

**MINISTRY OF COMMUNICATIONS AND  
TRANSPORT**

**STATUS OF THE COMMUNICATIONS AND TRANSPORT SECTOR**

**AS AT FEBRUARY, 2001**

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**1.0 INTRODUCTION:**

Tanzania is a vast country with a population size roughly estimated at about 32 million people growing at a rate of almost 3% per annum, the urban population growth rate is one of highest in Africa(estimated at 8% per annum). Most of the modern productive and social/service sectors are concentrated in the urban areas. On that score, the transport and communications services are also concentrated and are made more available in the urban areas, where the demand and supply of such services is also most critical. The rural areas on the other hand support over 75% of the population which is largely engaged in agriculture, the sector that supports the national economy in terms of food supply and contribute the largest share of export earnings.

In addition to agricultural activity, other key sectors to the rural population where poverty is rampant include education, health, water, energy, tourism, cooperatives and trading through intra- and integration. The crucial point is that development of these sectors or activities which are the mainstay of the economic activity entirely depend on how adequate, efficient and cost effective Transport, and Communications facilities and services are because they are an important inputs to social and economic activity development of the country. Conducive environment for further investment which include availability of rational policies, regulatory framework, good and reliable infrastructure systems and the related services is also a pre-requisite for enhanced economic growth.

Communications, Transport and Meteorology sector plays a very vital role in the day to day economic development activities. The sector comprises of three sub-sectors of Transport, Communications and Meteorology which deal with the provision of roads, railways, water and air transport, telecommunications and postal and meteorology services respectively. It is one of the pillars in the foundation of the economy whereas investment in this sector has a multiplier effect in the entire economy. It is the major facilitator of the productive, commercial and administrative sectors. The roles touch through the whole range of the society from administrative, information and cultural to the physical supply and distribution of goods and services.

## 1.1 Mission

### **The mission is to:-**

develop safe, reliable, effective, efficient and fully integrated transport, communications and meteorology infrastructure and operations which will best meet the needs of travel, transport, communications at improving levels of services at lower and affordable costs in a manner which supports government strategies for social-economic development whilst being economically and environmentally sustainable.

## 1.2 Vision

### **Based on the mission on board, the vision is;-**

to have efficient and cost-effective domestic and international transport services to all segments of the population and sectors of the national economy with maximum safety and minimum environmental degradation.

## 2.0 COMMUNICATIONS INFRASTRUCTURE:

In 1977 the East African Community (EAC) collapsed. Following that, in 1978, the then Tanzania Posts and Telecommunications Company (TP & TC) was formed to take over the roles and functions of both the defunct East African Telecommunications and the East African External Telecommunications Company including Postal Bank services.

In 1994 Tanzania post and telecommunication Company was restructured leading to the creation of three entities: **Tanzania Communications Commission (TCC) (the regulator for postal and Telecommunications services), Tanzania Telecommunications Company Ltd. TTCL, the public telecommunications services operator and Tanzania Posts Corporation (TPC), the public postal operator.**

### **Assessment of the present reality**

## 2.1 Tanzania Communications Commission (TCC):

TCC was established in 1994 as a Communications sectoral Regulator. The major role is to ensure that the provision of Telecommunications and Postal services meets technical standards with the framework of infrastructure and operations requirements. The need for regulatory services is of high importance particularly in the market free economic environment with a view to ensuring that services providers deliver quality, efficient and cost-effective services which meet demands of customers.

## 2.2 Tanzania Telecommunications Company Ltd. (TTCL):

TTCL is a public telecommunications services operator which was established in 1994. By the time the company had developed a telecommunication network which capitalized on provision of telephone (voice), telex and facsimile services on a fixed wire and radio system. The network generally included public switched lines, leased permanent circuits and privately owned radio utilities.

In early 1990s, the performance of the sector was not satisfactory due to the old dilapidated equipment and plants. It was heavily congested. The tele density was as low as 0.32 telephones per 100 population and the penetration factor was registered to be as low as 1.5%

In 1992, the implementation of the Government's Economic Recovery Policy, led into TTCL's restructuring which resulted into providing some telecommunications non-basic services ( i.e cellular mobile telecommunications services, data communications, and trunked radio telephone) under a competitive market.

In order to improve the sector's services performance, a number of measures were taken including modernization of the sector's infrastructure. These were in line with what is contained in the the National Telecommunications Policy (NTP) of October, 1997. The specific target of the National sector policy is to achieve a telephone density of 6 telephones per 100 population by year 2020. The cardinal objective of the telecommunications objective is to ensure that telecommunications services are provided in a liberalized and competitive manner. This is the main government strategy in its endeavour to achieve the stated target.

Parallel to the above mentioned efforts, a decision to privatize the Tanzania Telecommunications Company Limited (TTCL) was made and the privatisation process is in the final stage. **The private Company M/S MSI jointly with Detecon Ltd will sign the Contract with the Government and conclude the Transactions by February, 2001.** The goal is to improve the quality and quantity of services provided by way of strategic investor to bring in additional technical know-how, managerial skills and necessary capital.

The process commenced by commercializing TTCL through implementation of the Institutional Development which aimed at turning TTCL into a commercially oriented company. To date, under liberalization, apart from TTCL several private owned companies have also been licenced to provide other communication services which include:

**!** **mobile cellular phones:** - 5 companies i.e TRI Telecommunication

(Tanzania) Limited, MIC Tanzania Limited, Planetal-VODACOM and also TTCL and ZANTEL; Only 3 of them are operational, i.e. Vodacom, Mobitel and Tritel.

- ! **public data communication** - 6 operators
- ! **radio paging services** - several companies

### 2.2.1 **Satellite services and investment opportunities**

In recognising the satellite technological advancement, guidelines for licencing the Global Mobile Personal Communications by Satellite (GMPCS) have been prepared. This will expand the market and use of the satellite system to include domestic customers. It is also a Government hope that this will assist in improving telecommunication services in the rural areas where there is a significant level of market which is not adequately tapped. Currently one operator has been authorized to provide GMPCS services.

### 2.2.2 Achievements of the company includes:

- ! Digitalization of the TTCL network has reached more than 90%;
- ! Currently, the country's tele-density stands at about 0.5% per 100 inhabitants, well below the average for several neighbouring countries like Kenya (0.92), and far below the average for the Southern Africa Development Community - SADC (3.4), Asia (3.86), Europe(35.36) and the World (10.49). The very low telephone density in Tanzania means that most of urban and rural areas are still constrained by the lack of telecommunications services.
- ! Stable regulatory framework
- ! Wider customer choice

## 2.3 **Tanzania Postal Corporation (TPC)**

TPC was established in 1995 following the enactment of the Communications Act 1993. Since then, TPC has been operational up to date.

### 2.3.1 **The level of Postal Services**

In general the level of postal services in the country is not adequate. The current infrastructure situation of the public Postal operator stands at 468 Post offices with about 61,000 inhabitants served per post office. The number of private letter boxes installed is 155,456 with 1 box serving 185 persons.

Due to technological advances in the transportation, information and

communication sectors; population growth; and increase in demand for postal services, there has been an increasing pressure for more and better services. The major resource limitations facing the Postal sector are:-

- ! Inadequate investment capital for modernisation and expansion of the network Insufficient and outdated Postal equipment and technology.
- ! Human resource with deficiency in commercial expertise and experience to operate in a competitive environment.
- ! Steps towards sector service improvement

### **2.3.2 Sector liberalization**

Sector liberalization is one of the tools towards realization of quantity and quality services. The non-basic postal services has been liberalized, 12 courier service operators have been licenced and are operational. Out of these 7 are international while the rest are domestic service providers. International operators are the Tanzania Postal Corporation, DHL Worldwide Express, TNT Express Worldwide, SKYNET Worldwide Express, Sangare Ltd, East Africa Courier Ltd, and Ndongondo Mwenda Mbio Ltd. The domestic couriers are the World Jet Travel Services, Ndeng'aro Consultants and Agents, Swift Express, Akamba Bus Services Ltd and John Teri Establishment.

In line with this programme, the National Postal Sector Policy is being developed which will further liberalize the sector, provide clear sector policy objectives, vision, targets and investment guidelines.

### **2.3.3 The public postal operator (TPC)**

There has been some improvement with regard to human resource development in improving commercial and business cultural. In terms of services, there is an introduction of modern services. Steps are being taken to redress the problems whereby the strategic plan which intends to lay a strong foundation for the development of postal services throughout the country is being implemented. With this plan the positive signs are being recorded and in the current year the performance has been impressive.

### **2.3.4 Current status**

The volume of the ordinary correspondence posted grew from 21.6 mil in 1996 to 23.5 mil items in 1997. The volume of the insured items stood at 0.306 mil items in 1996 and 0.32 mil items in 1997. On the side of Express Money Order (EMO) 283,043 orders were issued in 1997 compared to 273,822 orders in 1996.

## **3.0 TRANSPORT SECTOR**

The Transport sector is a huge and very complex sector. It is characterized by its geographical extent by the diversity of competing modes and by the alternative patterns of ownership and operation in public and private sectors. Its services impact on all sections and all members of the society in the country. It comprises Road Transport, Maritime including Inland water and sea transport, Air Transport and Railway Transport.. The performance of the economy has a direct effect on the supply of transport and communications services. Investment in infrastructure remains to be a key requirement for making the services reliable and cost-effective in servicing the entire economy. Various measures have been taken taking into account the prevailing economic environment to enable other sectors perform better for improved social economic performance.

### **3.1 Road Transport and Road Traffic**

Road Transport plays a major role in the movement of goods and passengers accounting for about 70% of the total movement with the balance carried mainly by rail and a much smaller amount by coastal and lake shipping. It is also the main mode of passenger traffic, carrying the vast majority of long distance and local passenger movements. Good performance of road transport depend on amongst other factors, the quality of infrastructure, harmonized road transport policy, efficient liberalization of road freight market access and road passenger transport, sufficient skills related to administration and full enforcement of transport laws and regulations. Combination of these minimize costs and improve quality services of road transport.

Several measures have and continue to be taken in order to make use of full potential of transport sector. These include implementation of liberalization policies such as economic regulations of road policies, involvement of the private sector in the provision and maintenance of transport infrastructure and services, and road safety and environmental considerations.

### **3.2 Roads Network**

The road network in Tanzania Mainland has an estimated length of 85,000km. The network consists of 10,300km trunk roads functioning as the primary roads system where about 3,300 km are paved. There are 24,700km as Regional roads basically linking the trunk road network out of which nearly 10% are in good condition. District roads form a total of 20,000km, where the urban road network amounts to 2450km and the rest 27,550km of the network fall under the community administration. A big proportion of these roads are still unpaved, only 5% of the road network is bituminized. Therefore, massive investment for the road network is necessary to increase the percentage of bituminized roads for smooth traffic flow through the year and throughout the country.

An extensive road rehabilitation scheme has been implemented under Integrated Roads Project (IRP), in 1991 the target was to rehabilitate 70% of the trunk road network by 1996. The focus was on rehabilitation and upgrading of priority trunk and rural roads that are essential for transport of agricultural inputs and products including roads that support tourism, mining and other significant economic activities. The achievement is over 80% of the original target. This notable work forming nine road transport corridors with their link sections provide free accessibility to the growth of economic activities. The existing transport corridors in addition to the Dar es Salaam access roads include ;-

- (i) TANZAM corridor extending from Dar es Salaam-Morogoro-Mikumi-Iringa-Mafinga-Makambako-Mbeya-Tunduma (1324 km)
- (ii) North East corridor from Dar es Salaam-Tanga-Arusha-Namanga (950 km)
- (iii) Southern Coastal corridor extends from Dar es Salaam-Lindi-Mtwara (508 km)
- (iv) Central corridor from Morogoro-Dodoma-Mwanza-Rusumo (Rwanda border) and Kobero(Burundi border) (1,584 km)
- (v) Lake Circuit extending from Sirari (Kenya border)-Musoma-Mwanza-Bukoba and Mutukula (border with Uganda) (1,019 km)
- (vi) Southern corridor from Lindi-Mtwara-Songea-linking to Makambako and Mbamba Bay (1,326 km)
- (vii) Great North corridor which extends from Iringa-Arusha-Namanga (1,024 km)
- (viii) Western corridor from Tunduma-Sumbawanga-M[panda-Uvinza-Kigoma-Nyakanazi and Nyakahura and;
- (ix) Mid-West corridor extending from the Central corridor in the East to Tanzam corridor in the South-West

Other reform measures taken to improve efficiency in road infrastructure and operations include the establishment of TANROADS a body that deals with all non-policy matters (regulatory and operational) for roads.

### 3.3 Tanzania Railways

Tanzania has two railway systems namely Tanzania Railways Corporation (TRC) with 2,605 km and Tanzania Zambia Railways Authority (TAZARA) with 960 km in Tanzania Mainland and linked at the Kidatu interface with Dar es Salaam ort. The TAZARA manages a single line of 1,860 km built between 1970 and 1975 from Dar es Salaam to New Kapiri-Mposhi in Zambia.

#### 3.3.1 Tanzania Railways Corporation (TRC)

TRC was established by an Parliament Act of 1977 given the broad mandate of conducting business according to commercial principles. Following a decline in



operational performance during the 1980's TRC conceived and implemented a number of major restructuring programmes which include Emergency Recovery Programme (ERP) and Railway Restructuring Programme (RRP).

The Emergency Recovery Programme (ERP) was to arrest the decline of TRC performance. In 1990, the government realised that ERP could stabilise TRC but more needed to be done to improve the TRC performance. In 1991, the government started restructuring project with the objective of strengthening TRC and eliminate regulatory bottleneck in order to strengthen operations for commercial viability, rehabilitate infrastructure assets, replace on obsolete and uneconomic operational assets.

The restructuring process enabled TRC to handle 1.36, 1.23, 1.20, and 1.10 million tons in 1995, 1996, 1997 and 1998 respectively. Performance was affected by many factors one being low wagon turnound due to El-Nino rains. As a result of RRP, TRC operate more in commercial autonomy by: Under liberalisation policy, the government through PSRC is in the process of concessioning TRC operations and has set a target date of year 2001. TRC is expected to remain with the functions of a land lord body in line with the SATCC Railway Act Model

### 3.3.2 **Tanzania Zambia Railways Authority (TAZARA)**

TAZARA's, 1,860 km single track line was constructed between 1970 and 1975 and started operation in 1976. The Railway is jointly owned by the United Republic of Tanzania and the Republic of Zambia. It has been moving 60% of Zambia's import and 70% of her export. The objectives of TAZARA as spelled out in the recently revised TAZARA Act are to provide on sound commercial principles a secure, efficient and safe transport of freight and passengers between and within Tanzania and Zambia.

The performance of the Railway has been generally declining since 1993. Freight tonnage fell from 935,000 tons in 1993 to 638,000 tons in 1995 and 599,176 in 1997. Passengers carried has also dropped from 1,938,000 in 1993 to 1,733,000 in 1997. The major reasons for the decline are said to be:

- Increased competition from the road mode
- A decline in the Zambia and Tanzania national economies thus reducing capacity to exportand import.
- A change in regional trade patterns following removal of the apartheid regions in South Africa.
- Increased use of other alternative ports in the Southern Africa region.

The Government of Zambia and Tanzania are in consultation to look into the whole

question of privatisation of TAZARA which to start with would involve a study to determine how best to approach the process.

### **3.4 Maritime transport and inland water ways.**

#### **3.4.1 Tanzania Harbours Authority (THA)**

THA was established in 1977 after the collapse of the East African Community and the subsequent demise of the East African Harbours Authority. Its main functions are developing, improving, maintaining, operating and regulating the harbours and to construct new ports when

required. Dar es Salaam is the largest sea port in Tanzania and acts as the coastal terminal for TRC and TAZARA. Ports managed by THA are Tanga, Mtwara, and small ports of Kilwa, Lindi and Mafia. During the year 1997/98, THA managed to handle about 4,351,845 tons and ships calls stood at 4709 compared to 3,310,275 tons and 4621 ships calls in 1996/97. This is about 31% and 2% increase in freight handled and ship calls respectively. Until March, 1999 THA had already handled 4,622,452 tons.

One of the measures to improve more on THA's efficiency was to privatise all its operations. The Container Terminal has already been privatised through a concessioning process. More efforts are underway to privatise other departments.

#### **3.4.2 Inland Water (Lakes) Transport:**

Use of Inland Waters for transport is mainly on the three big lakes namely, Victoria, Tanganyika and Nyasa. Services are rendered by TRC vessels to cover most of the major towns around the lakes. TRC has been owning the ports, piers and after the loss of MV Bukoba in May, 1996, 13 vessels of which 3 operate on Lake Tanganyika, 2 on Lake Nyasa and 8 on Lake Victoria.

The performance of the Marine division of TRC has not been encouraging and for a long time now has been making losses. The poor financial performance can be attributed to many factors including revenue leakage, poor staff morale, competition from road and air transport, loss of capacity and passenger arising from the sinking of MV Bukoba and ageing of vessels.

A major restructuring of the marine division took place some time back and this involved decentralisation of the division's operations leaving only a few areas for reference to the headquarter relating to policy matters and capital budgeting. A privatisation study recently completed recommended a two stage approach towards privatisation of the marine services.

First and foremost, is to put in place a regulatory framework to address matters of

pricing, licensing, insurance, maintenance, navigation and search and rescue. Secondly, is to constitute TRC marine as a limited liability company, which has been done and Thirdly privatise the company through a competitive bidding process.

### **3.5 Air Transportation**

#### **3.5.1 Civil Aviation**

In 1992 the Government liberalized the domestic air transport industry opening the door wider for the private sector to enter the scheduled airline market business heretheto a monopoly of Air Tanzania Corporation (ATC). Air fares and freight tariffs have equally been left to depend on market force. These reforms have led to the growth of a number of domestic charter operators license by the Civil Aviation Board to increase from 15 in 1992 to 26 in 1996 and 4 air transport operator are operating scheduled services in competition with ATC.

Major restructuring measure took place to date enabled the creation of a "Civil Aviation Authority" where it will operate as an autonomous agency on a self financed basis instead of as a department of MCT. Divestiture programme being implemented for the airports has been to start first with the privatisation process of the Kilimanjaro International airport (KIA) on a pilot project basis.

The Government is expected shortly to sign a concession agreement with a newly formed company namely Kilimanjaro Airport Development Company (KADCO). In this firm the Government will hold 24% shares. The remaining shares will be owned by private shareholders. Other airports will be divested depending on the outcome of the KADCO venture.

#### **3.5.2 Air Tanzania Corporation (ATC)**

ATC was established by the Government in 1977 after the break up of EAC. From inception and until recently the operational and financial performance of ATC has not been satisfactory. One of the main cause for this has been under-capitalisation. Although the Government has been injecting capital, this has been in small doses and only when there was a crisis. The other reason was inability to decide on tariff increases or the withdrawal of services on unprofitable routes for social and political reason prior to Government approval. Also ATC could not apply sufficiently attractive remuneration and incentive package for staff outside the parastatal directives.

Arising from the above the Government decided in 1992 to restructure and commercialise ATC including allowing participation of the private sector. As a result of the reform, two more private sector domestic airlines (Precision Air and Eagle Air) have been licenced to render air transport services in the country. On this front

the liberalisation of air transportation has placed ATC on competitive arena with private operators. Under such market condition the survival strategy is to combine forces either through acquisition, mergers, and or code sharing as joint designation. Such was the case when ATC operated between DSM and Johannesburg route involving ATC and Air Malawi. Meanwhile, privatization of ATC , the process which is being carried out by PSRC on behalf of the Government is being pursued. A strategic investor is being sought.

### **3.6 Privatization**

Privatization is one form of strategies for promoting participation of the private sector and the people in the ownership and efficient management of the restructured social economic activities. The objectives for privatization are to improve efficiency and services quality offered to customers through competition. With regard to this sector, the process is meant for increased quantity and quality of the transport and communications services. It is a tool for achieving customer wider choice, efficiency and cost effective services. Amongst many other potential benefits, privatization stimulates sector growth, improves quality and availability of services enhances free competition, provides infrastructure to develop other services, accesses the sector to capital markets, and reduces the government interference/bureaucracy.

Other benefits include enhanced modernization to meet international standards, reduction of public sector debts, releases state resources for other social program activities, technological improvement/advancement and encourages public-private sector partnership in development, etc.

### **3.7 Infrastructure (Ports, Roads, Airports, Railways)**

In recognition of the importance of good transport infrastructure for enhanced social economic performance, the government, in implementing the restructuring policy initiated in mid 1980s, endeavored itself in undertaking rehabilitation/maintenance and upgrading works. These activities were carried out under various projects whose funding was from own and foreign sources. Such activities were under programmes for Port Modernization (PMP), Integrated Roads (IRP), Airports Rehabilitation (ARP) and the Railway Restructuring (RRP), all being under the World Bank - Government Funding arrangement.

There is tremendous improvement of the transport infrastructure compared to the situation prevailed until early 1990s. The state of infrastructure has to a great extent provided incentive for investors to come in. Efforts are still on in making further improvement and development of the existing and new infrastructure that will promote economic development through further investment in various social

economic development activities. This is much so when taking into account that Tanzania is strategically located for trade business. There is a lot of potentials for trade promotion. Its transport network links like major airports, ports, etc can work as HUBS for travelers or tourists and transit points for freight transportation. Tanzania is linked to seven landlocked countries and about 20 SADC countries. There are several commercial corridors that can further promote trade as well as economic performance. These include road transport corridors discussed above and more others. The main challenge is for Tanzania to explore all possible means for business development and create conducive environment for investment.

#### **4.0 PRIVATE SECTOR - COMMUNICATIONS AND TRANSPORT**

Reforms that have taken place and continue happening intend to bring about efficiency in the provision of services to customers. This objective can be successfully achieved upon full involvement of the private sector in infrastructure development and services provision roles. This is very much possible particularly with the direction and speed at which the sector and the country as a whole is moving. The government is busy working to see to it that good policies are being put in place, regulatory frameworks are established and developed, roles for various stakeholders are also being defined to create a conducive environment for policy makers, regulators, investors, services providers and users to play their roles efficiently.

In this process, positive results will be realized. Through private sector involvement and local and international investment, there will be job creation for our people, and technological transfer-cum-know how to our local experts for enhanced productivity.

The key requirement for a success are the right and fast decisions, total commitment and effective implementation and monitoring systems of development programmes.