

Logistics Buzz

July 2020

Dear Member,

Further to our impact analysis of the C19 pandemic sent to you previously, this is to present to you some of the interventions and undertakings that SCEA has been involved in and the results. We remain grateful to the Board and Members of the SCEA Lobbying and Advocacy Committee and who have provided steadfast leadership and support. To you members, we continue to encourage you to engage us when faced with challenges or issues pertaining to logistics.

a) Forced Railage to Naivasha

Jointly with other private sector associations, we have petitioned the Government not to force cargo to Naivasha Inland Container Depot. It is important to note that whereas 30% of the Port throughput is destined to the transit countries, the importers in the transit countries reckon that they were not consulted and thus their right to be allowed the freedom to choose the mode of transport infringed.

Ostensibly, we have further informed KPA and KRC that the determining factor must be the competitive of the rates. While Rail freight on Mombasa – Naivasha looks pleasant (without add on) we have great reservation on the last mile costs, which may see the total Costs from Mombasa to Kampala increase by between USD 300 – 500 per 20ft Container compared to road. We have registered our concerns to all concerned parties that forcing expensive mode is not attainable. Importers from the region have also protested.

To augment our position, we have in response to an invite from the Clerk of the National Assembly submitted a memorandum on what the Shippers interests and concerns are. From our memorandum we note that with the growth of cargo throughout (Mombasa) and especially containerized cargo, there is enough cargo for both Road and Rail Freight. Most importantly, the Shipper must have the freedom of choice on the mode of transport and which must be competitively priced.

We are grateful that the forced railage has been stopped and instead KRC is going out to market their rail freight services with good results.

b) Delays at the Border Posts

As part of the Ministry of EAC and Regional Development and Ministry of Health and the Private Sector Stakeholders Committee responsible for monitoring and overseeing the operations of Transport and Border crossing amidst the C19 pandemic, we are happy to report that there has been notable improvement in the testing, release of testing results and border crossing. As at mid-June the border crossing averaged 7 – 9 days but the same has been reduced to 2 days.

Our impact analysis on the costs of Border crossing delay was well received and informed the meetings deliberation. We commend the Principal Secretary Dr. Kevit Desai for his leadership and enthusiasm in ensuring immediate solutions are availed. On average we established that each day costs the transporter some USD 200 as additional costs and because of the delays transport costs had increased across the board.

c) Cessation of Customs Bonded Warehouses:

On May 13th, through Gazette Notice No. 3530, the Commissioner of Customs and Border Controls issued a 90 days' notice bringing to an end bonding of some products listed in the Notice.

We wrote to the Commissioner stating that most of our members shall be severely affected by this notice considering they had invested heavily in setting up facilities that are acceptable to KRA for storage of cargo under bond i.e. staff and infrastructure. In addition, the said period of 3 months is not sufficient for our members to raise funds and take delivery of cargo that is lawfully under bond as per KRA warehousing approvals. The worst aspect of the notice is that importers shall have to pay all the requisite customs duties immediately the goods arrived in the Country. Against the backdrop of COVID-19 and the slam in the economy, a number may not be able to pay and will thus be forced to close shop leading to loss of employment, revenue and duties.

At our subsequent meeting with the Ag. Commissioner on July 2, 2020, the Commissioner agreed to grant an additional 60 days to allow consultations. The Commissioner further stated that the provisions had been abused and some products had remained in the warehouse since 2015 to date. Members are requested to note that consultations are on-going and that they should forward and recommendations for considerations. KRA on their part has proposed to start vetting businesses and to license only those who shall meet the requirements as at the end of the discourse. In respect to the 60 days extension, KRA has already (internally) directed its officers accordingly since it cannot issue another gazette notice. The new deadline is October 16th, 2020 and we are hopeful that the envisaged consultations will maintain take into account the private sectors interests.

d) Transit Exports

We have had incidences where KRA has sent demand notes running into Millions of Shillings for transit consignments that “exited after the transit period” (30days). In this respect we urge all to ensure that they abide and do all the requisite documentations to deter attracting the demand notes. While we successfully petitioned KRA to withdraw the demand note, we applaud our members who were able to provide documentary evidence proving exit of the exports.

e) Consultative Meeting with Commissioner of Customs KRA, JULY 23, 2020

Cognizant of the critical role KRA plays in cargo clearance, SCEA and Ag. Commissioner of Customs held a virtual meeting on July 23, 2020. The SCEA team was led by our Chairman Mr. Genesis Mugo. The KRA team was led by the Ag. Commissioner of Customs and Border Control Ms. Pamela Ahago.

Areas discussed during the meeting included

1. **AEO** – Benefits and the stringent accreditation measures: KRA to ensure AEO accredited companies get the preferential treatment. KRA reported that they are working on a strategy to market the AEO and establishing recognition arrangement with other government agencies.
2. **Valuation and Uplifts:** Meeting agreed to have training and which would foster compliance and less attraction to penalties. Members encouraged to use the existing dispute resolution mechanisms provided such as arbitration and ADR and to reach out to the Commissioner’s Office in case of any challenges.
3. **Demand notes on Transit Exits:** KRA acknowledged difficulties but encouraged Members to ensure completion of all border crossing procedures. KRA would also review internally some of the challenges at the Border exits. Certificate of Exports to be generated immediately.
4. **Penalties:** SCEA decried that some of the penalties imposed were too high and not commensurate with the offences. KRA stated that penalties imposition was anchored on law. SCEA was **invited to present evidence of the penalties construed to be too high.**
5. **Risk Management and Scanner utilization:** SCEA sought that KRA employs risk management and which would include “know your customer”. This would expedite clearance for known importers. Further, we urged KRA to liaise with KPA (at ICDN) to ensure all containers are scanned on arrival and images sent. This was against the backdrop of KRA insisting that no release would be made until the container has been scanned.

6. **Verification:** SCEA urged KRA to note that costs for verification had gone up (USD 120 and 80 for 40' and 20' respectively) and hence they should consider verification as a last resort and instead explore use of non-intrusive mechanisms for verification. KRA called upon shippers to make accurate declaration and documentations.
7. **Export Stuffing:** SCEA urged KRA to deploy more staff to facilitate exports. Currently exporters depend on few officers and whom they have to facilitate to come to witness export stuffing. KRA reported that plans to increase the number had been affected by COVID-19 (training School closed) but that they would work toward resolving the issue. Clients wishing to have KRA supervise exports stuffing without physical visits can have their stuffing to KRA CCTV li
8. **Weekend Operations:** The government has called for 24/7 hours operations. SCEA called upon KRA to adhere to the directive. KRA adduced that except for verification, they are operating 24/7. KRA reported that at the ICDN there are duty officers who can be reached at any time but the reality on the ground was different. KRA undertook to consult internally and advise on what measures they shall be employing to address the raised issues.
9. **RECTS.** KRA acknowledged the shortage of the RECTS Seals, which resulted in delays for trucks to commence their journeys. KRA to look into this with the view of securing more devices.
10. **ICMS Roll Out:** KRA reported that on-line training and piloting of the maritime segment of the ICMS would resume in earnest from 1st August 2020. Shippers and Clearing agents were urged to enlist for the training. KRA reported that ICMS would solve most of the identified challenges. Full implementation to be done by November 2020. The implementation will include establishment of a virtual helpdesk and will start with Motor Vehicles, Vegetable oil, Fuel and then containerized cargo.
11. **Pre-arrival Processing (PAP):** SCEA reported that Shippers continued to incur between USD 9million – 10million per week and PAP would help reduce the costs if implemented. SCEA reminded KRA that they had committed that 70% of shipments would be cleared and yet only between 11% - 19% is currently being cleared. KRA undertook to promote the PAP and has set out October 2020 to roll-it out.
- f) **Extension for container free period:** In view of the difficulties occasioned by the COVID-19 and which resulted in delays in truck turn around, SCEA and KIFWA petitioned the Kenya Maritime Authority to have the shipping lines increase the container free period. KMA issued a directive to the Shipping Lines to increase the free period by 7 and 3 days for transit and local respectively WEF June 1, 2020.

g) ICDN Performance:

Notable improvement has been noted in the cargo clearance process and currently on average 50% (up from a previous 40%) are able to secure release of their consignment within the 0-5 days. We have asked KPA to increase the free period to 10days. We continue to engage and will update you accordingly.

h) **Automation:** Given the current dynamism and the proven benefits of automation, SCEA urged KRA to automate some of their operations that are currently manual and which would benefit from automation. **KRA invited SCEA to present possible areas for consideration**

CONCLUSIONS

KRA has agreed that we shall be having quarterly meeting and this presents us with an opportunity to monitor and raise issues/compliments of concerns for discussions. We shall continue to engage you accordingly and we count on your support.

We call upon you to reach out to us on what areas require our interventions. In the meantime we are planning a meeting with the Managing Director, Kenya Ports Authority and we shall be reaching out to you on what issues we ought to present to him.

Your comments and feedback shall be appreciated.

Please Stay Safe

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