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Transit costs in East & Southern Africa

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A study comparing the costs of national bonds, the Common Market for East and Southern Africa (COMESA) Regional Customs Transit Guarantee (RCTG) and the TIR Carnet in East and Southern Africa.

FINAL REPORT
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Contents

Acronyms and Abbreviations

CIF	Cost, Insurance and Freight
COMESA	Common Market for East and Southern Africa
FOB	Free On Board
RCTG	Regional Customs Transit Guarantee
RIT	Received in Transit
RWF	Rwandan Franc
SARS	South African Revenue Service
SCT	Single Customs Territory
TIR	Transports Internationaux Routiers
URA	Uganda Revenue Authority
USD	United States dollar
VAT	Value Added Tax
WHT	Withholding Tax
ZIMRA	Zimbabwe Revenue Authority

1. Executive summary

IRU commissioned a study to analyse the comparative costs of using a national bond, the Common Market for East and Southern Africa (COMESA) Regional Customs Transit Guarantee (RCTG) Carnet where applicable, and the IRU TIR Carnet, for two types of cargo (containerised load and tanker transporting liquid bulk) along four major corridor routes; namely North South Corridor (Durban to Lubumbashi), Walvis Bay-Ndola-Lubumbashi Corridor, Dar Corridor (Dar es Salaam to Lubumbashi) and the Northern Corridor (Mombasa to Kigali).

This final report is submitted by Michael Laurence Fitzmaurice, a consultant based in Port Elizabeth (South Africa), for IRU, the world's road transport organisation based in Geneva, Switzerland.

The report describes the methodology and approach adopted by the consultant in undertaking the analysis and provides detailed cost comparisons between the three different methods of acquiring guarantees for goods in transit to meet the requirements of the different revenue authorities.

The study methodology included contacts with reputable clearing agents who were approached for information on how national transit bonds are applied and costed along the different corridors.

The two categories of cargo used for comparisons in each case were;
a) 1x 40ft container of tyres with value USD 100,000
b) 1x road tanker of diesel fuel with value USD 30,000

From the discussions and analysis, it is clear that there are no common processes that work for all corridors and the pricing is highly variable. There is intense competition between large numbers of agents with the result that RITs (“RIT” is common terminology for a transit bond in southern Africa) are offered by agents from as low as USD 60 and as high as USD 200 depending on the agent and the agent marketing pressures.

This differential unfortunately raises questions about the reliability of some of the insurance companies used. In other words, some users are concerned that the lower cost bonds may be backed by less reliable insurance companies who are potentially unable to pay any duties and taxes that might be owing to customs.

It is clear from the summary of findings that the regional or single bond system has distinct advantages in terms of cost and time savings over the traditional national transit bond system still being deployed along certain corridors. Regional or single bonds reduce transit time, simplify clearing, reduce documentation and reduce transit costs.

As the systems are not universally available for all countries and corridors, there is still a high level of variation and doubt as to the reliability of the cheaper offerings. This leaves the import-export customer with uncertainty as to the level of risk inherent in each offering and could impact on the level of facilitation offered by customs.

The existing regional and national offerings are by definition limited in their application. Importers therefore do not have freedom of choice purely on the basis of efficiency and cost effectiveness. Rather, their choice is prescribed by the route they are taking.

TIR is the only system that makes business sense. It is cost-effective to implement, significantly reduces transit time and costs, and can be deployed on all corridors.

There is clearly a need for a system that can be implemented in all regions and along all corridors. The system should include optimum features and benefits, with the least possible risk. It must be cost-effective to implement and should offer large reductions in the transit time and costs which are caused by the delays in current transit regimes.

The system should offer a standardised methodology with minimum variation in pricing so as to simplify transactions and give maximum efficiency, as these are the primary objectives of import/export operators and makes the most business sense.

It is also critical that any proposed system can show the revenue authorities evidence of wholesale international usage and advanced systems for monitoring and control, to give assurance of reliability and security.

From the integrated cost and complexity comparisons described in this study there is only one single transit bond system that meets all the above criteria and could be deployed throughout the region on all corridors and that is the TIR System.

2. Purpose and scope of the project

To analyse the cost comparison between the uses of a national bond, COMESA RCTG Carnet where applicable and the TIR Carnet for two types of cargo (containerised load and tanker transporting liquid bulk) along four major corridor routes; namely North South Corridor (Durban to Lubumbashi), Walvis Bay-Ndola-Lubumbashi Corridor (Walvis Bay to Lubumbashi), Dar Corridor (Dar es Salaam to Lubumbashi) and the Northern Corridor (Mombasa to Kigali).

3. Project methodology

For each corridor in question a reputable clearing agent/agents were approached for their input on how the national transit bond was applied and costed along the corridor. IRU provided information on the costing of the TIR Carnet[1] for the different corridors and COMESA was approached for the costing of the COMESA RCTG Carnet.

- **North South Corridor (Durban to Lubumbashi)**
  National bond versus TIR Carnet for containerised load and tanker (Liquid Bulk Petroleum) load.

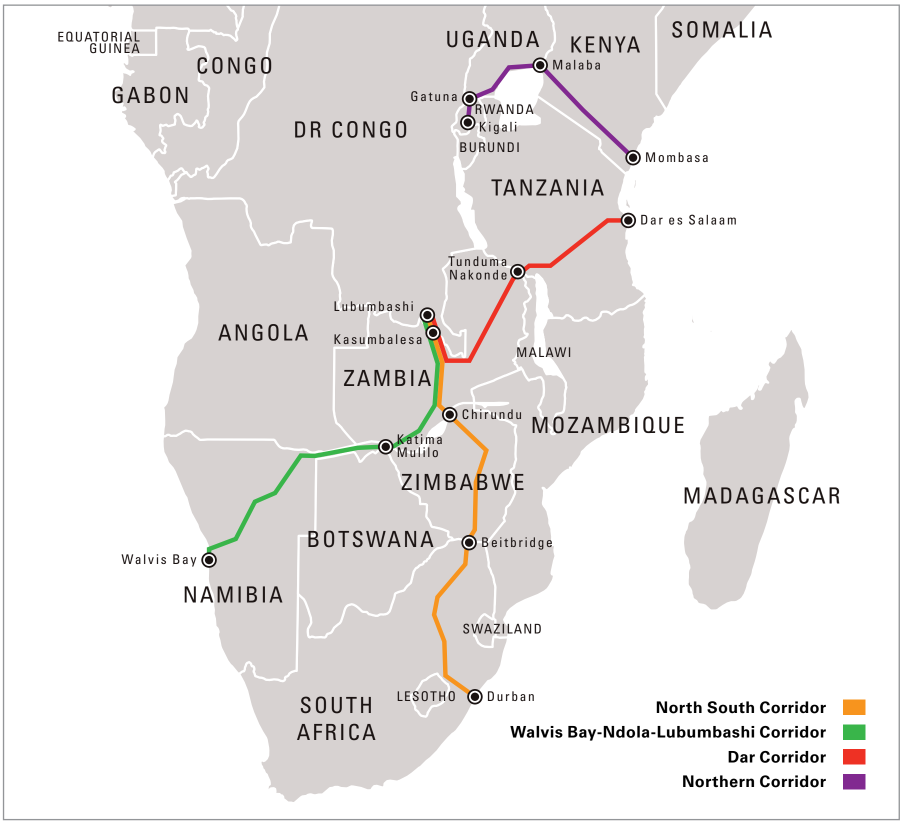
- **Walvis Bay-Ndola-Lubumbashi Corridor (Walvis Bay to Lubumbashi)**
  National bond versus TIR Carnet for containerised load and tanker (Liquid Bulk Petroleum) load.

- **Dar Corridor (Dar es Salaam to Lubumbashi)**
  National bond and COMESA RCTG bond versus TIR Carnet for containerised load and tanker (Liquid Bulk Petroleum) load.

- **Northern Corridor (Mombasa to Kigali)**
  National bond and COMESA RCTG bond versus TIR Carnet for containerised load and tanker (Liquid Bulk Petroleum) load.

1 IRU gave data in Swiss francs. These figures were converted to US Dollars for the purposes of the report in order to compare like with like. Conversion rates were based on market rates available during May 2016.

Figure 3.1 Map of the four major corridor routes used in this study.



4. Study findings

4.1 North South Corridor (Durban to Lubumbashi)

National bonds

There is no fixed methodology behind the pricing of the RIT or transit bond in this region and it is a very competitive market. At Beitbridge on the Zimbabwe side alone there are 200-300 clearing agents registered with ZIMRA, on the South African side there is in excess of 100 agents registered with SARS. As a result, RITs are offered by agents from as low as USD 60 and as high as USD 200 depending on the agent and their hunger to be in this market. Unfortunately this raises questions about the reliability of the insurance companies used. However, as it is generally the transporter that is responsible for paying the transit bond, the choice of agent and price to be paid for the transit bond lies with the transporter and not the shipper or consignee.

Table 4.1 40" Containerised load of radial truck tyres - cost of national bonds on North South Corridor

National transit bond by country transited - North South Corridor route (South Africa/Zimbabwe/Zambia/DRC)								
Product: radial truck tyres			Customs Tariff Code: 4011.20.00				Cargo value: USD 100,000	
	Customs Authority	Duty	Tax (VAT)	WHT	CIF	Amount payable	Transit bond fee charged by clearing agent	Amount payable by transporter
1	South Africa (SARS)	25%	14%	0%	0%	USD 39,000	USD 100	**USD 100**
2	Zimbabwe (ZIMRA)	25%	15%	0%	0%	USD 40,000	USD 130	**USD 130**
3	Zambia (ZRA)	25%	16%	0%	0%	USD 41,000	USD 120	**USD 120**
4	DRC (OFIDA)	25%	16%	0%	0%	USD 41,000	Duty & Taxes Due on Entry	
							TOTAL	**USD 350**

Table 4.2 Road tanker carrying diesel oil fuel - cost of national bonds on North-South Corridor

National transit bond by country transited - North South Corridor route (South Africa/Zimbabwe/Zambia/DRC)								
Product: diesel oil fuel			Customs Tariff Code: 2709.00.00				Cargo value: USD 30,000	
	Customs Authority	Duty	Tax (VAT)	WHT	CIF	Amount payable	Transit bond fee charged by clearing agent	Amount payable by transporter
1	South Africa (SARS)	0%	14%	0%	0%	USD 4,200	USD 100	**USD 100**
2	Zimbabwe (ZIMRA)	0%	15%	0%	0%	USD 4,500	USD 130	**USD 130**
3	Zambia (ZRA)	0%	16%	0%	0%	USD 4,800	USD 120	**USD 120**
4	DRC (OFIDA)	0%	16%	0%	0%	USD 4,800	Duty & Taxes Due on Entry	
							TOTAL	**USD 350**

Single transit bond offered by a logistics company in South Africa

One logistics company in South Africa offers a single transit bond from Durban right through to Lubumbashi in the DRC with duties payable in Lubumbashi for the release of the cargo. The cost of the transit bond is 0.5% of the FOB value. While referred to or marketed to preferential clients as a single bond, in reality it is a national bond issued in each transit country offered by the same company and acquitted at each country of exit.

But because it is offered by one company it is pre-cleared before arrival of the vehicle at each border of country of entry therefore making the transaction seamless and faster, and to the end user, it looks and feels like a single bond.

Table 4.3 40″ Containerised load of radial truck tyres - cost of single bond package available on North South Corridor

Single transit bond - North South Corridor (South Africa/Zimbabwe/Zambia/DRC)			
Product: radial truck tyres	Customs Tariff Code: 4011.20.00	Cargo value: USD 100,000	
		0.5% of FOB value	**USD 500**

Table 4.4 Road tanker carrying diesel oil fuel - cost of single bond package available on North South Corridor

Single transit bond - North South Corridor (South Africa/Zimbabwe/Zambia/DRC)			
Product: diesel oil fuel	Customs Tariff Code: 2709.00.00	Cargo value: USD 30,000	
		0.5% of FOB value	**USD 150**

TIR Carnet

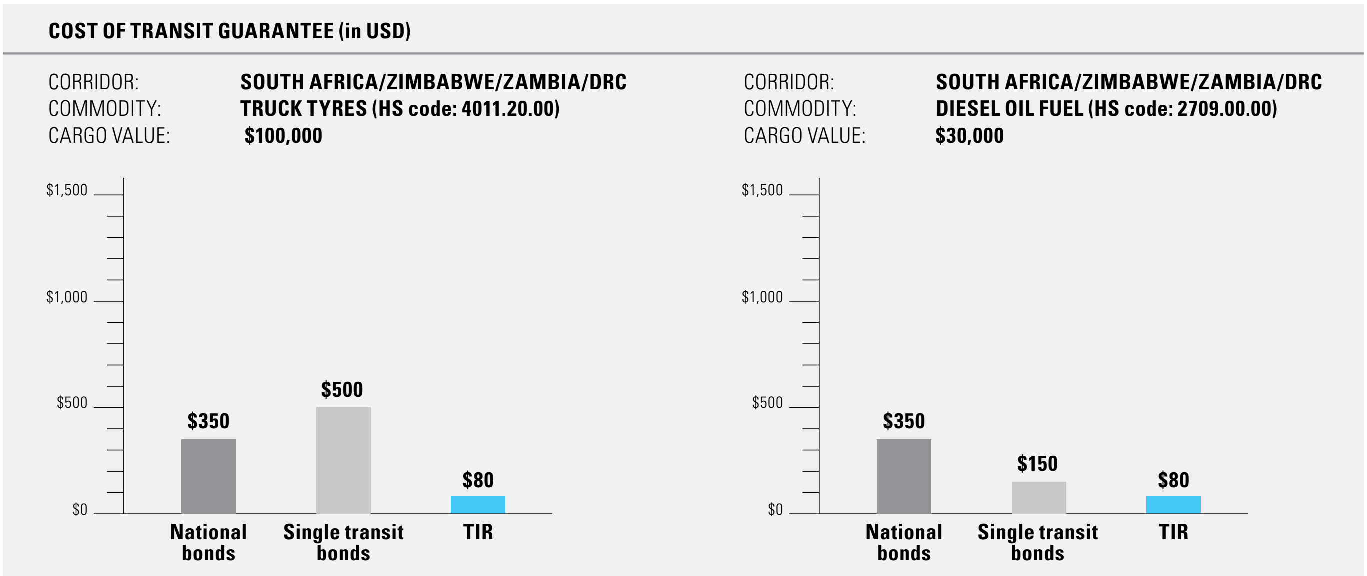
In order to undertake a transit movement involving four countries, the operator would need to use the 14 volet TIR Carnet. For the 14 volet Carnet, IRU presented the following data:

- The global average cost to the Carnet holder in 2015 was around USD 100.
- The weighted average (i.e. where more weight is given to the cost in countries which issue larger volumes of Carnets) was around USD 80. This figure is thought to give a more realistic indicative figure for the eventual cost of a TIR Carnet to users in southern and eastern Africa.

Results of comparison

If we take the weighted global average at USD 80, use of the TIR Carnet would equate to a saving of USD 270 for both commodities compared to national bonds, and a saving of USD 420 and USD 70 respectively for the shipments of tyres and fuel compared to the single transit bond product offered by certain logistics companies.

Figure 4.1 Comparison of various transit bond options on the North South Corridor route (South Africa/Zimbabwe/Zambia/DRC)



4.2 Walvis Bay-Ndola-Lubumbashi Corridor (Walvis Bay to Lubumbashi)

National bonds

These bonds are offered either by individual clearing agents in each country or by a single agent used at each border post.

Table 4.5 40" Containerised load of radial truck tyres - cost of national bonds on Walvis Bay-Ndola-Lubumbashi Corridor

National transit bond by country transited - Walvis Bay-Ndola-Lubumbashi Corridor (Namibia/Zambia/DRC)								
Product: radial truck tyres			Customs Tariff Code: 4011.20.00				Cargo value: USD 100,000	
	Customs Authority	Duty	Tax (VAT)	WHT	CIF	Amount payable	Transit bond fee charged by clearing agent	Amount payable by transporter
1	Namibia (NRA)	25%	15%	0%	0%	USD 40,000	1.5%	**USD 600**
2	Zambia (ZRA)	25%	16%	0%	0%	USD 41,000	USD 120	**USD 120**
3	DRC (OFIDA)	25%	16%	0%	0%	USD 41,000	Duty & Taxes Due on Entry	
							TOTAL	**USD 720**

Table 4.6 Road tanker carrying diesel oil fuel - cost of national bonds on Walvis Bay-Ndola-Lubumbashi Corridor

National transit bond by country transited - Walvis Bay-Ndola-Lubumbashi Corridor (Namibia/Zambia/DRC)								
Product: diesel fuel oil			Customs Tariff Code: 2709.00.00				Cargo value: USD 30,000	
	Customs Authority	Duty	Tax (VAT)	WHT	CIF	Amount payable	Transit bond fee charged by clearing agent	Amount payable by transporter
1	Namibia (NRA)	0%	15%	0%	0%	USD 4,500	1.5%	**USD 67.50**
2	Zambia (ZRA)	0%	16%	0%	0%	USD 4,800	USD 120	**USD 120**
3	DRC (OFIDA)	0%	16%	0%	0%	USD 4,800	Duty & Taxes Due on Entry	
							TOTAL	**USD 187.50**

National bonds for regular clients

Some providers will offer a reduced rate in Namibia for a regular client.

Table 4.7 40" Containerised load of radial truck tyres - cost of national bonds for regular clients on Walvis Bay-Ndola-Lubumbashi Corridor

National transit bond (for regular clients) - Walvis Bay-Ndola-Lubumbashi Corridor (Namibia/Zambia/DRC)								
Product: radial truck tyres			Customs Tariff Code: 4011.20.00				Cargo value: USD 100,000	
	Customs Authority	Duty	Tax (VAT)	WHT	CIF	Amount payable	Transit bond fee charged by clearing agent	Amount payable by transporter
1	Namibia (NRA)	N/A	N/A	N/A	N/A	N/A	0.25% of FOB value	**USD 250**
2	Zambia (ZRA)	25%	16%	0%	0%	USD 41,000	USD 120	**USD 120**
3	DRC (OFIDA)	25%	16%	0%	0%	USD 41,000	Duty & Taxes Due on Entry	
							TOTAL	**USD 370**

Table 4.8 Road tanker carrying diesel oil fuel - cost of national bonds for regular clients on Walvis Bay-Ndola-Lubumbashi Corridor

National transit bond (for regular clients) - Walvis Bay-Ndola-Lubumbashi Corridor (Namibia/Zambia/DRC)								
Product: diesel oil fuel			Customs Tariff Code: 2709.00.00				Cargo value: USD 30,000	
	Customs Authority	Duty	Tax (VAT)	WHT	CIF	Amount payable	Transit bond fee charged by clearing agent	Amount payable by transporter
1	Namibia (NRA)	N/A	N/A	N/A	N/A	N/A	0.25% of FOB value	**USD 75**
2	Zambia (ZRA)	25%	16%	0%	0%	USD 41,000	USD 120	**USD 120**
3	DRC (OFIDA)	25%	16%	0%	0%	USD 41,000	Duty & Taxes Due on Entry	
							TOTAL	**USD 195**

TIR Carnet

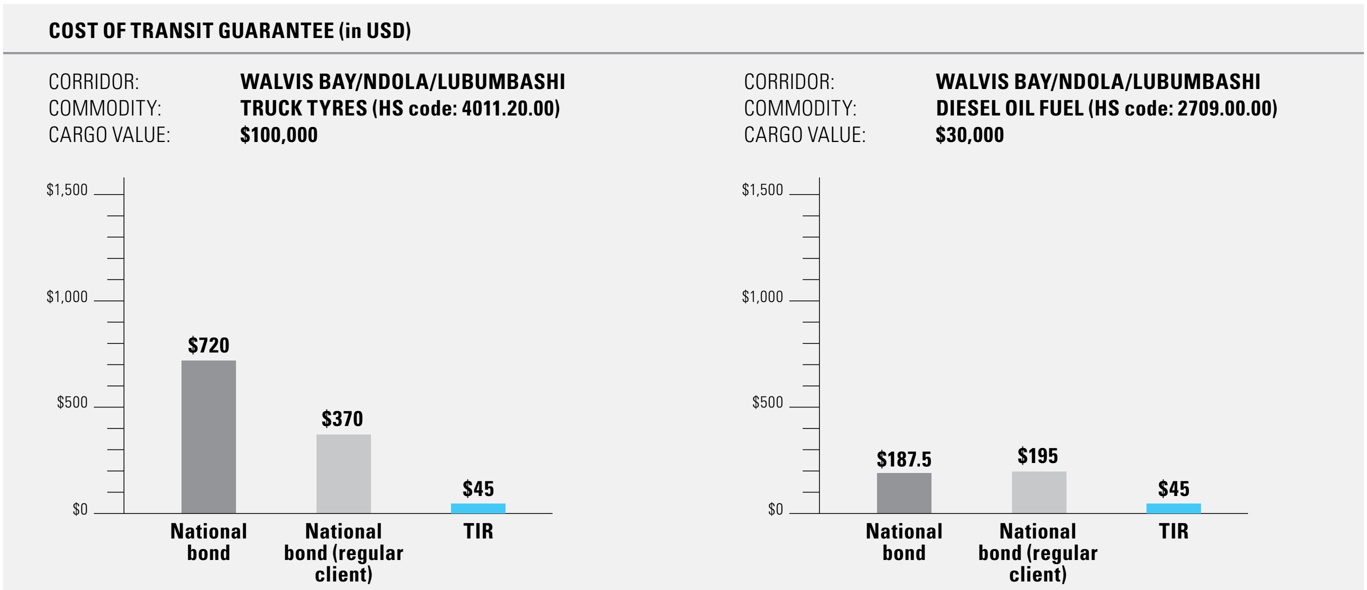
In order to undertake a transit movement involving three countries, the operator would need the 6 volet Carnet. IRU presented the following data for this Carnet:

- The global average price to the Carnet holder in 2015 was around USD 60
- The weighted average was around USD 45

Results of comparison

If we take the global weighted average at USD 45 for the TIR Carnet this would equate to saving of USD 675 on pricing compared to national bonds and USD 325 on pricing compared to national bonds for regular clients for the containerised load of truck tyres. For the road tanker carrying diesel oil fuel the saving would be USD 142.50 and USD 150 respectively.

Figure 4.2 Comparison of various transit bond options on the Walvis Bay/Ndola/Lubumbashi Corridor.



4.3 Dar Corridor (Dar es Salaam to Lubumbashi)

There is only one option along this corridor, that being the national bond system. The COMESA RCTG Carnet, which is applied at a rate of 1.5% of the duties and VAT payable in the country of destination, has not been implemented along the Dar Corridor as it still has to be ratified by the DRC. But although the RCTG is not currently available, we will still use it as an option to compare with the national transit bonds as shown below in the tables.

National bonds

Table 4.9 40" Containerised load of radial truck tyres - cost of national bonds on Dar Corridor

National transit bond by country transited - Dar Corridor (Tanzania/Zambia/DRC)								
Product: radial truck tyres			Customs Tariff Code: 4011.20.00				Cargo value: USD 100,000	
	Customs Authority	Duty	Tax (VAT)	WHT	CIF	Amount payable	Transit bond fee charged by clearing agent	Amount payable by transporter
1	Tanzania (TRA)	25%	18%	0%	0%	USD 43,000	1.5%	**USD 645**
2	Zambia (ZRA)	25%	16%	0%	0%	USD 41,000	USD 120	**USD 120**
3	DRC (OFIDA)	25%	16%	0%	0%	USD 41,000	Duty & Taxes Due on Entry	
							TOTAL	**USD 765**

Table 4.10 Road tanker carrying diesel oil fuel - cost of national bonds on Dar Corridor

National transit bond by country transited - Dar Corridor (Tanzania/Zambia/DRC)								
Product: diesel oil fuel			Customs Tariff Code: 2709.00.00				Cargo value: USD 30,000	
	Customs Authority	Duty	Tax (VAT)	WHT	CIF	Amount payable	Transit bond fee charged by clearing agent	Amount payable by transporter
1	Tanzania (TRA)	0%	18%	0%	0%	USD 5,400	1.5%	**USD 81**
2	Zambia (ZRA)	0%	16%	0%	0%	USD 4,800	USD 120	**USD 120**
3	DRC (OFIDA)	0%	16%	0%	0%	USD 4,800	Duty & Taxes Due on Entry	
							TOTAL	**USD 201**

RCTG

The COMESA RCTG Carnet is applied at 1.5% of the suspended Duty and VAT in the country of final destination, which is USD 41,000 in DRC in the case of the truck tyres. This equals USD 615 and a saving of USD 130 over national bonds. For the fuel, the COMESA RCTG Carnet would be acquired at 1.5% of the suspended Duty and VAT in DRC or USD 4,800 equals USD 72 and a saving of USD 129 on the national bonds.

The main advantage here would be speedier clearing time with a single bond with only minimal interventions at one of the border posts in question (i.e. Tunduma/Nakonde). At Kasumbalesa, however, RCTG would deliver minimal benefits as DRC requires duties and taxes to be paid on entry, causing delays and congestion at the border. Both border posts traditionally have high clearance times in excess of two days.

TIR Carnet

In order to undertake a transit movement involving three countries, the operator would need the 6 volet Carnet. IRU presented the following data for this Carnet:

- The global average price to the Carnet holder in 2015 was around USD 60
- The weighted average was around USD 45

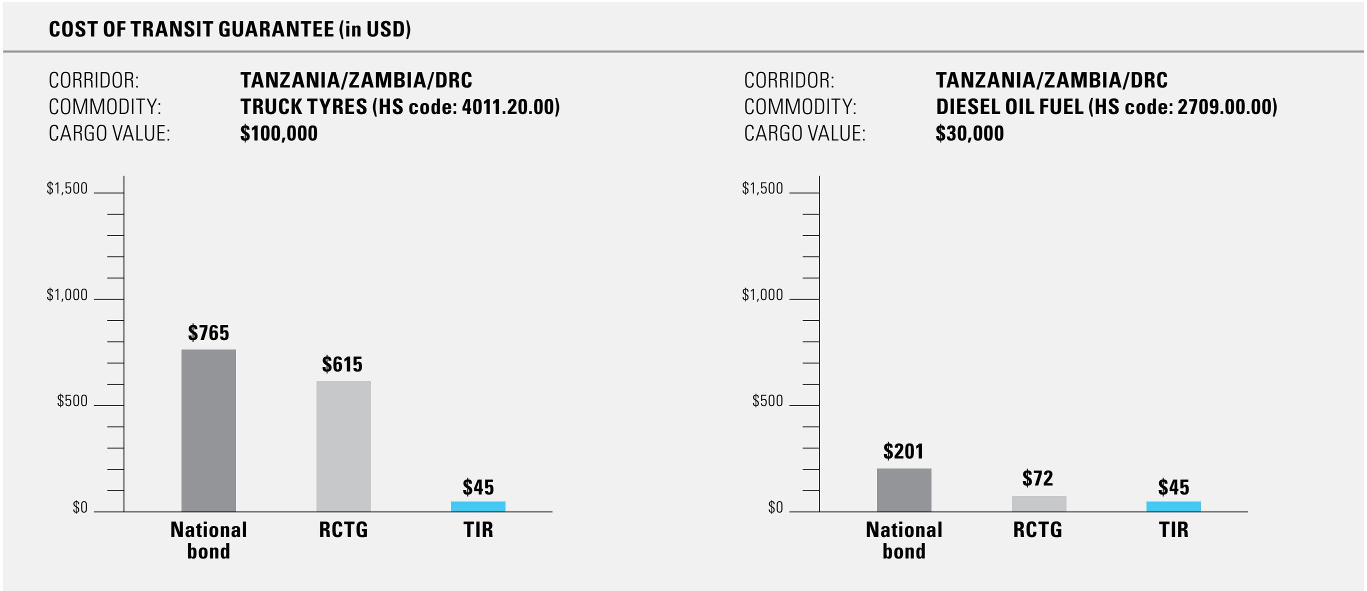
Results of comparison

The TIR Carnet for the 6 volet applied at the weighted global average of USD 45 gives a huge saving of USD 720 against the national bonds and USD 570 against the COMESA RCTG Carnet for the transport of the tyres.

For the fuel, the TIR Carnet for the 6 volet applied at the weighted global average of USD 45 would deliver a saving of USD 156 against the national bond and USD 27 against the COMESA RCTG Carnet.

As well as being significantly less costly, the TIR Carnet would allow movement under customs control all the way to final destination, for example Lubumbashi. This would reduce delays at the Kasumbalesa border for the TIR transport itself, but would also contribute to reducing overall congestion there.

Figure 4.3 Comparison of various transit bond options on the Dar Corridor (Tanzania/Zambia/DRC).



4.4 Northern Corridor (Mombasa to Kigali)

Officially, the Northern Corridor has now implemented SCT (Single Customs Territory) procedures for 80% of all cargo transported along this corridor and plans to go 100% SCT by July 2016. These procedures mean that goods that are produced within the SCT can be exported to another SCT country duty free and can move cross-border and in transit without a bond.

For third country goods, duties are either paid for the destination country (e.g. Rwanda or Uganda) before they are released from the port of arrival (e.g. Mombasa or Dar es Salaam), or they enter into a warehousing regime for the destination country in the port of arrival, and move in transit under a domestic warehousing bond. Traders seem to prefer the warehousing option over the duty paid option. The warehousing option appears to be most often used by traders who are unable to or choose not to pay the duties up front, and are essentially using the warehousing regime for transit and for duty deferment, rather than for pure warehousing.

Both the duty-paid and warehousing solutions, however, remain challenging for the revenue authorities: if the goods are diverted in the transit country, there is no mechanism for the revenue authority in the importing country to repay the duties and taxes to the transit country. Revenue authorities therefore take steps to ensure that the goods are still subject to customs controls even after duties are paid, which appears contrary to trade facilitation principles. In addition, some commodities cannot benefit from the warehousing option (second hand vehicles en route to Uganda, for example).

Delays in payment of duties under the SCT destination procedure can therefore directly lead to port congestion as traders who do not have the cash ready for full import clearance are obliged to leave their goods in the port until the cash-flow is available. Moreover, warehousing or duty-paid procedures are often not particularly suitable for the traders as their options are restricted in terms of how they bring their goods into the country of final destination and under what customs regimes they are treated.

Despite these challenges, SCT procedures do represent the current regional policy for managing transit. So in this section we will compare the cost of an SCT warehousing bond, with the cost of national bonds, RCTG, and TIR.

National bonds

Table 4.11 40” Containerised load of radial truck tyres - cost of national bonds on Northern Corridor

National transit bond by country transited - Northern Corridor (Kenya/Uganda/Rwanda)								
Product: radial truck tyres			Customs Tariff Code: 4011.20.00				Cargo value: USD 100,000	
	Customs Authority	Duty	Tax (VAT)	WHT	CIF	Amount payable	Transit bond fee charged by clearing agent	Amount payable by transporter
1	Kenya (URA)	25%	16%	0%	0%	USD 41,000	1%	**USD 410**
2	Uganda (URA)	25%	18%	0%	0%	USD 43,000	1%	**USD 430**
3	Rwanda (RRA)	25%	18%	5%	0%	USD 48,000	1%	**USD 480**
							TOTAL	**USD 1,320**

Table 4.12 Road tanker carrying diesel oil fuel - cost of national bonds on Northern Corridor

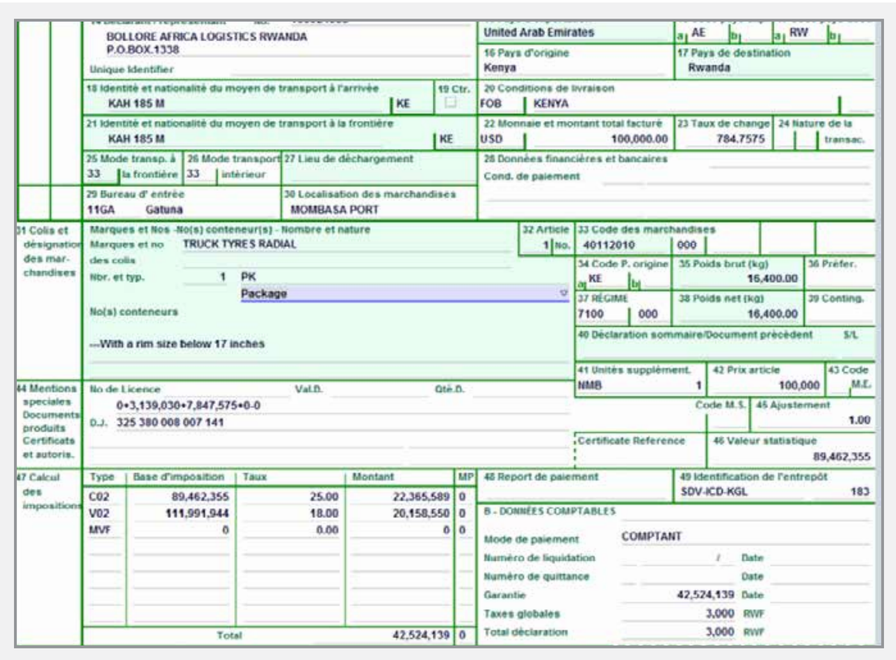
National transit bond by country transited - Northern Corridor (Kenya/Uganda/Rwanda)								
Product: diesel oil fuel			Customs Tariff Code: 2709.00.00				Cargo value: USD 30,000	
	Customs Authority	Duty	Tax (VAT)	WHT	CIF	Amount payable	Transit bond fee charged by clearing agent	Amount payable by transporter
1	Kenya (URA)	0%	16%	0%	2.5%	USD 5,475	1%	**USD 55**
2	Uganda (URA)	0%	18%	0%	6%	USD 7,200	1%	**USD 72**
3	Rwanda (RRA)	0%	18%	5%	0%	USD 6,900	1%	**USD 69**
							TOTAL	**USD 196**

SCT warehousing procedure

The bond guarantee for the truck tyres is RWF 42,524,139 or USD 54,351.13 and the cost of the transaction is applied as follows:

- Clearing formalities under IM7 (bond from Mombasa up to KGL) at USD 250 per container;
- Bond/entry – USD 150
- Documentation for change of owner shipment after duties and VAT are paid at USD 50 per consignee.

A total cost or charge of USD 450 is therefore applicable to this transaction.



BOLLORE AFRICA LOGISTICS RWANDA
P.O.BOX.1338
Unique Identifier
United Arab Emirates | a) AE | b) | a) RW | b)
16 Pays d'origine: Kenya
17 Pays de destination: Rwanda
18 Identité et nationalité du moyen de transport à l'arrivée: KAH 185 M | KE
19 Ctr.
20 Conditions de livraison: FOB | KENYA
21 Identité et nationalité du moyen de transport à la frontière: KAH 185 M | KE
22 Monnaie et montant total facturé: USD 100,000.00
23 Taux de change: 784.7575
24 Nature de la transac.
25 Mode transp. à la frontière: 33
26 Mode transport intérieur: 33
27 Lieu de déchargement
28 Données financières et bancaires
Cond. de paiement
29 Bureau d' entrée: 11GA Gatuna
30 Localisation des marchandises: MOMBASA PORT
31 Colis et désignation des marchandises
Marques et Nos -No(s) conteneur(s) - Nombre et nature
Marques et no des colis: TRUCK TYRES RADIAL
Nbr. et typ.: 1 PK Package
No(s) conteneurs
---With a rim size below 17 inches
32 Article: 1 No.
33 Code des marchandises: 40112010 | 000
34 Code P. origine: a) KE b)
35 Poids brut (kg): 16,400.00
36 Préfer.
37 RÉGIME: 7100 | 000
38 Poids net (kg): 16,400.00
39 Conting.
40 Déclaration sommaire/Document précédent: S/L
41 Unités supplément.: NMB 1
42 Prix article: 100,000
43 Code M.E.
44 Mentions speciales Documents produits Certificats et autoris.
No de Licence | Val.D. | Qté.D.
0+3,139,030+7,847,575+0-0
D.J. 325 380 008 007 141
Code M.S.
45 Ajustement: 1.00
Certificate Reference
46 Valeur statistique: 89,462,355
47 Calcul des impositions

Type	Base d'imposition	Taux	Montant	MP
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V02	111,991,944	18.00	20,158,550	0
MVF	0	0.00	0	0
Total			42,524,139	0

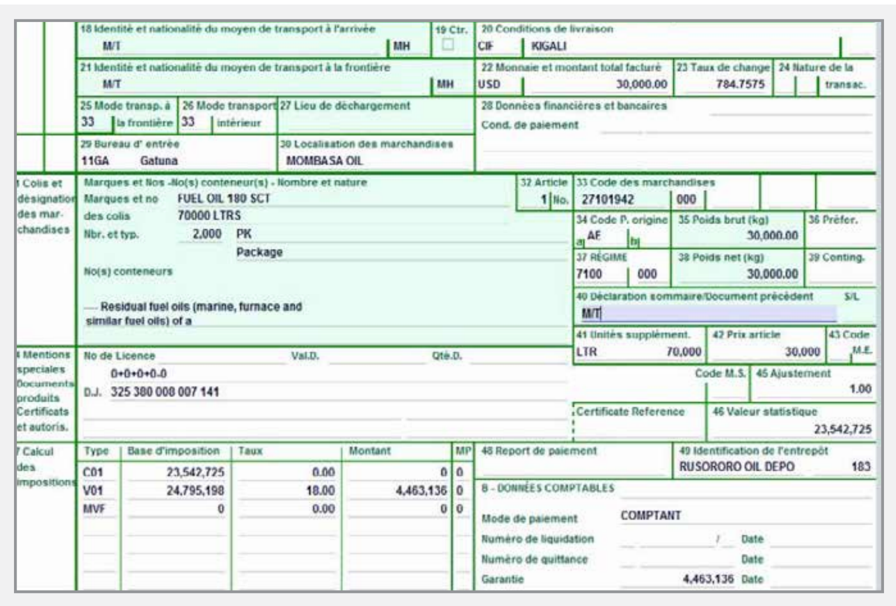
48 Report de paiement
49 Identification de l'entrepôt: SDV-ICD-KGL 183
B - DONNÉES COMPTABLES
Mode de paiement: COMPTANT
Numéro de liquidation / Date
Numéro de quittance / Date
Garantie: 42,524,139 Date
Taxes globales: 3,000 RWF
Total déclaration: 3,000 RWF

Figure 4.4 SCT Warehousing Declaration for 40' container radial truck tyre – tariff code 4011.20.00 and value USD 100,000

The bond guarantee for the fuel is RWF 4,463,136 or USD 5,783.79 and the cost of the SCT transaction is applied as follows:

- Clearing formalities under IM7 (bond from Mombasa up to KGL) at USD 250 per container;
- Bond/entry – USD 150
- Documentation for change of owner shipment after duties and VAT are paid at USD 50 per consignee.

A total cost or charge of USD 450 is therefore applicable to this transaction. The cost of securing the bond does not appear to change on the basis of the level of guarantee.



18 Identité et nationalité du moyen de transport à l'arrivée: M/T | MH
19 Ctr.
20 Conditions de livraison: CIF | KIGALI
21 Identité et nationalité du moyen de transport à la frontière: M/T | MH
22 Monnaie et montant total facturé: USD 30,000.00
23 Taux de change: 784.7575
24 Nature de la transac.
25 Mode transp. à la frontière: 33
26 Mode transport intérieur: 33
27 Lieu de déchargement
28 Données financières et bancaires
Cond. de paiement
29 Bureau d' entrée: 11GA Gatuna
30 Localisation des marchandises: MOMBASA OIL
31 Colis et désignation des marchandises
Marques et Nos -No(s) conteneur(s) - Nombre et nature
Marques et no des colis: FUEL OIL 180 SCT 70000 LTRS
Nbr. et typ.: 2,000 PK Package
No(s) conteneurs
--- Residual fuel oils (marine, furnace and similar fuel oils) of a
32 Article: 1 No.
33 Code des marchandises: 27101942 | 000
34 Code P. origine: a) AE b)
35 Poids brut (kg): 30,000.00
36 Préfer.
37 RÉGIME: 7100 | 000
38 Poids net (kg): 30,000.00
39 Conting.
40 Déclaration sommaire/Document précédent: M/T S/L
41 Unités supplément.: LTR 70,000
42 Prix article: 30,000
43 Code M.E.
Mentions speciales Documents produits Certificats et autoris.
No de Licence | Val.D. | Qté.D.
0+0+0+0-0
D.J. 325 380 008 007 141
Code M.S.
45 Ajustement: 1.00
Certificate Reference
46 Valeur statistique: 23,542,725
Calcul des impositions

Type	Base d'imposition	Taux	Montant	MP
C01	23,542,725	0.00	0	0
V01	24,795,198	18.00	4,463,136	0
MVF	0	0.00	0	0

48 Report de paiement
49 Identification de l'entrepôt: RUSORORO OIL DEPO 183
B - DONNÉES COMPTABLES
Mode de paiement: COMPTANT
Numéro de liquidation / Date
Numéro de quittance / Date
Garantie: 4,463,136 Date

Figure 4.5: SCT Warehousing Declaration for road tanker carrying diesel oil fuel – tariff code 2709.00.00 and value of USD 30,000

RCTG

The cost of the COMESA RCTG Carnet for truck tyres would be 1.5% of the Duty and VAT payable in the country of destination (USD 48,000) which equals USD 720.

For the fuel, 1.5% of the Duty and VAT payable in the country of destination (USD 6,900) would equal USD 103.50.

Table 4.13 40" Containerised load of radial truck tyres - cost of RCTG on Northern Corridor

RCTG - Northern Corridor (Kenya/Uganda/Rwanda)								
Product: radial truck tyres				Customs Tariff Code: 4011.20.00			Cargo value: USD 100,000	
	Customs Authority	Duty	Tax (VAT)	WHT	CIF	Amount payable	Transit bond fee charged by clearing agent	Amount payable by transporter
1	Kenya (URA)	25%	16%	0%	0%	USD 41,000	-	-
2	Uganda (URA)	25%	18%	0%	0%	USD 43,000	-	-
3	Rwanda (RRA)	25%	18%	5%	0%	USD 48,000	1.5%	**USD 720**
							TOTAL	**USD 720**

Table 4.14 Road tanker carrying diesel oil fuel - cost of RCTG on Northern Corridor

RCTG - Northern Corridor (Kenya/Uganda/Rwanda)								
Product: diesel oil fuel				Customs Tariff Code: 2709.00.00			Cargo value: USD 30,000	
	Customs Authority	Duty	Tax (VAT)	WHT	CIF	Amount payable	Transit bond fee charged by clearing agent	Amount payable by transporter
1	Kenya (URA)	0%	16%	0%	2.5%	USD 5,475	-	-
2	Uganda (URA)	0%	18%	0%	6%	USD 7,200	-	-
3	Rwanda (RRA)	0%	18%	5%	0%	USD 6,900	1.5%	**USD 103.5**
							TOTAL	**USD 103.5**

TIR Carnet

In order to undertake a transit movement involving three countries, the operator would need the 6 volet Carnet. IRU presented the following data for this Carnet:

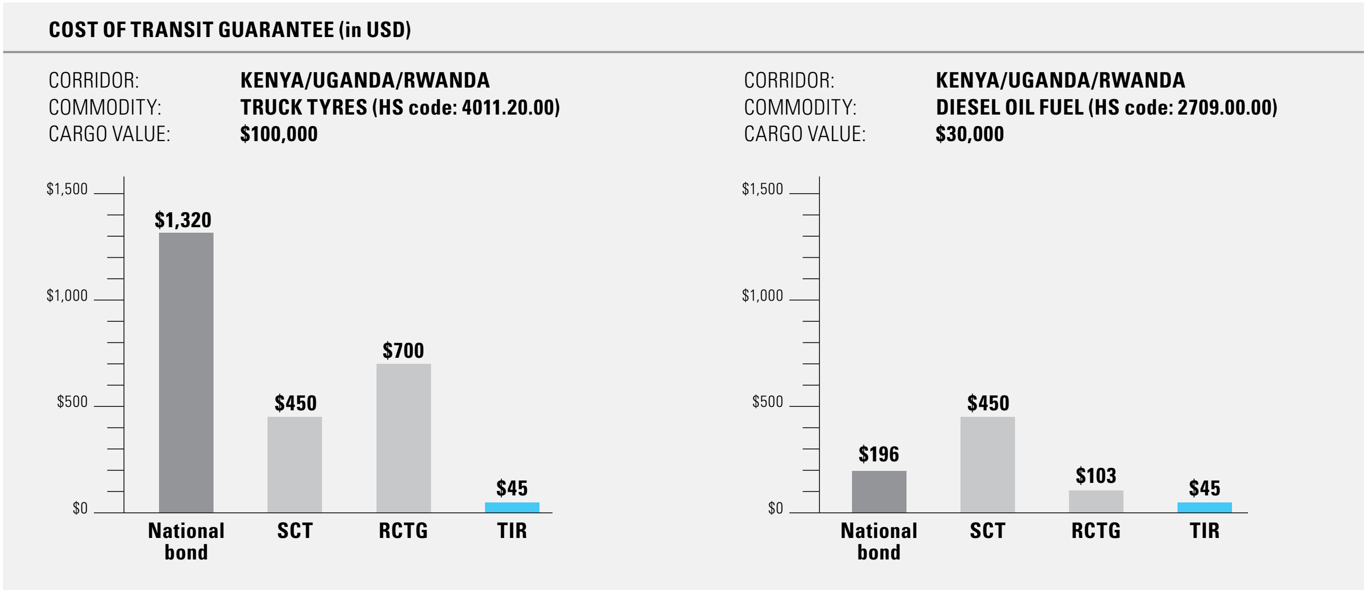
- The global average price to the Carnet holder in 2015 was around USD 60
- The weighted average was around USD 45

Results of comparison

For the tyres, using the 6 volet TIR Carnet, based on the global weighted average, would cost the holder USD 45, representing a saving of USD 1,275 against the national bonds, USD 405 against the SCT procedure, and USD 655 against the RCTG.

For the fuel, the 6 volet TIR Carnet at the global weighted average cost to the holder of USD 45 would represent a saving of USD 151 against the national bonds, USD 405 against the SCT procedure, and USD 58 against the RCTG.

Figure 4.6 Comparison of various transit bond options on the Northern Corridor (Kenya/Uganda/Rwanda).



5. Features and benefits of various transit bond systems

Table 5.1 outlines the features, benefits, disadvantages and risk factors involved by using the different transit bond systems and SCT procedures available in East and Southern Africa.

SYSTEM OR PROCEDURE	FEATURES & BENEFITS	DISADVANTAGES	RISK FACTORS
National transit bond system	• Available at any border post and convenient for transporters • Competitive pricing options available from clearing agents	• Overall high cost to transporter • Sometimes only system available to transporters along a corridor route • Can and does cause delays at border posts due to customs interventions as the national transit bond has to be acquitted at each border post transited • Duties & VAT are due and payable at entry of final country which often causes many delays	• Usually high due to the questionability of insurers used to secure bond at lower rates
Single bond system (SA logistics company SA only)	• Cheaper than national transit bond system • Saves time and money at border posts because the transit bond is pre-cleared in each country of transit by the agent or logistics company	• Unique to one supplier and one corridor only i.e. the North South Corridor • Cost is based on a % of the FOB value of the cargo which will fluctuate depending on the cargo type and FOB value	• Secure as reputable insurers are used to secure bond
COMESA RCTG Carnet	• Advantage of the single bond system • Cheaper than national transit bond system • Saves time and money at border posts because no customs interventions are required until cargo reaches final destination	• Still in pilot stage and not fully implemented on a particular corridor • Only ratified by a few countries in East Africa (i.e. Kenya, Uganda, Rwanda and Tanzania)	• Secure as reputable insurers are used to secure bond
SCT (Single Customs Territory) Procedure	• No bond guarantee required if duties and VAT paid at origin to revenue authority • Saves time and money at border posts because no customs interventions are required until cargo reaches final destination	• Shifts inland clearance procedures to the ports • There is no procedure for customs administrations to reimburse each other if the goods disappear in transit in one territory after the duties have been paid to another customs administration, or if the warehousing bond has been lodged with another customs administration	• Risks to the revenue authorities in transit countries
IRU TIR Carnet	• Advantage of an internationally tried and tested regional bond system in 64 countries worldwide • Saves time and money at border posts because no significant customs interventions are required until cargo reaches final destination • Low cost in comparison to all other schemes or systems available to the region and a major savings on transport costs to the region • Inter-modality worldwide • Full transparency and availability of statistical data • Access to free-of-charge web-based pre-declaration and risk management tools	• Primarily covers cargo in sealed load compartments or containers. There are however procedures for bulky and difficult loads, and specific goods such as vehicles. This restricts access to the system, but also helps ensure its security	• Secure as there is one single guarantee chain managed by IRU and their global insurers, and backed by the legal framework of the UN TIR Convention. TIR IT systems also help to manage the risk of fraud. Of critical significance is that only Authorised Operators may use a TIR Carnet. Those operators must be authorised by a customs authority in a country that is a contracting party to the UN TIR Convention • Very low claim rate globally of less than 0.1%

Table 5.1 Features and benefits of transit bond systems in Southern and East Africa

6. Conclusion

It is clear from the summary of findings that the regional or single bond system has distinct advantages such as cost and time savings over the traditional national transit bond system still being deployed along certain corridors.

However, within the various single or regional bond systems there are those that are superior to others from either a cost or an availability perspective as some systems are unique to either certain corridors or regions and or are not fully implemented in all regions or corridors and are still being piloted.

The features and benefits table puts this into perspective but it can safely be said that a single or regional bond system does have the following benefits and advantages over a national transit bond system:

- **Reduces transit time**
- **Simplifies the clearing process**
- **Reduces documentation**
- **Reduces transit costs**

Unfortunately, not all systems are available along all corridors and in all regions which means they have limitations and lack the flexibility of offering importers the freedom of choice and choosing a system that is cost effective, efficient and saves transit time along a particular corridor route.

There is clearly a need for a system that can be implemented in all regions and along all corridors. The system should include optimum features and benefits, with the least possible risk. It must be economical to implement and should offer large reductions in the transit time and costs which are caused by the delays in current transit regimes.

There is a clear need for a harmonised system with optimum features and benefits and least possible risk and that is the TIR System.

The system should offer a standardised methodology with minimum variation in pricing so as to simplify transactions and give maximum efficiency, as these are the primary objectives of import-export operators and makes the most business sense.

It is also critical that any proposed system can show the revenue authorities evidence of wholesale international usage and advanced systems for monitoring and control, to give assurance of reliability and security.

From the integrated cost and complexity comparisons described in this study there is only one single transit bond system that meets all the above criteria and could be deployed throughout the region on all corridors and that is the TIR System.

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