

LOGISTICS BUZZ

August 2020

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PRESENTATION TO THE PARLIAMENTARY COMMITTEE: SGR RAIL FREIGHT SERVICES

On Monday, 10th August 2020 The Shippers Council of Eastern Africa appeared before the Parliamentary Committee on Transport Chaired by Hon. David Pkosing, to make recommendations on “the Use of Standard Gauge Railway (SGR)”.

The Memorandum provided insight on importance of efficient transport system that is competitive and reliable and which must not be forced to Shippers. As a result of the forced rail age and uncompetitive rail costs, the Shippers had suffered hence the current standoff and call for freedom of choice by the

Shippers and which had been “taken” away through government directives and pronouncement.

The memorandum highlighted the challenges that Rail freight had caused albeit being taunted as a game changer. This is evidenced in the high costs of rail freight (including mark ups), reduced free period at the ICDN, infrastructural challenges and delays witnessed at the ICDN resulting to Shippers incurring between 9M – 11M storage costs per week and the fact that up to between 60% -65% were forced to import through TBL (at premium) due to uncertainty in the

logistics supply chain. We also presented unexploited opportunities for both SGR and Road as informed by the fact that container traffic grew by 112,702 TEUs in 2019 representing 8.7% growth, from 1,303,862 TEUs in 2018 to 1,416,654 TEUs in 2019. Transit cargo recorded a growth of 3.6% to record 9.95million tons in 2019 against 9.60 million tons in 2018 and that even at optimum, Rail freight would only handle up to 40% of the port throughput.



Port Throughput: 2019

PORT THROUGHPUT 2019		SGR VOLUMES 2019	% SGR MARKET SHARE 2019
IMPORTS	TONS	TONS	
Containerized cargo	9,202,000	3,619,184	39.33%
Conventional cargo	1,996,000	24,557	1.23%
Dry bulk	7,784,000		
Liquid cargo	8,576,000		
TOTAL IMPORTS	27,558,000	3,643,741	13.22%
Of which Transit cargo	9,244,000		
EXPORTS	TONS	TONS	
Containerized cargo	3,583,000	515,547	14.39%
Conventional cargo	37,000		
Dry bulk	602,000		
Liquid cargo	55,000		
TOTAL EXPORTS	4,277,000	515,547	12.05%
TOTAL IMPORTS & EXPORTS	31,835,000	4,159,288	13.07%
Transshipment cargo	2,495,000		
TOTAL THROUGHPUT	34,330,000		
Container Traffic (TEUs)	1,416,654	270,915	19.12%

From the above analysis, it is evident that there is enough cargo for both SGR and road freight and what SGR/KRC needs to do is expand its net and possibly focus on moving dry bulk and conventional cargo.

Other suggestions presented included;

- a) Allowing the Shipper to choose the mode of transport for their cargo
- b) Improve the last mile and whose cost had increased by up to 300% from USD 100 to USD 350 since 2018
- c) Revise tariffs to USD 350 and USD 450 for 20ft and 40ft respectively
- d) SGR to consider transporting and specializing on transporting Dangerous cargo to.
- e) SGR to present incentives and which may include reduction on the RDL for shippers using the Rail freight.
- f) KRC/SGR to incorporate last mile, door to door package in its tariff.
- g) Involve the shippers in decisions affecting them
- h) Re-introduce use of the CFS

The public sector and who met the said committee the following day, have been asked to respond to the suggestions by the Private Sector.

DELAYED RAILAGE

Over the last one month we have noted with great concern delays in railing of containers from Mombasa to Nairobi and Naivasha due to operational challenges on the part of KRC and KPA. Whereas containers loaded ex-hook are railed within 48hrs of discharge from the vessel, any containers that are sent to the staking yard have suffered immeasurable delays sometime up to 1 months delay. We are following up with both KRC and KPA to ensure expedited railage and that containers are railed on First – In- First- Out Basis (FIFO).

Other delays noted have been the system downtime at the ICDN and which has also affected the truck turnaround time.

From the above we advise that you ensure you engage and secure longer container free period from the shipping lines. Effective June 1, 2020, The Kenya Maritime Authority following consultations with the private sector including SCEA, directed that the Shipping Lines grant shippers an additional 3 days for local imports and 7 days for Transit.



ICDN STORAGE COST

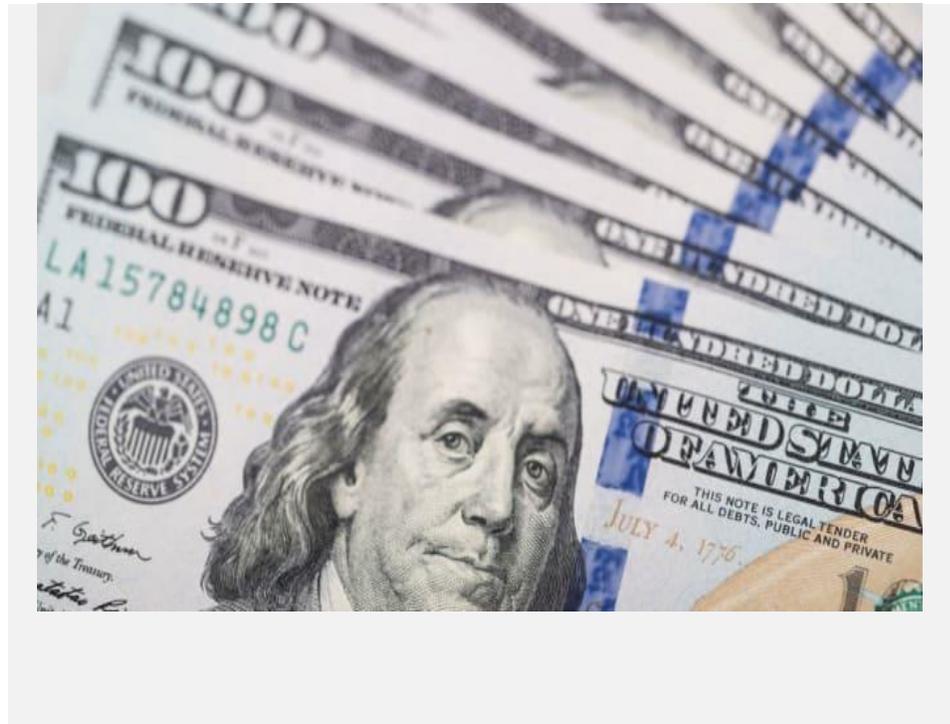
We monitor and cost the delays at the ICDN on a weekly basis to appreciate the situation and inform our advocacy.

AGE ANALYSIS PERIOD: 23rd-30th JULY

IMPORTS	SUMMARY OF IMPORTS AGE ANALYSIS							
	20	40	%cleared	20ft tariff	20ft cost(USD)	40ft tariff(USD)	40ft cost	total cost (USD)
0 - 5 Days	581	753	51%	0	0	0	0	0
6 - 10 Days	123	182	12%	32.5	3,997.5	65	11,830	15,827.5
11 - 21 Days	128	162	11%	37.5	4,800	85	13,770	18,570
Over 21 Days	295	379	26%	42.5	12,537.5	95	36,005	8,542.5
IMPORT TOTAL	1,127	1,476	100%		21,335		61,605	82,940

Cargo cleared within the free period (0-4days) still remain appalling low, due to many processes and requirements on the part of the government agencies. We continue to petition KPA to review the free period and grant additional days to cushion Shippers.

We shall keep you posted on the decisions reached by the Parliamentary Committee and further urge you to reach out to us when your containers face delays or for any other challenges that you could be facing.





For any Comment and suggestions kindly email:

Chief Executive
Shippers Council of Eastern Africa
ceo@shipperscouncilea.org

*Shippers Council of Eastern Africa
Inland Container Depot Nairobi (ICDN), off
Mombasa Road, (KPA)*

*Telephone: +254 708 299 175
info@shipperscouncilea.org
communication@shipperscouncilea.org*