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"Public and Private Sector Competition in Bus Transport in Africa with Special Reference to Tanzania: Lessons for Independent Namibia."

by

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"A new road extends a man's freedom only if he travels upon it"

Nyerere

PART I

1. INTRODUCTION

1.1 Purpose and Scope

In this paper we discuss passenger transport with special emphasis on bus and coach service ownership and competition in Africa. This is reflected more profoundly in the competition between public and private sector bus fleets. To put the issues in proper perspective we focus on a Tanzanian case study, with a view to drawing lessons for independent Namibia.

The paper is divided into three main parts. Part I provides both the introduction and a general overview of passenger (bus) transport in Africa. This entails a discussion of vehicle ownership levels; actual and projected growth in passenger movements and a comparative analysis of bus and train service fares for a number of road companies and railways in East, Central and Southern Africa.

Part II is a Tanzanian case study. We note the 1961-67 rather nationalistic road transport policies. The 1967 Arusha Declaration and its socialist-oriented, public-ownership stance; entailing the socialization of the road transport industry is examined. Partly to uphold the ruling Party's socialization and egalitarian principles, vehicle ownership and/use was restricted. The decline in vehicle stock was met by the build up of the public sector transport fleets, e.g. cooperative and parastatal

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transport wings, whose continued restructuring has necessitated substantial reorganisation of the transport sector. Three regulatory organs - the Tanzania Licensing Authority (TLA), the State Motor Corporation (SMC) and the National Price Commission (NPC) are examined. We conclude this section by examining the current situation in the passenger transport sector and raise a number of key, but unresolved issues.

Part III draws from the above discussion particularly the Tanzanian experience, the historical evolution of bus transport in Namibia, the concrete situation prevalent in the territory and the development policies at independence to reflect on policy options for independent Namibia in this regard.

1.2 Passenger Trasport in Africa

1.2.1 Public Sector Bias

For various reasons, and to varying degrees, Governments of all political persuasion intervene in the transport industry by actual take over or lesser forms of control.

Dissatisfaction with monopolistic practices, the chaotic nature of free enterprise, the wastefulness of competition, etc. could prompt public control to ensure a more planned and "organized" transportation system. Insufficient investment by private transporters either for risk evasion or lack of capital could also prompt state intervention to either bail or replace them by state transport enterprises. Yet an additional reason for state intervention would be to reap the profits, if any, and to prevent capitalist practices. An additional reason for state intervention in Tanzania-type economies is to use the socialized transport services for socialist construction.

1.2.2 Salient Features of Road Transport in Africa

Within the overall transport sector roads handle more transport work than all other modes put together. It is the principal means of delivering and collecting goods for the vast majority of the rural population, as well as being the main means of passenger transport. It is also an essential link in the chain of transportation for exports and imports. Decaying produce, supply shortages, stranded passengers, etc. are often blamed on road transport failures.

In Africa the incidence of vehicle ownership is by international standards still low. An examination of average vehicle ownership levels for six northern African countries, some of which have foreign exchange surpluses sourced from oil, is illustrative. (Table 1).

Table 1

Vehicle Ownership for Selected Countries, 1986

Country	Population (mill.)	Vehicles per 1000 persons
Libya	3.25	180
Algeria	20.5	37
Tunisia	7.0	36
Morocco	22.2	30
Egypt	46.0	15
Sudan	20.4	9

Source: UN/ECA, Statistics Division.

In a study employing past and projected population and per capita income data, estimates of passenger and freight elasticities and growth prospects for low and medium income African countries were made (Table 2). Personal travel movements appear to increase about twice as fast as increases in per capital income.

Table 2

Growth in Personal Travel and Freight Movements in Africa, 1960 - 1995 (in Percentages)

	Personal travel		Freight movements	
	Low income countries (% p.a.)	Middle income countries (% p.a.)	Low income countries (% p.a.)	Middle income countries (% p.a.)
1960-73	5.5	13.5	5.5	8.0
1973-80	-	6.0	2.0	5.0
1980-82	-	6.5	1.1	5.5
1982-85	-	7.0	4.5	5.5
1985-99	2.5	13.5	5.0	8.0

Source: United Nations, United Nations Transport and Communications Decade in Africa (UNTACDA) 1987 - 1988, Vol. III, E/ECA/TCD/16, Table 1

According to UNTACDA estimates, the demand for transport was likely to increase faster than the GNP of respective countries.

A comparison of data on motor vehicles per 100 persons with annual rates of vehicle increases on an international cross-section basis, suggests that above a certain level of vehicle ownership, the average annual rate of increase in vehicles tends to fall off linearly as vehicle ownership increases. This relationship does not appear to hold for Tanzania-type economies with less than 50 vehicles per 1,000 persons. This has been attributed to "variations in their wealth or growth of wealth". (Howe 1978). According to the World Bank, for countries with low levels of per capita income, demand for mobility often increases faster than that of any other major class of goods and services. Of all African countries with per capita incomes under US$300 in 1970 only Tanzania generated transport growth rates in excess of 10% during the 1960s.1/

Indigenous private transporters in Africa include owners of taxis (registered and unregistered), minibuses, vans or pick-ups converted into public passenger transport vehicles, buses and bulk carriers. Small transport firms are regarded as the best avenues for launching business careers and linking up with merchants, etc. (World Bank, 1974). Thus Emmanuel Kasonde's Century Holdings company in Zambia for example has been able to finance its ventures with IDA loans.

A number of factors account for the growth of private passenger transport firms:

(i) increased demand for mobility due to a rapid urban and peri-urban population growth.

(ii) limited ability of African Governments to provide adequate passenger transport.

(iii) gross inffiCiences of public-owned transport firms.

(iv) low incomes of the working population which have permitted only a tiny minority to acquire their own means of transport.

(v) in general private-owned transport firms charge a relatively lower fare than public-owned transport firms for a similar service or distance.

1/ Kenya grew at 9%; but most African countries grew at 7%.

From a convenience, reliability and time factor angle, private-owned passenger transport is preferred. They find it easier to compete because of more economical use of equipment, etc. For example of the 92 buses acquired by the state-owned Sierra Leone Road Transport Corporation (RTC) in 1970 only 30 were in service by 1982. Partly because of unfavourable contracts with the drivers, a fleet of 10 Japanese made minibuses acquired and operated by the RTC turned out to be uneconomical even when operated under conditions similar to private sector fleets. A similar fate befell the Government-sponsored Zambia Taxi Service Company (Zamcab) which also tried to compete with private indigenous taxis.

Most indigenous private transporters in Africa tend to be small or one-man operators. Some operate the transport undertaking as a sideline activity sometimes using proxies especially where Party and Government leaders are forbidden from such undertakings.[1/] A common feature is to convert their personal cars into public passenger vehicles or purchase one for the purpose. In West Africa housewives take a leading role in such transport business.

Running alongside buses are a fleet of taxis, mostly made up of saloon cars or some converted vans and pick-ups. Often the routes, vehicle types and the maximum number of passengers which may be carried are designated. Unlike Zambia vehicles like Peugeot 504 (break) are not forbidden in most West African countries. These transport fleets, some of which operate a "pirate" service have descriptive local names - "dala dalas" in Tanzania, "matatus" (Kenya and Uganda), "poda-podas" (Sierra Leone) and "mummy-trucks" (Ghana). Where some form of organisation seems to exist, it is a loose association. Withholding their services has been a weapon they have used to oppose occassional intervention by Governments to for instance dictate a reduced fare.

In general comparisons between public and private bus companies vis-a-vis market share and the ensuing bargaining position shows the superiority of the private sector over the public sector road transport fleets. A study of Sierra Leone's Road Passenger Transport (RPT) by the West Germany GOPA consultants is quite revealing. In 1981, in Freetown,

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1/ In socialist-inclined Tanzania, Zambia and Zimbabwe for example, Leadership Codes prohibit leaders (broadly defined to include senior and middle/level political, civil service and parastatal functionaries) from ownership and/or control of capitalist concerns such as private-owned passenger transport firms.

the public-owned Road Transport Corporation (RTC) market share was 3%, "poda-podas" 56% and taxis 41%. Regarding inter-city passenger transport, vans transported 52%, "poda-podas" 27% and RTC buses only 17%. The RTC transport share is therefore marginal, partly because of the irregular and unreliable transport service.

Private bus transporters compete with public-owned transport which has been accorded preferred treatment. Even in times of crises, e.g. fuel shortage, rarely are private transporters accorded most favoured treatment, usually they are assigned less lucrative routes, making it difficult to amortize their investment over a reasonable period. However there are a few notable African experiences. For example when Ethiopia introduced fuel rationing and banned Sunday afternoon driving, it made execeptions to private passenger vehicles. Privately owned vehicles used for passenger travel and freight were allocated a higher fuel ration than ordinary vehicles. Similarly they were allowed on a rotation basis to operate on Sundays and during public holidays. Other constraints for private transport entrepreneurs include coping with sudden policy changes such as the unlicencing of certain vehicle types for passenger traffic as when the Peugeot 504 (Break) was taken off the list in Zambia with adverse economic cost to private transporters. Private passenger vehicles have to contend with corrupt police offers who exaggerate their traffic offences so that at a fee, direct to themselves, they can let the vehicle proceed on their normal runs. (see Chileshe 1986, p. 14). Competition with such state monopolies as the Kenya National Transport Corporation (Kenatco) Taxi Service and Zambia's defunct Zamcab is another constraint.

Notwithstanding the above, a few African governments have assisted private indigenous transporters by issuing decrees excluding non-indigenous operators and/or have denied them road operation licences.

Many African governments have established some form of public-owned bus companies. In both Tanzania and Zambia National Transport Corporations (NTC) were established with supervisory powers over both passenger and freight companies.[1/] In Zambia this included the United Bus Company of Zambia (UBZ) and the ill-fated national taxi service (Zamcab).

1/ In Namibia a multi-modal National Transport Corporation, incorporating much of the Namibia-related transport services hitherto handled by the South African Transport Services (SATS) was incorporated in 1985.

Most African countries enjoy virtual monopoly in air, water and rail transport. However they have no overall monopoly in the transport sector since road transport is dominated by small operators. Of the 2486 transport operators in Tanzania in 1975 for example, only 51 had 10 or more vehicles.

A quite new but costly development is the build up by parastatals of transport wings and own employee bus services which are largely underutilized.[1/] This is a function of the parastatal's eagerness to have their own transport wings which are therefore easier to control, failure to sustain viable national transport bus companies, ideological opposition to private-owned road transport services, etc. Improving public bus services to provide better bus transport for all would be more economical.

Road hauliers serving both short- and long- distance transport demand,often utilize profits of the long haul to subsidize the short distance local service.. However for passenger transport the reverse situation prevails, with more profits realized from urban as against long distance transport. Some of the financial pitfalls of the up-country National Bus Service in Tanzania for instance arises from the loss of the Dar-es-Salaam city bus company transport surpluses upon the separation of these two services.

Unlike West Africa (especially the Francophone region), transport legislation in East Africa restricts the multi-purpose use of vehicles, reflected in sharp divisions between freight and passenger transport. Where, as in Tanzania there is much specialization along these lines, the introduction of a limited number of mixed vehicle licences would, as in the airline industry lower ratesfor both types of traffic, than when operated in separate, specialized vehicles. This would be especially welcome in the remoter, sparsely populated, more backward areas with few vehicles where the lack of sufficient passengers to fill a bus or a full lorry load of freight will reduce route profitability so that services are never extended into these areas or may even be withdrawn. Although increases in rates upon specialization is offset by greater comfort, safety, convenience, etc. there is a danger, as Hofmeier pinpoints,

1/ A Tanzania Government attempt to reverse this in 1974 was shelved following fierce opposition from parastatal employees.

of apply standards appropriate to advanced countries (1973, p. 279).

1.2.3. Passenger Transport and inter-model Competition

The issue of passenger transport on the railways is important not very much from the point of view of revenue generation,[1/] but of cheap passenger transport to meet the social and political integration objectives, etc. The 1852 km. Dar-es-Salaam-Kapiri Mposhi travel on the Chinese built Tanzania-Zambia Railway (TAZARA) takes about 40 hours, averaging little better than 32 km. an hour, but with a total of 55 stops. Although the parallel TANZAM Highway has advantages vis-a-vis speed, the TAZARA as in goods traffic is cheaper. The fare system is tapered;[2/] and reflects the factors of comfort, speed and extra services. Thus First Class fares are higher than Second Class and Second Class higher than Third and Express train fares higher by 20% of the ordinary Third Class fares. First Class fares are comparatively cheaper than air travel.

A comparative analysis of Third Class passenger fares of the TAZARA and other railway and road services in Table 3 reveals that the TAZARA is generally cheaper, especially for the dominant Third Class service. Here Zambia Railway fares for example, are on average 138.4% above the TAZARA's. The TRC Buses and United Bus Co. fares are 127.8% and 158.8% above the TAZARA Third Class fares respectively. This comparison is illustrated in Graph 1.

Graph 1 illustrates the nature of the TAZARA rail/road question; and assuming that the road companies (which operate alongside the TAZARA) are representative, for the other railways too. Except for the TRC's medium distances the TAZARA is cheaper by wide margins.

The TAZARA passenger fares are in fact lower than their own operating costs. For example the highest basic passenger fare per km. of Shs. 0.052, corresponding to the least-tapered 50 km. category (Shs. 2.60/50 = 0.052 in Table 3) is infact 600% below the approximate 1977/78 average operating cost per passenger-km. of Shs. 0.364.[3/]

1/ Its contribution is meagre: on average only 7% of total revenue in the case of the Tanzania-Zambia Railway (TAZARA).

2/ Since most TAZARA passengers travel for short distances, (estimated to be within a 240 - 260 km. distance), the taper system is not as important here as in goods traffic.

3/ An estimate by the former TAZARA Traffic Manager Mr. Mwenisongole.

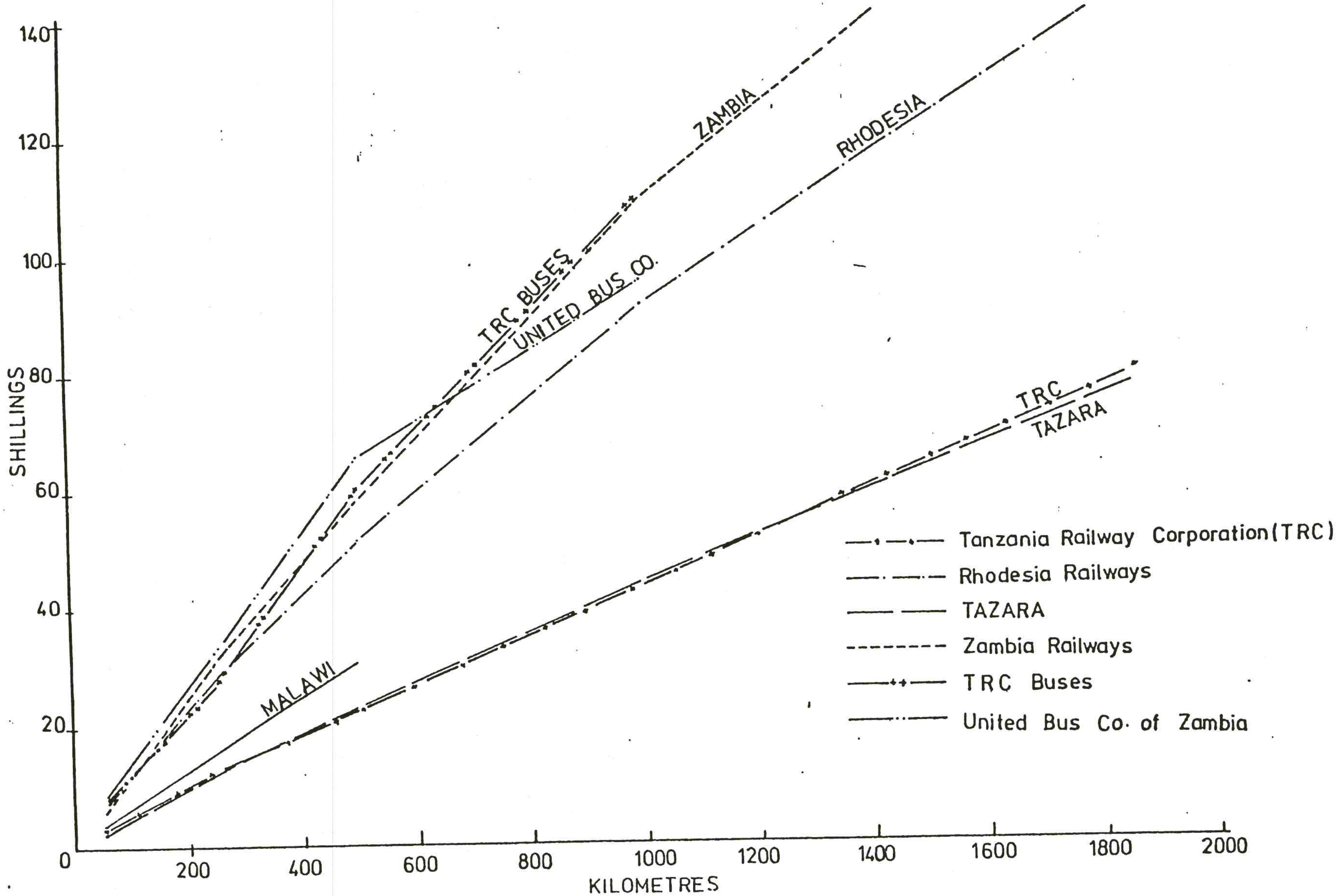
TABLE 3

PASSENGER TRANSPORT RATES FOR THE TAZARA AND OTHER RAIL AND BUS COs.
(1977/78)

Distance (Km)	TAZARA		ZAMBIA RAILWAYS		TRC		MALAWI RAILWAYS		RHODESIA[a/] RAILWAYS		TRC BUSES		UNITED BUS CO. OF ZAMBIA	
	Shs.	%	Shs.	%	Shs.	%	Shs.	%	Shs.	%	Shs.	%	Shs.	%
50	2.60	100	5.65	+117	2.70	+4	3.20	+23	6.50	+150	5.50	+111	7.50	+188
250	12.10	100	30.20	+150	12.70	+5	15.10	+25	28.20	+133	27.50	+117	32.50	+169
500	23.20	100	58.50	+152	23.10	-1	30.70	+32	51.50	+122	60.50	+137	65.90	+158
1,000	44.20	100	109.40	+148	43.90	-1	NA	NA	91.70	+107	110.00	+149	95.70	+117
1,860	77.70	100	175.40	+126	79.00	+3	NA	NA	145.90	+88	NA	NA	NA	NA

SOURCE: Adopted from the tariff Books of the Respective Railway and Road Companies.

a/ Became National Railways of Zimbabwe in 1980.



GRAPH 1 COMPARATIVE ANALYSIS OF THIRD CLASS FARES.

To the extent that the passenger transport service is cheap, some social and political objectives have been realized. However despite the socialist objectives of Tanzania and Zambia (passenger transport in socialist countries is very cheap), it is perhaps debatable whether the TAZARA for example should charge such low passenger rates (reputed to be the lowest in the world). This mild income redistribution (Third Class is essentially for middle and low income groups) could perhaps be achieved at least as well via low freight rates, which might encourage more production, than by more cheap visit travels implied by the low passenger tariffs.

PART II

"UJAMAA" SOCIALISM AND THE COMPETITION BETWEEN PRIVATE AND PUBLIC TRANSPORT SECTORS

2.1 Introduction

The post-colonial evolution of the Tanzanian economy has been strongly influenced by public policy. This has especially been so after the adoption of the socialist policy alternatives contained in TANU's (1967) Arusha Declaration, the basic precepts of which are the policy foundations for development programmes. These include:

(a) public ownership and control of the "commanding heights" of the economy. The Arusha Declaration enumerated areas for:

- (i) public sector, through Government and cooperatives' intervention.
- (ii) public-private partnership on a 51-49% arrangement;
- (iii) private investment.

(b) a policy of self reliance. This does not mean self-sufficiency or autarchy. At least in theory it implied that selected foreign assistance was to be the catalyst rather than the basis of development.

(c) general social equality aimed at regional, inter-personal and rural-urban equity.

(d) socialist and cooperative economic activities, emphasizing priority for rural development per se, with much bias towards cooperative work.

2.2 The Pre-Arusha Setting.

The independence Government encouraged through licensing, transport cooperatives to increase African participation in the Asian-dominated road transport industry. Of all new road licences, 48% went to Africans in 1963, 60% (1964) and 71% (1965).

Regional transport cooperatives were established in Tanga in 1964 and Coast and Northern Regions (1964). These and two unconstituted ones in Morogoro, Iringa and Mbeya were through a 1965 decree of the Registrar of Cooperatives amalgamated into the Tanganyika National Transport Cooperatives Ltd (TNT). The TNT faced conflicting operational and evaluation criteria. Three options stood out:

(a) a strict profitability criteria
(b) social surplus accumulation
(c) provision of social services.

Whereas the TNT management preferred the second criteria, the Transport Ministry and most cooperatives preferred the first. They regarded the TNT as a special transport arm of the cooperative movement. However its precise aims and objectives were not defined. Furthermore the TNT was poorly organised, over-centralized and had a bad accounting system (Cooperatives Inquiry Report 1966, pp. 186-187). In December 1966, the TNT was declared bankrupt and dissolved.

2.3 The Socialisation of the Transport Industry

The Arusha Declaration - Tanzania's blueprint for socialism and self-reliance designated the transport sector "a major means of production" and therefore susceptible to public ownership and control. The Declaration's Leadership Code prohibited Party, senior and middle level Government and parastatal officials from ownership and/or directorships in private transport firms.

Government thinking revolved around the creation of a transport company in cooperation with a foreign vehicle manufacturer (or an indigenous transport company) as partner, with the National Development Corporation (NDC) holding 51% shares. However the First Five Year Plan (1964-69) said nothing concrete about the road transport industry. Although calls were made in Parliament for the creation of another nation-wide TNT-type transport cooperative and the Government expressed support for this idea in the Second Plan (1969), none were started.

By 1970 Government policy moved towards nationalization of road transport enterprises, hitherto provided mainly by non-Tanzanians. These and indeed indigenous Tanzanian transporters were discouraged; some left the transport business altogether. The Government encouraged with financial backing transport cooperatives/parastatals.

The National Transport Corporation (NTC) was established in 1969 to socialize the transport industry, integrate and coordinate transport services and ensure a better distribution system especially in remote rural areas. This, it was envisaged, would avoid the costs and inadequancies of small operators and enjoy economies of scale. Although the NTC itself does not directly engage in transport operations, it exercises substantial influence over its subsidiaries.

The Dar-es-Salaam Motor Transport (DMT) was nationalized in 1970, and subsequently split into Usafiri Dar-es-Salaam (UDA) and National Bus Service (NBS) for city and up-country passenger services respectively. This nationalization accompanied by a ban on saloon car imports and strict licensing of other models, heightened private transporters fears of further State acquisitions. Private transporters were reluctant to replace old vehicles. The decrease of private transport loans by an estimated 40 - 50% over 1967-71, reduced vehicle availability etc rationalized the launching of the now defunct NRHC[1/]. By 1970/71, most cooperatives were setting up transport fleets. The Nyanza Cooperative Union (NCU) purchased 100 new trucks that year.

Despite a number of macro-economic policy statements, there was by 1970/71 an absence of any overall clear transport policy. As the planners succinctly put it:

> "In road transport the role of the NTC and the operation of the TLA needs review. The relationship of NTC vis-a-vis private and cooperative road transporters has to be clearly defined. The present undecided state of affairs is clearly creating some transport problems....." (Tanzania Government, 1971).

1/ For a discussion on the birth, growth, disintegration and collapse of the NRHC, see, Mwase (1985)

Neither the role of the different transporters, nor the framework within which they would fit was defined. Despite this the NRHC launched its operations in 1972. A comprehensive analysis of the Tanzanian transportation problem establishing the magnitude of the task, and so determining what the NRHC and other operator's contribution could be, was lacking. Hence the costly "management by crisis" transport operations that ensued.

2.4 Restrictions on Vehicle Ownership and use

The possession of a private motor vehicle in the LDCs is a measure of wealth. Similarly the purchase of motor fuel for non-commercial use is a reliable indicator of luxury consumption. In Tanzania large sections of the population are unable to afford access to, let alone own a motor vehicle.

Heavy taxation of motor car ownership and use especially in the post-Arusha period has also been rationalized on equity grounds. To quote the 1971 Annual Plan:

> "The policy of heavy taxation on the purchase and operation of private motor cars has apparently quite successfully kept down and even reversed an otherwise likely trend of increasing numbers of new registrations of private motor cars. Other developing countries with a more lenient tax policy in this respect certainly experience a much higher growth rate of motor cars. In a socialist country however, it is only reasonable and quite in line with general policy principles to tax those people as much as possible who can still afford to buy and maintain private passenger cars and to save as much foreign exchange expenditure as possible by following such a tax policy" (Tanzania Govt. 1971, p. 82).

The Arusha policies ruled out credit-financed saloon cars. Thus even the very restricted and low key National Bank of Commerce's Karadha hire purchase car scheme introduced in 1969 was abolished by the Party in 1970. This policy was reversed in the 1985/86 Budget. It is only by examining further the concerns of the Leadership then, that the recent decision to have the Karadha company extend loans to officials starting with Senior Government and parastatal employees can be seen in proper perspective.

In October 1969, the NBC brought private vehicles under the hire purchase scheme run by Karadha company. The same month Party Vice President Rashidi Kawawa opposed the scheme. He said:

> "The decision taken by the NBC to grant car loans to civil servants has no Government blessing ... why not invest it in the proposed National Transport Corporation which will provide transport to many people" (Mwase 1975, p. 23).

He expressed his dissatisfaction with the Karadha scheme and asked "why it had not thought of granting bicycle loans to people". He said that the move by the Bank "would further widen the gap between people in the country which was contrary to socialism" (Mwase 1975, p. 23).

The NBC did not scrap the Karadha car loan scheme after these adverse comments. But in 1970 the Party National Executive Committee ruled that the loan scheme was not in keeping with the country's socialist goals. The Karadha car loans were scrapped.[1/] Thereafter Karadha continued to offer credit for trucks for crop haulage particularly by cooperatives.

The hire purchase car loans issue does indicate lack of clarity in transport policy design and implementation. The Party then felt that public passenger transport could cater for both lower, middle and upper echelons of public (and private) sector employees. The scrapping of the hire purchase scheme meant that the Government and parastatal vehicle pools were expanded. Nor were many of the vehicles retained in the departmental vehicle pools. In time a costly system of personal to holder cars ensued. It expanded rapidly as ability to purchase and manage own vehicles declined, amidst deterioration in city bus services.

With the increasing costs of fuel and spare parts amidst rapid expansion of the public sector in the 1970s institutional vehicle pools

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1/ In East Africa, Kenya has throughout operated easy car purchase loans; they were abolished in Uganda with the proclamation of the socialist-inclined Common Man's Charter in 1969, only to be restored following the 1971 coup.

Table 4

NEW REGISTRATION OF MOTOR VEHICLES IN TANZANIA, 1962 - 1978

Year	Passenger Cars	Light Commercial Vehicles	Motor Cycles	Lorries and Trucks	Buses and Coaches	Tractors	Trailers	Others	Total Vehicles	Govt. Vehicles as % of Total Vehicles
1962	3,488 (37)	1,141 (211)	794 (19)	955 (66)	233 (11)	397 (15)	367 (34)	13 (3)	7,418 (396)	5.3
1963	3,780 (83)	1,103 (219)	682 (14)	879 (63)	279 (5)	692 (15)	271 (8)	12 (2)	7,702 (409)	5.3
1964	3,285 (75)	1,345 (250)	824 (22)	1,212 (100)	357 (12)	648 (58)	436 (45)	23 (12)	8,130 (574)	7.1
1965	2,776 (216)	1,427 (251)	1,033 (33)	1,011 (151)	412 (33)	858 (38)	276 (34)	16 N/A	7,809 (756)	9.7
1966	3,238 (258)	1,816 (399)	1,002 (30)	2,085 (273)	349 (29)	664 (93)	116 N/A	9 N/A	9,276 (1,082)	13.1
1967	2,937 (74)	1,784 (451)	1,027 (101)	1,680 (227)	299 (42)	928 (219)	3 (2)	33 (3)	8,691 (1,119)	12.9
1968	3,313 (179)	1,963 (303)	1,081 (69)	1,758 (288)	495 (31)	686 (93)	341 (110)	62 (11)	9,735 (1,084)	11.1
1969	3,276 (149)	1,908 (251)	1,165 (141)	1,490 (202)	494 (21)	734 (71)	214 (35)	19 (4)	9,300 (874)	9.4
1970	3,392 (418)	1,859 (416)	1,289 (204)	2,345 (514)	480 (51)	806 (147)	399 (84)	49 (27)	10,619 (1,861)	17.5
1971	1,886 (222)	1,309 (397)	989 (176)	1,870 (219)	376 (53)	432 (78)	321 (30)	20 (3)	7,203 (1,178)	16.4
1972	1,190 (301)	603 (99)	687 (36)	1,134 (106)	317 (20)	561 (21)	220 (14)	25 (1)	4,737 (598)	12.6
1973*	2,120 (859)	967 (380)	1,422 (186)	1,542 (681)	414 (74)	390 (111)	282 (81)	19 (8)	7,156 (2,377)	33.2
1974*	2,763 (1,080)	986 (195)	1,541 (480)	2,490 (853)	523 (36)	718 (179)	415 (74)	149 (25)	9,585 (2,922)	30.5
1975	1,496 (159)	729 (132)	1,410 (281)	1,194 (195)	463 (12)	498 (3)	246 (28)	22 (11)	6,058 (821)	13.6
1976	1,360 (255)	489 (113)	1,590 (326)	746 (350)	117 (2)	401 (3)	201 (25)	31 (20)	4,935 (1,094)	22.2
1977	1,878 (249)	664 (226)	2,709 (396)	1,539 (628)	256 (6)	436 N/A	388 (40)	26 (9)	7,894 (1,554)	19.7

Source: Central Registry of Motor Vehicles

Note: Government vehicles ( ) exclude vehicles of State Institutions, like the Army.

* Estimates

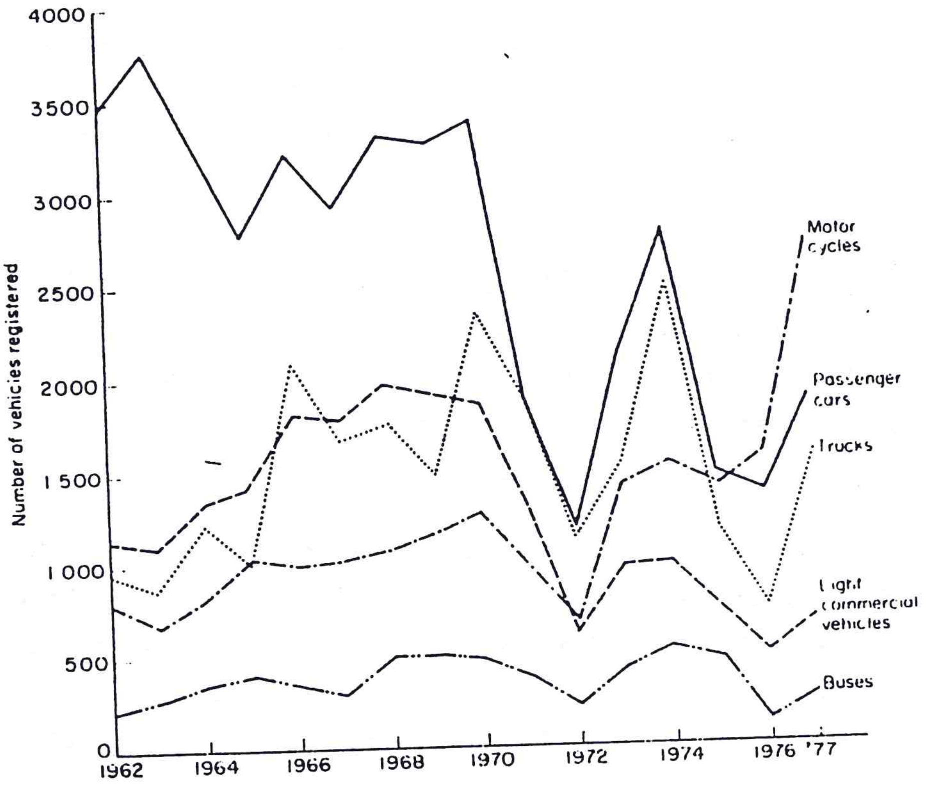

Figure 1 : New registration of vehicles in Tanzania, 1962–1977.

and personal to holder cars become a heavy burden on the budget. By the 1980s a solution to this predicament was seen as necessary. It came in the 1985/86 Government Budget with the adoption of measures reminiscent of those initiated by the NBC in the late 1960s. Indeed the new hire purchase car loans are being administered by NBC's Karadha company.

2.5 Decline in Vehicle Stock

Vehicles registered over 1962-1977 are presented in Table 4 and plotted in Figure 1. There was a considerable drop in vehicles registered after the Arusha Declaration in 1967, and more so following the ban on the Karadha hire purchase scheme in 1970, and the virtual ban on car imports after the 1971 Party Guidelines (MWONGOZO) reaching an all-time low in 1972. Some recovery ensured with the Government sector registering a record figure of 2,922 (1974), of which 1,080 (37%) were motor cars. There was a reversal of this trend in 1975 with a considerable drop in vehicles registered. It is worth examining in greater detail these vehicle fluctuations.

The Arusha policies led to a drop in vehicle ownership. It dropped from an average growth rate of 8.9% p.a. over 1962-66 to only 3.5% p.a. in 1970-72. There was as Table 1 shows, a substantial drop in vehicle stock in 1968-69: government vehicles dropped by 38.7%; and there was an overall fall of 9.9%. The 1967 socialist initiatives, including cuts in earnings of prospective vehicle purchasers and the resulting uncertainities, was one of the contributing factors. The relatively low 1.6% growth rate of passenger cars over 1970-72 and the 55% fall in passenger cars and a 59% rise in motor cycles over 1966-76 reflects both import restrictions and egalitarianism. Since 1971, car importation has virtually been prohibited except by expatriates and until lately gifts, etc, without using Tanzania's meagre foreign exchange. These restrictions rationalise individual consumption of imported fuel while ensuring adequate supply for public transportation, whose vehicle imports are restricted only by foreign exchange scarcity.

The growth in Government Share of total vehicles from 13% in 1966 to 33% (1973), settling at 20% (1977) (Table 4) is largely attributable to public sector growth. Nevertheless the private sector is still dominant.

TLA's Licensing Policy

The 1973 Licensing Act, successor to the 1933 colonial Tanganyika Transport Licensing Ordinance is qualitatively more of its adoption. It came seven years after Tanzania opted for "ujamaa" socialism and yet it said little on the role of a State transport company. However Government decided that preference to road operators should be in the following order:

(i) cooperatives, the Railway Road Services and District Development Corporations.
(ii) NTC and its subsidiaries, e.g. UDA and NBS.
(iii) citizens in joint ventures
(iv) individual citizens
(v) non-citizens.

However the NTC could, in view of NBS's problems have evoked Section 27 (b) of the Licensing Act to (a) prevent uneconomic competition, and (b) block unnecessary objections by incumbent transporters for new licences. Save for permission to directly import spares in the 1970s and early 1980s, there was little protective cover for NBS. Without such support - at least on the "infant" industry argument (i.e. through reservation of some lucrative routes for itself) the exploitation of NBS's weak position by established transporters ensued. Suffice it to state that some local demand is best satisfied by small private transporters. Unsatisfied demand by the preferred carrier won them licences.

Bus Transport Regulation

The Tanzania Licensing Authority (TLA), the State Motor Corporation (SMC) and the National Price Commission (NPC) regulate, with a public sector bias, bus transport. Both the SMC and NPC were established in 1973.

The TLA licenses specific vehicles on particular routes in an attempt to balance transport services per route; but also the interests of different transporters, their lobbyists and the customers. It emphasizes (a) the public interest, including the prevention of wasteful competition, (b) public corporations' and citizens' participation in the transport industry, etc.

The SMC was established to essentially control and ration vehicles and spare parts particularly imported ones; and presumably to reduce their import prices by exerting monopsonistic power. It chooses and effects importation and distribution of vehicles. Foreign exchange scarcity has reduced the SMC's effectiveness. For example in 1976 the SMC ordered 1,218 trucks but only 322 were backed up by actual foreign exchange remittances and delivered.

Table 5 summarizes the national demand and approved acquisitions of motor vehicles for the year 1977-78. The difference between the two totals reflects suppressed demand. The demand for the important categories of vehicles (buses, lorries, tippers, trailers) totalled 4,235, but only 1,094 (25.8%) were supplied. The total shortfall of buses was 107 (53.8%); only about one bus out of two demanded was supplied.

Table 6

Tanzania: The Satisfaction of Vehicle Demand, 1977-78 (%)

	Institution				
Vehicle Category	Govt.	Parastatals	Private Companies	Individuals	Total
Overall	44	38	24	19	29
Buses	67	48	27	52	46
Lorries	55	34	12	11	23
Saloons	64	49	46	15	30

Source: Calculated from Table 5.

Table 6 shows that the percentage of demand for buses satisfied was highest for government, followed by individuals, parastatals and lastly private companies. The low incidence of cars (15%) reflects the cut down on individual luxury consumption.

Although private transporters own about 70% of vehicles as against 30% for the public sector it is more starved of vehicles than the public sector.

In the late 1970s and early 1980s those with foreign exchange paid on their behalf, essentially foreign aided projects, did by-pass the slow, cumbersome and costly SMC. Of late with vehicle import liberalization allowing whoever has foreign exchange to import buses, the SMC controls have been further weakened. Suffices it to state that with corruption and irregularities, it is difficult for the SMC to act as a honest broker, especially in its distributive function.

The NPC sets the maximum selling price of most consumer goods; Such rates must be high enough to meet the costs of transport, but low enough to be competitive and/or marketable.

The State of the Art: Where do we go from here?

With deterioration of transport services, the Mwinyi Government while still emphasizing public-owned transport, now implicitly recognizes a limited but still an important role for private transporters, who have regained confidence and are now reinvesting. To a considerable extent, the private sector provides as the World Bank has noted, "better services at lower cost than parastatals can" (1977, p. 13). In such cases private transporters who could then be highly taxed on income-redistribution basis, could be encouraged. Indeed greater use of tax-subsidy options to create greater flexibility and provide incentives to operate on more akward routes is long overdue.

Unresolved Issues.

There are a number of unresolved questions which need to be addressed by policy makers, not least by NTC and its subsidiaries.

(a) To what extent, if at all, should parastatals continue to engage in bus transport (and by acquiring own buses)?

(b) Given the establishment of Regional Transport Companies, to what extent, if at all, should the revived cooperatives re-establish their own passenger transport operations?

(c) Are some of the parastatals really able to manage transport operations?

(d) Should there be regional, zonal or a national bus company?

(e) Can the emergent Regional Transport Companies (RETCOs) handle efficiently (proper coordination inclusive) transportation in all regions?

(f) Should public sector transport, e.g. the RETCOs, supplement private transport firms or should they take them over? In the latter case would the peak vehicle demand levels be met? Would the RETCOs not subject long-distance transport to costly bureaucratic controls and regulation?

(g) How can proper maintenance te ensured?

More clarification is called for on the primary role of the different bus operators and the framework within which they will operate in future. This could minimize the costly "management by crisis" experienced in this sub-sector.

Other relevant questions include: What is the current primary objective of the NTC and its subsidiaries? Is it socialization of the bus passenger transport? If so, is it by take-over of existing operators? Is it geared to more rational utilization of the existing bus stock or expansion and improvement of transport services? Are public sector NTC type bus fleets' objective profit maximization or services orientation? To what extent is the continued existence of private bus companies desirable and politically acceptable? How can specialized passenger transport cooperatives e.g. CORETCO be encouraged, if at all? Should public sector transport firms be accorded monopoly rights on its routes or should it operate in a competitive environment? Should public sector bus fleets operate exclusively on long-distance routes (and leave local services to private transporters or co-operatives) or should it also enter into local transport? What should be the overall pricing and tariff policy of public sector bus fleets?

PART III

3. REFLECTIONS ON INDEPENDENT NAMIBIA

Namibia is a large country about the size of the UK, France and Belgium combined. The vastness and climatic diversity has influenced the location of economic activity and hence transport demand. Over 50% of the population is concentrated in the northern areas, which were until the construction in the late 1970s and early 1980s of roads and aerodromes to meet the war adventures of South Africa excessively short of transport links. The concentration of economic activity essentially in four major towns/mining centres, with the rest of commercial production highly scattered raises the physical difficulties, distances and cost of transport.

Namibia has a number of rivers, none of which are navigable. Neither is passenger nor freight sea transport developed. Particularly in the latter case there is an economically cost ineffective dominance of rail, as opposed to sea in external trade and other movements even though rail is a more expensive mode. The inter-state rail traffic movements are essentially to and from South Africa. This could in some cases be a longer route than the route to the sea via Walvis Bay. Independent Namibia might on its own or through the SADCC develop the shipping services for passenger transport beyond the current limited coastal vessel service.

3.1 Rail Passenger Transport

A major means of moving passengers in Namibia is the railway. Railway services in Namibia were until April 1985 handled by the South African Transport Services (SATS). As part of a Pretoria-directed "Namibianization" process 180 passenger coaches were transferred to the colonial South West African Administration for use by Namibia Railways. Like in all colonial situations where travel restrictions are imposed on the indigenous population, the demand for rail passenger transport in Namibia has been limited. Table 7 shows the passenger traffic for 1985-1987.

Table 7

Namibia Railways: Passenger Traffic 1985-1987

	1985/86	1986/87
First Class	10,785	9,865
Second Class	54,980	52,910
Third Class	390,935	322,126
TOTAL	456,000	384,901

SOURCE: UN/ECA, Report on Survey of Namibia Railways and Rail Transport, Addis Ababa, April 1988, p. 72.

With the possibility of six train frequencies a week on the mainline and with the 180 coaches providing no less than 7,500 seating capacity, a total capacity of 45,000 seats per week could be attained. Namibia Railways should be capable of moving 2.3 million people annually; and yet only 385,000 passengers were carried in 1986/87. A surge in passenger traffic of about 50% is envisaged in the first year of independence.[1/]

1/ In the case of Zimbabwe, rail passenger traffic rose by 59% in 1980/81. The percentage increases in succeeding years were: 16% (1981/82), 12% (1982/83) and 8% (1983/84). In 1979/80 a 37% decline in passenger traffic was recorded.

However, as a result of the limited traffic and rail losses on the passenger services account - R15.8 million in 1984/85, R26.5m in 1985/86 and R30m in 1986/87; calls for overall rail passenger services closure were made - most prominently by the Advisory Committee on Transport Services (ACTS) which reported in 1986.1/ In supporting the proposed closure the SATS Regional Manager in Windhoek argued that "both the Luderitz and Gobabis lines are so underutilized that two buses a day could carry all the traffic involved".2/ In view of the above losses Namibia Railways has withdrawn alleged under utilized trains on the inter-city and branch lines, "replacing them by a few buses which had been found adequate to transport the people involved in this modal split".3/

3.2 Rail and Road Passenger Transport

By 1981 there were about 56,000 vehicles consisting of 1,000 buses and minibuses, 30,000 cars, 14,000 light commercial vehicles (vans, pick ups, etc), 6,500 heavy commercial vehicles, 4,000 motor cycles and 500 tractors. If there will not be clear demarcations between freight and passenger vehicles most of the goods vehicles can also ferry people. Bus transport is dominated by the Municipal company in Windhoek and a fairly extensive regional bus services. Bus transport in Namibia is essentially regulated in terms of the Road Transport Act of 1977.

Bus and coach services competition in independent Namibia is to be influenced by the fact that rail and road networks are parallel. Competition is to be influenced too by the nature of the service which both rail and road transporters can give; and by the regulatory organs and rules and regulations which may be put in place. The experiences of neighbouring countries does suggest that passengers are attracted more to the mode able to render efficient service at least cost.

In a report by the Advisory Committee on Transport Services (1986) it was argued that the Otjiwarongo-Outjo branch line and the least viable sections of the Aus-Luderitz and Strijdon Airport-Gobabis branch lines be closed.

These branch lines had, partly due to rail/road competition registered financial losses of Rand 1m, R5m and R2.2m respectively. Closure, it was

1/ A critique of this recommendation is found in Mwase (1988)

2/ The Windhoek Advertiser, 16 April 1986.

3/ Ibid.

argued, was more practicable than rationalisation of the parallel road network because of the other social and primary access functions roads perform, while upgrading of both networks was viewed as economically unjustified.

Even more significant the report recommended the abolition of all rail passenger services. No attempt was made to find the reasons for the losses or appropriate solutions e.g. the provision of different service levels, adjustments in fare structures, incentive packages, etc.

Should financial standing be the only measuring rod of transport enterprise performance? Should rail passenger transport be expected to break-even? The provision of safe, cheap, long-distance public transport for the low income majority of Namibia's population is an important social service which may perhaps have to be provided even where subsidization is required.[1/] Otherwise there is a contradiction between the commercial bias of public utilities such as railways and their obligation to confer external benefits on the community.

Alec Nove has criticized the use of financial measures as yardsticks of accountability for state transport firms because of this apparent conflict. He argues that:

> "if a public authority operating transport services does not take into account the economic (not to say social) effects of its actions, but confines itself to its own profit and loss account.... What conceivable reason can there be for putting transport under public ownership? Who has ever doubted that transport of all things, has external effects?" (1973, p. 15).

Nove advocates the abandonment of "commercial" operation of public utilities and/or nationalized industries, a focus on externalities and the wider adoption of Cost-Benefit Analysis.[2/]

The ACTS proposed solution to the ending of passenger services on the railways[3/] is to depend instead on unregulated private bus operators.

1/ The case for and against the provision of subsidies especially Budget-financed subsidies, is outlined in Green (1974) and Palmer, Gwilliam and Nash (1984).

2/ The transport sector has been described as the externality industries per excellence. See for example, Thomson (1974) and Bonavia (1954).

3/ Suggestions for ending railway passenger services were made for the now defunct East African Railways; and of late for Zambia Railways which has been losing about US$2m annually on its passenger operations. (see Times of Zambia (1986). In both cases these recommendations were ignored because of wider socio-economic considerations.

It is unlikely that this would result in lower fares or provide adequate coverage since only profitable routes would be serviced; with bus schedules suiting bus operators rather than passengers. This could leave many ex-homelands - the hitherto discriminated against areas, and therefore deserving more attention in the post-independence era with erratic or no services. Even in the more advancedBritish conditions, deregulation of coach and bus services has, as Gwilliam et. al. (1985) have shown, caused somewhat similar problems.

CONCLUSION

The effects of Tanzania's socialist initiatives of 1967 and the vehicle rationing introduced in 1971 were discussed. And so is the mushrooming especially in the 1970s of public sector transport fleets. It is argued that this has occurred without appropriate planning, leading to poor implementation and capital waste: The launching of the NBS for example was done without a comprehensive analysis of the Tanzanian passenger transport problem to establish the magnitude of the task, and determine what NBS's contribution would be. Nor has the need and the manner in which both the public and private bus operators can share the passenger transport load been appreciated and resolved. Indeed although Tanzanian "ujamaa" socialism calls for public ownership of the "commanding heights" of the economy, major bus fleets inclusive, in the medium term at least, reliance on private bus operators cannot be ruled out. It could at the very least provide through competition, healthy yardsticks for checking the performance and efficiency of the public sector bus fleets.

The relative roles of rail and road passenger transport and the path, pace and extent of socialization of the bus industry need to be defined. The rapid expansion of the public bus industry in the 1970s was neither "to the extent necessary to prevent uneconomic competition with other systems of transport" nor for "the provision of adequate, suitable and efficient services" (TLA 1973), Section 27, Item (j)). It merely conformed with the State's determination to socialize the economy.

A smooth transition to independence in Namibia under UN Security Council Resolution 435 will spare the transport sector from the destruction that would have occurred if independence was won through "the barrel of the gun". It would however leave bus and coach transport operating with the colonial legacies of "separate development", etc. A rationalization of passenger transport to serve all communities; to adhere to least cost operations particularly in inter-modal complementarity and competition; to avoid wasteful competition, etc. is a top priority. Nationalization or launching of new public-owned transport fleets should, given the poor performance recorded in Tanzania-type economies be approached with extreme caution.

Although SWAPO upholds the superiority of a socialist system and will strive to advance it, given the current concrete situation and the manner of the attainment of independence, a mixed economy is in the offing at least initially. Thus in the short and medium term, private bus operators have a place in the Namibian transportation equation. Transport parastatals should, through regulation and proper price setting for transport services operate more economically and minimize the customer burden. Unless this is done, socialization of the transport industry may not represent an advance over the private enterprise system; at worst it could promote state capitalism rather than genuine socialism.

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