

REPORT OF THE COMMITTEE ON COMMUNICATIONS, TRANSPORT, WORKS AND SUPPLY FOR THE SECOND SESSION OF THE TENTH NATIONAL ASSEMBLY APPOINTED ON 17TH JANUARY, 2008

Consisting of;

Mr D M Syakalima, MP (Chairperson); Mrs E M Banda, MP; Mr M Muteteka, MP; Mr C L Milupi, MP; Mr E M Hachipuka, MP; Mr M M Mwangala, MP; Mr W Nsanda, MP and Mr J K Zulu, MP.

The Honourable Mr Speaker
National Assembly
Parliament Buildings
LUSAKA

Sir,

Your Committee have the honour to present their Report for 2008.

Functions of the Committee

2.0 In addition to any other duties placed upon them by Mr Speaker or any Standing Order or any other order of the Assembly, the duties of your Committee are to:

- (a) study and report on the mandate, management and operations of the Ministry of Communications and Transport and the Ministry of Works and Supply and carry out any other duties assigned or referred to them by the House pertaining to the activities of the said ministries;
- (b) carry out detailed investigations or scrutiny of certain activities being undertaken by the ministries and make appropriate recommendations to the House through reports;
- (c) consider, in detail, the annual reports of the agencies and/or departments under the Ministry of Communications and Transport and the Ministry of Works and Supply; and
- (d) consider any Bills that may be referred to them by the House.

Meetings of the Committee

3.0 Your Committee held thirteen meetings during the year under review.

Committee's Programme of Work

4.0 During the year under review, your Committee's programme of work was as follows:

- (a) to examine the policy on Planning and Maintenance of Township Roads in Zambia;
- (b) to examine Phone Service Provision vis-à-vis the International Gateway;
- (c) consideration of the Action-Taken Report of the Committee's Report for 2007; and
- (d) to tour selected places relevant to their programme of work.

Procedure Adopted

5.0 In order to obtain the necessary information, your Committee invited various stakeholders to submit memoranda on specified topical issues. Subsequently, the stakeholders were requested to appear before your Committee to orally brief them. The following stakeholders were specifically invited:

(i) *FOR THE EXAMINATION OF THE POLICY ON PLANNING AND MAINTENANCE OF TOWNSHIP ROADS IN ZAMBIA:*

- (a) Permanent Secretary, Ministry of Local Government and Housing;
- (b) Permanent Secretary (BEA), Ministry of Finance and National Planning;
- (c) Road Development Agency (RDA);
- (d) National Road Fund Agency (NRFA);
- (e) Lusaka City Council;
- (f) Livingstone City Council;
- (g) Ndola City Council;
- (h) National Council for Construction (NCC);
- (i) Engineering Institution of Zambia (EIZ); and
- (j) Permanent Secretary, Ministry of Communications and Transport.

(ii) *FOR THE EXAMINATION OF THE PHONE SERVICE PROVISION VIS-A-VIS THE INTERNATIONAL GATEWAY:*

- (a) Engineering Institution of Zambia (EIZ);
- (b) Permanent Secretary, Ministry of Communications and Transport;
- (c) Zambia Competition Commission (ZCC);
- (d) Zambia Telecommunications Company Limited (ZAMTEL);
- (e) MTN (Zambia) PLC;
- (f) CELTEL (Zambia) PLC (ZAIN) ;
- (g) Communications Authority of Zambia (CAZ);and
- (h) Permanent Secretary, Ministry of Works and Supply.

Your Committee's Report therefore, is in three parts. Part one deals with topical issues. Part two consists of the Tour Report while part three contains outstanding issues from your Committee's previous Reports.

PART ONE

CONSIDERATION OF TOPICAL ISSUES

TOPIC I: PLANNING AND MAINTENANCE OF TOWNSHIP ROADS IN ZAMBIA

Summary of Submissions by Stakeholders

6.0 Your Committee were informed that, since independence, emphasis had been put on the construction of new roads to the disadvantage of development of maintenance plans. This situation had resulted in the deterioration of the road network to levels where total reconstruction was now required to put them back to acceptable standards.

Your Committee learnt that Zambia had a total road network of 67,671 kilometres, most of which was constructed between 1964 and 1980 primarily to open up the country to investment and enable the local communities to access goods and services. Of these roads, urban/township roads constituted about 80% of the total road network.

Your Committee were informed that in February, 1993, a road reform seminar was held and thereafter road reforms were introduced in Zambia. Following the reforms, in 1998, the Road Sector Investment Programme (ROADSIP) was established with the objectives set out below.

1. Rehabilitation/periodic and routine maintenance of the core road network of 40,113Km through various funding agencies.
2. Improvement of road condition for trunk, main, district, primary feeder roads, tourist roads and selected urban roads.
3. Institutional strengthening of the construction industry.
4. Creation of 30,000 jobs by 2013.
5. Reduction of accidents by 20% by 2013.
6. Improvement of environmental management (capacity).
7. Improvement of rural transport mobility and accessibility.
8. Improvement of management of community roads.
9. Address of poverty and HIV/AIDS country wide.

Your Committee were informed that following the implementation of legal and institutional reforms, the National Road Fund Agency (NRFA), the Road Development Agency (RDA) and the Road Transport and Safety Agency (RTSA) became fully functional in 2002. These statutory bodies have the following mandate:

- NRFA - to administer and manage the Road Fund
- RDA - to implement road works
- RTSA - to look at Road Safety aspects

Your Committee heard that Government policy on roads was to have a well maintained road network, township roads inclusive. This had been vested in the road agencies and road authorities created under the road reforms. All aspects in connection with township roads, from planning to maintenance, were with the road agencies, local authorities included.

Your Committee were informed that following the implementation of these reforms, in the year 2007, councils were appointed as road authorities to be in charge of specified public road network within their areas of jurisdiction. However, no clear guidelines have been forwarded to the councils on the roles they were to play. In this regard, the councils have continued to operate as before.

Your Committee were informed that the overall responsibility for the construction and maintenance of all public roads was placed under the Road Development Agency in order to achieve efficient management of the road sector through an institutional framework, although the day to day administration of this class of roads had been delegated to local authorities.

Your Committee were informed that, under the *Public Roads Act* No. 12 of 2002, local authorities were responsible for the construction and maintenance of township roads. This was done either in-house, depending on the capacity of the local authority, or out-sourced. However, this was subject to the direction of RDA. This entailed that RDA planned, programmed, coordinated and directed maintenance and, through the National Road Fund Agency, mobilised resources for construction and maintenance of roads. Therefore, in spite of the local authorities having been appointed as road authorities, the RDA continued to directly undertake road projects, a situation which had created inefficiencies and local authorities failing to take up ownership of the road works taking place within areas of their jurisdiction.

Your Committee were further informed that following the implementation of the reforms of 2002, the following problems had arisen:

- local authorities, despite being appointed as Road Authorities, had not been able to execute works as the Road Development Agency had overshadowed all contractual road works within the jurisdiction of the Local Authority;
- proposals and submissions on road works to be carried out (for example, the Annual Work Plan for 2008) were sidelined and priority roads were not considered for rehabilitation;
- operational funding for roads and drainage works was not released to local authorities for effective supervision, monitoring, management and planning; and
- Councils were not usually involved in procurement of contracts but were only involved in the supervision of works, which had created a lot of gaps to the supervising staff as they were not familiar with the scope of works; this could be seen from the numerous advertisements in the media by the RDA advertising for tenders for roads in Lusaka, instead of the Lusaka City Council doing so.

Your Committee heard that, according to the *Local Government Act* Cap 281, Councils should mobilise funds for road maintenance and carry out work in-house. However, due to the narrow revenue base, councils were unable to raise adequate funds to carry out these works. As a result of financial constraints, local authorities were unable to recruit and retain high calibre technical personnel to carry out road works. This had led to poorly motivated and relatively inexperienced people being appointed Directors of Engineering departments.

In addition, your Committee were informed that these departments also suffered from lack of plant and equipment and experienced staff to operate them. There was a general lack of institutional capacity in local authorities and little ability to manage, rehabilitate and maintain the roads within their jurisdiction. It was this situation that had caused the urban road network to deteriorate to unacceptable levels of disrepair.

Your Committee heard that local authorities always prepared schedules of roads to be included in the national budget as an Annual Work Plan (AWP) and submit the schedules to the Ministry of Local Government and Housing and the RDA. Final inclusion of roads in the National budget depended on the available funding and prioritisation of the roads.

Your Committee were also informed that it was highly recommended that a policy should be established and that local authorities should be responsible for planning, implementation and management of all road related programmes within their jurisdiction. This would help significantly in increasing the cost benefit of the investment by ensuring that limited funds were placed on roads where it was highly needed. The capacity of local authorities to plan, implement and maintain roads could be enhanced with the provision of resources such as plant and machinery, materials and qualified manpower. Councils operated on lean budgets which could not satisfy the requirements of road maintenance which was quite an expensive venture.

On the issue of funding, your Committee learnt that from the Annual Work Plan for 2008, it was apparent that the funding allocated for urban roads was inadequate. When considering the work activities outlined in the AWP for 2008, about 70% was directly allocated to road works. However, when this percentage was analysed in terms of road type, it was noted that only 6% of the 70% was allocated to urban roads while 50% was allocated to trunk, main and district roads and 14% to feeder roads.

Your Committee learnt that according to ROADSIP strategy, funding for maintenance requirements was accessed from the Road Fund (fuel levy) through the National Road Fund Agency. This funding was normally not released on time thereby delaying the commencement of maintenance and rehabilitation works on the roads. However, funding for major road works such as rehabilitation and construction was also accessed through support from cooperating partners given as grants and loans.

On the budgetary allocation for road maintenance, your Committee were informed that urban roads had been provided for in the national budget but the allocation had always been inadequate to meet national needs considering the level of deterioration of the roads and the need to provide for roads in new areas that were being created in various local authorities.

On the frequency of general maintenance of the road network, your Committee were informed that this was supposed to be carried out on an annual basis, however, due to the limited budgetary allocations, this had not been the case. This meant that only a few selected roads would be rehabilitated/maintained in a given year.

Your Committee were further informed that the deterioration of urban roads had been escalated by lack of proper drainage systems. The Committee learnt that the provision of drainage systems was the most important part of pavement design and as such it was the responsibility of the road authority responsible for the urban road to provide and maintain drainage systems. Your Committee further learnt that moisture control for pavements was an integral part of preserving the road. Drainage facilities were designed to protect the road against accumulation of excess moisture by eliminating water from the surface in the quickest possible time.

Your Committee were informed that providing proper drainage systems required proper hydrological analysis and catchment area characterisation. However, most available rainfall data was collected 15 to 20 years ago, making it unreliable as rainfall patterns had evolved drastically.

On the issue of awarding contracts for maintenance and rehabilitation of urban roads, your Committee were informed that this was done in accordance with the standard Zambia National Tender Board procurement procedures. However, due to the low procurement thresholds of local councils, the procurement of contracts was either done through the Ministerial Tender Committee or the Central Committee of the Zambia National Tender Board.

On the issue of contract supervision, your Committee were informed that this was the responsibility of the institution that had contracted the works. It was submitted that institutions needed to set the correct criteria for selection of contractors in order to avoid awarding contracts to contractors who may not be able to meet the demands of the proposed works. Lack of proper contract supervision was cited as one of the reasons contractors produced shoddy works.

COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS

From the foregoing, your Committee make the following observations:

- a) the road network within the townships throughout the country has collapsed and is in a state of disrepair and needs urgent and serious intervention;
- b) the budgetary allocation for road maintenance and rehabilitation is not sufficient considering the magnitude of the intervention required;
- c) the release of funds for road rehabilitation from the Ministry of Finance and National Planning is slow and chaotic, taking into account that jobs had a timeframe;
- d) there is poor administration of contracts by clients who do not stand up to the specifications of the contracts, resulting in shoddy works, the biggest culprit being the Government;
- e) there continue to be some grey areas in terms of roles/operations between the local authorities and other stakeholders such as the RDA, that need harmonisation;
- f) the local authorities, who are the appointed road authorities by the Road Development Agency (RDA), have no capacity in terms of skilled manpower, equipment and resources to maintain township road works;
- g) most roads are damaged at road blocks and traffic lights; and
- h) the Committee, while appreciating the various efforts by the Government to work on township roads, note that the current measures of gravelling the roads instead of tarring them will be too expensive for the nation in the long run.

Your Committee, therefore, recommend that:

- a) the Government should mobilise resources aimed at improving the state of township roads and work out a master plan that will institute a massive investment in township roads so that they can be tarred and not just gravelled;
- b) the Government should urgently sensitise the local authorities and other stakeholders on the respective roles each one is expected to play and provide clear operational guidelines to reduce the conflict currently obtaining;
- c) the Government should, as a matter of urgency, come up with measures to enhance the capacity of local authorities in order for them to effectively execute their roles as road agents;
- d) the Government must ensure that all the money collected through the Road Fund and Fuel Levy is channelled through the RDA to the road works intended;

- e) Zambia National Tender Board ceilings for tenders for road works by the RDA and the local authorities need revisiting as the rates of works keep increasing;
- f) clients, especially Government departments, must improve their administration and supervision of contracts to avoid poor and shoddy works. This would further lessen technical theft as contractors would stick to contract specifications;
- g) the Government must institute timely intervention and make roads at traffic lights and road blocks durable by using concrete and inflexible pavements. Your Committee further recommend that the Government must liaise with the police to create permanent road blocks; and
- h) the Government must expedite the introduction of toll gate fees to increase Government revenue for road repairs and maintenance. The Government is further urged to expedite the legal framework for the introduction of the fees and be proactive instead of waiting for the private sector.

TOPIC II: PHONE SERVICE PROVISION VIS-A-VIS THE LIBERALISATION OF THE INTERNATIONAL GATEWAY

Summary of Submissions from Stakeholders

7.0 Your Committee were informed that the Government undertook to liberalise the telecommunications sub sector through the *Telecommunications Act* Cap 469 of 1994 which provided for licensing of various services as well as the establishment of an independent regulator called the Communications Authority of Zambia (CAZ). The Postal and Telecommunications Corporation (PTC) was separated into two independent entities – ZAMPOST and ZAMTEL.

Your Committee learnt that the communications sector had witnessed significant private sector investment in the provision of various services. Notable was the licensing of three mobile (cellular) communications operators. CELTEL (ZAIN) and MTN were privately owned while ZAMTEL operated CELL Z as the mobile division of the company. A number of private Internet Service Providers operated their own International Data Gateways for transmission of email and internet services in the country. Therefore, the sector had recorded increased competition in all areas of ICT/Telecommunications except the operation of the International Gateway and the fixed-line phone provision. These areas remain the preserve of ZAMTEL. However, there had been a growing demand for the IGW to be liberalised as a way of attaining full competition and as a means of reducing the cost of communication in Zambia, which compared unfavourably in the Southern Africa Development Community (SADC) region.

Your Committee learnt that Government policy was to maintain only one International Gateway, which is currently being operated by ZAMTEL. This facility was seen as a life blood for ZAMTEL and enabled the Company to meet social obligations on behalf of the Government. Your Committee were further informed that the International Gateway in Zambia was terrestrial based at Mwembeshi and was built by the Government of the Republic of Zambia (GRZ) and placed under the management of Posts and Telecommunications Corporation (PTC) now Zambia Telecommunications Company Limited (ZAMTEL). ZAMTEL therefore, has a deemed licence to operate the International Gateway.

Your Committee were informed that, although there appeared to be no legal provisions limiting the establishment of competing International Gateways, entry into this sector had been restricted through administrative and other regulatory barriers. This was confirmed by the directive given by the Permanent Secretary, Ministry of Communications and Transport, to the Communications Authority of Zambia, in January 2004, to prepare a draft Statutory Instrument to remove the A3 Basic International Licence from the principal Regulations.

Your Committee learnt that the international telephony licensing framework allowed for a competitive market, but the market had remained closed insofar as ZAMTEL remained the sole provider of international voice gateway services. This was a consequence of a very high fee of US\$12 million which was imposed by Statutory Instrument No.19 of 2002 which is in force.

Your Committee heard that the Communications Authority of Zambia charged K62.6 billion for an IGW licence for international telephony. This amount was not paid by ZAMTEL since it had a deemed licence, but all new applicants would have to pay this licence fee. This arrangement would then mean that the Government policy was to open up the sector for any operator to set up their own International Gateway. However, the high licence fees would be seen to be prohibitive and in turn deter some operators from setting up their own International Gateway, especially if the volumes of international traffic did not justify paying a huge

licence fee. This had been cited as the reason why no new entrants had set up International Gateways, leaving only ZAMTEL as a monopoly.

Your Committee were informed that although Government policy had been to liberalise the sector, it had imposed these restrictions due to security reasons and its impact on and the survival of ZAMTEL. This was compounded by an inadequate legal framework which could allow for interception that balanced security concerns and respect for privacy and human rights.

Your Committee heard that since ZAMTEL had the deemed licence, it had partnered with international carriers for all international telephone traffic between Zambia and the outside world. ZAMTEL, in turn, set the tariffs unilaterally for all international traffic.

Further, MTN and Celtel were embroiled in a dispute regarding the issuance of the licences and the licence fees which had retarded growth in the sector. It also had the effect of reducing investment and subsequently lead to loss of Government revenue.

It had been argued that Zambia had one of the highest international licence fees in the continent. Some examples of fees paid elsewhere are shown below.

COUNTRY	IGW RATE (US\$)
Malawi	50,000
Tanzania	300,000
Chad	275,000
Kenya	200,000
Jordan	40,000
Sierra Leone	100,000
Guatemala	1,000
Mauritius	50,000
Sri Lanka	50,000
Nigeria	394,000
Ghana	2,000,000
Zambia	12,000,000

Your Committee were also informed that other countries did not charge any fees. These included Burkina Faso, Congo Brazzaville, Democratic Republic of Congo, Gabon, Niger, Sudan, Uganda, Rwanda, Madagascar and Cameroon.

Your Committee were informed that the impact of the restrictions in accessing the Gateway affected the efficiency of mobile phone service provision as set out below.

(a) Quality of Service

Your Committee were informed that although some good quality circuits were being used for popular destinations like South Africa, poor quality circuits continued to be used for less frequently used destinations. This resulted in continuous brand damage as the subscriber did not associate poor quality service with ZAMTEL but with the mobile operators. It also limited the time that Zambian companies were able to communicate effectively with the rest of the world, resulting in them losing out on numerous business opportunities.

Your Committee were informed that due to quality problems, the ratio of calls that got completed through ZAMTEL was much lower than what MTN and CELTEL had projected if they had their own IGWs. For example, the benchmark for the MTN Group Report in respect of availability of international loop was 99%. The availability of international loops via ZAMTEL averaged 40%.

(b) Pricing

Your Committee were informed that Zambia had one of the highest phone tariff rates in the region, more so for international traffic than local. This could be due to insufficient competition, weak regulation, monopoly in the International Gateway and high local taxes that had resulted in the high cost of doing business in the country. Your Committee were informed that high international tariffs encouraged the growth of illegal bypass. Modern technology, including the internet, had greatly increased the ease of bypass. As long as high international tariffs were maintained, the use of illegal bypass to reduce costs would continue leading to substantial loss in Government revenue.

(c) Regional Partnerships

Your Committee learnt that regional partnerships that would be beneficial to subscribers by reducing the cost of roaming were not possible as long as ZAMTEL retained the monopoly over the International Gateway. The benefits of regional roaming at local prices were enjoyed by other operators in the MTN Group as well as by Celtel and Vodacom in other parts of Africa. This allowed corporate clients to maximise business opportunities at reduced rates and stimulated regional synergies to the benefit of their countries and regions.

(d) Capacity

Your Committee were informed that with Celtel and MTN's rapidly increasing subscriber base in Zambia, it was inevitable that the current capacity that ZAMTEL had would not be able to sustain the subscribers in the future. ZAMTEL had not been able to upgrade their network to improve international services resulting in deterioration in voice quality.

Ntelsat was currently decommissioning some of ZAMTEL's satellites, which would reduce the bandwidth capacity of Mwembeshi, which would, in turn, affect the overall international links due to a technical or financial failure. ZAMTEL had in the past been under threat of having their international links suspended for non payment of interconnect fees. The introduction of privately run International Gateways would guarantee a back up in the event that the International Gateway at ZAMTEL was down, thereby reinforcing security measures.

Your Committee further learnt that tariffs for international traffic for the mobile phone operators were built as follows:

- 80% of Zamtel tariff to the destination
- Add 5% licence fee calculated on the sales price
- Add 10% excise duty calculated on the sales price

- Add mark up for the mobile operators to cover operational expenses, investments, financial costs, company tax and profit.

Your Committee were informed that this system made it impossible for the mobile phone operators to compete with ZAMTEL on price for the international traffic. If the International Gateway was liberalised, Zambia would see a significant drop in international tariffs.

Your Committee were informed that the current status continued to be a barrier to business and investment due to the high cost of making international calls for exporters and corporates alike. An example of a business that could be developed as a result of reduced international calls was Regional/International Call Centres.

On the proportion of the tariffs that were retained as revenue in the country, your Committee were informed that mobile phone operators in Zambia were subject to taxes/fees to the Government set out below.

a) Communications Authority of Zambia

Five percent (5%) of Gross Revenues is paid to the Regulator as Annual License Fees. Part of these licensing fees is earmarked to be an annual contribution to the Rural Access Fund. However, to date the process to enact legislation that should support this process has stalled.

b) Zambia Revenue Authority

- **Import Duties**

The import duties currently range from 5% to 25% on imports of communications infrastructure such as communications masts, Base Station Equipment, Very Small Aperture Terminals (VSAT) and other hardware, including computers and handsets.

- **Import VAT**

Currently, import VAT is at 16% and this is claimable by all importers who are registered with ZRA for VAT purposes. While the import VAT is claimable the very month after payment, it creates huge cashflow pressures on the importers who are in fact building a national telecommunications infrastructure.

Currently, investors have to raise finance at a cost to finance their import tax obligations and this in effect increases the cost of conducting business, which must be recovered in access fees. Without the import VAT, the cost of related funds would be eliminated leading to lower access fees and faster deployment of infrastructure.

- **Excise Duty**

Excise duty of 10% was introduced in February 2004 as a consumer tax on all airtime sales. This being a consumer tax effectively led to a direct increase in the tariffs as the consumer had reduced minutes of use for the same amount previously spent on airtime.

A reduction of this duty would allow more people to access communication and the resulting increase in volumes would mean more domestic VAT revenue. More revenue for the operators would encourage faster deployment of services to the less economically active areas of the country.

- **Assessed Losses**

Tax losses usually arose when an institution did not recover all its tax allowable expenditure through the revenues achieved in a particular tax year, thereby realising losses that currently could be carried over to be off set against future profits over a five year period. However, the economic climate was highly unpredictable and the size of these losses in the investment years was quite huge compared to the projected taxable profits of the future years. This would effectively lead to a loss of the benefit that ICT companies would have had if the carry over period for tax losses was increased from the current 5 years to at least 10 years.

Your Committee also learnt that the Government should consider allowing the recovery of VAT on communication services by businesses that were registered for VAT in order to help reduce costs for businesses that were heavily dependent on communication, such as security firms, transport firms, utility companies, manufacturing companies and other service providers that also contributed significantly to national Gross Domestic Product.

Your Committee were informed that the current local government tax system was unregulated in certain areas, giving rise to extremely high disparities in tax charges from one council to another. This was also, without regard to the city status of the council, resulting in rural councils, in some cases, levying more than urban councils for same size properties. It also made planning difficult as the fee revision system was very unpredictable and irregular as councils had no systematic way of revising council levies since the system was decentralised.

Your Committee were informed that the GSM Association had made representations to the Ministry of Local Government and Housing to take a holistic approach in reviewing the manner in which fees were being charged by the councils and to set guidelines for the councils with regard to the revision of fees to make planning more efficient.

Your Committee noted that, in total, taxes, duties and fees to the Government and the councils made up approximately 40-42% of the tariffs charged to the customer.

Your Committee were informed that in 2007, the investment in Zambia by the telecommunications sector was in excess of US\$550 million. Investment in telecommunication companies in Zambia had over the last five years accelerated, resulting in over 500 direct formal jobs being created by mobile phone companies. In addition, over 10,000 informal jobs had been created through the supply chain of telecommunications products and services. The numbers could be greater if the Government could consider a reduction in the International Gateway fees to make it more accessible to other players and a reduction in taxes that would lead to the continued development of communication and information provision.

Your Committee further learnt that sector players continued investing huge amounts in building their networks, which would provide part of the backbone infrastructure for development of the country. All these investments would provide a major boost to the economic activity in the country.

Your Committee heard that with this kind of development, it was opportune that the telecommunications industry be further rationalised to achieve the desired policy objectives of affordable world-class services through increased communication accessibility, competition, and affordability. In the near future, Zambia would continue witnessing the launch of mobile phone services in more settlements not classified as districts, which would help in raising tele-density further from the current 10% and translate into increased revenue to the state treasury. Therefore, as the network rollouts continued at an accelerated pace, it was imperative that operators were not burdened with costs that had the potential to hinder maximum growth.

On the likely consequence of the liberalisation of International Gateway, your Committee were informed that there would be a reduction of ZAMTEL's revenue from international calls. Your Committee were further informed that, even in the current scenario, ZAMTEL was already losing revenue through customers that were electing to use bypass methods, such as internet and satellite.

Your Committee were also informed that from recent case studies conducted in countries that had liberalised their Gateways, it was clear that Zambia stood to gain economically from liberalising the sector as this had the potential of bringing down rates, increasing the telecommunications market size and the growth of the economy, all of which would have positive results on the national Treasury. The International Gateway should be liberalised in a manner that would maximise benefits to the country and its people.

Consequently, ZAMTEL acknowledged its lack of capacity and its need for repositioning in a competitive market. They, therefore, requested that they be given an exclusivity period of about four years in which to prepare themselves as the playing field was being levelled.

COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS

Your Committee observe that:

- a) ZAMTEL, in its current form is insolvent, although it continues to have a monopoly over the operations of the International Gateway;
- b) although Zambia claims to have liberalised the International Gateway, Government policy is not to liberalise the sector for security reasons;
- c) although the Gateway is said to be liberalised, Government has not released the guidelines and the licence conditions of the A3 Basic International licence for other stakeholders to review;
- d) the current licence fee of US\$ 12 million is prohibitive and has acted as a barrier to entry into the sector;
- e) restricting access to the International Gateway has resulted in poor quality services and in consumers paying high tariffs for international voice services;
- f) continued restriction of access to the International Gateway promotes increased usage of unauthorised practices in accessing international voice service leading to reduced usage of the International Gateway. This reduces the volume of outgoing international calls through the International Gateway which negatively affects the revenue of the Gateway operator;
- g) current local government tax system is unregulated in certain areas giving rise to extremely high disparities in tax charges from one council to another; and

- h) part of the licence fees to the regulator have been earmarked to be an annual contribution to the Rural Access Fund for rural access; however, to date the process to enact legislation that would support the process has stalled;

Your Committee, therefore, recommend that:

- a) the Government must urgently restructure, recapitalise and reposition Zamtel to compete with other stakeholders in the provision of telecommunication services;
- b) the current status quo where Zamtel has de facto monopoly over the Gateway needs to be reviewed to allow for fair competition in the industry;
- c) the Government, through the Communications Authority of Zambia and the Ministry of Communications and Transport, should expedite the release and distribution of the draft copy of the A3 International Licence to other stakeholders for their review. This will create investor confidence and promote increased investment in telecommunication in Zambia;
- d) the Government should revise the International Gateway licence fee to reflect the value placed on the International Gateway under current market conditions;
- e) to forestall the threat to national security, the Government should allow other operators to operate a gateway but permit the installation of suitable monitoring equipment and software that will enable law enforcement agencies and/or the Communications Authority Zambia to silently monitor communications and/or get information and grant unrestricted entry to authorised security personnel;
- f) the Government should take a holistic approach in reviewing the manner in which fees are being charged by the councils and to set guidelines for councils with regard to the revision of fees to make planning more efficient;
- g) the Government should review the cost structure so that as the networks roll out, operators are not overburdened with costs that have the potential to hinder maximum growth;
- h) the Government should expedite the enactment of legislation to support the process of the Rural Access Fund; and
- i) the Government should consider having one or two additional and separate International Gateway operators to compete with ZAMTEL. These should have licences exclusively to operate the International Gateway and not to offer other services and should have significant local Zambian shareholding.

PART TWO

TOUR REPORT

8.0 Your Committee undertook tours of Lusaka, Copperbelt, Central and Southern Provinces to carry out physical checks on various infrastructure.

CELTEL (ZAIN) ZAMBIA PLC

8.1 The Acting Managing Director, who briefed your Committee, informed them that CELTEL had a subscriber base of over 2.3 million customers and coverage of approximately 72%. He stated that CELTEL had created direct employment of over 800 and a capital investment of US\$ 500 million, since inception.

Your Committee were also informed that, although Statutory Instrument No. 19 of 2002 had been issued, no draft licence had been provided. Your Committee heard that the issue of the high licence fee and regulatory fee should be re-examined to encourage investment in the telecommunications sector. It was learnt that private operators had a limited number of channels to submit their appeals for review of the cost of the International Gateway licence fee; these being the Government through the Communications Authority of Zambia and the Ministry of Communications and Transport.

When asked whether the network was experiencing problems due to congestion on the network, the Acting Managing Director stated that the equipment in place could cover 3 million subscribers. The problems being experienced by the subscribers were purely in the transition period during the commissioning of the upgrade.

The Acting Managing Director submitted that from a policy point of view, there was need to review the current ICT Policy to extend incentives to operators, especially for equipment destined for peri-urban areas.

Following the briefing, your Committee visited the Switch Room where the main operations of the service provider were carried out. Your Committee were shown the preparedness of the service provider to house an International Gateway and where the proposed International Gateway would be installed if the license is acquired.



State of the Art Switch Room at Celtel Zambia

MTN (ZAMBIA) PLC

8.2 Your Committee toured the MTN Zambia offices before proceeding to the Switch Room where they were met by the Chief Technical Officer and other members of the technical team.

Your Committee were taken round the premises and shown the different operations undertaken at the Switch Room.

Your Committee later toured the Call Centre where they were met by the Customer Service Manager who explained what happens there.

Your Committee were taken to the MTN Head Office where they had a meeting with the Chief Executive Officer, Chief Technical Officer, Acting Chief Sales and Marketing Officer and the Commercial Specialist. During this discussion, the Chief Executive Officer informed your Committee that MTN was prepared to host an International Gateway as all the equipment was already available. They stated that owing to the fact that TELECEL, the forerunner of MTN, had been granted a licence when they first applied for it, MTN urged the Government to expedite the conclusion of the case.



Committee members at MTN Satellite and Tower in Lusaka

MWEMBESHI EARTH STATION

8.3. Your Committee visited the Mwembeshi Earth Station which is managed by Zambia Telecommunications Company Limited.

Your Committee were briefed on the current status of the International Gateway. They were informed that there were currently two routes, one to the Indian Ocean and the other one to the Atlantic Ocean, while the biggest dish had become redundant. The facility had digital equipment installed in 2001.

Your Committee were informed that Mwembeshi Earth Station had 99.9% availability and that the International Switch was commissioned in early 2008.

Your Committee were informed that one of the challenges faced by the service provider was that there was only one working high power amplifier while two others had been sent for repairs.

When asked why there was poor quality service, your Committee were informed that problems arose due to ZESCO power failure. Asked whether there were any standby generators to be used in case of power failure, your Committee were informed that standby power from batteries was meant to run for a specific time although the batteries were always being charged.

On the issue of ZAMTEL's insolvency and whether that would not affect the continuity of service, your Committee were informed that releasing the Gateway was an option but ZAMTEL needed time to re-organise itself to prepare for competition. Your Committee heard that from 1991 to 2000, there had been no investment in the equipment and the income from the Gateway was less than K2 billion per month.

On what fears were there in letting other competitors getting a Gateway with the recent technology, your Committee heard that the Gateway was a Government installation where so much had been invested. The Gateway had capacity to accommodate other providers as there were more than enough circuits. The other issue of concern was that of security because the Gateway was used by the Office of the President.

LUSAKA CITY ROADS

8.4 Your Committee visited the Lusaka City Council to make an on-the-spot check of the state of urban roads in Lusaka.

Your Committee were briefed by the Director of Engineering Services at the Council, who informed them that the road network in the Province was very poor. Your Committee were informed that the approximate length of Lusaka roads was about 1600 km (850 km gravel roads and 750 km paved roads). 80% of the roads in Lusaka could be classified as being in bad/worse condition while only 20% could be said to be in good/fair condition.

Your Committee were informed that the approximate length of the road network recently rehabilitated in the past 10 years was 300 km and that the type of intervention required for Lusaka roads was reconstruction as most of the roads had gone beyond their terminal serviceability.

Your Committee were also informed about the in-house activities that were currently being undertaken by the Lusaka City Council. Some of the activities mentioned included the following:

- a) pothole patching of roads;
- b) road marking;
- c) gravelling and grading of roads;
- d) Ward Development and Constituency Development Projects;
- e) opening up of newly created residential and industrial areas;
- f) maintenance of storm water drainage system;
- g) maintenance of road furniture;
- h) road traffic management; and
- i) street lighting and traffic signals.

Your Committee were further informed that a study had been commissioned on how to decongest selected junctions in the City and to improve capacity. It was learnt that three (3) traffic signals had been installed at Kamloops - Alick Nkhata junction, Ben Bella – Lumumba Road junction and Lumumba – Mulalila junction.

Your Committee were then taken on a tour of the roads that were being worked on by the local authority. One of the projects was the Kafue – Lumumba – Chilimbulu Bypass and the Lumumba Service Lane. This was meant to decongest the Kafue Roundabout. It was further learnt that more funding was required to improve the identified major junctions.

Your Committee were informed that the Council faced the challenge of not having adequate qualified manpower, lack of appropriate equipment, such as rollers and water bowsers, and facilities for maintenance and management of road infrastructure.

LIVINGSTONE ROADS

8.5 With regard to roads, your Committee met with the Livingstone Town Clerk who informed them that selected tourist priority roads in Livingstone would be rehabilitated through the Sector Economic Expansion and Diversification Project (SEED). This was set out to carry out strategic improvement works in Livingstone City so as to provide for a minimum infrastructure platform to promote tourism. This consisted of road rehabilitation of five asphalt roads and one gravel surfaced road, including relevant drainage systems, and the rehabilitation and upgrading of drainage systems of an additional four roads. Your Committee learnt that there was another project of installing street lighting adjacent to the roadway in all the streets to be rehabilitated.

Your Committee also learnt that some of the roads targeted for rehabilitation include Chishimba Falls Road, John Hunt Way, Senanga Road, Kabompo/Kombe Drive, Industrial Road and Mukuni Road. For roadside/rail side drainage construction/rehabilitation, the following roads were targeted: Mutelo Road, Libala Road and Mwela Road and along the railway line.



Rehabilitated Concrete Drainage - Livingstone

Your Committee were informed that most roads in the tourist capital were in a poor condition with no sidewalks and drainage facilities. Some pavements had completely deteriorated and needed complete reconstruction. One of the roads, namely, the Mukuni Road, which is an existing gravel road, needed re-grading and re-gravelling and the provision of a pipe drainage system and unlined v-drains in certain sections of the road.

Your Committee were taken round the city to have an on-the-spot check of the progress made in terms of road rehabilitation and maintenance.

NDOLA CITY ROADS

8.6 Your Committee were taken on a tour of Ndola City Roads by officials from the City Council. This was after they paid a courtesy call on the Mayor of the City of Ndola and the Permanent Secretary for the Copperbelt Province.



A deteriorated road in Mushili Township - Ndola

Your Committee were informed that the majority of township roads in the city were in a bad state, requiring total reconstruction from the base. It was learnt that some of the roads, such as Independence Way and Nkandabwe Road, had not been worked on for the last ten years leading to their complete deterioration. Other roads, such as Nyerere Road and Mango Street in Chifubu, required total reconstruction.

The following factors were cited as the reasons which impeded accelerated road infrastructure development:

- a) minimal council resources to rehabilitate the roads;
- b) inadequate maintenance of the roads;
- c) lack of drainage maintenance leading to dilapidation of roads;
- d) lack of machinery, such as graders, bitumen sprayers, tankers, front end loaders, compactors and tipper trucks, to carry out maintenance; and
- e) political interference in the running of the affairs at the City Council.

Your Committee were informed that there was need to encourage the participation of the private sector in road maintenance. Such participation would encourage the participation of the communities together with the Residents Development Committees through Constituency Development and Ward Development projects.

ZAMTEL HEAD OFFICE – NDOLA

8.7 Your Committee toured the ZAMTEL Head Office in Ndola to have an on-the-spot check of the current state of infrastructure.

Your Committee were informed that ZAMTEL had a staff establishment of about 2,754 employees but the structure of the organisation was being reviewed and that right-sizing was taking place.

Your Committee were further informed that Zamtel had a challenge of brain drain of their qualified staff to their competitors and were working on a retention strategy.

Your Committee were also informed that ZAMTEL faced a challenge of having old and outdated equipment, especially in the rural areas. There was need to invest in new technology to further improve their operations.

ZAMTEL management stated that the International Gateway had not been liberalised as of 2006. They requested that before liberalising the IGW it was imperative that they be given an exclusivity period of about four years for them to prepare for change. They further requested that in the process of liberalisation, Zambian citizens should be empowered through shareholding.

After the briefing, your Committee were taken on a conducted tour of the ZAMTEL Switch Room and other facilities. Your Committee observed that most of the equipment was outdated and was gradually being replaced. It was also observed that a lot of work was required to completely bring the operations of ZAMTEL to a level where they could compete favourably with competitors in the sector.

COMMITTEE’S OBSERVATION AND RECOMMENDATIONS

Arising from the tour of infrastructure in Lusaka, Central, Southern and Copperbelt Provinces, your Committee make the observations and recommendations set out hereunder.

1. Township Roads

Your Committee observe that:

- (i) most of the township roads visited are in a deplorable condition and require urgent intervention;
- (ii) there is a general lack of equipment in all the local authorities toured hence rendering them incapable of carrying out any meaningful road repairs; and
- (iii) generally, there are no qualified staff in the councils’ Engineering departments and capacity building needs to be enhanced. It was observed that once local authorities are given sufficient funding, they are able to work on the road network as desired, as is the case in Livingstone.

Your Committee recommend that:

- (i) the Government should ensure that capacity in local authorities is built if meaningful works are to be carried out; and

- (ii) the Government should pay particular attention to the state of township roads in the country and ensure that local authorities are adequately funded to carry out road maintenance and rehabilitation;

2. Telecommunications Infrastructure

Your Committee observe that:

- (i) ZAMTEL's equipment at Mwembeshi is quite old and needs replacement; there is also need to reposition Zamtel if it has to survive in a competitive market; and
- (ii) other stakeholders in the telecommunications sector have improved their infrastructure to keep in line with current trends in the advancement of technology.

Your Committee recommend that:

- (i) there is need for the Government to completely liberalise the International Gateway so as to remove unfair competition in the sector; and
- (ii) infrastructure at the ZAMTEL Switch Room should be improved to remove old and obsolete equipment.

PART THREE

CONSIDERATION OF THE ACTION-TAKEN REPORT ON THE REPORT OF THE COMMITTEE FOR 2007

9.0 RAIL AND ROAD TRANSPORT IN ZAMBIA

1. Your Committee had recommended that the Government should play a proactive role in the development of railway transport in Zambia. In this regard, the Government should consider building railway lines or links in parts of the country with low economic activity instead of relying solely on the Build-Operate and Transfer (BOT) Policy.

The Permanent Secretary informed your Committee that the current transport policy on railway transport encouraged private sector participation in the management and financing of railways in Zambia through concessioning in order to improve railway efficiency. The Government had recognised that the private sector had not adequately taken up the challenge of addressing the infrastructure development needs of the country. Therefore, the Government was complimenting efforts of the private sector in infrastructure development by constructing railway lines such as the Chipata-Mchinji Rail.

Further, the Government would continue engaging the private sector in railway infrastructure development. The Government was also in the process of reviewing the current transport policy with a view to updating it so as to address the demands of the economy.

Observations and Recommendations

In noting the submission, your Committee urge the Government to expedite the review and updating of the transport policy so as to address the demands of the economy.

2. Your Committee had recommended that the Government should encourage networking between RSZ/ZRL and TAZARA for the benefit of the country.

The Permanent Secretary responded that the current Concession Agreement between GRZ and RSZ provided for the exclusive use of the railway by RSZ and allowed the latter to enter into inter-connectivity agreements with other railway authorities. The Agreement did not provide Government with power to intervene into business decisions of RSZ. These inter-connectivity agreements were purely business agreements.

The Government had, however, realised that there was a problem with this agreement as it affected freight traffic movement and, therefore, the Government was currently reviewing the RSZ Concession Agreement in totality in order to address these concerns.

Observations and Recommendations

In noting the submission, your Committee will await a progress report on the review of the RSZ Concession Agreement.

3. Your Committee had recommended that the Government should, as a matter of urgency, look into the issue of vandalism, which had reached alarming levels on some railway lines.

The Permanent Secretary responded that vandalism had risen partly due to the fact that RSZ had disbanded the Zambia Railway Police Unit that existed under Zambia Railways Limited upon taking over the concession in 2003.

In an effort to address vandalism, the Government had implored RSZ to engage Zambia Police and private security companies in the manner ZESCO and Zamtel had done to address the problem of vandalism. Railway Systems of Zambia had indicated that they would take this measure.

Observations and Recommendations

Your Committee will await an update on the progress made on this issue.

10.0 MARITIME AND INLAND WATERWAYS

1. Your Committee had implored the Government to take advantage of the economic activity in the Great Lakes Region and encourage the acquisition of a Zambian registered vessel on Lake Tanganyika.

The Permanent Secretary responded that in order to achieve greater participation in regional shipping activities on Lake Tanganyika, the Government, through the Ministry of Communications and Transport and working closely with the private sector, through Public, Private Participation (PPP), would encourage the establishment of Commercial Shipping Lines at national and international levels in order to contribute to the economic growth and development of the country. However, due to challenges faced in raising finances in areas of relatively low economic potential or activities, the Government would also have to review the National Transport Policy to, inter-alia, explore alternative modes of providing transport services to the people.

Observations and Recommendations

Your Committee wish to be updated on the progress made on this issue.

2. Your Committee had recommended that Government should find a lasting solution to the issue of inland water transport, particularly with regard to the maintenance of canals and should purchase dredgers to clear the waterways and canals.

The Committee was informed that the Government had plans to maintain canals and would purchase dredgers to clear the waterways. The long term objective was to ensure that canals and waterways were navigable throughout the year to facilitate transportation link in those areas where the movement of people and goods depended entirely on water transport. To achieve this objective, the Ministry planned to procure dredging equipment for the following provinces:

Province	Quantity
Luapula	5
Northern	3
Central	2
Copperbelt	3
Lusaka	2
North-Western	2
Western	6
TOTAL	23

The estimated cost of a dredger ex-factory was US\$ 450,000.

In this year's budget, a provision of K500 million had been allocated for the procurement of a dredger for Western Province. It was planned that the equipment would be procured in the period of 3 to 4 years.

Observations and Recommendations

Your Committee implore the Government to expedite the purchase of the dredgers and clearing of the canals and waterways.

11.0 FEEDER ROADS

Your Committee had observed that road rehabilitation and maintenance was being done on a piecemeal basis and the Government was losing a lot of financial resources on shoddy works by some contractors. In addition, supervision seemed to be very poor.

Your Committee, therefore, had recommended that the Government should adequately budget for the rehabilitation and construction of feeder roads countrywide. They had further urged Government to be cautious when awarding contracts on road works.

The Permanent Secretary responded that the Government was aware of the poor state of feeder roads in the country and had accordingly prioritised the maintenance and rehabilitation of road infrastructure throughout the country. To this effect, the Government, through the Ministry of Works and Supply, had procured earth-moving equipment from the People's Republic of China to speed up the maintenance and rehabilitation of roads.

Observations and Recommendations

Your Committee will await a progress report on the issue.

TOUR REPORT

12.0 Tanzania-Zambia Railways (TAZARA)

1. Your Committee had recommended that the Government should urgently convene a meeting of stakeholders on the concessioning of the Zambia Railways Limited to Railway Systems of Zambia with a view to re-negotiating some provisions of the Agreement to the best interests of all parties and the Zambian public. In future, all Government concessions and agreements should be scrutinised by relevant Committees of Parliament.

The Permanent Secretary informed your Committee that the Government, through the Ministry of Communications and Transport, had already taken steps to re-negotiate the current concession with the Railway Systems of Zambia (RSZ) and that, once finalised, the outcome would be brought to Cabinet for decision.

Observations and Recommendations

Your Committee, in noting the submission, observe that the issue of scrutinising concessions and agreements by relevant Committees of Parliament has not been tackled. They recommend that this be considered seriously to avoid signing of concessions that do not adequately address issues. They await a progress report on the re-negotiation process.

2. Your Committee had recommended that the Governments of Tanzania and Zambia should intervene in TAZARA operations and see how best to resolve the serious problems besetting the Authority.

The Permanent Secretary informed your Committee that the Governments of Zambia and Tanzania and the Board of TAZARA were actively engaged in discussion with a view to introducing private sector participation in TAZARA. In this regard, the Chinese Government

had been approached to identify a Chinese railway enterprise that could participate in the running of TAZARA.

Your Committee were further informed that since the concessioning of Zambia Railways, traffic from the Copperbelt to TAZARA had suffered substantively due to the reluctance of Railway System of Zambia to service short routes which they claimed were not economical. Although TAZARA and Railway System of Zambia had a Business Agreement, TAZARA was having problems in implementing the Agreement because RSZ was unwilling to honour the Agreement.

Further, your Committee were informed that TAZARA business performance had declined from a peak of 1.2 million metric tonnes in 1989 to an average of 600,000 metric tonnes per annum in the last decade. Some of the reasons for this have been attributed to, among others, the following:

- (a) inadequate working capital, which has resulted in poor and deferred maintenance of rolling stock and infrastructure; and
- (b) lack of capital investment.

The Permanent Secretary stated that in order to redress the unfavourable corporate position, TAZARA had developed a proposal to recapitalise the company and a draft Cabinet Memorandum to propose different methods of concession had been prepared.

Observations and Recommendations

Your Committee will await a progress report on the discussions.

13.0 CHIPATA-MCHINJI RAIL PROJECT

1. Your Committee had observed that the project may not be completed as scheduled because the compacting of ballast was being done manually and yet the Zambia Railways Limited (ZRL) had a tamping machine apparently in the custody of the Railway System of Zambia (RSZ). In the same vein, the Committee had observed that the Government had mere intentions of building of a dry port and an access road to Great East Road.

The Permanent Secretary informed your Committee that considerable work had been completed comprising the laying of a skeleton line up to 15 km and about 3 km of the rail line had been fully ballasted. However, the project had lagged behind completion time due to the slow pace of delivery of concrete slippers from Infraset Limited of Kafue. The production of slippers had been adversely affected by the general shortage of cement in the country. The Ministry had hired FEL to speed up ballasting of the road. In 2007, over K8 billion was spent on the project. Eight kilometres remained to be completed.

Your Committee were further informed that the Ministry had made a provision of K10 billion in the 2008 budget for completion of the remaining eight kilometres.

As regards the Committee's concern for the dry port, the Committee was informed that the original plan for the dry port envisaged the participation of the private sector, notably the Eastern Province Chamber of Commerce and Industry, in collaboration with the resources of the USA (Eldow, who were involved in the railway concession in Malawi). However, this was varied to include the possibility of the Ministry of Communications and Transport soliciting for financial assistance from the European Union (EU). The Ministry was awaiting a response from the European Union.

Observations and Recommendations

Your Committee urge the Government to be proactive and expedite the completion of the project.

2. Your Committee had recommended that the Terminal Building on the Chipata-Mchinji Railway line should be redesigned to conform to modern standards.

The Permanent Secretary informed your Committee that the Terminal Building would be redesigned to conform to modern standards as soon as the design works were completed. Funds for the exercise had already been released by the Treasury.

Observations and Recommendations

Your Committee will await a progress report on the matter.

14.0 MULAMBA HARBOUR (MONGU)

Your Committee had observed that Mulamba Harbour (Mongu) was not worth being called a harbour. It fell far short of the minimum international harbour standards. There was no terminal building, no fence and no loading/off loading facilities. There was need for the Government to study carefully the issue and/or reasons why the Barotse Royal Establishment was reluctant to avail the Government land for harbour operations.

In view of the foregoing, your Committee had recommended that the Government should come up with a wholesome development plan to turn Mulamba area into a harbour. This should be done in close liaison with the Barotse Royal Establishment (BRE). The Committee had suggested that the Government should try to work out along the lines of the Zambia Wildlife Authority (ZAWA)/local community arrangements in the management of National Parks/game management areas.

The Permanent Secretary informed your Committee that on 1st February, 2008, the Government, through the Rural Roads Units in the Ministry of Communications and Transport, met with the Barotse Royal Establishment (BRE) to discuss the issue of the development of Mulamba Harbour. The BRE had since directed the District Kuta to look into the issue of where to construct the passenger shelter. The District Kuta was yet to communicate with the Government.

Observations and Recommendations

Your Committee awaits a progress report on the issue.

CONSIDERATION OF OUTSTANDING ISSUES IN THE ACTION-TAKEN REPORT ON THE REPORT OF THE COMMITTEE FOR 2006

15.0 MAINTENANCE AND REHABILITATION OF GOVERNMENT BUILDINGS

Your Committee had observed that the Policy document which was supposed to be ready by September 2006, was not ready. They had requested the Permanent Secretary in the Ministry of Works and Supply to expedite the formulation of the Policy and avail the Committee with the Policy document.

The Permanent Secretary informed your Committee that the draft Policy was currently in circulation. As soon as comments were received from the various stakeholders, the Ministry would seek Cabinet approval to implement the policy.

Observations and Recommendations

The Committee awaits a progress report on the draft policy.

16.0 ENGINEERING INSTITUTION OF ZAMBIA LEGISLATION

Your Committee was awaiting a progress report on the proposed piece of legislation by the Engineering Institution of Zambia that had been pending at the Ministry of Justice.

The Permanent Secretary reported that the proposed Bill which was sent to Cabinet for approval in principle had been withdrawn in order to allow for further consultation and was yet to be submitted to Cabinet for approval.

Observations and Recommendations

The Committee awaits a progress report on the status of the proposed piece of legislation.

17.0 PERIODIC MAINTENANCE OF BUILDINGS

Your Committee had observed that the policy was holding up a number of issues. They, therefore, recommended that the policy should be put in place without further delay.

The Permanent Secretary responded that the policy would provide guidance over the periodic maintenance and rehabilitation of government buildings. However, the policy was still in circulation in preparation for Cabinet approval.

Observations and Recommendations

Your Committee will await a progress report on the issue.

18.0 TENDER PROCEDURES

Your Committee had recommended that inspectors needed to be provided with facilities in order to carry out proper inspections. They had hoped the facilities would be provided.

The Permanent Secretary informed your Committee that the Ministry had begun procuring vehicles to ensure that the officers inspecting projects were able to inspect the projects in a timely manner. To date, the Ministry had been able to provide vehicles for the Provincial offices before the District offices were capacitated due to budgetary constraints.

He further informed your Committee that the Ministry did not budget for the day to day running of the Provincial and District offices. These were catered for under Provincial Administration which at times created problems in the operations of the two offices as in most cases they did not have all the facilities needed for them to carry out inspections.

Observations and Recommendations

Your Committee, in noting the submission, are of the view that there is need to harmonise the operations of these two offices.

19.0 K92 BILLION DEBT AT THE UNIVERSITY OF ZAMBIA

Your Committee had requested the Permanent Secretary to inform them of how much money had been off-set so far and the progress made in dismantling the balance.

The Permanent Secretary informed your Committee that the Ministry of Education and the Treasury had been working on ways and means of dismantling the balance over the 2007-2009 medium terms. However, due to the magnitude of the amount involved it had been decided that the debt would only be dismantled in instalments. In 2007, the Government, through the Ministry of Education, had provided for twenty five billion kwacha in its budget and this money had since been released to the University towards liquidating the debt.

In the 2008 budget, thirty seven billion kwacha had been budgeted for dismantling the balance of the University of Zambia debt. The Ministry of Education was currently working with the Treasury to front load these funds. It was hoped that the balance would be budgeted for in 2009.

Observations and Recommendations

Your Committee will await a progress report on the dismantling of the debt.

20.0 SUPERVISORY ROLE OF THE MINISTRY OF WORKS AND SUPPLY

Your Committee had observed that the effectiveness of the rehabilitation and maintenance could not be seen on the ground. The buildings were still in a state of disrepair. They wished to see a change in the state of the buildings. They awaited a progress report on this.

The Permanent Secretary responded that although the Ministry of Works and Supply was responsible for the overall maintenance of Government Buildings, individual ministries were responsible for overall budgeting for the maintenance works of their buildings. The role of Ministry of Works and Supply was to offer professional advice on what maintenance works ought to be done, engage consultants and contractors for the works, supervise and monitor the progress of work.

However, the state of disrepair of most government buildings was as a result of financial constraints that the country faced in the recent past. However, as the economy continued to grow and improve, more money would be channelled to maintenance works.

Observations and Recommendations

In noting the submission, your Committee will await a progress report on this matter.

21.0 ERRING CONTRACTORS

Your previous Committee had noted that the problem was that of poor supervision by the ministries concerned. They had requested that the supervisory units be strengthened to avoid payments to contractors who did not complete the works.

Your Committee wished to be informed of the outcome of the investigations by the National Council for Construction.

The Permanent Secretary informed your Committee that the investigations on the erring contractors are still on going. The Committee was further informed that Government had since deregistered some contractors and issued instructions to Ministries to avoid dealing with these contractors.

Observations and Recommendations

Your Committee will await the outcome of the investigations by the National Council for Construction once they are concluded.

22.0 PENALTIES FOR MISUSING GOVERNMENT VEHICLES

Your Committee had urged the Ministry to make a follow-up on the Act to legalise the charges.

The Permanent Secretary responded that the Ministry of Works and Supply had prepared a Cabinet Memorandum to legalise the charges which was yet to be submitted to the Cabinet for approval.

Observations and Recommendations

Your Committee will await a progress report on this matter.

23.0 CONTROLLER OF GOVERNMENT TRANSPORT

Your Committee had wished to be informed of the progress made in reviewing the structure of the Government Transport Control Unit and whether logistical support had been improved.

The Permanent Secretary informed your Committee that the Ministry was currently working on a new structure of the Government Transport Unit which would be submitted to the Management Development Division through the Public Service Management Division for consideration and approval.

Logistical support to the current Government Transport Control Unit had improved and all the Provinces had been able to purchase a vehicle. The Ministry was, however, working towards improving the staffing levels for the unit throughout the country.

Observations and Recommendations

Your Committee would like to be informed of the progress made in improving the staffing levels.

24.0 FUEL LEVY

Your Committee had recommended that the National Road Fund Agency should be allowed to collect the fuel levy and then be granted Appropriation-in-Aid to the extent of 100% of the fuel levy.

The Permanent Secretary informed your Committee that fuel levy was collected under the Customs and Excise Act by the Commissioner General of the Zambia Revenue Authority and was disbursed through the Main Treasury Account. The disbursement was done in line with the *Public Finance Act* No.15 of 2004 which did not provide for Government revenues to be channelled through any other account than through the Treasury. Section 13 (1) of the *Public Finance Act* No. 15 of 2004 stipulated that there shall be established a consolidated fund into which all general revenues and other public moneys accruing to the Treasury shall be accredited.

Further, Section 13 (2) of the *Public Finance Act* No.15 of 2004 stated that the moneys payable to the Consolidated Fund under subsection (1) shall be deposited into the Treasury Account which shall be maintained at the Bank of Zambia. As such, all moneys collected as

fuel levy is channelled through the Treasury from which a funding is done to the National Road Fund Agency.

The direct channelling of fuel levy to the NRFA, therefore, could only be effected upon making provision in the Public Finance Act for the direct remittance of the funds to the NRFA. Furthermore, there was a need to amend the *Road Fund Act* No. 13 of 2002 to empower the National Road Fund Agency to directly collect and administer the money collected from the sale of fuel for road development. The name of the money collected would, therefore, change from being fuel levy in order to avoid conflict with the Customs and Excise Act and take the form of a road user charge.

The Committee was also informed that under the 2008 budget, it had been proposed that road user charges that were collected by the Road Traffic and Safety Agency would be part of the total Government allocation to the NRFA. However, fuel levy would be channelled through a special Account at Bank of Zambia with signatories from NRFA in order to ensure that funds were available to the NRFA as and when required.

Observations and Recommendations

Your Committee urge the Government to consider revising the *Public Finance Act* to make provision for direct remittance of fuel levy funds to NFRA.

25.0 ROADS CONNECTING PROVINCES

Your Committee had noted the submission, but had recommended that all inter-provincial roads should be worked on expeditiously.

The Permanent Secretary informed your Committee that the Government, through the Road Development Agency, had been implementing ROADSIP Phase I from 1998 to 2002. The programme intended to bring the state of trunk, main and district roads into good and fair condition. Phase II which would end in 2013 was meant to maintain these roads and improve on other roads which would not have been maintained.

Furthermore, procurement of contractors on the prioritised roads this year was complete and some of the works had already been awarded to contractors, and the rest would be awarded before the end of the year.

Observations and Recommendations

Your Committee will await a progress report on the works being undertaken.

26.0 DIGITAL WEIGHBRIDGES

Your Committee had recommended that all the weighbridges should be completed. They awaited a progress report.

The Permanent Secretary informed your Committee that the Government, through the Road Development Agency (RDA), had so far completed construction of two modern and digital bridges at Kapiri Mposhi and Kazungula. Four more mechanical weigh bridges at Livingstone, Solwezi, Mpika and Kafue would be converted to digital bridges in the course of the year. Three new weigh bridges were under design stage and would be advertised for construction before the end of the year, while the Kasumbalesa one was planned for construction in 2009.

Observations and Recommendations

Your Committee will await an update on the progress being made on the matter.

MINISTRY OF COMMUNICATIONS AND TRANSPORT AIR TRANSPORT: MONIES TO REVIEW THE AVIATION LAW

27.0 CIVIL AVIATION DEPARTMENT

Your Committee had noted that this was the third year of getting the same answer. The law had been pending at the Ministry and they found this unacceptable. They had urged the ministry to expedite this.

The Permanent Secretary informed your Committee that a Committee to fast track the review of aviation laws had been appointed. The Committee would also deal with the issue of transforming the Department of Civil Aviation into an autonomous authority in line with International Civil Aviation Organisation standards. The Committee was yet to submit its report.

Observations and Recommendations

Your Committee will await a progress report on the matter.

28.0 NATIONAL AIRLINE

Your Committee were surprised that the Ministry had been working on designating any airline national airline status. The previous Committee had recommended that the country should own a national airline and not any airline carrying the national flag. They had urged the Ministry to establish a national airline which would be a pride to the nation.

The Permanent Secretary informed your Committee that Government was still studying a report by a private consultant. However, the Ministry of Communications and Transport was pursuing the possibility of going into a joint venture with various partners on the establishment of a national airline. To date, the Chinese and Virgin Airlines of the USA had expressed interest in the matter.

Observations and Recommendations

Your Committee urge the Government to be proactive and expedite the establishment of a national airline.

29.0 ZIMBA/LIVINGSTONE SECTION

Your Committee had wished to be informed of the progress made on the remaining section of fifteen kilometres of the road.

The Permanent Secretary informed your Committee that it had been agreed that the 30 km road be funded by GRZ as European Union funds could not be accessed immediately. Currently, evaluation bids for the works were being evaluated and it was hoped that tenders for the works would be floated by June/July, 2008.

Your Committee was further informed that JICA had engaged a consultant to design the rehabilitation of the 15 km from Livingstone to the border with Zimbabwe. The design work had since been completed and it was expected that tender for the works would be completed by August, 2008.

Observations and Recommendations

Your Committee wish to register their displeasure at the slow pace at which the road works are being carried out. They urge the Government to expedite the works on this stretch of the road as it is an economic life blood of the nation.

30.0 KAFUE CHECK POINT

Your Committee were disappointed that the Kafue check point had not been attended to. The two guard houses were still filthy and the toilets had not been constructed. They recommended that toilets be constructed at all check points in the country.

The Permanent Secretary informed your Committee that a modern facility was planned to be constructed at the junction of Kafue Road and Mazabuka Road. Detailed engineering design for the construction of the new Kafue Weigh Bridge was almost complete. The works were expected to commence in September 2008 and would be completed in July 2009. The new weigh bridge would house offices for the Zambia Police and the Zambia Revenue Authority.

Observations and Recommendations

Your Committee will await a progress report on this issue.

31.0 GUARD RAILS

Your Committee had expressed disappointment that the guard rails had not been worked on since 2005. They had urged the Ministry to speed up this work.

The Permanent Secretary informed your Committee that the works would require strengthening the guard rails by painting them to protect them against rust. RDA intended to address this by routine maintenance by Performance Contract of Lusaka. The works could not be given to Portmore Construction Limited who were working on the road because of under performance by the contractor.

Observations and Recommendations

Your Committee urge the Government to expedite these works.

32.0 CHOMA/NAMWALA ROAD

Your Committee had wished to be informed of what works had been done on the Choma/Namwala road as well as the Nhongo and Munyeke bridges on the same road.

The Permanent Secretary informed your Committee that in 2006, the Ministry and the contractor, Messrs. Basil Read, had agreed to implement the construction of the Choma-Chitongo road to bitumen standard in phases, according to the available funds. It was planned that in 2007, the first 10 km of the project road would be worked on and completed to surfacing level.

In December, 2006, the contractor carried out a detailed survey and detailed engineering design to determine the quantities of the work required for the first 10 km starting from Choma. The Contractor had agreed to resume the works in 2007 upon clearing the amount of ZMK 4.9 billion that was still owed to him for the works carried out on the Chitongo-Namwala road as of 31st December, 2006.

Your Committee were informed that in the 2007 budget, there was a provision of ZMK 18 billion for the construction to bitumen standard of the Choma-Chitongo road. The contractor was paid the outstanding amount in September, 2007 in full. It was agreed in November, 2007 between the ministry and the contractor to terminate the existing contract due to passage of time. Accordingly, the RDA wrote to the contractor to confirm the decision and the Tender Board was accordingly informed of the termination of the contract.

The RDA had since carried out assessments to determine the works to be done. Currently, the process of engaging a new consultant and a new contractor to do the works had started. The works would involve upgrading the road from gravel to a paved road. Adverts to engage a contractor were already running in the press, and it was hoped that a contractor and a consultant would be engaged soon.

Observations and Recommendations

Your Committee will await a progress report on the road works.

33.0 ROAD SIGNS

Your Committee wished to be informed of the progress made on the matter.

The Permanent Secretary informed your Committee that the Government, through the Ministry of Works and Supply, had started the programme to reinstate vandalised road signs. However, owing to financial constraints, only two contracts had been awarded to reinstate road signs on most roads in Lusaka and Copperbelt Provinces. The Government hoped to reinstate road signs in other Provinces in 2009. The Committee were further informed that investigations on the use of alternative materials that could be vandal proof were going on even though it seemed that it would be difficult to find such substitute material.

Observations and Recommendations

Your Committee await a progress report on this matter.

34.0 THE GREAT EAST ROAD

Your Committee wished to be informed of the progress made by the Ministry in sourcing funds for road rehabilitation.

The Permanent Secretary informed your Committee that progress on this project was that the African Development Bank (ADB) and the European Union (EU) had committed themselves to finance the rehabilitation of the 200 kilometres road. However, this amount was not enough as the road was more than 200 km from Luangwa Bridge to Mwami Border. In this regard, Government was looking for another partner to finance the other part of the road.

Observations and Recommendations

Your Committee urge the Government to prioritise the rehabilitation works, seeing the economic value of this road.

35.0 CHIPATA/MFUWE ROAD

Your Committee had noted that the works on the Chipata/Mfuwe road had been pending for many years. This was unacceptable and they had recommended that the road be worked on without any further delay.

The Permanent Secretary informed your Committee that the World Bank had committed to finance the rehabilitation of the Chipata/Mfuwe road. An RFP had been drawn by the RDA which had since been sent to the World Bank for a no-objection. A consultant would be engaged to undertake the feasibility study and detailed design before works could be tendered and floated.

Observations and Recommendations

Your Committee will await a progress report on this matter.

36.0 MWAMI WEIGHBRIDGE

Your Committee were not satisfied with the answer. They were in fact alarmed that the ministry could let the status quo remain. They, therefore, recommended that the relocation of the weighbridge be done without any further delay.

The Permanent Secretary assured your Committee that the relocation of Mwami Bridge would be done this year.

Observations and Recommendations

Your Committee wish to be updated when this is done.

37.0 ZAMTEL

Your Committee wished to be informed about the asset base of ZAMTEL and the returns on investment. A company operating on commercial basis needed to have returns of at least K300 billion. The K650 million was not a true reflection of the returns of ZAMTEL. Your Committee required an explanation. Further, the Committee felt that the quality of service being offered by ZAMTEL needed to be improved.

The Permanent Secretary informed your Committee that some of the factors that were attributed to the poor performance of ZAMTEL were:

- a) the Company's equipment for both PSTN and Mobile phone services was inadequate to meet the changed business environment. In the case of PSTN, the equipment was old and in some cases obsolete;
- b) in the case of Mobile Phone Services, the network coverage was limited, thereby limiting the clientele base;
- c) the Company's financial position was very weak and had been making losses for some time now; and
- d) lack of re-capitalisation over the years.

In order to address the current challenges, ZAMTEL was working on a repositioning programme which would involve consideration of the following options:

- i. unbundling into two main lines of business, namely, the mobile and landline /broadband/internet operating independently;
- ii. finding an equity partner; and

- iii. borrowing from commercial banks to recapitalise the operations:
 - a) on the return on investment for ZAMTEL, it was -42.6 percent in 2007 based on audited accounts of 31st March, 2007 and was estimated at -10.1 percent in 2008.
 - b) as regards the asset base of ZAMTEL, the Committee was informed that the asset base was K630.5 billion in 2007 and K640.7 billion in 2008.

Observations and Recommendations

Your Committee wish to be updated on the progress in the repositioning of ZAMTEL.

CONCLUSION

38.0 Your Committee wish to express their gratitude to the Permanent Secretaries in the Ministries of Works and Supply; Local Government and Housing, Communications and Transport; and Finance and National Planning. They also thank all the other Chief Executive Officers and members of the public who made submissions to the Committee for their valuable information.

Your Committee thank you, Mr Speaker, for the guidance given to them throughout the deliberations. They further express their appreciation for the advice and services rendered by the Clerk of the National Assembly and her staff.

September, 2008
LUSAKA

D M Syakalima, MP
CHAIRPERSON

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