CITY OF WINDHOEK INTRODUCE NEW, MODERN BUSES

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An Overview to International and Regional Transport Economics

1. The Role of International and Regional Transport Systems
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LEARNING OUTCOME

- Describe international and regional transport with respect to the Namibian Context
- Discuss international transport activities
- Explain Cross Border Transportation in the Namibian Context
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REGIONAL TRANSPORT IN THE CONTEXT OF AFRICA

- Facilitators / enablers of International Trade
  - Global
  - Regional
  - National
  - Industry
  - Supply chain
  - Technology
ISSUES - INTERNATIONAL TRADE

- Interdependence of economies - mutual dependence between countries
- Political will
- International trade
- Market dictates
- Disasters and relief requirements
- Infrastructure
- Technology
- Challenges, conflicts and accessibility
Why do firms go international?

- Historical perspectives
  - Political
- Trade arrangements
  - Economic force
- Balance of payment
  - Geographical influence
- The balance of payments, also known as balance of international payments, of a country is the record of all economic transactions between the residents of the country and the rest of the world in a particular period (over a quarter of a year or more commonly over a year).
Absolute advantage

In the theory of international trade, a country or a firm has an absolute advantage if it can produce a product (good or service) more efficiently (cheap) than others.

Absolute Advantage - Refers to the ability of a party (an individual, or firm or country) to produce more of a good or service than competitors, using the same amount of resources.
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<thead>
<tr>
<th>Part</th>
<th>Shoes per hours</th>
<th>Number of employees</th>
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<tbody>
<tr>
<td>A</td>
<td>5</td>
<td>3</td>
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<tr>
<td>B</td>
<td>10</td>
<td>3</td>
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Party B has the Absolute Advantage
Party A can produce 5 shoes per hour with 3 employees
Party B can produce 10 shoes per hour with 3 employees
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- **Natural advantage**
- Acquired advantage - The advantage gained by gaining knowledge instead of depleting Natural Resources
  - Technologies
  - Skills set
- Competitive environment
- Customer base
- Local vs international
- Enlargement – extension/ spreading out
- Resource acquisition
- Diversification - branching out
Trade Arrangements - Namibia

- Southern African Customs Unions (SACU)
- Southern African Development Community (SADC)
- Africa, Caribbean and Pacific (ACP) Countries
- World Trade Organization (WTO)
- SACU – European Free Trade Area (Iceland, Liechtenstein, Norway and Switzerland) Trade Agreement
- SACU-MERCOSUR (Argentina, Brazil, Chile, Paraguay and Uruguay) Trade Agreement
- SACU- India Preferential Trade Agreement
- Forum for China - Africa Cooperation (FOCAC) - Dec 2015
- Namibia – China Bilateral Agreement
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Balance of payment

- BOP is a method countries use to monitor all international monetary transactions at a specific period of time.
- Is calculated every quarter and every calendar year.
- All trades conducted by both the private and public sectors are counted for in the BOP in order to determine how much money is going in and out of a country.
- When a country received money - credit.
- When a country paid out money, the transaction is counted as debit.
- BOP of a country need to be Zero. Meaning the assets (Credits) and Liabilities (debts should balance).
- BOP can tell if country has a deficit or a surplus and which part of the economy the discrepancies are stemming/reducing.
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Transportation modes in IB

- International logistics typically involves multiple transportation modes
- Land transportation is conducted via highways and railroads
- Ocean transpiration is handled through large container ships
- Air transportation involves commercial or cargo aircraft
- Ocean and air transport are common in IB because of long shipping distances
- Ships are the most common transportation mode
Sea transport was revolutionized by the development of 20 – and 40-feet shipping containers, the big boxes that sit at top ocean going vessels.

Sea transportation is very cost-effective because one ship can carry thousands of these containers at a time.
With this: Students also required to discuss in depth the Modes of Transport, Characteristic, Advantage and Disadvantage as well as on the part of modes of Transport integration.

(already cover in previous courses)
Class Discussion!

- In spite of technological advancement in transport. Developing countries continue to face challenges in accessing global markets
- Why?
One could argue that:

- dependence on neighbors,
- infrastructure,
- dependence on sound cross border political relations,
- dependence on neighbor peace and stability,
- dependence on neighbor administrative practices
International distribution network

- Embrace decision-making evolving around most suitable and acceptable method of transporting goods from seller’s supply point to the buyer’s premises
- Network is customer, market and logistically driven
Infrastructure requirements for International freight

- Networks
- The way
  - Sea
  - Land
  - Airspace
- Terminals
  - Space
  - Handling equipment
  - IT systems
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Current trends

- Growth of hub and spoke network
- Global container network
- Expansion of airport and seaports
- Improved overland infrastructure service strategically located points
 Enables for intermodal traffic

Some of the enablers for international freight movements are:

- Airplane
- Truck – road
- Railway
Class discussion

What are the strengths and weaknesses for each of the modes below?

- Road
- Rail
- Sea
- Air
- Pipeline
Containerization

- Containerization is one of the main driving forces to change that emerges from the globalization process and the large scale adaption of the containers since the late 1960s.
- Worldwide container port throughput increased, and East Asia has become the world’s main container region.
Air Namibia has Cargo Offices and Agencies in more than 20 Cities of the world

Handle Cargo as well as items in aviation categories as dangerous goods

Transport perishable good (such as Fish, Meat and Fresh Flowers) mail documents, live animals, Personal Effects, Human Remains and Ashes, Hunting Trophies and other commodities
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Deep sea Movements

- Transportation of freight between continents e.g. Namibia (Africa) and USA and Europe
- Competition is high as a result Shipping line fly flags of nations with lower shipping costs
- Deep sea movements made up of three categories of services
  - Liner – regular, scheduled stops at ports along a route
  - Non-liner - scheduled individually by a customer who charter/license/bond the ship to carry its cargo
  - Tanker – liquid cargoes, especially crude oil and petroleum products
- NB: USA remains the largest trading nation accounting for about a quarter of world’s import and exports
Logistics hubs

- Logistics Hubs is a centre that facilitates more than one mode of transport
- **Transport is managed in such a way that:**
  - It simplifies the process
  - Aims to make it seamless / favorites
  - Driving costs down
- **It facilitates logistics activities such as:**
  - Warehousing
  - Transshipment which results in the provision of value added services
  - Complete end to end solution to the customers
- In doing so, optimizing existing transport infrastructure
Roll-on roll-off cargo (RORO Services)

- Has developed as a means of transporting road vehicles on short-sea crossing. Eg. Across the English Channels and Irish Sea.
- Freight is loaded onto a road vehicle at some inland origin, then vehicle is driven to appropriate port and upon arrival at port vehicles is driven straight onto a vessel.
- Driver then takes their break whilst the vessel delivers vehicle to next port.
Factors influencing recent trends in International Road Freight Transport

- **Infrastructure**
  - International and regional road network
  - E-highways in Europe and other parts of the World

- **Policy / regulation**
  - Agreements between countries in international road freight transport
  - Liberalization of international road cargo / freight transport
  - **Incoterms 2010 - International Commercial Terms** – it is used to indicate where the risk of loss of or damage to the goods passes from the seller to the buyer

- **Operations**
  - Crime against road cargo / freight

- **Technology**
  - Vehicle technology (GPS)
  - Information and Communication Technology (ICT)
Home work

1. How do you think Cross Border Transport between South Africa and Namibia can be improved through the application of any transport Economics Principles?

2. Incoterms 2010 - current status?

3. RORO Services?
One of your friends, Natangwe, can print 5 t-shirt and make 3 Cups an hour. While your other friend, Mike, can print 3 t-shirt an hour and make 2 cups an hour, both have 3 employees.

Which one of your Friends has Absolute Advantage over the other?
Cross Border Transport – permit

- Operators must apply for the appropriate cross-border transportation permits to the issuing authority in the country where they are based.
- In South Africa all permits are issued through the Cross Border Road Transport Agency, where applicants can obtain the necessary forms.
- Once the relevant parts of the form are completed, the application must be submitted by hand, post or fax.
Applications must be accompanied with proof of identity of the individual or business, a valid roadworthy/clearance certificate (or copy) for the vehicle concerned and the application fee.

The application fee is non-refundable even if the application is unsuccessful. Permits for up to 3 months (14 days for passenger transport) can be issued immediately at the discretion of the Agency while the application for a long-term permit (12 months) is considered.

When renewing a permit, applying for a duplicate, additional authorisation, or a change of route, only the vehicle’s roadworthy/clearance certificate needs to be furnished.
A permit may only be used by the permit-holder named and cannot be transferred to any other operator. Also a permit is valid solely for the vehicle it specifies, although a permit can be obtained for a replacement vehicle should the original vehicle have been lost, stolen or scrapped.

As permits are not required for trailers (except where cabotage is involved) in the case of an articulated vehicle, a permit is issued for the truck-tractor not the semi-trailer.
Cross Border Transport (CBT) defined as, -

- The buying and selling of goods and services between businesses in neighboring countries, with the seller being in one country and the buyer in the other country, for example, a company in the United States selling to a company in Canada,

- CBT also refers to international trade and international selling
Cross border Transport is a macro-regional integration initiatives, driven by the region. Aimed to deal with Regional boards—transcending / go beyond problem such as Transport and the environmental degrading. CBT - Transportation of passengers and good across border of countries. International and Regional transport economics cannot be understood without the principles of cross boarder transport.
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Cross border road transport agency (CBRTA)

- The CBRTA is a South African agency - is a major watchdog / regulator of transport in SADC
- It was created to regulate cross border road transport by providing unmatched / unsurpassed service through advising, facilitation and law enforcement
- CBRTA major function is to promote economic development within the SADC
- Through facilitating entrée to cross border markets
- Improving the regulatory environment for trade and transport within the SADC region
The Aims of the CBRTA

- Improve the unimpeded / unrestricted flow of cargo /freight and passengers in the region
- Introduce, regulate competition in respect of cross border road transport
- Reduce operation constraints for the cross border transport industry as whole
- Enhanced and strengthen the capacity of the public sector in support its strategic planning, enabling and monitoring function
- Empower the cross-border road transport industry to maximize business opportunities and to regulated themselves increasingly / incrementally
- Improve safety, security, reliability and efficiency of services
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Regulatory

- The regulatory division is responsible for the issuing and facilitation of all cross-board permit
- No person may undertake cross-border road transport unless he or she is the holder of a permit
- One should apply to the regulatory committee for a cross border permit
- Both South Africa and foreign carrier must equally apply to his/her competent authority for a permit to do cross border road transportation in SA
- Regulatory Division is responsible for the issuing and facilitating permits
- Both SA and Foreign must get permit authorizing the part of the road undertaken in the territory of the Republic
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Facilitation

- The facilitation Division ensures the consultation and partnerships with other key role players within South Africa and SADC are fostered and maintained.
- Cross border facilitation is critical component of regional cooperation in the transport sector.
- The facilitation function focus on the building and strengthening of relationship between stakeholders and authorities that are necessary to render good cross border transport service.
- The mitigation of non-physical barriers to the cross border movement of goods and people is important to:
  - Increase efficiency
  - Reduce cost
  - Maximize the economic benefits with SADC and SACU
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Law enforcement

- The law enforcement division monitors the transporter / carriers through country-wide inspection and ensures that the carrier / transporter operate within the prescribed legal limit / parameters
- These are the powers of the our Roads Transport inspectorate
- Question the driver or a passenger stopped
- Direct the driver or passenger of the vehicle which was stopped to produce any prescribed documents
- Confiscate / impound a permit which has been specified in a written order issued by the regulatory committee
- Request the driver or a person in charge of the vehicle to open the vehicle to enable him/her examine the contents in the vehicles
- Deliver the goods or the vehicle which has been impounded to a police officer
The advisory function is to advise the Ministry of Transport on cross border road transport policy issues and counteract restrictive measures implemented by other states.

The advise the Ministry of Transport as the need arise or when request to do so in matter including:

- The objectives of integrates transport planning
- Strategies to reduce operational constraints
- The phasing in of the measures to liberate market access
- By other states
- Strategies to counteract restrictive measure implemented
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Cabotage

- Cabotage is the transport of goods or passenger between two points in the same country by a vessel or an aircraft registered in another country
- Cabotage right is a right of a company from one country to trade in another country
- Economically, cabotage regulations that limit trade to domestic transporter / carrier constitute a form of protectionism
Trade between Namibia and South Africa as Basis for Cross-Boarder Transport

- Trade Skewed Towards South Africa
- Skewed mean an excess or more than normal. It simply mean that Namibia trade with South Africa has the highest volume
- Namibia trade in the SADC region is heavily skewed toward South Africa, which account for 98% of SADC imports into Namibia and 75% of Namibia exports to the regions
- Other important export markets for the Namibia include Angola and the Democratic Republic of Congo
- Namibia is a producer of meat, fish, beverages and semi-precious stones in the region
b) The Trans-Kalahari Highway

- The Trans-Kalahari Highway into Botswana Gauteng, the Trans-Caprivi Highway into Zambia and the DRC and the Trans-Cunene Highway into Angola are instrumental in the drive for diversification / reducing risk of trade partners.
- The process of Regional Trade diversification is slow for the following factors:
  - Similarity in production patterns and competitive advantages across southern Africa (excluding South Africa)
  - Limited variety of Namibian Home-grown/produced goods fit for the SADC Market
  - Access to premium export markets for Namibian beef, fish and grapes (EU)
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- Infant stage of development of the manufacturing sector in Namibia, with limited input requirements
- High transport costs, also due to cabotage law applied by SADC member states which does not allow an empty truck to carry back a cargo from a third country

Example:
- South Africa Truck dropping off a cargo in Namibia may not pick up a cargo in Namibia destined for Botswana, even though this truck is using the Trans Kalahari Highway, linking the three countries
Non-tariff Barriers (NTB) Affecting Trade in the Region

- A Number of NTB’s are identified that could affect the trade in the Region

**NTB’s identified for urgent action includes:**

- A review of general import and export licensing with a view of abolishing it.
- Establishment of sunset clauses for specific import quotas and restrictions
- Establishment of Single Focal Point for all import and export related licensing, including e.g sanitary
NTB’s identified for urgent action (con’t)

- Strict monitoring of the measures introduced for industry protection and or/ import substitution purposes
- Introduction of Single Administrative Document (SAD) for all SADC trade
- Facility for automated pre-clearance by traders / freight forwarders in all ASYCUDA and other customs clearance systems utilized by SADC countries
- ASYCUDA - Automated System for Customs Data (Asycuda) is a computerized system designed by United Nations Conference on Trade and Development (UNCTAD) to administer Customs clearance processes.
NTB’s identified for urgent action (con’t)

- Computerization to speed up immigration control at SADC borders
- Establishment of a SADC Bureau of Standards, with presence in each SADC country, (absorbing existing capacity of individual country bureaux)
- Introduction of strong SADC Institutional Capacity to enforce expediently anti-dumping measures and other measures against unfair trade practices
Class discussion

1. What do you view the most important goals of the CBRTA?

2. What do you view as the most important role of the facilitation functions?

3. Why is law enforcement so important - CBRTA?

4. Why is the advisory function important in cross border transport?
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Any questions?
Thank You.