

## **MINISTERIAL STATEMENT**

**ON**

### **NON-PARTICIPATION OF ZAMBIANS IN FUEL TRANSPORTATION IN THE COUNTRY**

**BY THE**

**HON. MINISTER OF ENERGY (MR KAPALA), MP**

Madam Speaker, a point of order was raised by Hon. Menyani Zulu, hon. Member of Parliament for Nyimba Parliamentary Constituency, on the non-participation of Zambians in the transportation of fuel in the country.

Madam Speaker, the Ministry of Energy is mandated to manage and develop the petroleum industry in order to ensure security of supply of petroleum products in the country. In its quest to ensure a robust petroleum sector, the Government on 4<sup>th</sup> May, 2021, promulgated Statutory Instrument (SI) No. 35 of 2021, which stipulates that:

“A person who intends to import a commodity (in this case petroleum products) into Zambia shall ensure that at least 50 per cent of the product is transported by a local transporter.”

Madam Speaker, the promulgation of SI No. 35 was made upon realisation that transportation of imported finished petroleum products and other commodities was dominated by foreign owned companies which implied that jobs and wealth were being exported to other countries. The objective of SI No. 35 of 2021 is to grow capacity and create jobs for Zambians.

Madam Speaker, my ministry, in conjunction with the Zambia Revenue Authority (ZRA), has put in place a monitoring mechanism that indicates whether a fuel tanker crossing the Zambian border is Zambian registered or not.

Madam Speaker, in order to ensure security of supply of petroleum products, my ministry has contracted seven suppliers of finished petroleum products to supply and deliver petrol and diesel. These are:

- (a) BB Energy;
- (b) Dalbit International Limited;
- (c) Delta Energy Zambia;
- (d) ER Industries;
- (e) Othniel Brooks;
- (f) Sahara Energy Resources DMCC; and
- (g) HASS Petroleum.

Further, a waiver on customs duty has been given to seventy Oil Marketing Companies (OMCs) through the issuance of SI No. 43 of 2021, to facilitate the importation of 678,600 m<sup>3</sup> of diesel, 304,000 m<sup>3</sup> of petrol, 5,000 m<sup>3</sup> of kerosene and 5,000 kg of Liquefied Petroleum Gas (LPG). This was done to supplement the imports from government contracted suppliers. The SI No. 43 of 2021 is valid up to 31<sup>st</sup> December, 2021, which is end of next month.

Madam Speaker, for the period June to August, 2021, a total of 4,184 road tankers were used to import petrol and diesel of which 1,692 were Zambian road tankers, representing an overall compliance of 40 per cent. According to SI No. 35 regarding citizen economic empowerment in the transportation of heavy and bulk commodities by road, import waiver conditions as well as conditions of contract for government contracted suppliers, shall ensure that at least 50 per cent of the commodity is transported by local road transporters.

Madam Speaker, the petroleum transporters are mainly represented by the Petroleum Transporters Association of Zambia (PTAZ). Therefore, the transport rates which PTAZ agreed with the government contracted suppliers from 2015 to-date on key routes are as follows:

- (a) Beira to Lusaka – the rate was reduced from US\$135 per m<sup>3</sup> in 2015 to US\$125 per m<sup>3</sup> in 2021;
- (b) Beira to Ndola – the rate was reduced from US\$145 per m<sup>3</sup> in 2015 to US\$135 per m<sup>3</sup> in 2021; and
- (c) Beira to Solwezi – the rate was reduced from US\$160 per m<sup>3</sup> in 2015 to US\$150 per m<sup>3</sup> in 2021.

Madam, it has been brought to our attention that foreign transporters are charging in the range of US\$105 per m<sup>3</sup> to US\$115 per m<sup>3</sup> on similar routes.

Madam Speaker, in this regard, the low compliance levels by the government contracted suppliers and OMCs with regard to the usage of local transporters might be attributed to the difference in the transportation rates between the local transporters and the foreign transporters. My ministry, working with relevant stakeholders in the sector, will take leadership and seriously interrogate this as a cost of doing business matter, so that the environment to conduct business is favourable for Zambians.

Madam Speaker, while transportation of 50 per cent of government imported petroleum products has been reserved for the local transporters, it is evident that there have been lapses of adherence by the OMCs and the government contracted suppliers. Accordingly, the Government has put in place a technical secretariat comprised of officers from the following institutions.

- (a) Tanzania-Zambia Mafuta (TAZAMA) Pipelines Limited;
- (b) Energy Regulation Board (ERB);
- (c) Zambia Chartered Institutes of Transport and Logistics;

- (d) INDENI Petroleum Refinery Limited;
- (e) PTAZ;
- (f) Zambia Union of Tanker Drivers and Allied Workers;
- (g) Non-PTAZ members;
- (h) Ministry of Justice;
- (i) Ministry of Energy; and
- (j) Ministry of Transport and Logistics.

Madam Speaker, The secretariat was set up to ensure enforcement of the implementation of SI No. 35 of 2021. The transportation of 50 per cent of imported finished petroleum products in the country by our local transporters is enshrined in the contracts that the Government has signed with government contracted suppliers of finished petroleum products. In addition, it is included in the waiver on customs duty granted to OMCs for the importation of petrol and diesel.

Madam Speaker, as a ministry, we appreciate and are concerned about the challenges the transporters are experiencing with regard to the transportation of petroleum products taking into account that Zambia is a land-linked country. In this regard, the following measures shall be implemented in the short, medium and long term. As a short term measure, my ministry has engaged the government contracted suppliers to ensure that they adhere to the clause in the signed contracts.

This clause states that a minimum of 50 per cent of the trucks to be used shall be from local Zambian owned companies in accordance with Statutory Instruments (SI) 36 of 2011. Further, all Oil Marketing Companies (OMC) have been engaged to ensure adherence to waiver conditions, failure to comply with the waiver conditions on using local transporters will lead to the termination of the waiver by 15<sup>th</sup> November, 2021. As a medium term measure, plans are underway by the energy regulation board to come up with the uniform rate for cross border transportation of fuel. In addition to this, the Energy Regulation Board (ERB) is also expected to interrogate the aspect of inland costs that is embedded in the cost build up of fuel by suppliers for purposes of understanding the pricing structures with the view of addressing them.

Madam Speaker, my ministry believes that uniform rates will result in more volumes being allocated to local transporters like Government contracted suppliers and OMCs. This measure will also reduce the turnaround time for *Zambian* drivers and increase the number of trips for the local transporters per month. As a long term measure, my ministry will institute policy changes in the transportation of fuel by local transporters through the proposed Petroleum Development Management Bill.

Madam Speaker, as a listening Government my ministry shall continue working with all stake holders to ensure that the commitments of the New Dawn Government in the form employment creation for locals especially the youth are fulfilled.

I thank you, Madam Speaker.

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