ANNEX 5

Zambia's Road Freight Industry and Business Practices in Southern Africa

Zambia's road freight industry faces competition from other Southern African operators. Several foreign trucking companies operate extensively along Zambian main transport corridors. The importance of foreign operators can be seen in table A5.1, which gives the estimated[1] numbers of trucks that operate on a continuous basis on the different routes and that are registered in other SADC countries. The market is therefore highly competitive, but Zambian trucking companies' market share is close to 40 percent, which is more than the "real" market share of landlocked countries in other regulated systems.

The number of foreign trucks operating in Zambia is high because Zambia is a net exporter in terms of freight volumes. Consequently, this makes it economically viable for South African companies to undertake turnaround trips. The South African fleet is the most important in the subregion, benefiting from economies of scale. The Gauteng heavy truck fleet is about eight times larger than the Zambian fleet.[2] Thus, some large South African trucking companies have taken over control of several large Zambian companies, which is also a specificity of Zambian trucking industry. Foreign direct investment in the trucking industry has been the main solution South African companies found to bypass market/entry barriers. However, it is worth noting that although some large companies benefit from South African capital, they are run by Zambian management.

Table A5.1 Indicative Cost Factor Ranges for Zambia and South Africa Trucking Companies Operating to and from Zambia

Cost factor	*Zambia*	*South Africa*
Truck acquisition		
Used trucks	Used trucks—purchase from Europe or America. No government incentives to renew fleet.	Used—purchased on domestic market. Levels of utilization would not be able to meet costs of new truck.
Financing	Self-financing, informal borrowing, local interest rates said to be high.	Local banks, but finance charges are high (17 percent).
Lifespan	8–10 years	5–10 years
Trailers	Bought locally or South Africa.	Bought locally.
Spares and tires	Keep in-house stock, bought directly from suppliers. Borrowed financing.	Limited in-house stock for routine maintenance needs. Other spares readily available on local market.
Average annual mileage range	96–108,000 km per year (one company reported as high as 120,000 km per year). Vehicles make 2–2.5 trips per month.	96–108,000 km per year for cross border and up to 240,000 km per year for domestic operations. Vehicles make 2–2.5 trips per month.
Fuel costs (2007)	*US$1.50 per liter*	*US$0.88 per liter*
Turnaround time	8–12 days	7–14 days
Downtime because of breakdown	Minimal, but total downtime including maintenance can be up to 20 percent of the time.	1–2 percent of the transport time, stringent maintenance regimes.
Empty running	0–5 percent, better able to secure export traffic, which is thinner so minimizes empty running.	0–5 percent, agents in each country.
Weighbridges	Roads authority, spend on average three hours waiting. Offload if overloaded, driver and transporter fined.	In-house, municipal for self regulation. Offload if overloaded, driver and transporter fined.
Labor	Shortage of well-trained drivers. Bonus for drivers.	Not an issue. Drivers paid mileage bonus.
Rates	Rates determined by RSA operators.	Fro example: R 28,396 for Johannesburg–Copperbelt (approx. US$4,028) for a 34 ton payload, or approx. US$118 per ton. Range is US$90–170 per ton. Export rates can be 60–100 percent of import rate.

In terms of freight rate determination, once the agents are approached by a shipper, they obtain quotes from trucking companies and negotiate a rate within the limits set by the shipper with an allowance for the agents' own margin. The large agents insist that they work with reputable and large transport companies so they are better able to deliver a reliable service. The agents, who deal mainly with import traffic, prefer to use South African trucking companies.

Despite the existence of a competitive shipping agents sector, some of the trucking companies are increasingly entering into direct contracts with the shippers. As a result of the trend toward direct contracting, shipping agents have to adapt and offer more comprehensive logistics services.

Contrary to widespread trends in West and Central Africa, and to a lesser extent East Africa, axle load regulation is widely enforced. That is what was concluded from the results of an independent axle load benchmark test carried out in October–November 2006 in Zambia. At a mobile weighbridge located just before the Kafue Weighbridge Station coming from Chirundu, only 4.22 percent of the tested vehicles were loaded with more than 5 percent of the gross vehicle mass (compared with 7 percent in 2005). At Kapiri Mposhi, only 4.33 percent of vehicles passing through the mobile weighbridge were overloaded, down from 35 percent in the previous test. This is attributed to strict enforcement by the authorities and also to the fact that all the operators were consulted, especially the transporters.

Notes

1. The statistics provided by the cross-border agencies in Zambia and South Africa, and also the Zambian Revenue Authority, do not included data on the number of trucks using the various road corridors. The only effective way to obtain this information would be to undertake a detailed border-post and customs survey. Temporary permits do not indicate the numbers of trips carried out by each truck for the duration of the permit. Estimates are based on data from cross-border permits, customs records, previous observations of border posts, and information provided by selected transport providers.
2. Gauteng represents 38 percent of South Africa's vehicles, but more likely about 50 percent of the registered heavy trucks in South Africa.