Shippers Council of Eastern Africa

Logistics Spotlight MAGAZINE

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THE GATEKEEPER

LOGISTICS BUSINESS INNOVATION

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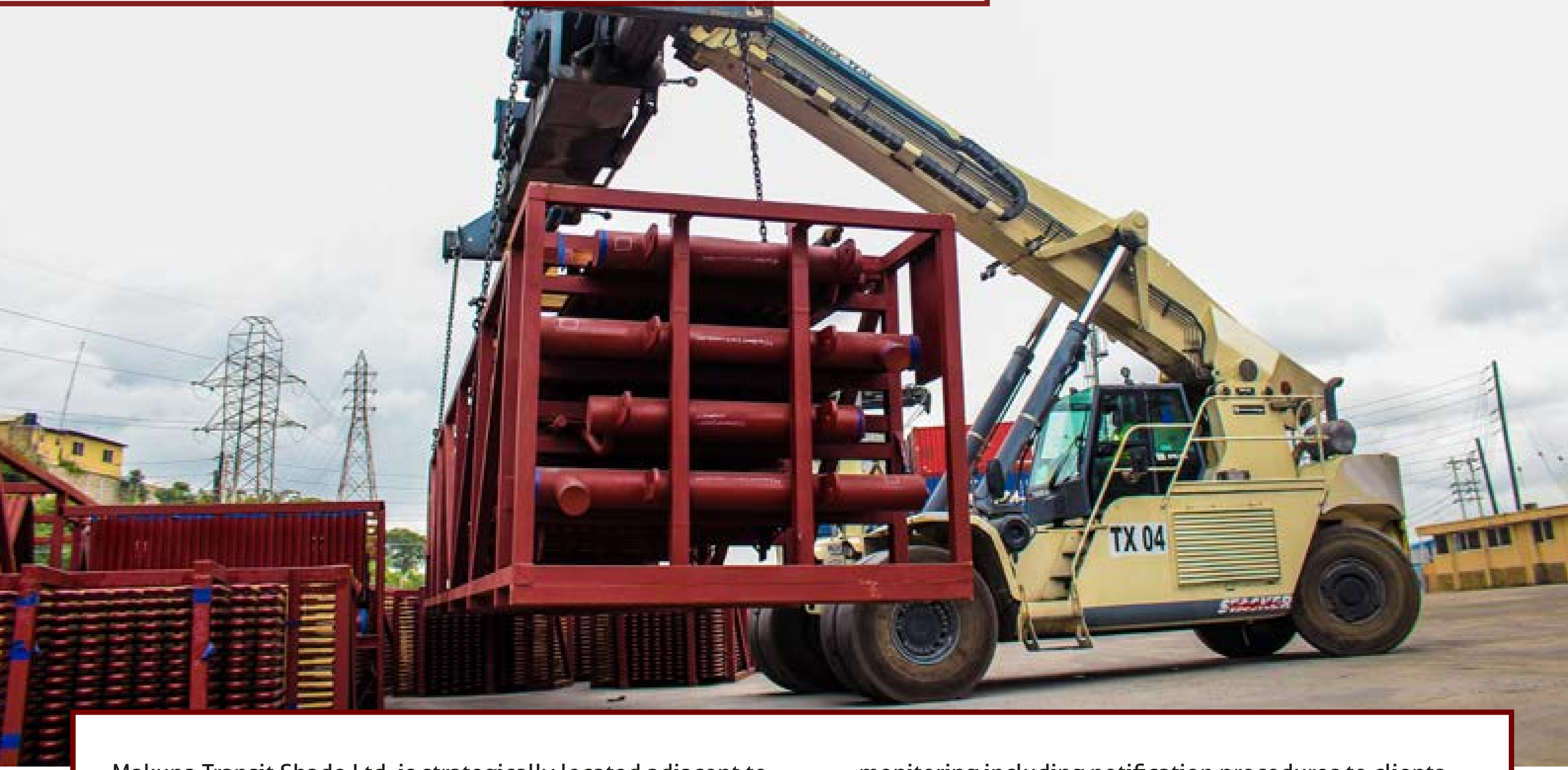

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> Let me assure the stakeholders that SCEA remains steadfast in advocating for appropriate freight transport legislation and policies that will spur an efficient and cost-effective transport and logistics system.

Welcome to our Logistics Spotlight, a publication of the Shippers Council of Eastern Africa (SCEA) that is dedicated to trade, infrastructure and logistics and how they impact on our businesses.

Governments especially of emerging economies are now investing heavily on sea and air ports, rail pipe lines and roads. This is informed by the fact that investment decisions are not only made on availability of investment incentives, but also on how fast goods and services can be delivered. In Africa, continued investments in ports expansion have been noted in Djibouti, Lamu and Mombasa in Kenya. In Tanzania, due to the prospects of the oil pipeline from Hoima in Uganda to the Port of Tanga in Tanzania, expansion is also taking place. The Dar-es-Salaam port is also set for further expansion as it seeks to tap the routes to Burundi, Rwanda and Uganda.

At the regional level, gains have been witnessed in the improvement of road infrastructure as reported in our recent logistics performance survey and evidenced in truck turnaround from Mombasa to the transit countries. Border crossing too have also improved following the introduction of the One Stop Border Posts (OSBP) and the Single Customs Territory (SCT).

In Kenya, the achievement of the Government's 'Big Four' economic agenda requires predictability, efficiency of the logistics chain. We however note that despite the expansion of the Inland Container Depot Nairobi (ICDN) and commencement of the Rail freight from Mombasa to Nairobi in 2018 and which had been touted as game changer, the average dwell time, truck turn around time and logistics costs remains high.

Amongst the inhibiting factor towards the attainment of logistics efficiency is in the inability to balance revenue collections against trade facilitation, high number of agencies involved in cargo clearance, compliance and penalties and the way fees and changes and new procedures are introduced without stakeholder engagement and consultations.

Frequent policy changes by Government agencies creates an unpredictable logistics and supply chain environment. A case in point is changes in legal notices by KEBs and introduction of Verification charges by KPA despite the protests from stakeholders. Implementation of efficient systems and integration by government agencies has been slow denying Shippers the expected benefits, a case in point is the implementation of iCMS by KRA and integration by interveners into the Single window system.

The development of the Naivasha Inland Container Depot is another undertaking that is causing anxiety amongst many stakeholders given the experiences at ICDN. In the absence of concrete information, the industry fears cannot be wished away. Our hope is that recommendations and from the private sector from Kenya and the region shall be incorporated in the tariffs, operations and implementation plan thus mitigating possible repetition of the pains experienced at the ICDN.

COVID 19 whose arrival was made in December 2019 has also rattled the world, bringing the world to its knees. The logistics sector in the region is adversely affected considering our reliance on imports for raw materials and finished products.

Lastly, I commend our partner Molad Communications East Africa Limited, for the hard work that has resulted to the printing of this magazine.

I wish you a pleasant reading!

Gilbert Langat
Chief Executive Officer, SCEA.

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The editor invites opinion articles addressing certain issues in the industry. Writers could be experts in the fields, students at University level or researchers. In case you have such articles please share them with our editor logisticsspotlight@molandea.co.ke

Logistics Spotlight

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Standard Chartered Tanzania Funds $1.46 Bn For Standard Gauge Railway Project

Tanzania Railway Corporation signed a facility agreement with Standard Bank Tanzania for a 1.46 Billion term loan financing for the construction of its Standard Gauge Railway (SGR) project. Running approximately 550 kilometers long, the SGR will connect Dodoma to Darussalam via Morogoro and Malutupora. The project is expected to improve logistical efficiency, reduce congestion, decrease freight charges by 40% as well as open up regional trade between Tanzania and her neighbors.

World-Class Cargo Terminal at Addis Ababa International Airport

Ethiopia Airlines is set to build a world class cargo terminal to support its global carriers. Designed by Germany's Unitecknik Group, the 98 million USD project, will handle 600,000 tonnes – 4 times the current capacity - of freight every year. The terminal's design will include an automated high ray racking system for elevating transfer vehicles while its large cool storage area will substantially ease transporting perishable goods, and other frozen commodities around the world.

Standard Chartered Tanzania Funds $1.46 Bn For Standard Gauge Railway Project

Amsterdam's Schiphol Airport slot procedure has changed after Airport Coordination Netherlands (ACNL) temporarily lifted Local Rule 2 (LR2) due to the COVID-19 outbreak. The purpose of LR2 is to provide sufficient adhoc capacity for full freighter airlines where the number of slots available for reallocation is limited, but the temporary lifting of the rule frees up freight operations. Effective immediately, ACNL will not use LR2 for ad-hoc slots to be allocated up to June 6, 2020.

IATA

IATA: Exclude Air Cargo Operations from Covid related restrictions for urgent shipment

With the growing COVID-19 crisis globally, the International Air Transport Association (IATA) and its members continue to support governments in containing spread of the corona virus. Air cargo plays a vital role in delivering much-needed medicines, medical equipment and keeping global supply chains functioning for the most time-sensitive materials. IATA, therefore urges governments to take urgent measures that ensure vital supply lines remain open, efficient and effective.

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Kenya Bureau of Standards control of imports into Kenya

The Kenya Bureau of Standards (KEBS) is a key State Agency whose gatekeeping role is critical for their economic well-being of our country.

KEBS quality control and regulatory role is provided for in the Laws of Kenya under the Standards Act Cap 496, and the Verification of Conformity to Kenya Standards of Imports Order, 2005 (Legal Notice No. 78 of 15th July 2005). The key roles of Kenya Bureau of Standards include:

1) Provision of the country's Quality Infrastructure for facilitation of trade: In the present era of Trade Globalization, market entry requires compliance to international standards and evidence of such compliance through an internationally recognized Standards, Measurement Systems (Metrology), Conformity Assessment and Accreditation.

2) Support of Kenya Industries: A functioning quality infrastructure helps to increase productivity in manufacturing and service delivery. This helps to create jobs, encourages investment and can promote the careful use of natural resources.

3) Sustainability of production systems: A quality infrastructure also helps bring about improvements in environmental protection through sustainable consumption and production, health care, consumer protection, and distributes national wealth more equally by enabling transfer of knowledge to small enterprises.

> KEBS ensure that Kenya manufacturers produce quality products thereby protecting consumer health and safety as well as environment in addition to promoting fair trade practices of imported and locally manufactured products while at the same time facilitating trade.

Under the KEBS mandate is what is known as the KEBS PVOC Program which is a conformity assessment program applied to products at the respective exporting countries, to ensure their compliance with the applicable Kenyan Technical Regulations and Mandatory Standards or approved specifications.

KEBS interventions has also been driven by stakeholders concerns most worth noting in this case being the 2015 petitions from the Presidential Roundtable (PRT) on unfair trade practices in the Kenyan market manifest in the substandard and illicit imports, mis-declaration, under valuation and concealment of goods that ends up in the local market.

Also of concern were the constraints of determining quality at destination- sampling and testing time, unfair competition and other deceptive trade practices that undermined government vision to make Kenya a major manufacturing hub. There was also concerns on safety and security that impacted negatively on the business climate.

These necessitated KEBS in collaboration with Kenya Revenue Authority (KRA) to develop new requirements and issue the 1st November 2015 Public Notice on requirement that all imports to Kenya be inspected at source in compliance with the Legal Notice No. 78 of 15th July 2005 and KEBS PVoC guidelines 2015.

Of significance was the introduction of Certificate of

Conformity (CoC) as the reference documents for Imports Declaration. CoC became the mandatory Cargo Clearance document for KEBS and KRA and also documentation in sealing off of cargo containers after inspection. For this the issuance of the Seal Number is indicated on the CoC.

This collaboration among the two state agencies enhanced service delivery as one stop shop solution for faster clearance of goods at all entry points, besides reducing cost of importation-demurrage and port handling charges and reduction of time in the clearance process among others.

KEBS has continued to improve the PVoC program to address emerging challenges. On 19th June 2018, the Cabinet Secretary, Ministry of Industry, Trade and Cooperatives which is the parent ministry, issued Legal Notice No. 127 of 2018 THE STANDARDS (INSPECTION OF IMPORTS) ORDER, 2018 where KEBS heightened quality compliance and revoked provision for the destination inspection of imported goods except under approval from Cabinet Secretary. This was aimed at curbing illicit trade and reduce cargo dwell time at the port in line with the agency's aspiration and in fulfilment of commitment to the PRT and Kenyan business community.

KEBS has also been instrumental in implementing of the government directives aimed at improving the business climate in Kenya and for it partnered with other state agencies to enhance the CoC.

This includes the Directive from the Head of Public Service in a letter referenced OP/CAB 9/83A dated 4th June 2019.It required all Cabinet Secretaries, Principal Secretaries and accounting officers, and Heads of State Corporations/Agencies to reduce number of agencies operating at the Ports to 4 with a view of reducing costs and delays of importation that was associated with multiple agencies intervening at the ports of entry.

Accordingly, KEBS parent Ministry, through Cabinet Secretary for Industry, Trade and Cooperatives issued legal notice 183 of 5th December, 2019 revoking the earlier legal notice 127. The legal notice re-introduced destination inspection in Kenya where goods can be brought to Kenya without the COC and be subjected to destination inspection at 5% fee.

The Kenya Association of Manufacturers (KAM) and the Shippers Council of Eastern Africa which are major industry stakeholders have critically assessed the situation and most notably the re-introduction of Destination Inspection compared to PVoC and would wish to state as follows.

1. That the Destination Inspection will negate the gains so far made under the PVoC, and affect the competitiveness of locally manufactured goods in various ways. This includes non-assurance of quality of finished products, safety and health, environmental protection for Kenyans, importation of prohibited goods by scrupulous traders, bread corruption, increase complexity of clearance notwithstanding inadequate local inspection capacity and equipment's.

2. That this is against the benefits accrued on PVoC including frustration of competition from sub-standard products and especially stopping the influx of counterfeit products and reduction in the number of destructions or re-exportation of consignments.

KAM and SCEA instead propose that KEBS continue implementing Legal Notice No. 127 of 2018 as well as to develop and implement regulations to ease implementation of legal notice 127 which still have special consideration of destination inspection under the approval by the Cabinet Secretary to block non-compliant products, spur local industries and avoid unpredictable erratic policy changes which scares away investors.

KEBs which is also recognized as the WTO focal point for standards in Kenya, plays such an important role in trade facilitation and this frequent changes causes a lot of un predictability and uncertainty to the industry. Today Kenya has been accused as a very difficult export destination.

KENTRADE

Upgrades the tradenet system to enhance user experience

The Kenya TradeNet System was rolled out in 2013 and has been serving stakeholders in the trade logistics industry for over six (6) years.

The Kenya TradeNet System was rolled out in 2013 and has been serving stakeholders in the trade logistics industry for over six (6) years. The TradeNet System has brought transformation in the way business is done especially in the import and export documentation process. To ensure the system continues to serve the economy and its trade community and with the changing business requirements and evolving technologies, it is important that the Kenya TradeNet System is not only maintained and supported but also continually improved through functionality and technological enhancements.
It is for this reason, that KenTrade in December 2019 commenced the process of upgrading the Kenya National Electronic Single Window System (Kenya TradeNet) a process that will take approximately 15 months. KenTrade is undertaking the system upgrade in collaboration with CrimsonLogic, a leading Trade Facilitation Solution provider based in Singapore. The next generation Kenya TradeNet is being built on an open and flexible platform incorporating best practices and international standards.

To ensure a seamless and consultative upgrade process the Agency extensively engaged stakeholders from the public and private sectors. In January 2020, KenTrade conducted numerous sensitization engagements to update the stakeholders on the Kenya TradeNet Upgrade roadmap, timelines and expected milestones and more importantly to marshal the support required to ensure that the project is implemented successfully.
In February 2020, a detailed GAP Analysis exercise with key stakeholders was undertaken aimed at ensuring that the stakeholders provide their input during the initial stages of the upgrade process. Another important stage that will require stakeholders' participation is the User Testing, which is set to commence in September 2020. User Testing is critical as it will accord the Users or those who perform specific tasks in the Kenya TradeNet System the opportunity to test and evaluate the system usability and functionalities to determine whether it meets their requirements.

Once the upgrade is finalised, Kenya TradeNet System will be a much superior system built on an open and flexible architecture, with improved user experience, superior System integration capabilities incorporating best international standards and practices.


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CEO Kentrade and Stakeholders during a stakeholder engagement meeting for the single window sustainability held by Kentrade.


The SCEA Logistics and Advocacy Committee members during their meeting


SCEA Members Tour in Inland Container Depot Naivasha


SCEA Members with KIFWA representatives during the Tour in ICD Naivasha


SCEA Members Tour in Inland Container Depot Naivasha


Consultative meeting with Kentrade CEO to discuss issues of mutual interest to our organizations.


Engagement between KAM and SCEA, the meeting focused on areas of partnership between KAM and SCEA on working together towards an efficient transport and logistics system in the country.


Our Head, Advocacy and Membership Development making a presentation during a leadership alignment workshop by Kentrade.

When professionals must assure their own professionalism

By Wycliffe Wanda, Executive Director,
Kenya International Freight and Warehousing Association (KIFWA)

The rise of regulators to protect consumer interests has served consumers well in setting and applying rules on corporate action and delivery - be it by setting fuel prices in Kenya, by regulating insider trading on the world's stock markets, or by banning mergers that damage competition.

But the debate has got hotter on when taxpayers should be funding industry regulation and when other paths are a better solution, such as structures that push professional responsibility onto professionals themselves, and leave the consumer paying only for their services.

It's a policy debate that stretches back almost 50 years to the initial burgeoning of regulators, in the 1980s, when many countries created new organisations to ensure utilities, such as electricity, water and gas, were provided to consumers in a way that was fair.

The trigger was often the presence of a monopoly supplier that was able to set prices as it wished, and sometimes in ways that damaged consumers. Widespread privatisation then created many new players in these vital sectors creating further regulatory needs and fuelling a rapid expansion of

regulatory agencies. The UK, for instance, began with just three regulators, The Civil Aviation Authority, The Monopolies and Mergers Commission and the Office of Fair Trading, but this quickly rose to more than 10.

Indeed, the Journal on The Rise of the Regulatory State in Europe reports that from the first regulators in the 1950s, such agencies then grew steadily to span finance, energy, transport and telecoms, as their roles expanded too. The finance regulator's role, for instance, expanded to ensure the failure of one financial firm did not hit others, to implement financial policies to avoid a global financial crisis, and to keep the banking system safe.

At the same time, the advancement of science, education and law demanded more knowledge in many professions, increasing the need for oversight. For instance, in healthcare, citizens had less knowledge about local practitioners and often suffered at the hands of impostors labelling themselves as 'doctors', 'nurses' and other professionals. Thus, governments created agencies outlining minimum entry requirements and issuing licenses to practise.

Over the years, these regulators' responsibilities expanded into designing, enacting and reforming policies, setting capital requirements and disclosure requirement, auditing, stress tests, providing professionals' supervision, and managing liabilities insurance and financial infrastructure.
But the growth came at a cost. In fact, analysis found the cost of deciding on the rules, monitoring and sanctioning had come to far outstrip the costs for regulated companies and industries of changing their behaviour to comply.
As a result government costs ballooned into public deficits and borrowing. In Kenya, for instance, it cost Sh3.8bn to set up the Agriculture Food Authority (AFA) and Sh113m to set up the National Construction Authority. But running such authorities has generated ever greater costs. The National Construction Authority spends Sh1.72bn a year, the AFA spends Sh4.2bn, Kentrade spends Sh732.7m and the Pharmacy and Poison's Board spends Sh17m.

Moreover, the highest part of the regulators' ongoing spending is for employee training at approximately Sh1.2bn in the financial year 2016/17.

But as new problems around professional regulation arise, alternative regulatory models using professional associations have been adopted in nations such as Canada, Australia and the US. This is opening the way to addressing further areas of unregulated practice without generating new public costs, with a case in point being the cargo industry.

Since independence, customs agents and freight forwarders have been operating under the East African Customs Management Act of 2004 and the subsequent 2010 regulations. The Kenya Revenue Authority (KRA) has been applying this act, which only focuses on the customs revenue, and fails to address aspects such as the individual professionalism of agents. This has seen the Kenyan government spend heavily dealing with industry challenges including frequent disputes among agents and cargo owners. Yet such issues could now be handled by enacting the proposed draft Kenya Customs Agents and Freight Forwarders Bill, 2020, which would save taxpayers more than Sh600m a year in costs covered by the professionals themselves.

The Bill proposes that the industry regulate its professionals, through a council and board that handle agents' certification and registration, code of ethics, disciplinary proceedings, and mandatory training in a Continuing Professional Development (CPD) program. It's a model already in place with the Institution of Surveyors of Kenya, the Institute of Certified Public Accountants of Kenya (ICPAK) and the Law Society of Kenya. Indeed, over the last two years, ICPAK has spent Sh613m to Sh720m in operational costs to ensure accountants maintain the highest levels of professionalism and integrity, in programmes funded through member subscription and payments for continuous professional development training.

Canada, Australia and the US also use this model in their cargo industries. Individual customs agents pay a mandatory annual registration fees with their societies of $400 to $600 and for the Customs Border Professional Examination, administered each year at the ports, for licensing.

Now Kenya, too, can end cargo errors and knowledge gaps that are costing billions in lost revenues by moving to professional regulation by the cargo professionals themselves.

Unqualified clearance agents are hurting us all

By Alex Bundi, Logistics Professional

Clearing goods in and out of Kenya is a complex matter, as is international trading anywhere, across regulations on sourcing, forbidden goods, duties, levies and taxes, standards and other required documentation - so complex, in fact, that most importers and exporters employ clearing agents.

However, the race is now on to speed things up, as we grapple with trade queues inwards and trade queues outwards, all of them hurting the economy, triggering complaints from businesses, skewing the commercial logic of the SGR railway, and hindering government finance through slowed and even lost tax collection.

To end the delays, the government rolled out new technology and slashed the number of government agencies at the port, from 23 to four. And reforms keep on coming. Just before Christmas, the government announced a change in the Standards Act giving the Kenya Bureau of Standards (KEBS) the authority to test imports that enter the country without a certificate of conformity to show they conform to Kenyan standards. Previously, KEBS needed the Cabinet Secretary's approval before it could test goods that arrived without certificates, adding just one more process that was causing delays.

Yet all these reforms are playing into an already complex environment and a blind spot that has caused us to fall many times before: and that's our tendency to overlook the matter of implementation. For the rules are changing all the time. During the 2018 budget reading, the Ministry of Finance increased the railways development levy from 1.5 to 2.5 per cent. There was a time when imported solar equipment attracted VAT, and then when it didn't. Thus, applying all these myriad rules, correctly, as goods arrive, requires knowhow. But that has been just an optional extra in our clearing industry.

The Kenya Revenue Authority (KRA) provides training for clearing agents, through the Kenya School of Revenue Administration (KeSRA), but it's undertaken only by agents who happen to feel like getting a grounding in Kenyan and international trading regulations. As a result, very few clearing agents have had relevant training, with recent research finding that 62.5 per cent lack the knowhow to accurately execute the country's clearing procedures, despite the majority of them having operated in the industry for more than 10 years.

That plays havoc with the tax base, which depends on implementing different rules on imports from different countries.

For example, paper imported from Uganda, an East Africa Community member, is only subjected to 16 per cent VAT. But paper imported from Egypt, a Common Market for Eastern and Southern Africa (COMESA) member, is subject to 16 per cent VAT, a railway development levy of 2.5 per cent, and import declaration fees of 3.5 per cent. While paper imported from South Africa or any other Southern African Development Community (SADC) member is subject to VAT, the railway development levy, import declaration fees, customs duty and excise duty.

This is because the World Trade Organization decrees that the taxation and valuation of goods should be based on the country of origin and the trade agreement in place.

Under the EAC treaty, goods wholly produced in East African countries are defined as local goods and subject only to VAT. The COMESA trade agreement, to which Kenya is a signatory, exempts customs duty and excise duty. But goods coming from countries under international trade agreements that Kenya is not a signatory to, such as the SADC, are subject to all taxes.

Beyond differing tax regimes and levies, agents will often acquire the wrong permits for goods too, because they assign the wrong harmonised system code to a product. That then costs them a minimum of Sh5,000 per amendment to correct on the KRA's Single Window system.

The end result is delays, on delays, with 5,600 containers arriving every week at the Embakasi Inland Container Depot and expected to be cleared in four days, but only 48 per cent cleared within seven days, and constant cargo build-up.

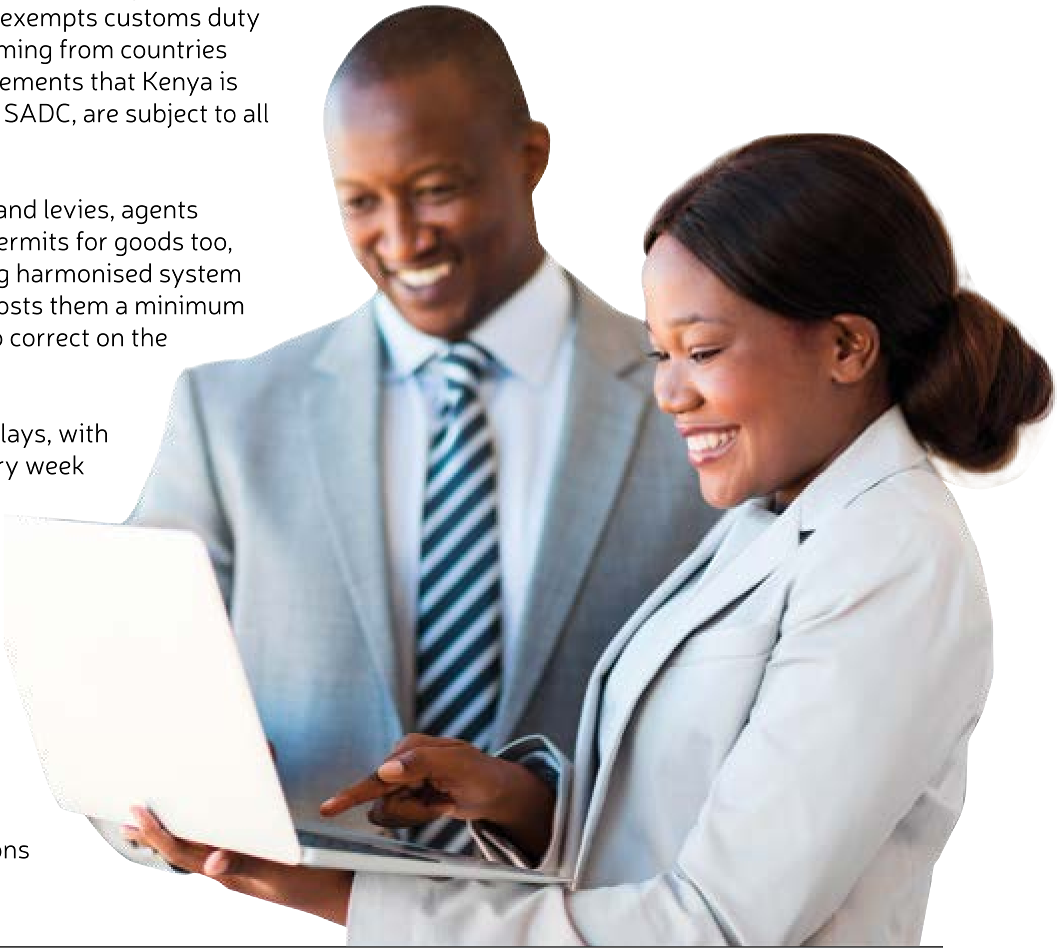
For those who are trained the situation is very different. The Federation of East Africa Freight Forwarders Associations (FEAFFA), in partnership with the Kenya International Freight and Warehousing Association (KIFWA), the EAC Directorate of Customs, and the East African Revenue Authorities (EARAs), have been running the six-month training program in Kenya East Africa Customs and Freight Forwarding Practicing Certificate (EACFFPC) that is delivered by KeSRA for the last 10 years. But of the industry's more than 8,000 clearing agents, only 3,000 have undertaken the training course in the last decade.

Kenya is already trading goods worth one third of the country's government budget – as Sh578bn of exports and Sh1.4 trillion of imports destined for the East African markets – and that figure is expected to grow once the LAPSSET Corridor Programme connecting Kenya, Ethiopia and South Sudan project is completed.

Waiting another 20 years to achieve a trained cadre of clearing agents is too long, the economic cost too high, and the loss of tax revenue too damaging.

It's time the country introduced a law that required mandatory professional qualifications for its clearing agents and freight forwarders, as other nations do. It's a complex job, and it requires knowhow, or we all pay, with research showing that our poor trade clearance is increasing the cost of almost all our imported goods, almost all the time.

We simply need professionally trained agents.



Customs self-regulation can transform our national revenues and benefit every consumer

By Casper Karanja

Problems that are hurting millions are rarely impossible to solve, with a case in point being Kenya's severe issues in collecting customs duties correctly and clearing imports into the country through its ports in a timely and efficient manner.
As it is, efforts have been made by multiple stakeholders to speed and make accurate our international trade. KenTrade has provided an information portal and its single window system as technology aides. The president has cleared more than 20 agencies from the ports with defined delineations of responsibilities for the remaining agencies now handling all import checks.

For a decade, the Federation of East African Freight Forwarders (FEAFFA) in partnership with the EAC directorate of customs, East African Revenue Authorities (EARAs), the national associations of customs agents and freight forwarders in East Africa has been providing the East African Customs and Freight Forwarders Practicing Certificate (EACFFPC) training to customs agents in an effort to professionalize the clearance process.

Yet, still, Kenya suffers impaired tax and business revenues and higher consumer prices as importers consistently and systematically incur huge extra demurrage charges on slow clearance.
Indeed, the hold-ups are so often severe that studies have found many importers have been compelled to gain mastery of the clearing process themselves in order to secure their goods, although the mass of regulations, both at home and in other countries, span a huge area outside their core business.

A key problem, however, is the absence of legislation to regulate and guarantee the professionalism and knowledge of our customs agents and freight forwarders: in contrast to much of the rest of the world where clearing and forwarding goods require compulsory professional qualifications, registration, licensing, and a clear track record – in order to prevent rule breaking and abuses.
Canada, for example, runs the government regulator the Customs Border Control Agency, which ensures customs agents are qualified, registered, licensed, and kept abreast of new rules. The agency checks each agent is tax compliant too. Likewise, in the US, customs agents must be licensed, which requires compulsory qualifications, and the same in Australia too, and around the world.

In Kenya, however, no professional licensing yet exists for agents and no qualifications are compulsory, which has created agents who are handling regulatory implementation without any understanding of the regulations and without monitoring or controls.
Yet to launch a new regulator presents an expensive way forward, at a time when public finances are stretched – in no small part because of the losses in customs duties themselves. Typically, creating a new regulator requires millions of shillings in start-up costs, and then more millions in recurrent costs to keep the new body running.

We spent Sh3.8bn in setting up the new Agriculture Food Authority and Sh113m forming the National

Construction Authority. When it comes to the recurrent costs of running a regulator, examples run from the small like the Kenya Veterinary Board, which costs some Sh35m a year to run, to the large like the National Construction Authority, which currently spends around Sh1.7bn a year.

The government is stretching to cover these costs. According to the Ministry of Finance, in the year 2019/2020, government expenditure was set at Sh2.84tn, but the government only succeeded in financing 80 per cent of that target, leaving a deficit of Sh569.4bn. As a result, it is now turning to austerity measures and further deepening its external debt to meet the deficit.

Yet correcting a loss-making activity must be a priority when it is, itself, contributing to our national budget shortfalls, which is why freight forwarders are now proposing the introduction of a self-regulation structure to achieve a rapid upgrade in the quality of the country's customs clearance.

The recently unveiled Customs Agent and Freight Forwarder's Management Bill proposes the creation of a Customs Agents and Freight Forwarders' Management Council, and Kenya Customs Agents and Freight Forwarders Registration Board to oversee the industry, administered by the industry's professional society.

The registration board will ensure all agents hold mandatory qualifications, register all customs agents and freight forwarders, publish the list of the certified agents annually, effect a professional code of ethics, and carry out disciplinary proceedings in the industry. Such a model of self-regulation is not novel in Kenya, with the Law Society of Kenya (LSK), the professional body for all practicing advocates in Kenya, having exemplified the role that self-regulation can play in combining an ethical code of conduct, capacity building, and registration, to achieve the highest level of professionalism.

Every advocate must register with LSK in order to practice. The body publishes an annual list of the status of all advocates - covering, active, inactive, struck off, suspended, unknown, or deceased - with details of their specialisation and overall performance score. This level of transparency has aided ethical practice as advocates work to achieve a positive score and reputation.

LSK also provides mandatory skills enhancement programmes such as the Advocates Training Programme (ATP), and undertakes disciplinary tribunals.

A similar model now seems vital in customs clearance, with customs and cargo contributing more than half the country's three trillion shillings budget. Resolving our currently random, disorganised and substantially unmonitored customs processes will benefit every Kenyan, generating more tax revenues, enhancing economic growth, and reducing the prices of imported goods.

We believe that by opting for self-regulation, we can secure all those gains without any new spend of millions in taxpayers' funds. Thus, with the backing of government and parliament, we can now solve our customs shortfall, despite the constraints, and definitively.

Turkey

Now mulls logistics centres in Africa

"Turkey is establishing trade and logistics centers in Africa to expand its commercial operations on the continent."

Ruhsar Pekcan
Trade Minister

Addressing a consultation meeting of African Business Councils under Turkey's Foreign Economic Relations Board (DEİK), Pekcan said: "We are founding trade centers in the destinations we have previously determined. But more importantly, we should establish logistics centers in several points in Africa. We have launched our operations accordingly."

Just around the corner, 2020 will be the year of Africa for Turkey, which is engaged in several trade efforts on the continent, the trade minister said.

Turkey enjoys free trade agreements (FTA) with five African countries, deals for reciprocal protection of investment with 30 countries, and agreements with 13 countries to prevent double taxation, the minister said.

Turkey has embassies in 42 countries and commercial counselors in 26 countries on the Africa continent. Turkey's national flag carrier Turkish Airlines also flies to 35 destinations on the continent.

Pekcan also said Turkish officials will pay visits to Morocco, Nigeria, Tanzania, Kenya, Rwanda and Mozambique to increase the number of agreements, she said.

Turkey signed FTAs with Morocco, Egypt, Tunisia and Mauritius, Pekcan noted, adding that deals with Sudan and Ghana are in the process of approval. “Our negotiations are ongoing with Somalia and Seychelles, while we will sign preferential trade agreements with Mozambique and Mauritania,” she added.

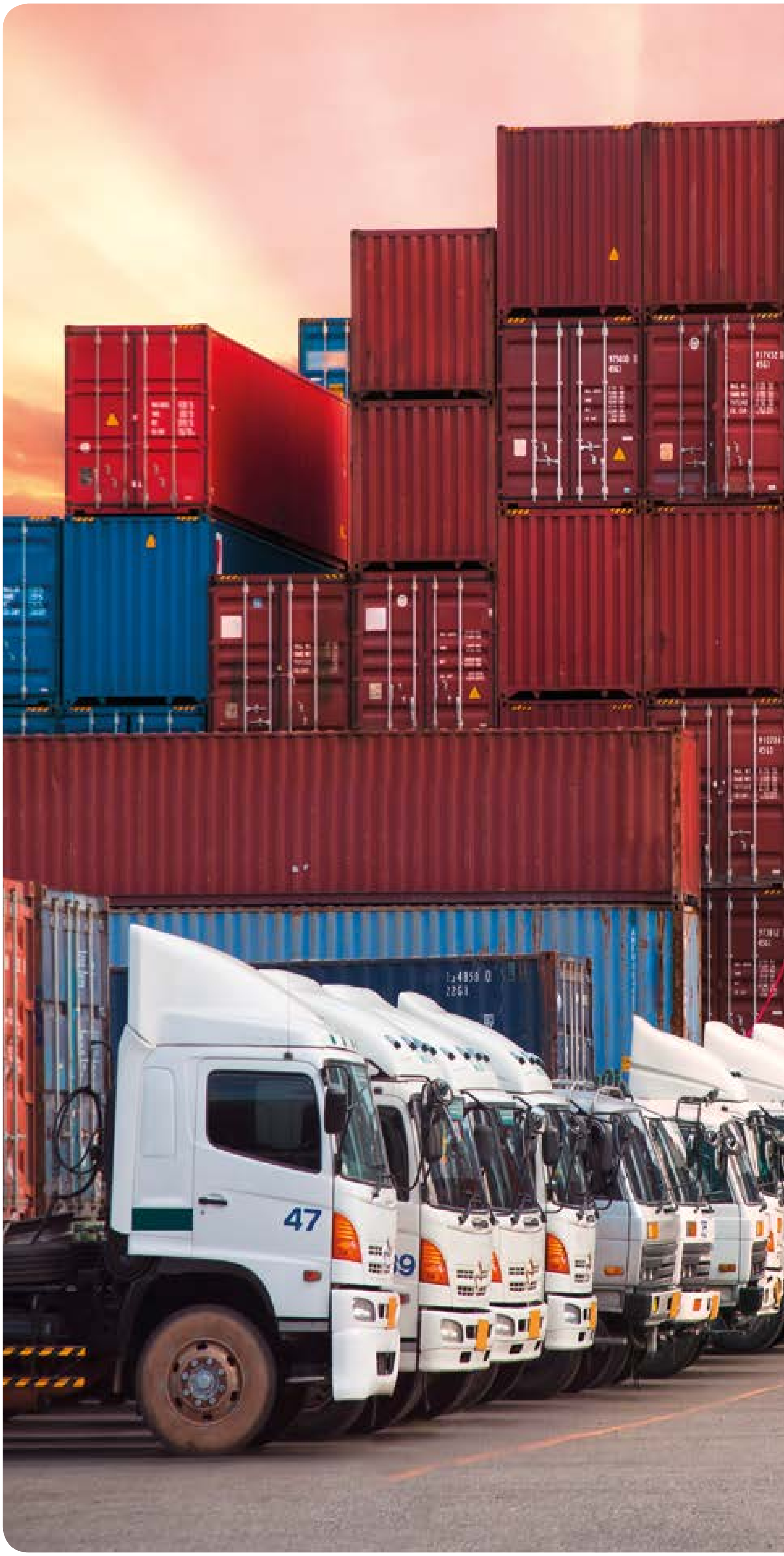
Turkey will probably organize a Turkey-Africa partnership summit in April under the auspices of the Turkish Presidency, she indicated. Turkey and African countries’ bilateral trade rose $23.8 billion in 2018 from $5.5 billion in 2003, while Turkey’s exports jumped by 579% to $14.4 billion in the same period, according to Pekcan.

But $14 billion in exports is too low of a figure for the large African continent, she said, urging Turkey to increase target-oriented efforts in Africa amid rising global protectionist policies.
In the period of January-November, Turkey’s bilateral trade with the continent rose by 7.7% to reach $22.9 billion.

> “When we unveiled our Export Master Plan, we chose five targeted sectors and 17 countries which included Ethiopia, Morocco, Kenya and South Africa.”
>
> *Pekcan*

The exponential increase in bilateral trade and the close political ties between Turkey and African countries have been facilitated by Turkey’s Africa initiative.

In 2005, the Africa year, Turkey officially started its initiative for Africa and prepared the Strategy for the Development of Relations with African nations. After holding the first Turkey-Africa



Cooperation Summit in 2008, relations were sealed under the Turkey-Africa Partnership and a new phase was launched in 2010.

Another summit in 2014 formalized the reinforced status of bilateral relations under the canopy of partnership by instituting a new partnership model for sustainable development and reinforcement of integration under a Joint Implementation Plan covering the period of 2015-2019.

Apart from bilateral trade, Turkish companies also operate on the continent in miscellaneous areas including textile, energy, construction, tourism and manufacturing. One of Turkey's leading airport construction firms and operators, TAV, constructed two airports in Tunisia and currently operates them.

Other Turkish contractors Limak and Summa successfully accomplished the construction of Aéroport International Blaise-Diagne Airport in Senegal's capital Dakar with a 575-million euro investment.

Another Turkish contractor actively undertaking infrastructure projects in Africa is Yapı Merkezi, which over the last 10 years completed the El Mek Nimir Bridge in Sudan over the Nile and the Al Halfaia Bridge, then the Al Wahat Shopping Mall in Khartoum, Sudan.

The company undertook a $1.2-billion high-speed train project with its Portuguese partner in February 2016 in Tanzania and single-handedly won the contract for the second stage of the same project.

A number of other Turkish firms have also constructed and continue the construction of infrastructure, house development and transportation projects across the continent.

Lastly, one of the largest Turkish contractors, Kalyon İnşaat, has been contracted for the construction of an 18-stop bus-rapid-transit line, which is known as the metrobus in Istanbul, in Mali's capital Bamako. The company will begin the construction of the 20-kilometer first phase in early 2020 to resolve the traffic congestion problem in the city. The second 15-kilometer phase will see the launch of construction in 2021. The project cost is estimated at $120 million.

> "Protectionist trade
> Touching on protectionist policies across the globe, the official said their negative effect was $893 million in 2017 while it was $7.2 billion in 2018 on Turkey's trade.
> "The effect is expected to reach $11 billion in 2019.
> If the U.K. leaves the EU without a deal, the U.S. will start to implement new sanctions on the automotive sector, and it can reach $14.4 billion."

Pekcan added:
We should play a proactive role in our target markets and countries which have potential.

Also speaking at the meeting, Nail Olpak, the head of the DEİK, said

> "African Business Councils work with 45 countries for increasing economic relations between Turkey and Africa."

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The Pan African Bank

ECOBANK KENYA

Mr. Robert Kola, Ecobank Regional Head of Transaction Services Group for Central, Eastern and Southern Africa (CESA)

What exactly is the Ecobank Digital Drive about?
Ecobank is a Pan African Bank present in 33 African countries and with a banking license in France and representative offices in Ethiopia, South Africa, China, the UK and Dubai It was established primarily to provide banking services for Africa and for Africans. Because of the breadth and size of the African continent, it is important that the Bank and our customers are served in the most efficient and effective way. Digitization and digital products enable us to adhere to that. So, by going digital, we are able to cover the whole of Africa effectively and ensure that our customers are able to do their business seamlessly.

In the last few years we have ensured that all our platforms are unified across the continent. Customers get the same experience irrespective of where they are in all our markets. We also have the Ecobank Omni Lite, the primary digital channel for our business customers.

At the core of our digital drive is the Ecobank Mobile App which is unified across all our markets and is key to our pan African digital financial inclusion agenda.

Ecobank is present in 33 African countries. How does that facilitate trade?
Increasingly, as you look at the common trade areas there is a push for increased trade volume amongst African countries. One of the advantages of Intra-Africa trade is that it increases efficiency and competitiveness of Africa's industrial products by harnessing economies of scale of a large continental market of about one billion. For example, in East Africa, Ecobank is present in six

countries comprising Kenya, Uganda, Tanzania, Rwanda, Burundi and South Sudan. We also have a representative office in Ethiopia. With our expertise and offices in these countries, we are not only able to facilitate the buying and selling of products but also, provide local expertise on opportunities that exist in the respective markets and facilitate the same. This also applies to middle Africa – basically areas where we dominate based on our local expertise, products and services and the vast geographical footprint that we enjoy.

Looking at the network advantage that Ecobank enjoys across the African continent what kind of solutions does Ecobank provide to customers for trade facilitation?

In each of the 33 countries that we operate in, we have a dedicated sales desk and the full ambit of the trade finance products that facilitate imports, exports and financing. We have skilled personnel on the ground who are able to provide ideas and the financial advice that companies need to trade safely and securely.

How can cross-border businesses benefit from the solutions that you have mentioned?

All you need to do is walk into any of our over 2,000 branches in 33 countries and we will be able to facilitate account opening as we discuss what opportunities there are and how we can support you as your financial partner of choice.

How does your partnership with the Kenya Revenue Authority (KRA) ease payment of taxes?

We have been privileged to partner with KRA over the last three years. KRA was keen on going cashless, something that we have developed solutions for. So, we have been working with them to provide payment solutions that enable them get information on tax payments while providing convenience to tax payers. For example, now at any of the border points in Kenya, you can now pay your domestic or custom taxes real time through our points of sale terminals, Ecobank Xpress agents and the Ecobank Mobile App which is available 24 hours a day.

You recently launched Ecobank OmniLite – what exactly is it and how does it interface with businesses?

OmniLite is our online banking platform designed for businesses. It is available in all our 33 affiliates across Africa. It enables businesses to manage a whole host of payments from the comfort of their offices. For example, you can make instant and multiple payments, pay all customs and domestic taxes, view all accounts and generate statements, book and maintain deposits, pay bills among other revolutionary features. Both customs and agents are able to validate the e-slips, issue instructions that will update KRA on a real time basis and ensure they do not suffer any delays that may be costly to them.

What is Ecobank's Value proposition to traders and clearing and forwarding agents?

Our African expertise and our understanding of the needs of the Clearing and Forwarding agents are our value proposition. We are able to help them run their business, make payments, interact and satisfy their key stakeholder which is KRA, and also be able to support their growth ambition in terms of providing the much-needed financing and financial training for them to succeed.

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HOW ARTIFICIAL INTELLIGENCE IS IMPACTING LOGISTICS MANAGEMENT

By Madhu V Swamy
Cofounder of Cumulations Technologies Pvt. Ltd.

Over the past decade or so, technological innovation and advancements have been rapid. Leaps and strides have been made within the field of Artificial Intelligence (AI), in particular, and these AI systems are now revolutionizing all sorts of industries.

Many experts have highlighted the logistics management industry as one of the industries that stand to benefit the most from AI, on account of the huge volumes of data that logistics service providers produce.

The machine learning capabilities, huge computer power/speed, and ability to process 'big data' of AI mean that AI systems can be used to more improve and more effectively manage logistics operations. Here are some changes to logistics management that AI has already brought:

1 Increased Demand Forecasting Accuracy

One of the biggest challenges that have faced logistics management service providers relates to being able to accurately forecast changes in demand. The reason that this is so challenging is that it necessitates the consideration of lots of different factors, such as sales numbers, changes in weather, and other consumer attributes.

As AI is able to track and analyze huge volumes of data, logistics management service providers are now able to use AI software to measure and analyze all of this data in tandem and use it to inform and adjust forecasts in real-time.

2 Reduced Operational Costs and Faster Processes

AI technology is being used to reduce operational costs by providing new insights into all sorts of processes, allowing logistics companies to streamline tasks and become more efficient. AI can

also increasingly take the place of real humans by analyzing data and completing tasks that would previously have been beyond the capabilities of a machine.

For example, AI tech like intelligent robotic sorting can now sort letters, parcels, and shipment pallets more efficiently and at greater speeds, thus reducing both time and costs. Special cameras can now even use AI technology to identify damage on cargo shipments and then take action to correct this damage.

3 Improved Communication Between All Parties

Third-party logistics providers and their clients can use AI to communicate more effectively with their clients and customers, boosting relations. Many logistics providers are adding their own AI to flexible, enterprise logistics software solutions such as 3PL software by Silver BulletTechnologies.
And for example, Amazon's voice-activated Echo device (powered by their AI software, 'Alexa') can now be used by customers to track DHL package shipments by simply asking it 'where is my parcel?'. This creates a more personalized customer experience for the customer, improving customer satisfaction. As customer satisfaction is extremely important to businesses, this, in turn, facilitates trust and a stronger relationship between logistics providers and their business clients.

What Else?

As you can see, AI is making waves in the logistics industry in all sorts of ways, but the benefits don't end there. It's being used in all sorts of ways to improve planning, facilitate communication, reduce costs, and optimize processes – and there's more yet to come. In the future, further advances in AI, self-driving forklifts, drones, and other futuristic tech looks set to revolutionize the logistics industry even further.

For more information on the company visit: www.cumulations.com

KIFWA marks 20 years of growth in shipping and logistics in Kenya

By Millicent Mwololo


Kifwa host Feaffa board members at Panari Hotel

Kenya International Freight and Warehousing Association (KIFWA) is the sole representative of all clearing, forwarding and warehousing companies in Kenya. KIFWA was born out of the need for an umbrella national body which is cohesive enough to represent the interests of all her members, said Mr Roy Mwanthi, the Chief Executive Officer at the Kenya International Freight and Warehousing Association (KIFWA).

In a country where the shipping and logistics industry contribute up to 30 per cent of the GDP, KIFWA has for the last 20 years remained steadfast in the facilitation of clearance of goods, transportation and distribution. "The association has over the years capacity built her members on global best practices which promote compliance with industry regulations, boosting their participation in international trade. The body also coordinates with other government agencies to ensure consignments are cleared soonest possible time to cushion importers from incurring unnecessary delays. Thus reduced costs and time of doing business.

Previously, the interests of KIFWA were previously served by the former Kenya Clearing, Forwarding

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and Warehousing Association (KCFWA) and Kenya Association of Freight Forwarders (KAFF). In its 20th anniversary, the association membership has grown tremendously, and the body is now a force to reckon with in the clearing and forwarding, cargo freight and logistics sub-sectors. "KIFWA currently subscribe to International Federation of Freight Forwarders Associations (FIATA), Kenya Private Sector Alliance (KEPSA) and Federation of East African Freight Forwarders Associations (FEAFFA) which put it both regional and global set up in trade facilitation," Mr Mwanthi said of the muscle that the body has garnered.

So far, the association aims to be the best regional platform for members with regard to clearing and forwarding and logistics services. "In line with our mission, we always endeavor to promote and protect the legitimate trade of customs agents, freight agents, warehousemen and the logistics industry in general," he explained.

The organization promotes a high and ethical, uniform documents and standard terms and conditions of services provided by members. To fully meet their objectives, the KIFWA Secretariat establishes and maintains cordial relationships with her partner strategic partners. These include: Kenya Revenue Authority (KRA), Kenya Ports Authority (KPA), Kenya Airports Authority (KAA), Kenya Trade Network Agency (KENTRADE), Kenya Maritime Authority (KMA), KEPSA, Kenya Association of Manufacturers (KAM), Shippers Council of East Africa , Shipping and Airlines . "We also do a lot of lobbying and advocacy with the relevant ministries or institutions as the association may consider necessary for the benefit of the industry

The association has continuously redefined its purpose in order to meet the emerging needs of its members and address the dynamism in the industry. "KIFWA's strategic focus is to improve the efficiency of the logistics chain by lobbying for improved regulatory frame work in the transport and logistics sector," He noted that this has encouraged and increased compliance to trade regulations and industry standards and by clearing and forwarding, and logistics service providers. Over the years, KIFWA has increased the organizational sustainability to effectively achieve her mandates.

The organization has been one of the growth pillars in boosting Kenya's international trade through the facilitation of imports, and the boosting of the country's foreign exchange through exports.

The body has also facilitated the exportation of coffee, tea, avocado and fresh flowers to international markets. There has been growth of business in bonded and private warehousing, and an increase of transit cargo to the region and beyond. "Being members of NTF, we have also been instrumental in some of the international trade negotiations.

Over the years, KIFWA has represented its members internationally by being members of IATA, FIATA, and FEAFFA. The association is part of the Global Logistics Convention series in East Africa and in September 2020 Kenya is going to host the fouth edition where over 1000 participants are expected, Mr Mwangi noted with optimism. The event is expected to re-ignite dynamism in the industry which has been affected by the Covid-19 pandemic.

Nairobi Branch Management Committee host past Chairmen and Board of Trustees at Eka Hotel

Kifwa present draft bill to Commissioner of Customs and Border control Representative at Intercontinental Hotel

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THANK YOU FOR YOUR CONTRIBUTION TO THE INDUSTRY.

HAPPY 20TH ANNIVERSARY.

Chai Trading Company Limited (CTCL) is a wholly owned subsidiary company of Kenya Tea Development Agency Holdings Limited based in Mombasa, Kenya. KTDA (H) Limited is the single largest producer of black CTC tea in the world.

Chai Trading Company Limited has two business units namely the Freight Division and Trading Division and a subsidiary company, KTDA DMCC, based in Dubai at the Dubai Tea Trade Centre.
We provide integrated solutions in logistics, clearing & forwarding, warehousing and distribution.Additionally, we sell tea to both local and international markets, blend and pack teas as per our clients' requirements.

The Freight Division offers a wide range of services under one roof which include warehousing, clearing & forwarding,air freight cargo services, project cargo handling services, ships' agency, NVOCC groupage cargo services, commission agency, transport and integrated forwarding services to fully free a client from worries about cargo delivery.
We have a wealth of experience in cargo discharge and stevedoring operations at the port of Mombasa.

We have a total warehousing capacity of 988,600 sq. ft. for storage of various commodities such as packed made tea from across the region, canned and bottled food items, fertilizer, machinery among other items.
Additionally, we own two hectares of open storage space in Mombasa, Kenya making us the largest warehousing company in the region.

Chai trading company limited provides efficient road transport services through our own fleet of trucks and as an agent for various trucking companies which cover the country and region. We have over 300 trucks at our disposal from several business partners.
Over time we have offered a unique local experience, with an established network of business contacts, providing our customers with quality cargo transport and shipping services.

The Trading Division buys and sells different types of teas such as black CTC tea, orthodox tea and specialty tea of all origins from the Mombasa Tea auction and directly from KTDA factories and other private factories; we trade in both straight-line teas and blended teas and are currently ranked amongst the top five major buyers at the Mombasa Tea auction.

KTDA DMCC, sells both straight line and blended teas to customers in the Middle East countries, Russia and CIS countries.
Our premium brandof tea, Chai Gold, is available in the various markets we serve.

Partnering with Chai Trading Company Limited

1. We have the biggest and ultra-modern warehousing space in the region; being the only warehouse with tea racking facility in the region.

2. Modern tea blending and packing facility which guarantees that tea is packed in clean and hygienic conditions.

3. A wealth of experience in cargo discharge/stevedoring operations at the port of Mombasa in Kenya.

4. Established and efficient road transport services through our own fleet of trucks and as an agent for various trucking companies.

5. We are ISO 9001:2015 Quality Management System and ISO 22000:2005 Food Safety Management System certified which guarantees a system based approach in our operations.

6. We source fresh teas directly from KTDA owned factories and other private producers thus guarantee faster shipments.

7. Chai Trading Co. Ltd ensures pre-auction tea samples are 100% tasted two weeks prior to the auction as a quality control measure.

GROWTH MILESTONES @20

KIFWA has maintained a good working relationship with government agencies and private sector. The association has been organizing short and mid-term training for its members in Partnership with KRA, FEAFFA among others.

KIFWA is also a member of KEPSA which has assisted in proper collaboration with other private sectors. "We are working on a self regulation bill hence we have conducted an all inclusive public particepation and engaged all the other stakeholders such as KRA, KPA, KMA, KENTRADE, KEPSA, KAM, SCEA, Small Traders Association, and KAA among others.

However, the emergence of the Covid-19 global pandemic has dealt a blow to the industry as there has been low or none imports. **"Most of our imports come from Europe and Asia which is hard hit. KIFWA members have also had to scale down in most of employees as work has reduced tremendously. "Since most of our export goes to both European Countries and Middle East countries which are also affected, the amount of export has declined,"** he added. Also, the government directive of lock-down between 7pm to 5am has reduced the workload hence companies incurring demurrages.

The association proposes various ways through which the government can cushion its members socio-economically. These include an increase in free days from 4 to 21 days, a review of SGR cargo charges and return of empty containers from Mombasa to Nairobi. "We also appeal to KPA and KRA to give 100 per cent waiver on storage and custom warehouse charges. For KPA to put stay on verification charges, and for KRA to extend payment of entry from 7 days to 14 days on lodgement. We also ask the government to zero-rate import declaration and Railway development fees, " Mr Mwanthi's appeals.

Mr Roy Mwanthi is the current National Chairman who has a big vision for KIFWA. In the next 12 months, he wants to see the Kenya Customs Freight Forwarders bill 2020 enacted and existence of a continuous good working relation with all government agencies.

Why you should join KIFWA

- Better lobbying and advocacy for improved business environment.
- Access to advertising, training and capacity building.
- Intervention of delay in container transfer, demurrages, policy and regulations affecting business and networking forum.
- Dissemination of vital business information, market intelligence and surveys.
- Issuance of custom authorized agent passes.

Kifwa sign MOU with GS1 kenya

Visit to Naivasha ICD with other stakeholders

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WHO WE ARE

We are a solutions provider offering end to end logistics services to address full and empty container tracking challenges in new SGR dispensation.

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- Clearing Agents & Freight Forwarders
- Transporters
- Importers / Exporters

OUR SOLUTIONS

IMPORT / EXPORT CONTAINERS

1. Monitoring containers loading in Mombasa / ICDN / Naivasha.
2. Tracking / Update on rail-age progress.
3. Reporting of arrivals at destinations.

EMPTY CONTAINERS

Practical and easy steps to get empty containers back to Mombasa in order to complete the return cycle with a Just-In-Time guarantee to our services. This includes:

- Documentation
- Administration
- Operations

of the delivery process in order to ensure that the SGR package for containerized cargo is fully realized.

TALLY & EDI REPORTING

We do tally and EDI reporting in ICD Nairobi, Naivasha and Mombasa;

- Full Import and Export containers
- Empty containers

TRANSPORT SERVICES

We also offer timely and efficient transport services;

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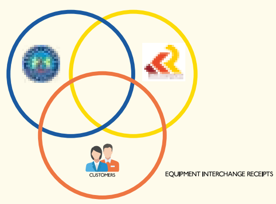
- From Port to Empty Container Depots in Mombasa

OUR PARTNERS

BBL will work with our partners Kenya Ports Authority & Railways to provide a predictable and efficient service in order to achieve the supply chain completion.



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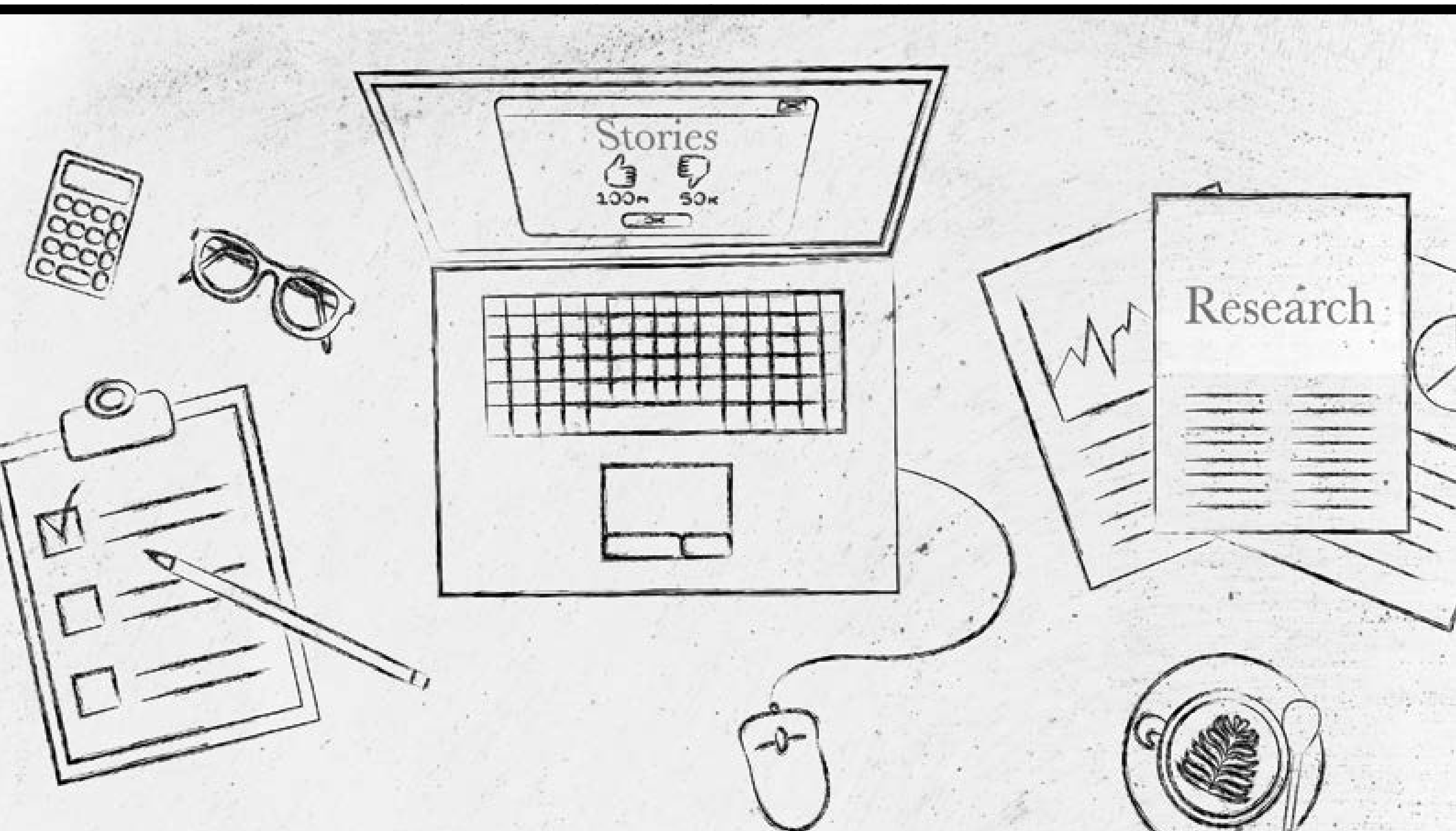

SPECIAL CONTRIBUTIONS

The editor invites opinion articles addressing certain issues in the industry.
Writers could be experts in the fields, students at University level or researchers.
In case you have such articles please share them with our editor: **logisticsspotlight@molandea.co.ke**

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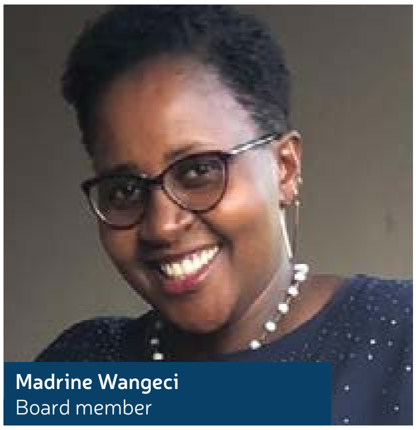
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How technology is changing the face of logistics in East Africa

By Dan Okoth
Country Manager, Sendy Freight Kenya Limited.

For businesses, reliability is the most important factor when moving goods. That's according to the World Bank's Logistics Performance Index. Businesses need predictability on how and when their goods will arrive at their intended destinations. According to the World Bank's Logistics Performance Index, in 2018 Kenya had the second-best logistics in Africa second only to South Africa. However, when you interrogate the ranking, you realize it is still 68th globally, a clear sign that a lot of work still needs to be done in improving the reliability of its logistics sector.

Two aspects especially stick out from the index: quality of logistics services and the ability to track consignments. In these respects, East Africa has been lagging for several reasons.

First, East African logistics is fragmented and dominated by the informal sector. the World Bank noted that in countries with highly developed logistics, most traders and manufacturers outsource to third and fourth party logistics providers in favour of focusing on their core business. However, the ability of businesses to outsource is heavily influenced by how developed and reliable local logistics providers are. It is not uncommon to find dozens of trucks, trailers and pickups parted on street corners and pavements waiting for work. The inefficiency resulting from the downtime and limited professionalism not only reduces reliability but also increases cost. Transporters charge the few clients they have higher, to cover their fixed expenses. Cases of loss or damage are common.

Another key challenge for the sector is the lack of return loads. The sector is so fragmented and there is little visibility on how goods move from one location to another. As a result, transporters have to return to their base of operation empty once a load is delivered. The cost of both trips inevitably has to be covered in the price of this single load even though the economic benefit for business is one way.

Online marketplaces are helping to address the reliability gap. Sendy, for instance, has created a pool of vetted transporters that businesses can use on-demand. The advancement of the Internet of Things technology is also improving the tracking of goods and reducing instances of loss and theft. Application of Artificial intelligence and big data by these marketplaces can help create new innovative ways for the logistics sector to improve efficiency.

A good example of how technology can make logistics more efficient is Sendy's order process for containers. Since many shippers move multiple containers at a time but still need visibility on each, Sendy has developed containerized ordering for its freight costumers. This enables shippers to track the progress of each container through the clearing and delivering process. This not only enhances the shippers' visibility of their cargo but also makes the entire transportation process hassle-free.

Technology players in the sector are also attracting a lot of investor attention is a testament to the potential technology has in unlocking value in logistics. At the beginning of 2020 for instance, Sendy announced that it raised USD 20 million to fuel its expansion. It is, therefore, clear that all stakeholders need to pay keen attention to how technology will shape logistics.

International Air Cargo Association

Sets a visionary goal of %100 e-AWB by 2022

When cargo is transported through air, a lot of information also flies with the cargo. But, the global air cargo industry still heavily relies on paper for transferring information which makes the air cargo supply chain prone to loopholes in the data flow, incomplete coverage and lack of common data standards. The International Air Transport Association is making earnest efforts to implement e-AWB to promote digitalization in the air cargo industry and make it fully reliant on the paperless process and smart data sharing.

Papers have always been a crucial part of the operational process of any industry, especially when it comes to clearances. Air cargo industry is also not an exception to it but the requirement of too many papers makes the situation bizarre in the current digital age.

Manual handling of papers not only slows down the air cargo supply chain but also increases carbon footprint in the environment. While enterprises are expected to discourage and control paper usage, an integrated effort from the government is also needed for example through regulatory framework.

The international air cargo industry is aiming to cut down on the paper trail and even the International Air Transport Association (IATA) has mandated e-AWB years ago, but the true implementation is yet to be seen when it comes to getting rid of the pouch and making it a real e-AWB compliant industry.

WHAT IS e-AWB?

e-AWB takes the paper out of the air cargo supply chain and replaces it with cheaper, more accurate and more reliable electronic messaging.

WHY IS e-AWB?

Lower Costs: Billions in saving for the air cargo industry. Faster supply chain transit times: Ability to send shipment documentation before the cargo itself can reduce the industry cycle times.

Greater accuracy: Allowing electronic data entry at point of origin until RCS reduces delays to shipments due to inaccurate or inconsistent data entry.

Increased security: Electronic documents are only made available to parties who require them for the completion of a shipment.

According to IATA more than 505 of the global trade relies on paper-based processes. A shipment can generate up to 30 paper documents and as many of the processes, such as track and trace, still depend on human intervention.

Each year, more than 7,800 tons of paper documents are processed, the equivalent of 80 Boeing 747 freighters filled with paper.

In December 2017, the association said, the global e-AWB penetration reached 52.6% on the feasible trade lanes. Still, it fell short of 9.4% against the industry target of 62%. As per its status in March 2029, the global e-AWB penetration reached 61.3% on the legally feasible trade lanes. The ultimate milestone for e-AWB is 100% penetration by 2022.

WHY ARE THERE HICCUPS IN ACHIEVING 100% e-AWB PENETRATION?

- **Regulatory constraints:** implementation of e-AWB is not possible in all airports and all trade lanes due to regulatory limitations.
- **Lack of harmonization:** Procedures of e-AWB are not harmonized among freight forwarders, airlines and ground handling agents in key airports where e-AWB is live.
- **Technology limitation:** Many of the SME forwarders do not have the technical capacity/ EDI enabled systems to enable them to transmit shipment data to airlines. Even some large forwarders also face the same issue.
- **Complex process:** forwarders dealing with multiple airlines face complexity in e-AWB procedures.
- **Maturity threshold:** Some markets have reached a certain level of maturity where major actors (airlines/freight forwarders) have already achieved the biggest potential but some markets are still lagging behind in the race.

Mombasa Port and Northern Community Charter

The Mombasa Port and Northern Community Charter (MPNCCC) was established in June 2014, and signed by both Public and Private Institutions in the presence of H.E. President Uhuru Kenyatta. The signing of the Charter represented culmination of extensive consultations among all port stakeholders that yielded a framework to achieve seamless transport along the Mombasa Port Corridor.

The Charter expresses commitment to discarding the "silo mentality" work culture in which agencies operated for long, and most import the desire to establish a permanent framework of collaboration that binds the Port and Corridor Community to specific actions, collective obligations, targets and time lines.

Implementation of the Charter has made certain milestones, which include:

- Actualized paperless trading through Kenya National Single Window System, with over 45 government agencies linked to the National Single Window System and over 10,000 registered users.
- Increased capacity for port and inland channels, which include the construction of the Second Container Terminal with additional annual port capacity of 500,000 TEUs at the Port of Mombasa; revamping of the Inland Container deport at Embakasi in Nairobi, increasing annual capacity from 80,000 TEU to 450,000, the completion construction of Standard Railway Gauge (SGR) from Mombasa in 2017 to Nairobi to Naivasha in 2019, which increased container evacuation from the port from 60-100 TEUs per day to current haulage of over 1,000 TEUs per day; revamping of the Inland Container deport at Embakasi, Nairobi; construction of oil storage tanks and replacement of Mombasa-Nairobi oil pipeline to increase evacuation capacity; construction and improvements of road network around Mombasa port and along the Northern Corridor
- The launch of Integrated Customs Management Systems (iCMS) by KRA, to automate Document Processing Centre and promote pre-arrival clearance of cargo.
- Dissemination of weekly, monthly, and annual information through the Northern Corridor Performance Dashboard.

In many cases, the Charter is used as an important tool to articulate issues to improve operations and efficiencies. The Charter is already incorporated in the Government agencies, through the Performance Contracts, Strategic Plans, and recently Government Circular OP/CAB 9/83A of 4th June 2019 on Operationalization and Improvement of Cargo Logistics at the Ports of Entry and Inland Container Depots for coordination and harmonization of various interventions aimed to increase efficiency by reducing time and costs of doing business.

Despite the successes, there are notable challenges to the Charter that include financial constraints both in public and private sector institutions in meeting some of their obligations; little appreciation of the impact of abrupt changes such as Pre-Export Verification of Conformity Programme (PVoC), use of National Single Window System, Authorized Economic Operators (AEOs), and Pre-Arrival Processing (PAP) on trade efficiency dynamics; inability to implement the 24/7 work hour operation; inadequate internal capacity for data collection, analysis and dissemination.

The review of the Charter completed in 2018 provide a new approach that will increases stakeholders engagements on critical issues to improve port and corridor logistics of operation. The revised Charter also provide a result framework, which is a tool for measuring the expected results of each signatory contribution. Use of information technology has largely been emphasized not only in the Charter management, but also stakeholders for improving the clearing processes. The communication strategy of the Charter developed will enhance awareness and understanding of the Port and Corridor performance by providing timely, targeted and adequate information that can be used to guide on decisions.

Why the introduction of a new KPA Terminal Operating System (TOS) will be a game changer for KPA ports.

In the global shipping industry, every container terminal operator strives to reach and maintain high port efficiency through improved procedures and system processes. This makes a port competitive because shipping lines benefit from reduced operating costs and this encourages an increase in business and trade volumes. The port will also benefit from increased revenue as a direct reflection of this growth.

The only way to realistically achieve high port efficiency at container terminals is through automation of systems and procedures. Automated systems have been proven to manage container traffic and trade flow through a port more effectively than a manual system. Unsurprisingly, most container terminals are now automated. By managing the container traffic efficiently the container dwell time in the port is reduced significantly thereby increasing the capacity of the port with no extra infrastructure development requirements or associated costs. In fact a port can double it's container capacity by simply improving systems and procedures and automation is the easiest way to reap these benefits.

Terminal automation creates far greater stability and predictability in a terminal's operational performance. It makes it easier to meet client contractual agreements and deliver a seamless service to all industry players concerned. As an example, a delay in loading containers on board a ship means a longer stay at the terminal, causing further port delays for vessels coming in, potential penalties and a negative effect for outbound shipping. Automation should help to deliver a more stable and reliable operational performance. Automation also drives significant gains in safety. Separation between people and machinery reduces accidents and ensures that terminal staff work in a less risky environment since the employee's roles will mostly be in supervision and process management rather than machine operation.

Over the years, KPA have tried to use KWATOS as a tool to automate port operations to achieve efficiency and high productivity. However, though this has been partially realized, a lot more still remains to be achieved. For automation to work it has to be implemented correctly from the start and an audit process must be put in place to ensure any manual inputs to the system are done consistently correctly. Automation requires strict and disciplined management of the system or the automation benefits will not be seen.

Kenya Ships Agents Association understand KPA is fully onboard to embrace automation of the container terminal within the next year and hopes that once the new Terminal Operating System comes into operation, it will improve the yard planning process, the gate systems, the truck booking system and enable better flow of information between departments. Further, it is hoped that the system will include automated stacking cranes that calculate the fastest routes to travel, hence minimizing waiting times for equipment. Gate automation, crane automation, truck lanes and tracking rail wagons for purposes of automating container number detection will all become possible.

By using automated processes, which continually update other systems, terminal operators can provide transparency to port authorities, clients and their logistics partners throughout the supply chain and show the exact location of containers in real time. This allows everyone in the supply chain to improve their planning, which leads to knock on improvements in efficiency to all.

Ultimately, automation of the container terminal will provide safe and efficient services to importers and exporters in a cost effective manner, thus contributing to the economic development of the country and the land locked countries using Kenyan ports.

Lastly, although it feels easy to be confident about the grand potential benefits of establishing a new Terminal Operating System, the implementation and management of it will be critical to its success.

KENYA SHIPS AGENTS ASSOCIATION
Promoting Efficiency in Transport and Trade

The overall purpose of KSAA is to promote efficient business processes that in turn encourage the growth of seaborne trade and economic growth in Kenya and the wider East Africa Region. KSAA proactively acts as a custodian of the industry's future by actively promoting training programs to improve shipping practices and management in order to attain high standards. The association works closely and consults with Government agencies and non-governmental organisations in order to agree on common policies that aim to reduce the cost of importing and exporting commodities into East Africa. All the agencies involved recognize the tremendous impact our activities have on the economy of Kenya, the East African region and beyond, and frequently request our involvement when new regulations, procedures are being considered. The business of logistics can be a complicated one and naturally there are occasional disagreements on various issues. However, we believe that it's fair to say we all respect one another and the jobs we do. We always aim for constructive dialogue and quickly aim to address specific service failures or complaints where possible. We also work closely with the business community on efficiency issues, for example sensitizing them on documentation processes in order to speed up clearance procedures. One of our most important roles is to provide a forum for dialogue and communication with the government which we are endeavouring to do more often, in order to support all the growth plans Kenya and the region are targeting over the next decade.

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