IOSR Journal Of Humanities And Social Science (IOSR-JHSS)
Volume 30, Issue 4, Series 3 (April, 2025) 29-57
e-ISSN: 2279-0837, p-ISSN: 2279-0845.
www.iosrjournals.org

Effects Of Anti-Competitive Practices On Road Transport In The East African Community: A Case Study Of Rwanda

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Abstract
Transport services and infrastructure play a fundamental role in the economy of Rwanda as it contribute about 7% of the DGP and represent about 15% of the total services delivery. The sector is increasingly working on regional connectivity projects through the East African Community (EAC) which is expected to contribute greater benefits to the economy.
Without transport, the movement of goods and services (trade) is impossible. The cost of such transport is one of the key variables that can promote, or constrain, economic growth. And transport systems are expensive and time-consuming products to implement. They are infrastructure heavy, and usually involve a huge number of stakeholders, including government regulators, global manufactures, national and regional operators and private owner operators, all with their own focus areas and demands.
Rwanda is dependent primary on its road transport system for the economic development of the country. All the major towns are connected by the road network. Rwanda is also well connected by the road transport system with the neighboring countries of Uganda, Kenya, Tanzania, Burundi and the Democratic Republic of Congo. The road system plays a very important role in the import and export business of the country.
Rwanda has made significant achievements in developing transport infrastructure. However, the issue of providing adequate transport services has largely been ignored. It is not possible ensure door-to-door mobility and accessibility of people and goods, which is key to economic growth, without development of an integrated public transport service but a new implementation has been done last year in order to harmonize the transport regulations, by doing some transport companies have won the market and the prices has been fixed based on the number of kilometer walked. But we continue to struggle with anti-competitive practices on road transport in Rwanda.

Date of Submission: 01-04-2025 Date of Acceptance: 11-04-2025

I. General Introduction

The East African Community (EAC) comprises five Partner States namely Burundi, Kenya, Rwanda, Tanzania and Uganda. The Treaty establishing the East African Community was signed in November 1999 and entered into force in July 2000. The broad goal of EAC is to spearhead the East African economic, social and political integration agenda, so as to create wealth in the region and enhance competitiveness through increased production, trade and investment.[1]

Article 5 (1) of the Treaty for the Establishment of the East African Community states that "The objectives of the Community shall be to develop policies and programs aimed at widening and deepening co-operation among the Partner States in political, economic, social and cultural fields, research and technology, defense, security and legal and judicial affairs for mutual benefit".

In order to attain these objectives, transport sector plays a major role, partner states shall undertake to evolve coordinated, harmonized and complimentary transport and communications policies; improve and expand the existing links; and establish new ones as a means of furthering the physical cohesion of the countries, so as to promote the movement of traffic within the Community.[2]

To achieve these goals, the Partner States shall take steps to among others; harmonize their standards, regulations and practices, develop and integrate roads, railways, airports and ports within their territories,

[1] Treaty for the establishment of the East African Community, (As amended on 14th December, 2006 and 20th August, 2007).
[2] Treaty for the establishment of the East African Community, article 89.

provide security and protection to transport systems and exchange information and technological developments in transport and communications.[3]

The East Africa Region operates five modes of transport systems consisting of road, rail, maritime, air transport and oil pipeline.[4] It recognizes that regional infrastructure interventions are keys to attracting investment into the region, improving competitiveness, and promoting trade. Trade on tariff reduction alone, however, will not bring these trade benefits. Reductions must be complemented by improved transport infrastructure, trade and transport facilitation, private sector capacity to produce goods and services competitively, improved government service and reduction in risk and transaction costs for trade participation by the poor[5]. This the reason of this study which will be focused on the effects of anti-competitive on road transport in Rwanda as a Member state of EAC.

II. Background To The Study

The trade and economic success of the East African Community depend in considerable part on the quality of its infrastructure. Transport is a key element of the infrastructure. A major EAC goal is to encourage intra-regional trade, which requires improvements in the regional transport network. To do so, the EAC is focused on the rehabilitation and development of the regional road network, frameworks to support regional roads and border post operations, harmonization of road regulations, privatization of railway operations and liberalization of air traffic.

With the re-launching of the East African Community, its partner states established the goal of harmonizing and strengthening their efforts on the enforcement of road transport laws and regulations in the region. Their efforts focused on developing the Tripartite Agreement on Road Transport, the Permanent High-Level Standing Committee on East African Road Project, and the Committee for Easing Cross Border Movements. The Tripartite Agreement set out the basic objectives for transport facilitation:

(1) promotion, regulation and facilitation of the traffic flow through transit routes and a fair distribution of road transport services,
(2) minimizing customs fraud and delays in movement of goods, and
(3) Harmonizing documents and procedures.[6]

Rwanda's trade and poverty reduction policy is focused on increasing the involvement of rural farmers in cash crops, insuring higher farm gate prices and improving rural transport to markets. Coffee and tea constituted 58% of total exports and tourism 25%[7]. Rwanda's policy is to strengthen these exports while diversifying into new sectors, including niche markets for specialty coffee and tea. The constraint is that Rwanda's low production costs are offset by high transport costs. The tourism strategy involves improving civil aviation and land transport.

Rwanda is linked by road with other East African Community's member states, via which the majority of the country's imports and exports are made. The country has an international airport at Kigali, serving one domestic and several international destinations, and also has limited transport between the port cities on Lake Kivu. There are currently no railways in Rwanda. Due to the rapid increase of population and car ownerships, consequently increase in traffic volumes in recent years, traffic congestion and the deterioration of overall transport system have increased remarkably in Rwanda[8].

At the moment, Rwanda has made significant achievements in developing transport infrastructure. However, the issue of providing adequate transport services has largely been ignored. It is not possible ensure door-to-door mobility and accessibility of people and goods, which is key to economic growth, without development of an integrated public transport service[9] but a new implementation has been done last year in order to harmonize the transport regulations, by doing some transport companies have won the market and the

[3] NEPAD-OECD Africa Investment Initiative: "East African Community, Overview of Regional Road Infrastructure Projects" paper prepared for distribution as part of the official documentation at the Expert Roundtable on 11 December 2008. At http://www.oecd.org/investment/investmentfordevelopment/41775886.pdf, visited on 30 July 2014.
[4] EAC Secretariat "Treaty for the establishment of the East African Community" as amended on 14th December, 2006 and 20th August, 2007.
[5] African Development Fund. Multinational: institutional support for "East Africa trade and transport facilitation project" OINF October 2006. Infrastructure Department. p. 2
[6] African Development Fund. Multinational: institutional support for "East Africa trade and transport facilitation project" OINF October 2006. Infrastructure Department. p. 10
[7] *Idem*, p.5
[8] Assessing public transport supply for Kigali, Rwanda, by David NIYONSENGA, 2012
[9] Public Transport Policy and Strategy for RWANDA, MININFRA, Kigali October 2012

prices has been fixed based on the number of kilometer walked. But we continue to struggle with anti-competitive practices on road transport in Rwanda.

III. Scope Of The Research

The choice of this research is limited in domain of regional integration/EAC in area competition law in order to show how the anti-competitive practices on transport affect the freedom of movement as well as the economic development of the Community' states. In the time this research is limited from 2010 up to now.

IV. Problem Statement

The provision of adequate and appropriate transport practices is one of the most important components for well-being of growing and expanding urban areas[10]. Public transport has a great significance in reducing traffic congestion, offering alternative means of travel, and contributing greatly to the quality of urban life (Vuchic, 2005). With a growing population and rapid urbanization, transport systems need to be updated as well. A lag between growing the public transport demand and service capacity results in an increase of travel cost, congestion, and unreliable service, thereby creating economic loss and environmental degradation. Therefore, it is of substantial value that approaches for monitoring, assessing and modeling public transport system performance are developed, in order to ensure a provision of better services.

Road transport services in Rwanda are mainly provided by minibuses, buses and motorcycle taxis with absent competition. The total number of registered vehicles in Rwanda represent about 5% of the all vehicles, play the key role in providing road based public transport services.[11] Another important mode of public transport is motorcycle, which is the dominant vehicle mode of transport in Rwanda representing about 50% of all vehicles[12].

Rwanda has been tipped as one of the cleanest in Africa but it scoring badly when it comes to public transport competition. You can ask yourself how the city that has been able to clean its backyards has failed to harmonize public transport competition for a good service delivery and consumer protection (its residents and visitors). Take example of Kigali city where today, only three transport companies won the market: Kigali Bus Service (KBS), Rwanda Federation of Transport Cooperative (RFTC), and Royal Express. Each company has been given a specific zone in the City of Kigali road network. But the researcher can not stop to ask ourselves if oligopoly in public transport will succeed where monopolistic competition has failed. Recall that before this new system there were many companies offering public transport services in four corners on Kigali city but now only three companies will be in charge of the whole market. Is this an open market or a limited, competition remain a critical issue in this field.

For many tourists who visit Kigali city, motorcycles or "taxi voitures" are favorites for them because of limited time. Instead of endlessly waiting for a public transport that don't even reach some parts of Kigali city due to the small number of coasters, tourists have been opting for motorcycles that offer quick service. But even these motorcycles have been blamed for causing traffic accidents as some who drive them are inexperienced and violate traffic rules.

This study examined the effects of anti-competitive practices on road transport in Rwanda to service delivery and to economic development.

V. Research Questions

Transport services and development works should be procured competitively, openly and transparently, in accordance with a national set of procurement rules. In this context, our study will be in line with to the following questions:

1) Is there an open competition on transport sector in Rwanda?
2) What are the effects of anti-competitive practices on transport in the development of the state?
3) What measures that could be taken in order to reach on fair competition in road transport sector development.

VI. Hypotheses

The working hypothesis for this study is that there is limited participation of private personal in transport sector in Rwanda. There are a number of companies that won the market but they do not change the issue on transport model and is still critical rather than impressive. This research will be founded on following hypothesis and will be verified based on the results of this research:

[10] Murray, A. T., Davis, R., Stimson, R. J., & Ferreira, L. (1998). "*Public Transportation Access".* Transportation Research Part D: Transport and Environment. doi: 10.1016/s1361-9209(98)00010-8.
[11] Rwanda Revenue Authority Report, 2012
[12] Idem

1) There is no fear competition on road transport in Rwanda whereas we struggle with a big number of demand compare to the supply.
2) The delay of passengers on the tax-park waiting for transport service is the overall effect of anti-competitive practice on road transport.
3) Regulatory and RTDA have to flatten an open market for personal and foreign investor in the public transportation.

VII. Research Objectives

Transport is a key concern in economic development, competitive practices are one of the key variables that can promote or constrain the transport development as well as the economic growth of the country. Rwanda is dependents primary on its road transport system for the economic development of the country. This study has the following objectives:

General Objective

To study of effects of anti-competitive practices on road transport in East African Community, a case study of Rwanda.

Specific objectives

1. To identify and examine the transport system within EAC member states
2. To examine competition policies on transport sector in Rwanda
3. To provide specific recommendations for the effects of anti-competitive practices in the area of road transport in Rwanda.

VIII. Research Methodology

In this study the following methods and technics have been used:

i. *Desk Research*: the documents related to the study were accessed in order to gather contextual information, or triangulate data collected through other methods.
ii. *Observation* was used to conduct the research in order to have the field information, Transport Company and institutions were visited for more about the events or things pertinent to this study.
iii. Exegetic, analytical, synthetic methods will be necessary for interpretation and analysis of books, legal texts, etc. related to our case study.

IX. Significance Of The Study

This study is carried out in order to show the effects of anti-competitive practices on transport sector in Rwanda as member state of EAC. According to the article 90 of the treaty establishing EAC, "Partner States agree to establish measures on roads and road transport system in order to achieve the right and freedom of movement". Our study will determine the effects of anti-competitive practices on this system of transport.

Expected Outcomes

This research is intended to produce the following outcomes:

- ✓ It will provide the current transport competition system, in terms of routes network and transport service capacity in order to overcome the freedom of movement with other member states of EAC,
- ✓ It will describe the road transport competition sector in Rwanda,
- ✓ It will give insights on what, where and how the anti-competitive practices affect the trade facilitation within as well as the economic development of the member states.

X. Structure Of The Work

- *General introduction.* It briefly outlines the background and justification of the research, and led to the identification of the research problem, research objectives, research questions and research methodology in order to respond to the objectives of this research assumptions and expected outcomes of the research are also discussed in this chapter.
- Chapter I: Transport policy and sector development in Rwanda. based on literature review; findings of other relevant studies are discussed.
- Chapter II: *Anti-competitive practices on road transport in Rwanda*. It describes the current status of public transport system and competition policies with its effects on the economic development of the country.
- Chapter III: *Mechanisms to improve competitive practices on road transport in Rwanda*
- *General conclusion and recommendations*.

XI. General Consideration On Transport Policy And Economic Development

Definition of key concepts

Transport

Transport is defined as the moving of goods or people from one place to another, (including air, road, maritime, rails ways[13]……).

Road transport

Transport on roads can be roughly grouped into the transportation of goods and transportation of people. In many countries licensing requirements and safety regulations ensure a separation of the two industries.[14]

The nature of road transportation of goods depends, apart from the degree of development of the local infrastructure, on the distance the goods are transported by road, the weight and volume of the individual shipment, and the type of goods transported. For short distances and light, small shipments a van or pickup truck may be used. For large shipments even if less than a full truckload a truck is more appropriate.

In some countries cargo is transported by road in horse-drawn carriages, donkey carts or other non-motorized mode. Delivery services are sometimes considered a separate category from cargo transport. In many places fast food is transported on roads by various types of vehicles. For inner city delivery of small packages and documents bike couriers are quite common.

People are transported on roads either in individual cars or automobiles, or in mass transit by bus or coach. Special modes of individual transport by road like rickshaws or taxis moto and bike may also be locally available.

Transport policy

Transport policy deals with the development of a set of constructs and propositions that are established to achieve particular objectives relating to social, economic and environmental development, and the functioning and performance of the transport system.

Anti-competitive practices

Anti-competitive practices refer to a wide range of business practices in which a firm or group of firms may engage in order to restrict inter-firm competition to maintain or increase their relative market position and profits without necessarily providing goods and services at a lower cost or of higher quality (unfair competition).

EAC

The East African Community (EAC) is the regional intergovernmental organization of the Republics of Kenya, Uganda, the United Republic of Tanzania, Republic of Rwanda and Republic of Burundi with its headquarters in Arusha, Tanzania[15]. The Treaty for Establishment of the East African Community was signed on 30th November 1999 and entered into force on 7th July 2000 following its ratification by the Original 3 Partner States – Kenya, Uganda and Tanzania. The Republic of Rwanda and the Republic of Burundi acceded to the EAC Treaty on 18th June 2007 and became full Members of the Community with effect from 1st July 2007[16].

Transport policy and planning

A major distinction between the planning and policy is that the latter has a much stronger relation with legislation. Policies are frequently, though not exclusively, incorporated into laws and other legal instruments that serve as a framework for developing planning interventions. Planning does not necessarily involve legislative action, and is more focused on the means of achieving a particular goal, often within the existing regulatory framework.[17]

The goal of transport policy is to make effective decision concerning the allocation of transport resources, including the management and regulation of existing transportation activities Thus, transport policy can be concomitantly a public and private endeavor, but governments are often the most involved in the policy

[13] http://www.businessdictionary.com/definition/transport.html, visited 26 October 2014.

[14] http://en.wikipedia.org/wiki/Road_transport, visited 26 October 2014.

[15] EAC Publication IV, Protocol on the establishment of the East African Community union, EAC Secretariat,Arusha,2004.p.3.

[16] http://www.mineac.gov.rw/index.php?id=27,accessed on 24th July 2014.

[17] Tolley, R. and B. Turton (1995) *Transport Systems, Policy, and Planning*. Longman: London, p.20.

process since they either own or manage many components of the transport system and have levels of jurisdiction on all existing transportation modes. In Rwanda, RURA governs transport policy, effectiveness and environmental concerns.[18]

Governments also often perceive that it is their role to manage transport systems due to the important public service they provide in addition to impose a regulatory framework. Yet, many transport systems, such as maritime and air transportation, are privately owned. There are however substantial geographical variations in ownership with the United States having a history of private involvement while Europe, China, India and Japan have more relied on public ownership and operations.[19]

In all cases, the common rule is that the public sector usually provides transport infrastructure and the regulatory framework, while the private sector assumes the operations of many modes. With globalization and deregulation, the private sector has much leverage into the policy process through its asset allocation decisions, which reflects in new public transport policy paradigms.[20]

Relevance of Transport Policy

Transport policies arise because of the extreme importance of transport in virtually every aspect of economic, social and political activities of nation states. Transport is taken by governments of all inclination, from those that are interventionist to the most liberal, as a vital factor in economic development. Transport is seen as a key mechanism in promoting, developing and shaping the national economy. Many regional development programs, such as the Appalachia Project in the US and the 1960s and the contemporary Trans-European Networks (TENs) policy in the EU and Rwanda Transport Development Agency (RTDA)[21] in Rwanda are examples of transport-based. Governments also seek to promote transportation infrastructure and services where private capital investment or services may not be forthcoming.[22]

Transport policy has been developed to prevent or control the inherent monopolistic tendency of many transport modes. Unrestrained competition leads to market dominance by a company thereby achieving monopoly power. Such dominance brings into question many issues affecting the public interest such as access, availability and price. Other reasons for policy intervention include the desire to limit foreign ownership of such a vital industry for concerns that the system would be sidetracked to service more foreign than national interests. For example, the US limits the amount of foreign ownership of its domestic airlines to a maximum of 49%, with a maximum of 25% control.[23]

Policy Instruments

Governments have a large number of instruments at their disposal to carry out transport policy. Some are direct, such as public ownership, while others are indirect such as safety standards[24]:

- An extremely important instrument is *public ownership*. The direct control by the state of transportation infrastructure, modes or terminals is very widespread. Most common is the provision by public agencies of transport infrastructure such as roads, ports, airports and canals. Public ownership also extends to include the operation of transport modes. In many countries airlines, railways, ferries and urban transit are owned and operated by public agencies.
- *Subsidies* represent an important instrument used to pursue policy goals. Many transport modes and services are capital intensive, and thus policies seeking to promote services or infrastructure that the private sector are unwilling or unable to provide may be made commercially viable with the aid of subsidies. Private railroad companies in the Nineteenth Century received large land grants and cash payments from governments anxious to promote rail services. In the US, the Jones Act, that seeks to protect and sustain a US-flagged merchant fleet, subsidizes ship construction in US shipyards. Indirect subsidies were offered to the air carriers of many countries in the early years of commercial aviation through the awarding of mail contracts. Dredging of ship channels and the provision of other marine services such as pilotage and navigation aids are subsidies

[18] Van Wee, B., J.A. Annema and D. Banister (Eds) (2013), *The Transport System and Transport Policy: An Introcution*, Cheltenham, UK: Edward Elgar.
[19] Tolley, R. and B. Turton (1995), *Transport Systems, Policy, and Planning*. Longman: London, p.20.

[20] Dr. Jean-Paul Rodrigue and Dr. Theo Notteboom (2010): *Transportation and Economic Development*, retrieved from http://people.hofstra.edu/geotrans/eng/ch7en/conc7en/ch7c1en.html, visited 27 October 2014.
[21] Ministry of Infrastructure (October 2012): "*public transport policy and strategy for Rwanda".* Kigali.
[22] *Ibidem*
[23] Dr. Jean-Paul Rodrigue and Dr. Theo Notteboom: Transportation and Economic Development, From http://people.hofstra.edu/geotrans/eng/ch7en/conc7en/ch7c1en.html, visited 27 October 2014.
[24] Dr. Jean-Paul Rodrigue and Dr. Theo Notteboom: Transportation and Economic Development, From http://people.hofstra.edu/geotrans/eng/ch7en/conc7en/ch7c1en.html, visited 27 October 2014.

to facilitate shipping. Both public ownership and subsidies represent instruments that require the financial involvement of governments. Revenue generation is becoming an increasingly important instrument in transport policy.[25]

- *Regulatory control* represents a means of influencing the shape of transportation that is very widely employed. By setting up public agencies to oversee particular sections of the transport industry, governments can influence the entire character and performance of the industry. The agencies may exert control on entry and exit, controlling which firms can offer transportation services, at what prices, to which markets. Thus while the actual services may be offered by private firms, the regulator in fact plays a determining role. Regulatory agencies in the US such as the Civil Aeronautics Board played a critical role in shaping the US airline industry for decades. In Rwanda, Rwanda Transport Development Agency, Rwanda Utility Regulatory Agency, Rwanda Civil Aviation, etc. contributed to the development of land and air transport sector development.[26]
- Many governments are major promoters of research and development in transportation. Government research laboratories are direct products of state investments in R&D, and much university and industry R&D is sustained by government contracts and programs. The fruits of this research are extremely important to the industry. It is a vital source for innovation and the development of new technologies such as intelligent vehicles and intelligent highway systems. This technology is an issue for many African countries including Rwanda.[27]
- Labor regulations pertaining to conditions of employment, training, and certification may not be directed purposefully at influencing transport, but as a policy they may exert a significant effects over the industry.[28]
- Safety and operating standards, such as speed limits, may have a similar effect. The restrictions on limiting the number of hours a truck driver may work may be instituted for safety reasons and for enhancing the working conditions of drivers, but they shape the economics of truck transport. In the same fashion speed limits help fix the distance of daily trips that one driver may undertake, thereby shaping the rate structure of the trucking industry.[29]

Trends in Policy Development

Public policies reflect the interests of decision makers and their approaches to solving transport problems. These interests and approaches are both place specific (they apply to a particular area of jurisdiction) and time specific (they are established to reflect the conditions of transport and the intended solutions at a point in time). Policies change and evolve as conditions change and as new problems are recognized; they are dynamic**.** The dynamic nature of policy is reflected in the way the policy instruments have been employed over the years. In the Nineteenth Century, when many of the modern transport systems were being developed, the prevailing political economy was one of laissez-faire, in which it was believed that the private sector should be the provider of transport services and infrastructure.[30]

Economic Importance of Transportation

Transport frequently is an issue in national security. Policies are developed to establish sovereignty or to ensure control over national space and borders. The Interstate Highway Act of 1956, that provided the United States with its network of expressways, was formulated by President Eisenhower on the grounds of national security. Security was at the heart of the more recent imposition of requirements on document clearance prior to the departure of freight from foreign countries to the US.[31]

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[25] Dr. Jean-Paul Rodrigue and Dr. Theo Notteboom: Transportation and Economic Development, from http://people.hofstra.edu/geotrans/eng/ch7en/conc7en/ch7c1en.html, visited 27 October 2014.

[26] Dr. Jean-Paul Rodrigue and Dr. Theo Notteboom: Transportation and Economic Development, from http://people.hofstra.edu/geotrans/eng/ch7en/conc7en/ch7c1en.html, visited 27 October 2014.

[27] Michael Pickhardt,Jordi Sardà (2012), *Perspectives on Competition in Transportation*. Retrieved from http://books.google.rw/books?id=F1pIGYdGKe0C&pg=PP9&lpg=PP9&dq=transportation+competition+instruments&source=bl&ots=tOivBT_eLt&sig=byTFbtmO9wb_8_zZA4RO9ZTD0aU&hl=fr&sa=X&ei=KoheVIMOipLsBtecgMgC&ved=0CHwQ6AEwCQ#v=onepage&q=transportation%20competition%20instruments&f=false, visited on 6 November 2014.

[28] *Ibidem,*

[29] Dr. Jean-Paul Rodrigue and Dr. Theo Notteboom: *Transportation and Economic Development,* retrieved from http://people.hofstra.edu/geotrans/eng/ch7en/conc7en/ch7c1en.html, visited 27 October 2014.

[30] *Ibidem*.

[31]"*Transport policy and management*", from htpp;/people.hafstra.edu/geotrans/eng/ch3en/conc3en/map.interstatesystem.html. Accessed 26 October 2014.

Transport raises many questions about public safety and the environment. Issues of public safety have for a long time led to the development of policies requiring driving licenses, limiting the hours of work of drivers, imposing equipment standards, establishing speed limits, mandating highway codes, seat belts and other accident controls. More recently, environmental standards and control measures are being instituted, in response to the growing awareness of the environmental impacts of transport. Examples include banning leaded gasoline and mandating catalytic converters in automobiles.[32]

Country's development is related at improving the welfare of a society through appropriate social, political and economic conditions. The expected outcomes to the economy of a country are quantitative and qualitative improvements in human capital (e.g. income and education levels) as well as physical capital such infrastructures (utilities, transport, telecommunications). While in the previous decades, development policies and strategies tended to focus on physical capital, recent years has seen a better balance by including human capital issues. Irrespective of the relative importance of physical versus human capital, development cannot occur without both as infrastructures cannot remain effective without proper operations and maintenance while economic activities cannot take place without an infrastructure base.[33]

Because of its intensive use of infrastructures, the transport sector is an important component of the economy and a common tool used for development. This is even more so in a global economy where economic opportunities are increasingly related to the mobility of people, goods and information. A relation between the quantity and quality of transport infrastructure and the level of economic development is apparent. High density transport infrastructure and highly connected networks are commonly associated with high levels of development. When transport systems are efficient, they provide economic and social opportunities and benefits that result in positive multipliers effects such as better accessibility to markets, employment and additional investments. When transport systems are deficient in terms of capacity or reliability, they can have an economic cost such as reduced or missed opportunities and lower quality of life.[34]

At the aggregate level, efficient transportation reduces costs in many economic sectors, while inefficient transportation increases these costs. In addition, the impacts of transportation are not always intended and can have unforeseen or unintended consequences. For instance congestion (critical impact on transport system in Rwanda) is often an unintended consequence in the provision of free or low cost transport infrastructure to the users. Transport also carries an important social and environmental load, which cannot be neglected.

Assessing the economic importance of transportation requires a categorization of the types of impacts it conveys. These involve core, operational and geographical dimensions[35]:

Mass movement

The most fundamental impacts of transportation relate to the physical capacity to convey passengers and goods and the associated costs to support this mobility. This involves the setting of routes enabling new or existing interactions between economic entities.[36]

Time saving

Improvement in the time performance, notably in terms of reliability, as well as reduced loss or damage. This implies a better utilization level of existing transportation assets benefiting its users as passengers and freight are conveyed more rapidly and with less delay.[37]

Access to the market

Access to a wider market base where economies of scale in production, distribution and consumption can be improved. Increases in productivity from the access to a larger and more diverse base of inputs (raw

[32] "*Transport policy and management*". Retrieved from htpp;/people.hafstra.edu/geotrans/eng/ch3en/conc3en/map.interstatesystem.html. Accessed 26 October 2014

[33] Dr. J.P. Rodrigue and Dr. Theo Notteboom: Transportation and Economic Development, From http://people.hofstra.edu/geotrans/eng/ch7en/conc7en/ch7c1en.html, visited 27 October 2014.

[34] "*Transport policy and management*". Retrieved from htpp;/people.hafstra.edu/geotrans/eng/ch3en/conc3en/map.interstatesystem.html. Accessed 26 October 2014.

[35] *Ibidem.*

[36] *Ibidem.*

[37] "*Transport policy and management*". Retrieved from htpp;/people.hafstra.edu/geotrans/eng/ch3en/conc3en/map.interstatesystem.html. Accessed 26 October 2014.

materials, parts, energy or labor) and broader markets for diverse outputs (intermediate and finished goods). Another important geographical impact concerns the influence of transport on the location of activities.[38]

Mobility

Mobility is one of the most fundamental and important characteristics of economic activity as it satisfies the basic need of going from one location to the other, a need shared by passengers, freight and information[39]. All economies and regions do not share the same level of mobility as most are in a different stage in their mobility transition towards motorized forms of transport. Economies that possess greater mobility are often those with better opportunities to develop than those with scarce mobility. Reduced mobility impedes development while greater mobility is a catalyst for development. Mobility is thus a reliable indicator of development. Providing mobility is an industry that offers services to its customers, employs people and disburses wages, invests capital, generates income and provides taxation revenue.

The economic importance of the transportation industry can thus be assessed from a macroeconomic and microeconomic perspective[40]:

- At the macroeconomic level (the importance of transportation for a whole economy), transportation and the mobility it confers are linked to a level of output, employment and income within a national economy. In many developed countries, transportation accounts between 6% and 12% of the GDP.
- At the microeconomic level (the importance of transportation for specific parts of the economy) transportation is linked to producer, consumer and production costs. The importance of specific transport activities and infrastructure can thus be assessed for each sector of the economy. Transportation accounts on average between 10% and 15% of household expenditures while it accounts around 4% of the costs of each unit of output in manufacturing, but this figure varies greatly according to sub sectors.

The added value and employment effects of transport services usually extend beyond employment and added value generated by that activity; indirect effects are salient. For instance, transportation companies purchase a part of their inputs (fuel, supplies, maintenance) from local suppliers.[41]

The production of these inputs generates additional value-added and employment in the local economy. The suppliers in turn purchase goods and services from other local firms. There are further rounds of local re-spending which generate additional value-added and employment. Similarly, households that receive income from employment in transport activities spend some of their income on local goods and services. These purchases result in additional local jobs and added value. Some of the household income from these additional jobs is in turn spent on local goods and services, thereby creating further jobs and income for local households.

As a result of these successive rounds of re-spending in the framework of local purchases, the overall impact on the economy exceeds the initial round of output, income and employment generated by passenger and freight transport activities. Thus, from a general standpoint the economic impacts of transportation can be direct, indirect and induced[42]:

1) **Direct impacts:** the outcome of improved capacity and efficiency where transport provides employment, added value, larger markets as well as time and costs improvements.
2) **Indirect impacts:** the outcome of improved accessibility and economies of scale. Indirect value-added and jobs are the result of local purchases by companies directly dependent upon transport activity. Transport activities are responsible for a wide range of indirect value-added and employment effects, through the linkages of transport with other economic sectors (e.g. office supply firms, equipment and parts suppliers, maintenance and repair services, insurance companies, consulting and other business services).
3) **Induced impacts:** the outcome of the economic multiplier effects where the price of commodities, goods or services drop and/or their variety increases. For instance, the steel industry requires cost efficient import of iron ore and coal for the blast furnaces and export activities for finished products such as steel booms and coils. Manufacturers and retail outlets and distribution centers handling imported containerized cargo rely on efficient transport and seaport operations.

Transportation links together the factors of production in a complex web of relationships between producers and consumers. The outcome is commonly a more efficient division of production by an exploitation of geographical comparative advantages, as well as the means to develop economies of scale and scope. The productivity of space, capital and labor is thus enhanced with the efficiency of distribution and personal

[38] *Ibidem.*
[39] Op.cit,

[40] Op. cit
[41] *Ibidem.*
[42].op. cit

mobility. Economic growth is increasingly linked with transport developments, namely infrastructures, but also with managerial expertise, which is crucial for logistics.

Thus, although transportation is an infrastructure intensive activity, hard assets must be supported by an array of soft assets, namely management and information systems. Decisions have to be made about how to use and operate transportation systems in a manner that optimize benefits and minimize costs and inconvenience.[43]

Transportation and Economic Opportunities

Transportation developments that have taken place since the beginning of the industrial revolution have been linked to growing economic opportunities[44]. At each stage of human societal development, a particular transport technology has been developed or adapted with an array of impacts. Five major waves of economic development where a specific transport technology created new economic, market and social opportunities can be suggested[45]:

- **Seaports**: Linked with the early stages of European expansion from the 16th to the 18th centuries, commonly known as the age of exploration. They supported the early development of international trade through colonial empires, but were constrained by limited inland access.
- **Rivers and canals**: The first stage of the industrial revolution in the late 18th and early 19th centuries was linked with the development of canal systems in Western Europe and North America, mainly to transport heavy goods. This permitted the development of rudimentary and constrained inland distribution systems.
- **Railways**: The second stage of industrial revolution in the 19th century was linked with the development and implementation of rail systems enabling more flexible and high capacity inland transportation systems. This opened up substantial economic and social opportunities through the extraction of resources, the settlement of regions and the growing mobility of freight and passengers.
- **Roads**: The 20th century saw the rapid development of comprehensive road transportation systems, such as national highway systems, and of automobile manufacturing as a major economic sector. Individual transportation became widely available to mid income social classes, particularly after the Second World War. This was associated with significant economic opportunities to service industrial and commercial markets with reliable door-to-door deliveries. The automobile also permitted new forms of social opportunities, particularly with suburbanization.
- **Airways and information technologies**: The second half of the 20th century saw the development of global air and telecommunication networks in conjunction with economic globalization. New organizational and managerial forms became possible, especially in the rapidly developing realm of logistics and supply chain management. Although maritime transportation is the physical lynchpin of globalization, air transportation and IT support the accelerated mobility of passengers, specialized cargoes and their associated information flows.

No single transport mode has been solely responsible for economic growth. Instead, modes have been linked with the economic functions they support and the geography in which growth was taking place. The first trade routes established a rudimentary system of distribution and transactions that would eventually be expanded by long distance maritime shipping networks and the setting of the first multinational corporations managing these flows.[46]

Major flows of international migration that occurred since the 18th century were linked with the expansion of international and continental transport systems that radically shaped emerging economies such as in North America and Australia. Transport played a catalytic role in these migrations, transforming the economic and social geography of many nations. Transportation has been a tool of territorial control and exploitation, particularly during the colonial era where resource-based transport systems supported the extraction of commodities in the developing world and forwarded them to the industrializing nations of the

[43] op.cit

[44] "*Transport policy and management*", from htpp;/people.hafstra.edu/geotrans/eng/ch3en/conc3en/map.interstatesystem.html. Accessed 26 October 2014.

[45] Michael Pickhardt,Jordi Sardà (2012), *Perspectives on Competition in Transportation*. Retrieved from http://books.google.rw/books?id=F1pIGYdGKe0C&pg=PP9&lpg=PP9&dq=transportation+competition+instruments&source=bl&ots=tOivBT_eLt&sig=byTFbtmO9wb_8_zZA4RO9ZTD0aU&hl=fr&sa=X&ei=KoheVIMOipLsBtecgMgC&ved=0CHwQ6AEwCQ#v=onepage&q=transportation%20competition%20instruments&f=false, visited on 6 November 2014.

[46] World Bank report (2007).

time[47]. The goal to capture resource and market opportunities was a strong impetus in the setting and structure of transport networks.

More recently, port development, particularly container ports, has been of strategic interest as a tool of integration to the global economy as the case of China illustrates. There is a direct relation between foreign trade and container port volumes, so container port development is commonly seen as a tool to capture the opportunities brought by globalization. Due to demographic pressures and increasing urbanization, developing economies are characterized by a mismatch between limited supply and growing demand for transport infrastructure. While some regions benefit from the development of transport systems, others are often marginalized by a set of conditions in which inadequate transportation plays a role. Transport by itself is not a sufficient condition for development (World Bank, 2007).

However, the lack of transport infrastructures can be seen as a constraining factor on development. In developing economies, the lack of transportation infrastructures and regulatory impediments are jointly impacting economic development by conferring higher transport costs, but also delays rendering supply chain management unreliable. A poor transport service level can negatively affect the competitiveness of regions and corporations and thus have a negative impact on the regional added value and employment. Investment in transport infrastructures is thus seen as a tool of regional development, particularly in developing countries[48].

Transport investments also tend to have declining marginal returns. While initial infrastructure investments tend to have a high return since they provide an entirely new range of mobility options, the more the system is developed the more likely additional investment would result in lower returns. At some point, the marginal returns can be close to zero or even negative, implying a shift of transport investments from wealth producing to wealth consuming. A common fallacy is assuming that additional transport investments will have a similar multiplying effect than the initial investments had, which can lead to capital misallocation. The most common reasons for the declining marginal returns of transport investments are[49]:

- In a context of high level of accessibility and transportation networks that are already extensive, further investments usually result in marginal improvements. This means that the economic impacts of transport investments tend to be significant when infrastructures were previously lacking and tend to be marginal when an extensive network is already present. Additional investments can thus have limited impact outside convenience.
- As economies develop, their function tends to shift from the primary (resource extraction) and secondary (manufacturing) sectors towards advanced manufacturing, distribution and services. These sectors rely on different transport systems and capabilities. While an economy depending on manufacturing will rely on road, rail and port infrastructures, a service economy is more oriented towards the efficiency of logistics and urban transportation. In all cases transport infrastructure are important, but their relative importance in supporting the economy may shift.
- Due to clustering and agglomeration, several locations develop advantages that cannot be readily reversed through improvements in accessibility. Transportation can be a factor of concentration and dispersion depending on the context. Less accessible regions thus do not necessarily benefit from transport investments if they are embedded in a system of unequal relations.

Therefore, each transport development project must be considered independently and contextually. Since transport infrastructures are capital intensive fixed assets, they are particularly vulnerable to misallocations and mal investments. The standard assumption is that transportation investments tend to be more wealth producing as opposed to wealth consuming investments such as services. Still, several transportation investments can be wealth consuming if they merely provide convenience, such as parking and sidewalks, or service a market size well below any possible economic return, with for instance projects labeled "bridges to nowhere". In such a context, transport investment projects can be counterproductive by draining the resources of an economy instead creating wealth and additional opportunities. Efficient and sustainable transport markets and systems play a key role in regional development although the causality between transport and wealth generation is not always clear.[50]

Types of Transportation Impacts

The relationship between transportation and economic development is difficult to formally establish and has been debated for many years. In some circumstances transport investments appear to be a catalyst for

[47] Dr. Jean-Paul Rodrigue and Dr. Theo Notteboom: Transportation and Economic Development, From http://people.hofstra.edu/geotrans/eng/ch7en/conc7en/ch7c1en.html, visited 27 October 2014.

[48] In 2007, the World Bank published its first ever report which ranked nations according to their logistics performance based on the Logistics Performance Index.

[49] Op.cit

[50] Op. cit

economic growth while in others, economic growth puts pressures on existing transport infrastructures and incite additional investments.[51]

In a number of regions around the world, transport markets and related transport infrastructure networks are seen as key drivers in the promotion of a more balanced and sustainable development, particularly by improving accessibility and the opportunities of less developed regions or disadvantaged social groups. At start there are different impacts on the transport providers (transport companies) and the transport users. There are several layers of activity that transportation can valorize, from a suitable location that experiences the development of its accessibility through infrastructure investment to a better usage of existing transport assets through more efficient management[52]. This is further nuanced by the nature, scale and scope of possible impacts:

- **Timing of the development**: The impacts of transportation can precede, occur during or take place after economic development. The lag, concomitant and lead impacts make it difficult to separate the specific contributions of transport to development. Each case appears to be specific to a set of timing circumstances that are difficult to replicate elsewhere.
- **Types of impacts**: They vary considerably as the spectrum ranges from the positive to the negative. Usually transportation investments promote economic development while in rarer cases they may hinder a region by draining its resources in unproductive transportation projects.[53]

Cycles of economic development provide a revealing conceptual perspective about how transport systems evolve in time and space as they include the timing and the nature of the transport impact on economic development. This perspective underlines that after a phase of introduction and growth, a transport system will eventually reach a phase of maturity through geographical and market saturation. There is also the risk of overinvestment, particularly when economic growth is credit driven, which can lead to significant misallocations of capital.[54]

The outcome is a surplus capacity in infrastructures and modes creating deflationary pressures that undermines profitability. In periods of recession that commonly follow periods of expansion, transportation activities may experiment a setback, namely in terms of lower demand and a scarcity of capital investment. Transport, as a technology, typically follows a path of experimentation, introduction, adoption and diffusion and, finally, obsolescence, each of which has an impact on the rate of economic development.

Since transportation is capital intensive, operators tend to be cautious before committing to new technologies and the significant sunk cost they require. In addition, transport modes and infrastructures are depreciating assets that constantly require maintenance and upgrades. At some point, their useful lifespan is exceeded and the vehicle must be retired or the infrastructure rebuilt. Thus, the amortization of transport investments must consider the lifespan of the concerned mode or infrastructure.[55]

Transportation as an economic factor

Factor Contemporary trends have underlined that economic development has become less dependent on relations with the environment (resources) and more dependent on relations across space**.** While resources remain the foundation of economic activities, the commodification of the economy has been linked with higher levels of material flows of all kinds. Concomitantly, resources, capital and even labor have shown increasing levels of mobility.[56] This is particularly the case for multinational firms that can benefit from transport improvements in two significant markets:[57]

- **Commodity market**: Improvement in the efficiency with which firms have access to raw materials and parts as well as to their respective customers. Thus, transportation expands opportunities to acquire and sell a variety of commodities necessary for industrial and manufacturing systems.

[51] *"Transport Impacts on development*". Retrieved from htt://people.hofstra.edu/geatrans/eng/ch7en/conc7en/transportimpacts.html, visited 6 November 2014.
[52] Van Wee, B., J.A. Annema and D. Banister (Eds) (2013), *The Transport System and Transport Policy: An Introcution*, Cheltenham, UK: Edward Elgar.

[53] *"Transport Impacts on development*". Retrieved from htt://people.hofstra.edu/geatrans/eng/ch7en/conc7en/transportimpacts.html, visited 6 November 2014.
[54] Van Wee, B., J.A. Annema and D. Banister (Eds) (2013), *The Transport System and Transport Policy: An Introduction*, Cheltenham, UK: Edward Elgar.
[55] *Ibidem.*
[56] *"Transport Impacts on development*". Retrieved from htt://people.hofstra.edu/geatrans/eng/ch7en/conc7en/transportimpacts.html, visited 6 November 2014.
[57] Van Wee, B., J.A. Annema and D. Banister (Eds) (2013), *The Transport System and Transport Policy: An Introduction*, Cheltenham, UK: Edward Elgar.

- **Labor market**: Improvement in the access to labor and a reduction in access costs, mainly by improved commuting (local scale) or the use of lower cost labor (global scale).

Transportation provides market accessibility by linking producers and consumers so that transactions can take place. A common fallacy in assessing the importance and impact of transportation on the economy is to focus only on transportation costs, which tend to be relatively low; in the range of 5 to 10% of the value of a good. Transportation is an economic factor of production of goods and services, implying that it is fundamental in their generation, even if it accounts for a small share of input costs. This implies that irrespective of the cost, an activity cannot take place without the transportation factor. Thus, relatively small changes in transport cost, capacity and performance can have substantial impacts on dependent economic activities. An efficient transport system with modern infrastructures favors many economic changes, most of them positive.

The major impacts of transport on economic factors can be categorized as follows[58]:

- An economic entity tends to produce goods and services with the most appropriate combination of capital, labor, and raw materials. A region will thus tend to specialize in the production of goods and services for which it has the greatest advantages (or the least disadvantages) compared to other regions as long as appropriate transport is available for trade. Through geographic specialization supported by efficient transportation, economic productivity is promoted. This process is known in economic theory as comparative advantages.
- An efficient transport system offering cost, time and reliability advantages enable goods to be transported over longer distances. This facilitates mass production through economies of scale because larger markets can be accessed. The concept of "just-in-time" in supply chain management has further expanded the productivity of production and distribution with benefits such as lower inventory levels and better responses to shifting market conditions. Thus, the more efficient transportation becomes, the larger the markets that can be serviced and the larger the scale of production. This results in lower unit costs.
- When transport is efficient, the potential market for a given product (or service) increases, and so does competition. A wider array of goods and services becomes available to consumers through competition which tends to reduce costs and promote quality and innovation. Globalization has clearly been associated with a competitive environment that spans the world and enables consumers to have access to a wider range of goods and services.
- Transport also contributes to economic development through job creation and its derived economic activities. Accordingly, a large number of direct and indirect employments are associated with transport. Producers and consumers take economic decisions on products, markets, costs, location, prices which are themselves based on transport services, their availability, costs and capacity.[59]

Transport is important to the economic development of the country, it facilitates for the movement of goods, services and persons but it is more contributable in consideration of competition practices (competition for all and consumers' protection). Competition within the transport industry enables citizens to benefit from efficient and cheaper transport. Free competition also acts as a driving force to open up country's networks and therefore gives investments and the network a regional dimension. In transport, eliminating anticompetitive behavior and entry barriers reduced transport costs and prices. The second chapter is going to talk about competition policy and regulation on road transport sector in Rwanda as member of EAC.[60]

XII. Competition Policy And Road Transport Sector Development In Rwanda

Competition policy is a key part of the development agenda. Evidence from the literature confirms that greater market competition has a positive effect on economic performance and productivity growth over a wide range of sectors.[61] Competition policies can indeed increase or sustain competition within sectors and across economies. Reforms that open markets and remove anticompetitive regulation such as price controls, statutory monopolies, restrictions on the number of firms, and discriminatory treatment of certain firms lead to significant productivity gains. Effective implementation of competition and antitrust rules to address cartel behavior,

[58] *"Transport Impacts on development*". Retrieved from htt://people.hofstra.edu/geatrans/eng/ch7en/conc7en/transportimpacts.html, visited 6 November 2014.

[59] "op.cit

[60] Van Wee, B., J.A. Annema and D. Banister (Eds) (2013), *The Transport System and Transport Policy: An Introduction*, Cheltenham, UK: Edward Elgar.

[61] World Bank: competition policy, view point at https://www.wbginvestmentclimate.org/results/upload/Encouraging-Thriving-Markets-for-Development_Competition-Policy_Viewpoint.pdf, visited on 27 October 2014.

anticompetitive mergers, and distortive subsidies is essential. The mere existence of laws and regulations is not enough.[62]

This chapter analyzed the transport sector development and competition policies in Rwanda, in showing the constraints facing by this sector (SWOT analysis).

The importance of competition policy

The term 'competition policy' refers to the measures that governments take to suppress or deter anticompetitive practices and promote the efficient and competitive operation of markets. One vital component of such policy is an effective competition law. The latter refers to legislation that prohibits or otherwise deals with specific anti-competitive practices, such as cartels, abuse of a dominant market position, monopolization, and mergers that create a dominant position or otherwise stifle competition.[63]

Competition puts businesses under constant pressure to offer the best possible range of goods at the best possible prices, because if they don't, consumers have the choice to buy elsewhere. In a free market, business should be a competitive game with consumers as the beneficiaries. Sometimes companies try to limit competition. To preserve well-functioning product markets, authorities like the Commission must prevent or correct anti-competitive behavior. To achieve this, the National Inspectorate and Competition Authority (NICA) will monitor the following aspects:[64]

- Agreements between companies that restrict competition: cartels or other unfair arrangements in which companies agree to avoid competing with each other and try to set their own rules.
- Abuse of a dominant position: where a major player tries to squeeze competitors out of the market
- Mergers (and other formal agreements whereby companies join forces permanently or temporarily): legitimate provided they expand markets and benefit consumers
- Efforts to open markets up to competition (liberalization): in areas such as transport, energy, postal services and telecommunications. Many of these sectors used to be controlled by state-run monopolies and it is essential to ensure that liberalization is done in a way that does not give an unfair advantage to these old monopolies.

Competition policy is about applying rules to make sure businesses and companies compete fairly with each other. This encourages enterprise and efficiency, creates a wider choice for consumers and helps reduce prices and improve quality.

Low prices for all

The simplest way for a company to gain a high market share is to offer a better price. In a competitive market, prices are pushed down. Not only is this good for consumers, when more people can afford to buy products, it encourages businesses to produce and boosts the economy in general.

Better quality

Competition also encourages businesses to improve the quality of goods and services they sell to attract more customers and expand market share. Quality can mean various things: products that last longer or work better, better after-sales or technical support or friendlier and better service.

More choice

In a competitive market, businesses will try to make their products different from the rest. This results in greater choice so consumers can select the product that offers the right balance between price and quality.

Effective market competition and well-functioning domestic markets encourage investment and improve private sector competitiveness by contributing to cost reduction, innovation and productivity growth; key ingredients for sustainable economic growth.

Consistent with its commitment to promote competitive markets, in 2010 the Government of Rwanda adopted the Competition and Consumer Protection Policy. The policy outlines the Government's commitment to providing consumers with competitive prices and product choices, supporting SMEs and producers as well as improving the competitiveness of Rwandan businesses and creating a welcoming environment for foreign investment.

[62] World Bank: competition policy, view point at https://www.wbginvestmentclimate.org/results/upload/Encouraging-Thriving-Markets-for Development_Competition-Policy_Viewpoint.pdf, visited on 27 October 2014.

[63] International trade center (2012): *combating anti-competitive practices A Guide for Developing Economy Exporters*, Geneva 2012.

[64] http://www.minicom.gov.rw visited on 22 September 2014.

After the development and adoption of the policy, the Law Relating to Competition and Consumer Protection was enacted in 2012 and last year, the law establishing the National Inspectorate and Competition Authority (NICA) was also put in place.[65]

Transport competitiveness in EAC

Poor transportation infrastructure and low capacity lead to high average transit times and costs for the EAC a situation worsened by the fact that three out of five of the region's member countries are landlocked. However, the overall condition of the region's ports, roads, and border crossing system ranks in the middle when compared to other African regions. For example, goods shipped from the port to market by road travel at an estimated speed of 8 km per hour (kph) throughout East Africa, compared to 12 kph in Southern Africa and 6 kph in West Africa.

Transport on the Northern and Central Corridors

In the EAC, most goods are transported on one of two main travel routes, the Northern or the Central Corridors. Upgrading trade facilitation along these corridors is essential to increasing the volume and profitability of EAC countries' trade.

The Northern Corridor is the major conduit of EAC trade. In 2009, it was estimated that the Northern Corridor carried 75 percent of the EAC's trade volume. This route serves Kenya, Uganda, Rwanda, and Burundi in the EAC, but also carries goods bound for Ethiopia, South Sudan, and the eastern Democratic Republic of the Congo. Four primary factors affect the efficiency of trade flows along the Northern Corridor: the Port of Mombasa, the road network, the rail system, and border crossing facilities. The Port of Mombasa suffers from significant clearance bottlenecks, but is slated for upgrades The Port of Mombasa is the origin of the Northern Corridor, and demand for its services runs well above capacity.

In 2009, ships waited an average 2.3 days before coming into the port, and containerized vessels spent 3.1 days on average at berth. To alleviate port congestion, some containers are now transferred to privately run container depots located inland for storage and clearance. In addition, rail links in and around the port are generally in disrepair, and less than 4 percent of cargo entering through Mombasa leaves the port by rail, leading to road congestion.

A 2010 inventory of the Northern Corridor's roads conducted by the engineering firm Aurecon rated about half of them as delivering at least an "acceptable" level of service (i.e., moderate average speeds and ability to overtake slower traffic). Nearly the entire corridor stretching from Mombasa to Bujumbura is paved. Logistics efficiency on road segments from Mombasa to Nairobi, Kampala, and Kigali was rated "good" (i.e., time, cost, and reliability is efficient and competitive according to global standards), while the final segment to Bujumbura rated as only "fair." The prevalence of weighbridges and roadblocks increases overall transport time and costs. Costs for rail transport in the Northern Corridor are lower than those for road, but rail is much more unpredictable. Rail transport costs along the route are estimated at $0.05 per ton-km, compared with $0.07-0.09 per ton-km for road transport.

Despite the cost advantage, estimates are that less than 4 percent of Northern Corridor traffic moves by rail due to the delays, breakdowns, and service disruptions that make rail transport more unpredictable than roadways. Rail cargo volumes in Kenya fell nearly 25 percent between 2005 and 2010. Several factors contributed to this performance decline, including deregulation of regional road systems (which improved competition by lowering freight rates for road transport), poor management, underinvestment in infrastructure, and a flawed rail concession process. The restructuring of Rift Valley Railways led to some improvement in rail service between 2010 and 2011, however.

The Central Corridor carries just one quarter of EAC traffic, but is the main trading route for Tanzania, Burundi, and Rwanda. The Central Corridor originates at the Port of Dar es Salaam, Tanzania. This port handles only about half as much cargo as Mombasa, but like Mombasa is capable of handling containerized cargo, general cargo, dry bulk, and liquid bulk goods. It is used increasingly for transit cargo (cargo with a final destination other than Tanzania) along both the Central Corridor and the Southern Corridor, which runs through southwestern Tanzania to Malawi and Zambia. Like Mombasa, combined cargo and container traffic exceed the port's capacity; container traffic at Dar es Salaam has reached 140 percent of capacity.

Improvements are underway to increase the port's capacity, particularly given growing import demand from dependent landlocked economies. Plans for a new terminal are being finalized, financed by China's Exim Bank. Most Central Corridor roads are paved and rated as "sound," while underinvestment and unreliable service has depressed rail traffic. In the last decade, around 500 km of the Central Corridor's total 3,026 km of roads were rehabilitated and more than 500 additional km were paved; as a result, 86 percent of Central

[65] http://www.minicom.gov.rw visited on 22 September 2014

Corridor roads are now paved overall. Nearly the entire corridor through Tanzania was rated by Aurecon Engineering as "sound" (acceptable riding quality based on pavement roughness) in 2010, but portions of the route through Rwanda and Burundi need to be either paved or thoroughly rehabilitated, particularly the road segment through Burundi to Bujumbura, which was rated "poor" (i.e., time, cost, and reliability is inefficient and uncompetitive according to global standards).

Rail transportation along the Central Corridor is run by Tanzania Railways Limited (TRL). In the past five years, TRL traffic has fallen 30 percent from previous levels. The decline can be partially explained by a lack of investment in new infrastructure, leading to unreliable service that has driven customers to use road transport instead of rail. In 2009, only 6 percent of Central Corridor traffic moved by rail. EAC countries are motivated to improve rail service along the Central Corridor, but improvements may be delayed by the lack of a long-term business plan for the newly state-owned TRL.

Air freight in East Africa currently moves a small share of trade, but it is expected to grow as the region's economies expand some of the region's highest-value exports (e.g., cut flowers, fish, and miscellaneous horticultural products) are highly perishable and require air transport to remain salable. Nonetheless, EAC air freight volumes are comparatively low. One reason for this is the current state of East African airport infrastructure. Although there are 378 airports in the region, less than 10 percent have paved runways. Kenya accounts for the largest share of the EAC's air freight cargo volume 74 percent in 2010. This is largely due to the well-developed facilities found in Nairobi's Jomo Kenyatta International Airport, which is a major regional air hub.

The major regional airline, Kenya Airways, is investing millions of dollars in air freighters to better serve EAC markets. Highlights of Present Conditions and Recent Developments in EAC Trade Facilitation Highlights of the present conditions and recent developments of trade facilitation with regard to border policies and procedures in the EAC.

Rwanda's Road Freight Industry Competitiveness

International transportation in Rwanda is generally dominated by foreign transporters, while the Rwandan transport companies offer little competition to their more organized and more professional counterparts from the regional transit countries like Kenya, Tanzania and Uganda. This situation in the absence of a more efficient and effective national transportation fleet constitute a potential risk in terms of independence, security, and supplies for the country.

Rwanda's logistics system is currently configured as a supply route serving a landlocked location. As a landlocked country, moving goods into and out of Rwanda is mainly done by road and is not seamless. The trucking industry in the region is fragmented with many small operators rather than large fleets that are dominated by other member states of EAC like Kenya, Uganda and Tanzania.

Taking into account on the findings from the "Rwanda's Road Freight Industry Competitiveness Study", the Government intends to explore and assess requisite incentives to boost the local trucking industry, taking into consideration regional dynamics. Speaking at the workshop to validate the study, the Minister of Trade and Industry, François KANIMBA noted that Rwanda was one of the largest market players in 2007, with a 21% share of the market. During 2012 Tanzania became the dominant market player, holding 40% of the market, followed by Rwanda on 14% while Uganda, Kenya and Congo hold 14%, 13% and 10% respectively.[66] The Minister added that the hegemony of Tanzania in central Corridor is mostly due to road tolls which completely undermine the competitiveness of Rwandan truckers in the central Corridor.

"Rwandan Truckers must pay $500 per trip to the Dar-es Salam Port in contrast to Tanzanian firms that pay only $152. The Northern corridor differences (with Kenya and Uganda) are also unfavorable but to a much lesser extent. This is the main problem that face Rwandan Road Freight Industry which will be dealt with through carefully negotiations within the EAC", Theodore Murenzi, the Secretary General of Rwanda Truckers' Association revealed. Findings of the study revealed that Domestic tax treatment of the Rwandan trucking industry is another explanatory factor in reducing competitiveness. The VAT exemption of transport services means that Rwanda truckers face 18% higher cost of investments in trucks and spare parts, uncompetitive relative to treatment elsewhere in the region. The findings also revealed that setting transport services to VAT Zero-rated would relieve this burden substantially improving Rwandan cost competitiveness.

[66] Ministry of trade and industry (18th June, 2013), Taking into account the Findings from the "Rwanda's Road Freight Industry Competitiveness Study", the Government of Rwanda intends to explore and assess requisite incentives to boost the local trucking industry, taking into consideration regional dynamics. Available at http://www.minicom.gov.rw,. Copyright@2013 Ministry of Trade and Industry. Allrights reserved.

"We have to say that a substantial portion of Rwanda competitive disadvantage is explained by domestic and regional policy and we believe that domestic reforms and regional advocacy can potentially open the path to resurgence from the local industry".[67]

The findings indicate that Burundi has the most unreliable police force ranked 142 globally followed by Tanzania's at 108, Uganda 96, Kenya 86 while Rwanda has the most reliable police force in the region, ranked 21 ahead of USA whose police force is placed in 22nd position of the global rankings.[68]

The consequences of weak and unreliable police forces have increased the cost of doing business in those countries because they give room to high rates of violent crime. Kenya leads East Africa regarding the cost of violent crime to business in 129th position followed by Uganda 118, Burundi 115 and Tanzania in 88th position. Rwanda is ranked 6th globally, meaning violent crime and the country is safe place for investors.

Some governments in the region are also wasteful, according to the report which makes it impossible to place investments in critical areas such as infrastructure. Rwanda is the most prudent in public resources management followed by Kenya, Tanzania and Uganda. However, when it comes to infrastructure, all partner states, including Rwanda, post generally poor results. For example when respondents were asked how they assess general infrastructure in their countries such as transport, telephony, and energy, the responses were unflattering. Rankings on the quality of roads indicate that Rwanda has the best roads in the region with a global rank of 45th while Kenya's are 59th. Burundi beats Uganda and Tanzania with a 101 rank compared to 105 and 112, respectively.

As already mentioned, the basic function of the Rwanda Utilities Regulatory Agency (RURA) is to ensure fair competition in the market, quality service, and compliance of operators with national transport service laws and regulations. In order to increase passenger and freight service levels, improve reliability, and reduce transport costs, RURA should have the capacity to put in place regulations that require transport providers to operate through registered associations/companies. Individual operators should only be allowed on roads with low passenger volumes. It should also be a requirement for the associations/companies to operate scheduled high-occupancy buses on licensed routes. In the long term, RURA could develop more regulations for tendering routes through competitive bidding. This action will require RURA to undertake surveys to establish passenger travel demand on heavily trafficked routes to prepare appropriate tenders

Road Transport Sector in Rwanda

Road Transportation is transport on roads of passengers or goods. It has advantages of being the simplest mode to connect different places than the other mode; traffic on roads can be changed easier than other modes in case of emergencies; backbone of the concept of "door to door service". But it count some disadvantages such us: speed of journey is limited by law; main causes of air pollution; size of load is restricted by legislation with limits on vehicle size and weight. This study is going to show the anti-competitive practices on road transportation in Rwanda and their impact on economic development of the country.

Transport sector contribute considerably towards poverty reduction and economic growth and serve as support to other economic sectors. Transport services and infrastructure play a fundamental role in the economy of Rwanda as it contribute about 7% of the DGP and represent about 15% of the total services delivery[69]. The sector is increasingly working on regional connectivity projects through the East African Community (EAC) which is expected to contribute greater benefits to the economy.

Transport is a key concern in economic development. Without transport, the movement of goods and services (trade) is impossible. The cost of such transport is one of the key variables that can promote, or constrain, economic growth. And transport systems are expensive and time-consuming products to implement. They are infrastructure heavy, and usually involve a huge number of stakeholders, including government regulators, global manufactures, national and regional operators and private owner operators, all with their own focus areas and demands.

Globally, road vehicles dominate motorized transport. They rely almost exclusively on an expensive, environmentally unsound and diminishing resource, oil. The transport sector in Rwanda is no exception. It is currently dominated by internal combustion engine (ICE) road transportation, both for passengers and cargo. National and international transportation is dominated by the road sector with a limited amount of people and materials moved by water and air. This has a significant effect of prices in Rwanda, as lack of modal

[67] The study has been commissioned by the Ministry of Trade and Industry with support from Trade Mark East Africa in order to identify the key constraints facing the Rwandan international Road Freight Industry and to assess the policy options to relieve these constraints. Source: http://www.minicom.gov.rw visited on 23 September 2014.

[68] http://www.newtimes.co.rw/section/article/2014-09-07/480/news-how-competitive-is-the-eac-region?

[69] MININFRA, the final report of the forward looking joint sector review 2011-2012.

competition and demand for imported fuel keeps transport costs high. Currently over 40% of the cost of goods is attributed to transportation, keeping prices high and reducing the competitiveness of Rwandan exports.[70]

Local pollution is a concern due to the age and condition of the Rwandan fleet. Ozone levels exceed both US and Japanese environmental standards. And developing the sector is a significant and important challenge. The terrain and location of Rwanda, being hilly and landlocked, has a number of challenges to overcome. The hills and valleys result in a highly dense road network, 0.56km/km, the maintenance of which consumes the majority of the governments transport budget. It also restricts the application of some 'traditional' transport modes, particularly efficient bulk carriers such as rail and maritime transport; though it should be noted a rail link to Dar-es-Salaam is currently being developed. When investment does occur, the physical characteristics of Rwanda adds significantly to the expense, such as construction of earthworks and the cost of importing supplies and equipment. The climate also plays a factor, with intense rainfall washing out road surfaces and requiring damage mitigation strategies, such as drainage channels and slope stabilization.

Investment in transport is also hampered by limited access to finance, both for the public and private sectors. As well as these internal factors, there are external factors, some of which Rwanda can influence, such as regional regulations (Rwanda is part of the East African Community) and those it can't, such as the development of algal biofuels. It is within this context that this study aims to present both the competition policy and anti-competitive practices options on road transport in Rwanda.

Rwanda is dependent primary on its road transport system for the economic development of the country. All the major towns are connected by the road network. Rwanda is also well connected by the road transport system with the neighboring countries of Uganda, Kenya, Tanzania, Burundi and the Democratic Republic of Congo. The road system plays a very important role in the import and export business of the country.

The road transport in Rwanda has greatly improved through rehabilitation and upgrading of various roads which has resulted in faster economic development of the country. Rwanda has a total road network of 14,008 kilometers broken down as paved roads (2,662 kilometers) and Unpaved road (11,346 kilometers).[71]

Transport Sector Policy

Rwanda is the second smallest economy in the EAC with an estimated GDP of $5.6 billion (World Bank, 2010) Per capita GDP was $530 (World Bank, 2010) Population estimated at 10.6 million (World Bank, 2010) Rwanda is the highest-ranked economy for doing business in the EAC and is the world's 2nd most improved economy for doing business from 2005 to 2011 Government wants to diversify foreign exchange sources by increasing exports of horticultural products (NAEB) World Bank ranks Rwanda 45th out of 183 economies for ease of doing business. Primary imports are fuel oil (not crude), vaccines, and coaxial cables/conductors (GTIS) Primary exports are tin, coffee, and tea (GTIS) The World Economic Forum identified the most problematic factors for doing business as limited access to financing, inadequately educated workforce, high tax rates, inadequate supply of infrastructure, and complex tax regulations (WEF) [72].

Transport infrastructure in Rwanda is comprised[73]: (i) Road transport, which until now is the main form of passenger and goods transportation, with a network of about 14,000 km corresponding to a road density of 0.53 km/km², (ii) Air transport with, two international airports and five aerodromes spread across the country, and (iii) Lake transport, which is limited mainly to Lake Kivu. Rwanda does not have a rail transportation system, but the rail road systems of the neighboring countries (Tanzania, Uganda and Kenya) which are used as transit routes, contribute in a small way for goods originating or destined for Rwanda in multi-modal railway-road combination. The planned railway connecting Rwanda to the Tanzanian port of Dar es Salaam will provide a direct link to international transit routes.[74] Over and above physical infrastructure, the sector is also comprised of transport services, which are provided by the public and private sector alike and includes bus, taxi and airline services.

The transport sector contributes considerably towards poverty reduction and economic growth, and serves as support to other economic sectors. It plays a fundamental role in the economy of Rwanda as it

[70] Dr Christian Carey and Ryan Hogarth Transport Sector Working Paper, Appendix B, June 2011. Chapter 1. Smith School of Enterprise and the Environment.

[71] http://fortuneofafrica.com/rwanda/transport-sector-2/ visited on 21 September 2014.

[72] World Bank, World Development Indicators Database, 2009.

[73] MININFRA, the final report of the forward looking joint sector review 2011-2012.

[74] Ibidem

contributes about 7% to the GDP, and represents about 15% of total service delivery. Most of the transport infrastructure in the National Economy has been continuously growing since 1995, and is expected to grow further with the putting in place of the proposed policy

There has been a steady increase in the allocation of resources to the transport sector both from internal and external sources of finance, which is a clear demonstration of the importance that the Government of Rwanda places in the development of the sector. The present transport policy is oriented towards making it possible for the sector to contribute appreciably towards the growth and economic development of Rwanda with direct consequences leading to improvement of the standard of living of the population.

The policy has the following principles which include;
- Regulation to be carried out separately from policy making and service provision to avoid conflict of interest
- Regulators should be independent and autonomous.
- Regulation should be rule driven and predictable and their role formally legalized.
- Regulators should have the powers to enforce their decision

Road transport policy

Rwanda Utilities Regulatory Agency (RURA) is to ensure that roads are performing well, government regulatory policy is appropriate and effective and environmental concerns are being addressed. It also handles matters specific to urban transport and assesses road transport performance.

Rwanda National Police (RPN) is responsible for ensuring road traffic and road safety regulation. This is provided for by law No. 09 of 2000.

Rwanda Transport Development Agency (RTDA) is responsible for planning, developing, managing and controlling the national roads network and infrastructure in the country. It has also the role of reducing, controlling transport costs, assuring the quality and durability of the rural, and urban and international transport network.

Air Transport Sub-sector policy

Air Transport sub-sector policy plays a role of developing domestic air services through the establishment of domestic airports and to establish new or improved external air links with full Instrument Landing System facility driven by a knowledgeable and skillful force.

Inland Water Transport Policy

Inland waterways policy focuses on developing, operating and maintaining an efficient, cost effective, reliable, safe and secure system in the country.

Rail Transport Policy

The key principles of the rail transport policy are as follows:
- Promote rail connectivity for both the central and the northern corridors including regional rail connectivity with DRC.
- Ensure harmonization of all future infrastructure, gauge and service provision, legal and regulatory framework for rail transport system within EAC countries.
- Ensure separation of powers in the form of an independent regulator and the separation of path allocation and infrastructure charging from any organization.[75]

Transport regulation

An ideal transportation system is efficient, solid and financially stable. To help achieve this ideal, regulatory policies governing competing carriers must be neutral. No regulatory agency should provide an unfair advantage to a carrier or an industry through special promotion, user charges, subsidies, taxes or economic regulation.[76]

The regulatory environment has changed in the past ten years and efficiency has improved as a result. In some places inefficiencies in transport and trade logistics persist in the form of cartels, poor service and high prices, while in others deregulation has led to more efficient road freight transport and logistics services. Rational reform of legal and institutional frameworks is important for the industry.

The regulatory environment must adapt to the global economy and the industry. The road freight industry is hampered by high costs and scarce capital. Governments should reform regulations and introduce

[75] Transport sector in Rwanda, by http://fortuneofafrica.com/rwanda/transport-sector-2/ visited on 21 September 2014.
[76] Law N°55/2011 of 14/12/2011 spells out the legal framework on Roads in Rwanda

appropriate tax incentives to help small operators acquire technologies to maintain competitiveness; otherwise the local economy may suffer from a massive exit of small operators.

The prices charged for transport services and the quality of service depends substantially on the regulatory regimes and competitiveness in the trucking industry. International experience shows the benefits of strong competition. Many countries have introduced substantial reforms to their trucking markets by essentially deregulating the industry. Selected examples are described in the following box texts.[77]

Rwanda deregulated the trucking industry in 1994, and it had a huge effect on transport prices, confirming the impact that cartels have had elsewhere. After deregulation of international transport, prices declined by more than 30 % in nominal terms and by almost 75 % in real terms when taking into account the continued increase in input. The impact in Rwanda was probably stronger than in most other countries because before deregulation road freight services were a monopoly of a parastatal trucking company (STIR) that was able to set high prices without any restraint (Mwase 2003). Furthermore, 1994 was also the bloodiest period of the Rwandan Civil War, when for all practical purposes a road freight fleet had ceased to exist.

Deregulation not only resulted in lower prices, but also led to growth in the Rwandan fleet. This is in contrast to common fears that deregulation, which liberalizes market entry, leads to eradication of the fleet owned by truckers from landlocked countries. In the case of Rwanda, the fear was even stronger given the disappearance of its trucking fleet at the height of the Civil War in 1994.

In fact, deregulation helped to achieve a rapid recovery of the domestically owned fleet. A distinctive feature of the business strategy followed by Rwandan truckers has been their specialization in specific goods to capture niche and profitable markets, such as petroleum products. This largely explains why the current fleet is equal to the level prior to deregulation of international transport.[78]

Ministry of Infrastructure (MININFRA)

MININFRA is responsible for transport policy and strategy coordination in addition to managing all day to day aspects of the transport sector in Rwanda.

Rwanda Utilities Regulatory Agency (RURA)

RURA ensures that the roads network is performing well, government regulatory policy appropriate and effective and environmental concerns are being addressed. RURA also handles matters specific to urban transport including how to assess road transport performance and ways of tackling important issues affecting the development of trucking and passenger public transport service.

Rwanda National Police (RNP)

RNP is responsible for ensuring road traffic and road safety regulation in accordance with the provisions of Law No. 09 of 2000.

Rwanda Transport Development Agency (RTDA)

RTDA is responsible for planning, developing, managing and controlling the national roads network and infrastructure in the country.[79]

Challenges with road transport sector development in Rwanda

The transport sector is one of the key engines of growth in an economy. Improving the quality and reliability of transport infrastructure and services is a major building block for reducing transport costs, attracting domestic and foreign investment, and expanding access to economic opportunities.

The Government of Rwanda recognizes that more needs to be done to address existing constraints in the transport sector and to offset the geographical bottlenecks which continue to drive the high transportation costs in Rwanda relative to the region. Indeed, an efficient transport sector is central to achieving the objectives of Rwanda's Vision 2020 whose overarching goal is to transform the country from a low-income agrarian economy to a medium income export-oriented and knowledge-based economy.

Realizing the country's Vision will require addressing at least three key constraints: first, low investment in the development and maintenance of the physical infrastructure, second, limited participation of

[77] http://www.ppiaf.org/freighttoolkit/knowledge-map/road/institutional-legislative-framework/regulation, visited on 23 September 2014.

[78] "*Transport Prices and Costs in Africa*": A Review of the Main International Corridors

[79] http://fortuneofafrica.com/rwanda/transport-sector-2/ visited on 21 September 2014.

the private sector in the development and financing of transport infrastructure, and third, insufficient public sector capacity to deliver the required transport services. Addressing these constraints will catalyze the development of modern transport infrastructure and services, contributing to a reduction in the cost of doing business and thus increasing the country's competitiveness.

Several policies and other interventions have been implemented by the Government to address the sector's challenges. All these interventions prioritize improving the quality and reliability of transport infrastructure and services which is critical for reducing transport costs, attracting investments, and contributing to the broader goals of inclusive growth by connecting rural communities to economic activities.

We have to notice that the transport sector also is facing the following challenges:

- Rwanda has various hills and valleys which make it had to construct roads in those areas.
- There is no reliable local road transportation in place.
- Road destruction due to landslides during the rainy seasons
- Low income which makes it hard for some people to afford some means of transport on the Road within the country
- The maintenance costs are high because of the climate which is brought about by intense rainfall that washes away road surfaces hence requiring damage mitigation
- Rwanda's budget not big enough to meet the high financial expenditure on road construction and maintenance
- Lack of Rwandan professionals like civil engineers and surveyors to manage the sector
- Challenges including fuel adulteration
- High road accidents due to poor driving and narrow roads

Road transport services

'Transport services' refers to the transport operations that make use of the transport infrastructure to move people and goods. Transport infrastructure often has significant economies of scale and therefore is a natural monopoly In contrast, the barriers to entry for transport services are much lower and the units of production (i.e. transport vehicles) much smaller which allow better utilization rates to be achieved than what is generally possible with the infrastructure.[80].

The nature of transport operations is conducive to competition. This is true where the main goal is 'mobility' i.e. travel speed. Stops required for 'access' purposes reduce the overall speed. The transport system is a compromise between mobility and access requirements, with mobility services attracting a premium and therefore generally candidates for multiple service providers. Access services are provided where the benefits of transport outweigh the cost thereof and the ability of the market to pay for it. Such 'social' transport services may take the form of a mass transit service in an urban area, or a public bus service in a rural setting. Here, the compromise of speed is usually acceptable as a trade-off for proper accessibility.

A public transport service may start off as a social service, with insufficient demand to make the system pay for itself from the onset. Over time, though, because of the availability of the system, the numbers increase and the system becomes more financially viable. Mobility services naturally gravitate to the private sector and access service to the public sector. However, access (public) services should be provided in a commercial manner as well. This implies that the service even if it does not pay for itself financially must be operated efficiently and cost-effectively. This may be achieved by positioning the public entity responsible for that service as the 'buyer' of the service from the private sector.[81]

Transport services are provided throughout the country to meet, in transparency all reasonable demands and needs of all natural persons and organizations:[82]

- Transport service providers have adequate means to finance their activities;

[80]Aurecon South Africa (Pty) Ltd, Aurecon Centre, 4 Daventry Str, Lynnwood Manor, 0081 (2012) "*Strategic Transport Master Plan for Rwanda"*, final report at http://www.rtda.gov.rw/fileadmin/templates/publications/Updated%20RSTMP%20Final%20Report_combined_2.pdf, visited 10 November 2014.

[81] Aurecon South Africa (Pty) Ltd, Aurecon Centre, 4 Daventry Str, Lynnwood Manor, 0081 (2012) "*Strategic Transport Master Plan for Rwanda"*, final report at http://www.rtda.gov.rw/fileadmin/templates/publications/Updated%20RSTMP%20Final%20Report_combined_2.pdf, visited 10 November 2014.

[82] *Rwanda transport review and action plan*" © 2013. African Development Bank Group at www.afdb.org visited on 22 September 2014.

- The interests of users and potential users of the goods and services provided by Transport sector are catered for so that there is effective competition hence protecting the users from abuses of monopoly positions;
- Private sector participation is facilitated and encouraged to invest in Transport service provision;
- All transport service providers comply with the laws governing their activities.

Given the law Nº 09/2013 of 01/03/2013 establishing the Rwanda Utilities Regulatory Authority (RURA), giving the Regulatory Authority the powers to impose sanctions on the regulated public utilities in case of violation of regulations governing their operations, the Regulatory Authority ensures that all public transport operators comply with the regulations, license obligations and other laws in place. It is in that context that field inspections are always organized and those found breaching license requirements are warned and later penalized in case they remain adamant.[83]

Most transport in both rural and urban areas takes place on foot, motorcycles and Intermediate Means of Transport (IMT). Low levels of affordability and a lack of good infrastructure often leave the majority of the population with IMT as the only modes of transport. Infrastructure for IMT is also neglected in the planning, design, maintenance and development of road networks.

In Kigali, key issues include: insufficient bus routes, absence of integrated ticketing and revenue-sharing mechanisms for public transport service in a multi-route and multi-operator environment and a lack of dedicated bus lanes to give public transport priority. The national freight service providers are all from the private sector. Small pick-up trucks are the preferred mode of transport for short-distance delivery, while larger trucks are used for consignments for import and export along the major national roads.[84]

Rwanda's limited capacity to generate a balance between imports and exports has forced many truck return trips to be empty. The import or export haul often bears the full cost burden of the round trip. According to the Rwanda Diagnostic Study of 2005, freight service providers face many challenges that have made their business uncompetitive. These include:

(i) high cost of freight transport vehicles,
(ii) operation of small fleets that do not benefit from economies of scale in logistics and pricing,
(iii) Poor mechanical condition of vehicles, leading to high operating costs that are in turn passed on to the consumers.

The domestic road freight industry is deregulated and imposes no licensing requirements for transport operators. This is an area that RURA is currently addressing to create regulated competition. The Government of Rwanda adopted a Public Transport Policy and Strategy for Rwanda in October 2012 to address the existing and future transport challenges for road transport services and Non-Motorized Transport (NMT)[85].

Demand and supply

Statistics (2011) compiled by the National Institute for Statistics Rwanda (NISR) and also by the Rwanda Revenue Authority (RRA) indicates a substantial increase in the registration of passenger and freight vehicles between 2004 and 2010. The total number of motor vehicles increased from 30,158 to 88,621 during this period with the majority being motor-cycles at 38,521 units in 2010. The annual motorized vehicle growth rates, however, declined from about 25% in 2005 to 7% in 2010.[86] Over the six-year period, the number of buses increased from 56 to 397, semi-trailer trucks from 64 to 178 and motor cycles from 6,740 to 38,521. Trailer trucks recorded minimal growth from 533 units to 694 units over the same period.

Rwanda Revenue Authority data in August 2012 indicate that the total number of registered vehicles has increased to 118,656, and motor-cycles continue to record the highest growth. The number of trucks has also increased by a large margin to 3,849.

A traffic survey conducted in February 2010 on some paved national roads in Rwanda revealed that only four roads (apart from the City of Kigali) had average daily traffic (ADT) volumes of more than 2,000 vehicles per day (VPD). The highest traffic flow of 4,334 VPD was recorded along between Kigali and Rusumo. Considering the low traffic volumes, the low levels of service currently experienced along rural roads may be attributed to factors like restrictive geometric alignment and narrow road widths that limit higher travel

[83] *Rwanda transport review and action plan*" © 2013. African Development Bank Group at www.afdb.org visited on 22 September 2014.
[84] *Rwanda transport review and action plan*" © 2013. African Development Bank Group at www.afdb.org visited on 22 September 2014.

[85] "*Rwanda transport review and action plan*" © 2013. African Development Bank Group at www.afdb.org visited on 22 September 2014.
[86] *Ibidem.*

speeds, resulting in lower levels of service. It should also be noted that the mountainous terrain also imposes financial restrictions on road widths.[87]

Public transport services in urban areas (mainly Kigali) are confronted with a number of problems, which include a lack of dedicated facilities, uncoordinated services, and congestion at the terminals and along the city roads. Supply is by low-capacity vehicles which are not suitable for urban public transport. However, just like in rural areas, the scattered settlement pattern in Kigali and other towns makes provision of high-occupancy mass transport difficult.

In rural areas, farmers rely predominantly on walking and intermediate means of transport (IMT) in the form of head loading, bicycles, human drawn carts or motorbikes to transport their produce to the market. The use of motorized vehicles such as trucks and buses is constrained by the deteriorated condition of district roads.

Available capacity (Kigali city)

Figures from RURA indicate that the capacities of available buses for public transportation can only serve 16,800 passengers at a particular time whereas the total demand for public transport is 46,822 passengers. This is not only completely inadequate to provide required services but demand is growing.[88]

The cabinet has urged RURA to undertake a comprehensive urban public transport system overhaul in cities, starting with Kigali City. This is in line with the policy directives of Vision 2020. RURA constituted a technical committee in 2012 to assess the existing public transport problems and early this year submitted a report outlining the potential policy remedial measures on short, medium and long term basis to the Ministry of Infrastructure.

The technical team was composed of RURA, Rwanda Transport Development Agency(RTDA), City of Kigali, Rwanda Environmental Management Authority(REMA), RTFC, Association Taxi-moto Private Sector Federation (PSF) and Kigali Bus Service (KBS) which solicited opinions from transport industry players about the development of appropriate transport policy and strategies prior to finalizing the recommendations.

The team recommended among other things that, operators will have to procure more 185 buses and 350 coasters to meet the demand of passengers.

State intervention

Transport experts say private players alone cannot provide transport to a growing city like Kigali and they need a government hand. The private operators are generally not interested in providing bus services to remote rural areas. They say since most of the roads in rural areas are unpaved and inaccessible during rainy seasons, initial investments and operating costs for providing bus services are relatively high. Most of services in rural areas are provided by ONATRACOM, the sole bus service provider under public management.

As of August 2012, ONATRACOM had 165 vehicles. Out of them 87 were buses having 60 or more passenger capacity and the remaining 78 were coasters with 30 seat capacity. However, due to lack of investment and management problems, 110 vehicles, which represent 70% of the vehicle fleet, were out of service. Since about 67% of the vehicle fleet is non-operational, current passenger carrying capacity of ONATRACOM is 2,280, which represents only 1.9% of all bus, coaster and minibus capacity. In terms of available capacity of all public transport vehicles, the current seat capacity of ONATRACOM represents only 1.6% of the supply.[89]

In other words, private operators provide about 98% of the total capacity for the operation of public transport services in Rwanda. In an attempt to overcome on-going operational problems of ONATRACOM, the government is working on plans to hire private managers for the company. Under the plan, it will remain a state-owned company but the private managers will run it as a private business to ensure that it generates profits and meetsthe social mission of reaching the rural remote areas.

The cabinet has already approved about Rwf5.5 billion to support ONATRACOM pay debts and staff salary arrears, and buy new buses and spare parts. Already, however, the new structure is facing challenges, and the law establishing ONATRACOM might have to be revised to allow it operates semi-autonomously if it is to

[87] Rwanda Revenue Authority report, August 2012

[88] Friday, 23 August 2013 09:16 The Independent Reporter - See more at: http://www.independent.co.ug/rwanda-ed/rwanda/8144-kigali-transporters-face-pressure-as-passengers-grow#sthash.spAtlM6b.dpuf, visited 18 October 2014,

[89] Friday, 23 August 2013 09:16 The Independent Reporter - See more at: http://www.independent.co.ug/rwanda-ed/rwanda/8144-kigali-transporters-face-pressure-as-passengers-grow#sthash.spAtlM6b.dpuf, visited 18 October 2014,

deliver. Under the current law, ONATRACOM is obliged to follow all the government procedures while buying services and goods, recruiting and firing staff. This delays the decision making process and is blamed for the failure of ONATRACOM.[90]

SWOT analysis for Road Transport Service in Rwanda[91]

Straights

- Liberalized with active participation of private sector
- Regulations in place and fairly well implemented by RURA

Challenges/Weakness

- passenger transport services are provided by low-capacity vehicles owned by companies
- Lack of coordination of passenger transport services, unreliable and inefficient operations, and no clear service standards
- Transport services are rarely available in the rural areas due to deteriorated road conditions
- High charges for freight transport due to few operators and low supply of trucks
- High fuel prices leading to high passenger and freight charges
- Freight vehicles not regulated, leading to high charges
- International freight transport is expensive due to inefficiencies along the main transport corridors and regulations in the transit countries
- Rwandan freight transporters lack logistical skills and international best practices (e.g., electronic cargo tracking systems) to compete effectively with those in neighboring countries
- Freight and passenger transport facilities are inadequate for achievement of high levels of service

Opportunities

- Government regulations requiring private sector investors to form associations/companies that can attract finance to invest in high-occupancy vehicles and freight vehicles to enjoy economies of scale
- Improvement of road conditions and provision of dedicated transport facilities for public transport has the potential of increasing the supply of vehicles in urban and rural areas
- Construction of a fuel pipeline to Kigali will result in a decrease in fuel prices, and possible reduction of passenger fares and freight charges
- Existing planning and design manuals can be reviewed to ensure that walking and intermediate means of transport are part of transport infrastructure development
- A program for upgrading and construction of walkways can be undertaken using labour-intensive methods that will also create employment and contribute to poverty reduction in urban and rural areas

Treats

- Deteriorated condition of district roads
- High fuel prices that make fares and freight charges high and unaffordable
- High cost of capital in the domestic market that makes it difficult to acquire high-occupancy passenger buses and large trucks for freight transport.[92]

This SWOT shows that transport sector in Rwanda has a good regulatory system by RURA, the market is major wined by companies, and this may give a strong market performance, but a few numbers of vehicles and the lack of individual private investment are the center for inadequate transport service delivery and unfair competition.

Rwanda transport constraints

In recent years Rwanda, like many other countries, has implemented considerable economic reforms. In transport-related matters, these reforms have undoubtedly increased the role of private sector in provision of transport services, and related facilities. Following the recognition, by private operators, of the importance of this sector owing to a constant and gradual improvement of the road network; public transportation (specifically

[90] http://www.independent.co.ug/rwanda-ed/rwanda/8144-kigali-transporters-face-pressure-as-passengers-grow#sthash.spAtlM6b.dpuf, visited 23 October 2014.

[91] African Development Bank Group (2013).

[92] African Development Bank Group (2013).

by road) has increased significantly, and continues to expand and gain prominence, especially in the private sector.[93]

Transport operators perceive the sector not only as the source of their business, but also as a strategic sector for the country. They are also of the perspective that transport not only contributes considerably to poverty reduction and economic growth, it also serves as a strong support mechanism to other sectors of the economy. 012 that note, there is a strong and justified belief that both the problems and challenges encountered could create major constraint hinder doing business for the actors in that sector, and when taken into account could impede Rwanda's short, medium, and long term development goals.[94]

It is therefore of great importance to recognize the fact that economic growth tends to make the constraint brought about by the transport sector more complex, and the complexity will inevitably increases if the potential for these unexpected and unwanted disruptions with the field of transportation is not effectively and efficiently managed.[95]

Rwanda's domestic trucking fleet has grown substantially in the last 5 years, but international fleet has grown very slightly - truck fleet increased by 53% from 2007 – 2012, however trucks used to move freight internationally increased by just 16% over same period. Most transporting firms operate on a small scale which limits capacity to respond to demand and impacts price competitiveness, it encourages clients to look internationally for freight services. Application of road toll is undermining the competitiveness of Rwandan truckers operating along Central Corridor; Road tolls are 229% higher for Rwandan operators on the Central Corridor than for Tanzania Competitors.[96]

Regulatory Constraints

- Ban on registration of right hand drive vehicles
- Existing EAC sabotage regulations reduce efficiency of the transport corridors
- Unequal enforcement of standards and non-harmonization of standards across region;

Competitiveness Constraints:

- Current VAT treatment is burden in transporting firms;
- Certain costs faced by transporters are not tax deductible due to the informal nature of their payment;
- Withholding taxes in other EAC countries are a barrier to competition in the industry and disadvantage Rwandan firms.

The road public transport services in Rwanda are generally acknowledged to be inefficient and costly; passengers transport services are uncoordinated; most services emphasize access (multi-stops) at the cost of mobility; there is no mechanism in place to ensure quality service and customer care; the whole intercity public transport industry is profit driven without any regard to quality of services. The following chapter proposes the mechanisms on the improvement of competitive practices on road transport in Rwanda.

XIII. Mechanisms To Improve Competitive Practices On Road Transport In Rwanda

In a competitive market, companies are expected to adopt policies intended to give them a competitive edge. This can lead to benefits such as improved efficiency and better quality services. The essence of competition entails attempts by companies to gain advantage over competitors. However, the boundary of acceptable business practices may be crossed if competitors contrive to artificially limit competition by not building so much on their advantages but on exploiting their market position to the disadvantage or detriment of competitors, customers and suppliers such that higher prices, reduced output, less consumer choice, loss of economic efficiency and misallocation of resources (or combinations thereof) are likely to result.[97]

Rwanda seeks to improve on market competition in transportation for achieving on better quality of services. This chapter has proposed on mechanisms that could bring to the point.

[93] MININFRA (Kigali, September 2012), *Final draft on public transport policy and strategy for Rwanda.*
[94] *Ibidem.*
[95] MININFRA (Kigali, September 2012), *Final draft on public transport policy and strategy for Rwanda*.
[96] Ministry of Trade and Industry "*Rwanda's Road Freight Industry Sector Competitiveness*" Services Investment Forum July, 2013.

[97] Anticompetitive practices **at** http://stats.oecd.org/glossary/detail.asp?ID=3145, visited 10 November 2014.

Subsidies reduction

To reduce subsidy levels there is a choice between reducing costs, increasing revenues or trying a combination of both. Usually the main focus is on reducing unit costs by introducing competition for the exclusive right to operate one or more bus services. This is called *competition for the market*; this has been adopted in Kigali city but the problem of congestion continues to exist more likely in the morning and afternoon hours. The big question indeed is the small number of bus available for service by the companies in charge of public road transportation (who won the market in Kigali city).

It's also possible to introduce competition by allowing different operators to compete with each other on the road. This is called *competition in the market*. The both approaches can be improved in expecting the result in low operating costs with little or no waste. Deciding which approach to adopt depends on what form of bus service policymakers want. If they don't want to see buses competing for passengers on the road then policymakers should not select a reform structure that permits this (e.g., deregulated systems or certain types of net cost systems).

Considering the importance to ensure discipline and safety in the bus service, it is not desirable to encourage competition between operators for passengers. One of the main guiding principles of Rwanda Public Transport Authority (RPTA) is to ensure the competition for the market while preventing completion in the market.

Despite the challenges seen in the previous chapters, the government of Rwanda (GoR) has done the following to facilitate the Transport sector development:

- The government has strengthened the institutional and legal frameworks in order to contribute to the creation of a favorable environment for the development of the transportation sector.
- Rwanda government is highly committed to the improvement of transportation facilities on the transit corridors that connects it to the maritime ports of the regional countries through which her transit goods are transported.
- There has been rehabilitation and the extension of the national road network, including the rural feeder road network, coupled with the improvement of transportation services in the country.
- Creation of facilities destined to reduce delays in transportation of goods in transit such as the introduction of common border stations with neighbouring countries.
- The government has implemented urban public transport system in order to reduce congestion on over taxed city roads.
- Government has strengthened transport safety and in particular the road traffic safety to reduce considerably the transport risks and the rate of accidents throughout the country.
- Government of Rwanda has received financing from the World Bank toward the cost of the Transport Sector Development project.
- There is rehabilitation and upgrading of paved road network for Musanze-Rubavu (64.5km), Gitarama-Ngororero (47km) and Ngororero-Mukamaira (55km).
- Completed technical detailed design for the new Bugesera International Airport and mobilization of financing is in progress

Transport services

Rwanda has made significant achievements in developing transport infrastructure in recent years. However, the issue of providing adequate transport services has largely been ignored. It is not possible ensure door-to door mobility and accessibility of people and goods, which is key to economic growth, without development of an integrated public transport service. The Government of Rwanda has therefore decided to constitute a technical committee to assess the existing public transport problems and submit a report outlining the potential policy remedial measures on short, medium and long term basis to the Ministry of Infrastructure.

In addition to this well done by the government, this study propose some solutions in order to overcome from the studied and seen challenges:

- ✓ The rehabilitation and the extension of the national road network, including the rural feeder road network with the improvement of transportation services will enable the population to have better mobility and access to markets and service delivery.
- ✓ The facilitation of services and improvement of international transportation on the main transport routes shall reduce the transportation costs associated with imported and exported products and improve the competitiveness of Rwandan products in the international market.
- ✓ Privatization could follow the successful implementation of the public transportation company to encourage further development of transportation services and its network.
- ✓ The strengthening of the institutional and legal frameworks shall contribute to the creation of a favorable environment for the development of the transportation sector.

Implementation of the proposed solutions to transport sector investment plan will require participation by the Government of Rwanda, the private sector, and development partners. The Government of Rwanda will be expected to provide leadership by initiating actions in all transport sub-sectors. Policy reviews, capacity building and setting the right investment climate and legal framework will also be a preserve of the government. Implementation of the action plan is expected to be a joint effort between the government, the development partners, and the private sector.

Competition practices

Barriers to competition are pervasive and harm innovation, productivity and growth in developing countries, Rwanda included. Fair competition matters are important, both for economic growth and for reducing poverty. Helping transport markets to work better in the country, by removing unnecessary distortions to competition, can lead to significant reforms of the business environment as well as to the economic growth at whole. These factors make competition policy and law a priority area for reform in Rwanda.[98]

There is a need for a wider understanding at policy levels in government, in the business sector and by consumers, of the beneficial impact of effective competition and of competition policy on an economy. Where competition policy is part of an open and well regulated economy, it can help encourage both domestic investment and FDI, because it encourages investor confidence by setting a consistent framework within which the business sector operates.

An effective competition policy allows innovative new entrants an important role in the development process, and promotes growth. More effective competition reduces opportunities for corruption and rent seeking, and creates more space for entrepreneurs and small and medium sized enterprises; in this way we suggest the government in collaboration with private sector to straighten competition policy and the elimination of anticompetitive practices.

Having a good law is not enough for Rwanda transport sector development. The introduction of a competition law needs appropriate supporting policies enforcement. The Government of Rwanda must show support for market economies and must recognize adequately the impact of other legislation and regulations on competition. The design of an appropriate national competition policy must keep local realities in mind, and give sufficient weight to governance capabilities and institutions and to political realities that will often include the presence of small and frequently vulnerable domestic markets.

To be fully effective, a competition policy must be supported by a "culture of competition", where the objectives of competition are widely understood and form a natural part of the background to decisions by government, firms and consumers. Civil society and a vigorous consumer movement in particular, must play a constructive and valuable role in the development of a culture of competition. Vested interests that oppose reforms and fair competition have to be overcome. An open media and an informed judiciary are needed if competition policy and law are to be fully effective.

Above all, politicians must be committed to wanting to make markets work well, to ensuring that the governments' responsibilities to markets are well understood and to help build the technical capacity needed for this task. A productive way of finding where significant barriers to competition exist is by looking at the situation in key sectors of the economy, the approach taken in DFID's Competition.[99]

XIV. General Conclusion

The Rwanda Transport Policy is aligned with its 2020 Millennium Vision which, inter alia, provides for modern transport infrastructure and cost effective and quality services with due regard to safety and environmental concerns. Infrastructure should be developed in a sustainable manner to support economic growth of the country, mobility of the population and serve as a "pivot" for exchange of goods and services at national and regional level.

Therefore, the absence of an adequate legal and regulatory framework in the transport sector in Rwanda continues to hinder the development of the entire sector but RURA has put in place regulatory tools in form of guidelines. It also established a framework for consultation on matters concerning the regulation of transport in general, especially on finding solution to various problems affecting the transport sector mainly competitive practices and this has helped to increase the confidence that operators have in the regulator, leading to an increase in the number of new operators entering the market.

[98] Department for International Development, London OECD Global Forum on Investment, 11, March 2008.

[99] OECD, Global Forum on Investment on 11, March 2008.

Note that, it is not possible ensure door-to-door mobility and accessibility of people and goods, which is key to economic growth, without development of an integrated public transport service but a new implementation has been done in order to harmonize the transport regulations, by doing some transport companies have won the market and the prices has been fixed based on the number of kilometer walked. But we continue to struggle with anti-competitive practices on road transport in Rwanda.

A substantial portion of Rwanda competitive disadvantage is explained by domestic and regional policy and we believe that domestic reforms and regional advocacy can potentially open the path to resurgence from the local industry.

To respond to the research question: (1) is there an open competition on transport sector in Rwanda? NO, Nowadays, Rwanda has made significant achievements in developing transport infrastructure, but it need more improvement on market competition, the issue of providing adequate transport services has largely been ignored. Rwanda has been tipped as one of the cleanest in Africa but it scoring badly when it comes to public transport competition, the harmonization of public transport competition for a good service delivery and consumer protection (its residents and visitors) is critical. Take example of Kigali city where today, only three transport companies won the market: Kigali Bus Service (KBS), Rwanda Federation of Transport Cooperative (RFTC), and Royal Express. But the small number of bus available for services continues to cause congestion mostly in morning and afternoon hours.

(2) What are the effects of anti-competitive practices on transport in the development of the state? Transport is important for business development, the movement of goods and people require transportation system, therefore good competition practices would contribute to business development of the country.

(3) What measures that could be taken in order to reach on fair competition in road transport sector development. To meet the objectives of the transport sector, it is suggested to:

- Straighten the institutional framework and capacity of transport institutions and stakeholders in planning and management of the sector,
- Reduce and manage transport cost,
- Assure quality and sustainability of the rural, urban and international transport networks,
- Improve safety for goods and passengers on the principle modes of transport,
- Establish a system to ensure sustainable financing of road maintenance,
- Facilitate access to cost-effective transport services.

It is recommended to adopt a "Smart growth" land-use and transport policy for the seen high demand.

- In order to develop a sustainable public transport system, efforts should be made to adopt an integrated traffic demand and supply management approach in different phases;
- In order to consolidate the existing fragmented minibus service operation, efforts should be made to encourage fewer number of bus operators in form of public limited companies with a large fleet of standard high occupancy vehicles;
- To ensure availability and reliability of the transport sector in Rwanda, a combination of radial and circular bus services should be developed with strict time schedule and real time information system;
- Private sector must be encouraged to invest in transport sector.

Reserve to the future research

It is suggested to future researchers to focus on showing how the Government has help the transport sector to participate to the economic development of the region and what are the limitations in investing in transport sector in Rwanda.

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