



IMPACT OF COVID 19 ON LOGISTICS IN KENYA –JANUARY – MAY 2020

1. Introduction:

- 1.1 The Covid-19 pandemic has resulted in unprecedented health and economic challenges across the world. While the greatest effect of the pandemic has been loss of life and strain on health facilities, businesses have not been spared. Nations have put in place stringent measures to curb the spread of the coronavirus which include lockdown regulations that have crippled business operations. This is in response to the clarion call of ‘flattening the curve’ and preventing health care systems from being overwhelmed with Covid-19 cases.
- 1.2 The lockdown regulations put in place have resulted in shut down of industries and massive job losses. Fear looms of an economic recession with far greater magnitude than the 2008/2009 global financial crisis. The International Monetary Fund (IMF) estimates that the global economy will contract by 3% in 2020 with an assumption that the Covid-19 pandemic fades away in the second half of 2020 and containment measures are gradually eased¹. Similarly, the IMF has revised downwards the Sub Saharan Africa economic growth prospect for 2020 from an expected growth of 3.5% to -1.6%.
- 1.3 The Government of Kenya (GoK) has undertaken a raft of interventions in response to the Covid-19 pandemic to curb the transmission of the coronavirus since the confirmation of the first positive case of the coronavirus in the country on 12 March 2020. The measures include: cessation of movement from the larger Nairobi metropolitan area, Mandera county, coastal counties of Mombasa, Kilifi and Kwale; imposition of a nationwide curfew from 7pm to 5am with the movement of essential goods and service providers exempted from the curfew (curfew was further revised to start from 9pm to 4am); and enforcement of social distancing. This has affected normal business operations in the country.
- 1.4 The GoK has rolled out economic measures to mitigate against the adverse effect of the coronavirus on the economy. So far, the government has adopted an expansionary monetary policy by reducing the cash reserve ratio to increase liquidity of KSh35.2 billion to commercial banks for further lending². In addition, the Central Bank of Kenya has further lowered the Central Bank rate from 7.25% to 7%³ in a bid to lower the interest rate charged by commercial banks.
- 1.5 On the fiscal front, tax measures have been instituted to cushion low income earners by lowering the payroll tax, increasing tax relief as well as increasing tax refund payments due to bona fide tax payers. Furthermore, the government has increased allocation towards social protection and increased expenditure in the health sector

2. Impact On Logistics Supply Chain

The transport and logistics sector is a major victim of Covid-19. The industry, which is driven by facilitating cargo movement to or from different geographical locations, supports key economic sectors such as manufacturing, agriculture, aid and relief, construction, education amongst others. However, the interventions to stop the spread of the Covid-19 have made it challenging if not impossible to move goods from point A to B thus affecting trade between regions.

Some of key performance indicators on the impact of Covid-19 to Logistics sector are and not limited to:

2.1 Decline of Mombasa Port Cargo Throughput

The growth in cargo handled at port declined from 3.2 million tons in January 2020 to 2.7 million tons in March, 2020(figure 1).

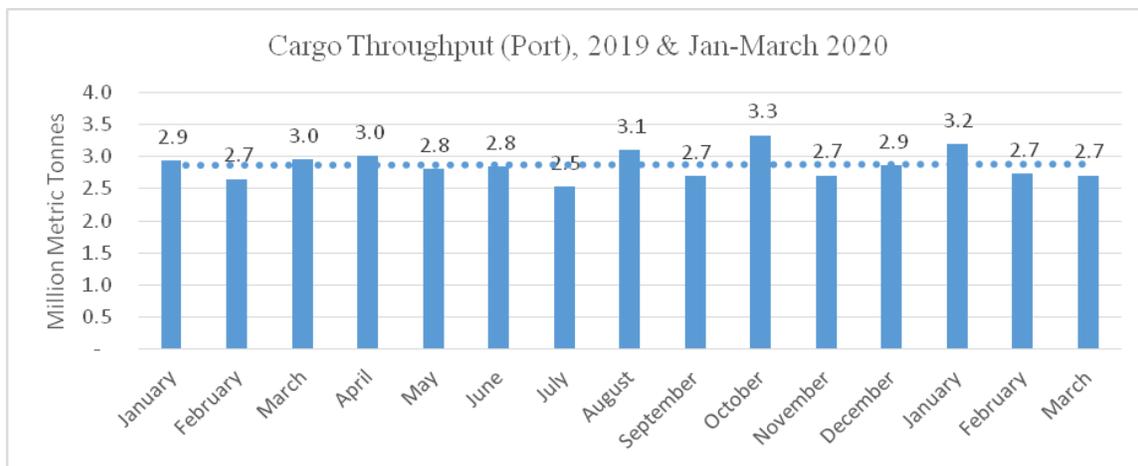


Figure 1; Cargo throughput, Jan-March 2020

Source; port charter report

Cargo throughput measures the total volume of cargo discharged and loaded at the port. It includes break-bulk, liquid bulk, dry bulk, containerized cargo, transit cargo, and transshipment

2.2 Decline of Container Traffic at ICDN

The number of TEUs handles at ICDN declined from 39,320 TUEs in January, 2020 to 26,200 TUEs in March, 2020(figure 2).This can be attribute to low import witnessed during the review period owing to Covid-19 crisis which has affected the supply chain

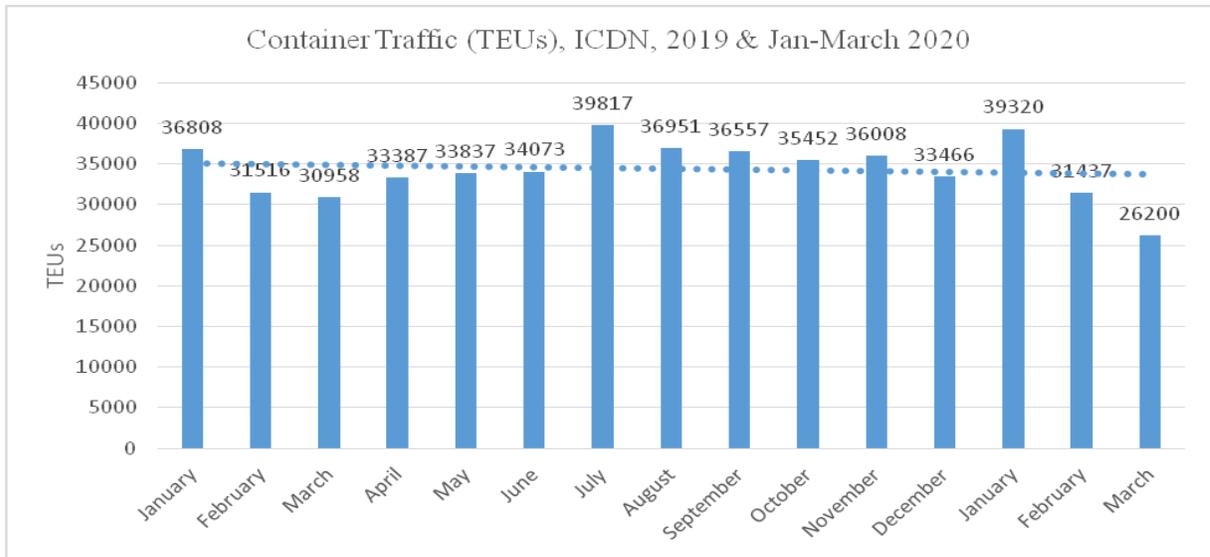


Figure 2; container traffic (TEUs), ICDN, 2019&Jan_March 2020

2.3 Decline of cargo cleared within 4 days free period

From our analysis based on KPA’s weekly reports, we note that for March and April only about 46% and 39% respectively (on average) cargo at the ICDN were cleared without entering storage between of 0 – 4 free days.

Week	period(0-4 days)				
	20 ft	40ft	units	TEUs	%
05 th -12 th March	543	669	1,212	1,881	51%
12 th -19 th march	512	572	1,084	1,656	46%
19 th -26 th march	373	547	920	1,467	45%
26 th -02ndApril	453	566	1,019	1,585	43%
02 nd -09 th April	529	488	1,017	1,505	39%
09 th -16thApril	813	676	1,489	2,165	39%
16 th -23 rd April	785	753	1,538	2,291	39%
23 rd -30 th April	1,090	471	1,561	2,032	38%
AVERAGE; March =46%					
APRIL =39%					

Table 1; imports cleared out within the 0-4 day’s free period

Thus about 60% importers using ICDN pay storage charges and other associated charges such as remarking. SCEA has called extend the free period to 8 days.

Whilst we are pleased to note that KPA has recognized the effects of Covid-19 on clearance of goods through the Port of Mombasa and ICDN by extending the free storage period on Domestic Export containers from 9 days to 15 and Transit Import from 9 days to 14 and transit Export Containers from 15 days to 20days effective, May 18, 2020, we are disappointed to note that the same treatment has not been given to Local Import Containers which only enjoy 4 free days and yet the same problems that are impacting transit containers are also impacting local containers.

Description	Current Free Period (Days)	New Free Period (Days)
Domestic Import Containers	4	4
Domestic Export Containers	9	15
Transit Import Containers Port & ICD Embakasi	9	14
Transit Import Containers ICD Naivasha	-	30
Transit Export Containers	15	20

Please note that the extension is valid for **90 days** from the effective date and is subject to review thereafter depending on the business dynamics.

Eng. Rashid K. Salim
Ag. MANAGING DIRECTOR



2.4 Increase of collected storage charges by KPA

Further to (c) The monthly average storage cost to importers at the Inland Container depot increased from USD 73,006.875 in March to USD 118, 245 in April respectively. Shippers are thus paying storage costs of between USD 68660 – 135310 USD per week. (Figure 3)

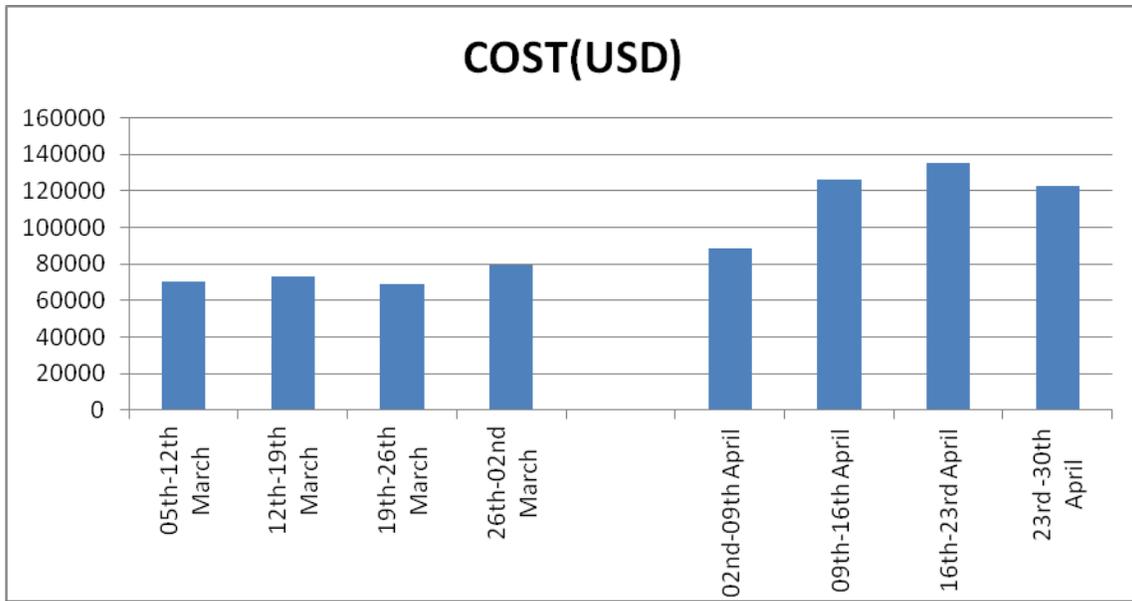


Figure 3; March -April weekly cost

2.5 Decline of number of shipping lines calling at Mombasa Port

The number shipping lines calling at Mombasa Port decline from 43 ships in January to 41 in March, 2020. The impact was further felt with reduction of containers handled from a total of 129,213 TEUs in January to 102,643 TUEs March 2019(Table 2). The cancellation of vessel calls affected consignments coming to Mombasa.

Table 1	2020			
	No. of Vessels	20'	40'	TEUs
January	43	50,479	39,367	129,213
February	43	41,484	33,736	108,956
March	41	39,475	31,584	102,643
TOTAL	127	131,438	104,687	340,812

Table 2; No.of vessels calling at the port

2.6. Truck Turnaround Time at Port and ICDN

The average truck turnaround (for local imports) increased from 4.5 hours in January 2020 to 9.36 hours in March, 2020 (figure 4). The higher truck turnaround time is mainly attributed to the increasing number of trucks for conventional cargo, bulk, iron & steel that have to wait from a hook for direct delivery. This in addition to the gate-in gate-out challenges, human resources shortages.

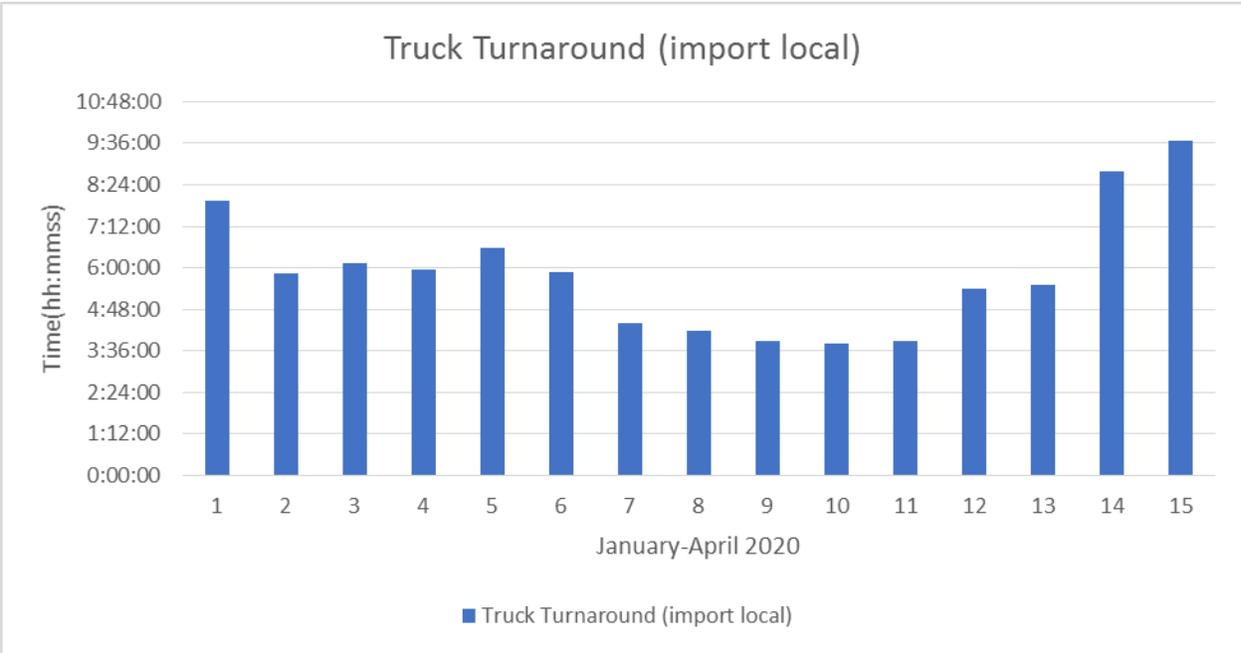


Figure 4: turnaround time of local imports from January to April

2.7 Increase of Truck turnaround time for empties

Truck turnaround time for return of empties has increase from an average of 3.5 hours in January, 2020 to 8.9 hours in March, 2020 (figure 5). This can be attributed to waiting time by truck as they wait to offload the empties at ICDN

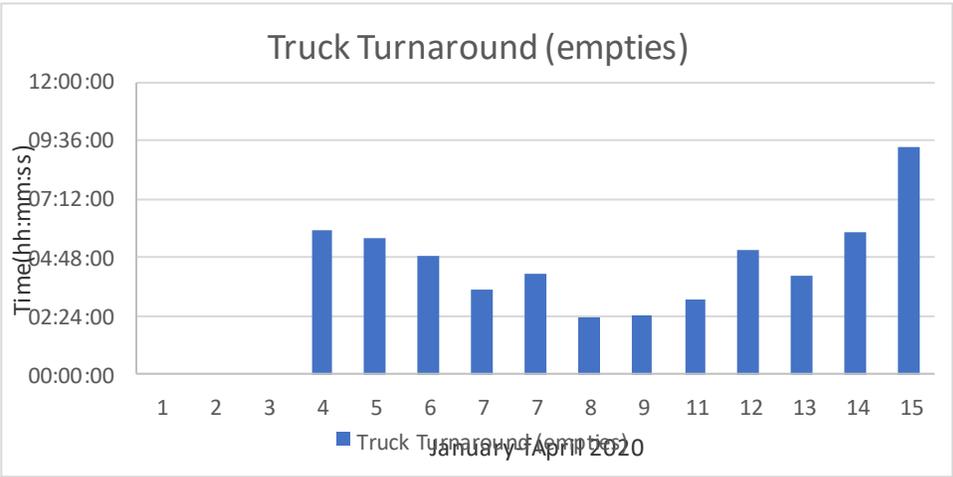


Figure 5; Turn Turnaround for empties

2.8 Increase of time after customs release and pass-release time

For February to March 2020, there was an increase in the time taken between Pass and Release and the time taken between Releases. This has been attributed to removal due to the staff mitigation measures adopted to protect against the infection of COVID-19

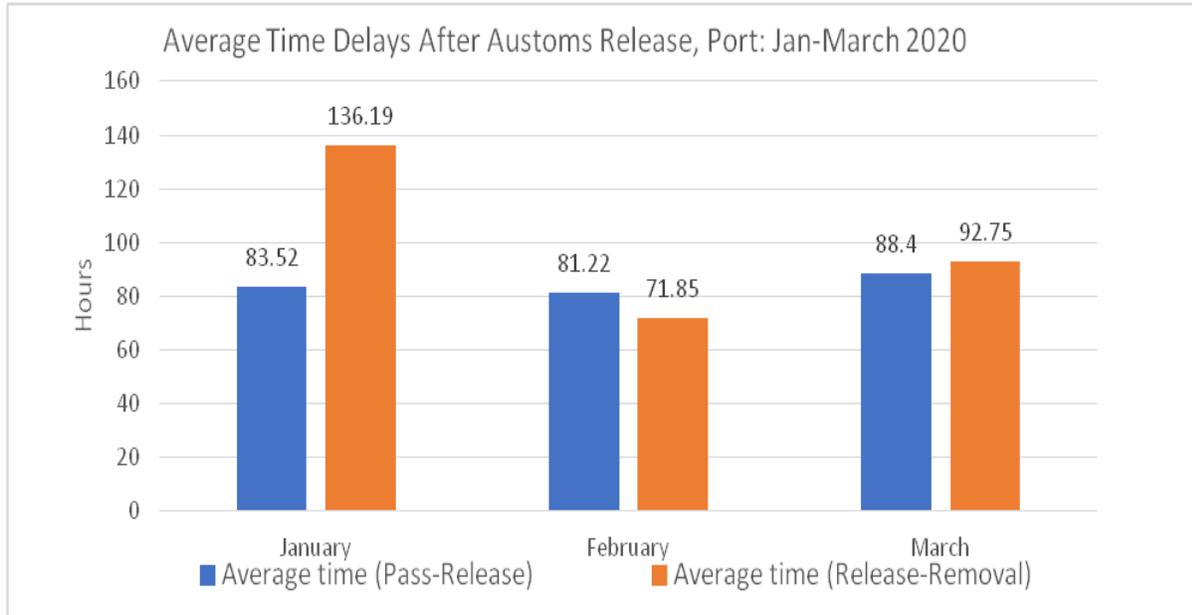


Figure 6; Average time of delays after customs release in the Port, Jan-March 2020

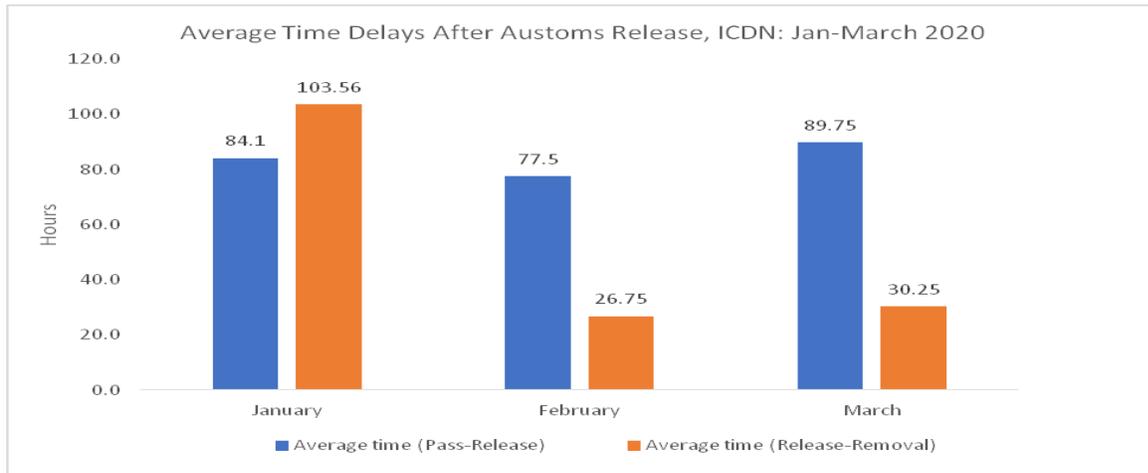


Figure 7; Average time of delays after customs release at ICDN, Jan-March 2020

2.9 Increase of Cargo uptake under Pre-arrival Processing (PAP)

There is an increase in imports under marine/ sea cargo processed under PAP, which increased from 11.7% in January to 15.23% in March 2020(Figure 8). This is attributed to increased awareness on PAP by cargo owners and clearing agents, which include advantage for speedy clearance

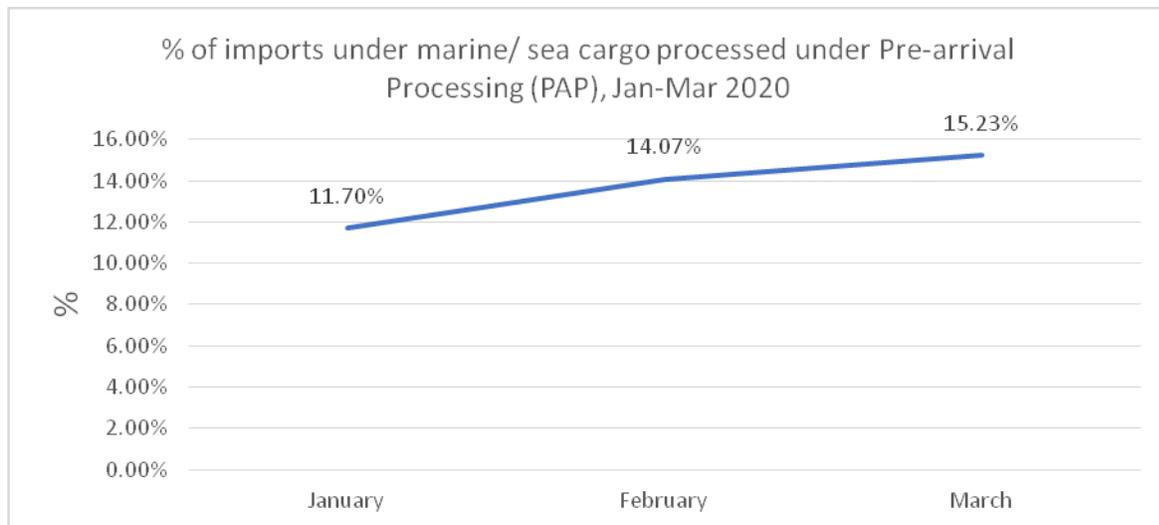


Figure 8; Consignments customs processed 48 hours before docking of vessels

Port Charter quarterly report:

Under Pre-Arrival Processing (PAP), consignments are customs processed 48 hours before docking of vessels or earlier upon departure from relevant ports of loading.

Recommendation:

To ensure expedited clearance, the emphasis was made to submit documents (manifest) 48 hours before the vessel docks. This would assist customs to assess consignments to determine low and high-risk goods and expedite clearance for low-risk goods and essential commodities like food, medical equipment and raw materials to produce the COVID-19 Personal Protective Equipment (PPE).

2.10 Decline of days taken by KEBS to Inspection and testing consignments

Seven (7) days was taken to complete inspection and testing on average in January to March 2020 despite the decline in a number of consignments released as indicated in Figure 9 below.

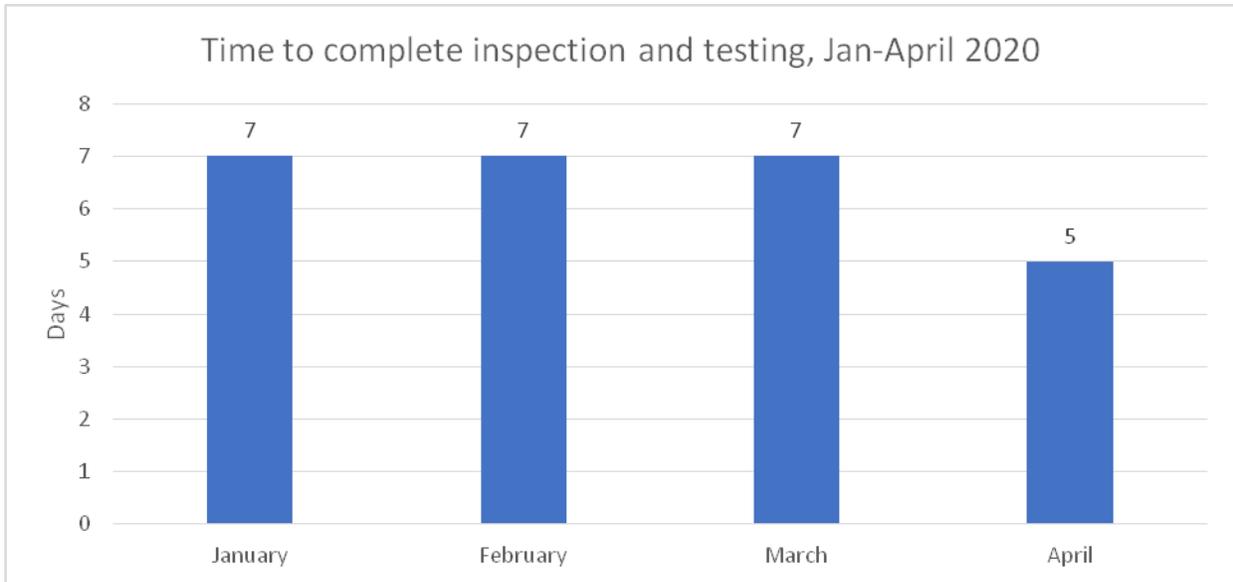


Figure 9; Time taken to complete inspection and testing, January-April 2020

2.11 Decline of number Consignments Released by KEBS

The number of consignment released by KEBS declined from 11,499 in January to 7157 in April, 2020.

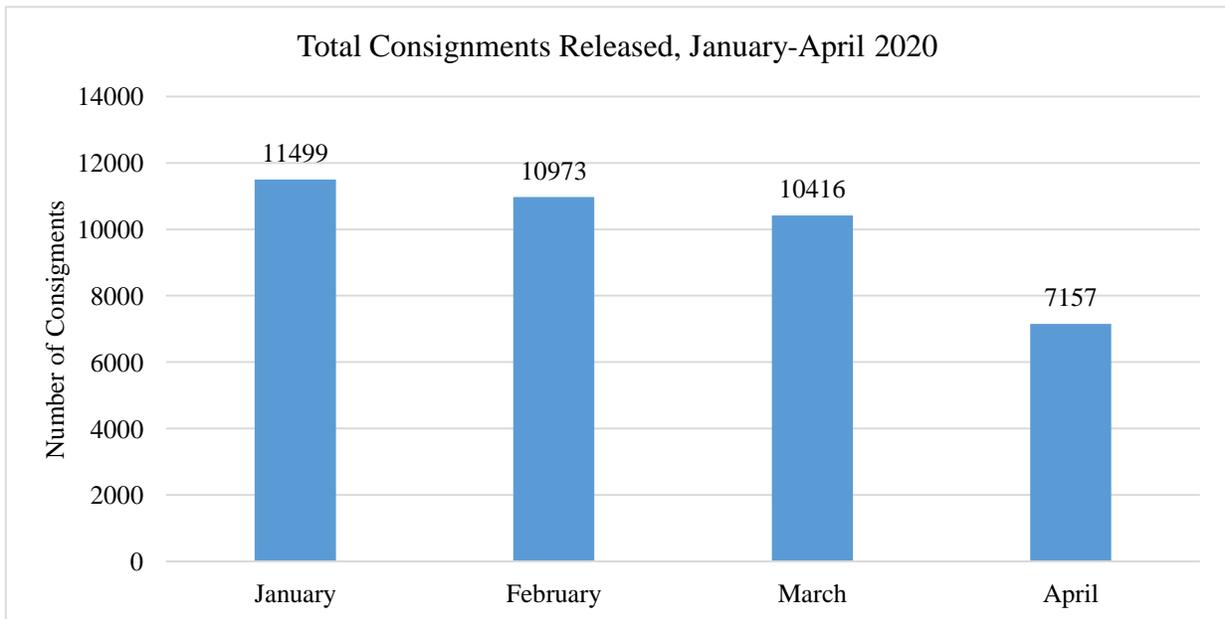


Figure 10; Total consignments released, Jan-April 2020

Source; Port Charter quarterly report

2.12 Decline of Trains from Mombasa to ICDN (both local and transit)

There was decline of number of trains from Mombasa to ICDN from 242 to 187 (upward direction) for transit and 158 to 112 (downward direction) for January and April respectively (figure 11).

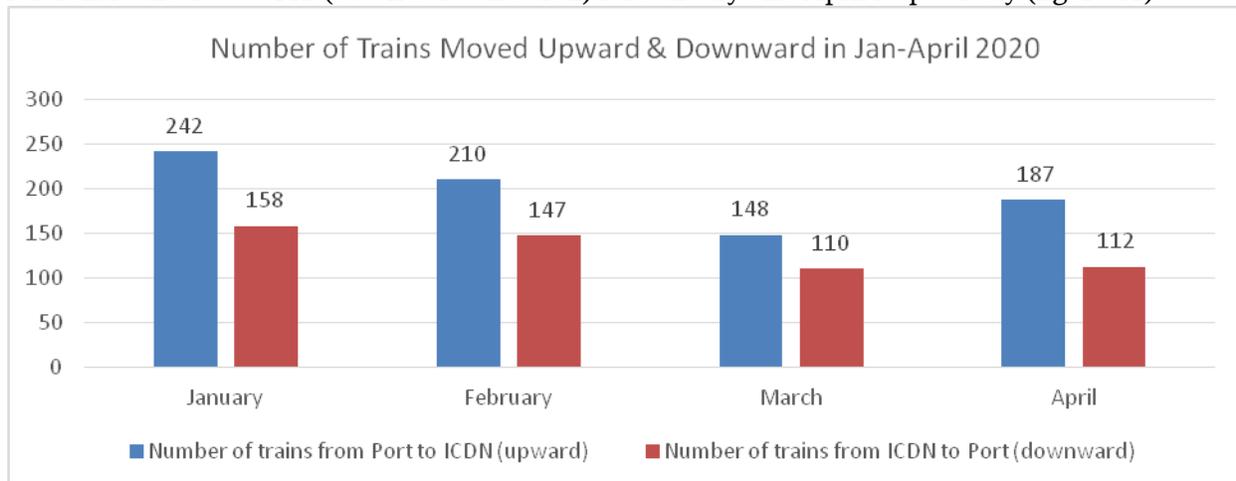


Figure 11; Number of trains from Mombasa to ICDN (Jan-April) 2020

3. CAUSES OF INCREASE IN STORAGE COSTS AT THE INLAND CONTAINER DEPOT, NAIROBI.

At ICD Nairobi, performance in imports logistics efficiency during COVID-19 pandemic deteriorated due to the following reasons:

- a) Most senior personnel of KPA, KRA and OGA's are partly operating from home and partly from office, thus affecting decision making;
- b) Reduced number of middle and junior officers to process cargo with partly the same customs cargo clearance framework and partly online process. Customs clearance of cargo requires physical interaction either for verification or release hence certain customs functions could not be performed with remote control;
- c) Clearing Agents are not allowed to access offices of KPA, KRA and OGAs to solve problems unless they have obtained prior permission from officers concerned over the telephone or by email. If the officers concerned are busy with other work they will not pick a call for quite some time, thus delaying the clearance process.
- c) Challenges in implementation of the customs online working environment e.g. no time frames attached for action, no real-time feedback to stakeholders on the progress of clearance of their goods;
- d) Reduced working hours for essential services providers such as clearing agents, required to operate between 8 am to 5 pm;
- e) Reductions of KPA shifts from three to 2 (two)
- f) Reduction in the number of clearing agents' staff allowed into the ICDN facility – social distancing
- g) Limited and lack of supervisions – human resource
- h) Mitigation measures against Covid-19

4. Transport Costs:

AVERAGE TRANSPORT COSTS PRE AND DURING COVID 2020 (JANUARY – JUNE 2020)

DESTINATION AND KM	Pre COVID rates (USD)	Current rates (March-June) (USD)	Pre COVID average transit time (DAYS)	Current average transit time (March-June) DAYS	Extra costs @ Usd 200 per day
Mombasa – Kampala 1145km	2300	2500	2-4	7-9	\$1000
Mombasa – Kigali 1652km	3400	3800	7-8	14-16	\$1400
Mombasa – South Sudan 1600km	3600	4500	9-10	21- 26	\$2800
Mombasa – Bujumbura 2000km thr Rwanda	4900	5900	9 – 10	19-20	\$2000
Mombasa – DRC Butembo (1900km)	5000	6000	20-21	30-45	\$3400
Nairobi- Zambia	6000	7000	10-12	30-32	\$4000

Collated and Analyzed by SCEA in consultation KTA

Table 3: Cost of delays at the border

The pronounced cross border challenges as a result of Covid-19 pandemic and its containment measures which include; testing of drivers, delay in test results, screening and driver self quarantine result to prolonged transit time.

The delays at the borders result to an additional cost of 200 USD per day for every extra day taken as per the current transit time compared to the pre-Covid time which was at zero additional cost. The cost incurred caters for parking fees and drivers upkeep and truck idle time.

INTERVENTIONS:

- a) Appealed to Kenya Ports Authority to Increase the free storage period at the ICDN
- b) Requested the Shipping Lines and Agents to consider increasing the free period
- c) SCEA is part of the consultative team working with the Ministry of EAC and Regional Development and the Ministry Health, Kenya Transporters Association and Truck Drivers Association working towards addressing the border delays and challenges of Covid 19.

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