



### **13. Private Transportation Sector**

#### ***Summary***

The private transportation sector agenda constitutes a serious effort to address the major problems and challenges facing its activities in the region. The agenda outlines many of the features of the transportation sector in the region, showing that the special geographic location of the region is not used optimally in a manner that would increase the domestic product. It also addressed the types of ownership of road transportation in the region, including tankers, trucks, and buses that are mostly individuals, not companies. Furthermore, the transportation sector is limited to land and air transport, both of which use outdated vehicles and planes and most of which are not registered with the proper authorities. The agenda revealed many serious obstacles including that the three neighboring countries (Syria, Turkey, and Iran) do not apply the principle of reciprocal treatment in this sector. Drivers and passengers are not granted visas to enter these countries in the same way that visas are issued to their citizens as they enter Kurdistan or Iraq. Moreover, trucks leaving the region are not allowed into these countries without paying extremely high fees imposed by neighboring governments on Iraqi trucks and vehicles. In the end, this imposes continuing obstacles to the sector.

Representatives of the transportation sector in this agenda called for the formation of active joint committees to elaborate a comprehensive, equitable system of inter-regional treatment among neighboring countries and to ratify a system of tax and customs exemptions on vehicles, similar to other sectors enjoying such a privileges under the Investment Law.

#### ***Introduction***

The transportation sector, which is one of the components of the distribution sector in the gross domestic product (GDP), constitutes a vital source for the economies of many countries and a strategic resource in many others. It also represents a competitive edge for some. In addition, this sector can influence labor and employment and create job opportunities because of its strong input in most other economic sectors' activities. The level of interaction governs the complicated relations with these sectors. The success of companies and business sectors in the world depends on their continuing ability to compete and resist, which depends on five major elements: quality, cost, flexibility, reliability, and rapid delivery. It is a well-known fact that transportation may affect the efficiency and, even more so, the sustainability of these elements.

Today, a long time of reflection is needed to study the situation of the region's transportation and distribution map. It is necessary to contemplate how to solve the problems and challenges facing the activity of the private transportation sector in the region. Notwithstanding the size of services provided by this sector to secure the internal transportation, distribution, and delivery needs, it is still incapable of leading the initiative to expand the region's external economic activities as transportation in this region flows only from the outside in, and not in the opposite direction.

#### ***Characteristics of the Private Transportation Sector***

1. The transportation sector is limited to land and air transport only. It is relatively new in the region and is underdeveloped when compared to the transportation sectors in neighboring countries. Its contribution to the real per capita income in the region is minimal in comparison to its potential if upgraded.

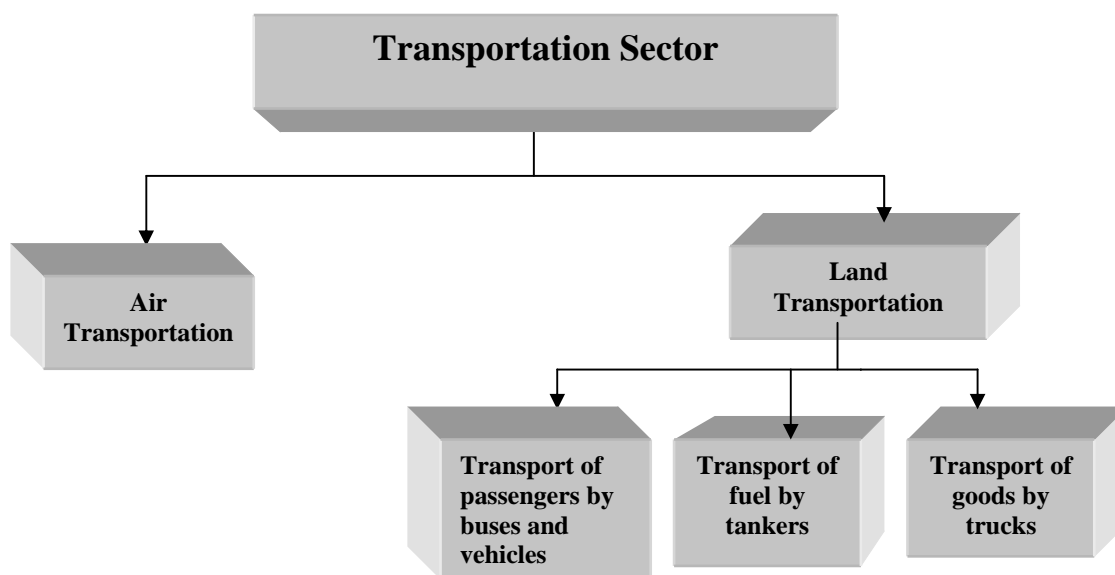
2. Lack of investment of the distinctive geographic location of the region in a manner that could double the national income generated by transportation and related activities, including fees for transit, crossing, road services, warranties, and labor movement.
3. The high cost of all forms of transportation in the region, which clearly increases the prices of commodities and services in a manner that is disproportionate with other economic activities, at least at the present time.
4. The large potential labor force in the transportation sector, and the small number of vehicles and cars used in private transportation. This labor force does not have the sufficient knowledge, has not received appropriate professional training, and lacks experience.
5. Ownership of vehicles, trucks, and buses is mainly individual or familial and there are no companies that combine several types of vehicles or which may contribute to different activities.
6. Assets in the transportation sector (tankers, trucks, buses, planes) are all outdated.
7. Many of the vehicles used in this sector are not registered with any official departments and are therefore not counted in official surveys or statistics that can indicate their contribution to the GNP.

### ***Methodology***

#### ***Major Partners***

1. Transporters Union of Kurdistan
2. Transporters Union of Dohouk
3. Union of Importers and Exporters of Suleimaniya
4. Hotels and Restaurants Union of Suleimaniya
5. Senior transporters from the region
6. Experts specialized in transportation

#### ***Classification of the Transportation Sector***



## ***Problems and Proposed Solutions***

### *Treatment by Neighboring Countries*

<b>Problems</b>	<b>Proposed Solutions</b>
<p>The three neighboring countries (Syria, Turkey, and Iran) do not apply the principle of reciprocal treatment to transporters of the region of all types of vehicles, which generates a number of problems.</p>	
<p>1. Neighboring countries, especially Iran and Turkey, do not grant drivers or passengers entry visas into their land in the same manner that their citizens get entry visas at the region's borders. This hinders any chance for Kurdistan's transporters to enter these countries, while their citizens move freely in the region's provinces.</p>	<p>1. Exert official and diplomatic efforts to acquire reciprocal treatment rights for citizens of Kurdistan in terms of entry visa issuance between Kurdistan and any of these countries, especially for drivers.</p>
<p>2. Iran and Turkey do not allow trucks coming from Iraq/Kurdistan to enter into their territories except under an extremely complicated system that allows some transportation vehicles to enter border cities (in the case of Turkey) or only to the borderline (in the case of Iran). Moreover, entry to the border cities of Turkey is only possible with the prior approval of the Turkish company to which the goods are being transported.</p>	<p>2. Ensure that Iraqi companies, vehicles, and trucks acquire similar rights to enter into Turkish and Iranian territories and ensure they can go through such territories to reach Europe and Asia and other countries using the right of transit passage. Such a step will enable the economies of the region and of Iraq to prosper through exports and access to the world. The free movement of these trucks and vehicles to trading zones is of paramount importance.</p>
<p>3. Iraqi-Kurdistan transporters bear heavy fees imposed without any exemptions by the Turkish government on vehicles traveling to Turkey. In the meantime, Turkish drivers pay fees selectively, like manifest fees on trucks. The Turkish drivers refuse to pay other fees, such as those on tankers, in breach of Iraqi and international regulations.</p>	<p>3. It is necessary to enact a comprehensive and fair system of mutual fees between Iraq/Kurdistan and neighboring countries. The system should be rigorously applied to ensure protection of Iraq's rights to such revenues. It is important to review the systems, regulations, decisions, and agreements issued by neighboring countries that may harm the interests of private transportation in the region. It is also necessary to abstain from offering any unjustified favors to firms and individuals from these countries without getting reciprocal rights.</p>
<p>4. Turkey and Iran continue to impose severe obstacles that have aborted many of the attempts to regulate Iraqi-Kurdish movement of passengers to</p>	<p>4. Form active joint committees to overcome any obstacles hindering road transportation in order to regulate traveling to neighboring countries.</p>

these countries in buses or cars.	
	<p><b><u>Stakeholders:</u></b>  Regional Prime Ministry  Iraqi Ministry of Foreign Affairs  Ministry of Finance – Kurdistan  Ministry of Transport – Kurdistan  Ministry of Interior</p>

*Taxes*

<b>Problem</b>	<b>Proposed Solutions</b>
<p>1. The taxes imposed on the activities of this sector are high and constitute a burden on laborers and investors despite the low net income. This causes a heavy burden on the overall sector, impeding its ability to survive, sustain, and prosper.</p>	<ol style="list-style-type: none"> <li>1. Reduce taxes imposed on this sector and replace the current tax system with a flexible one that provides real opportunities to increase the revenues of owners and investors to balanced and acceptable levels.</li> <li>2. Issue new tax legislation that ensures introduction of essential amendments to the applicable tax law in order to contribute to enhancing opportunities of growth in this sector in the long run.</li> <li>3. Include all means of transport in the facilities and customs exemptions prescribed to other sectors in the Investment Law.</li> </ol> <p><b><u>Stakeholders:</u></b>  Investment Commission  Tax Authority  Customs Authority  Regional Parliament</p>

*Government Opportunities*

<b>Problem</b>	<b>Proposed Solutions</b>
<p>1. Insufficient opportunities by the central and regional governments, as they do not rely on oil products transportation companies in their contracts. The government also abstains from leasing gas tankers from the private sector and the same applies to specialized transportation like coolers and fridges. However, it is</p>	<ol style="list-style-type: none"> <li>1. Issue necessary regulations and instructions to ensure equal opportunities among competing agents.</li> </ol> <p><b><u>Stakeholders:</u></b>  Ministry of Transport  Ministry of Trade</p>

noticed that they prefer to hire Turkish, Iranian, or Syrian companies to transport such products.	Ministry of Oil
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*Scarcity of Information*

<b>Problem</b>	<b>Proposed Solutions</b>
1. Scarcity of statistical data that could help researchers and other interested parties develop the sector; lack of references that present indicators on the size of the sector; its contributions and development strategies.	<p>1. It is important that the government commit itself to providing up-to-date and comprehensive information on the transportation sector at all levels to researchers, investors, relevant unions, and, most importantly, to decision makers.</p> <p><b><u>Stakeholders:</u></b> Ministry of Planning Ministry of Transport</p>

*Transportation Companies*

<b>Problem</b>	<b>Proposed Solutions</b>
1. Lack of legislation specifying the minimum number of vehicles that a transportation company must own. This situation transformed the activities of these companies to a commission system, weakening their organizational ability and undermining their capacity to meet legal requirements.	<p>1. Enact the necessary legislation that obliges companies to own a minimum number of modern and functional trucks as a pre-requisite to being issued a business operating license. This should be coupled with regular monitoring on the evolution of these companies and their capabilities in a logical classification based on the real capacities of every company to be adopted by transporters.</p> <p><b><u>Stakeholders:</u></b> Ministry of Justice Ministry of Transport Ministry of Trade</p>

*Unions and Associations*

<b>Problem</b>	<b>Proposed Solutions</b>
<p>1. Absence of legal rules that oblige transporters and transportation companies to join specialized unions as a condition to practice the profession, which resulted in the absence of legal frameworks for accountability.</p>	<p>1. Oblige vehicle owners and companies working in this sector to join the professional unions that regulate the sector and submit clear statistics thereon. This obligatory registration would provide a minimum level of responsibility among the registered agents when they apply for bids or procurement contracts or when they practice this profession.</p> <p><b><u>Stakeholders:</u></b> Ministry of Trade Ministry of Transport Ministry of Interior</p>

*Service Garages*

<b>Problem</b>	<b>Proposed Solutions</b>
<p>1. The lack of modern service garages for internal and external transportation that provide quality services and facilities to passengers and drivers.</p>	<ul style="list-style-type: none"><li>• Enact regulations and instructions that define environmental and demographic standards for the creation of modern service garages by the private sector.</li><li>• Review the non-positive role played by transportation unions that currently supervise garages.</li><li>• Develop legal frameworks to regulate the relationship between trade unions and workers of the sector.</li></ul> <p><b><u>Stakeholders:</u></b> Ministry of Interior</p>

*Insurance*

<b>Problem</b>	<b>Proposed Solutions</b>
<p>1. The absence of mandatory insurance regulations on road transportation, as opposed to the case in many other countries, to protect drivers, passengers and customers. In the absence of such a system, transporters bear solely the damages incurred by robbery, damage, or fire.</p>	<ul style="list-style-type: none"> <li>• Oblige transporters and transportation companies to acquire insurance for every vehicle they own in addition to insurance on their employees, passengers, and cargo.</li> <li>• Encourage insurance companies to work in accordance with regulations and instructions that serve all parties' interests.</li> </ul> <p><b><u>Stakeholders:</u></b>            Ministry of Finance            Ministry of Transport            Ministry of Trade</p>

*Roads*

<b>Problem</b>	<b>Proposed Solutions</b>
<p>1. Slow road transportation because of the poor quality of roads (city-city, city-region, region-external, and those between the cities and manufacturing areas). The network is limited to old, poorly paved roads that cause fatal accidents and impede productivity of the sector.</p>	<p>1. Create a network of freeways, bridges and highways that enable the sector to provide the best services. Construct highways away from the centers of crowded cities to reduce transport cost and enable transporters make profit.</p> <ul style="list-style-type: none"> <li>• In unpaved mountainous areas, dig tunnels rather than the sharp bypass roads in order to mitigate risk in the sector.</li> <li>• Link the production areas to marketing outlets and connect them with a network of roads to facilitate</li> </ul>

	<p>the flow of goods and services to and from remote areas.</p> <p><b><u>Stakeholders:</u></b>  Ministry of Transport  Ministry of Municipalities</p>
<p>2. Lack of infrastructure for roads connecting the region's cities, combined with the inadequate facilities currently along such roads.</p>	<p>2. Dedicate more attention to the needed infrastructure on roads, including services, lighting, ambulances, traffic signs, rest areas, and maintenance facilities.</p> <p><b><u>Stakeholders:</u></b>  Ministry of Interior/Traffic  Ministry of Transport  Ministry of Municipalities</p>

*Air Transport–Human Resources*

<b>Problem</b>	<b>Proposed Solutions</b>
<p>1. The ineptness of government employees in land services and air transport support logistics. The sector’s management personnel do not take advantage of training opportunities or scholarships allocated as training and educational assistance by donor countries and international organizations.</p>	<p>1. Increase training and human resource development for employees of air transport and utilize available local and international experience to achieve the following:</p> <ul style="list-style-type: none"> <li>❖ Organize scholarships and training missions in rare specializations including technology and modern applications to specialize in the solutions needed to solve the problems of this sector.</li> <li>❖ Seek experienced persons available in Iraq and use their knowledge in consultancies and initiatives adopted by the Ministry of Transport.</li> <li>❖ Allocate budgets to provide intensive coaching and training of trainers to develop the skills of employees of this sector and build their capacities, in addition to inviting international trainers for this purpose.</li> <li>❖ Make use of the training opportunities offered to the region by international agencies by motivating the private sector to benefit from them.</li> </ul> <p><b><u>Stakeholders:</u></b>                      Ministry of Higher Education and Scientific Research                      Iraqi Ministry of Transport                      Regional Ministry of Transport</p>

*Airport Passenger Security*

<b>Problem</b>	<b>Proposed Solutions</b>
<p>1. Application of very strict and unjustified restrictions in many cases on movement of passengers to and from airports.</p>	<p>1. Set up a new and advanced security system that strikes a balance between the security of airports and planes and the comfort of passengers.</p>

	<b>Stakeholders:</b> Ministry of Interior
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*Airlines*

<b>Problem</b>	<b>Proposed Solutions</b>
<p>1. Strict restrictions are imposed on arrival and leasing of planes by American air traffic controllers (Remote Monitor Control Center, or RMCC) in Qatar, where arrival into Kurdistan requires approval of the base prior to landing in Erbil or Suleimaniya.</p>	<p>1. Follow up on this issue with the American leadership in Qatar to ensure the safety of Kurdistan's air travel and its respect upon arrival and departure of planes, without further complications.</p> <p><b>Stakeholders:</b> Iraqi Ministry of Foreign Affairs Ministry of Transport</p>
<p>2. Turkey and some other countries object to the passing of planes over their airspace, whether departing from, or arriving to the region.</p>	<p>2. The principal parties should negotiate with the Turkish officials and involve the International Civil Aviation Organization (ICAO) and other international agencies to resolve this crisis.</p> <p><b>Stakeholders:</b> Council of Ministers Ministry of Foreign Affairs Ministry of Transport</p>

*Insurance*

<b>Problem</b>	<b>Proposed Solutions</b>
<p>1. High insurance premiums on planes and air passengers flying to and from the region, as Kurdistan's airspace is considered as unsafe as conflict zones in Iraq. This has caused the unreasonably high cost of air transportation.</p>	<p>1. It is necessary to start negotiations with all insurance companies regarding granting an exception to the region in comparison to other areas in Iraq, for Kurdistan's airspace is safe and risk-free.</p> <p><b>Stakeholders:</b> Ministry of Finance</p>

*Competition*

<b>Problem</b>	<b>Proposed Solutions</b>
<p>1. Absence of competition rules among governmental parties, which grant preferential treatment to Iraqi Airlines, leading to a monopoly on all internal flights. Consequently, there is no possibility of providing better services to passengers, as is the case in free markets in other countries.</p>	<p>1. It is necessary to treat all airline companies operating in the region equally and without preference in order to strengthen competition and motivate them to provide better services. Competition in air transport must be open like in other business sectors.</p> <ul style="list-style-type: none"> <li>• Allow international airlines to open offices in the region without any pressure or intervention by senior officials.</li> <li>• Oblige airport administrations in the region to cooperate with travel and tourism agents and allow them to have offices at airports to serve the arriving and departing passengers.</li> </ul> <p><b><u>Stakeholders:</u></b> Ministry of Transport</p>
<p>2. Iraqi airlines use old planes that lack basic passenger services before and during flights while the fares of such flights are too expensive in comparison to similar international services. For instance, an air ticket from Erbil to Baghdad costs US\$100 and is constantly increasing.</p>	<p>2. Reach real solutions by exerting pressure on Iraqi Airlines to lease modern planes to transport passengers and provide excellent services, in addition to lowering the fares of national flights. If competent authorities fail to reach a settlement, they should allow other companies to offer domestic flights.</p> <p><b><u>Stakeholders:</u></b> Ministry of Transport</p>

*Management of Booking Systems*

<b>Problem</b>	<b>Proposed Solutions</b>
<p>1. Booking is manual and departure and arrival of planes does not occur according to</p>	<p>1. It is necessary to install modern, electronic booking and reservations systems in order to</p>

<p>a schedule. The wait for the arrival of passengers may last for many hours or several days, because of the small number of planes used by Iraqi Airlines and as a result of weak coordination between booking offices, airline companies, and airport administrations. This is because of the outdated telecommunications system and non-application of the Transportation Law that provides for guarantees to passengers in such cases.</p>	<p>organize schedules, as is the case in booking offices in other countries. This can be achieved by creating an electronic information network connecting airports, airline companies, and travel and tourism agencies in order to:</p> <ul style="list-style-type: none"> <li>• Coordinate movement of flights.</li> <li>• Organize departure and arrival times.</li> <li>• Provide relevant, up-to-date, and around-the-clock information to companies and offices.</li> <li>• Ensure accurate schedules and direct booking through this network.</li> </ul> <p>The fixed times of departure and arrival will enable the imposition of fines or monetary damages on companies violating them. In addition, the means must be found to purchase more planes and mitigate the shortage crisis, which will also help lower the price of airfare.</p> <p><b><u>Stakeholders:</u></b> Ministry of Transport</p>
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### *Travel and Tourism Agencies*

<b>Problem</b>	<b>Proposed Solutions</b>
<p>1. Overlapping mandates, as travel and tourism agencies are required to obtain an operating license from the Ministry of Transport despite conflicting areas of specialty.</p>	<p>1. Move travel and tourism agencies from the Ministry of Transport's mandate to the Ministry of Tourism in terms of licensing and legal approval.</p> <p><b><u>Stakeholders:</u></b> Regional parliament Ministry of Transport Ministry of Tourism</p>

### *Challenges and Aspirations*

#### *Challenges*

The institutions concerned with the transport sector do not have the necessary strategic vision to develop and rehabilitate the sector to enable it to play a bigger role in the future. The main

challenge facing this sector is the preparation of a comprehensive plan concerned with future prospects.

Additionally, there has never been a conceptualization of any vision about the characteristics and advantages of the strategic location of the region. Subsequently, such attributes have been neglected. Another challenge facing government institutions concerned with this sector is the preparation of a comprehensive plan to install traffic systems across the region and impose transit fees, in addition to concluding transit and mutual transit agreements.

### *Aspirations*

Owners, individuals, and companies working in the private transportation sector aspire to a comprehensive plan for the development of this sector, to take advantage of international examples and lessons, and to enlist local unions and organizations in the planning process.

Owners also aspire to conclude clear and informed agreements to benefit from the geographic advantage of the region.