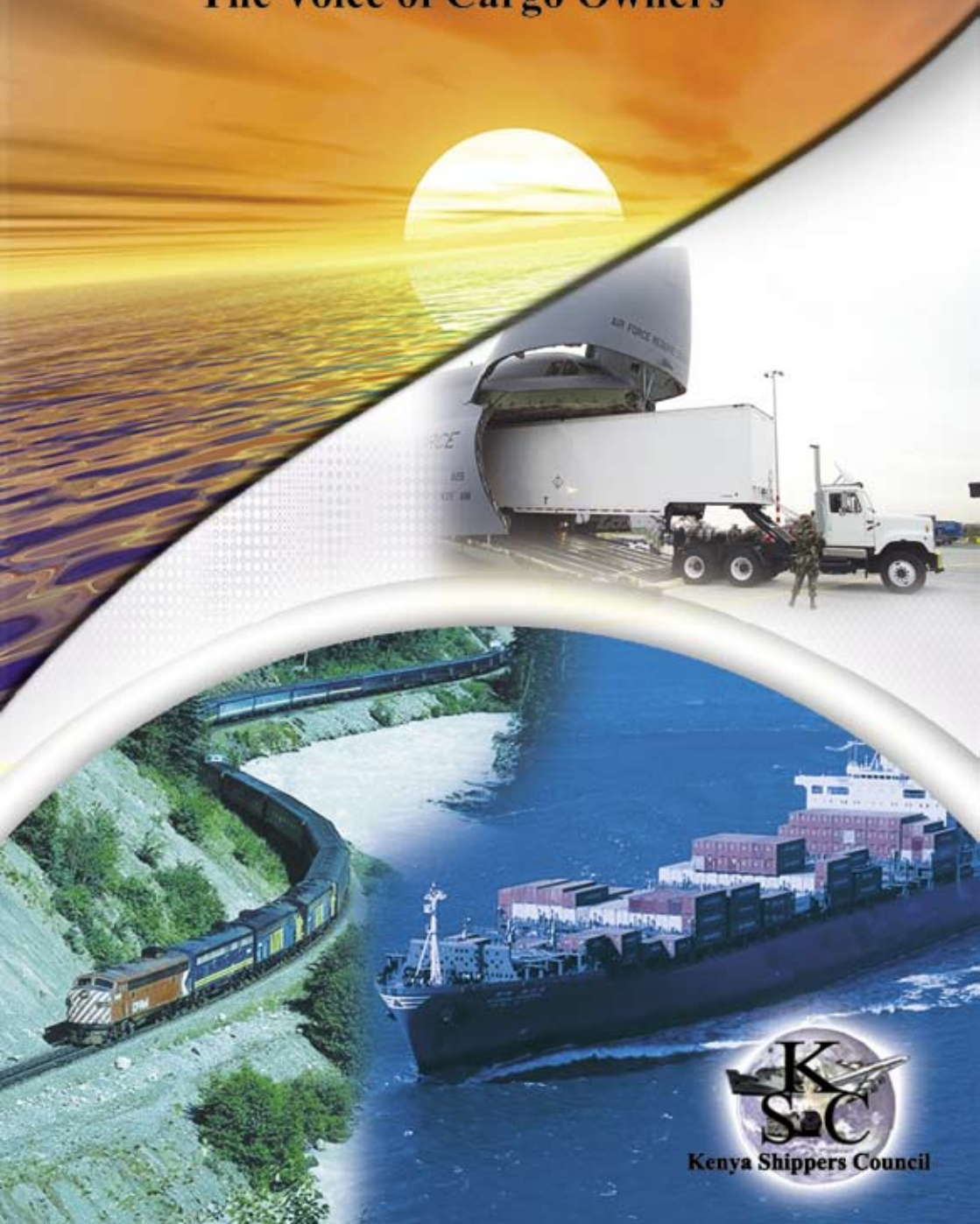


KENYA SHIPPERS COUNCIL

The Voice of Cargo Owners



Kenya Shippers Council

Introduction

Globalization has transformed the world economy. Studies have concluded that a combination of elimination of trade barriers and liberalization has caused unprecedented global growth within the last decade. A lot remains to be achieved, as the progress of the Doha Round demonstrates, but the results so far are encouraging.

The Kenyan industry has risen to the challenges and opportunities in globalization in recent years. The economic base registered growth as has its foreign trade. However, this expansion in trade has not been without challenges. Many of these challenges relate to domestic obstacles and inefficiencies in the supply chain, which has retarded the growth that could have otherwise been expected.

Dilapidated infrastructure, insecurity, bureaucracy and inefficient service providers have contributed individually or collectively towards inhibiting the benefits of this expansion in trade, and are responsible for many of the additional costs suffered by the shippers. Unless these impediments to trade are removed, the efforts by the Kenyan industry to expand, and the attractiveness of the country to foreign direct investment will suffer.

The cost of transport is an important component of the cost of doing business in Kenya and a key contributor to the competitiveness of Kenyan firms and especially those that export to the external markets. A variety of factors add to the cost of transport incurred by Kenyan firms:

- The slow documentation procedures at the Kenya Revenue Authority both at the port and border stations
- Cargo handling equipment and holding capacity at the port,
- Railway capacity and the condition of the roads.
- Slow cargo clearance
- Frequent delays by customs procedures
- Payment for expenses beyond the control of shippers
- The frequent losses, breakages and damages



Studies have shown that 20 – 30% of the total production costs are represented by supply chain costs. Transport and logistics are estimated to represent about 30% of the total supply chain costs.

Kenyan shippers are faced with a myriad of problems confronting this. They have poor bargaining power as they are many and not as well organized as the suppliers of transport services, who are organized in a manner that tends towards cartels as is exemplified by shipping lines and the road Hauliers. The Kenyan ports and railways set rates for their services with little consultation with the shippers. Transport service providers recoup their losses through surcharges to the shippers.

Vision:

To be the preferred multi-modal collective voice of the cargo owners by offering proficient, research-based and value-add advice.

Mission:

To enhance competitiveness of cargo owners by effectively informing, protecting and promoting their interests towards achieving an efficient, reliable and cost effective logistics and value chain services.

Objectives:

- To promote efficient port handling facilities, documentation and release of cargo within the shortest time possible

- To ensure costs of cargo movement in Kenya through sea, air and surface transport are reasonable and competitive,
- Increase regional and international recognition for KSC

Rationale for Shippers Council in Kenya

In view of the many sectors of the economy involved in import and export, the challenges faced differ from sector to sector. Manufacturers, the agricultural sector, importers, exporters, those involved in maritime trade and in surface transport or airfreight all face different challenges from each other.

- The overall issues of concern to importers and exporters extend from the ports of entry and exit, infrastructure, to service providers from
- both government and the private sector.

The general business environment has been identified as being of serious concern to the shippers and represents a different set of challenges to the above:

- Trade facilitation
- Tariff and non tariff barriers to trade
- Foreign exchange fluctuations and rates,
- Multiplicity of trading licenses and regulations
- Hostile or indifferent bureaucracy

Individual private sector bodies representative of their members' industries, as well as the individual companies have attempted to address some of these issues, but acting individually and only representing particular interests, have not been as successful as they could have been. There is need for a competent and effective private sector body that can represent all importers and exporters collectively in addressing the many issues of concern to the shippers as a whole.

Faced with the challenges posed by the transport service providers, government agencies and the inability of the individual Associations to address the issues of reliability and performance in the transport and logistics supply chain, there is need to come together to address the issues in order to enhance and achieve competitive edge with external markets. It is international practice for cargo owners to come together under the auspices of Shippers Council to create a forum for representing their interests.

The Shippers' Council provides a platform to articulate Shippers' concerns and demands to these service providers and government institutions. It

provides a cross-sector liaison forum for discussions with a wide variety of logistics and service providers. Shippers have individually found themselves unable to negotiate effectively with organized transport service providers such as shipping line conferences, airlines, road hauliers, and railways resulting in cost recovery being passed to shippers.

Kenyan shippers' are also affected by multiplicity of government enforcement agencies at ports of entry and exit that include customs, KEBS, KEPHIS, and Port Health, police and security agencies that lengthen the process of documentation, clearance, release and delivery of cargo. There is need to develop a best practice system by working with the transport and logistics providers to encourage them to benchmark their services and agree on key performance indicators and how to implement them.



The Shippers' Council will raise awareness on the necessity for continuous improvement in the transport sector through promotion and dissemination of best practice techniques, thereby providing a platform to articulate these concerns and demands to the service providers and government institutions. Kenyan firms have a lot to gain from bulking effort, energy, advocacy and direct negotiation that would lead to lower transport costs and more responsive transport policies in Kenya. The Council offers such space and forums and will succeed if there is support and buy-in by the shippers themselves.

About the Kenya Shippers' Council

The Kenya Shippers' Council was in existence in the late 60's and early 70's as a representative body for large cargo owners. It however did not progress for lack of stakeholder support, due to the level of industry at that time.

With the changes in the economy and the growth in key sectors of manufacturing, horticulture, agriculture and transport, a meeting of Northern Corridor stakeholders (Kenya, Uganda, Rwanda, Burundi and DRC) in year 2000 made a move to revive the Kenya Shippers Council (KSC). The decision was borne out of frustrations and surcharges faced by the shippers doing business through the Kenyan ports and using the transport services available.

In September 2004, The Kenya Shippers' Council was registered as a society by the Kenya International Freight and Warehouse Association (KIFWA) an association of Clearing and Forwarding companies

In November 2004, a meeting of interested parties was convened under the chairmanship of the Ministry of Trade and Industry and sponsorship of the Kenya Association of Manufacturers (KAM) to initiate the transfer of control of the Council from KIFWA to the cargo owners. This was in line with the stated goals of the KSC to represent the interests of the cargo owners.

KSC was officially relaunched as a representative organization on 25th October 2006 by the Minister of Transport Hon. Amb. Chirau Ali Mwakwere and mandated by its members to assume its responsibilities and commence operations. A full time Executive officer has been engaged to run its affairs

Membership

The Council is the representative body for Shippers in Kenya and the Northern Corridor countries of Uganda, Rwanda, Burundi, Southern Sudan and DRC all who use the port of Mombasa. All companies that export and import vast majority of goods distributed by sea, air, road, rail and inland waterways as users of freight transport services are represented.

The current membership of Kenya shippers Council is in three categories

Founder Members

These are drawn from Business associations such as Kenya Association of Manufacturers (KAM), East Africa Tea Trade Association (EATTA), Kenya Coffee Traders Association (KCTA), Fresh Produce Exporters Association (FPEAK), Cement Producers Association of East Africa (CPAEA), Petroleum Institute of East Africa (PIEA) among others. Membership is both individual and corporate in the above sectors.

Ordinary

This category comprises of companies directly involved in import and export business, i.e. cargo owners

Affiliate

This comprises of companies that provide services to cargo owners and includes forwarding agents, Road Transporters Association, Association of Insurers and Bankers Association. Key local, regional, international, governmental and non governmental organizations have a role to play in the structure of the Council.

KSC acts as the link between cargo owners, service providers, regulatory institutions, infrastructure providers and policy makers.

The KSC as a private sector body focuses exclusively on transport issues for the benefit of the Kenyan economy and that of the Northern corridor

countries. It provides the most appropriate platform for addressing and advocating on the problems relating to movement of goods.

A Shippers Council' is as strong as its constituency "The greater the support, the greater the clout."

Cargo owners have a lot to gain by combining its efforts, advocacy and direct negotiation that would lead to lower transport costs and more responsive policy that addresses their concerns.



Contacts

Kenya Shippers Council Secretariat

P.O. Box 30225-00100 Nairobi

Mwanzi Road, Westlands

Tel: 3746005/7, 3741634/ 4486

Mobile: 0734-646005, 0722-201368

Fax: 3746028/30

Email: kenyashippers@kam.co.ke