SADC BUSINESS CASE STUDIES

Various surveys and indices have identified major business constraints in SADC. These include independent assessments of the regional business climate plus studies that specifically reflect the views of the private sector. These assessments have been undertaken over a number of years but there has been little follow up by policy makers or attempts to address the identified constraints. To assist in this regard, the SADC Secretariat in collaboration with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) has initiated a research and dialogue project that aims at identifying the most important business constraints for the SADC region and making them more tangible by conducting firm level case studies on the identified constraints. This is one of the collection of case studies.

On behalf of
Federal Republic of Germany
The Federal Government

A CASE STUDY ON
DB SCHENKER

MARCH 2012

FIRM OVERVIEW

Name	DB Schenker
Nationality	German
Sector	Transportation and Logistics
SADC countries where doing business	Almost all SADC states

BACKGROUND

DB Schenker is a well-established German multinational company that specializes in transport and logistics, with 2000 locations in more than 130 countries worldwide. The company has established a global network geared towards providing sustainable quality customer service. DB Schenker is one of the biggest companies in the world that are operating in the transport and logistics sector, employing about 94,600 workers worldwide. Although DB Schenker has been operating in African countries for many years, it recently decided to increase its footprint in the region by opening up a new subsidiary in Namibia with two offices in Windhoek and Walvis Bay. The services provided by the company include Air and Ocean Freight, Freight Forwarding (Road and Rail), Customs Clearing, Warehousing and Distribution, Courier Services, and Ground Handling.

BARRIERS ENCOUNTERED

Of particular concern to DB Shenker is the new taxation on the services industry which is applicable between Namibia and South Africa. The interviewee described the formulation of the tax system as having not taken all the factors into consideration. The law to accrue cross border transactions provides that they (exporters) pay 25% of SA tax before the transaction is executed. This state of affair is described as worrisome and raising concern about the future outcomes of the tax system if it is not resolved at a political level.

A potential future challenge noted was the lack of road maintenance and the impact this can have on the transport industry in the region. If roads are not maintained then transport times increase as do the costs of insurance.

Other barriers are not a concern to DB Schenker, including access to finance and management of operational costs and volatility of the exchange rate (except at minor level with regards to the currency fluctuations in Zimbabwe and Angola).

It is interesting to note that DB Schenker described custom regulations and procedures as of no concern because these are basic directives which they have to adhere to like any other law abiding investors. Corruption was described as an African habitual practice which does exists, and will always be there.

Since DB Schenker has only officially taken over Desert Logistics in April 2012, they are still not in a position to identify skill gaps in their operations. However, the company has taken on all the employees previously employed by Desert Logistics and the service rendered by the employees so far is described as satisfactory. Thus, all the employees ranging from low-level to middle management are Namibian nationals.

IMPACT OF BARRIERS

The respondent indicated that DB Schenker-Namibia is still at its infant state, thus the impact of a harsh tax regulation between Namibia and South Africa is not yet felt. However, it is imperative to highlight that should this state of affair persist, it may have a long term effect on the financial survival of the company which may force them to close down.

FIRM RESPONSE TO BARRIERS, INCLUDING INTERACTION WITH POLICYMAKERS

They have tried to be strategic in determining ways to manage this issue but they described the situation as very complex because it has not been done before by the company.

DB Schenker-Namibia is only a month old in the industry therefore they have not yet engaged with government officials on the tax barrier encountered.

This remains to be seen based on the experience over a longer period and any future interactions with policy makers.

ADDITIONAL COMMENTS AND SUGGESTIONS

The respondent concluded by emphasizing that the taxation system on cross border trade between Namibia and South Africa is very unique compared to other SADC states. Therefore, the governments of the two countries should revisit the structure of this tax system, because, as much as DB Schenker is trying to adhere to the rules and procedures pertaining to terms of trade between the two countries, nobody knows what the outcomes of this taxation system may be in the future.

Continual maintenance of corridors (Trans Kalahari etc) should be considered a priority to ensure effective service delivery.

DB Schenker did make some positive observations about the business climate in SADC which are worth noting:

1. Communication technologies are of a superior standard.

2. There is a sense of transparency rwegarding issuance of business licenses and investment permits in SADC countries.