

The Socio – Economic Potential of Railway Services from Tema Port on Indigenous Ghanaian Road Haulage

Felicity Ankoma - Sey
Regional Maritime University, P. O. Box 1115, Accra, Ghana
E-mail: felicity.ankoma-sey@rmu.edu.gh

Abstract

A synopsis forecasting the ‘repercussions of active railway services from the Tema seaport of Ghana - on the indigenous road haulage industry’ was created in 2009. This was with full knowledge that rail haulage services though non-existent, were inevitable if the port was to realize appreciable levels of efficiency in support of supply chains through the Sub-region. The study, which is still relevant today, assessed the views of stakeholders’ in road haulage with regards to ‘the level of awareness of the potential competition from an operational railway sector, the potential impacts on their businesses and ways of reducing negative impacts if any’. It was evident that a fully operational railway services would yield significant negative direct, indirect and induced impacts on the indigenous road haulage industry in the short to medium term. The level of awareness of these was quite low amongst the indigenous Ghanaian stakeholders. Few indigenous operators vouched to resort to crime if they lost their livelihoods. It was noted with interest, that members of the road haulage industry could somehow contribute funding in support of a future rail haulage industry, which could result in win - win situations for all relevant stakeholders. This was on the backdrop that national policies offering opportunities for indigenous road haulers are instituted and the necessary education on global trends with ‘multimodal transport’ given them. Such opportunities could increase their relevance as well as their comparative and competitive advantage as partakers in international logistics services.

Keywords: Indigenous Ghanaian Road Haulage Industry , potential impact, logistics, Multimodal Transport Operation

1. Introduction

Road haulage has been the major mode of transport used for the distribution of goods within Ghana and beyond her borders. The infrastructure continues to be managed by Government whilst the services have mainly been provided by the private sector, largely by individual Ghanaians and a few jointly owned local and foreign transport companies. The practice of active indigenous control of road haulage services was prevalent in many parts of the world, but it continues to give way to internationally organized transport companies. In recent times, multi-modal transport companies (MTO) put their services at the disposal of logistics service providers to manage the movement of international supply chains. MTOs usually commandeer substantial capacity of the transport modes necessary for providing the services. With such control, they are better positioned to put adequate measures in place to manage possible liabilities in the course of transporting goods from place to place. The pace of transition to embrace MTO’s was rather slow in Ghana and the West African Sub Region. This was probably resulting from challenges in the transport industry. Adjevor (2008) mentioned the following as some of the challenges of the road haulage industry in the sub region: numerous roadblocks and checkpoints on the major transit transport routes; poor infrastructure; cumbersome and complicated border crossing formalities and political instability. Notwithstanding those challenges, indigenous Ghanaian haulers pressed on to move the local and international trade of the West African Sub-Region. They continued to survive despite the collapse of many local industries in other sectors of the Ghanaian economy.

In the past decade, developments in the Ghanaian transport sector saw national policies which were inclined towards the promotion of multi-modal transport. A case in point was the 2004 review report on the road sector development program of Ghana’s Ministry of Road Transport. The report demonstrated that, efficiency of transport in the country could be enhanced using a combination of transport modes in seamless intermodal exchanges for single journeys. It also indicated that the sector’s development partners had shown a great interest in developing intermodal systems in the country.

The existing political and economic stability in Ghana made the country’s markets a suitable place for entry and expansion of many mega international MTOs. Successive Governments of the country showed commitment towards the restoration and extension of railway services to the borders of the country. As a result of this commitment, some investments in rail infrastructure were made in the country by OPEC in 2007 (Kautzor, 2007). Around the same period, there were also negotiations between the country and China in respect of railway extensions to northern Ghana.

1.1 Research concerns

Active rail networks from the ports through the country’s hinterlands could lead to a drastic reduction on the

pressure on road infrastructure in the country. With it, the future of the country with regards to efficient transportation and distribution appears to be very bright. But notwithstanding, one cannot ignore the impacts of its implementation on the indigenous road haulage industry in its form. The indigenous industry lacks the where-with-all by global standards and face threats of extinction. Furthermore, its collapse poses threats to the stability of other small but significant economic sectors because of their interdependences.

For these reasons, the actual repercussions of the restoration and extension of the rail system were researched into. The relevance of the research was also to create the awareness, and to propose for the requisite interventions to forestall the potential negative future impacts since railway services were inevitable in the long run.

2. International trends with freight management

Railways have for many years remained important for hauling freight in many parts of the world. Because of its advantage of speed, economies of scale and the versatility of moving goods deeper inland, rail transport offers competition to maritime transport in contemporary times for hauling international containerized cargo. Land-bridge systems have been put in place by which rail transport companies haul shipments from one country to another, passing overland in a third or more countries (Engdahl, 2012). In 2008, the BBC reported on such rail infrastructure development and freight services that were to be advanced between Germany and China, passing through four countries. The countries were Mongolia, Russia, Belarus and Poland. The route that was to become operational in 2009 was to be used for shuttling containers between the countries. A voyage on this route was estimated to take 20 days compared to the 40 days pass by sea. In that regard Engdahl, 2012 predicted “*an unparalleled Eurasian economic boom lasting into the next Century and beyond*”. This China dream has seen the light of day as was reported by Carrie Gracie on the BBC (2014). This route is said to be open for use by freight forwarders, multimodal transport operators and others along that international route.

Few independent freight forwarding and shipping companies around world have evolved to become global giants providing total global logistics services. They control substantial percentage of the world’s transport networks. The strengths of those successful global logistics companies (i.e. MTO’s) may as well be attributed to long time experiences with transport and strategic pooling of capital resources. Further advantages available to them could have been the promotion of open market economies, diminishing government intervention in businesses and other world standard trade practices promoted by organs such as the World Trade Organization (Ma, S. 2000). In pursuit of their visions and objectives, the global giants have made worldwide investments in transport infrastructure, superstructure and equipment. Various statistics from the worlds transport sector point to the fact that their investments have resulted in a level of efficiency in global logistics. However, there is very little written evidence of a positive impact of this efficiency on the stability of the indigenous transport industries and other sectors of some developing economies (Ankoma-Sey, 2014). In some cases, the governments of the developing states took calculated initiatives to keep their indigenous transport industries from extinction.

2.1 Case study

Malaysia is one country which seemed to have benefited immensely from a rational liberalization of its transport industry (Shah, 2003). Shah’s research revealed that prior to the 1990s; the road haulage industry of Malaysia was solely managed by a cartel, which consisted of five leading haulage firms. Though private, the government had a stake in all of the five Companies by either holding of equity, or through their status as subsidiaries to a government owned company. According to Shah, the industry at the time was unable to cope with the mounting demand for freight transport which resulted from the tremendous growth of the country’s manufacturing and industrial sectors. It resulted in a call for liberalization of the haulage industry. In Shah’s view, this initially led to much apprehension in the typical Malaysian haulage industry, but there was an overwhelming support from many sectors of the economy, especially from the Federation of Malaysian Manufacturers (FMM); the Port Authorities and the Ministry of Transport (MOT). As a result of that rationalization, the road haulage industry, controlled mostly by Malaysians was said to be a flourishing industry in Malaysia serving the industrial and manufacturing firms which were spread over a wide geographical area in the country. The industries and firms depended on it for the haulage of containers to and from where they were needed within the country.

Shah (2003) further observed that the road haulage industry of Malaysia was not in any kind of serious competition with the rail industry of the country. According to him, the railway services were mainly used to move containers from port to port. They were also connected to inland container depots (ICD). The railway industry also operated land bridge services which provided cross border movement of containers between Malaysia and Thailand. The sector was said to be owned and run by the Malaysian State Railway Authority and other private railway companies. The road sector facilitated the countries manufacturing and industrial businesses. It was to a large extent controlled by Malaysians and provided gainful employment for many Malaysian citizens. Analyzing that scenario, Shah demonstrated that good structures had been put in place to

ensure the existence of effective and efficient rail and road haulage sectors which were devoid of rivalry and were beneficial to Malaysia's growth in its entirety.

2.2 The Ghanaian situation

The restoration of the railway network in Ghana from the Port of Tema to link the port to its hinterlands is long overdue. Nevertheless, considering the fact that for many decades, the distribution of international trade through the country has been dominantly managed by the road haulage industry, rail service restoration could mean a loss of income for many citizens. This could be due to the fact that the industrial setup in the country that could have made use of the services of the road haulers, unlike the Malaysian case is very small and fragile. One may be tempted to assume that those indigenous operators likely to be affected by an operational rail industry could be absorbed by it. But on the contrary, a cost effective management strategy likely to be adopted by any foreign private rail development initiative in contemporary times would make use of high level technology and less labor. So in as much as the government of Malaysia put structures in place to absorb the shocks of liberalizing its once indigenous haulage industry, the government of Ghana may have the responsibility to its citizens to do the same, as it prepares to implement an efficient rail haulage system from its Port of Tema to the hinterland. After all, what would be the use of an efficient rail haulage system if many more Ghanaians do not have jobs and income to enjoy the benefits it provides?

According to Keynes, as stated by Stafford D. & Locascio C. (1995), "it is the responsibility of governments to adjust aggregate demand to levels at which there are just as many jobs as there are people who want to work." Stafford D. & Locascio C. further used the case of the Japanese economy to explain governments' responsibility in stimulating their economies. They explained that in 1992 the Japanese Government increased its spending by 20 percent; it also offered grants of money and low-interest loans to indigenous Japanese industries to help them restructure and make new investments in improved technology. These show that even amidst the globalization era, where goods and services are being made available everywhere from anywhere in the world, governments of countries still have the duty to ensure that there are viable and profitable economic activities for their citizens.

In his discussion on 'drivers of investment', Adongo (2008) indicated that the choices of Foreign Direct Investment(FDI) for countries should be guided by 'citizen friendly' policies and codes, bearing cognizance of the fact that even though FDI may create efficiency in certain aspects of the country's economy, they have negative socio-economic impacts that kill local initiatives. Micah, T. (2008) strengthened the spirit behind the proposal for 'citizen friendly' policies, in a presentation on FDI in Ghana. He stated that "if you allow foreigners to come and compete in things that indigenes can do best then you are not helping your indigenous companies to become the drivers of the nation's industrial development". He was careful to add that only certain aspects in the investment climate of the country had to be protected for Ghanaians. The researcher agrees with this assertion because of 'glocalization' as being experienced in contemporary times, where industrialized countries (e.g. China) efficiently produce and customize certain products to suite the unique demands of the various global markets (Khondker, H. 2004). Ghanaians may currently not have the resources to compete with the industrialized countries in the area of production and pricing of those products. It would therefore be a fruitless venture for Ghanaians to invest in the production of the same products as the cheaper foreign products would invariably end up on their markets.

However, the local haulage industry of Ghana has managed so far to survive the storms of globalization. But like Singapore's successes through rapid state-led economic development (Khondker, H. 2004), the future of this indigenous haulage industry could be brighter if the Government, together with the private sector, could identify, and carefully strategize on how to harness the necessary local resources to protect this national goose that lays golden eggs.

3. Objective and methods

The objective of the study was to find out the extent to which extension of railway services from Tema Port to the northern part of Ghana could directly affect the indigenous road haulage industry. To advance this objective, the research examined the characteristics of the indigenous Ghanaian haulage industry, the awareness amongst the local stakeholders of the imminent competition from a fully operational international railway industry in the country and possible ways of reducing the potential negative impacts of the competition.

Eighty percent of an estimated population of 195 indigenous truck operators was engaged in the study in 2009. The estimation was based on the fact that a minimum of 195 containers were at that time scanned daily at the Tema Port and that number of trucks were likely to be present at the port area on daily basis to carry those containers to their final destinations. Data was also gathered through interviews with the GAPTU, which is the Union that represents almost all the other haulage transport Unions in the indigenous industry. The samples were perceived to form a category of those whose livelihoods were likely to be affected directly by an operational railway service financed and managed by international multimodal operators.

4. Outcomes and analysis

4.1 Outcomes

Background of respondents (i.e. haulage operators)

On the average, the sampled group had a dependant ratio of 6 people. Approximately 41.7% of the sample fell in the 31 to 40 years age bracket, 25.6% in the 41 to 50 years range and a significant 25% within the 20 to 30 years age bracket. The statistics indicated further that the core livelihood of 86.2% of those operators was their haulage business. In their view, the business was generally lucrative. The studies showed that the level of education for most of the operators was in the range of primary and secondary. Tables 1 and 2 are summaries of education levels within the industry and performance levels respectively.

Table 1 Level of education (%) by age (years)

What level of Education	20-30	31-40	41-50	51-60	60+	Row %
	Primary	24	40	32	4	
Secondary	16.1	45.2	29.0	6.5	3.2	100
Tertiary				100.0		100
Other	26.7	40.0	20.0	13.3		100
Group Total	20.8	41.7	27.8	8.3	1.4	100

Table 2 Years in service and performance in the haulage business *Note: B* means below*

How long (years)	Excellent	Good	B* Average	Poor	Row %
	1 – 5	17.2	41.4	27.6	13.8
5 – 10	3.2	51.6	32.3	12.9	100
10 – 15	12.5	37.5	18.8	31.3	100
Other	5.6	27.8	44.4	22.2	100

Haulage business conditions

From the studies, an average of five haulage contracts per month of predominantly containerized traffic for each operator was thought to be generally good. Haulers preferred to undertake relatively long distance haul contracts and would not mind waiting for many days at the port until they got such a contract. The mode of payment for services rendered by the operators was mostly per trip but could also be on monthly basis depending on the relationship between the operator and the client.

It was interesting to note that the major operational challenges in the industry were institutional and beyond the control of operators. Fig 1 shows the operational challenges faced in the haulage industry.

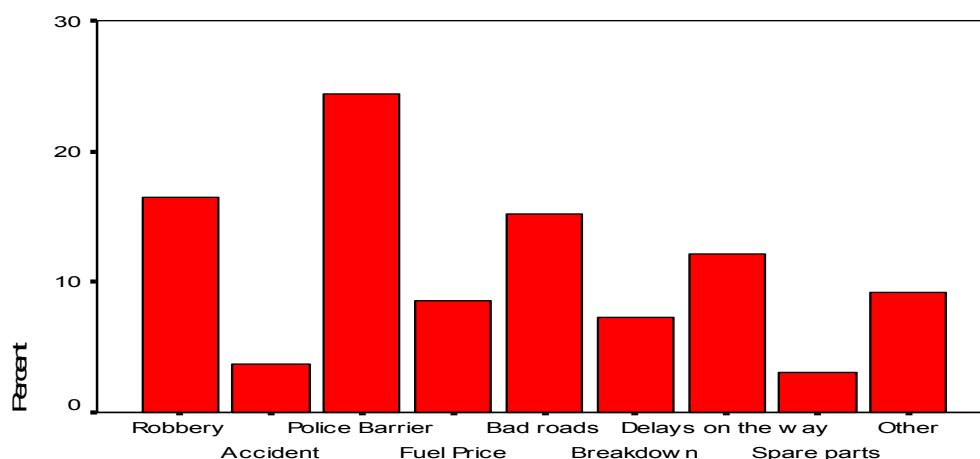


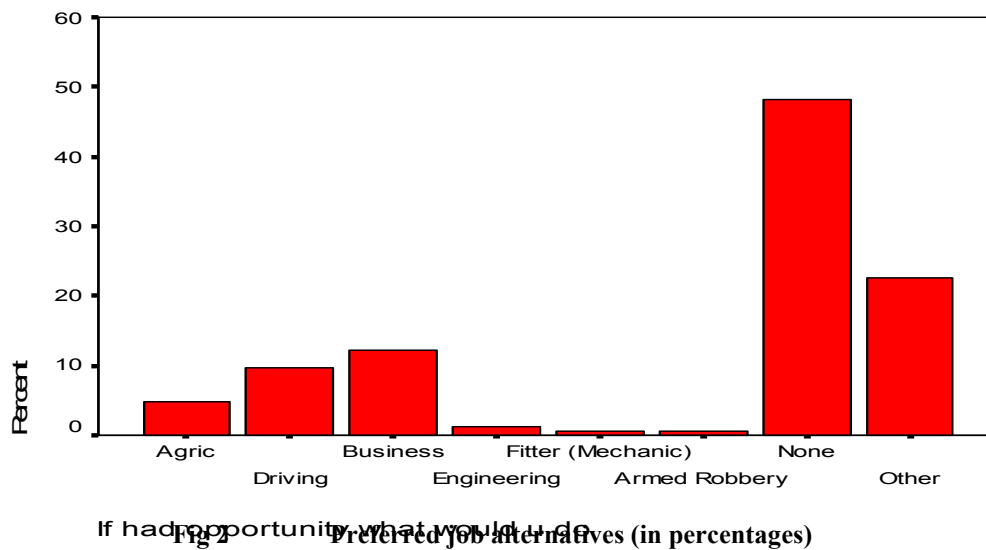
Fig 1 Operational challenges in the haulage industry in 2009 (in percentages)
 problems Encountered

Haulers perception of the impact of an operational railway system

Some of the operators knew that the restoration of the railways would affect their businesses; however they were not sure what the impact would be. There were also some who thought that railway services would not affect their business. It was obvious that they had not considered ways of surmounting the possible effects of an efficient railways service on their livelihood.

Views were sought on possible alternative sources of income for the operators. As figure 2 indicated, a significant 41% had no idea of what they could do. Those who would not even consider any other alternatives to haulage operations were 9.4%. About thirteen percent i.e. 12.5% mentioned 'business', 5% mentioned farming,

1.3% and 0.6% mentioned engineering and mechanic respectively, whilst startlingly 0.6% mentioned armed robbery.



Views about competition from the rail industry

Views about competition from the rail industry were diverse. Some service operators thought that even though rail services would take some of their business, it was not much of a threat to the industry. The main reason was that rail transport could only move cargo to and from terminals. Therefore trucks would still play important roles of moving the goods to and from doorsteps to terminals. Others were of the contrary view, based on the fact that most of the truck operators preferred long distance haul contracts. They therefore predicted serious competition from the railways.

4.2 Analysis

SWOT analysis of the indigenous haulage industry based on the views of GAPTU

Haulage industry's strengths

GAPTU believed that the Transport Unions controlled the greatest proportion of resources, (i.e. trucks) involved in national distribution of goods and even beyond to the neighboring land locked countries. GAPTU looked at the bright side of an emerging rail industry. They believed that ample financial resources could be generated domestically from within their industry. Those resources once harnessed could be invested in the rail industry. Thus making them shareholders in the future rail industry.

Haulage industry's weaknesses

Major weaknesses in the industry were:- the imperfect policy setting; decision making without analytical planning and lack of knowledge about the changing trends in international transport management. In GAPTU's view, the lack of an institutional framework backed by legislation was a weakness when it came to exercising full authority over their members. For that reason, the Union was unable to adequately support the industry to maturation. That could be the reason why road haulage management in the country fell below desired standards.

Haulage industry's opportunities

The level of development of rail and road infrastructure, as well as the nature of the operational challenges (ref Fig 2), did not make the terrain conducive in the short term to attract fierce competition from international multimodal transport operators. Also the planned railway haulage service through the hinterlands of the Tema Port is still on the drawing board and has not yet seen the light of day.

Haulage industry's threats

Generally, GAPTU acknowledged that an operational railway system without their stakes could negatively affect their business. Lack of knowledge concerning global trends in manufacturing, international trade, distribution, and multimodal transport operation principles pose serious threats to the indigenous business.

5. Discussion and conclusion

5.1 Discussion

The strategic importance of rail networks cannot be overemphasized in a developing country such as Ghana, considering the present value and volumes of the trade passing through her ports. Another reason for its strategic importance is that Tema Port has a vision of evolving to be a hub in the West African Sub Region. Furthermore, trends in international trade and transport show that rail transport is becoming increasingly important when it

comes to providing efficient and economical multimodal transport services. This is not to say that road haulage operations (and therefore the business of the indigenous operators) would completely be discontinued, but the strategy of operations and the demand for their services would change. Competition from international transport service providers is also likely to mount up, and this could lead to the demise of the indigenous Ghanaian haulage industry. Therefore effective team management of its operations may be one big advantage the industry can consider to ensure its survival.

Because the railway systems in the country carried only 6% of the country's freight over many years, the distribution of freight to and from the Tema Ports hinterland was handled by road haulage, which is predominantly managed by private operators. Majority of the operators were individual indigenous Ghanaians who owned one or a few trucks. These individuals hardly registered companies as required by national law, and an impression this phenomenon creates is that hardly will they qualify to receive financial support from formal financial institutions in the country. Yet, these haulers have supported the logistics of the nation and the landlocked countries beyond over the years.

The study showed that, employees in the industry have averagely six dependents each. Meaning that the multiplier effect of a negative socio-economic impacts if be, (i.e. haulers getting out of business) would be highly significant. It should therefore be seen as impending national matters to be dealt with by the State in the short to medium term, prior to the commencement of full railway operations from the Port, which is to be anticipated.

Some indigenous road haulers do not see railways so much as a threat to their business and thus have not thoroughly considered the potential impact of its restoration on their businesses. There were no signals from respondents to show that Policy-Makers (*who may already have done an impact assessment*), had or are taking steps to avert the potential impacts on the indigenous road haulers.

In any case, as the nation strives to achieve its development goals, it may only be proper for now if the Ghanaian haulage industry, which is still controlled by Ghanaians and also employs a significant percentage of the citizenry, is prepared and directed to adopt management strategies that would be comparable to international standards. This would probably facilitate the industry's accreditation and placement in international transport logistics systems.

5.2 Conclusion

In conclusion, the future may not be hopeless for the indigenous road haulage industry if there is 'National will' to protect and enlarge the stakes of citizens' in the inland transport industry of Ghana. Intensive national education on the importance of an operational rail system in the country and its potential impacts would be necessary before full implementation of the project. Additionally, policy makers may as a matter of urgency commence strategizing on how to extenuate the direct, indirect and induced effects that will arise from an operational railway system as the average level of education and skills of operators in road haulage will not allow them to fit into other meaningful occupations.

To restore and grow the railway industry in a manner that would be beneficial to Ghanaians, urgent steps could be taken by the Government (*i.e. through favorable fiscal regimes*); local transport experts and the front players in indigenous road haulage, to engage the expertise of financial institutions in the country, who would help them to harness domestic capital from within the industry. Such capital may be invested in railway industry. Such a strategy may be comparable to the partnership structures (i.e. 'Kommanditt' system), which was adopted by Scandinavian countries in the late 1980's and Germany in the 1990's to develop their shipping industries (Stapford M. 1997). If Ghanaians hold shares in the railway industry, they are likely keep a close eye on it to protect to the benefit of the State.

References

- Lawrence, S. et al. (2001). Persistence of Web References in Scientific Research. *Computer*. 34, 26-31. doi:10.1109/2.901164, <http://dx.doi.org/10.1109/2.901164>.
- Adjevor, B. (2008) *Coordination and harmonization of policies towards an effective transit trade regime in West and Central Africa*. Thematic Seminar on Transit Trade and the draft Convention on contracts for the international carriage of goods wholly or partially by sea. Conference hosted by the Ghana Shippers, Council, September, 2008.
- Adongo. (2008) Investment climate in Ghana. *Interview with Oppong-Nkrumah, K. Breakfast Show, 20/8/2008, JOY 99.7 FM Radio, Ghana*.
- Ankoma-Sey, F. (2014) ' *Future orientation of marketing management for sustainable national development, a Case of Ghana's Tema Port*'. *Journal on Economics and Sustainable Development*. ISSN 222- 1700 (Paper) ISSN 2222 (Online), Volume 5, No. 16, 2014.
- Carrie Gracie (2014) All aboard: China's railway dream <http://www.bbc.com/news/world-asia-28289319>
Retrieved on 23rd September, 2014

- Container rail link bypasses Chinese port congestion. *BBC News* of Monday, December 24, 2007 - 12: 22 GMT.
Kautzor, T. (2007) *Railways of Ghana 2007*, <http://www.internationalsteam.co.uk/trains/ghana01/htm>.
Retrieved in December, 2009.
- Ma, S. (2001) *Shipping and port marketing*. Unpublished lecture notes, World Maritime University.
- Micah, T. (2008) Investment climate in Ghana. *Interview with Oppong-Nkrumah, K. Breakfast Show*, 20/8/2008, JOY 99.7 FM Radio, Ghana.
- Shah, A. (2003) Liberalization of the container haulage industry in Malaysia Transport and Communications. *Bulletin for Asia and the Pacific* No. 73, 2003, retrieved from http://www.unescap.org/ttdw/Publications/TPTS_pubs/bulletin73/bulletin73_ch4.pdf
- Stafford, D. & Locascio, C. (1995) *Introduction to Economics*. Glencoe/McGraw-Hill, 21600 Oxnard St. Woodland Hills, USA.
- Stapford M. (1997) *Maritime Economics*. 270 Madison Ave, New York, N710016. 2nd Ed.
- Road sector development programme, Review report, 2004, Ministry of Road and Transport.

The IISTE is a pioneer in the Open-Access hosting service and academic event management. The aim of the firm is Accelerating Global Knowledge Sharing.

More information about the firm can be found on the homepage:

<http://www.iiste.org>

CALL FOR JOURNAL PAPERS

There are more than 30 peer-reviewed academic journals hosted under the hosting platform.

Prospective authors of journals can find the submission instruction on the following page: <http://www.iiste.org/journals/> All the journals articles are available online to the readers all over the world without financial, legal, or technical barriers other than those inseparable from gaining access to the internet itself. Paper version of the journals is also available upon request of readers and authors.

MORE RESOURCES

Book publication information: <http://www.iiste.org/book/>

Academic conference: <http://www.iiste.org/conference/upcoming-conferences-call-for-paper/>

IISTE Knowledge Sharing Partners

EBSCO, Index Copernicus, Ulrich's Periodicals Directory, JournalTOCS, PKP Open Archives Harvester, Bielefeld Academic Search Engine, Elektronische Zeitschriftenbibliothek EZB, Open J-Gate, OCLC WorldCat, Universe Digital Library, NewJour, Google Scholar

