-D
4.1	Introduction . . . . . 17-D
4.2	Road Transport . . . . . 17-D
4.2.1	Freight . . . . . 17-D
4.2.2	Passenger . . . . . 21-D
4.3	Rail Transport . . . . . 23-D
4.4	Air Transport . . . . . 25-D
4.4.1	Passenger . . . . . 25-D
4.4.2	Freight . . . . . 26-D
4.5	Lake Transport . . . . . 26-D
4.5.1	Freight . . . . . 27-D
4.5.2	Passenger . . . . . 27-D
Chapter 5	Transport Policy Recommendations . . . . . 28-D
5.1	Introduction . . . . . 28-D
5.2	Summary . . . . . 28-D
5.3	Recommendations . . . . . 29-D
5.3.1	Road Transport . . . . . 29-D
5.3.2	Rail Transport . . . . . 32-D
5.3.3	Air Transport . . . . . 32-D
5.3.4	Lake Transport . . . . . 33-D

Bibliography

Contact List

# **STUDY OBJECTIVES AND REPORT FORMAT**

## **PURPOSE OF STUDY**

The purpose of this report is to examine and undertake for the Government of Malawi the development of a national transport policy statement. This is being done from the request by U.S.A.I.D. to develop the Malawi component of the Regional Railway Restructuring Project (690-0276) to restructure and privatize Malawi Railways (MR). Other analyses are also being conducted in the various areas including: preparation of a legal framework; asset valuation; financial restructuring; and organizational analysis.

## **SCOPE OF WORK**

The scope of work as set out by U.S.A.I.D. is as follows:

- i) assist the Ministry of Transport and Communications to develop and draft a national transport policy statement. The statement is to provide a framework under which the Regional Railway Restructuring Program will operate, should cover the transport of freight/ goods and passengers by rail, road, lake shipping services and air. The statement shall focus on liberalization, deregulation and enhancing the enabling environment for a competitive, efficient transport system.
- ii) draft the Terms of Reference to provide institutional support to the Ministry of Transport and Communications including inter alia technical assistance in policy development, staff development and training in transport economics, policy analysis and regulatory reform; policy promotion and information dissemination; and the utilization of computer based transport policy models.
- iii) prepare a detailed assessment of the Ministry of Transport and Communications hardware and software requirements for computer based policy modeling.

Each of the above items are discussed separately in this document. Although each of the individual items in the scope of work are treated individually here, it must be borne in mind that they are integral to one another for the successful establishment of a transport policy.

## **LAYOUT OF THE REPORT**

Each of the items in the above terms of reference have been presented as "stand alone" documents and are to be found at the beginning of this report as follows:

Section A: Draft National Transport Policy Statement

**Section B: Draft Terms of Reference for Institutional Support to the Ministry of Transport and Communications**

**Section C: Assessment of Hardware and Software requirements at the Ministry of Transport and Communications**

The main theme of this project is the production of a draft national transport policy statement. A large part of the text of this document has therefore been devoted to this subject. The following chapters of this report have been prepared as a background to the production of the draft national transport policy statement. The chapters have been divided as follows:

**Section D: Main Report**

**Chapter 1 — General Aims of Transport Policy**

**Chapter 2 — The Transport Modes in Malawi**

**Chapter 3 — Existing Government Transport Policy**

**Chapter 4 — Main Problems in the Transport Sector**

**Chapter 5 — Transport Policy Recommendations**

**SECTION A**

**DRAFT NATIONAL TRANSPORT POLICY STATEMENT**

## **DRAFT NATIONAL TRANSPORT POLICY FRAMEWORK**

It is considered vital that the following premises be pursued in order to produce a cohesive transport and communications policy. The recommended policy objectives for the transport sector are:

- To meet economic demand and socio-political needs.
- To promote and ensure safety in the sector.
- To minimize negative impacts of sectoral activities on the environment.
- To achieve co-ordination and complementarity in the activities of public and private bodies in the sector.
- To ensure that transport authorities and operators are properly constituted and organized, and have sufficient resources to perform their functions.
- To ensure responsible and independent decision-making and public accountability.
- To base decisions on public investment on economic criteria wherever possible.
- Recognizing the role of the public sector, to promote private sector investment and operating wherever possible, and to promote a more business-minded approach by public sector bodies.
- To promote competition within and between modes, wherever possible.
- To obtain maximum national and regional benefit from co-operation with other Southern African countries and their transport and communications sectors.
- To “follow through” with decisions and commitments.

### ***To meet economic demand and socio-political needs***

The sector's primary role is to provide transport and communications facilities and services that meet the effective economic demand, for services within, to and from Malawi as well as Malawi's key social, political and security needs.

The strategy to be adopted is to enable and encourage each mode of transport to perform its optimal role (in this case meaning its most efficient and effective role) in the total transport system. In some cases this will require Government assistance in developing the sector.

***To Promote and ensure safety in the sector***

Transport and communications facilities and services should be safe and reliable.

The strategy to be adopted is to establish and maintain appropriate standards and rules of fitness and operation and to enforce such standards, as well as to undertake promotional efforts so that everyone in Malawi is encouraged to promote safety (particularly road safety).

***To minimize negative impacts of sectoral activities on the environment.***

It is an objective of transport and communications policy to minimize negative impacts of sectoral activities on the environment. The strategy to be adopted is to establish and maintain appropriate standards and rules of fitness and operation, and to enforce such standards, as well as to undertake promotional efforts.

***To achieve co-ordination and complementarity in the activities of public and private bodies in the sector***

Numerous public and private sector organizations and individuals are active in the transport and communications sector. As a result, ongoing consultation and co-ordination between all interested parties will be required if Malawi is to obtain the maximum benefits from the sector. Although Government may take the lead in formulating national policies and strategies, private enterprises and private voluntary organizations, such as industry associations and consumer and trade unions, have a major responsibility to provide key inputs to policy and strategy research and formulation.

The strategy to be adopted is to support and assist the activities of, for example, national and regional airlines, road haulier and bus or minibus associations, as well as to improve contacts between the public and private sectors.

In addition, the Ministry of Transport and Communications as politically defined has to be located in the overall institutional (i.e. legal and organizational) framework of the public sector. Malawi's ministerial portfolios do not correspond precisely with the sectors defined in its statement of development policies. This highlights the need for interministerial consultation and co-ordination in policy making and implementation.

The recommended strategy is to heighten co-ordination between the transport and communications portfolio and the portfolios of works, finance and economic planning, Local Government and a number of others, and to rationalize certain functional assignments.

Here, the recommended strategy is to follow these policy guidelines with regular consultation and co-ordination efforts within the Ministry of Transport and Communications on both a comprehensive and subsector basis.

***To ensure that transport authorities and operators are properly constituted and organized, and have sufficient resources to perform their functions.***

Public and private bodies - be they state departments, public enterprises, private companies or associations - cannot be expected to play their proper role in the sector unless they are properly constituted and organized. That is, they must have:

- a solid legal foundation or constitution, including but not limited to a statement of objects, purposes, duties and functions (assignments of conflicting functions such as regulator and operator should be avoided, and responsibilities for the operations of commercial versus uneconomic services should be clearly spelt out), a clear grant of the capacities and powers that are necessary to perform those functions, and an unequivocal assignment of decision-making or discretionary authority, including powers of delegation, as well as other procedural requirements; and
- a suitable organizational framework for the execution of assigned functions, including adequate posts, internal management and information systems and structures (e.g. a body responsible for economic regulation should have or be supported by a staff economist and an appropriate data base), appropriate personnel policies including competitive salaries and a code for disciplinary procedures, and a proper organizational separation of certain types of functions, such as regulatory and operational functions.

Furthermore, transport authorities and operators should be possessed of:

- adequate financial resources, including adequate capitalization and provision for recurrent costs, particularly those associated with maintenance of capital investment;
- the necessary human resources, including trained staff and management capacity, and human resource development and localization policies (however, a balance must be maintained between localization policy and minimum proficiency requirements); and
- the necessary physical resources.

The strategy to be adopted is one of continuous institutional appraisal, reform and capacity-building throughout the Ministry of Transport and Communications, and the support of organizational capacity building and human resource development in the private sector.

***To ensure responsible and independent decision-making, and public accountability.***

Various laws grant ministers, statutory bodies, boards of public enterprises and companies and other decision-maker's power with a certain ambit of discretion. It is a fundamental principle of law and administration that such decision-maker's should exercise the independent judgment that the law permits. At the same time, those decision-maker's and their organizations should be held strictly accountable for their decisions and general performance in the management of the matters, finances manpower and assets entrusted to them. For example, what the Companies Act is for the private sector, the Public Enterprises Act, is for the public sector. In short, ministers must take responsibility for their policy decisions and directives (and those decisions and directives should be in writing), boards must take responsibility for corporate planning, and the management's of public enterprises must take responsibility for day to day management. These principles should be applied throughout the sector, particularly with respect to public enterprises and statutory licensing authorities.

The strategy to be adopted is to clarify responsibilities and to continuously assess the performance of all bodies falling within the portfolio of the Ministry of Transport and Communications.

***To base decisions on public investment on economic criteria wherever possible.***

All infrastructure projects should be subjected to an economic or cost-benefit analysis. This is necessary to ensure that such projects are economically viable. Also, the results of the analyses can be used to prioritize and program (time of implementation) the different projects. To achieve these objectives a uniform approach in terms of methodology and the minimum attractive internal rate of return will have to be adopted. It is therefore proposed that guidelines concerning methodology, cost items included, the value of time and accidents and models used be issued by the Ministry of Transport and Communications (and the Ministry of Works) in conjunction with the Ministry of Economic Planning and Development. The latter Ministry should, however, determine the discount rate or minimum attractive rate of return applicable to all public capital expenditure. It is suggested that, in Malawi under present conditions, a rate of return of the order of 10-12% would probably be required. This is in line with policies of major international aid agencies which expect a detailed feasibility study (using cost-benefit analysis) to be undertaken, and for a satisfactory rate of return to be shown, before they agree to lend for any project. In certain circumstances, however, investment projects may be justified if unquantifiable social, environmental or security benefits are sufficiently high.

When income is generated by means of user charges (e.g. fuel levy, license fees, or airport tax) such income should go into a dedicated fund for the purpose of improving and maintaining the infrastructure relevant to the specific user. A dedicated fund will also have the advantage of providing a stable income for the managers of infrastructure and thereby enhance medium to long term planning.

Furthermore, when income is generated by a project (i.e. where fares or revenue are concerned) a financial analysis should be required. Whilst an economic analysis deals with all costs and benefits which result from the implementation of a project, only the expenditure and revenue that will affect the financial status of the operator are included in the financial analysis. This analysis is particularly important for the public sector operators or parastatals. When any of these is operated at a loss, the financial analysis will indicate the need for subsidies, which should be open and direct and could be for either capital or operating expenditure. It is taken as a point of departure that commercially operated public enterprises should not provide uneconomic services for social or political reasons, except on the written request of Government, and that the Government should pay for such services by means of an open and direct subsidy.

***Recognizing the important role of the public sector, to promote private sector investment and operations wherever possible, and a more business-minded approach by public sector bodies.***

The achievement of Malawi's national objectives in respect of socio-economic development (as well as achieving the optimum utilization of scarce resources) relies in large part on encouraging and enabling the private sector to increase investment and improve efficiency. In a country committed generally to the principles of a laissez-faire economy, a key role of the Government is to provide an enabling environment for private sector activity.

The strategy is to present opportunities and to encourage the private sector to participate fully in the supply of transport facilities and services. At the same time, it is acknowledged that for economic, financial and other reasons, there are facilities and services that the private sector cannot or will not provide.

The following general comments can be made regarding three main activities:

- Provision and maintenance of transport and communications infrastructure, vehicles and equipment: commercial activities by the private sector should be encouraged (e.g. private airports, the financing of railway branch lines, truck and car rental companies); and even in cases where public provision is indicated or politically required, the Government should give due consideration to utilizing private sector capacity, for example, in road construction and maintenance, in the calibration of instruments, and in servicing and supplying certain vehicles;
- Operation of infrastructures, vehicles and equipment: private operations are to be encouraged, and due consideration should be given to the potential for the private sector to operate publicly owned infrastructures and equipment (such as airports and navigational services) and vehicles (such as a national airline) on behalf of the Government; in cases where public operation is indicated or politically required, the responsible branch or public corporation should operate on commercial principles in so far as possible, and private sector services should be procured wherever possible;

- Protection of public safety and the environment: It is in the long term interest of private enterprise to ensure public safety and to minimize the negative environment impacts of transport and communications infrastructures and operations (for example, company and industry standards in air transport are quite rigorous), and the private sector should be encouraged to respond to these challenges on its own terms; furthermore, even though Government responsibility and activity in this area is well established, private concerns can be utilized, for example, to conduct road - and airworthiness tests on motor vehicles and aircraft, or to assist in enforcement by, for example, operating weighbridges.

In summation, the goal is to promote business and entrepreneurial development, and to provide employment opportunities, in the sector.

*To promote competition within and between modes wherever possible.*

It is generally believed that economic principle can bring about efficiency in the use of scarce resources in the sector - in general but not always - best be attained by promoting competition between operators. Competition generally helps ensure that prices cover costs and that profits are not excessive, but this requires substantial freedom on entry-exit, capacity and pricing.

Thus, the strategy is that Government should only become involved where the practical limits to positive role competition can play in an economy are reached, and Government action in regulating a market is indicated, for the following reasons (among others):

- situations where operators resort to dumping, and other anti-competitive activities or restricted practices, e.g. cut-throat competition;
- passenger transport (particularly urban public transport) can be problematic for the reason that the supply-demand (not to mention the traffic) situation can get out of balance, however, where the Government undertakes to regulate entry, capacity and prices, it must do so carefully and with adequate and appropriate information;
- thin markets can support only one or a few operators, and in such circumstance, pricing, for example, can get out of line; here, the Government has a role to play, for example in preventing overcharging.
- finally, transport operations often flow into other countries and territories where different policies on and approaches to competition and its (non) regulation prevail; these have to be balanced and adjusted by the Governments involved to provide an institutional enabling environment for cross-border transportation.

Furthermore, largely as a result of Government policies in respect of revenue measures and the financing of parastatal operations, operators in the sector find themselves competing (to the extent that competition is present) on an "unlevel playing field". Here it is the recommended strategy that Government subject all operators to some type of regulatory controls (including environmental and safety controls), that it tax all operators in accordance with the same principles, and that it strive to ensure that prices of inputs used by different operators in the production of their services are determined on similar principles (and ideally reflect the costs of these inputs). Thus, consistent and complementary policies in respect of user charging and the funding of parastatal capital investments are necessary to make public-private and intermodal competition more fair.

Finally, the payment of Government subsidies, particularly hidden ones, is not to be encouraged, because it tends negatively to affect competition and ultimately, efficiency. Thus, subsidies have to be justified on socio-economic, political, or security grounds; and accountability requires that their payment be direct and open. The recommended strategy to be adopted is, if subsidies are deemed necessary in the short term for social reasons, user side options are preferable, or other alternatives that retain or allow as much competitive activity as possible. In addition, it should again be emphasized that public enterprises should not be called upon to cross-subsidize uneconomic services rendered in the public interest; instead, such services should be specifically requested by Government and paid for directly and openly. This should become a legally enforced mandate.

#### *Improve availability and utilization of freight and passenger vehicles.*

It will be the aim of Government to improve rural and urban mobility. While Government will review all restrictive practices affecting the growth of transport services in urban and rural areas, non-motorized means of transport will be encouraged especially for the rural areas.

In order to do this Government will need to give operators freedom to set tariffs (fares and rates), allow unrestricted entry upon meeting minimum safety requirements, improve credit availability, reduce duty and surtax on imported vehicles and improve the transport infrastructure, especially in the rural areas. In the trucking industry Government will encourage as much foreign investment as possible. Indigenous entrepreneurs will also be given all the opportunities to expand their businesses as much as possible.

#### *Fair competition and Equitable Treatment.*

Government recognizes that for the industry to function efficiently, there must be fair competition and equitable treatment to all. While promoting intra and inter modal competition, Government will ensure to minimize controls, encourage private sector participation, remove all forms of protection where these are not in the national interest and provide incentives where necessary. Organizations in the transport sector will be required to attain commercial viability as much as possible. Where it is necessary to provide social services, Government will have to provide the necessary grants.

*To obtain maximum national and regional benefit from cooperation with other Southern African countries and their transport and communications sectors.*

A highly open economy has to continuously assess the benefits and costs of (or threats and opportunities presented by) regional co-operation and integration, and carefully manage its involvement in such efforts. This need is made even more pressing considering Malawi's position as a landlocked country. Thus, in many cases Malawi national interest can be properly served only by well-designed efforts.

To follow through with decisions and commitments : The maintenance of a process of policymaking, strategic planning, lawmaking, organizing, resource mobilization, and general administration can be as important as any given output(e.g. policy, budget etc.).

The strategy is to initiate a process that can ensure that policies and declarations of intent are embodied in law, that laws are administered and enforced, and that resources are mobilized and utilized in a timely fashion(e.g. program and project management). In short, all parties need to strengthen their commitment to follow through; to turn decisions into actions.

The strategy options and recommendations for the transport sector are presented here by emphasizing various dimensions or categories of subject matter. These are:

- The medium (land, air, and water), the right of way (e.g. land transport includes road and rail), and the transport mode (e.g. road transport includes buses and minibuses and freight vehicles).
- Passenger and freight transport.
- Specific transport functions, e.g. setting and enforcement of vehicle standards and traffic rules and regulations, the maintenance of infrastructure, vehicle operation, and the promotion of safety.
- Broader transport issues - including economic regulation of intra and intermodal competition, investment policy and strategy, commercialization and privatization, financing options, and operating strategies.
- The geographical or jurisdictional dimensions of domestic or national and international transport, including regional cooperation and integration.

In summary, the following principles shall prevail in the formulation of the policy framework:

- there shall be no government regulation of such a nature that it restricts the ability of any mode to compete freely with any other mode of transport;

- each mode shall bear a fair proportion of all real costs of resources, facilities and services provided at public expense;
- each mode of transport shall receive compensation for the resources, facilities and services that it is required to provide in the public interest;
- each mode shall be free to enter into confidential agreements with any shipper;
- each mode shall have the responsibility to efficiently utilize its resources, to provide an economic, reliable and safe service to shippers.

The major components that will be focused on by the Government of Malawi to promote competition, liberalization and deregulation within the transport industry are presented in the following pages by individual mode of transport.

## ROAD TRANSPORT

### *General*

- *Road Traffic Act* — to be updated and modified to take account of new circumstances in the road transport industry.
- *Road Service Permits* — System of Road Service Permits and Certificate of Fitness need be strictly enforced. Certificate of Fitness to be conducted every 6 months instead of every 12 months to ensure safety standards.

## ROAD FREIGHT TRANSPORT

- *Axle Overloading* — Strict enforcement of axle limits and heavy penalties imposed for violators, in connection with revisions to Road Traffic Act. In connection with this a Road Maintenance Fund needs to be established.
- *Tariffs* — Tariffs although set by Government at the request of the Road Transporters Association should be completely liberalized.
- *Credit* — Credit facilities to local operators needs to be improved to enable them to enter the market. This will also ensure competition amongst truckers once the supply of trucks is larger.
- *Duties and Taxes* — The system of duties and taxes on vehicles, spare parts etc. to be reviewed fully to ensure that local truckers are obtaining an incentive to increase their fleet and adequately maintain their fleet.

- *International Freight* — To enforce the policy that prohibits foreign hauliers from collecting cargo domestically and delivering cargo to domestic locations. In connection with this shippers and receivers of freight to be encouraged to use Malawian hauliers. There needs to be further harmonization of rates and tariffs on international freight traffic with other countries in the region in the case of road tolls, transit fees etc.
- *Committees* — The Ministry of Transport and Communications to establish a committee in association with the Road Transport Operators Association, the Freight Transport Consultative Committee to undertake the following:
  - further communication between the Government and private sector bodies in (and affected by) the freight transport industry;
  - to promote the development of the road freight transport industry;
  - to assist the industry solve any problems arising;
  - to discuss the influence of new policies and legislation on freight transport, including intra and intermodal competition;
  - to discuss issues regarding regional road freight transport, including intergovernmental relations under SATCC, PTA etc.;
  - to enhance quality and safety in freight transport operations.

This committee would have representatives from the Ministry of Transport and Communications (Chairman), the Road Transport Operators Association, the Police (Traffic Department), Malawi Railways, and representatives of other groups including users of road freight transport.

#### **ROAD PASSENGER TRANSPORT**

- *Entry to the market* — The Prime Route Policy should be abolished as it has not had the desired affect on rural passenger transport. “Matola” should be legalized subject to safety requirements which should be strictly enforced.
- *Deregulation of fares* — The remaining fare that is currently not deregulated is that of the Country Service provided by Stagecoach Malawi Ltd. This should be deregulated in association with the Prime Route Policy being abolished.

- *Credit* — As in the truck industry, availability of credit to entrepreneurs wishing to enter the market is difficult. The Government should encourage and assist in whatever way it can the increase in the supply of passenger transport by giving assistance to these new entrepreneurs.
- *Employment* — To increase employment in the bus industry the Government should consider reducing the present 1 year period that a person has to have held a heavy goods vehicle license to cover all other drivers or non-drivers who would then be trained.
- *Duties* — The present rate of duties on importation of vehicles and spare parts needs to be in line with those in the trucking industry and need to be reviewed further.
- *Committees* — A Passenger Transport Consultative Committee should be established by the Ministry of Transport and Communications. Its main functions would be:
  - to further communications between bus operators, minibus operators, “matola” operators, and taxi operators;
  - to promote the development of the passenger transport industry;
  - to assist the industry in solving any problems arising;
  - to discuss the influence of new policies and legislation on public transport;
  - to discuss issues regarding regional road passenger transport, relations under SATCC, PTA etc.;
  - to enhance quality and safety within the public transport operations;
  - to discuss the need for public transport facilities.

This committee would have representatives from the Ministry of Transport and Communications (Chairman), the bus and minibus associations, Stagecoach Malawi Ltd, the Police (Traffic Department), industry representatives, and representatives of other interested parties, particularly user associations.

## RAIL TRANSPORT

A detailed Memorandum of Understanding has yet to be set out between the Government and Malawi Railways, i.e. Malawi Railways Ltd, from 1st April 1995. Therefore Government policy to this particular mode of transport is not completely finalized. Set out below are some of the main points that will be necessary in Government policy.

- *Tariffs* — Malawi Railways should continue to have complete autonomy in setting tariffs for it to be a competitive mode in the transport industry.
- *Staffing* — Malawi Railways would have autonomy in determining its staff levels which are in the process of being reduced significantly.
- *Operational Decisions* — Decisions to change the nature and frequency of services will be at the discretion of Malawi Railways.
- *Social Service* — If Malawi Railways runs a service which is deemed a “social service” at a loss then the Government will purchase those services on a commercial basis i.e. the Government would reimburse the costs incurred.
- *Performance Targets* — Performance targets would be set for Malawi Railways and agreed by the Ministry of Transport and Communications, the Ministry of Finance, the Ministry of Economic Planning and Development, and the Department of Statutory Bodies.

## AIR TRANSPORT

### *Air Passenger*

- *Fares* — Fare levels to be determined solely by Air Malawi to alleviate both the time lag of requesting fare increase and also as they are more aware of their operating expenses for each of their routes.
- *Routes* — Similarly with routes, Air Malawi to be given control over their route policy and allowed to pursue new market routes that the deem potentially profitable.
- *Staff Levels* — Staff level adjustments to be made at the direct discretion of Air Malawi to improve productivity and operating efficiency.
- *CAA* — The use of the Federal Aviation Authority rules and regulations to be considered to the outdated Civil Aviation Authority Act. This will need further investigation.

### ***Air Freight***

- *Access* — To lift the present policy of dedicated freight air transporters having to pay royalties to Air Malawi if they wish to pick up air freight in Malawi. At present a monopoly situation exists of only one carrier being given exclusive landing rights to collect air cargo. Encourage an “open sky” policy.

### **LAKE TRANSPORT**

- *Entry into the Market* — Entrepreneurs wishing to enter into the lake shipping services market in either passenger or freight services should be given all assistance possible to do so.
- *Tariffs* — Tariffs for both passenger and freight movements need to be carefully reviewed and should be done on a route or profit center basis. This also needs to take into account reductions in passengers or freight that may result from an increase in tariffs. Lake Services should have complete autonomy in setting these tariff rates.
- *Routes* — Lake Services should have complete autonomy in choice of routes, abandoning those that are not profitable (specifically the north-south route for passengers).
- *Staffing* — Staffing levels should be adjusted as and when required to operate as an efficient, viable, commercial enterprise.
- *Social Services* — If the Government wishes to maintain certain Lake Services that are non profitable, but are deemed to be a “social service” and in the public interest, then it agrees to purchase these services on a commercial basis.

The following Tables summarize the major areas of policy to be focused upon.

## POLICY OBJECTIVES IN THE TRANSPORT SECTOR

Sector and Area of Reform	Proposed Action	Policy Objective
<b>Road Sector</b>		
General		
Road Traffic Act	To be updated and modified to take account of new circumstances in the road transport industry.	To enable all participants to fully understand the laws in the sector.
Road Service Permits	System of Road Service Permits and Certificate of Fitness need to be strictly enforced. Certificate of Fitness to be conducted every 6 months instead of every 12 months to ensure safety standards.	To ensure safety in the sector and enforce the obtaining of permits and certificates of fitness
<b>Road Freight</b>		
Axle Overloading	Strict enforcement of axle limits and heavy penalties imposed for violators, in connection with revisions to Road Traffic Act. Introduce a dedicated road fund for maintenance.	To prosecute violators and protect the road infrastructure of Malawi. To raise funds to maintain the road infrastructure.
Tariffs	Tariffs although set by Government at the request of the Road Transporters Association should be completely liberalized.	To promote competition amongst truck hauliers and to prevent collusion by the formation of price cartels.
Credit	Credit facilities to local operators needs to be improved to enable them to enter the market. This will also ensure competition amongst truckers once the supply of trucks is larger.	To increase the supply of vehicles and to encourage entrepreneurs to enter the market. To assist in competition amongst hauliers.
Duties and Taxes	The system of duties and taxes on vehicles, spare parts etc. to be reviewed fully to ensure that local truckers are obtaining an incentive to increase their fleet and adequately maintain their fleet.	To give incentives to local truckers to increase their fleet and maintain it adequately, thus promoting safety.
International Freight	To enforce the policy that prohibits foreign hauliers from collecting cargo and delivering cargo domestically. Harmonization of road tolls, transit fees etc., with other countries in the region.	To encourage the use of local truckers for domestic distribution. To obtain cooperation between other countries in the region to harmonize user charges.

## POLICY OBJECTIVES IN THE TRANSPORT SECTOR

Sector and Area of Reform	Proposed Action	Policy Objective
<p><b>Road Freight</b></p> <p>Freight Transport Committee</p>	<p>The Ministry of Transport and Communications to establish a committee in association with the Road Transport Operators Association and other bodies to promote the road transport freight industry and discuss problems.</p>	<p>To encourage coordination and consultation in all aspects of the road freight industry by the relevant parties, i.e. Ministry of Transport and Communications, Police, Hauliers etc.</p>
<p><b>Road Passenger</b></p> <p>Entry to the market</p>	<p>The Prime Route Policy should be abolished as it has not had the desired affect on rural passenger transport. "Matola" should be legalized subject to safety requirements which should be strictly enforced.</p>	<p>To eliminate the discrimination in fares and service allocation. To encourage "matola" to provide a service in rural areas.</p>
<p>Deregulation of fares</p>	<p>The remaining fare that is currently not deregulated is that of the Country Service provided by Stagecoach Malawi Ltd. This should be deregulated in association with the Prime Route Policy being abolished.</p>	<p>To completely remove all fare regulation and thus enable a market oriented competitive environment to be established.</p>
<p>Credit</p>	<p>As in the truck industry, availability of credit to entrepreneurs wishing to enter the market is difficult. The Government should encourage and assist in whatever way it can to increase the supply of passenger transport by giving assistance to these new entrepreneurs.</p>	<p>To increase the supply of passenger transport vehicles with particular emphasis on rural area transportation.</p>

## POLICY OBJECTIVES IN THE TRANSPORT SECTOR

Sector and Area of Reform	Proposed Action	Policy Objective
<b>Road Passenger</b>		
Employment	To increase employment in the bus industry the Government should consider changing the system that a person has to have held a heavy goods vehicle license for a 1 year period to make them eligible for a Public Service Vehicle license, to include non-drivers who will be trained.	To provide a wider pool of employment for the passenger transport industry and to encourage training of drivers.
Duties	The present rate of duties on importation of vehicles and spare parts needs to be in line with those in the trucking industry and need to be reviewed further.	To reduce transport costs and encourage entry into the passenger transport market.
Passenger Transport Committee	This committee should be established by the Ministry of Transport and Communications, between various other bodies, i.e. bus associations etc. Its main functions would be to coordinate passenger transport policy.	To encourage participation of all relevant parties in all aspects of public transport policy, i.e. Ministry of Transport and Communications, bus and minibus operators, Police etc.
<b>Rail Sector</b>		
Tariffs	Malawi Railways should continue to have complete autonomy in setting tariffs for it to be a competitive mode in the transport industry.	To improve revenues and profitability, and the operating ratio in those areas where this can be undertaken.
Staffing	Malawi Railways should have autonomy in determining its staff levels which are in the process of being reduced significantly.	The purpose of this is to improve productivity and to reduce costs.
Operational Decisions	Decisions to change the nature and frequency of services will be at the discretion of Malawi Railways.	To improve productivity, enable staff reductions in those areas where there is an excess and to reduce the operating and maintenance costs.

## POLICY OBJECTIVES IN THE TRANSPORT SECTOR

Sector and Area of Reform	Proposed Action	Policy Objective
<b>Rail Sector</b>		
Social Service	If Malawi Railways runs a service which is deemed a "social service" at a loss then the Government will purchase those services on a commercial basis i.e. the Government would reimburse the costs incurred. This service would have to meet certain performance targets set out for it by Government and would require a Memorandum of Understanding between the parties.	To enable Malawi Railways Ltd to conduct services on behalf of the Government that are not commercially profitable but provide a social benefit for the country.
Performance Targets	Performance targets would be set for Malawi Railways and agreed by the Ministry of Transport and Communications, the Ministry of Finance, the Ministry of Economic Planning and Development, and the Department of Statutory Bodies.	To determine the operational efficiency of the railway and to see how its new structure is faring under its new environment.
<b>Air Sector</b>		
<b>Air Passenger</b>		
Fares	Fare levels to be determined solely by Air Malawi to alleviate both the time lag of requesting fare increase and also as they are more aware of their operating expenses for each of their routes.	To improve commercial orientation and accountability. To effect better control on both operations and improve profitability.
Routes	Similarly with routes, Air Malawi to be given control over their route policy and allowed to pursue new market routes that the deem potentially profitable.	To improve commercial orientation and accountability. To effect better control on both operations and improve profitability.
Staff Levels	Staff level adjustments to be made at the direct discretion of Air Malawi to improve productivity and operating efficiency.	To effect better control on both operations and profitability.
CAA	The use of the Federal Aviation Authority rules and regulations to be considered to the outdated Civil Aviation Authority Act. This will need further investigation.	To update the rules and regulations of Civil Aviation which are now outdated.

## POLICY OBJECTIVES IN THE TRANSPORT SECTOR

Sector and Area of Reform	Proposed Action	Policy Objective
<p><b>Air Sector</b></p> <p><b>Air Freight</b></p> <p><b>Access to Air Cargo</b></p>	<p>To lift the present policy of dedicated freight air transporters having to pay royalties to Air Malawi if they wish to pick up air freight in Malawi. At present a monopoly situation exists of only one carrier being given exclusive landing rights to collect air cargo.</p>	<p>Encourage an "open sky" policy and promote competition between freight carriers. Eliminate the exclusive landing rights policy and payment of royalties.</p>
<p><b>Lake Sector</b></p> <p><b>Entry into the Market</b></p>	<p>Entrepreneurs wishing to enter the market should be encouraged to do so and all possible aid given to them.</p>	<p>To encourage competition in lake transport services, both passenger and freight.</p>
<p><b>Tariffs</b></p>	<p>Tariffs for both passenger and freight movements need to be carefully reviewed and should be done on a route or profit center basis. This also needs to take into account reductions in passengers or freight that may result from an increase in tariffs. Lake Services should have complete autonomy in setting these tariff rates.</p>	<p>To improve commercial orientation and accountability. To encourage Lake Services to operate as a commercial, viable concern. To improve control, profitability and the decision making process.</p>
<p><b>Routes</b></p>	<p>Lake Services should have complete autonomy in choice of routes, abandoning those that are not profitable (specifically the north-south route for passengers).</p>	<p>To improve commercial orientation and accountability. To prevent a waste of economic resources on those services that are not necessary or justifiable.</p>
<p><b>Staffing</b></p>	<p>Staffing levels should be adjusted as and when required to operate as an efficient, viable, commercial enterprise.</p>	<p>To improve productivity and improve profitability.</p>
<p><b>Social Services</b></p>	<p>If the Government wishes to maintain certain Lake Services that are non profitable, but are deemed to be a "social service" and in the public interest, then it agrees to purchase these services on a commercial basis.</p>	<p>To enable Lake Services to conduct services on behalf of the Government that are not commercially profitable but provide a social benefit for the country.</p>

**SECTION B**

**DRAFT TERMS OF REFERENCE FOR  
INSTITUTIONAL SUPPORT  
TO THE MINISTRY OF TRANSPORT AND  
COMMUNICATIONS**

# **DRAFT TERMS OF REFERENCE FOR INSTITUTIONAL SUPPORT TO THE MINISTRY OF TRANSPORT AND COMMUNICATIONS**

## **BACKGROUND**

U.S.A.I.D., in collaboration with the World Bank and the Overseas Development Agency (ODA), conducted a joint appraisal of Malawi Railways and the Lake Service under a proposed Malawi Railways Restructuring Project (MRRP) in early April. This joint appraisal was carried out following a series of project preparation studies funded by U.S.A.I.D.

The joint appraisal mission concluded that although Malawi Railways had made considerable progress in its restructuring efforts, a substantial amount of work remained to be undertaken to accelerate the restructuring and privatization process. Based on the results of the joint appraisal, U.S.A.I.D. Malawi engaged consultants to undertake further work in the following areas: preparation of a legal framework; asset valuation; financial restructuring; preparation of a housing scheme; social soundness and impact analysis; organizational analysis; and transport policy development. In respect of this last component i.e. transport policy analysis, it is further required that institutional support to the Ministry of Transport and Communications be provided to assist in their policy development.

## **OBJECTIVE**

The objective of this request is to provide institutional support to the Ministry of Transport and Communications including technical assistance in policy development, staff development and training in transport economics, policy analysis and regulatory reform; policy promotion and information dissemination; and the utilization of computer-based transport policy models. A draft National Transport Policy Framework has already been undertaken. The main points that were focused upon in this analysis were the liberalization, deregulation and enhancing the enabling environment for a competitive, efficient transport system. This study highlighted those areas that needed further technical assistance. It is these areas that are to be focused upon in this study.

## **DETAILED SCOPE OF WORK**

### *Composition of the Project Team*

The overall study requires a joint team of international experts with extensive experience in transport economics, policy analysis, staff organization and management, computer based modeling, and law and regulatory reform. Related experience shall include previous work with U.S.A.I.D. and or the World Bank on consultant assignments. The staff requirements are set out below:

- Team Leader/Transport Advisor
- Transport Economist
- Transport Policy Specialist

- Legal Expert
- Human Resources Expert
- Computer Modeling Expert

The consultants will be required to work in collaboration with all relevant organizations in Malawi. The consultants' work must take into account all relevant completed studies and documents in the transport sector. The consultants will report directly to the Chief Transport Planning Officer.

### *Work Tasks*

The work tasks for each of the consultants is set out below:

#### *Team Leader/Transport Advisor*

- Co-ordinate the work of all consultants;
- Oversee the implementation of the recommendations;
- Identify constraints on Malawi's transport competitiveness and propose solutions.

#### *Transport Economist*

The Transport Economist shall undertake the following tasks:

- **Review of National Vehicular Capacity.** Under this task the Transport Economist will be required to assess and determine the vehicular capacity by size, type and ownership. Having determined the supply the Transport Economist should also determine the likely demand (passenger and cargo) and then develop a computer based model for the continuous assessment of national vehicle capacity and demand.
- **Vehicle Operating Costs (VOC's).** The Transport Economist will be required under this task to design and install a computer based model for calculating vehicle operating costs for different vehicle sizes, operating under different road conditions in Malawi. Specifically the model should calculate vehicle operating costs for cars, minibuses, regular passenger buses, and trucks (different tonnage's). This information will be used for monitoring fares and rates in the industry.
- **Road User Cost Analysis.** The principal aim is to develop road user charges for Malawi by comparing current road user charges with current road expenditures on development, maintenance and related operations. The Transport Economist should identify alternative options for amending the structure and the levels of road user charges, including in particular road user fees for commercial vehicles. Analyses are to be conducted on comparisons of the expected impacts of these alternative options on :

- a) road users and the road transport industry;
- b) customers and other users of road transport services;
- c) government revenues.

This analysis is to be undertaken in conjunction with the calculation of vehicle operating costs.

- **Training in Basic Transport Economics.** The Transport Economist will also be responsible for teaching the nominated staff members of the Ministry of Transport and Communications in basic Transport Economics, including cost-benefit analysis, calculation of vehicle operating costs, etc. The work of the Transport Economist in this area shall also be in association with the Transport Policy Specialist, and the Computer Modeling Expert.

#### *Transport Policy Specialist*

The Transport Policy Specialist shall undertake the following tasks:

- **Policy Development.** The Transport Policy Specialist shall be responsible for the development of policy matters relating to both public and private transport, both domestically and internationally. The Policy Specialist shall consult with other Ministry's to discuss the impact of potential policy changes on Malawi, i.e. the Policy Specialist will examine the effects of policy development at both the micro and macro level.
- **Improvement of Urban Transport.** Currently urban transport is characterized by city-line, minibuses and taxi services. To a large extent taxi services in most urban areas are dominated by pirate operators who seem to be bridging a supply gap. During peak periods it is common to see people walking miles to/from offices, shops and even schools. It is therefore obvious that urban demand for public transport is far from being satisfied. The Policy Specialist will examine the most pressing public urban transport problems and recommend how they can be resolved in order to improve the availability, affordability, and safety of urban transport services.
- **Improvement of Rural Transport.** One of the major problems in rural areas has been the movement of both freight and passengers. There is an insufficient supply of vehicles to conduct both types of movement. Although "matola" is illegal, it is widely used in the rural areas. The Transport Policy Specialist is to investigate ways to improve this situation in the rural areas. This will include an analysis of improving the supply of freight and passenger vehicles, ensuring that there is a competitive environment in these rural areas in terms of fares, tariffs etc, recommending safety measures in terms of vehicles that may be used for both passenger and freight movement, and other related matters.

- **Training in Transport Policy Analysis.** In conjunction with the training sessions given by the Transport Economist and the Computer Modeling Expert the Transport Policy Specialist will also give training on the basic methodology of policy analysis and development.

#### *Legal Expert*

- **Redraft and Reorganize the Road Traffic Act.** The Road Traffic Act has been amended in a piecemeal fashion over the last several years. Recently the safety aspects of the Act have been reviewed. The Legal Expert will be responsible for reviewing, redrafting and re-organizing the Act in a more meaningful form to take into account the current environment. The Legal Expert will coordinate with the Transport Policy Specialist.

#### *Human Resources Expert*

The Human Resources Expert will be required to undertake the following task:

- **Transport Sector Manpower Resources and Development**
  - a) Evaluate and design the organizational structure of the Road Traffic Department and the Transport Planning Division. For the Road Traffic Department this should include development of procedure manuals for each functional area;
  - b) review the key gaps in skills adversely affecting the efficient performance of the two departments. The Human Resources Expert will identify and analyze skill availability's, requirements, shortages, and gaps in numbers and make recommendations;
  - c) the Human Resources Expert will design a ten-year training program for the Transport Division and Road Traffic Department to redress the skills gap. The Expert should also recommend a reputable university or research institution to have an exchange/training program with the Ministry of Transport and Communications.

#### *Computer Modeling Expert*

Develop and Implement a National Transport Information System. The purpose of this task is to design, update and refine the existing transport data base and establish a system for managing it in future. Specifically the Computer Modeling Expert will be required to review the existing transport data base system and find out any missing links which should be addressed for efficient management of the required data base system. As a result of the review, design, recommend and oversee the establishment of an enhanced computer based system, which should meet the particular data storage, management, analysis, retrieval and reporting

requirements of the Ministry of Transport and Communications, especially the Transport Division.

- **Training in Computer Modeling.** In association with both the Transport Economist and the Transport Policy Specialist, the Computer Modeling Expert will give training sessions in the basic techniques of computer and software use and computer modeling as it relates to Transport Economics and Transport Policy analysis.

## **QUALIFICATIONS**

All of the consultants should have had several years experience in transport sector policy formulation and planning.

### ***Project Duration***

The time period allocated to each consultant to complete each of the tasks described in this Terms of Reference is as follows:

- |                                 |          |
|---------------------------------|----------|
| • Team Leader/Transport Advisor | 6 months |
| • Transport Economist           | 6 months |
| • Transport Policy Specialist   | 6 months |
| • Legal Expert                  | 6 months |
| • Human Resources Expert        | 6 months |
| • Computer Modeling Expert      | 3 months |

## **REPORTING REQUIREMENTS**

Each consultant will report directly to the Chief Transport Planning Officer of the Ministry of Transport and Communications. The consultants will also produce the necessary documentation, reports, training material etc. related to each of their assigned tasks.

## **SERVICES AND FACILITIES PROVIDED BY THE MINISTRY OF TRANSPORT AND COMMUNICATIONS**

The Ministry of Transport and Communications will provide the necessary office accommodation, office furniture and telephones for the consultants. The costs of any additional office equipment, secretarial services, office consumables and transport will be reimbursed under the terms of the consultants contract.

The Ministry of Transport and Communications will ensure the availability of all relevant information and reports that are available, and also the necessary counterpart assistance required by the consultants.

## **SECTION C**

# **ASSESSMENT OF HARDWARE AND SOFTWARE REQUIREMENTS FOR THE MINISTRY OF TRANSPORT AND COMMUNICATIONS**

# ASSESSMENT OF HARDWARE AND SOFTWARE REQUIREMENTS FOR THE MINISTRY OF TRANSPORT AND COMMUNICATIONS

## INTRODUCTION

The purpose of this paper is to determine the hardware and software requirements of the Ministry of Transport and Communications for computer based policy modeling. In order that this can be done a brief analysis of the existing hardware and software available to the Ministry of Transport and Communications has been made.

## EXISTING EQUIPMENT

In October 1990 the Ministry of Transport and Communications was supplied with several items of computer equipment under a financing agreement in the form of a grant from U.S.A.I.D. An original request for proposal to supply computer equipment, accessories, software, and maintenance in March 1989. The original proposal for equipment was amended on the 1st August 1990 and then went out to competitive negotiation.

The following is a list of the equipment that is already installed at the Ministry of Transport and Communications:

Hardware	Number
PS/2 MDL 70386 20Mhz 120 MB, 2MB Ram	3
PS/2 MDL 80386 20Mhz 314MB, 4MB Ram	1
Okidata ML 391 Plus printers 270 CPS Draft	3
Okidata ML 393 Plus printer 24 pin wide carriage with pull tractor and dual bin 220v/50hz	1

Various other items of computer equipment exist i.e. power conversion, tape backup unit (not installed), monitors, keyboards, etc.

Software	Number
DOS 4.0	4
DBASE IV (Version 1.1)	1
CLIPPER	1
WORDPERFECT (VERSION 5.1)	3
SPSS/PCT ADVANCE STATS (Version 3.0)	1
LOTUS 1-2-3 (Version 2.2)	4
WINDOWS (Version 3.0)	4

This equipment was installed in the early part of 1991.

The computing equipment is distributed throughout the Ministry of Transport and Communications as follows:

Computer Room	2 machines (including the PS/2 MDL 80386 20Mhz)
Equipment Coordinator	1 machine
Secretary to the Chief Transport Planning Officer	1 machine

Other equipment in the Ministry is to be found in the Department of Civil Aviation. This Department has one stand alone 286 computer (Unisys) with 2 MB of RAM and a 40 MB hard drive. The machine has various software, including WordPerfect 5.1, Microsoft Excel for Dos version 2.1, DOS version 5.0, and Dbase IV version 1.1. There are also four terminals connected to a network (Olivetti). The data base includes payroll, air traffic licenses, housing, statistics, etc.

Additional computing equipment as part of the Northern Corridor Transport Project is being financed by the World Bank. This equipment, which is due to arrive shortly, is as follows:

Printer	1 — HP Laserjet 4
Computers	3 — AST laptops, 486's, 33Mhz, 120 MB drive, 4MB RAM

#### **ASSESSMENT OF EXISTING EQUIPMENT**

Almost 4 years ago, when the computers were purchased, they were considered powerful machines (i.e. 386's) and were capable of supporting the software available. However, due to the fast growth in computer technology, these computers are only barely sufficient to support the specifications of modern software.

The computers only run at a speed of 20Mhz and are all 386's. All of the machines are stand alone and are not connected via a network.

Although Windows (Version 3.0) is available on the computers it has not been able to be used as no one has access to a mouse (although it can be used from the keyboard this is a tedious task and not what Windows was designed for). Also none of the other available software is Windows based.

The major software elements are however available, all DOS based, the version of which (4.0) is now out of date. Similarly, most of the other versions of the programs, except for WordPerfect 5.1 (although WordPerfect 6.0 is available in a DOS version), have now been superseded.

The people who need to use the computers have to go to either the computer room or to the office of the Equipment Coordinator. The computer based in the office of the Chief Transport Planning Officer is dedicated to use by that office. Thus, the decision makers and individual

officers in the Ministry do not have easy access to the available equipment. The computer room and the office of the Equipment Coordinator are not quiet places to work, the former also acts as a statistics library and in the latter the Equipment Coordinator may be in a meeting. In the case of the Department of Civil Aviation, one secretary has access to the only stand alone computer located in the office of the Chief Civil Aviation Officer.

At the Ministry of Works, for example, a greater number of officers have access to computers, including the Principal Secretary, who has his own desktop machine. The Ministry of Works is currently considering putting their computers onto a network.

## **REQUIREMENTS FOR THE MINISTRY OF TRANSPORT AND COMMUNICATIONS**

In order to successfully conduct the subject of policy analysis, the relevant personnel need to have the appropriate tools to undertake the analysis. In order for this to be accomplished the relevant personnel would need to have a computer at his desk. It should act as a stand alone machine and also as a workstation in a network.

More powerful tools are required than those that already exist in the Ministry of Transport and Communications to aid in decision making and in policy analysis. Before going into specific requirements a brief list has been given of the major components that need to be examined:

- Access to information on a network
- PC's with 486 processors
- At least 4, but ideally 8 MB RAM or greater
- Sufficient hard disk space (at least 200MB)
- Faster printers (Lasers)
- Microsoft Windows and Windows based applications
- Training on Windows and Windows based applications

The above topics are discussed in the following pages.

### ***Access to Information on a Network***

The main reasons to having computers on a network is the retrieval of information and dissemination of data between all the relevant users. In the Ministry of Transport and Communications this is essential to the effective operation of the Ministry. For the officers involved, to retrieve data, as a part of their undertaking a particular analysis, is essential. At the present time only the Civil Aviation Department has a network system with 4 workstations, although the data on the network is limited.

### *Personal Computer Size*

Computer technology expands at a fast rate. Since the original machines were obtained by the Ministry in 1990/91 the development in technology has been rapid, outdating the machines that the Ministry now has (apart from the laptops that are being provided under the Northern Transport Corridor Project). All of the original machines are 386's. It is proposed that the machines need to be 486's with a speed of 33 Mhz or more. The computers should have a math's co-processor installed.

As has been proposed in the previous list the software should be Microsoft Windows based (this is discussed more fully in a later section). In order to run Windows effectively at least 4MB of RAM is required. Ideally more is required and 8MB of RAM would be a better starting point. Windows works with 4MB of RAM (it works with less), but to fully take advantage of the Windows system the greater the amount of available RAM the better.

Hard disk space is another item that should be as large as possible. With Windows programs consuming anything from 10MB of disk space and above, it is necessary to have as large a hard disk as possible. Another factor to be considered in favor of a large hard disk space is that if fully functioning data base system exists with traffic count data, passenger movement data etc., then disk space is going to become essential. The minimum should be 200MB.

### *Printers*

The existing printers are stand alone and are not very fast and the output quality is not that good. The World Bank is currently supplying a HP Laserjet 4 under the Northern Transport Corridor Project to the Ministry. This would make an ideal network printer, as it has an engine speed of 10 ppm (pages per minute). The quality is also excellent at 600 dpi (dots per inch), making it an ideal selection for printing top quality documents.

Other printers that may be required as stand alone printers should also be laser printers. Laser prices, due to the rapid increase in technology have fallen in price. It should be noted here that a laser printer can now be bought for the same price as that of the Okidata ML 391 Plus in 1990.

### *Microsoft Windows*

As stated above, each officer that is involved in policy analysis needs a computer at his desk. He also needs a user-friendly environment to work in. This environment is Microsoft Windows, a point-and-click operating system. Windows already exists on the computers at the Ministry, but is the outdated version 3.0. It is not used, however, because no one has access to the use of a mouse. In effect its resident on the hard disk, taking up valuable space, and it is not even used, or can't be used. Microsoft Windows version 3.1 should be installed and a mouse made available for every machine. Microsoft Windows version 4.0 (Chicago) is still being developed, but should be adopted if it is available.

The present version of DOS is version 4.0. This is seriously outdated and Microsoft DOS version 6.2 should be installed.

### *Microsoft Windows Applications*

The base applications that need to be installed into the Windows environment are a word processor, a spreadsheet, and a data base. A further possibility is a graphics package, but most spreadsheets have the capability of producing graphics. The present programs being used by the Ministry, all DOS based, are WordPerfect version 5.1 (word processor), Lotus 1-2-3 version 2.2 (spreadsheet), and Dbase IV version 1.1 (database). All of these programs have been superseded by later versions.

A recent computing magazine article listed business software by sales of the particular software. Of the top five only one was DOS based, the rest were Windows based. These are given below:

Rank	Program	Type
1	Excel 5.0 for Windows	Spreadsheet
2	Word 6.0 for Windows	Word Processor
3	WordPerfect 6.0 DOS	Word Processor
4	FoxPro 2.6 for Windows	Data Base
5	Access 2.0 for Windows	Data Base

It would be a good idea to select those programs that are integrated with one another and are compatible e.g. Microsoft Excel 5.0, Word 6.0, and Access 2.0. All of these programs enable data to be exchanged between them, known as OLE (Object Linked Embedding). The programs have the same toolbars so that commands learnt in one program are similar commands in the other program. Excel 5.0 also contains a sophisticated graphics sub-component. A project management program that should also be considered for the computer system is Microsoft Project. Other programs to assist in policy analysis would be SPSS (Statistical Package for Social Scientists). The Ministry already has this program, but a later version may be available. A forecasting program called "Crystal Ball" enables forecasting of all types of data to be undertaken would be a useful addition to the software library of the Ministry to assist in policy analysis. The Highway Design and Maintenance Model (HDM III) is used by the Ministry of Works in planning its maintenance policy. The use of this model in the Ministry of Transport and Communications would be useful as it also has a vehicle operating cost model built into it. This would assist the Ministry when it is examining policy towards user charges for example.

### *Training*

Very few people at the Ministry of Transport and Communications have any computing knowledge. There needs to be a rigorous training program in the use of Windows and Windows based applications. Selected staff will also need to be trained on how to maintain the network (if a network is established, and it is strongly recommended that there should be). The relevant staff need to be trained on how to use the network.

## RECOMMENDATIONS

The following recommendations are made as an initial estimate of the requirements of the Ministry of Transport and Communications:

- *Hardware.* 4-6 Desktop computers (486's with a speed of 33Mhz or greater, 200MB hard disk, and at least 4MB of RAM.). Math's co-processors should be included. The location of these computers is suggested as follows:
  - 4 to the Transport Planning Unit and 2 to the Civil Aviation Department. This, however, is only a suggestion and needs further analysis to determine actual needs by each department.
  - 3-4 Laser printers (one to act as a network printer).
  - 4-6 Mice, one for each computer.
- *Software*
  - DOS 6.2
  - Microsoft Windows 3.1
  - An integrated software package including wordprocessor, spreadsheet, and database:
    - e.g., Microsoft Word for Windows Version 6.0
    - Microsoft Excel for Windows Version 5.0
    - Microsoft Access for Windows Version 2.0
  - Other Possible Programs
    - e.g., SPSS, HDM III, Crystal Ball (or other similar forecasting program). The last program will enable the user to understand the process in modeling and forming policy scenarios. It will also enable him to be able to construct spreadsheets of his own more fully.

### *Training*

Training of all relevant staff in computer use, software use, modeling techniques in spreadsheet and data base analysis to assist in policy analysis, and the use of a computer network.

**SECTION D**  
**MAIN REPORT**

# CHAPTER 1

## GENERAL AIMS OF TRANSPORT POLICY

### 1.1 INTRODUCTION

In defining a transport policy it is necessary to examine each mode of transport that the policy will affect, namely, road, rail, water and air. This will be undertaken at a later stage in this report. As a starting point, however, it is better to define the overall aims and objectives of the Government and to see how these aims and objectives can be realized by each individual mode of transport.

### 1.2 AIMS AND OBJECTIVES

The general aims and objectives of transport policy can be summarized as directed towards achieving the following objectives:

- i) the development of a coordinated system of transport by road, rail, water and air to support industrial, commercial and social activities and to meet the defense needs of the state;
- ii) the development of a sound economic base of operations among the several carriers to enable them to provide safe, reliable, efficient and economic service to the people while taking into account the inherent interrelated advantages of each;
- iii) the establishment of reasonable charges for transportation services without unjust discrimination;
- iv) the encouragement of a technically progressive and innovative system responsive to social and economic demands;
- v) the improvement of international flows through co-operation at regional levels.

The above general policy guidelines are a brief indication of the types of policy that the Government of Malawi should be emphasizing in their Transport Policy. At this stage it is also possible to separate general transport policy as outlined above into two components, namely, policy towards freight transport and policy towards passenger transport.

### ***Freight Transport***

Government policy towards the transport of freight has been summarized here as seeking six main Government objectives:

- i) To offer the customer a more efficient freight service;
- ii) To eliminate wasteful and inefficient competition between alternative modes of transport for the same traffic;
- iii) To use the existing assets and manpower within each mode of transport more efficiently through the reorganization of structure and management and the adoption of new techniques and other improvements in productivity, as well as the co-ordination of new investment;
- iv) To make the maximum economic use of the railways as well as the roads by promoting the transfer of all suitable traffic from congested roads on to the railways;
- v) To improve the safety and efficiency of road haulage by means of a modern and effective system of carrier licensing and control of drivers hours of work;
- vi) To secure the willing co-operation of transport workers in these developments by associating them more closely with management at all levels.

### ***Passenger Transport***

Government policy towards passenger transport may be broadly defined and split as follows:

- i) To provide efficient and commercial passenger services;
- ii) To provide commercially profitable bus services over as wide a route system as possible, but to end the system of cross-subsidization which cripples the finances of many such services;
- iii) To provide specific grants for those bus and rail services which, though unprofitable, can be justified on wider social grounds and to take other powers to help relieve the problems of transport in rural areas.

The brief outline above gives a basic setting of the main aims and objectives of what a coordinated transport policy should be looking at. The following sections examine in detail how these aims and objectives relate to each individual mode of transport within Malawi and how this can produce a transport policy statement to fulfill these aims and objectives. Each mode of

transport will be examined in terms of both freight and passenger transport. For the sake of clarity within a transport policy statement it is better to examine each of these separately.

Before dealing with the transport policy statement an examination has been made of each transport mode. This is the subject of the next chapter.

## CHAPTER 2

### TRANSPORT MODES IN MALAWI

#### 2.1 INTRODUCTION

This chapter gives a brief overview of the transport sector and an examination of the individual modes within the transport sector. The sections on each mode also briefly describe some of the major problems facing that particular mode. In addition to the sections on each mode are sections on international transport and regional co-operation. A large part of the details given below have been obtained from the World Bank's work in Malawi.<sup>1</sup>

#### 2.2 TRANSPORT SECTOR OVERVIEW

In 1993 the general domestic freight traffic distribution increased by 42.3 per cent compared to the previous year. This was due to a traffic increase in all modes of transport except on lake services. Air traffic doubled while rail and road transport indicated an increase of 27.8 per cent and 58.8 per cent respectively. The domestic freight traffic distribution is shown in the Table 2.1.

**Table 2.1**  
**Domestic Freight Traffic Distribution by Transport Mode (1989-1993)**  
(\*000 tonnes)

Transport Mode	1989 (%)	1990 (%)	1991 (%)	1992 (%)	1993 (%)
Rail	374 54.9	368 52.3	264 39.8	237 45.4	303 40.8
Lake	28 4.1	24 3.4	19 2.9	17 3.3	13 1.7
Road	278 40.8	310 44.1	379 57.2	267 51.1	424 57.1
Air	0.743 0.2	0.796 0.2	0.968 0.1	1.400 0.2	2.900 0.4
TOTAL	681 100.0	703 100.0	663 100.0	522 100.0	743 100.0

**Note:** It should be noted from the above figures for road transport that the percentages are higher than those actually given. This is due to the fact of difficulties in collecting data on freight traffic movement. It has been estimated that the actual percentage of freight moved by road is probably around 70 per cent.

**Source:** Economic Report 1994, Office of the President and Cabinet, Department of Economic Planning and Development.

<sup>1</sup>Malawi, Transport Sector Review, Selected Issues, Volume 1 - Main Report, The World Bank, February 1992.

In 1993 total passenger traffic distribution increased by 208.9 per cent as compared to the previous year. However rail and lake transport indicated decreases of 18.5 per cent and 42.2 per cent respectively. Road and air registered increases of 123.7 per cent and 81 per cent respectively. The passenger traffic split for each individual mode is shown in Table 2.2.

This brief overview gives an indication of the predominant mode within the freight and passenger transport markets. The predominant mode within both of these markets being road transport, more so in the passenger transport market than in the freight transport market. The following section examine each of the transport modes in more detail and briefly mention some of the problems associated with each mode. These problems are discussed in more detail in Chapter 4.

**Table 2.2**  
**Passenger Traffic Distribution by Transport Mode (1990-1993)**  
*(‘000 passengers)*

Transport Mode	1990 (%)	1991 (%)	1992 (%)	1993 (%)
Rail	1622 8.1	1469 8.1	901 4.7	734 1.2
Lake	179 0.9	169 0.9	199 1.1	115 0.2
Road <sup>1</sup> Country Service	18191 90.8	16453 90.6	17841 93.8	57757 98.4
Air	52 0.2	62 0.4	71 0.4	129 0.2
<b>TOTAL</b>	<b>20044</b> <b>100.0</b>	<b>18153</b> <b>100.0</b>	<b>19012</b> <b>100.0</b>	<b>58735</b> <b>100.0</b>

Note: <sup>1</sup>Stagecoach only.

Source: Economic Report 1994, Office of the President and Cabinet, Department of Planning and Development.

Economic

### 2.3 ROAD TRANSPORT

Road transport as shown in Table 2.1 and Table 2.2 is the predominant mode of transport in Malawi. The movement of general goods domestically is largely done by road, and due to the closure of the traditional routes to the seaports, it has become increasingly important for the movement of import and export traffic. Road transport has also become the main mode for the

movement of people within Malawi and across the borders, and in this sense continues to play a vital role in education, health and other social sectors. The integration of Malawi's spatial economy linking outlying areas to urban areas is basically facilitated by road transport thereby fulfilling not only an economic role, but also a political and social role.

The domestic road freight market is estimated to account for approximately 70 per cent of the freight movement (internationally this mode accounts for over 85 per cent of all import and export traffic). The industry functions competitively and is completely in private hands. The Road Traffic Act, which provides a legal framework for the road transport sector, accords government the right to regulate all aspects of freight and passenger transport. Policy issues that have to be tackled in this area include the relevance of setting maximum rates for domestic cargo; restrictions on joint haulage of passengers and freight or of tax hire and own-account cargo, poor access to credit, the high cost of new vehicles and access to high value cargo. Also of increasing concern is the restriction that only requires Malawians to invest in domestic road haulage. Being aware of the above problems facing operators in the domestic road freight industry, the relevant policies affecting them need to be reviewed to enable operators to expand their business and compete favorably in a free market environment.

The passenger market is dominated by bus operators with Stagecoach Malawi, Ltd as the largest single operator. Along with road freight transport the road passenger transport industry is directly regulated under the Road Traffic Act (RTA), and written requirements and procedures are largely unavailable. Bus operators are regulated by the prime route policy which stipulates that any bus operator should operate 60 percent of its service on profitable routes and 40 percent on unprofitable routes. The policy objective is to ensure bus operations in the rural areas. Despite the prime-route policy the supply of transport to rural areas is far less than satisfactory. The main problem is that the policy has been difficult to enforce. Passenger transportation in rural areas is beset with a number of problems, as roads are unpaved, operating costs are high, demand is cyclical and shortage of income places a significant constraint on the passengers' ability to pay. In many areas, improved non-motorized transport may be better suited to the demand patterns and cost structure of rural areas.

Supplementing bus operations are minibuses in some urban areas. Minibus operations are deregulated including the setting of fares. Entry is only restricted to indigenous Malawians. The taxi industry plays a minor but crucial role in the passenger market. The taxi fares are regulated but difficult to enforce as most have no meters.

#### **2.4 RAIL TRANSPORT**

Rail transport in Malawi is currently loss-making with passenger service having little prospect of breaking-even. This is mainly due to the small size of markets for domestic products, the short distances involved and limited coverage of the rail network which is mostly concentrated in the Southern Region of the country. The problem has been compounded by the switch of traffic from rail to road over the years because of the improvements in the road network. Consequently Malawi Railways is in a very critical financial situation with the Government having to inject in funds more or less on a monthly basis to bail it out of imminent liquidation.

In order to turn round Malawi Railways into an efficient and viable transport enterprise Government needs to pursue a strategy of restructuring and creation of an environment conducive to the management of the railway as a commercial enterprise.

## **2.5 LAKE TRANSPORT**

For many years Lake Services was the dominant mode of transport between Southern Malawi and much of the Central and Northern Regions of the country. However the development of the road network during the past three decades has reduced its relative importance. Presently the Lake Service serves mostly local freight, passengers, parcels and fuel. The limited role is about to change as Lake Services will form an important link in the Northern Corridor intermodal transport system. Lake Services also continues to be an important and, in some cases, the only link for certain isolated communities.

The current financial and operational performance is not satisfactory. Lake Services is overstaffed and their current vessels with the exception of the new container vessel, are old and in many cases not suitable for today's traffic demand. There is, however, still a need for a well functioning shipping services on Lake Malawi and a restructured Lake Services, owned by, or with the involvement of the private sector in the core business, would have a potential of achieving commercial viability. In the case of passenger transport, this needs to be restructured.

## **2.6 AIR TRANSPORT**

Malawi became a party to the Chicago Convention on International Civil Aviation on 17th September, 1964. Until then, aviation activities in the country were regulated and controlled by the colonial government legislation which was replaced by an Act of Parliament called the Civil Aviation Act 1970, "An act to make provision for the control, regulation and orderly development of Aviation and Air Services within Malawi and for matters incidental thereto or connected therewith". The Aviation Act is amended from time to time to accommodate the changing circumstances of the aviation activities in the country and to conform with provisions of the International Civil Aviation Organization (ICAO) and other Civil Aviation International bodies.

Civil Aviation activities and commercial flying in the country dates back to the early 1930's when the main airport was Chileka which served as a point of entry for International Traffic. This was until early 1982 when a new airport, Kamuzu International Airport (KIA) was established to handle and accommodate the modern and future international aircraft operations.

To enhance development of the aviation activities, the government formed an airline, Air Malawi, in 1967. The airline took charge of providing domestic and regional route operations. It was also expected to represent and operate for the nation to all other countries as could be negotiated in the Bilateral Air Service Agreements (BASAS).

So far Air Malawi (QM), has continued to be the sole provider of domestic scheduled services. The airline serves Blantyre (Chileka), Lilongwe (KIA), Mzuzu Airport and Mangochi (Club Makokola) airfield. Air Malawi also operates a regional route network with one B737-300 jet aircraft (129 seats), one ATR 42 aircraft (44 seats), and a DO 228 (17 seats). The regional service operates from Lilongwe to Johannesburg, Harare, Lusaka, Nairobi and Dar-es-Salaam.

The airline also acts as a general sales agent (GSA) for foreign airlines that serve Malawi, does all airport handling for other airlines and, through a wholly owned subsidiary, conducts cargo business by chartering space on other airlines. Air Malawi does not offer intercontinental services.

The domestic service faces competition from other modes of transport particularly road passenger services. In fact the domestic services are essentially operated at a loss except the Blantyre-Lilongwe sector. On the international market the airline seems to have performed well, so that in recent years Air Malawi has registered some profits. However, further analysis reveals a number of issues that give considerable concern. Firstly, the profitability of the airline has been made possible through its earnings from sources other than its own services, namely its earnings as GSA, royalties collected from other airlines as payment for the exercise of traffic rights, and ground handling of foreign airlines at Kamuzu International Airport (KIA) in Lilongwe. Second, Air Malawi's existing fleet was almost fully depreciated, so that costs of ownership were minimal, resulting in an inadequate provision for capital replacement and an effective overstatement of profitability. Other concerns are that Air Malawi is accumulating debts which result from its failure to pay the KIA Authority for various airport services and facilities, and that Air Malawi is financing some of its activities through a long-term government loan. In effect, Air Malawi's financial situation is precarious, and it is dependent for its financial viability on non-flight operations.

Notwithstanding, fundamental issues have to be addressed in order to turn around Air Malawi into an efficient and commercially viable enterprise. The role of the government and airline management, the question of regulation, tariff and operational autonomy and appropriate aircraft replacement need to be addressed.

Air Malawi will continue to play a number of roles in the future. The most important one will probably be the commercial role, facilitating cross-border business travel as well as international travel for political leaders and civil servants. Tourism is also a function of the sector. The symbolic role continues although to what extent the population at large would regard a national flag carrier as important is unknown.

## **2.7 INTERNATIONAL TRANSPORT**

When the traditional export/import routes through the Beira and Nacala railway lines were closed in 1984, as a result of the declining security situation in Mozambique, external trade switched to road transport to the port of Beira and Durban. As these were long and costly routes, the Government decided to open an alternative route through Tanzania to supplement existing routes.

This route/corridor is an intermodal transport system involving road, rail and lake to/from the port of Dar-es-Salaam.

As a result of efforts to keep as many transport options to the sea ports open as possible, there has been a dramatic decline in the efficiency of some transport industries. For example Malawi Railways has been kept going at full capacity in the anticipation of the re-opening of the Nacala line, but at considerable cost. Lake Service also has been operating with excess capacity in anticipation of the Northern Transport Corridor Traffic. In view of such a situation, the government needs to develop efficient and reliable transport options, scaled to reflect the pattern and level of transport demand.

## **2.8 REGIONAL CO-OPERATION**

There are a number of bottle-necks which continue to affect the efficiency of transport in the region. These range from differing customs and administrative procedures, poor co-ordination slow dissemination of information, varying levels of transit charges and lack of commitment by some contracting parties.

As a member of the Southern African Transport and Communications Commission (SATCC), Malawi continues to actively participate in the individual working groups which have been established to improve consultation, standardization and harmonization in each mode of transport. At the bilateral level, Malawi has also concluded bilateral transport agreements with Tanzania, Zambia and Zimbabwe. This needs to continue with other neighbors such as Mozambique, Botswana, South Africa, etc.

## **2.9 SUMMARY**

The above brief description gives an outline of some of the problems within the transport sector. The government needs to initiate policy strategies that will ultimately eliminate these problems. Before discussing these in further detail it is relevant at this point to discuss the current government transport policy. This will enable a greater insight into where the main policy strategies and issues need to be changed or reconsidered. The existing government policy in the transportation sector is the subject of the next chapter.

## CHAPTER 3

### EXISTING GOVERNMENT TRANSPORT POLICY

#### 3.1 INTRODUCTION

This chapter examines the Government of Malawi's current transport policy. It is useful to examine this policy here to determine where there are weaknesses that require particular attention.

#### 3.2 EXISTING TRANSPORT POLICY

The Government of Malawi's current policy and strategy is set out in the "Statement of Development Policies, 1987-1996."<sup>2</sup>

This policy states that Government responsibility in the transport sector is to build and ensure the efficient utilization of a network of infrastructure and services appropriate to the current and developmental requirements of the economy and that the priority will go towards enhancing utilization of the existing infrastructure. New public investment will be limited to projects which will directly further either this objective, the strategic requirement to maximize security and stability in international traffic movement, or the need to encourage balanced geographical development and national cohesion. There is also a concern to encourage the efficient distribution of both domestic and international traffic between different modes of transportation, and the efficient provision of appropriate services by each mode - road, rail, lake, and air. The strategies concerned with these objectives are:

- i) improve the efficiency of domestic public road, lake, air, telecommunications and postal services and the inter-modal distribution of traffic by means of selective investment, operational adjustment and tariff management - encouraging each mode to fix tariffs in relation to its relative costs;
- ii) encourage the development of efficient competitive transport services, minimizing regulation of this activity and controlling tariffs where absence of competition permits excess profits;
- iii) introduce specific support measures and incentives including training and credit to Malawian entrepreneurs proposing to provide a service deemed to be in the public interest;

---

<sup>2</sup>Statement of Development Policies, 1987-1996, Office of the President and Cabinet, Department of Economic Planning and Development.

- iv) stimulate the introduction of innovative new domestic transport services, particularly for rural areas, and both energy conservation and improved road worthiness in commercial and private transportation;
- v) support the rapid introduction of a Malawian international trucking industry capable of handling the bulk of external trade;
- vi) complete the main all-weather trunk road network as and when individual investments are justified;
- vii) increase the number of available external overland trade routes, including the completion of the Northern Corridor, and continue to investigate opportunities for improving the security or reducing the cost of external freight traffic;
- viii) selectively improve the secondary and district road network, and coordinate the actions of the various agencies involved in road construction;
- ix) review highway design standards and improve the efficiency of the maintenance of transport infrastructure by those public agencies responsible for maintenance;
- x) maintain the rail network at minimum cost so that it will have the capability to participate in the new Northern exit route and take advantage of the Eastern exit routes to Nacala and Beira as and when they can be utilized;
- xi) undertake a modest program of airfield improvement, improve the profitability of Air Malawi, replacing its fleet as appropriate, and review the position on airfield user charges, landing rights, and bilateral agreements;
- xii) strengthen the planning capability of the Ministry of Transport and Communications, centralize all road network planning in the Ministry, and enhance the coordinating role of the Transport Planning Unit in the Department of Economic Planning and Development.

As noted by the World Bank,<sup>3</sup> it can be seen from the above, with respect to international transport, the uncertainty over the availability and timing of the various transport options has outweighed other concerns in the transport sector, and the sector strategy has concentrated on keeping as many routes open as possible. Although this was a rational policy under the circumstances, the cost implications are such that it is becoming increasingly important to look for ways to reduce these costs and minimize the risk of alternative investments. For road

---

<sup>3</sup>Malawi, Transport Sector Review, Selected Issues, Volume I - Main Report, The World Bank, February 1992.

haulage the Government of Malawi has actively promoted a competitive and efficient industry, but the policy framework for both Malawi Railways and its subsidiary, Lake Services, as well as for Air Malawi, has not been conducive to sustained commercial viability.

The World Bank goes on further to point out that in domestic transport there have been a number of areas in which improvements could be made, especially with respect to the pricing of domestic transport services, both freight and passenger. Further removal of regulatory and licensing impediments, price liberalization, and improved access to finance are all examples of policy related changes that could have a substantial positive impact.

### 3.3 THE POLICY PROCESS

The existing policy process of the Government of Malawi takes place at essentially three levels:

- The Transport Operator level
- The Sector Level
- The Macro level

The first level is self explanatory. The second level is undertaken by the Ministry of Transport and Communications through its various departments, and the third level by the Ministry of Economic Planning and Development to examine how the suggested new policy or modified policy will affect the economy as a whole as set out in the "Statement of Development Policies, 1987-1996".<sup>4</sup>

The policy process can start at any of the three levels shown above. It is, however, the Ministry of Economic Development and Planning who acts as the central coordinator to the whole process.

The role of the Ministry of Transport and Communications, and the problems it faces in transport policy, was recently discussed at a management workshop held by the Ministry itself.<sup>5</sup> Representatives of the major departments of the Ministry of Transport and Communications were represented at this meeting, i.e. Transport Planning Division, Road Traffic Department, Department of Civil Aviation, Marine Division and the Meteorological Department. The results of this workshop are briefly discussed below in the context of how they affect existing transport policy.

---

<sup>4</sup>Statement of Development Policies, 1987-1996, Office of the President and Cabinet, Department of Economic Planning and Development.

<sup>5</sup>Report of a Management Workshop for Senior Officers of The Ministry of Transport and Communications, 29th July to 1st August 1993.

### **3.4 THE TRANSPORT PLANNING DIVISION**

The Division aims at coordinating transport planning and monitoring the operations of the transport sector in all of its modes. Its functions are as follows:

- Advise Government on national transport policies.
- Examine and advise on all new investment proposals in the transport sector.
- Advise on the role, efficiency and viability of parastatals under the Ministry.
- Formulate suitable transport legislation and programs and monitor their implementation.
- Monitor, co-ordinate and facilitate the flow of domestic and international traffic.
- Establish and maintain proper liaison between suppliers and users of transport services and other Government Departments.
- Co-ordinate the planning process for the transport industry.

### **3.5 ROAD TRAFFIC DEPARTMENT**

The Road Traffic Department is one of the agencies of the Ministry of Transport and Communications through which the following functions are fulfilled:

- Implementation of policy on all matters relating to road transport.
- Enforcement of safety regulations pertaining to the Road Traffic Act.
- Control and monitoring of investment through the issuance of Road Service Permits at public hearings etc.
- The collection of revenue related to road user charges e.g. road tax, Road Service Permit fees, driving license/certificates of fitness fees etc.

The following areas of Government policy are administered through the department:

- *Safety of Road Users.* This is a priority policy matter in the Road Traffic Department. Through routine and random checks inspections are made on all vehicular traffic to ensure that safety standards as laid down in the Road Traffic Act are complied with. Also examination and testing of all motor vehicles and drivers is undertaken.

- *Coordination and control of investment in the transport industry.* The department controls all investment into vehicles to be used for hire or reward (apart from private passenger and own-account vehicles). This is achieved through the Road Service Permits system.
- *Prevention of damage to road infrastructure.* To prevent overloading of vehicles which results in excessive damage to the road infrastructure the department carries out enforcement exercises at strategic points i.e. inland and at all major border posts.
- *Revenue collection.* Most of the revenue relating to road user charges and other vehicle related costs is collected by the Department of Road Traffic and by the Accountant General through the Treasury Cashiers.
- *The Road Traffic Act and its administration.* It is the objective of the Department to enable the implementation of the Road Traffic Act to be carried out more effectively. The Department endeavors that all vehicles be examined for a certificate of fitness to ensure safety on the road. Driving tests are also undertaken. There are three centers, namely, Blantyre, Lilongwe, and Mzuzu. For the rural areas the Department undertakes annual vehicle inspections at the district level although this however has proved to be an expensive undertaking.

### 3.6 DEPARTMENT OF CIVIL AVIATION

The Department of Civil Aviation is charged with the responsibility to provide instruments for air transportation in Malawi. It has to provide the infrastructure and co-ordinate all other required services for a safe, efficient and economic air transport service for the benefit of the public, operators and the economy of the country.

There are seven sections within the Department of Civil Aviation to carry out its function as stated above:

- *Aerodromes Section.* This section is responsible for the administration, management, design and administering, licensing and registration of the aerodromes in accordance with Regulations 1974 under the Aviation Act (CAP 70:01).
- *Air Traffic Services Section.* This section ensures that all aircraft operations within the Malawi Flight Information Region are conducted with maximum safety, efficiency and expedition. It also ensures that there is an orderly flow of air traffic in accordance with ICAO Annexes.

- *Telecommunication Engineering Section.* This section is responsible for an efficient and reliable communications network for the safe operation of aircraft at all aerodromes in Malawi and within the airspace of the Lilongwe Flight Information Region.
- *Flight Operations and Licensing Section.* This section performs a number of functions for the Department to ensure and promote a safe conduct of flight operations of all aircraft registered in Malawi e.g. issuing licenses, conducts flight tests for pilot licenses, approves operations manual for Air Malawi in accordance with the aircraft operation and ICAO Manual of Procedures and Operations etc.
- *Airworthiness Section.* This section is responsible for ensuring continued airworthiness of all aircraft on the Malawi register of civil aircraft.
- *Air Transport Section.* This section is responsible for the commercial management of Air Transport e.g it negotiates bilateral and multilateral Air Services Agreements, it maintains and fosters relations, co-operation and co-ordination with ICAO, the African Civil Aviation Commission and the Southern Africa Transport and Communications Conference.
- *Fire Section.* This section is responsible for setting up and running fire and rescue units at airports in relation to the level of protection required in ICAO Annex.

### 3.7 MARINE DIVISION

The objectives of the marine division under the Ministry of Transport and Communications is to enforce the Shipping Act as follows:

- To enhance the safety of shipping through registration and the survey and control of the construction of ships.
- To enhance safety of navigation through the regulation of manning standards, installation and maintenance of navigation aids and updating sailing charts.
- Regulation of entry into the shipping market. All companies or private individuals who intend to operate a vessel have to apply for an operating license.
- To enhance port management and operations.
- To enhance awareness of marine pollution control.

- To enhance protection of passengers and cargo in shipping services.
- To collect registration, survey, license and port fees.

## CHAPTER 4

### MAIN PROBLEMS IN THE TRANSPORT SECTOR

#### 4.1 INTRODUCTION

The preceding chapter gave an overview of the existing transport policy of the Government of Malawi. The aim of this chapter is to examine where the main problems lie in the existing policy from different standpoints. Firstly as viewed by the Government itself. Secondly as viewed by the various operators that work within the transport policy, i.e. road hauliers, bus operators etc. Thirdly and finally as viewed by outside agencies. In this way it is possible to determine the major weaknesses or strengths of the existing policy and which areas should be focused on the most.

The major problems of the current transport policy investigated in this chapter are set out in terms of individual modes for ease of examination.

#### 4.2 ROAD TRANSPORT

##### *4.2.1 Freight*

As outlined in Chapter 3 the Road Traffic Department is responsible for all aspects of road transport through enforcement of the Road Traffic Act e.g. enforcement of safety regulations, implementation of policy (as set by the Ministry of Transport and Communications), collection of revenue related to road user charges i.e. Road Service Permit fee's etc.

As noted by the Road Traffic Department itself it has several constraints to undertaking its duties:<sup>6</sup>

- The inadequacy of resources i.e. human, financial and material.
- The rigidity of the public service with regard to the personnel structure to enable the Department to meet its present and future requirements.
- The inadequacy of incentives for the attraction and retention of skilled human resources.

The movement of freight is examined here both domestically and internationally. As Malawi is a part of the Preferential Trade Area (PTA) and the Southern African Transport and Communications Commission (SATCC) it is examined in its regional context of policy with the other members of these organizations.

---

<sup>6</sup>Report of a Management Workshop for Senior Officers of The Ministry of Transport and Communications, 29th July to 1st August 1993.

The following transport bottlenecks continue to face the efficiency of road transport in the region:

- Varying border customs and administrative procedures.
- Varying levels of transit charges and systems of their administration
- Poor co-ordination at the national level and slow dissemination of information to the personnel at the border posts.
- Conflict between national and regional interests manifested by the insistence by some member states on national regulations, procedures and systems in violation of agreed regional ones.

In terms of the individual functions of the Road Traffic Department the following are the main problems that need to be examined.

#### *Road Service Permits*

For a truck operator to practice within Malawi he must be in possession of a Road Service Permit, a business license and a certificate of fitness. As stated above the Road Traffic Department at the present time does not have the manpower resources to enable it to enforce these requirements and thus there are some truckers moving in Malawi illegally.

#### *International Operations*

International trucks coming into Malawi at present have to pay the PTA transit charge, currently U.S.\$ 8.00 per 100 kilometers for multiple axle combination vehicles and U.S.\$ 3.00 for rigid vehicles of 3 axles or less<sup>7</sup>. The operator also needs to obtain a carriers license. It is common practice that after delivering goods into Malawi these international truck operators pick up “back haul” freight at rates that are considerably lower than those of a domestically owned operator. It is therefore difficult for the local truck owner to compete with the international truck operator for this particular cross border freight traffic.

There are several companies that are based in Malawi that are international truckers and are also locally registered to operate in Malawi, e.g. GDC, Unitrans. It is a lot easier for the international trucking company to obtain back hauls than domestic truckers who wish to engage in cross border traffic due to the fact that most international trucking companies have a network of forwarding agents and brokers to obtain business from.

---

<sup>7</sup>Guidelines for the Implementation of Harmonized Road Transit Charges and the Licensing of Intra-PTA Heavy Goods Vehicles, Preferential Trade Area, November 1990, Into force in September 1991.

## *The Road Traffic Act*

The Road Traffic Act itself was written in 1983 and has had various amendments attached to. It is considerably outdated and needs to be re-written. There is confusion over how some of the regulations are to be administered. These regulations are also seldom enforced. The Road Traffic Act needs to be amended and made available to all the parties concerned in the truck freight transport industry. As an example of how outdated this Act is one can refer to the Road Traffic (Weighbridge) Regulations which states that:

Any person whose vehicle is found to be overloaded under this regulation is guilty of an offense and liable, for each overloaded axle, to -

- a) where the overload does not exceed 1 tonne, a fine of Kwacha 50;
- b) where the overload exceeds 1 tonne, a fine of Kwacha 100.

## *Damage to the Road Infrastructure*

The present axle load limit in Malawi is 8.2 tons. Vehicles are however consistently overloaded.<sup>8</sup> On vehicles entering Malawi that have found to be excessively loaded have been allowed to continue their trip after having been issued with a fine (which at the present time are minimal). The policy of "parking off" a vehicle that has been found to be overloaded until the excess load is distributed to another vehicle has been found to be a very effective way of discouraging overloading in South Africa. Although this policy is practiced in Malawi, and so called "parking off" areas do exist at all weighbridge sites, the policy does not appear to be practiced consistently.

In 1993 the Southern African Transport and Communications Commission of Ministers supported the intention to harmonize axle load limits for the region at 10 tons during a transitional period with the ultimate aim of harmonizing at 13 tons. In addition it was also agreed to determine a harmonized Gross Vehicle Mass limit for the region in the interest of protecting bridges. If Malawi were to accept these higher limits there would be cost implications with respect to maintenance of roads and bridges. However, there needs to be a more rigorous control of overloaded trucks on the roads and heavier fines imposed than those at present. SATCC proposed a schedule based on a base rate per 100 kilograms of overload which increases at two ton intervals. The proposed base rate suggested was Kwacha 30. As a punitive component it was also suggested that a minimum fine of Kwacha 300 be introduced.

In conjunction with the above there should be a policy regarding the designation of a Road Maintenance Fund. Work that has already been done in this area is already being examined by the Ministry of Works who are keen to develop a Road Policy Statement<sup>9</sup>.

---

<sup>8</sup>An Axle Load Study, Ministry of Works, Division of Roads and Transport Technology, CSIR, South Africa, February 1994.

<sup>9</sup>Management and Financing of Roads: An Agenda for Reform, Sub-Saharan Africa Transport Policy Program, The World Bank and Economic Commission for Africa, Ian Heggie, March 1994.

## *Tariffs*

The setting of tariffs for both domestic and international freight differs. There is no regulation of rates for international traffic. Domestic traffic tariffs, however, were set by the Ministry of Transport and Communications i.e. an upper and a lower bound in Kwacha per ton/km. One of the aims of the Ministry of Transport and Communications was to liberalize the setting of rates and give truck operators complete freedom for setting their rates in the hope of stimulating more competition and thus reducing transport rates overall. The Road Transport Operators Association, however, did not agree with this policy and threatened to strike on the 13th April 1994 unless the Government continued to set minimum and maximum freight rates. One of the main reasons for going on strike was to restrict the operations of GDC, an international and locally registered transporter in Malawi. To do this they requested the de-registration of GDC vehicles so that they could not operate in Malawi, and also to re-export GDC vehicles. The reason the Road Transport Operators Association wanted the Government to set minimum and maximum rates was to prevent other trucking companies not belonging to the Association from entering into competitive rates with shippers, and also to prevent some of the truckers belonging to the Association from using lower rates. The Government was thus placed in a position whereby they continued to set the minimum and maximum freight transport rates. The minimum and maximum rates are currently set at Kwacha 0.82/tk and Kwacha 0.90/tk respectively. This directly is against the policy of tariff rate liberalization that the Government has been trying to encourage.

## *Credit*

At the present time there is very little available credit facilities for new truck operators wishing to enter the market. The high vehicle cost and cost of spare parts etc. make it increasingly difficult for a newcomer to enter the market. This aspect relates to the previous paragraph on tariff setting. As long as it is very difficult for new operators to enter the market then the Road Transport Operators Association will still be able to force the Government into setting tariff rates. If entry into the market for new operators is encouraged with some form of Government assistance then eventually freight tariff rates will become fully competitive.

## *Duties and Taxes*

As mentioned above the cost of vehicles, spare parts, tires etc. are high for most truckers and hence they cannot afford to pay the high levels of customs duties also involved. International truck companies, however, obtain a certain relief from duties. The domestic operators that are members of the Road Transport Operators Association also receive 80 per cent relief on duties for spare parts, tires and batteries. Non-members of the Association do not receive this relief. As most Malawian truck operators do not have the resources available to enable them to import directly. In order to maintain their trucks efficiently to avoid unsafe vehicles on the road (as stated previously the Road Traffic Department does not have the available resources to conduct all certificate of fitness tests), the reduction of duties etc. should be uniformly investigated by the Government.

One question that has arisen from various discussions with several officials is why should international hauliers receive duty free allowances for vehicles and spares? It should be the domestic truck operator that is allowed these duty free concessions to encourage him to purchase more vehicles and also spare parts to maintain his vehicles effectively.

#### **4.2.2 Passenger**

Road passenger transport in Malawi is conducted by the following major modes, bus, minibus and matola.

The road passenger transport industry comes directly under the Road Traffic Department for its regulation through the Road Traffic Act. As in truck transport the availability of up-to-date copies of the Road Traffic Act are not readily available.

The major problems of the industry are discussed below.

##### ***Entry into the Market***

The entry into the passenger transport market is primarily restricted by the application of the "prime route" policy. The prime route policy specifies, at the present time, that 60 per cent of the operations are for profit making routes, primarily tarmacked roads, and 40 per cent of the operations are for non-profit making routes, i.e. basically rural areas. Obviously, this is difficult to enforce. Stagecoach Malawi Ltd, the largest bus operator, submits its accounts regularly to the Ministry of Transport and Communications and even these accounts show that this percentage split has not been adhered to. In the 1993/94 the ration of bus kilometers by Stagecoach Malawi Ltd was approximately 72 per cent on profit making routes, i.e. primarily tarmacked roads, and 28 per cent on non-profit making routes, i.e. rural areas. Thus, the policy is not having the effect that it was envisaged to have, i.e. to supply the rural areas with more transportation facilities.

Minibuses entry to the market has to be approved at a public hearing. The minibus operator has to apply to the Road Traffic Commissioner stating which routes he wishes to operate on. The public hearing then approves or disapproves whether the applicant can have a permit.

Matola provides probably the largest percentage of passenger transportation in rural areas. It is illegal. The Rural Transport Pilot Project, sponsored by the World Bank and financed by the United Nations Capital Development Fund, will investigate specialized cargo/passenger vehicles for rural areas. Matola operations should be legalized and encouraged in rural areas to enable the rural communities to travel. The legalization should however have a strict enforcement of safety measures.

##### ***Deregulation of Fares***

In March 1994 both minibus fares and certain classes of bus fares were deregulated. In the case of bus fares, both Cityline services and Coachline services were deregulated. The following month an application was made by Stagecoach Malawi Ltd to increase fares on the non-

deregulated services. The Government approved the deregulation of fares for the additional services of Intercity and Express. Country services, however, were not deregulated, but a fare increase approval of 20 per cent was granted (from 9.9 Tambala/passenger-km to 11.9 Tambala/passenger-km). Fares on country services should be deregulated as has been shown above the effect of the Prime Route Policy has had no effect on passenger services in rural areas.

Although fares have been deregulated for minibuses it seems that minibus drivers do not fully comprehend a competitive environment. For example, in Lilongwe the current minibus fare is Kwacha 2 anytime of the day, this is a flat fare. The fare for Stagecoach Malawi Ltd in Lilongwe is Kwacha 1.30 in the peak hours and Kwacha 1 in the off-peak. Obviously the frequency of minibuses is greater than that of the regular buses, but according to one source the use of minibuses in Lilongwe has fallen considerably. In Blantyre, however, the minibus remains competitive at a flat fare level of Kwacha 1.20 all day.

To ensure competition in the passenger transport market the Government is also considering allowing pick-ups or other suitable vehicles ("matola") to be involved in passenger transport. In this regard these vehicles will be licensed for passenger transit and also will have to meet certain safety standards. At the present time, however, matola operations are still illegal.

### ***Credit***

An operator wishing to enter into the passenger transport market, to purchase a bus or minibus, has difficulty in obtaining financing. There are few institutions that are willing to give funds to encourage an entrepreneur to enter this market and usually require 35-50 per cent of the amount to be financed and even then will only give a loan over a short period of time (usually 3 years or less at a high rate of interest). Various people have written to the Ministry of Transport and Communications on several occasions requesting assistance to go into the minibus industry. To enable the market to function competitively it is not only necessary to examine the demand for transport, which is there, but, to also examine the supply of transport, which at the moment is having difficulty keeping up with demand. It is suggested therefor that some form of credit availability be examined to encourage entrepreneurs to enter into the passenger transport industry.

### ***Employment***

The present situation to employ public service vehicle drivers is that they must have held a heavy goods vehicle license for at least 1 year. Stagecoach Malawi Ltd, suggested the possibility of widening the pool of employment by reducing this requirement of holding a license for 1 year to cover those that do not hold a license and would therefor require training.

### ***Duties***

The rates of duty between imported buses and trucks differs, but even more of a problem is the duty payable on imported spare parts for buses, which can range from 30 per cent to 150 per cent.

It is suggested that this needs to be examined further if buses are to be encouraged to meet specific safety requirements as laid down by the Road Traffic Department. Making it extremely costly to import spare parts will reduce an operators maintenance on his vehicles. As truck operators receive some relief on duties for imported spare parts the same should apply to public transport operators.

### *Summary*

The main focus needs to be on the removal of both direct and indirect barriers to entry, including the dearth of transport administration skills, the high level of duties and surcharges, and limited access to credit. Any program of deregulation needs to be carefully drafted. If for instance fares were deregulated without sufficient entry, there would be high risk of collusion among the major existing firms. When deregulation was introduced on urban services and minibuses, potential benefits were reduced due to anti-competitive practices by the Lilongwe Minibus Association who colluded in setting fares much higher than estimated operating cost increases. Accordingly, the Lilongwe Minibus Association has not experienced the patronage increase as observed in Blantyre where collusion was not evident. In order for deregulation to be effective, there must be competition.

The development of policy strategies that would allow the integration of economic viability, adaptability and responsiveness exhibited by unauthorized transport (matola), giving due concern to legitimate issues of safety, into rural transportation infrastructure would represent a significant transportation break-through. Such a policy would need to provide legal access into the passenger transportation market for services similar to the matola operators now operating throughout the country. The primary concern of such a policy would be safety and financial responsibility for injury or damage. The elimination of route and fare controls, along with an improved credit climate for vehicle acquisition and a rational policy towards imports of second-hand vehicles, could provide the incentives for a rejuvenated minibus industry.

### **4.3 RAIL TRANSPORT**

Malawi Railways is to become a privatized company. As of 1st April 1995 Malawi Railways will be liquidated and the assets carried forward to become the equity of the new company Malawi Railways Ltd. In order to do this effectively there needs to be a clear understanding between the railway and the Government as to the responsibilities of each. The following paragraphs give an indication of the main areas that need to be focused upon for Malawi Railways to run effectively and be competitive with the other modes of transport within Malawi.

Malawi Railways operates mainly mixed trains which combine passengers and freight in one train. With this being the case there is very little scope for the railways to compete effectively with road transport for shifting bulk freight and this is one area that needs to be addressed by the railways.

Several rail services have now been closed due to the fact that they cannot compete with road passenger transport that in the case of the following routes is served by a parallel road route:

- Lilongwe-Mchinji                      Closed October 1993
- Lilongwe-Salima                      Closed October 1993
- Balaka-Salima                      Closed June 94

The remaining three passenger services (mixed with freight) are as follows:

- Balaka-Limbe
- Balaka-Nayuchi
- Limbe-Nasanje

These routes have no parallel roads and thus rail transport is the only means of movement between them. The first two of the above routes are to be within the base "core" network for the private railway operation. The third route, Limbe-Nasanje, (known as the South Line), is the most socially necessary link of the three. It will be necessary, therefore, that if this line is to be supported as a socially necessary line, there needs to be a close agreement, i.e. Memorandum of Understanding, between the railway and the Government as to who is responsible for each particular aspect of the line. Some of these issues are set out on the following page:

- Frequency of service
- Performance indicators
  - Operational Standards
  - Manpower utilization
  - Return on capital invested
  - Accident/safety
- Tariffs
- Staffing
- Operational decisions

Malawi Railways will, on the one hand, be allowed to operate with a significant degree of autonomy, but, at the same time Government will be able to monitor Malawi Railway's effectiveness in meeting its operational, service, and financial requirements. These performance targets would be set by the Department of Statutory Bodies who would work in close association with the Ministry of Transport and Communications and the Ministry of Economic Planning and Development. It is important to define at the outset what are commercial and what are considered social activities. It is not the intention that Malawi Railway's be reimbursed for losses incurred on commercial activities.

#### **4.4 AIR TRANSPORT**

The major problem with Air Malawi is that it is trying to operate as a commercially viable enterprise, but has restrictions in several areas as to the decisions it can take on its own authority.

##### **4.4.1 Passenger**

###### ***Fares***

The fares for international travel within the sub-region (Malawi to Zimbabwe, South Africa, Zambia, Kenya, Tanzania, and Botswana), are structured through the International Air Transport Association (IATA) and the African Airlines Association (AFRAA), both of which provide a forum for airline tariff negotiations. Bilateral agreements also exist to maintain the parity of the number of flights by each country's airline. If Air Malawi wished to increase the fare to one of the regional countries then permission from the regional country to do so has to be sought.

The fare levels in the domestic market for travel pose a serious problem. Air Malawi usually apply to Government two times a year for fare increases. These fare increases can take up to two to three months to be approved. Discussions are held between the Civil Aviation Department and the Transport Planning Department of the Ministry of Transport and Communications, the Ministry of Economic Planning and Development, Treasury, Ministry of Trade and Industry and Air Malawi. Although Air Malawi is, on the one hand, being encouraged by the Government to be commercially viable it is, on the other hand, being restricted from being able to adjust its fare levels as in the road transport industry where deregulation of fares has already taken place (except in accordance with the Prime Route Policy for country services). As Air Malawi is completely responsible for its operating costs it should also be given the freedom to adjust its fares when necessary.

###### ***Routes***

If Air Malawi wishes to change its routes or to apply new routes which it sees as potential profit making opportunities it has to have Government approval. For example, Air Malawi wishes to fly on two new routes, one to Mfuwe in Zambia which has possibilities of becoming a large tourist area as it is located in a game park, and secondly to fly direct from Blantyre to Harare, Zimbabwe. The present route flies from Blantyre-Lilongwe-Harare and takes four hours. Blantyre to Harare direct would take only just over the hour. This proposed direct route to Harare with one flight per week has been estimated by Air Malawi to save Kwacha 2 million per year. Air Malawi has been trying to get the Government to agree to these routes for 9 months and 18 months respectively.

### *Staff Levels*

Air Malawi earns one of the lowest revenue per employee figures in the sub-region (just over U.S.\$ 20 in 1989). Air Malawi at present appears overstaffed compared with other airlines, but it is not possible for Air Malawi to reduce the staff levels as they do not have Government approval to do so. Productivity per employee needs to be improved, but there also needs to be reductions in staff to levels comparable to the other airlines in the region.

### *Civil Aviation Authority*

The Civil Aviation Act of Malawi was written in the 1970's and is based upon the British system under the Civil Aviation Authority. The act is itself out of date and suggestions have been made by Air Malawi that it would be more appropriate to change to the Federal Aviation Authority laws and regulations.

#### **4.4.2      *Freight***

### *Monopoly*

Air freight is collected by passenger planes to a certain degree. However, there is only one dedicated air freight company that has been given exclusive right to collect freight in Malawi. Other dedicated companies are allowed to collect freight, but have to pay a royalty charge to Air Malawi in the region of 9 per cent to 16 per cent. The Affretair company from Zimbabwe for a considerable period of time was the only dedicated freight carrier that did not have to pay these royalties. This company has now been replaced by a Nairobi based company, MK Air. The freight collected consists of flowers, vegetables etc.

This problem of other dedicated freight carriers having to pay royalties to Air Malawi has resulted in a monopoly situation of cargo being taken from Malawi by MK Air, thus not enabling a liberalization of freight hauler rates. This policy should change to allow competition between dedicated freight hauliers to take place i.e. an "open sky" policy should be instituted.

## **4.5            LAKE TRANSPORT**

As of 1st April 1994 Lake Services became an autonomous division of Malawi Railways with defined objectives and authority. It is now to operate as a commercially viable entity and as such will need to manage itself more carefully than has been done in the past. The following brief discussion points out those areas that are problematical in the freight and passenger services divisions of the operations. It can be seen from the following that the major focus now is that Lake Services, in order to run efficiently as a competitive transport mode has to increase its tariffs (with respect to certain modifications as noted below), increase its productivity, and reduce its costs through increased efficiency. It must concentrate on those sectors of the market where it has a distinct comparative advantage and must be allowed with the minimum of Government intervention to select its own tariff structure, decide routes, and market itself effectively.

#### **4.5.1 Freight**

Freight services on the lake are basically the oil, container, and break-bulk cargo. These cargoes move north-south from Chilumba to Chipoka and serve as part of the Northern Transport Corridor. Trans-shipment takes place at these harbors to road or rail. Each of these freight movements should be run as a separate commercial entity or profit center. The largest share of the market that the Lake Services should focus on are the movements of containers and petroleum.

As noted above the freight services should be concentrated on as different profit centers i.e. break-bulk, containers, and petroleum separately and tariffs and market strategy should be set for each accordingly. There are difficulties at the present time at the harbors of both Chilumba and Chipoka. Both of these harbors are presently being dredged to allow access to larger vessels under a World Bank and KfW loan. It is expected that the harbors will be operational within three to four months.

#### **4.5.2 Passenger**

Passenger services on the lake run from the north, from the port of Chilumba to Chipoka in the south and Monkey Bay, and also to the islands of Likoma and Chizumulu. It has been estimated that over 70 per cent of the passenger traffic are traveling in accessible areas.<sup>10</sup> Lake Services should concentrate on these sections which are movements along the shore between Chilumba and Nkhata Bay where there is no road access and also to the islands, and movements in the south from Chipoka to Monkey Bay and the south-east coast of the lake. The costly movements of north-south movement should be stopped. It was estimated that by eliminating the north-south leg savings of approximately Kwacha 500,000 per annum could be made.<sup>11</sup> Increases in tariffs is another possibility of improving the financial position of the Lake Services, but these would need to be examined closely to determine what the fall in passengers may be due to a tariff increase.<sup>12</sup> A further examination also needs to be made on the restructuring and possible staff reductions to increase productivity levels.

---

<sup>10</sup>Malawi, Transport Sector Review, Selected Issues, Volume 1 - Main Report, The World Bank, February 1992.

<sup>11</sup>Malawi, Transport Sector Review, Selected Issues, Volume 1 - Main Report, The World Bank, February 1992.

<sup>12</sup>A recent SATCC study calculated that a 50 per cent rise in tariffs would yield a 16 per cent fall in passengers and a 20 per cent increase in revenue.

## CHAPTER 5

### TRANSPORT POLICY RECOMMENDATIONS

#### 5.1 INTRODUCTION

The purpose of this chapter is to summarize the major transport policy recommendations for the Government of Malawi that have been incorporated into the Draft Transport Policy Statement.

#### 5.2 SUMMARY

The following excerpt from a recent State Address shows the current Government's feelings on the transport sector:

*“Transport is a service sector whose role is not only of meeting effective consumer demand but also of stimulating economic growth within the country. At the domestic level, transport plays a crucial role in distributing production inputs and outputs. It is important for a landlocked country like Malawi that the external transport links should be dependable and efficient at all times.*

*In order for the industry to function efficiently, there must be fair competition and equitable treatment to all. In this respect inter and intra mode competition will be encouraged. This will entail the need to minimize controls, encourage private sector participation, remove all forms of protectionism where these are not in the national interest, and provide incentives where necessary. Organizations in the transport sector will be required to attain commercial viability as much as possible. Where it is necessary to provide social services, Government will have to provide the necessary grants.*

*Government will encourage as much foreign investment in the sector as possible. However, there are difficulties facing the indigenous entrepreneur in the transport industry. The relevant policies affecting them will be reviewed to enable the local entrepreneurs to expand their business and compete favorably in a free market environment. The priority will be to build up the local transport industry to generate employment and also to save foreign exchange on transport costs.*

*The road transport industry in the rural areas faces a range of problems, chief among them being the failure to meet demand. The Government objective in this respect is to improve rural mobility through the provision of motorized and non-motorized means of transport. To do this, the rural transport infrastructure needs to be improved. All non-safety regulatory controls will be reviewed.*

*With regard to urban transport, the problem is that population is growing at a higher rate than the supply of transport services. It is therefore, the aim of the Government to increase the supply of transport services in the urban areas. Government will, therefore, review all restrictive practices affecting the growth of transport services in urban areas.*

*The Government will continue with the process of restructuring rail services and Malawi railways in particular. The aim is to turn Malawi railways into a viable organization. However, certain uneconomic services may have to be retained at Government request especially in areas where there are no alternative means of transport.*

*The lake transport services to a large extent serve some communities which are not accessible by any other mode of transport. Government is committed to easing the transport problems to all such remote areas. It is Government's aim to encourage private sector participation, both local and foreign in lake and river transport.*

*In the air transport industry, Air Malawi will be required to continue operating on commercial lines. Controls affecting the participation of the private sector and indeed foreign airlines will be reviewed in an effort to make the industry competitive.*<sup>13</sup>

As can be seen from this statement the Government has a clear policy directive towards the transport sector to liberalize and ensure competition between the various modes. The following recommendations have been made to enable this policy to be successfully implemented.

### **5.3 RECOMMENDATIONS**

#### **5.3.1 Road Transport**

##### ***General***

- *Road Traffic Act* — Needs to be updated and modified to take account of new circumstances in the road transport industry.
- *Road Service Permits* — System of Road Service Permits and Certificate of Fitness need to be strictly enforced.

##### ***Freight***

- *Axle Overloading* — Strict enforcement of axle limits and heavy penalties imposed for violators, in connection with revisions to Road Traffic Act. The need to set up a dedicated Road Maintenance Fund.
- *Tariffs* — Tariffs although set by Government at the request of the Road Transporters Association should be completely liberalized.
- *Credit* — Credit facilities to local operators needs to be improved to enable them to enter the market. This will also ensure competition amongst truckers once the supply of trucks is larger.
- *Duties and Taxes* — The system of duties and taxes on vehicles, spare parts etc. need to reviewed fully to ensure that local truckers are obtaining an incentive to increase their fleet and adequately maintain their fleet.

---

<sup>13</sup>Part of a State Address made by His Excellency the President of the Republic of Malawi, Mr. Bakili Muluzi, on the State Opening of the Parliament of Malawi on Thursday, 30th June, 1994.

- *International Freight* — To enforce the policy that prohibits foreign hauliers from collecting cargo domestically and delivering cargo to domestic locations. In connection with this shippers and receivers of freight to be encouraged to use Malawian hauliers. There needs to be further harmonization of rates and tariffs on international freight traffic with other countries in the region in the case of road tolls, transit fees etc.
- *Committees* — The Ministry of Transport and Communications to establish a committee in association with the Road Transport Operators Association, the Freight Transport Consultative Committee to undertake the following:
  - further communication between the Government and private sector bodies in (and affected by) the freight transport industry;
  - to promote the development of the road freight transport industry;
  - to assist the industry solve any problems arising;
  - to discuss the influence of new policies and legislation on freight transport, including intra and intermodal competition;
  - to discuss issues regarding regional road freight transport, including intergovernmental relations under SATCC, PTA etc.;
  - to enhance quality and safety in freight transport operations.

This committee would have representatives from the Ministry of Transport and Communications (Chairman), the Road Transport Operators Association, the Police (Traffic Department), Malawi Railways, and representatives of other groups including users of road freight transport.

### *Passenger*

- *Entry to the market* — The Prime Route Policy should be abolished as it has not had the desired affect on rural passenger transport. “Matola” should be legalized subject to safety requirements which should be strictly enforced.
- *Deregulation of fares* — The remaining fare that is currently not deregulated is that of the Country Service provided by Stagecoach Malawi. This should be deregulated in association with the Prime Route Policy being abolished.

- *Credit* — As in the truck industry, availability of credit to entrepreneurs wishing to enter the market is difficult. The Government should encourage and assist in whatever way it can the increase in the supply of passenger transport by giving assistance to these new entrepreneurs.
- *Employment* — To increase employment in the bus industry the Government should consider changing the present 1 year period that a person has to have held a heavy goods vehicle license to include all other drivers or non-drivers who would be trained.
- *Duties* — The present rate of duties on importation of vehicles and spare parts needs to be in line with those in the trucking industry and need to be reviewed further.
- *Committees* — A Passenger Transport Consultative Committee should be established by the Ministry of Transport and Communications. Its main functions would be:
  - to further communications between bus operators, minibus operators, “matola” operators, and taxi operators;
  - to promote the development of the passenger transport industry;
  - to assist the industry in solving any problems arising;
  - to discuss the influence of new policies and legislation on public transport;
  - to discuss issues regarding regional road passenger transport, relations under SATCC, PTA etc.;
  - to enhance quality and safety within the public transport operations;.
  - to discuss the need for public transport facilities.

This committee would have representatives from the Ministry of Transport and Communications (Chairman), the bus and minibus associations, Stagecoach Malawi Ltd, the Police (Traffic Department), industry representatives, and representatives of other interested parties, particularly user associations.

### 5.3.2 Rail Transport

A detailed Memorandum of Understanding has yet to be set out between the Government and Malawi Railways, i.e. Malawi Railways Ltd, from 1st April 1995. Therefor Government policy to this particular mode of transport is not completely finalized. Set out below are some of the main points that need to be considered in Government policy.

- *Tariffs* — Malawi Railways should continue to have complete autonomy in setting tariffs for it to be a competitive mode in the transport industry.
- *Staffing* — Malawi Railways would have autonomy in determining its staff levels which are in the process of being reduced significantly.
- *Operational Decisions* — Decisions to change the nature and frequency of services will be at the discretion of Malawi Railways.
- *Social Service* — If Malawi Railways runs a service which is deemed a “social service” at a loss then the Government will purchase those services on a commercial basis i.e. the Government would reimburse the costs incurred.
- *Performance Targets* — Performance targets would be set for Malawi Railways and agreed by the Ministry of Transport and Communications, the Ministry of Finance, the Ministry of Economic Planning and Development, and the Department of Statutory Bodies.

### 5.3.3 Air Transport

#### *Passenger*

- *Fares* — Fare levels should be determined solely by Air Malawi to alleviate both the time lag of requesting fare increase and also as they are more aware of their operating expenses for each of their routes.
- *Routes* — Similarly with routes, Air Malawi should be given control over their route policy and allowed to pursue new market routes that the deem potentially profitable.
- *Staff Levels* — Staff level adjustments should also be made at the direct discretion of Air Malawi to improve productivity and operating efficiency.
- *CAA* — The use of the Federal Aviation Authority rules and regulations should be considered to the outdated Civil Aviation Authority Act. This needs further investigation.

## *Freight*

- *Access* — To lift the present policy of dedicated freight air transporters having to pay royalties to Air Malawi if they wish to pick up air freight in Malawi. At present a monopoly situation exists of only one carrier being given exclusive landing rights to collect air cargo. Encourage an “open sky” policy.

### *5.3.4 Lake Transport*

- *Entry into the Market* — Entrepreneurs wishing to enter into the lake shipping services market in either passenger or freight services should be given all assistance possible to do so.
- *Tariffs* — Tariffs for both passenger and freight movements need to be carefully reviewed and should be done on a route or profit center basis. This also needs to take into account reductions in passengers or freight that may result from an increase in tariffs. Lake Services should have complete autonomy in setting these tariff rates.
- *Routes* — Lake Services should have complete autonomy in choice of routes, abandoning those that are not profitable (specifically the north-south route for passengers).
- *Staffing* — Staffing levels should be adjusted as and when required to operate as an efficient, viable, commercial enterprise.
- *Social Services* — If the Government wishes to maintain certain Lake Services that are non profitable, but are deemed to be a “social service” and in the public interest, then it agrees to purchase these services on a commercial basis.

## Bibliography

1. Malawi Transport Sector Review Selected Issues, World Bank, February 1992.  
Volume 1 :- Main Report  
Volume 2 :- Working Papers
2. Statement of Development Policies 1987-1996, Office of the Prime Minister and Cabinet, Department of Economic Planning and Development.
3. Civil Aviation Master Plan 1993-2003, UNDP/ICAO Project, January 1993.
4. Economic Report 1993 and Economic Report 1994, Office of the Prime Minister and Cabinet, Department of Economic Planning and Development.
5. Mid-Year Economic Review 1993-1994, Office of the Prime Minister and Cabinet, Department of Economic Planning and Development.
6. Corporate Development and Restructuring Plan Executive Summary 1992/1993 - 2000/2001, Draft, Malawi Railways Limited.
7. International Traffic Statistics Annual Report 1993, Ministry of Transport and Communications.
8. Guidelines for the Implementation of Harmonized Road Transit Charges and the Licensing of Intra-PTA Heavy Goods Vehicles.
9. Railways Restructuring Project (RRP) World Bank Appraisal Mission - April 1994, Aide Memoire.
10. Report of a Management Workshop for Senior Officers in the Ministry of Transport and Communications, 29th July to 1st August 1993, Ministry of Transport and Communications.
11. Southern African Development Community Annual Report 1992-1993.
12. Transport Sector Assessment, Louis Berger International Inc, September 1983, U.S.A.I.D.
13. The Second United Nations Transport and Communications Decade in Africa 1991-2000, Volume I: Programme, United Nations Economic Commission for Africa.
14. Management and Financing of Roads: An Agenda for Reform, Sub-Saharan Africa Transport Policy Program, The World Bank and Economic Commission for Africa, Ian Heggie, March 1994.

15. Civil Aviation Act and Subsidiary Legislation, Government of Malawi, 1984.
16. An Axle Load Study, Ministry of Works, Division of Roads and Transport Technology, CSIR, Pretoria, South Africa, February 1994.
17. Report of the Meeting of SATCC Co-Ordinating Committee of Ministers and Restructuring Seminar, Maseru, 2nd to 4th June 1994.
18. State Address by His Excellency the President of the Republic of Malawi, Mr Bakili Muluzi, State Opening of the Parliament of Malawi, Thursday, 30th June, 1994.
19. Ministry of Transport and Communications files, various
  - Road Traffic Regulations 7/2/2
  - Road Service Permits 7/2/21
  - Urban Transport Planning 7/1/31
  - Road Passenger Transport 7/1/18

## LIST OF CONTACTS

- Ms. Cynthia Rozell, Mission Director, U.S.A.I.D. Malawi.
- Mr. Thomas D. Lofgren, Chief Project and Program Division, U.S.A.I.D. Malawi.
- Mr. Macdonald Nhlane, Private Sector Officer, U.S.A.I.D. Malawi.
- Mr. S.A. Winga, Principal Secretary, Ministry of Transport and Communications.
- Mr. M.J. Chitimbe, Chief Transport Planning Officer, Ministry of Transport and Communications.
- Mr. B.D.S. Mhango, Principal Transport Planning Officer, Ministry of Transport and Communications.
- Mr. J.K. Nyasulu, Principal Economist, Ministry of Economic Planning and Development.
- Mr. M.J. Kandulu, Acting Controller of Planning and Evaluation, Ministry of Works.
- Mr. S.H. Padambo, Chief Civil Aviation Officer, Department of Civil Aviation, Ministry of Transport and Communications.
- Mr. P. Lapukeni, Transport Planning Officer, Ministry of Transport and Communications.
- Mr. L.G. Mwalughali, Principal Administrative Officer, Department of Administration, Ministry of Transport and Communications.
- Mr. S. Mkandawire, Equipment Coordinator, Ministry of Transport and Communications.
- Mr. T.M. Kaunda, Principal Transport Planning Officer, Ministry of Transport and Communications.
- Mr. P.K. Pohland, Deputy Resident Representative, World Bank Mission in Malawi.
- Mr. P.J. Simcock, Acting Technical Advisor, European Economic Commission.
- Mr. C. Morgan, Financial Management Advisor, Office of the President and Cabinet, Department of Statutory Bodies.
- Mr. P.H. Mawango, Senior Clerical Officer, Registry, Ministry of Transport and Communications.
- Mr. J.M. Chirwa, Deputy Road Traffic Commissioner, Road Traffic Department, Ministry of Transport and Communications.

Mr. Y. Mmadi, Assistant Road Traffic Commissioner, Road Traffic Department, Ministry of Transport and Communications.

Mr. R.C. Msamu, Weighbridge Inspector, Road Traffic Department, Ministry of Transport and Communications.

Mr. F. Markham, General Manager, Malawi Railways.

Mr. S.H.D. Matsimbe, Executive Secretary, Road Transport Operators Association.

Mr. R. Lezard, General Manager, Air Malawi.

Captain A.B.W. Mchungula, Operations Manager, Air Malawi.

Mr. J. Gould, Managing Director, Stagecoach Bus Services.

Mr. A. Chakravart, Managing Director, Zikomo Flowers Ltd.