

STATES & LOCAL FINANCE



The IGR Initiative

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BYOND THE FEES FROM motor licensing, which is all-vehicle embracing, commercial vehicles stand out as a significant source of revenue for subnational governments. As of 2018, commercial vehicles constitute approximately 56 percent of Nigeria's 11.8 million vehicle population, according to the Nigeria Bureau of Statistics. The sea of yellow-painted 'Danfo' buses adorning Lagos State road scenery is picturesque. Such charming clusters of buses also decorate most metropolitan areas in Nigeria. These large numbers of commercial buses also present tremendous revenue opportunities for various states and local governments, much of which leak into the hands of illegal revenue collectors, often disguising themselves as the union of road transport workers. In July 2021, the International Centre for Investigative Reporting (ICIR) estimated that these illegal revenue collectors fleece the state of a whopping N6.75 billion each month. While the reportage of the menace of touts and illegal tax collectors on commercial buses and tricycles is notable, it is not the same as heavy-duty commercial vehicles, a good fraction of which operate outside the prying eyes of the public. Across Nigeria, heavy-duty commercial vehicles, whether in highway use or off-highway use, face the wrath of these illegal tax operators. And because the illegally extorted amounts are usually tens of folds more than those collected from smaller commercial vehicles, state governments lose heavily in revenue and other economic activities they support.

Heavy-duty vehicles are central to economic development by facilitating economic exchanges, business supply chains and distributional logistics. Trucks ensure that manufacturers, agricultural produce and other items of economic value are in the hands of those who want them. They also help outline and strengthen different cultures' geographical and socioeconomic advantages, people's economic exchanges, and distributional logistics. Enugu and Lagos states, for instance, enjoy Bauchi and Sokoto states' unique economic potential in producing yam and beans primarily because heavy-duty haulage trucks make it possible. Passenger transportation using luxurious heavy-duty buses such as the ones operated by Ekene Dili Chukwu, Ifeanyi Chukwu, The Young Shall Grow and many kindred transporters play critical roles in mass human migrations and enhanced economic activity. Heavy-duty commercial vehicles also facilitate high-calibre manufacturing and construction business operations

in the off-highway segment. Indeed, it dominates the constellation of mobile hardware used in road and high-rise building construction. In commercial-level agricultural cultivation, they occupy a dominant position. For instance, bulldozers and payloaders are the two most crucial pieces of mobile equipment for land clearing before the introduction of farm tractors. In general, despite the centrality of heavy-duty commercial vehicles in economic activities, many state governments fail to maximally exploit the derivable tax benefits to strengthen their independent revenues.

The flip side is that any additional unrealistic tax burden on these vehicles beyond the optimal level can significantly impact economic activity and the cost of living. Heavy-duty commercial vehicle operators efficiently transmit tax increases to the ultimate consumer almost instantaneously. Sometimes, the bills to their customers incorporate anticipated legal and illegal tax collections forcefully imposed upon them. However, despite the ability to shift the burden to customers, they still cannot check the decline in patronage due to escalating prices. Some heavy-duty commercial vehicle operators in some states with inclement tax policies are noticing gradual shrinkage in the size of operators, many of whom have shifted to other states. For a long time, most heavy-duty highway commercial vehicles groaned under the weight of multiple illegal and legal levies and fees. Combined with roads in disrepair, often resulting in the loss of wares and humans. These costs are also manifest in the almost constantly rising average prices of goods and services in the country.

The menace of illegal revenue collectors tops the risk exposures of highway heavy-duty vehicle operatives, negatively impacting their capacity to comply with statutorily specified sticker taxes and fees. Operating under various nomenclatures, they compel heavy-duty operators to pay for permits, fees, emblems, etc., that the government does not approve. Powered by a subterraneously operating cartel mainly comprising staff members of the state transport ministry, Internal Revenue Service, and security personnel, they launch touts that enforce these illegally dictated charges. These touts operate with defiant militancy. They break the windscreen and other accompaniments of noncompliant heavy-duty vehicles and, many times, beat up their drivers. An ugly example of the enormity of the harm they can orchestrate is in one of the south-east states where illegal collectors, while enforcing their criminal sticker charges, seized the keys

IROs, illegal sticker tax collectors and heavy-duty commercial vehicles



of such a noncompliant vehicle and rammed it into a crowd, killing more than 30 people instantly. They have also severally had fatal confrontations with the associations of some of these heavy-duty commercial vehicles. Besides the strong backing of the powerful cartel, many of these touts enjoy up to 10 percent commission on all illegally collected daily revenue. The unseen cartel shares the balance while the government loses out completely! In states like Abia, Rivers and Anambra, several illegal revenue collectors operate side-by-side with government-approved vendors, many of whom, motivated by the successful operation of these unlawful vendors, allegedly fail to remit collected revenue.

But illegal non-state extortionists are not the only challenge to the heavy-duty commercial vehicle experience on the road. Virtually all police checkpoints perch on them like mosquitoes sucking financial blood away from them with their proboscis. For instance, more than 150 such checkpoints exist between Lagos and Anambra States alone.

With numerous payment points combined with the guerrilla ambush by illegal revenue collectors, the willingness to comply with the state and local governments' approved fees and licensing wanes. Beyond the highway, at the loading and unloading points, the state governments still suffer similar fates in the hands of non-state actors. For example, some traditional rulers and community heads impose fees that trucks must pay before loading or unloading any ware. Because of the generally confusing scenario, some unions also sell emblems and permits, without which a truck can not load or unload any of their goods. The assortment of these payments puts unbearable pressure on heavy-duty commercial vehicle operators and pushes them to resist government statutorily required payments. And it is easier to resist government fees because their agents and vendors are almost always into embezzlement rackets. Secondly, while these tout collectors are always on the ground to enforce the cartel-approved payments, the govern-

ment collectors are rarely as forceful in implementing theirs.

To save heavy-duty commercial vehicles from these agonising embarrassments and ensure that state and local governments minimise their revenue losses to these criminal operators, the Joint Tax Board [JTB] launched the Single Interstate Road Tax Sticker [SIRTS] and the Single Haulage Fee [SHF]. Because of its promise, many state governments such as Katsina, Enugu, Edo, Akwa-Ibom, Taraba, Yobe, Lagos and Delta states, among others, have adopted them. The JTB and its technical committee agreed to harmonise nationwide sticker taxes and haulage fees. Fundamental to the origination of this programme is to eliminate the activities of touts and other illegal revenue and tax collectors on the highway and at the loading and unloading points in the states of departure or destination. A complementary objective is to operate harmonised and uniform road taxes to reduce double and multiple taxations, particularly on the highway and loading and unloading points. To ensure the success of this programme, it has an understanding with the police, the Federal Road Safety Corps [FRSC] and other relevant security agencies and associations of stakeholders in the heavy-duty commercial vehicle industry to collectively monitor and enforce the programme. Some states implementing the programme mandate motorists to pay for SIRTS either at the point of registration, renewal of the papers or through approved consultants/vendors. At the same time, the SHF is payable per trip. The stickers are electronic with a Quick Response code to avoid their easy duplication and ensure seamless verification. Some states are still reluctant to adopt the programme. First, evidence shows that even in most states that have adopted them, illegal revenue and tax collectors, in connivance with the police, are still reaping-off motorists. Nothing has changed. Secondly, for some states that can effortlessly obtain higher permit and emblem fees, SIRTS and SHF implementation means significant revenue loss.

Finally, any productive strategy to counter these illegal operators

at the state level or nationwide must considerably factor in the unique characteristics of each of the four types of unlawful revenue and tax collectors ravaging heavy-duty commercial vehicles. The first group are cartel-backed collectors. This group of illegal revenue collectors primarily fronted for a cartel powered by some government officials, mainly within the governor's office, the transport ministry and the internal revenue service (IRS), in conjunction with some security officers (army and police) protecting the touts in the field. This group is the most dominant and the most difficult to eliminate. The second category is the traditional ruler-backed enforcers. This category of illegal fee collectors acts on traditional rulers' instructions and backing. Recently, members of the Lower Semi-Truck Drivers Welfare Association, Anambra State, alleged that the Obi of Onitsha approved the illegal N30,000.00 loading and unloading permit enforced by the Onitsha Ado Youth Council. And because of the elevated position of the traditional ruler, petitions on this alleged illicit tax imposition have not received the desired attention.

The third category is the unlawful collection enforced by town unions. This kind of illicit revenue and tax collection is similar to the traditional ruler-implemented model. For instance, communities with large deposits of sand or stones believe they also have a right to benefit from trucks that harvest those natural endowments and therefore impose taxes on heavy-duty commercial vehicles used in their evacuation. The significant difference between the two models is that the communities share the declared proceeds in the community-enforced approach; in contrast, the traditional ruler expropriates all the collected money in the traditional ruler model. The final category is the trade union-enforced model. In this model, the executives of some trade unions constitute a task force to collect fees primarily from their members or those performing activities similar to what their members do. Most of these funds go into the pockets of the executives of the union.