



**THE REPUBLIC OF ZAMBIA**

**MINISTRY OF TRANSPORT  
AND  
COMMUNICATIONS**

**REGULATORY IMPACT ASSESSMENT  
(RIA) OF IMPLEMENTING A  
STATUTORY INSTRUMENT (SI) TO  
SHIFT 30% OF HEAVY AND BULK  
CARGO FROM ROAD TO RAIL**

**DECEMBER, 2017**

**RIA TEMPLATE**

**Title of proposal**

➤ In full

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ZRL	Zambia Railways Limited
TAZARA	Tanzania Zambia Railway Authority
ZRA	Zambia Revenue Authority
TAZ	Truckers Association of Zambia
ZACCI	Zambia Chambers of Commerce and Industry
RTSA	Road Transport and Safety Agency
MoTC	Ministry of Transport and Communications
NRFA	National Road Fund Agency
RDA	Road Development Agency
GRZ	Government of the Republic of Zambia
RIA	Regulatory Impact Assessment
NAPSA	National Pension Scheme Authority
SI	Statutory Instrument
IDC	Industrial Development Corporation
CCECC	China Civil Engineering Construction Cooperation
HIV	Human Immune Virus
CREC	China Railway Engineering Group
TFR	Transnet Freight Rail
PPP	Public Private Partnership
CCP	Consumer Competition Protection
ZABS	Zambia Bureau of Standards
ZDA	Zambia Development Agency

## Definitions

Rail sub sector

*This refers to ZRL and TAZARA and any other railway operator in Zambia*

Rolling stock

*This refers to locomotives and wagons*

Heavy and bulk cargo

Contiguous railways

*This refers to neighboring and connecting railways to the railway network in Zambia*

Railway infrastructure

*This refers to railway tracks, buildings, signaling and tele-communications systems and ICT*

## **Executive Summary**

The role of the Government is to optimise various sectors in the economy in order to foster growth through efficient utilisation of the existing infrastructure. In this case, the Ministry of Transport and Communications has the duty to facilitate optimisation of the transport sectors. This will balance the transport sector through its various modes of transport which includes Inland waterways and maritime, Road, Rail, Aviation, etc. leading to optimal utilisation of each sector.

In the current situation, the rail share is approximately 5% as compared to the road share is about 95% out of which only 2% is handled by the Zambian transporters.

The proposed Statutory Instrument (SI) is aimed at achieving at least 30% railway share which will also promote an increase in the Zambian Truckers' share in the economy.

The production sector needs some level of rail and road share for optimisation of the sector. For instance the best combination for copper export should be 60% road and 40% rail, currently this is not being achieved. It is the concept of optimisation and railway logistics that the SI is proposing that 30% is allocated to rail. This will reduce the cost of doing business in Zambia making it an attractive destination in the transportation of international and local bulk and heavy commodities.

The SI will lead to the sustaining of the rail operations which will lead to the preservation of road infrastructure and reduced carnages and air pollution, reduction in expenditure on road rehabilitation and maintenance among other benefits to the Zambian economy.

This report analyses the current situation in the transport sector in relation to the transportation of heavy and bulk cargo. It also brings out the preferred option and the expected benefits to the GRZ, customers and transport sector of implementing the SI

## **1.0 Background**

Since independence, railway has been the most preferred mode of transport for haulage of heavy and bulk cargo. This was especially true for the mining products. However, from the early 1990s, the Zambian economy was liberalized and each mode of transport had to compete for sustainability. Further the government prioritized the road infrastructure development, neglecting the rail subsector therefore, making the road subsector the most preferred mode of transport.

The continuous use of the road for the transportation of heavy and bulk cargo has culminated into the rapid deterioration to the road infrastructure resulting in the damage to Zambia's roads, road carnages, congestion, safety and environmental damage.

The lack of re-investment in the rail sub-sector has resulted in deteriorated railway infrastructure, insufficient and unreliable rolling stock leading to low travel speeds, prolonged transit times thereby impacting negatively on the overall business competitiveness of the sector.

In the current legislation framework, there is no restriction and specific allocation for the modal transportation of goods. The legislation allows each mode of transport to compete in the freight market. However, the railway sub-sector has been disadvantaged in that the railway operators are required to undertake both rail operations and railway infrastructure maintenance. The road transporters use the road and do not participate in the road infrastructure maintenance works.

## **2.0 Baseline scenario**

### **2.1 What the problem will look like in future without intervention**

Lack of intervention implies that, the rail subsector continues to lose business to the road transporters. This will result in the failure by the rail operators to generate revenue that could be utilized for re-investment in the railway infrastructure and rolling stock for business competitiveness and sustainability.

Furthermore, this will result in not only continued damage to Zambia's roads but also in increase in road carnages, congestion, air pollution and environmental damage. The end result of the lack of intervention is that both road and rail modes of transport will be unreliable and unsustainable impacting negatively on the economy of the country. On the overall this will translate into enormous cost to the government.

Intervention implies guaranteeing particular business to the railway subsector thereby optimizing the transport sector.

## **2.2 With non- regulatory intervention**

Non regulatory intervention entails that a public body does not provide a change in policy direction or introduce a law to regulate the distribution of business to the various modes of transport, but rather will focus on particular challenges affecting the sector by providing the needed solution. In the case of the rail subsector this may mean investing in rolling stock, rehabilitating and upgrading the rail infrastructure and changing the management system to make it more responsive to the prevailing business conditions. The non-regulatory interventions are usually long term based and may result in longer interruptions (rehabilitation and upgrade) to train operations that may further cause the customers to shift to other modes of transport permanently.

## **2.3 With regulatory intervention**

With regulatory intervention the Government introduces a regulation, law or policy to govern the distribution of business among transport modes. The use of a regulatory intervention optimizes the transport sector, thereby preserving the road infrastructure, reducing congestion, damage to the road infrastructure, road carnage, and pollution. Furthermore, with regulation intervention, will lead to the reduction in the cost of doing business and promotion of the sustainability of the rail sub sector.

## **3.0 Risk assessment**

The proposed regulation will enable the railway sub-sector address the following risks in rail operations:

- i. Marketing Risks – Low market share**  
With guaranteed tonnage for the rail subsector arising from the regulation, the rail market share is expected to increase from the current 5% to 30%;
- ii. Financial Risks - Under capitalisation, debt risk, credit risk, poor cash flows**  
The increase in the market share as highlighted in (i) will lead to an increase in revenue that will enable the rail subsector address the financial risk for example under capitalisation, the rail sector will be able to re-invest the funds and also attract financing;
- iii. Legal Risk – Noncompliance on statutory obligations**  
The increase in the cash position in the rail subsector will enable them meet obligations eg. NAPSA, ZRA, Workers Compensation Fund;
- iv. Environmental Risks – land pollution as a result of spillages of toxic materials during derailments, land encroachments and vandalism**  
With the increase in the revenue base, the rail subsector will be able to embark on rail infrastructure in developmental projects that will address risks such as derailments and also develop the idle land that is being encroached; and also to fence it in order to safe guard the land.

According to Zambia Railway Limited Annual Reports from 2012 to 2016, the rail sector has on average been having 200 derailments per year. Furthermore, the rail transport is environment friendly as compared to

other the road transport given that the locomotives produce 22mg/ton-km toxic air as compared to 62mg/ton-km from the road trucks;

**v. Human resources risk – Loss of employment**

In the current situation of 5% market share, the rail subsector has a workforce of 3,000. This level of business can not sustain this labour force. Therefore, if the current situation continues, the rail sub sector will be forced to drastically reduce the work force to 1,200 employees. With the proposed regulation the rail sub sector will be able to maintain the current workforce and create additional 1,100 direct jobs and 3000 indirect jobs; and

**vi. Loss of revenue by the Government**

The proposed regulation will increase the tax base for ZRA. Since a train cannot be diverted to any other area different from the rail track, ZRA will be assured of total tax collection on behalf of the Zambian Government and this will increase the National Treasurers cash inflow.

Further, the proposed regulation will address the following risks in the road sub-sector:

**i. Cost of road maintenance**

Government continues to spend over ZMW2 Billion annually on maintenance of Roads. The average lifespan of most of our roads is 6 - 10 years compared to 50 years for rail and yet the cost of constructing a Km of rail line is just around USD1.8 Million against an estimated USD1.4 Million for the same distance of road. It therefore makes a lot of economic sense to invest more in Rail alongside Road infrastructure;

**ii. Road carnages**

On average, according to the Road Transport and Safety Agency data, 90 accidents do occur on our Roads per day and a total of about 2,000 lives are lost every year. The introduction of the SI will reduce the number of vehicles on the road; by over 1,000 annually this will go a long way in enhancing safety on the road.

**iii. Externalisation of revenue by Foreign trucks**

Further, the Zambian transport sector is largely composed of foreign road haulers and account for about 85% of the total road fleet currently traversing our road network. This entails that the revenue generated by these foreign road companies is all externalised to their countries of origin but the cost of maintaining roads in Zambia is financed by the people of Zambia thereby creating a huge economic imbalance and a negative contribution to the economic development of our country, Zambia. Most of the foreign owned road trucks also procure fuel from their country of origin and again no value is added to our economy. Even in terms of employment, our citizens do not benefit from these foreign trucking

businesses. The introduction of the SI will reduce this risk of externalisation of revenue.

## **4.0 The objective**

### **4.1 What the proposal or proposed regulation intends to do**

To optimize the transport sector; ensure that certain commodities are moved by appropriate modes of transport.

### **4.2 The Effects of the Proposal**

It will increase the market share in the rail subsector by 30% thereby improving the financial positions in the sector. It will go a long way in the preservation of the road infrastructure, reduce road carnages and pollution; reduce the cost of doing business in Zambia with improved rail efficiencies.

Various stakeholders stand to benefit from this proposal. These include ZRL and TAZARA – improved financial position, TAZ, ZACCI and its members, the mining industry and other sectors of the economy, – reduced cost of doing business. The NRFA, RDA, the Government – reduced cost of road maintenance.

### **4.3 General and specific objectives**

#### **4.3.1 General Objective**

To enact and implement a Statutory Instrument (SI) of shifting 30% of bulk and heavy cargo from road to rail for optimisation of whole transport sector and sustainability of the rail sub sector.

#### **4.3.1 Specific objectives**

- i. To engage and obtain the stakeholders' concerns and input;
- ii. To address the stakeholders' concerns and attain consensus;
- iii. To compile a stakeholders Consultative Report incorporating unanimous resolutions;
- iv. To prepare a draft Statutory Instrument (SI) incorporating stakeholders submissions;
- v. To seek clearance of the proposed SI and its impact on the business environment from the Business Regulatory Review Agency (BRRA);
- vi. To seek the legal opinion and clearance of the SI from the Ministry of Justice;
- vii. To seek approval for enactment from Cabinet; and
- viii. To enact and implement the Statutory Instrument.

## **5 Methodology**

### **5.1. Methodology used for stakeholders consultations**

The methodology used was through stakeholders' consultative meetings. To achieve the Statutory Instrument, the Government sought the input and feedback from

various stakeholders' over the introduction of the SI for a period of 6 months from January to June, 2017.

Four (4) stakeholder consultative meetings were held as follows:

#### First Meeting

1. On 11th January, 2017, the first consultative meeting was held at Intercontinental Hotel in Lusaka with the following stakeholders:

- Transport associations such as the Truckers Association of Zambia (TAZ);
- The Zambia Association of Chambers of Commerce and Industry (ZACCI) with some of its members;
- The Chambers of Mines of Zambia and its members (mining companies);
- The Zambia Association of Manufacturers and some of its members;
- Cement companies such as Dangote Cement and Lafarge;
- Transport logistics companies such as Impala/Trafigura Company Limited.

#### Second Meeting:

The second meeting was held with the following stakeholders in February, 2017 in Lusaka for the purpose of getting feedback from the first meeting:

- The Truckers Association of Zambia (TAZ),

#### Third Meeting:

The third meeting was held with the following stakeholders in March, 2017 in Lusaka:

- The Truckers Association of Zambia (TAZ),
- The Chamber of Mines of Zambia; and
- The Zambia Association of Chamber of Commerce and Industry (ZACCI).

#### Fourth (Final) Meeting:

On 29th May, 2017, the final consultative meeting was held in Kitwe with the members of the Chambers of Mines of Zambia (the mining companies), the members of ZACCI and TAZ.

During the aforementioned meetings, presentations on the SI were made stakeholders' inputs and concerns were sought. Subsequent meetings were held to get and incorporate feedback from stakeholders. Further, the Government, through the Ministry of Transport and Communications presented highlights on how some stakeholders concerns were addressed. (Attached are the reports for all the consultative meetings).

Insert Picture

In a bid to execute and incorporate all the legal requirements in the proposed SI, the Ministry of Transport and Communications wrote to Ministry of Justice requesting for legal opinion and clearance of the SI. The Ministry of Justice has amended the SI in readiness for gazetting. However, before the MOU is gazetted the Ministry of



Justice advised that the Ministry of Transport and Communications should make further consultations with the Business Regulatory Review Agency (BRRA) on the impact of the proposed SI on the business environment.

## **5.2 Methodology for the analysis of options**

The Government through the Ministry of Transport and Communications, visited various institutions and agencies such as RDA, RTSA, ZRL, TAZARA to obtain statistics on accidents, revenue, traffic flow and maintenance costs, etc. the obtained statistics were subjected to a cost and benefit analysis particularly for two modes i.e. road and rail for the purpose of choosing the most optimal option for optimizing the transport sector.

## **6 Options**

### **6.1 Option 1: Non Intervention- Maintaining the Status Quo**

Currently there is no restriction and specific allocation for the modal transportation of goods. The legislation allows each mode of transport to compete in the freight market. However, the railway subsector has been disadvantaged in that the railway operators are required to undertake both rail operations and railway infrastructure maintenance. The road transporters use the road and do not participate in the road infrastructure maintenance works.

#### **Cost**

- i. The deterioration of road infrastructure, congestion, road carnages will worsen which will eventually translate into huge repair and rehabilitation costs for the government;
- ii. As a result of lack of interventions (re-investment), the existing railway operators are not able to operate viably and sustain their existing work forces and other operating costs (infrastructure maintenance, rolling stock maintenance, fuel, etc).
- iii. Loss of corporate image
- iv. Externalization of revenue by foreign truckers that have dominated 85% of the market; the Zambian transport sector is largely composed of foreign road haulers and account for about 85% of the total road freight currently traversing our road network. This entails that the revenue generated by these foreign road companies is all externalised to their countries of origin but the cost of maintaining roads in Zambia is financed by the people of Zambia thereby creating a huge economic imbalance and a negative contribution to the economic development of our country, Zambia. Most of the foreign owned road trucks also procure fuel from their country of origin and therefore, no value is added to the Zambian economy. Further, in terms of employment, our citizens do not benefit from foreign road transporters.
- v. Lack of intervention will imply reduced revenue by railway operators and consequently lack of funds for expanding the existing railway reserves. This has contributed to the uncontrolled encroachment of the railway reserve by the general citizenry.

- vi. If the current business trend continues, investments in rail might not be re-cooped e.g the USD120 million investments in ZRL.

Benefits

- i. In all perspectives of non-intervention, the benefits for the rail sub sector can not outweigh the benefits to the road sub sector;
- ii. The road sub sector will continue to be more efficient with more benefits being enjoyed by foreign truckers and contractors;

**6.2 Option 2: Get the industry to impose a voluntary code of practice/self-regulation**

Among the players in the sector, they come up with self-regulations such as the distribution of the market share or restrict the movement of certain cargo by certain modes of transport such as rail, road, air or water.

Cost

- i. In this option, compliance is not guaranteed and therefore reverting back to the status quo which we are trying to come out off.

Benefit

- i. If compliance is adhered to, this could be an optimal way of transport utilisation.
- ii. This would result in an equal share in the market by all the transport modes.

**6.3 Option 3: Introduction of an SI**

With regulatory intervention the Government introduces an SI for the movement of certain heavy and bulk cargo by rail. The enactment of the SI optimizes the overall the transport sector.

Cost

- i. The cost of rehabilitating the railway infrastructure and leasing/ acquisition of rolling stock in order to increase capacity in line with the SI.

Benefit

There are many benefits that will accrue to the people of Zambia and indeed to the Government of Zambia for implementing the SI. The identified merits of this system include;

- i) Creation of Employment – The railway subsector will be able to generate an additional 1,100 direct jobs and 3,000 indirect Jobs. The shifting of certain cargo to rail will not affect the employment levels in the road transport sector because most of the trucks currently hauling cargo in Zambia are foreign. Further, where

there is no railway connectivity, the sector shall engage local road transporters through an inter-modal working arrangement.

- ii) Cost of Doing Business – Since cargo will be guaranteed to the railway subsector, the cost of transporting cargo will tremendously reduce thereby making the local manufacturing companies more competitive in the region.
- iii) Road Maintenance Cost – The annual expenditure currently being incurred by the Zambian Government will reduce. The funds saved can be channelled to other needy sectors of our economy.
- iv) Carnage Levels - Road Accidents will reduce thereby sparing many lives that are being cut short at the moment. Road safety will indeed be enhanced. Further, HIV infection levels will be reduced.
- v) Preservation of Rail Investment – The USD120 Million already invested and more to be invested will be preserved and fully paid back by the Railway firm.
- vi) Reduction of GRZ Expenditure - With the guaranteed freight traffic, the railway subsector will be able to raise the required finances for re-investment and thereby contributing to the National Treasury.
- vii) Air Pollution – Pollution levels which is 182% higher on road compared to rail will be tremendously reduced and the country will be within reach of the target set under the National Environmental Action Plan and other international “green” treaties.
- viii) Collection of Taxes by Zambia Revenue Authority (ZRA) – Since a train cannot be diverted to any other area different from the rail track, ZRA will be assured of total tax collection on behalf of the Zambian Government and this will increase the National Treasurers cash inflow. Further, the GRZ will be able to easily project future revenues.
- ix) Lead to High National Mining Data Integrity - Since mining firms will be obliged to confirm transportation of their selected cargo by rail, it is expected that Data on mineral exports out of Zambia will become even more accurate as the railway sub-sector will also be sending independent reports to the Government on the quantum of minerals exported by the country.
- x) Accelerated Economic Development – Being the backbone of any economy, the efficient Railway network will be able to contribute significantly to the improvements in the lives of many Zambians. The projected copper output levels in Zambia are too

high in the next 5 years and require an efficient, effective and environmentally friendly transport system for the country to benefit, otherwise the country will get “choked” with increased cargo considering also the increase in levels of goods being forecasted in neighboring countries.

#### 6.4 Cost Benefit Analysis of the Options

Below is the cost and benefit analysis particularly for two modes i.e. road and rail for the purpose of choosing the most optimal option for optimizing the transport sector.

<b>Cost Benefit Analysis (CBA)</b>			
	<b>Costs (C)</b>	<b>Benefits (B)</b>	<b>CBA = B - C</b>
Options	Total (annual ) Cost ZMW	Total (annual) benefit ZMW	ZMW
<b>Option 1: Maintaining the Status Quo</b>			
Repair of roads	2,000,000,000.00	0	(2,000,000,000.00)
Traffic Congestion	Through observation		
Road Carnages	2000 lives lost annually		
Air Pollution	62mg/ton-km (by trucks)	22mg/ton-km (by rail)	
Externalisation of revenue/ Revenue by rail	4,000,000,000.00 (externalised revenue by road)	330,000,000.00 (Revenue by rail)	(3,670,000,000.00)
Encroachment (the case of ZRL)	6,000 out of 8,600 Hectares has been encroached (cumulative) valued at approx. ZMW700,000,000	Monthly revenue of ZMW400,000 from lease of land. ZMW4,800,000	(695,200,000.00)
<b>Total</b>	<b>&gt;6,700,000,000.00</b>	<b>334,800,000</b>	<b>(&gt;6,365,200,000.00)</b>
<b>Option 2: Self Regulation (Likelihood of reverting to the status quo)</b>			
Non-compliance	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Option 3: Introduction of the Statutory Instrument</b>			
Maintenance of railway infrastructure	50,000,000.00		
<b>Hire/Acquisition of rolling stock:</b>			
Locomotives (21LocosX\$1000/DayX365)	77,000,000.00		
Wagons (2,000X\$40/DayX365)	300,000,000.00		
Projected annual revenue for the rail sub sector		1,200,000,000.00	
Job creation (1,100XZMW10,000/Month)		130,000,000.00	
Reduction in Road Maintenance		600,000,000.00	
<b>Total</b>	<b>427,000,000.00</b>	<b>1,930,000,000.00</b>	<b>1,503,000,000.00</b>

The CBA ranks the options with the highest benefits as the best. In the table above option 3 is the best as it has the highest net benefit of ZMK1.5 million.

## **7.0 Consultations**

### **7.1. List of departments and agencies consulted**

Find below the Departments and agencies consulted:

- The Ministry of Transport and Communications
- The Ministry of Commerce, Trade and Industry
- Ministry of Finance
- Ministry of National Planning
- Ministry of Mines
- Ministry of Energy and Water Development
- Ministry of Agriculture
- Ministry of Justice
- ZDA
- ZRA
- ZABS
- ZRL
- TAZARA

### **7.2 Public consultation process**

In order to introduce the SI, the GRZ sought feedback from various stakeholders over the introduction of the SI. On 11th January, 2017, the first consultative meeting was held at Intercontinental Hotel in Lusaka with:

- Transport associations such as the Trackers Association of Zambia (TAZ);
- The Zambia Association of Chambers of Commerce and Industry (ZACCI) with some its members;
- The Chambers of Mines of Zambia and its members (mining companies);
- The Zambia Association of Manufacturers and some of its members;
- Cement companies such as Dangote Cement and Lafarge;
- Transport logistics companies such as Impala/Trafigura Company Limited.

Three (3) more consultative meetings were held with the following stakeholders in February and March, 2017 in Lusaka:

- The Truckers Association of Zambia (TAZ),
- The Chamber of Mines of Zambia; and
- The Zambia Association of Chamber of Commerce and Industry (ZACCI).

On 29th May, 2017, the final consultative meeting was held in Kitwe with the members of the Chambers of Mines of Zambia (the mining companies), the members of ZACCI and TAZ.

All of these meetings provided the Government with a huge amount of valuable feedback.

### ***7.3 Feedback Received and Our Responses***

The feedback that was received and the issues and concerns raised by stakeholders throughout the consultation programme were critically analysed by the GRZ and the railway subsector.

The feedback and submissions received have helped in identifying some refinements to the SI and its implementation methodology.

The table below summarises the key issues raised by the stakeholders and the responses and identified initiatives by the railway subsector to address suggestions and comments received which were agreed to.

## Summary of feedback received and our responses

Main Concerns Raised and Feedback Received from the Stakeholders	Our Responses and/ or Initiatives in Response to Consultations
<ul style="list-style-type: none"> <li>Inadequate capacity by the railway sector in Zambia to support the transportation of copper especially from the three (3) mines from the North-Western Province</li> </ul>	<ul style="list-style-type: none"> <li>The implementation of the SI will be undertaken gradually and in a phased approach in line with the capacity of the railway sector in Zambia.</li> <li>An implementation plan will be created</li> <li>Where there is no railway connectivity, the movement of cargo will be moved by road to the nearest railway point for onward transshipment to rail.</li> <li>The railway sector is pursuing the implementation of intermodal terminal facilities in eight locations along the line of rail through PPP arrangements.</li> </ul>
<ul style="list-style-type: none"> <li>Inadequate rolling stock capacity in the transportation of mining consumables and products.</li> </ul>	<ul style="list-style-type: none"> <li>The railway sector in Zambia can easily access the rolling stock from foreign railway administrations such as TFR</li> <li>Discussions with TFR to hire rolling stock have reached an advanced stage</li> </ul>
<ul style="list-style-type: none"> <li>Proposed SI is conflicting with the Competition Act of Zambia</li> </ul>	<ul style="list-style-type: none"> <li>Section 8 of the CCP Act prohibits anti-competitive business practices whose objective is to distort competition to an appreciable extent. However, the act does not define what amounts to appreciable extent.</li> <li>Through the act, CCP can make exemptions to level the business playing field in Zambia.</li> <li>The office of the Attorney General will also be consulted on this matter.</li> </ul>
<ul style="list-style-type: none"> <li>The Percentage schedule in the draft SI needed to be reviewed</li> <li>Accessibility to Ports such as Walvis Bay considering that there is no railway linkage</li> </ul>	<ul style="list-style-type: none"> <li>This was done together with TAZ</li> <li>Where there is no railway connectivity, the movement of cargo will be moved by road to the nearest railway point for onward transshipment to rail.</li> <li>Priority to move the cargo will be given to local truckers.</li> </ul>
<ul style="list-style-type: none"> <li>The flexibility of railway transportation</li> </ul>	<ul style="list-style-type: none"> <li>There is an economic case to the combination of road + rail transportation system.</li> <li>Rail transportation allows for easy documentation in terms of tax and economies of scale.</li> <li>If one lands their goods early and in small parcels (not enough for shipping) at the port, they will start accumulating storage charges at the port.</li> </ul>
<ul style="list-style-type: none"> <li>Introduction of SI will be a punitive measure and would breed inefficiencies in the economy</li> </ul>	<ul style="list-style-type: none"> <li>GRZ wants to optimize the utilization of all transportation systems in logistic chains and to see the movement of cargo by appropriate modes of transport.</li> <li>GRZ will also look at the possibility of coming up with instruments to incentivize the movement of cargo by rail by transporters.</li> </ul>
<ul style="list-style-type: none"> <li>The tariff rates- are they going to be competitive in all routes</li> </ul>	<ul style="list-style-type: none"> <li>With guaranteed traffic, ZRL will be able to reduce its tariff rates thereby contributing to reducing the cost of doing business in Zambia.</li> </ul>
<ul style="list-style-type: none"> <li>Double handling of cargo might increase transport costs in situations where we have to combine road and rail transportation.</li> </ul>	<ul style="list-style-type: none"> <li>ZRL is pursuing the implementation of intermodal terminal facilities in eight locations along the line of rail through PPP arrangements.</li> </ul>



## **8.0 Implementation Plan**

An inspectorate will be created and housed in the MTC to ensure compliance of the SI regulations.

### **8.1 Assessment Of conformity and ensuring compliance**

The inspectorate will carry out the following functions:

- a. upon giving reasonable notice and on production of an identity card, to enter into the premises and inspect a manufacturer or producer's production of the commodities set out in the SI for the purpose of ensuring compliance with the SI regulations; and
- b. To report to law enforcement agencies any contravention of the SI regulations

### **8.2 Availability of Resources**

The inspectorate will be housed in the MTC where skilled manpower is available while equipment and finances will be provided. The composition of the inspectorate will include and have representation from various Government institutions and agencies.

### **8.3 The anticipated obstacles to compliance and enforcement**

#### **8.3.1 Compliance**

We expect levels of compliance to be low in the initial stages such as disclosure of actual production figures however, as we go along some loop holes will be identified for enhanced compliance to the SI regulations.

#### **8.3.2 Enforcement**

In terms of enforcement we foresee inertia unless special units are created within the law enforcement agencies such as the Zambia Police, Zambia Revenue Authority, etc.

### **8.3 Transitional arrangements of Introducing the SI**

The outline of transitional arrangements of Introducing the SI is as follows:

- i. Establishment of inspectorate unit at the MTC
- ii. Sensitization
- iii. Development of a service design
- iv. Capacity building
- v. Implementation
- vi. Monitoring
- vii. Enforcement

### **8.4 Capacity building plan**

The objective is to enhance capacity in terms of human resource, rolling stock and rail infrastructure to meet the increased traffic that will come as a result of the introduction of the SI. The table below outlines the capacity building plan.

No	What/Activity	When	Responsible parties
1	Rolling Stock – acquisition of wagons and locomotives	Discussions have commenced with neighboring railway administrations and potential financiers	GRZ ZRL TAZARA IDC
2	Rail Infrastructure – restoration, rehabilitation and upgrade	MoU's have been signed with Transnet, CCECC, CREC, Bombardier, Assessment of the condition of the track has been done, and areas needing attention have been identified. Feasibility studies have been for the recapitalization of the railway sub sector	GRZ ZRL IDC TAZARA Transnet, CCECC, CREC, Bombardier,
3	Human Resource	Man power and issues of capacity building levels have already been identified	GRZ ZRL TAZARA

### 8.5 The Awareness Strategy

The objective of the Awareness Strategy is to sensitize key stakeholders such as employees, customers, contiguous railway administrations, law enforcement agencies and the general public on the SI. The table below shows the outline of the Awareness Strategy.

No	What/Activity	When	Responsible parties
1	Employees – ensure mindset change in employees to help in the implementation process.	On-going through meetings and discussions	ZRL TAZARA GOVT
2	Customers – on the awareness and compliance aspect	Wide consultations have been undertaken with the customers ie from January – June, 2017	ZRL GOVT TARZARA
3	Contiguous railway administrations	Engagements have been undertaken and are fully aware of the proposed SI. Updates	Rail sub sector

		are provided regularly	
4	law enforcement agencies	Immediately the SI is signed	Govt Railway sub sector
5	general public	Immediately the SI is signed	Govt Railway sub sector

## 9.0 Monitoring and review

### 9.1 The Effectiveness and Frequency of Measuring the Implementation of the SI

The railway sub sector will be having movement reviews for the commodities and routes that are targeted in the SI which will be done monthly.

### 9.2 Measurement of Success of the Implementation of the SI

The measurement of success of the implementation of the SI will be done by comparing tonnage moved for respective commodities and the production figures from respective customers taking into account the percentage allocated to rail as per schedule below.

Commodity	Agreed Rail Share
Copper/Copper-Cobalt Concentrates	40%
Coal - Local	50%
Coal - Imported	50%
Sulphur	40%
Sugar	40%
Cement	50%
Fuels - Local	40%
Fuels - Imported	50%
<b>Total</b>	

### 9.3 Source of the data and Indicators to be used for Monitoring Implementation

Data will be sourced from the producers and manufacturers production reports. The inspectorate shall enter into the premises and inspect manufacturers or producers of the commodities set out in the SI.

In terms monitoring, the indicators to be used will be production Tonnage moved per month as compared to the rail sub sectors allocation for that particular commodity.

## Summary and recommendation

The benefits to the transport sector and to the economy of optimising the utilisation of all the transport modes are several. The proposed SI will lead to the optimisation of the transport sector, resulting in reduced cost of business thus making Zambia a preferred destination for investment. Furthermore, the country will benefit by allowing the railways to play its role in the economy, contributing to prolonging the life of our roads reducing carnage levels, etc.

Therefore, having considered and analysed the available options, we recommend option 3 that is the introduction of the SI. With regulatory intervention the Government introduces an SI for the movement of certain heavy and bulk cargo by rail. The enactment of the SI optimizes the overall the transport sector.

**Contact Person**

All RIAs should give a contact point for enquiries and comments. This should consist of a name, department, title address, telephone number and email address.

Name:.....  
Department :.....  
Title:.....  
Email address:.....  
Cell No:.....  
Signed: .....  
Date:.....