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KEPSA
KENYA PRIVATE SECTOR ALLIANCE
The Voice of Private Sector in Kenya

A PRIVATE SECTOR POSITION PAPER ON NAIVASHA INLAND CONTAINER DEPOT

November, 2020

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EXECUTIVE SUMMARY

Kenya Private sector Alliance (KEPSA) in collaboration with Shippers Council of Eastern Africa (SCEA) commissioned a study on the Naivasha Inland Container Depot (ICD) to inform, and advice on the best way to optimize the utilization of Naivasha ICD, devoid of its inefficiencies, challenges and unnecessary increase in the cost of logistics to the shipper[1]. This report documents potential opportunities and challenges facing users of Naivasha ICD. Additionally, it guides as to whether there exists a business case for the Naivasha ICD through an analysis of the port throughput.

The study followed a qualitative approach and included literature review, focus group discussions and online interviews with targeted stakeholders throughout the value chain. A visit to the facility was also undertaken to appreciate the level of development. The extensive information and data analysis supports the findings of this study.

The study identified internal variables (strengths and weaknesses) and the external variables (opportunities and threats) in a play that influences the successful operationalization of the Naivasha ICD.

Internal	Enablers	Challenges
	Strengths	Weaknesses
	- Sizeable transit market - Availability of trained and skilled workforce - Goodwill and strong collaboration between government and stakeholders - Strategic location, due to proximity to serve two key markets; *Local cargo destined West of Nairobi and transit cargo using the Northern corridor* - Availability of land for expansion - Can offer better efficiency than Nairobi ICD in terms of truck turnaround time - Existence of a regional economic community with a regulatory framework.	- Inadequate yard and gate capacity - Lack of quick and easy access to business and social amenities from the facility - Lack of a facility to host cargo agency offices and other associated port users - Inadequate sanitary facilities and lack of medical facilities for staff and visitors (washrooms, clinic) - Lack of warehouse facilities for verification and weather-sensitive cargo - Lack of a scanner that hampers the use of the ICD for exports - Manual procedures - Lack of rail connectivity via Meter Gauge Railway (MGR) for the last mile - The facility currently, does not support reefer business. - Lack of formal consultation forum between public and private sector operators to address operational issues at the ICD
	Opportunities	Threats
	- Vast hinterland that includes emerging markets of Uganda, DR Congo,	- Development of competing transport corridors - High end to end cost to destination

[1] Shipper refers to importers and exporters

External	Rwanda, South Sudan, Northern Tanzania and Burundi - Development of the Naivasha Special Economic Zone/Industrial Park - Nairobi-bound cargo being cleared at Naivasha ICD - Connectivity of MGR line for last-mile connectivity - Growth in the regional and domestic economy - Ready supply of trained labour and market - Establishment of offices by transit countries to support clearance of cargo at the ICD	- Inefficiencies by other cargo interveners - Development of phase 2B SGR line will shift cargo from Naivasha - The business community is sceptical due to challenges experienced at Nairobi ICD in 2018

In this report, the demand forecast analysed the potential market areas for the facility and determined an appropriate allocation for Naivasha ICD, out of the total predicted market area cargo. Projections are made based on the evolution of cargo throughput at Naivasha ICD as shown in the table 1 below.

The report put forth two scenarios; Scenario 1 represents a conservative forecast that is based on the intelligence that the facility might not immediately offer an attractive alternative for the market while scenario 2 represents an optimistic outlook driven by growth in transit market as shown in Table 1 below.

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Table 1: Summary of demand forecasts

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Scenario 1 ('000'TEUs)	11.9	39.6	48.8	58.7	69.2	80.2	91.8	107.4	124	141.6	159.9
Scenario 2 ('000'TEUs)	20.5	64.7	74.7	85.4	96.8	108.6	121.2	137.7	155.3	173.9	193.1

The report further highlights some of the challenges as stated by potential customers of the facility, in which infrastructure gaps, cost of transportation and efficiency concerns emerged as the biggest factors that the potential users would consider. This is of significance as the Naivasha ICD will be operated on a "willing buyer, willing seller" model. An analysis of price indicates that it would be more costly for an importer to utilize the Naivasha ICD via Standard Gauge Railway (SGR) compared to road transport. In addition to cost, efficiency related issues were also highlighted as a major potential challenge for stakeholders, who have experienced teething problems at Nairobi ICD, which resulted in demurrage and storage charges.

Key challenges

The following challenges/issues were identified.

- **Lack of associated facilities** for port users.
- Delays experienced in railage of containers from Port Reitz – Mombasa.
- **Lack of social amenities and public transport** in areas surrounding the Naivasha ICD.
- **Narrow road linking the ICD** to the Narok-Mai Mahiu road.

- Naivasha ICD has a single gate that is too narrow to accommodate business as it grows and a lack of associated ICT facilities as at the time of this study.
- **Lack of Agency Block,** which is key to hosting banks, clearing and forwarding agents among other private service providing entities.
- **Re-marshalling yard under construction:** Although construction of the re-marshalling yard is ongoing, basic systems and infrastructure are yet to be completed.
- **Lack of scanner/s** at the time of visit: There was no scanner onsite meaning the facility could not handle local imports and undesirable for handling exports both local and transit.
- **Lack of operational weighbridge/s,** hence affecting the type of commodities being accepted as exports into the facility due to safety and risks associated. At the time of the visit, it was noted that the weighbridges are already installed at the gates but remain non-functional due to lack of system (KPA-KWATO) integration and activations at the facility.
- **Lack of custom warehouse,** which is key for customs operations.
- **Lack of reefer facility** despite its strategic positioning for handling fresh produce exports from Western and Rift Valley regions, as well as produce from regional transit countries
- **Lack of adequate and reliable water supply:** At the time of visit, water for general use was being supplied by a water bowser at a fee.
- **Lack of verification areas**, hence the facility is unable to handle local cargo.
- **Lack of social amenities and public transport**: During the study visit to the facility, it was observed that the closest amenities were located in Mai Mahiu, a distance of 15 Kms from the facility. Additionally, public transportation to the facility lacks.
- **Poor drainage system that** lead to flooding and damage to cargo on the ground.
- **Lack of fire engine:** The facility is not equipped with fire engines for emergency fire cases.
- **Lack of a health clinic**: The facility lacks a health clinic for users
- **Lack of COVID-19 isolation areas**: During this critical period of COVID-19 crisis, the facility does not have a dedicated isolation room for COVID-19 suspected clients.
- **Lack of streetlights:** This is a notable concern to cargo owners and workers as there are no streetlights and security installations along the major highways accessing Naivasha ICD.

Pricing and operational model

Cost of transporting cargo is a dominant factor for consideration on the usage and sustainability of the Naivasha ICD. The ICD Naivasha is fully dependent on SGR services for transportation of cargo to and from the Port of Mombasa, hence, the need for cost-effective and efficient transport system. The study assessed the operational models of the Naivasha facility available to government and identified two options. The first option is for Kenya Ports Authority (KPA) to lease the facility to a private operator under a Public Private Partnership (PPP) framework while the second option is for KPA to operate the facility. Having considered the merits and demerits of both options, the study recommends that KPA runs the facility in the short run and once all the PPP processes have been initiated and completed, then the facility be handed over to a private operator to run the facility.

Recommendations

The study makes the following key recommendations:

- Government (Kenya Railways Corporation - KRC and KPA) to fast track development of infrastructure and management to define an operational structure for the Naivasha ICD.
- KPA to develop Standard Operating Procedures (SOPs) for the smooth running of the facility. This could be used as a guide for all other ICDs in the country.
- A multiagency pilot exercise of end to end operations with selected clients at Naivasha ICD be undertaken to ensure smooth take-off.
- A courtesy bus be deployed to transport users of the facility from and to Mai Mahiu town, in the medium term, as the area develops.
- KRC/KPA management to consider constructing a cargo agency block in Naivasha ICD. This is key for hosting other private sector service providers such as banks.
- Construction and operationalization of a canteen for the facility users. The closest town with eateries is about 15km away.
- KPA to fast track system (KWATOs) configuration and integrations. All operations at the facility are manual, such as tracing of container in the yard.
- Construction of proper drainage system. Poor drainage system leads to flooding and damage to cargo on the ground.
- KRA to fast track installation of a scanner and activation of Weighbridge.
- Construction of the re-marshalling yard needs to be fast-tracked.
- Need for installations of streetlights and security from Mai Mahiu to the facility. Security patrols be considered,
- Construction of warehousing facilities for verification and storage of weather-sensitive cargo.
- Reefer power points be set up to support the reefer business such as flowers and fruits.
- Review the tariff to attract cargo traffic to the Naivasha ICD.
- Establishment of a joint marketing promotional activities between KPA, KRC and representatives of the private sector to enhance visibility of the Naivasha ICD.
- Establishment of regular public-private joint forums with the private sector to air their views and operational concerns with regard to the Naivasha ICD.

1 INTRODUCTION

KEPSA in collaboration with SCEA commissioned a study on the Naivasha Inland Container Depot to inform, and advise on the best way to optimize the utilization of the facility, devoid of its inefficiencies, challenges and unnecessary increase in cost of logistics to the shipper. The findings of the study shall inform private sector's fact-based advocacy with relevant government agencies for improved efficiency and cost-effective transportation of cargo through the facility.

1.1 BACKGROUND

The construction of SGR Phase 2A (Nairobi – Naivasha) commenced in 2017 and was launched in December 2019 upon its completion. However, operations have been slow to date despite the raft of measures put in place by various government ministries, department and agencies responsible for transport in Kenya. The measures include the deployment of two dedicated trains daily and implementation of promotional freight rates by KRC to serve the target customers along the route. In addition, KPA issued a 30-day free storage period for call import cargo cleared at the facility. KEPSA and like-minded Business Member Organisation (BMOs) in Kenya are keen to see the uptake of services at the Naivasha ICD through the improvement of general infrastructure to support operational efficiency and cost-efficiency of transporting cargo via the facility.

1.2 JUSTIFICATION OF THE STUDY

The study seeks to document potential opportunities and challenges impending optimal utilization of Naivasha ICD. It guides as to whether there exists a business case for the Naivasha ICD. The study gives clarity on the strategic issues that various government Ministries, Departments and Agencies as well as private sector players in this industry should implement to make the facility ideal for clearance of cargo. It was therefore imperative for SCEA and KEPSA to undertake this study on Naivasha ICD.

1.3 OBJECTIVES OF THE STUDY

The overall objective of the study was to assess the situation of Naivasha ICD and to inform private sector advocacy.

Specifically, the study sought to:

a) Appreciate the possible benefits to transit partner member countries and exporters from Kenya and the Eastern Africa Region.
b) Derive the competitive and comparative advantage of the rail freight from Mombasa to Naivasha.
c) Compare the total freight costs for the rail freight, from Mombasa to Naivasha and the EAC Partner States (transit countries), with road freight costs considering all shipping, last-mile and related costs.
d) Evaluate the current incentives and undertakings provided by KRC and KPA, determining their suitability.
e) Document the level of engagement between government to government and government to private sector, including shipping lines, clearing agents and cargo owners (manufacturers/importers).
f) Undertake a situational analysis of Naivasha ICD to advice on infrastructural gaps.
g) Undertake a demand and supply analysis to evaluate importance of the facility in the logistics corridor.
h) Review regulatory and policy environment.

1.4 SCOPE OF THE STUDY

In terms of geographical coverage, the study focused on Kenya and considered a wide stakeholder consultation along the northern corridor. The consultations were carried with key players along the value chain. Specifically, the following private and government agencies were engaged in this study: KPA, KRC, Ministry of Transport, Infrastructure, Housing and Urban Development, Competition Authority of Kenya (CAK), Kenya Maritime Authority (KMA), KEPSA - Transport and Infrastructure Sector Board, SCEA.

Others included Kenya International Freight and Warehousing Association (KIFWA), Kenya Revenue Authority (KRA) - Custom Officers, Kenya Transporters Association (KTA), Kenya Association of Manufacturers (KAM) – South Rift and Nyanza/Western regions, Nakuru Business Community Association, Uganda Shippers Council, Uganda Transporters Association, Uganda Business Community in Kenya, Uganda Manufacturers Association, Burundi Business Community in Kenya, Federation of East African Freight Forwarders Associations, Rwanda Association of Clearing Agencies and Special Economic Zone Authority (SEZA).

1.5 METHODOLOY

To achieve the objective of this study, the following methodologies were applied:

- **Phase 1:** Desktop study, which consisted of gathering and analysing secondary data available on print and online documentation.
- **Phase II:** Field study, which consisted of the gathering of primary data through key stakeholder consultations.

1.5.1 PHASE I: DESKTOP STUDY

This phase entailed secondary data collection. A critical desk review of relevant literature was undertaken from documentation obtained from KPA, KRC, Northern Corridor Secretariat, Mombasa Port Community Charter (MPCC) and SCEA. Other institutions were also key sources of insightful material.

1.5.2 PHASE II: FIELD STUDY AND KEY STAKEHOLDER CONSULTATIONS

Phase II of the study entailed primary data collection undertaken through interviews with key stakeholders. List of persons interviewed is set out in Annex 2.

The target population was identified by employing the transport and logistics value chain lens in the Northern Corridor to ensure, as far as possible, all actors were involved in the study. A stakeholder mapping was undertaken, targeting different players who are active in the Logistics supply chain along the Northern Corridor and who could provide information that would meet the objectives of the study. Specifically, the following private and government agencies were engaged in this study: KPA, KRC, Ministry of Transport, Infrastructure, Housing and Urban Development, SEZA, CAK, KMA, KEPSA - Transport and Infrastructure Sector Board, SCEA, KIFWA, KRA - Custom Officers, KTA, KAM – South Rift and Nyanza/Western Regions, Nakuru Business Community Association, Uganda Shippers Council, Uganda Transporters Association. Uganda Business Community in Kenya, Uganda Manufacturers Association, Burundi Business Community in Kenya, Federation of East African Freight Forwarders Associations and Rwanda Association of Clearing Agencies.

Due to limited timeframe and COVID-19 travel-related challenges and restrictions, the geographical coverage of the study was limited to Kenya.

1.5.3 DATA COLLECTION TOOLS, PRE-TESTING AND SAMPLING PROCEDURES

This study follows a qualitative approach. The primary information was obtained through structured interview guides and semi-structured questionnaires. Key consultations were organized with the mapped stakeholders involved in transport and logistics along the Northern Corridor (road and SGR) to understand their concerns and proposals.

The study tools were also pre-tested (three membership agencies - KTA, SCEA and KIFWA - were involved in pre-test exercise) and refined to meet the scope of each interviewee during the early stages of the study. Purposive sampling - a non-probability sampling technique, where a more representative sample is selected based on professional knowledge and judgment - was adopted to identify the key informants within the supply chain along the Corridor. This was combined with convenience sampling - a nonprobability sampling technique where subjects are selected based on their convenient accessibility and proximity.

1.5.4 DATA COLLATION, ANALYSIS AND INFERENCE

After undertaking data collection, qualitative information was collated into a matrix. (A number of operational issues were escalated to the relevant agencies for immediate action, such as delays of transfer of cargo from Mombasa to ICD Naivasha).

The data and information obtained was analysed with attention to the identification of Naivasha ICD's strengths, weaknesses, opportunities and threats. Inference was oriented to answer the key objectives of the study.

1.6 STUDY LIMITATION

- Some respondents were unavailable.
- Limited time for the study

2 THE NAIVASHA INLAND CONTAINER DEPOT

The Naivasha Inland Container Depot (ICD) was commissioned on 17th December 2019 and is at the heart of Kenya's ambition to become the transport corridor of choice for neighbouring countries. The ICD yard lies on a 10-acre land, situated on the south-west side of Mai Mahiu township, approximately 13 kilometres from the town. The facility lies within the proposed site of the Naivasha Industrial park. The SGR passes along the southern border of the Industrial Park.

The Naivasha ICD targets to handle transit cargo destined for Uganda, Rwanda, Burundi, South Sudan and DR Congo, which account for approximately 30% of import and export through the Port of Mombasa. The ICD will also handle local cargo destined for west of Nairobi. Similarly, the ICD will serve the planned Industrial Park, which has attracted various investors who have shown interest in putting up industries in the county, mainly within the Special Economic Zone.

KPA has a total of four Inland Container Depots with the Naivasha ICD becoming the latest addition. The other three Depots are located in Nairobi, Eldoret and Kisumu. At present, only the Nairobi ICD is operational. It is important to note that the Nairobi and Naivasha ICDs are served by the SGR.

The recently constructed Naivasha ICD is expected to ease pressure on the Nairobi facility among other benefits as outlined below.

a. The Naivasha ICD is meant to increase throughput for the Port of Mombasa through enhanced efficiency in the clearance of cargo and container handling. This is in line with the Port of Mombasa's strategic objective of retaining its 'hub port of choice' status.
b. The Naivasha ICD will bring port services closer to hinterland customers including the Transit Markets of Uganda, Rwanda, DRC, Burundi and South Sudan. Customers based in the hinterland can have access to the same services offered at the Port of Mombasa without having to travel all the way for the same, thus saving time and money.
c. Decongest the Port of Mombasa – the ICD in Naivasha will decongest the container terminal at the Port of Mombasa by reducing container dwell time through enhanced take-off of import cargo for clearance at the ICD.
d. Enhanced safety and security to transit cargo. Cargo transported by rail is safer and more secure therefore ensuring the safe transportation of cargo to and from the Port of Mombasa. In addition, the facility will offer high security standards in line with the ISS guidelines on Port Security.

2.1 CORE BENEFITS OF INLAND CONTAINER DEPOT

Naivasha ICD is expected to:

1) **Increase trade flows** beneficial to Northern Corridor countries and Kenya, as a whole, by enhancing of transportation of import and exports
2) **Lower door to door freight rates**: The consolidation of consignment and greater use of containerization can contribute significantly to the introduction of lower through rates. With door to door transport of goods via the facility, it may be possible to negotiate lower movement costs when the quoted rates apply to the whole length of haul, thereby yielding advantage as a result of the "taper" effect, thus, reaping economies of scale in terms of transport distance.
3) **Avoidance of clearing and forwarding agents fees at seaports**: These fees may be completely avoided where an ICD allows the use of combined transport bills of lading or multi-modal transport documents. This is so when such

documents are issued by a shipping line because the shipping line takes responsibility for the passage of the goods through the maritime port. Hence the importer or exporter does not need to employ a clearing and forwarding agents.

4) **Avoidance of storage, demurrage and late documentation fees**: With ICD and combined transport bill of lading, customs inspection at the maritime port and the borders of transit countries should be unnecessary or at-least greatly minimized and many of the usual causes of delay at maritime port will be removed. Storage costs, demurrage and late documentation fees will thus not occur.
5) **Multi-modal use - optional use of road and rail transport**: If substitution of existing long-distance road haulage by rail transport can be encouraged, there may be cost savings gained in transport. This possibility can be assessed by finding the difference between rail and road transport costs.
6) **Optimization of capacity:** ICD can reduce empty rail wagons or truck movement by acting as a consolidation centre for return loads of export cargo and empty returns. The consignment increase in load factor may enable some savings in overall transport costs
7) **Greater use of containers:** The establishment of ICDs with the proper equipment and support systems can encourage greater use of containers.
8) **Benefits to seaports:** Apart from lowering congestion, the establishment of ICDs also results in reduced handling of goods at related maritime port. There is a reduction in demand for storage spacing owing to faster onward transit, saving in both capital cost of providing handling equipment and warehousing as well as in equipment maintenance cost. With greater containerization of transit cargoes, maritime ports gain the advantage of higher berth throughputs thus reducing the cost per unit of cargo handled.
9) **Inventory savings:** One main purpose of ICDs is to speed up the movement of cargo and to increase the predictability of arrival times. Therefore, ICDs have implication for the volume of goods in transit at any one time, the level of stock held within a country and timing of payment of imports and exports.
10) **Improved communication**: Simple, rapid transfer of documentation and information fundamental to efficient cargo transit may be achieved by linking the computerized freight tracking or customs clearance to the provision of services in ICD.

2.2 Positioning the Naivasha ICD

2.2.1 Naivasha Industrial Park

The Naivasha ICD is an integral part of Naivasha Industrial Park. The government, through the Ministry of Industrialization, Trade and Enterprise Development, designated 1,000 acres of land in Naivasha as a Special Economic Zone (SEZ), as it stepped up efforts to boost manufacturing, in line with the National Big Four Agenda. The Land for the Naivasha Industrial Park has already been acquired by the State Department of Industrialization and apportioned to the various contracting agencies. The planned construction of the Naivasha Industrial Park and the ICD has raised the profile with investors. Residents and leaders are upbeat that the projects will open up Nakuru as a commercial hub in the East Africa region, as well as improve the competitiveness of the Northern Transport Corridor. Companies that will be situated within the zone are expected to enjoy direct connection to cheaper geothermal power from the Olkaria Power Plant and special tax incentives, in line with provisions of the Fiscal Incentives Act, 2015.

According to the Naivasha Industrial Park Master Plan, the government identified various ministries that will be involved in the delivery of the project, with the Ministry of industrialization, trade and Enterprise Development taking the lead. The plan by the government was to undertake direct investment in the Naivasha Industrial park as a way to attract private sector investment in the area. The construction of an ICD, among other infrastructural developments, is expected to activate more investment in the area and act as a catalyst for industrial development of the Naivasha Industrial Park. Construction of an ICD has been achieved under the implementation framework for the Industrial Park as a way to attract investment in the site.

2.2.2 MOMBASA PORT THROUGHPUT

The ICDs are critical to relief pressure to the main maritime port. Over the last ten years, the Port of Mombasa has registered a compound annual growth rate (CAGR) of 6.9% in the total throughput, 7.1% in total transit and 8.2% in total container traffic (Table 2). However, the annual growth of the three categories fluctuates. In 2014, total throughput had the highest annual growth of 11.5%, the lowest growth was recorded in 2013 (1.8%) and 2018 (1.9%). Similarly, transit traffic had the highest annual growth consecutively registering 11.5% and 11.2 % in 2017 and 2018, respectively. Total container traffic realized the highest growth in 2012, recording 17.2% and the lowest growth of 1.4% in 2016. However, in 2013, there was a decline of 1.0 %.

Table 2: Overview Performance for 2010 – 2019

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	CAGR
Total Throughput('000'MT)	18,934	19,953	21,920	22,307	24,875	26,732	27,364	30345	30,923	34,440	6.9%
Total Transit ('000'MT)	5,381	5,596	6,626	6,709	7,199	7,667	7,748	8,637	9,605	9,948	7.1%
Container Traffic (TEU)	695,600	770,804	903,463	894,000	1,012,002	1,076,118	1,091,371	1,189,957	1,303,862	1,416,654	8.2%
% Annual Growth											
Total Throughput('000'MT)		5.4%	9.9%	1.8%	11.5%	7.5%	2.4%	10.9%	1.9%	11.4%	
Total Transit ('000'MT)		4.0%	18.4%	1.3%	7.3%	6.5%	1.1%	11.5%	11.2%	3.6%	
Total Container Traffic (TEU)		10.8%	17.2%	-1.0%	13.2%	6.3%	1.4%	9.0%	9.6%	8.7%	

Data source: KPA

2.2.3 CONTAINERIZED CARGO

ICDs are critical in this era of containerised cargo growth. As illustrated in Table 3, the total imports and exports recorded 681,008 TEUs in 2010, 1,033,428 TEUs in 2015 and 1,197,482 TEUs in 2019 posting a compound annual growth rate of 4.2, 3.8 and 6.5 % respectively. With regard to percentage share by category, full imports have maintained approximately a share of 50.0 % over the last ten years, followed by empty import and export containers taking approximately a share of 37.0 % for the last ten years. In the same period, full export containers had the least share of the traffic, maintaining a range of less than 14.0 %.

Table 3: Import and Export Containers 2010 – 2019

				Compound Annual Growth Rate (CAGR)		
				2017-2019	2015- 2019	2010- 2019
	2010	**2015**	**2019**	**3 years**	**5 years**	**10 years**
Full Imports	338,842	514,086	592,807	3.4%	3.6%	6.4%
Full Exports	110,314	121,531	145,192	3.9%	4.5%	3.1%
Empty Imp & Exp.	231,852	397,811	459,483	5.4%	3.7%	7.9%
Total	681,008	1,033,428	1,197,482	4.20%	3.80%	6.50%

% Share				% Share		
	2010	2015	2019	2017-2019	2015- 2019	2010- 2019
Full Imports	49.8%	49.7%	49.5%	50.0%	50.1%	50.2%
Full Exports	16.2%	11.8%	12.1%	12.3%	12.2%	13.3%
Empty Imp & Exp.	34.0%	38.5%	38.4%	37.7%	37.7%	36.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Data source:KPA

2.2.4 TRANSIT CARGO

Table 4 provides the average contribution for each country over the 2010 to 2019 period. Kenya takes the lead, contributing approximately 68.8% of the total full import and export containers over the period, followed by Uganda (23.4%), South Sudan (3.4%) and DR Congo (2.0%). It is worth noting that, over the last three years, the percentage share for transit traffic has increased to 32.7% compared to 32.1% and 31.2% recorded in the last five and ten years, respectively.

Table 4: Container traffic by country 2010 - 2019

				Compound Annual Growth Rate (CAGR)		
				2017-2019	2015- 2019	2010- 2019
Full Imp & Exp	2010	2015	2019	3 years	5 years	10 years
Kenya	431,816	429,618	482,815	1.3%	3.0%	1.2%
Uganda	103,104	153,886	190,318	4.8%	5.5%	7.0%
Rwanda	5,514	8,116	6,159	8.2%	-6.7%	1.2%
Burundi	154	804	100	-16.4%	-40.6%	-4.7%
DR Congo	10,396	11,687	14,803	15.7%	6.1%	4.0%
South Sudan	10,298	22,133	24,851	16.8%	2.9%	10.3%
Somalia	401	539	37	-64.7%	-48.8%	-23.3%
Tanzania	8,828	8,576	9,887	3.6%	3.6%	1.3%
Total	570,511	635,359	728,970	2.9%	3.5%	2.8%
% Share				% Share		
	2010	2015	2019	2017-2019	2015- 2019	2010- 2019
Kenya	75.7%	67.6%	66.2%	67.3%	67.9%	68.8%
Uganda	18.1%	24.2%	26.1%	25.7%	25.0%	23.4%
Rwanda	1.0%	1.3%	0.8%	0.8%	0.9%	1.0%
Burundi	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
DR Congo	1.8%	1.8%	2.0%	1.8%	1.8%	2.0%
South Sudan	1.8%	3.5%	3.4%	3.0%	3.0%	3.4%
Somalia	0.1%	0.1%	0.0%	0.0%	0.0%	0.1%
Tanzania	1.5%	1.3%	1.4%	1.3%	1.3%	1.4%
Total Transit	24.3%	32.4%	33.8%	32.7%	32.1%	31.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Data source: KPA

2.2.5 MARKET SHARE

Table 5 presents cargo throughput per market share for the period between 2014 and 2019, in thousands of metric tonnes. Total traffic shows an increasing trend in cargo volume over the years, from approximately 27 million tonnes in 2016 to about 32 million tonnes in 2019. The data shows that domestic (Kenyan market) traffic averaged 70% to total traffic during the period under review.

Transit cargo has grown significantly from 7.7 million tonnes in 2016 to about 9.9 million tonnes in 2019. Data shows Uganda accounts for approximately 82% of total transit traffic through Mombasa Port followed by South Sudan at an average of 8% during the period under review. DRC, Rwanda and Burundi account for an average of 5%, 8% and 2% respectively, of the total transit volume. Uganda is, therefore, a key partner and deliberate efforts should be made to ensure that Uganda clients are satisfied by whatever means.

Table 5: Total Traffic in ('000) MT through the port of Mombasa per destination

ECONOMY	2016	2017	2018	2019	Proportion
TOTAL TRAFFIC	**26,776**	**29,398**	**29,601**	**31,836**	
Kenya	19,027	20,761	19,996	21,888	
% of total traffic	71%	71%	68%	70%	70%
Others	7749	8637	9605	9948	
Of which:					
Uganda	82%	82%	82%	82%	82%
South Sudan	8%	8%	8%	8%	8%
DR Congo	5%	4%	5%	5%	5%
Tanzania	2%	3%	26%	3%	8%
Rwanda	3%	2%	2%	2%	2%
Burundi	0.5%	0.3%	0.2%	0.02%	0.2%
Others(Including Somalia	0.2%	0.2%	0.1%	0.1%	0.1%

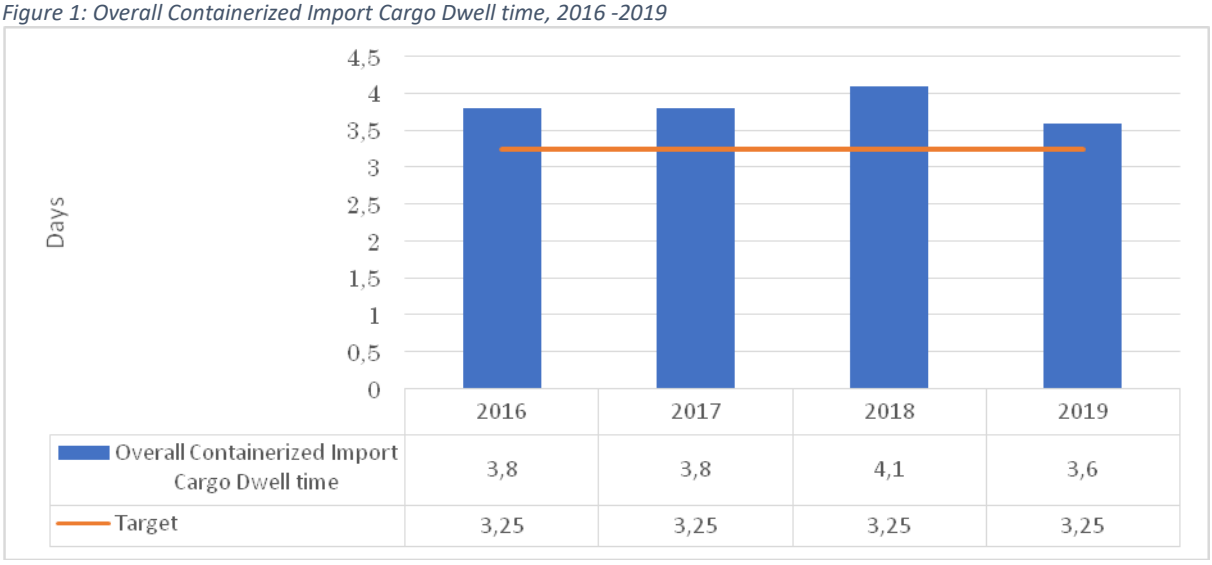
Data source: KPA

2.2.6 DWELL TIME

Containerized cargo dwell time is the measure of time that elapses from the time a container is offloaded at the port to the time it leaves the port premises. Reducing cargo dwell time at the port implies lower trade costs and enhanced efficiency. As presented under figure 1, the number of TEUs handled at Mombasa have been growing steadily at a compound annual growth rate of 9% from 2010 to 2019.

Figure 4 shows the overall dwell time for containerized cargo averaged 4 days between 2016 and 2019 against a target of 3.25 days. This does not include cargo transferred to Nairobi ICD via SGR. The favourable performance is attributed to expansion in port infrastructure, automation of key services at the Port and the use of SGR.

Figure 1: Overall Containerized Import Cargo Dwell time, 2016 -2019



	2016	2017	2018	2019
Overall Containerized Import Cargo Dwell time	3,8	3,8	4,1	3,6
Target	3,25	3,25	3,25	3,25

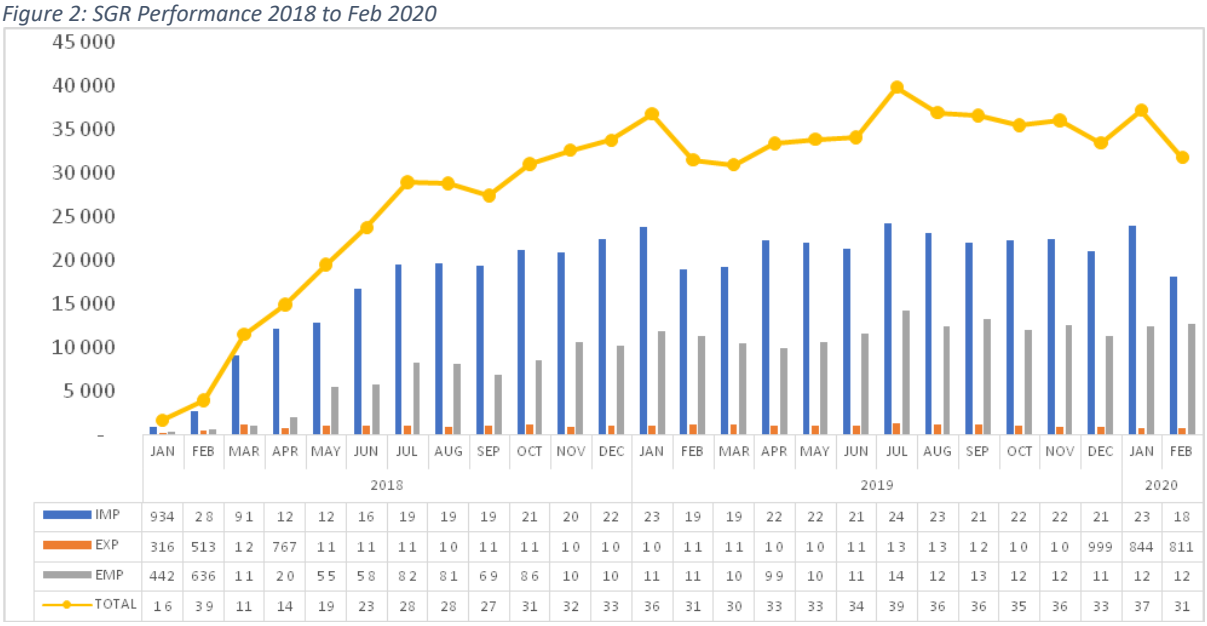
Data source: KPA

2.2.7 NAIROBI ICD

The Nairobi ICD is better positioned to serve local traffic due to its strategic geographical location. It is linked with the SGR and the MGR. Due to the depilated state of the MGR, the facility also serves as a transit point for traffic to Kisumu.

A total of 418,830 TEUs were handled in 2019 against 257,972 TEUs registered in 2018. This represents a 62.0% increase (figure 2). The monthly average of containers handled by the SGR in 2019 improved to 34,902 TEUs.

Figure 2: SGR Performance 2018 to Feb 2020



	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB
	2018												2019												2020	
IMP	934	28	91	12	12	16	19	19	19	21	20	22	23	19	19	22	22	21	24	23	21	22	22	21	23	18
EXP	316	513	12	767	11	11	11	10	11	11	10	10	10	11	11	10	10	11	13	13	12	10	10	999	844	811
EMP	442	636	11	20	55	58	82	81	69	86	10	10	11	11	10	99	10	11	14	12	13	12	12	11	12	12
TOTAL	16	39	11	14	19	23	28	28	27	31	32	33	36	31	30	33	33	34	39	36	36	35	36	33	37	31

3 MARKET ANALYSIS

3.1 SWOT ANALYSIS

One of the tasks was to undertake a SWOT analysis. The analysis identified internal variables (strengths and weaknesses) and the external variables (opportunities and threats) in play that will have an impact on the successful operationalization of the Naivasha ICD. These variables are tabulated as follows:

	Enablers	Challenges
	Strengths	Weaknesses
Internal	- Sizeable transit market - Availability of trained and skilled workforce - Goodwill and strong collaboration between government and stakeholders - Strategic location, due to proximity to serve two key markets - *Local cargo destined West of Nairobi and transit cargo using the Northern corridor* - Availability of land for expansion - Can offer better efficiency than Nairobi ICD in terms of truck turnaround time - Existence of a regional economic community with a regulatory framework.	- Inadequate yard and gate capacity - Lack of quick and easy access to business and social amenities from the facility - Lack of a facility to host cargo agency offices and other associated port users - Inadequate sanitary facilities and lack of medical facilities for staff and visitors (washrooms, clinic) - Lack of warehouse facilities for verification and weather-sensitive cargo - Lack of a scanner that hampers the use of the ICD for exports - Manual procedures - Lack of a rail connectivity via MGR for last-mile - The facility, currently, does not support reefer business. - Lack of formal consultation forums between public and private sector operators to address operational issues at the ICD
	Opportunities	Threats
External	- Vast hinterland that includes emerging markets of Uganda, DR Congo, Rwanda, South Sudan, Northern Tanzania and Burundi - Development of the Naivasha Special Economic Zone/Industrial Park - Nairobi-bound cargo being cleared at Naivasha ICD - Connectivity of MGR line for last-mile connectivity - Growth in the regional and domestic economy - Ready supply of trained labour and market - Establishment of offices by transit countries to support	- Development of competing transport corridors - High end to end cost to destination - Inefficiencies by other cargo interveners - Development of phase 2B SGR line will shift cargo from Naivasha - Business community are sceptical due to challenges experienced at Nairobi ICD in 2018

	clearance of cargo at the ICD	

3.2 INSTITUTIONAL & LEGAL FRAMEWORK

There are various support policies and legislation on the movement of cargo along the Northern Corridor. More importantly, Kenya is a signatory[2] to various regional agreements and international treaties that guide the management of cargo, both local and transit. Various legislations, regional and international agreements are individually analysed as follows.

(i) **The Northern Corridor Transit and Transport Agreement (NCTTA)**

Movement of goods along the Corridor falls under the Northern Corridor Transit and Transport Agreement signed in Nairobi, Kenya, on 6th October 2007. The Agreement is a multilateral treaty, with 12 protocols to facilitate transit cargo between the Kenyan Port of Mombasa and the hinterland of the Member States, namely Burundi, Democratic Republic of Congo, Rwanda, South Sudan and Uganda. The twelve protocols include Maritime Port Facilities; Routes and Facilities; Customs Control and Operations; Documentation and Procedures; Transport of Goods by Rail; Transport of Goods by Road; Inland Waterways Transport; Transport by Pipeline; Multimodal Transport of Goods; Handling of Dangerous Goods; and Measures of Facilitation for Transit Agencies, and Employees of Traders. Its objectives are as follows:

- To facilitate trade, the movement of persons, vehicles and goods in domestic, regional and international transport.
- To stimulate social and economic development in the territories of the contracting parties.
- To transform the Corridor into a development corridor which, in addition to offering safe, fast and competitive transport and transit services that secure regional trade, will stimulate investment and enhance sustainable development and poverty reduction.
- To implement strategies for accelerating economic and social growth along the Corridor while ensuring environmental sustainability

(ii) **The WTO Trade Facilitation Agreement**

Bureaucratic delays and "red tape" pose a burden for moving goods across borders for traders. World Trade Organization (WTO) members concluded negotiations at the 2013 Bali Ministerial Conference on the landmark Trade Facilitation Agreement (TFA). The Agreement came into force on 22 February 2017, following its ratification by two-thirds of the WTO membership. The TFA contains provisions for expediting the movement, release and clearance of goods, including goods in transit. It also sets out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues.

(iii) **The Integrated National Transport Policy (INTP)**

The mission of the Integrated National Transport Policy is "To develop, operate and maintain an efficient, cost effective, safe, secure and integrated transport system that links the transport policy with other sectoral policies, in order to achieve national and international development objectives in a socially, economically and environmentally sustainable manner". Key among the highlights of the policy principles are: (i) Clarification of the roles of the central and local governments, statutory bodies, non-

[2] The Constitution of Kenya, 2010, gives more clarity to the relationship between international law and the Kenyan legal system, removing the need for "domestication" as per the pre-August 2010 status quo

governmental bodies, and the private sector in the delivery and management of transport infrastructure and services; (ii) User pays and polluter pays principles to facilitate economic efficiency, generation of sufficient revenues to support development, and operation and maintenance of transport infrastructure and services. Additionally, to eliminate distortions on user choice of transport modes, eliminate to the extent possible and externalities in production and consumption, for example, pollution and congestion. (iii) Stakeholder consultation in setting of tariffs and other prices; (iv) Financing of economic infrastructure through user charging or cost recovery from direct users; (v) Financing of social and strategic infrastructure through subsidization on a declining basis over time; and (iv) Institutionalization of Regulatory Impact Analysis to enable assessment of regulatory proposals.

(iv) **Mombasa Port and Northern Corridor Community (The Charter)**

The Charter provides a mechanism for monitoring, evaluating and reporting on a regular basis, the Key Performance Indicators (KPIs) on an agreed dashboard and results framework, along the Northern Corridor. There is need to review MPNCC and develop KPIs for the Naivasha ICD.

Institutional framework:

All ICDs in Kenya are operated and managed by KPA. However, Naivasha ICD is still under KRC. The following are the frontline agencies and are key for efficient operations at the Naivasha ICD:

(v) **Kenya Port Authority**

Established in January 1978 under an Act of Parliament, KPA is mandated to manage and operate the Port of Mombasa and all scheduled seaports along Kenya's coastline. These include Lamu, Malindi, Kilifi, Mtwapa, Kiunga, Shimoni, Funzi and Vanga. In addition, the Authority manages Inland Waterways as well as ICDs at Embakasi, Eldoret and Kisumu, with the latest, being Naivasha ICD. The powers of the Authority as a statutory body include: (i)To maintain, operate, improve and regulate the ports set out in the Second Schedule; (ii) To construct, operate and maintain beacons and other navigational aids; (iii) To construct new ports; (iv) To carry on the business of stevedore, wharfage or navigation lights; (v) To act as a warehouse and to store goods whether or not such goods have been or are to be handled as cargo or carried by the Authority; (vi) To the extent determined by the minister, to act as carriers of goods or passengers by land or sea; (vi) To consign goods, on behalf of other persons, to any places whether within Kenya or elsewhere; and (vii) To provide such amenities or facilities for persons making use of the services performed or the facilities provided by the authority.

Further, the KPA Act, Sec 12 (3) provides that " or the avoidance of doubt, it is hereby declared that subsections (1) and (2) relate only to the capacity of the Authority as a statutory authority and nothing in those provisions shall be construed as authorizing the disregard by the Authority of any law". From the above sections in the KPA Act, it is clear that KPA can either: (a) Provide and operate train services within the Port of Mombasa or from the Port of Mombasa to any place outside the Port; or (b) Can enter into a contract with any person to provide and operate train services within the Port of Mombasa or commencing from the Port of Mombasa to any place outside the Port; or (c) It can enter into an agreement with KRC to provide and operate train services within the Port of Mombasa or from the Port of Mombasa to any place outside the Port.

(vi) **Kenya Railways Corporation**

Kenya Railways Corporation (KRC) was established by an Act of Parliament (Cap 397) of the Laws of Kenya and commenced operations on January 20, 1978. The overall mandate of the Corporation then was to provide a coordinated and integrated system within Kenya, of rail and inland waterways transport services and inland port facilities.

KRC is mandated to carry passengers or goods for hire or reward through a subsidiary or through a third party, hired for that purpose and to develop, own and manage real estate along the Corporation network, on a commercial basis, directly or through a subsidiary or through a third party hired for that purpose.

(vii) **Kenya Revenue Authority**

KRA was established by an Act of Parliament - The Kenya Revenue Authority Act (Chapter 469 of the Laws of Kenya). The major function of KRA is collecting revenue on behalf of the Government of Kenya. The core role and functions of the KRA are to (a) Assess, collect and account for all revenues in accordance with the written laws and the specified provisions of the written laws; (b) Advise the government on matters relating to the administration of, and collection of revenue under the written laws or the specified provisions of the written laws; (c) Perform such other functions in relation to revenue as the Minister (now Cabinet Secretary) in charge of matters related to finance may direct; and (d) All the procedures that freight and cargo undergo and carried out by Kenya clearing agents and KRA customs officials or customs declaration, customs long room formalities, customs verification and/or scanning and KPA pick up order or container freight station release order.

3.3 NAIVASHA ICD CAPACITY

The Naivasha ICD is designed to handle containerized cargo, including loose cargo packed in containers. The facility sits in 10 Acres of land and is served by a single lane road with one gate for exit and entry. It has a capacity of 4000 TEUs (stack 4high) at any given time.

3.3.1 NAIVASHA ICD TERMINAL EQUIPMENT

Terminal equipment is critical for efficient and timely service delivery at the inland container depot. KPA is using the model of Volume for specific equipment based on previous experience in Mombasa and ICD Nairobi. However, on the analysis of available equipment, Naivasha ICD is relatively underequipped with only three reach stacker, three terminal tractors, one forklift and three trailers. To make Naivasha facility efficient, it should be equipped with two rubber-tyred gantry (RTG) cranes, six reach stacker, 10 terminal tractors, two empty container handlers, three forklifts, 15 trailers and at least one shunter (Table 6).

Table 6: List of equipment at Naivasha ICD

Items	Number required	Current Holding	Available	Equipment in use(operation)
RTG	2	0	0	0
Rail mounted gantry (RMG) Cranes	0	0	0	0
Reachstacker	6	4	3	3
Terminal tractors	10	7	6	3
Empty Container handler	2	0	0	0
3/5 Ton forklifts	3	1	1	1
Trailers	15	8	8	3
Shunters	1	0	0	0

Data source: KPA

3.3.2 POTENTIAL EXPORTS PRODUCTS

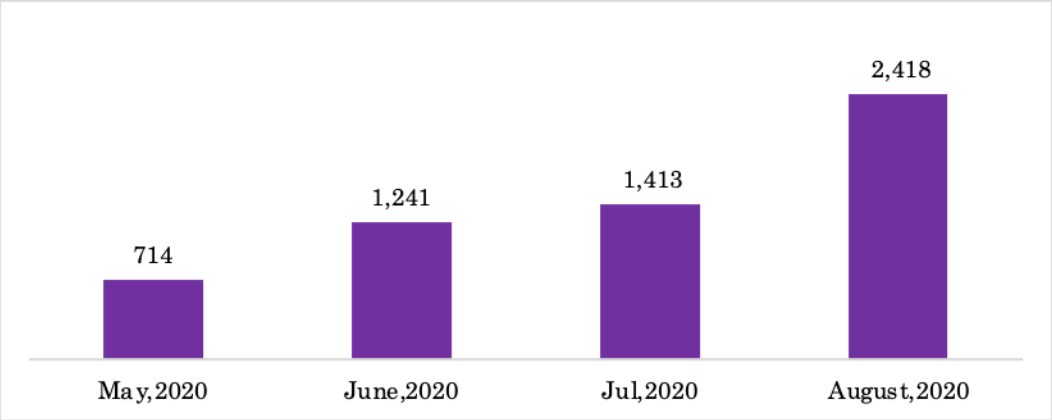
The facility is strategically placed to handle the following export products:

- Tea
- Coffee
- Hide and skins
- Bean, peas and pulses
- Oil seeds
- Fish & crustacean
- Rice,
- Avocado
- Tobacco and cigarettes
- Iron & steel
- Cotton
- Sisal
- Tinned fruits, vegetables & juices
- Sim sim
- Timber
- Minerals

3.3.3 NAIVASHA ICD PERFORMANCE

Figure 3 shows data on cargo delivered to the Naivasha ICD in the months of May and August 2020, by rail. A total of 5768 TEUs were delivered to Naivasha ICD during the period under review. Additionally, importers will enjoy a 30-day free storage period compared to 4 days at Naivasha ICD.

Figure 3: Cargo delivered to the Naivasha ICD in TEUs, May 2020 -August 2020



Source data: KPA

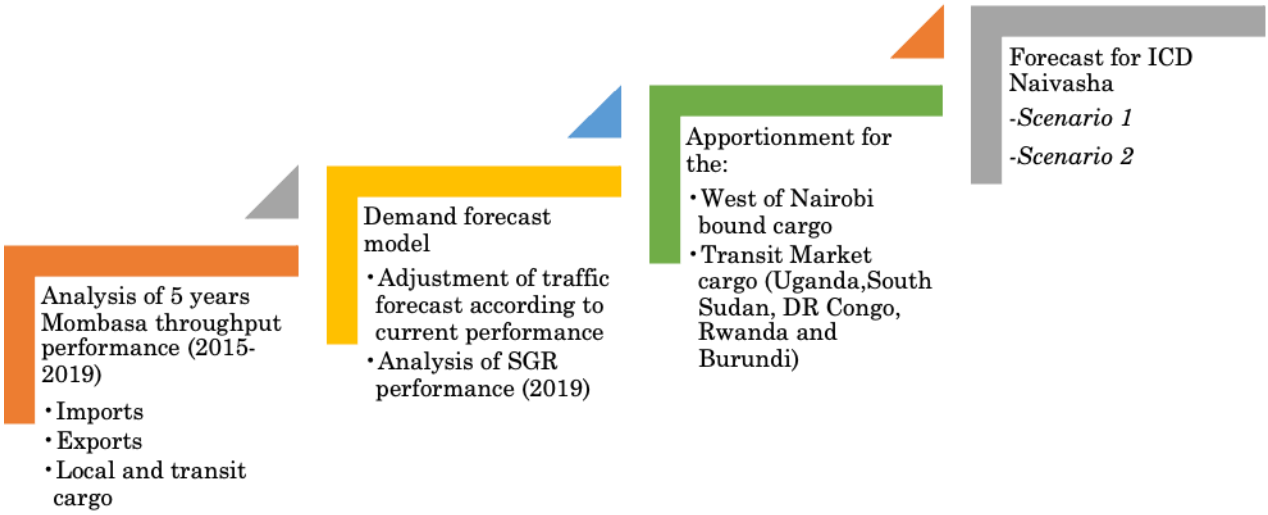
3.3.4 DEMAND FORECAST

To drive a demand forecast at the Naivasha ICD, the following steps were followed.

Determined the potential market areas for the facility	The demand forecast for the Naivasha ICD, like any other dry port demand forecast, is a derived demand. That is, derived from the imports and exports of specific markets expected to utilize the facility. The Naivasha ICD, by virtue of its location, is strategically placed to serve the following markets. - Local cargo heading west of Nairobi - Transit cargo currently utilizing the Northern Corridor route
Determined an appropriate allocation for Naivasha facility, of the total predicted market area cargo	

The study utilized the following methodology to arrive at a final forecast (figure 4).

Figure 4: Demand Forecast Methodology



Source: Author's conceptualization
The demand forecast for Naivasha ICD is presented in two scenarios.

3.3.4.1 SCENARIO 1

As illustrated in Table 7, scenario 1 represents a conservative forecast based on the intelligence that, as it stands, the facility might not immediately offer an attractive alternative to both the transit and local market. This is of significance, especially for a facility that is run on a "willing buyer, willing seller" model. A comparative analysis of the end-to-end cost for rail vs road to Kampala and Nakuru reveals that it is more expensive to use the Naivasha facility, with cost as the main consideration.

In addition, a new facility will require time for the market to adjust. This is against a backdrop of the challenges experienced at ICD Nairobi that left the market sceptical, hence, a gradual and progressive shift is expected. On local cargo, the facility will see increased use as from 2027, attributed to local cargo as a result of increased industrial presence at the Naivasha Industrial Park.

Table 7:: Scenario 1 demand forecast

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Transit	8.6*	28.7	33.3	38.2	43.4	48.8	54.6	60.6	67	73.7	80.7
Local	3.3*	10.9	15.5	20.5	25.8	31.3	37.2	46.8	57	67.9	79.2
Total ('000'TEUs)	11.9*	39.6	48.8	58.7	69.2	80.2	91.8	107.4	124	141.6	159.9
No of TEUs per month ('000')	1	3.3	4.1	4.9	5.8	6.7	7.6	9	10.3	11.8	13.3
No of TEUs per day	33	110	136	163	192	223	255	298	345	393	444
No of trains per day	0.3	1	1.3	1.5	1.8	2.1	2.4	2.8	3.2	3.6	4.1

Source: Consultant projection
**Naivasha cargo 6-month projection for year 2020*
Transit country (Uganda, DRC, Rwanda, Burundi & South Sudan)

Scenario 1 Assumptions:
In the case of scenario 1, the following is assumed:

a) Operations will commence in July 2020.
b) Phase 2B of the SGR will not be completed within the 11-year projection period.
c) 15% of the local cargo is destined west of Nairobi; Source - Gross County Product by economic activity; KNBS; Gross County Product 2019.
d) Shift of local cargo destined to west of Nairobi will be gradual from 5% in 2020 to 23% in 2026. Increased industrial presence in the region will accelerate the growth as from 2027.
e) 5% of transit cargo will shift to Naivasha increasing gradually to 17% in the year 2030.

3.3.4.2 SCENARIO 2

According to the illustration on table 8, scenario 2 represents an optimistic outlook for both local and transit market, with the assumption that the transit market will be the key driver of growth of the Naivasha ICD. The scenario assumes that a concerted effort will be made to ensure the challenges of cost of use, inefficiencies, and lack of buy-in will be addressed by KPA and KRC, to the advantage of the transit market.

In addition, the transit countries have been offered land as an incentive to use the Naivasha ICD. The facility will see increased use as from 2027 attributed to local cargo, as a result of increased industrial presence at the Naivasha Industrial Park. In as much as this is the optimistic scenario, the 'willing buyer willing seller' model may still limit capture of the target market area.

Table 8: Scenario 2 demand forecast

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Transit	17.1*	53.8	59.2	64.9	71.0	77.3	83.9	90.9	98.3	106.0	113.9
Local	3.3*	10.9	15.5	20.5	25.8	31.3	37.2	46.8	57.0	67.9	79.2
Total '000'TEUs	20.5*	64.7	74.7	85.4	96.8	108.6	121.2	137.7	155.3	173.9	193.1
No of TEUs per month ('000')	3.4	5.4	6.2	7.1	8.1	9.1	10.1	11.5	12.9	14.5	16.1
No of TEUs per day	114	180	208	237	269	302	337	383	431	483	536
No of trains per day	1.1	1.7	1.9	2.2	2.5	2.8	3.1	3.5	4.0	4.5	5.0

Source: Consultant *team projection*
**Naivasha cargo 6-month projection for year 2020*
Transit country (Uganda, DRC, Rwanda, Burundi & South Sudan)

Scenario 2 Assumptions:
In the case of scenario 2, the following is assumed:

a) The facility will be fully operational in July 2020.
b) That all operational and infrastructural gaps are addressed.
c) The frontline agencies (KPA, KRC, KEBS & KRA) execute their mandate.
d) Phase 2B of the SGR will not be completed within the 11-year projection period.
e) 15% of the local cargo is destined west of Nairobi; Source - Gross County Product by economic activity; KNBS; Gross County Product 2019.
f) Shift of local cargo destined to west of Nairobi will be gradual from 5% in 2020 to 23% in 2026. Increased industrial presence in the region will accelerate the growth as from 2027.
g) 10% of transit cargo will shift to Naivasha, increasing to 24% in the year 2030.

4 SURVEY FINDINGS

4.1 INFRASTRUCTURE GAPS

In Kenya, ICDs are managed by KPA, however, this study established that the Naivasha ICD is still under construction (*estimated at about 40-60% completion*) despite its launch in December 2019. KRC will be handing over the facility to KPA upon completion. The following are some infrastructural gaps identified during the study:

1) **Lack of an agency block:** Lack of an agency block will have a negative impact on the efficiency of the facility. It hosts banks, clearing and forwarding agents among other private service providers. Since the facility is located in Suswa, users will have to travel at least 15Kms to Mai Mahiu or 47 kms to Naivasha to access banking and other associated services. This is a disincentive for use of Naivasha ICD as compared to Nairobi ICD or Port of Mombasa. During a study visit at the facility, it was noted that agents occupy the reception rooms of administration block. It is, therefore, necessary for the responsible government agency to prioritize the construction of agency block.
2) **Delayed completion of re-marshalling yard:** Although construction of the re-marshalling yard is ongoing, basic systems and infrastructure lack. The yard has no water, it is dusty and has no security lights. There is need to expedite the construction of the re-marshalling yard.
3) **Lack of scanner/s**: Scanners are very critical for efficient and effective service delivery at the facility. Due to lack of scanner/s, the study established that local cargo (both imports and some specified exports) could not be processed at the facility. However, there are plans to transfer one scanner from Mombasa to the facility. Due to the lack of scanner/s, the facility has never handled any local cargo.
4) **Lack of operational weighbridge/s,** hence affecting the type of commodities being accepted as exports into the facility due to transit safety risks. At the time of the visit to the facility, weighbridge/s were already installed at the gates, however, they have remained non-functional due to the lack of system (KPA - KWATO) integration and activation at the facility. Some export products handled at the facility include tea, coffee, bean, oilseeds, fish, rice, peas, and hide and skin among others, mainly from transit countries in the Northern Corridor; in which majority are from Uganda.
5) **Lack of a customs warehouse:** By law, customs warehouse is a prerequisite for establishing an ICD. Unfortunately, the Naivasha ICD does not have a customs warehouse. Respondents reported that, despite this, KRA is still charging custom warehouse rent for cargo cleared beyond the stipulated timelines.
6) **Lack of reefer facility:** Specificity of fast spoiling cargo requires the use of another approach to servicing reefer containers in a port than that of conventional containers. Refrigerated cargo is susceptible to change in climatic conditions during storage and transportation, hence it requires special care. Naivasha ICD is strategic for handling fresh produce exports from Western and Rift Valley regions as well as that from regional transit countries. There is need to develop infrastructure for servicing reefer containers.
7) **Lack of reliable water supply:** The Naivasha ICD has no sustainable water supply. The facility is currently served by a water bowser arranged by KPA. There is need to consider having a borehole at the facility to ensure reliable and sufficient water supply.

8) **Lack of verification areas:** Naivasha ICD does not have a verification area. A verification area is critical for handling local imports. The facility launch has never handled local cargo.
9) **Narrow link road:** Currently, the facility is linked with a single but narrow two-way road. The respondents claim that the road linking the ICD to the Narok-Mai Mahiu road is narrow to accommodate two-way traffic for the trucks.
10) **Single and narrow gates:** Similar to the link road, respondents noted that Naivasha ICD has a single gate, which is too narrow to accommodate business as it grows and may affect evacuation of cargo.
11) **Lack of social amenities and public transport:** Several respondents were concerned of the distance to the nearest housing facilities, accommodation, eateries and other social amenities that are necessary for ease of doing business at the facility. During the study visit to the facility, it was observed that the closest amenities were in Mai Mahiu, a distance of 15 Kms from the facility. Additionally, public transportation to the facility lacks.
12) **Lack of a fire engine:** The facility is not equipped with a fire engine for emergency fire cases. Additionally, there is no existing framework on safety response between KPA and county government in case of emergence at the facility.
13) **Lack of a health clinic:** The facility lacks a health clinic for users.
14) **Lack of COVID-19 isolation areas**: During this critical period of COVID-19 crisis, the facility does not have a dedicated isolation room for COVID-19 suspected clients
15) **Lack of streetlights:** This is a notable concern to cargo owners and workers as there are no streetlights and security installations along the major highways accessing Naivasha ICD.

4.2 COST OF TRANSPORT

The study identified the cost of transportation as the biggest factor that potential users of the facility would consider. This is of significance as the Naivasha ICD will be operated on a "willing buyer, willing seller" business model.

4.2.1 KRC APPROVED RATE FOR NAIVASHA ICD

The general perception from the market is that the cost of using SGR is higher, compared to using road transport. Table 9 shows the current approved SGR freight rates. KRC is also implementing volume-based discounts as presented in table 10. To spur the usage of the Naivasha ICD, Kenya Railways introduced a stimulus tariff for SGR freight, christened Madaraka Express Freight Service, from Mombasa to Naivasha. The tariff would last for 90 days from the month of June 2020. The tariff reduced from $600 to $480 for a 20-foot container and from $850 to $680 for a 40-foot container. The promotion period has lapsed.

Table 9: Approved freight rate to and from Niavasha ICD

Container Size 20ft	Weight Range (tons)	Rate for Loaded container (USD)		Rate for Empty Container (USD)	
		Up Direction	Down Direction	Ex Up Direction By rail	Ex Up Direction by Road
20 ft	Full Range	600	300	120	180
40 FT	Below 21 tons	850	425	120	180
40Ft	Above 21 tons				

		910	455	120	180

Source: KRC

TEUs per Month	Percentage Rebate
>46 – 93	5%
>93 – 463	10%
>463 – 926	15%
>926	20%

Table 10: Approved Volume Based Discounts

4.2.2 BENEFITS OF USING RAILWAY:

As in the other parts of the world, the expected benefits of using railways are huge both for the local cargo (destined to west Kenya) and the transit cargo destined to Uganda, South Sudan, DRC, Rwanda, Burundi and North Tanzania. The expected benefits should include, among others, **(i)** reduced transport cost, **(ii)** minimum non-tariff barriers (NTBs); **(iii)** fast and predictable cargo evacuation from origin to destination, and **(iv)** reduced greenhouse gas emissions generated from the transport sector. In addition, the use of the railway is expected to address various challenges experienced particularly during the COVID-19 pandemic whereas truck drivers are subjected to repetitive testing.

4.2.3 TRANSPORT COST COMPARISONS (ROAD VS SGR)

Using Kampala and Nakuru as the end destinations, the study carried out a comparative analysis of the end-to-end rates of using SGR vis-a-vis road and arrived at the following facts.

A. Mombasa to Naivasha via SGR then Road to Kampala vs Direct Road transport from Mombasa to Kampala

It costs a difference of an average of USD 375 and USD 730, more to transport a 20" and 40" containers, respectively, from Mombasa to Kampala via ICD Naivasha and back compared to use of pure road transport. Below is a summary of the findings (table 11). However, it is worth noting that Ugandan shippers (importers/exporters) & forwarders are keen to use the Naivasha ICD once operational and infrastructural issues are resolved. Further, Uganda respondents noted that the challenge of over-reliance (about 80%) of Kenya truck for last-mile will continue to hinder the utilization of the facility as there is no buy-in by Kenya truck owners on the use of the facility.

Table 11: End to end Comparative analysis of Rail vs Road cost analysis to Kampala (USD)

	Currency	Mombasa to Naivasha ICD via SGR then to Kampala via Road – (Return Journey)	Mombasa to Kampala via Road – (Return Journey)	Cost Difference
20"	$	2580	2205	375
40" (<20)	$	2950	2280	670
40" (>21)	$	3010	2280	730
The cost of using SGR goes higher if the margins for the shipping lines are considered for TBL cargo, making the end-to-end rate even higher.				

Source: Consultant's analysis

Detailed analysis attached to this report as Annex 1; table a

B. Mombasa to Naivasha via SGR, and then to Kampala via MGR vs. direct road transport

KRC intends to offer customers a third option of Mombasa to Naivasha via SGR, and then to Kampala via MGR. This option seems to be the most expensive (see below a breakdown of costs). It costs a difference of an average of USD 575 and USD 835 more to transport a 20" and 40" container, respectively, from Mombasa to Kampala via ICD Naivasha, then by MGR and back, compared to the use of road (table 12). However, the initiative to integrate with the MGR at Longonot and rehabilitation of Naivasha Malaba will create the conditions for interoperability. Whereas it is still currently more expensive than road, once the rail track is rehabilitated as planned on both sides (Kenya side/Uganda side) and subsequent dedication of more rolling stock to the route and restructure their pricing, Uganda business community are optimistic that it will offer a business case and that it shall be possible to compete with road or be cheaper in the short to medium term. Additionally, the process of rehabilitating the Nakuru - Kisumu spur and completing the SGR/MGR interoperability will be integrated with Lake Victoria transport to achieve an intermodal solution.

Table 12: Cost of use of SGR to Naivasha then MGR to Kampala

	Currency	Mombasa to Naivasha ICD via SGR, then to Kampala via MGR– (Return trip)	Mombasa to Kampala via Road – (Return trip)	Cost Difference
20"	$	2780	2205	575
40" (>21)	$	3105	2280	825
The cost of using SGR goes higher if the margins for the shipping lines are considered for TBL cargo, making the end to end rate even higher.				

Source: Consultant's analysis

Detailed analysis attached to this report as Annex 1; table b

C. Rail - Road (Naivasha) vs Rail – Road (Nairobi) vs Road to Nakuru

For local cargo destined to Rift Valley and Nakuru areas, a breakdown of cost comparison to move cargo from Mombasa to Nakuru and environs via ICD Naivasha, then by road and back, compared to use of road is presented as shown in tables 13 and 14. Cargo owners will still pay more for using the SGR via Nairobi ICD and Naivasha ICD.

Table 13: Comparative Rail vs Road cost analysis to Nakuru (Direct to ICD Naivasha)

	Currency	Mombasa to Naivasha ICD via SGR then road to Nakuru (Return trip)	Mombasa to Nakuru via Road – (Return trip)	Cost Difference
20"	$	**1430**	1205	225
40" (<20)	$	1800	1430	370
40" (>21)	$	1860	1430	430
The cost of using SGR goes higher if the margins for the shipping lines are considered for TBL cargo, making the end to end rate even higher.				

Source: Consultant's analysis

Detailed analysis attached to this report as Annex 1; table c

Table 14: Comparative Rail vs Road cost analysis to Nakuru by road (via Nairobi ICD)

	Currency	Mombasa to Nairobi ICD via SGR then road to Nakuru (Return Journey)	Mombasa to Nakuru via Road (Return Journey)	Cost Difference
20"	$	1330	1205	125
40" (<20)	$	1650	1430	220
40" (>21)	$	1700	1430	270
The cost of using the SGR goes higher if the margins for the shipping lines are considered for TBL cargo, making the end to end rate even higher.				

Source: Consultant's analysis

Detailed analysis attached to this report as Annex 1; table 1

4.3 OPERATIONAL AND EFFICIENCY ISSUES

1) **Lack of access cards and application challenges:** Access cards are issued by KPA at a cost of Ksh. 3000. Processing of access card is done at Mombasa Port. This is time-consuming and increases the cost of doing business as customers using the facility are supposed to travel to Mombasa for application of access cards.
2) **Delays in transfer of cargo from Mombasa to Naivasha ICD**: Although KRC has committed 2 dedicated trains to transfer cargo from Mombasa to Naivasha, delays experienced in railage of cargo from Port Reitz remain an unresolved matter. Customers feel that it might get worse with the Naivasha ICD, considering there might be a general lack of initial cargo for the facility. KPA and KRC should consider the implementation of the First in First out (FIFO) framework to ensure timely delivery of cargo to Naivasha ICD from Mombasa.
3) **Inconsistency in incentives given by government authorities**: KPA is implementing a 30-day free period for cargo clearance at the Naivasha ICD. Shipping lines give up to 28 days for most of transit cargo (e.g. for Uganda cargo). Further, KRA charges customs warehouse rent for any cargo that delays beyond the 21 days as provided in the EACCMA Act, 2012. This variance creates inconsistency on incentives, making it almost impractical for cargo owners to benefit.
4) **Shipping line support:** Only a few shipping lines have express support for the transfer of cargo to Naivasha ICD. There are several reasons why shipping lines are not for Naivasha ICD, including:
    - They suffer a lot of delays compared to the other lines and hence fear further un-tested additional chain in the transport links, which is likely to increase delays in delivery of cargo to their destinations or clients.
    - Reliability of the shipping lines is a major problem. Schedule integrity is an important risk indicator/mitigation in shipments.
    - ICD or port of arrival that allows for swift clearance procedures and fast handling of the containers.
5) **Lack of a clear management structure:** There is a lack of clear management structure. The facility is still under KRC as there are ongoing constructions**.** There is an urgent need for the Authority to define an operational structure for the Naivasha ICD.

5 CONCLUSION AND RECOMMENDATIONS

This chapter presents recommendations based on the analyses provided under chapters 3 and 4, in line with the objectives of the study.

5.1 CONCLUSION

The construction of the Naivasha ICD and the planned development of the Industrial Park have raised the profile of Nakuru among investors, residents and leaders, upbeat that these projects will open up it up as a commercial hub in the East Africa region, as well as improve the competitiveness of the Northern Transport Corridor. Nonetheless, the study observed that the business community was sceptical about the Naivasha ICD for fear of experiencing teething problems as was the case with Nairobi ICD. Their major concern was the high cost of end-to-end logistics and inefficiencies. Cost differences in margins ranging from 125 to 825 US dollars per container, in favour of road transport, as realized in the study on comparative costs for different means of transport, are clear indicators that given the freedom of choice for a means of transport, cargo owners have been and will continue to choose road transport over SGR. This scenario describes the business case for Naivasha ICD, in a competitive business environment within EAC. Steered by the findings of this study and the demand forecast herein, the Naivasha ICD has business potential for both transit and local markets. Locally, the facility targets industries at the west of Nairobi and cargo for the Industrial Park for sustainability, once SGR extends from Naivasha.

Further, the land given to transit countries will likely have a positive impact on promoting transit business at the Naivasha Industrial Park.

Finally, there is need for the government to weigh options of making the Naivasha ICD a transit facility, as opposed to Inland Container Depot. This is due to two compelling reasons, that, (a) majority of the target users are transit countries (who already have their cargo cleared under single custom territory window) and (b) cost of setting up ICD is high and would require huge mobilization in the short term or medium term.

5.2 RECOMMENDATIONS

Therefore, to improve the operational efficiency and attract customers to use Naivasha ICD, a time horizon for the proposed interventions and to identify the practical timeframe to implement the solutions, is indicated. The time horizon is broken down into:

- Short term – less than six months
- Medium term – between six months and one year
- Long term – more than one year

In light of the above analysis, the following measures are recommended:

Proposed intervention	Comments	Key stakeholder	Time frame
Agency block	Government should fast track construction of the Agency block. The Agency block is key to host clearing agents, banks and other related service providers	KRC KPA	Short term
Sanitary block for	This would provide more washrooms and allocation of the same among ladies and gentlemen. Drivers should also be allocated their own	KRC/KPA	Short term

Proposed intervention	Comments	Key stakeholder	Time frame
visitors/truckers	latrines.		
Installation of security lights	This should be along the major highways accessing Naivasha ICD to minimize insecurity to users of the Naivasha ICD. It is recommended that the installation of security/streetlights from Mai Mahiu to the facility and security patrols be considered.	KeNHA KRC KPA	Short term
Scanners	This is crucial for export and import processing at the port.	KRA	Short term
Bus to transport users of the facility	There is need to provide a bus to transport users of the facility to and from Mai Mahiu, a distance of 15 Kms from the facility. This will ease doing business at the facility and ease access to social amenities	KPA KRC	Short term
System integration	To improve turnaround of process cargo at the facility, KPA should fast track system configuration to reduce dependence of Nairobi ICD system checks and confirmations for Naivasha ICD operations.	KPA KRA	Short term
Interchange document for returned empty containers	Once empty containers are returned back to Naivasha ICD, shippers or representatives should be issued with the interchange document to stop container demurrage charges from increasing. Further, procedures for returning empty containers to the ICD need analysed and streamlined.	KPA Shipping Lines	Short term
Fasttrack expansion of Nakuru-Nairobi highway (Mai Mahiu)	The planned expansion of Rironi-Nakuru-Mau Summit road from two-lane highway into a four-lane dual carriageway should be prioritized, owing to increased traffic due to operationalization of Naivasha ICD. The Rironi-Mai Mahiu-Naivasha Road serves the Naivasha Inland Container Depot and the proposed Industrial Park. It also serves traffic destined to Narok, south-western Kenya and northern Tanzania.	Ministry of Transport and Infrastructure	Long term
Gates Expansion	Additional control gates should be considered to ease traffic in and out of the facility. Similarly, the road linking the facility to the Mai Mahiu-Narok highway should be expanded for smooth movement of trucks.	KRC KPA	Medium term
Weighbridge activation	There is need to fast track system configuration as well as weighbridge activation.	KRC KPA	Short term
Verification area	There is need for the construction of a verification area to support processing of local cargo at the facility.	KPA KRC	Short term
Water supply	The government should consider drilling of a borehole or connection of sustainable and reliable water supply.	KPA KRC	Medium term
Re-marshalling yard	There is need to fast track completion of the re-marshalling yard to the required standards.	KRC KPA	Short term
Health clinic	The government should prioritize the construction of a health clinic to offer medical services to the facility users.	KPA KRC MoH	Short term
Covid-19 isolation	Establishment of COVID-19 isolation facility within Naivasha ICD to service to the facility users.	KPA	Short term

<table>
<tr><th>Proposed intervention</th><th>Comments</th><th>Key stakeholder</th><th>Time frame</th></tr>
<tr><td>facility</td><td></td><td></td><td></td></tr>
<tr><td>Offices for the regional government agencies</td><td>Construction of offices for the regional government agencies. Currently only Uganda has moved in. Other Partner States are waiting for proper set of offices and completion of the facility before making a decision to move in.</td><td>KPA

KRC</td><td>Short term</td></tr>
<tr><td>Customs Warehousing</td><td>Customs warehouse is prerequisite for gazettment of the facility for verification and storage of weather sensitive cargo.</td><td>KRA
KPA</td><td>Short term</td></tr>
<tr><td>Reefer power point</td><td>To support export of perishable goods/products through the facility, it is paramount that a reefer power point is put up to support the reefer business.</td><td>KPA

KRC</td><td>Short term</td></tr>
<tr><td>Freight rate review</td><td>Kenya Railways should consider reviewing the current freight rates to make them competitive. See below, proposed competitive charges/ rates (USD).
<table>
<tr><td></td><td colspan="2">20ft</td><td colspan="2">40ft Up to 20.9T</td><td colspan="2">40ft Above 21T</td></tr>
<tr><td>Mombasa-Naivasha-SGR</td><td>Current</td><td>Proposed</td><td>Current</td><td>Proposed</td><td>Current</td><td>Proposed</td></tr>
<tr><td></td><td>600</td><td>300</td><td>850</td><td>400</td><td>910</td><td>500</td></tr>
</table></td><td>KRC</td><td>Short term</td></tr>
<tr><td>Promotion</td><td>A joint marketing team involving the private sector should be constituted to enhance visibility of the Naivasha ICD. A multiagency pilot exercise of end-to-end operations with selected clients at the facility should be undertaken to ensure smooth take-off and to minimize teething challenges as was the case with ICD Nairobi.</td><td>KRC
KPA
KEPSA
SCEA
KMA
KTA
Shipping line</td><td>Medium term</td></tr>
<tr><td>Privatisation</td><td>KPA should consider outsourcing some of operational and management services of Naivasha ICD once it is complete. The government should consider commercializing the facility, however, KPA should run the facility in the short run and once all the PPP processes have been initiated and completed, then the facility be handed over to a private operator to run it.</td><td>KPA</td><td>Long term</td></tr>
<tr><td>Operation structure</td><td>There is an urgent need for KPA to define an operational structure for the ICD. This study proposes that Naivasha ICD be under the Head of ICDs, who will be expected to take charge of its immediate operationalization.</td><td>KPA</td><td>Short term</td></tr>
<tr><td>Standard Operating Procedures (SOPs)</td><td>There is an urgent need for KPA to develop and implement Standard Operating Procedures (SOPs) for the smooth running of the facility and other ICDs in the country.</td><td>KPA</td><td>Medium term</td></tr>
<tr><td>Harmonization of incentives</td><td>All incentives to the users of the facility should be harmonized and aligned for their benefit.</td><td>KPA
KRC
KRA</td><td>Short term</td></tr>
<tr><td>Review of Mombasa Port and</td><td>There is need to review Mombasa Port and Northern Corridor Charter, and develop key performance indicators for the Naivasha ICD</td><td>SCEA
KMA
NC</td><td>Medium</td></tr>
</table>

Proposed intervention	Comments	Key stakeholder	Time frame
Norther Corridor Charter			
Formation of Naivasha ICD Stakeholders Community Forums	There is need to boost collaboration among and coordination of Naivasha ICD public and private stakeholders to address operational challenges.	KPA/KMA	Short term

5.3 REFERENCE:

1. World Bank (2019) Doing Business 2020.See http://documents1.worldbank.org/curated/en/688761571934946384/pdf/Doing-Business-2020-Comparing-Business-Regulation-in-190-Economies.pdf
2. World Bank (2018): Logistic Performance Index report of 2018. See https://lpi.worldbank.org/international/aggregated-ranking.pdf
3. World Economic Forum(2019) -Global Competitiveness Report.See http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf
4. International Monetary Fund (2020) World Economic Outlook.https://www.imf.org/en/Publications/WEO#:~:text=Description%3A%20Global%20growth%20is%20projected,Economic%20Outlook%20(WEO)%20forecast.&text=In%202021%20global%20growth%20is,19%20projections%20of%20January%202020.
5. Kenya Ports Authority Act. Revised Edition 2012 [1979]
6. East African Community Customs Management Act - 2004 Revised edition 2009.
7. Kenya Railway Tariff book (2020)

5.4 ANNEX 1:

Table a: Rail – Road Option (SGR) vs Road option to Kampala

a) Mixed (RAIL – ROAD)			
	20ft	40ft Up to 20.9T	40ft Above 21T
Mombasa-Naivasha-SGR	600	850	910
Shore handling and Wharfage-KPA	150	225	225
Naivasha- Kampala Last Mile-Truck	1650	1650	1650
Empty Return Naivasha-Mombasa-SGR	120	120	120
Empty container handling charge-KPA	30	45	45
Empty collection from port-Truck	30	60	60
Total Rail - Road	2580	2950	3010
b) ROAD			
Truck Transport (Mombasa- Kampala-Mombasa)	2050	2050	2050
KPA Shore handling and Wharfage at Port	155	230	230
Total Road	2205	2280	2280
Difference between Rail - Road and Road	375	670	730
Note: The cost of using SGR goes higher if the margins for the shipping lines are considered for TBL cargo, making the end to end rate even higher.			

Table b : Mombasa to Naivasha via SGR, and then to Kampala via MGR vs. direct road transport

Mombasa-Naivasha ICD - Longonot MGR - Kampala Transport Costings-Container		
RAIL SGR- RAILMGR	20ft	40ft Up to 20.9T
Service		
Mombasa-Naivasha-SGR	600	850
Shore handling and Wharfage-KPA	150	225
Truck shunting costs ICD - Longonot	250	300
Handling at Longonot to MGR	40	50
Longonot to Malaba – MGR	800(Est.)	800(Est.)
Malaba to Kampala – URC	940(Est.)	880(Est.)
Total Rail (SGR) – Rail (MGR) - Kampala	2780	3105
Difference between SGR-MGRand Road	575	825
Note: The cost of using SGR goes higher if the margins for the shipping lines are considered for TBL cargo, making the end to end rate even higher.		

Rail (ICD NAIVASHA OR ICD NAIROBI- the Road to Nakuru vs Road to Nakuru

Mixed(Mombasa- Naivasha by SGR -then ROAD), return

	20ft	40ft Up to 20.9T	40ft Above 21T
Mombasa-Naivasha-SGR	600	850	910
Shore handling and Wharfage-KPA	150	225	225
Last Mile to Nakuru	500	500	500
Empty Return Naivasha-Mombasa-SGR	120	120	120
Empty container handling charge-KPA	30	45	45
Empty collection from port-Truck	30	60	60
Total Rail - Road via Naivasha ICD	1430	1800	1860
Mixed (Mombasa-Nairobi ICD by SGR then road to Nakuru) Return			
	20ft	40ft Up to 20.9T	40ft Above 21T
Mombasa-Nairobi ICD	500	700	750
Shore handling and Wharfage-KPA	150	225	225
Last Mile to Nakuru	500	500	500
Empty Return Nairobi-Mombasa-SGR	120	120	120
Empty container handling charge-KPA	30	45	45
Empty collection from port-Truck	30	60	60
Total Rail - Road via Nairobi ICD	1330	1650	1700
ROAD			
Truck Transport (Mombasa- Nakuru - Mombasa)	1050	1200	1200
KPA Shore handling and Wharfage at Port	155	230	230
Total Road	1205	1430	1430
Difference between SGR to Nairobi-then to Nakuru by road and pure road transport	125	220	270
Difference between SGR TO Naivasha then by road and express Road transport	225	370	430
Note: The cost of using SGR goes higher if the margins for the shipping lines are considered for TBL cargo, making the end to end rate even higher.			

5.5 ANNEX 2: PORT OPERATIONAL MODELS AVAILABLE

5.5.1 OPTION A: LEASE FACILITY TO PRIVATE OPERATOR

In this model, the government, through KPA, shall competitively recruit a private operator for the facility, under a PPP arrangement, to handle the operational aspects for an agreed period of time while KPA, as the landlord, maintains the management and oversight functions. An example of a successful lease contract by KPA is the handling of bulk grain cargo by Grain Bulk Handlers Limited at the Port of Mombasa.

The private party will be responsible for:

i) Purchase of any additional equipment or all equipment as per negotiations undertaken with KPA;
ii) Maintain permissible standards and operational practice at the facility;
iii) Periodically report to KPA about progress and performance as per an agreed reporting framework;
iv) Develop additional facilities as they may deem fit, such as staff clinic in line with staff population at the ICD, housing, among others;
v) Acquire additional land for truck marshalling yard and preferable introduce online truck appointment system; and
vi) Promotion and marketing of the facility.

This operator will also have an option to provide the last-mile or intermodal facilitation by transporting containers from the Depot to the MGR, that is approximately 49 kilometres from the facility. Under this option, KPA will be required to post officers to oversee the performance of the private operator.

This option may easily be achieved as the current Mombasa CFS's handle low volumes of cargo and may opt to relocate their equipment and personnel to Naivasha, in addition to the CFSs having prior cargo handling experience. KPA would ensure that the private operator works within agreed reasonable performance standards. This allows ownership on the part of KPA, and high commitment to efficiency and service (including proper maintenance of equipment and infrastructure) on the part of the private operator, to guarantee sustainable incomes.

Detailed sharing of responsibilities, revenues and risk will be subject to negotiations with the preferred private operator.

Advantages

1. Full control of end-to-end logistics solution. The private operator will be able to offer last-mile and hence likely to offer a competitive price that can compete with road transport.
2. Transfer of financial and operational risk to a private operator.
3. Perceived higher efficiency by private sectors due to less bureaucratic processes.
4. Readily available operators with experience and equipment currently under-utilized.

Disadvantages

1. Loss of control considering the facility plugs into the bigger government agenda of setting up an industrial park in Naivasha.
2. Private sector will be pursuing a profit agenda which might make the cost of using the facility higher, making the corridor uncompetitive.
3. Lengthy and rigid process associated with the implementation of PPP projects in Kenya.
4. Private operator interests might affect the regional geo-politics.

5.5.2 OPTION B: KPA TO ESTABLISH PRESENCE IN NAIVASHA IN TANDEM WITH BUSINESS GROWTH

In this model, KPA will establish all its functional units in Naivasha and operate the facility as is the case of the ICD Nairobi. This will require additional budgets for staffing, equipment purchase and maintenance, infrastructure maintenance and security. In this case, KPA will fully bear the financial risks involved.

Advantages

1. Government being the biggest stakeholder in Naivasha, retains control over its development agenda in the region and surrounding areas.
2. Since the facility was built using public funds, the government is guaranteed return on investment.
3. Government retains control of tariff and guarantees competitiveness of the corridor.
4. Experience gained in operating ICD.
5. Additional source of revenue for government.

Disadvantages

1. Perceived inefficiencies and bureaucratic processes associated with government-run facilities.
2. Exposure to operational and financial risks.

The study acknowledges the fact that leasing out under a PPP arrangement will take time to go through the process and that due diligence is essential. The study recommends that KPA runs the facility in the short run and once all the PPP processes have been finalized, then the facility be handed over to a private operator to run it, in turn, encourage competition, among others.

5.6 ANNEX 2:

List of persons and institutions interviewed

	Company/Institution Name	Contact person	Designations	Email	Phone number
1	KEPSA	Mr.Auni Bhaiji	Chairman, Transport and Infrastructure Board Committee, KEPSA, Board Member, SCEA and Regional Director, Bolloré Logistics Kenya	auni.bhaiji@bollore.com	0733601277
2	Bolloré Logistics Kenya	Abraham Muema	Clearing Agents	Abraham.muema@bollore.com	0713747971
3.	RI Distributors limited	Eric Opondo	Port operations supervisor	opondoerico@gmail.com	0721266026
4.	Mitchell Cotts Freight (K) Ltd |	Michael Kivota	Clearing agents	Michael.kivota@mitchellcolts.co.ke	0728754695
5.	SpedagInterfreight Kenya	Vincent Juma	Clearing agent	Jvince4892@gmail.com	0703220488
6.	Palm oil transporter ltd	Mbuga Fredrick	Transporter	Mbuya2016@gmail.com	0711328764
7.	Port Health-ICD Naivasha	Ben Nkoitoi	Port Health Officer	Bennkoitoi9@gmail.com	0721592145
8.	Port Health-ICD Naivasha	Rachael Njoroge	Port Health Officer	jereabi@gmail.com	0728736211
9.	KEBS-ICD Naivasha	Elizabeth Wanyoike	Inspection officer	-	0740422359
10.	Uganda Revenue Authority (URA)	Kawngi David	Customs officer	dkawngi@ura.go.ug	797690529
11.	Uganda Shippers Council	Alex.M.Mbonye	CEO(USC)	alexismanzi@gmail.com	+256 772639740
12.	Shippers Council of Eastern Africa(SCEA)	Gilbert Langat	CEO SCEA	Gilbert.langat@shipperscouncilea,org	0723 64 87 99
13.	Box back limited	Kennedy Walucho	Handling Empty containers	Kennedy.walucho@box-back.com	0726 630795
14.	Northern Corridor Transit and Transport Coordination Authority	Mr OmanyeNyarandi	Executive Secretary	jnyarandi@ttcanc.org	0725 22 62 22
15.	Northern Corridor Transit and Transport Coordination Authority	AloysRusagara	Director -TPP	arusagara@ttcanc.org	-
16.	Northern Corridor Transit and Transport Coordination Authority	Paul Babalanda	Deputy Director-Customs and Trade Facilitation	pbabalanda@ttcanc.org	-
17.	Federation of East African Freight Forwarders Associations (FEAFFA)	Josephine Nyebaza	Programs Officer (Training and Professionalism)	baluku@feaffa.com	0738 150 396
18.	Kenya Maritime Authority(KMA)	Ms.TumainiNamoya	Port and Shipping Services Manager	Tnamoya@kma.go.ke	0722771429
19.	Kenya Maritime Authority(KMA)	Murithi Antony	M&E Port Charter	murithi@hotmail.com	0711462929
22.	Rongai Transport	Vanessa Evans	Transporter	Vanessa.evans@rongaiws.com	0721 534 113

31.	KMA	Mr.Omingo John	H.O.D, Shipping	jomingo@kma.go.ke	0721 738 625
32.	KIFWA Chairman	Roy Mwanthi	Clearing agent	Roy.mwanthi@inlandafricalogistics.com	0722 650 326
33.	KIFWA Chair-Mombasa	Mohammed	Chairman KIFWA Mombasa, Clearing agent	mohamed@delcargo.com	0722 66 00 11
34.	Uganda Shippers Council	Mr. Alex Mbonye, CEO	Cargo Owners	alexismanzi@gmail.com	+256 79 26 39 740, +256 77 26 39 740
35.	Uganda Transporter Association	William	CEO	Transportersalliance.unta@gmail.com	+256772448797
36.	Kenya Transporters Association(KTA)	Ms. Mercy Ireri	COO, KTA	mercy@kta.co.ke	0716 20 90 84
37	Rongai Workshop & Transport Ltd	Vanessa Evans	Managing Director	vanessa.evans@rongaiws.com	+254-721534113 & +254-733740926
38	Kenya Railways	Mr James Siele	Commercial Freight Manager	jsiele@krc.co.ke	0728787200