Workshop on NTBs: Synopsis of Discussions

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Business Unity South Africa Offices

1. Background

Substantial work on detailing the nature of NTBs has been done in the region, notably the Imani report compiled for the SADC Secretariat in 2005, which revealed that customs and border posts were at that time the major problem areas. A recently released Barloworld Logistics report suggested that, as an average,15% of the final product cost for the major SA companies surveyed relates to logistics, of which half is transport. Hence a broader definition of NTB, as adopted in SAIIA's report on SA-Zimbabwe trade via Beit Bridge[1], should include logistics-related obstacles to trade.

From this standpoint the key finding of this study is that approximately 25% of the transport costs involved in moving goods through the Durban-Gaborone corridor are accounted for by Non Tariff Barrier type impediments-with major cost elements including:

- Toll roads: Gaborone-Jhb 18 stops
- Border posts – why stop twice when we are in a customs union?
- Port charges have decreased considerably per container, but harbour carrier permits are still required
- Poor state of roads, especially in Botswana, partly owing to diversion of overloaded traffic from Grobler's bridge.

2. Discussion

The discussion was wide-ranging, although a series of issues centered on toll-roads, given their prominence in the findings. Delegates asked specifically whether there is much point questioning their impact in light of the fact that they are here to stay. In response it was pointed out that the fuel levy is not being used to pay for construction of infrastructure which in turn explains the

[1] See http://www.saiia.org.za/modules.php?op=modload&name=News&file=article&sid=1102

proliferation of toll roads. This in turn implies that if the fuel levy could be redirected to its original purpose the problem could be alleviated. However, this may not be a realistic option in light of the probability that the road network is being used to fund upgrading of rail. In this regard one delegate questioned whether government appreciates the value of a healthy, functioning road network? In this light it was also noted that a number of other fees are bundled into road user charges in the region, eg: carbon taxes and hazardous substances charges. Finally, questions were also raised about the impact of tolls on informal trade – a lifeblood of poor communities on both sides of the border.

Delegates also considered alternative options. One asked the question: what if toll roads weren't in place – would the current roads exist? Others raised the possibility of implementing user charges instead of tolls, as Botswana does. What about implementing technological solutions, ie embedded credit account micro-chips in the windscreens of vehicles thereby reducing the amount of time wastage/downtime at toll plazas? But who would pay?

The regional dimension to these issues was also discussed. One delegate asked why do we need borders within SACU? In response it was noted that the SACU revenue-sharing formula requires member states to retain internal border posts in order to monitor the value of internal (to the customs union) trade thereby ensuring their share of the revenue. But what if the revenue-sharing formula could be de-linked from the value of internal trade?

Even if it could, one delegate noted that there are still up to 17-18 government departments represented at border posts (both sides), therefore getting rid of border posts is not a simple matter. It was pointed out that nonetheless this problem could be alleviated by implementing one-stop border posts, rather than the current two-stop process which consumes time and money and is inefficient from the logistics standpoint. Furthermore, it was noted that the regional economic communities are working towards establishing corridor management institutions which can then set up "observatories" to monitor trade blockages along the corridors. But some reservations were expressed about the efficacy of these monitoring processes, especially if SADC is involved.

Concerning the potential for follow-up work it was noted that the study had not covered rail and should be extended to ports, which would be expected to include shipping and broader competition issues within the transport industry. It was also noted that future work should distinguish between regulatory costs and user charges (in respect of which it should draw on the World Bank's Doing Business report in which SA was rated 124th on the cost of doing cross-border trade). Finally, it was suggested that SA should be compared to similar emerging markets and developing countries elsewhere in order to get a proper sense of how we rate internationally.