

Freight forwarding (FF)

The case of East
African Region



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TTCA - Road Network



Status of FF industry in EAC Region

- Has over 2000 firms. About 80% in Kenya & Tanzania. A few in landlocked countries.
- Few multinationals and well established national companies. Bulk of them are indigenous small companies. Indigenous firm lack resources.
- Ten of thousands of people employed.
- Low levels of professional competence esp. among the small firms.

Cargo traffic– Mombasa Port ('000 tons)

	<u>2002</u>	<u>2006</u>	<u>%</u>
Domestic	8009	10183	70.6
Transit	2215	3918	27.2
Transshipment	340	605	2.2
Total	10564	14419	100

Cargo traffic - 2006

Share of transit traffic

Uganda (72.0%), Tanzania (6.9%), Rwanda (6.5%), Sudan (3.5%), DRC (5.8%), Somalia (3.6%).

Containerised traffic (TEU's)

<u>2002</u>	2006	<u>% Growth</u>
305,427	479,355	57%

Why FF industry

- Specialisation- service diversity e.g. warehousing etc
- Reduced transport costs of services/competitiveness
- Improved quality of services – to customers, government agencies etc.
- Economies of scale and competitive advantage.
- International trade promotion/ trade facilitation
- Employment
- Development of specialised infrastructure

FF industry – Business Environment

- Increasing volume of business
- Poor infrastructure- rail, roads, ports etc.
- Poor legal and regulative framework
- Lack of policy instruments for the industry
- Lack of professionalism
- Bureaucracy
- Integrity issues
- Non –tariff barriers

Freight Forwarding Assoc. (FFA)

- ABADT – Burundi -less than fifty members
- ADR – Rwanda - less then 100 members
- KIFWA – Kenya - About 1200 members
- TAFFA – Tanzania - about 450 members
- UFFA – Uganda-less than 100 members, total FFA population over 300.

Members – clearing agents, forwarders, transporters, warehouse keepers, consolidators i.e. freight logistics service providers.

FFA

Why the Associations

- Cost reduction/competition.
- Organisation of the industry
- Lobbying/ advocacy
- Promotion of professionalism, training, ethics.
- Collation, collection and dissemination of industry information.
- Self regulation
- Trade promotion

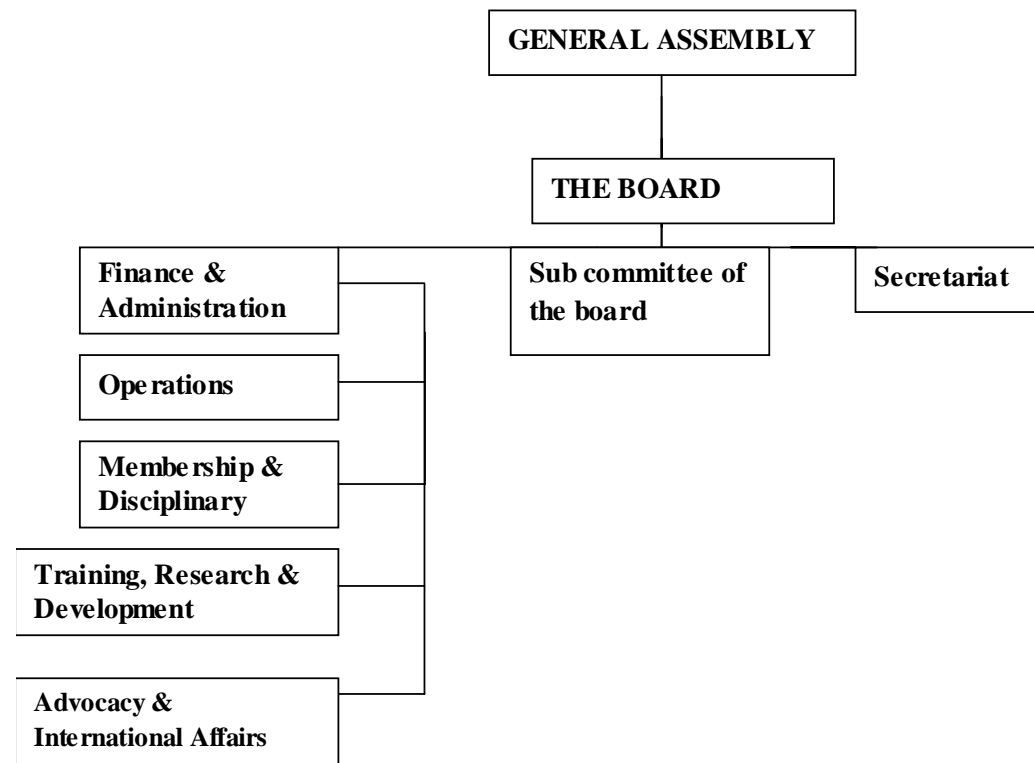
FEAFFA

- Formation - 2005
- Registered as a Regional association in Tanzania – headquarters in Arusha.
- Owned by the five National Associations (FFA)- KIFWA, TAFFA, UFFA, ABADT and ADR
- Governed on the basis of the Constitution
- Goals-Professionalism, ethic/integrity, trade facilitation, lobby, information. etc

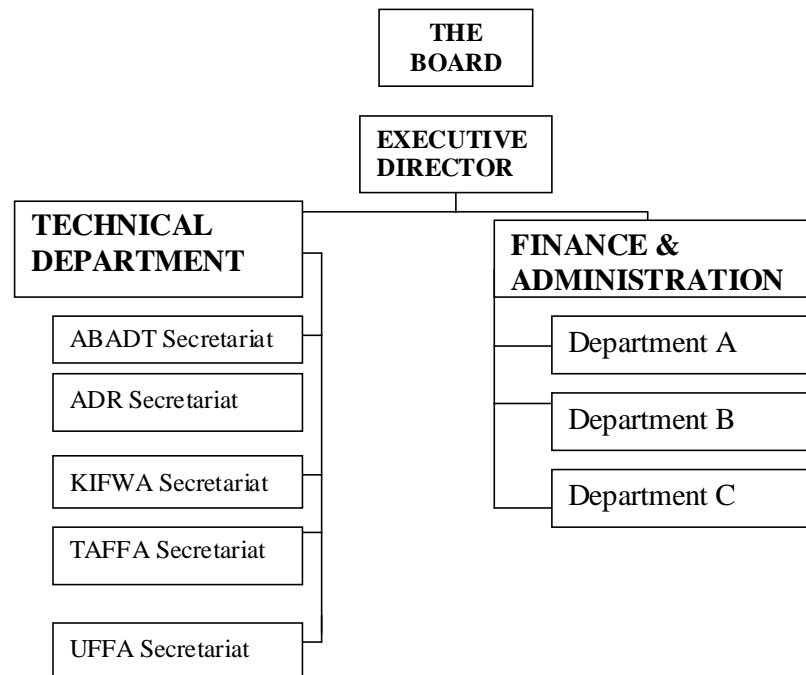
Organisation of FEAFFA

- Entrance fee USD 1000, Annual subscription USD 1000.00.
- Aims to be self-sustaining – To generate funds through training, other projects and donor support.
- Secretariat currently hosted by KIFWA.
- In the process of developing a strategic plan

Organisational structure



Secretariat structure



FFA Collaborations

- Strong partnership between all stakeholders along the Northern Corridor
- Permanent consultative forum of all stakeholders – revenue authorities of three countries, railways, port authorities, FFA, police, TTCA etc. Held Quarterly.
- Breakfast meeting at the port every Friday morning.
- Regular consultative meetings with Customs and other stakeholders.
- EAC, FEAFFA and Revenue Authorities consultative meetings.

Impact on transport costs

- Reduced transport costs – Transport cost constitutes over 30% of the value of goods.
- Reduced delivery times – 14 days from 28 days
- Economies of scale – low cost
- Predictable transport costs to businesses
- Improving the supply side competitiveness.
- Clearing agency fee down - 1.5-2% to 0.5-1% CIF
- Cargo clearance time down from 7 days to 4 days
- Facilitation fee- usual about 30 USD per shipment removed.

Impact on transport cost/time

- Reduction of stamps of from 41 to less than 10. Time saving, less paperwork.
- Special windows for transit cargo
- Seamless train service for transit cargo – Transit period down from 14 days to 5 days
- Community based system- Information sharing platform.

Impact on transport cost/time

Transport costs

Route	Distance	Cost 02 USD	Cost 06 USD	Change %/year
Mombasa - Kampala	1800	2250	2500	2.7%
Nairobi - Kigali	1174	1300	1500	3.6%

Transport facilitation

- Supply of transport services based on dd.
- FFA are efficient in services delivery – understand business environment.
- Risk management– business relationships between FFA and other stakeholders.
- Exploitation of technology e.g. fleet tracking.
- Elimination of NTBs- lobbying etc.
- Benefits of professionalism e.g. transport planning.
- Recognition of international conventions – Kyoto

New developments

- Policy change –positive – Transport policies.
- Government divestiture e.g. railways, port etc.
- Container freight stations/dry ports - 5 in Mombasa
- Professionalism-training programmes, Code of Ethic e.g. 80 trainers trained. 120 persons undergoing a professional course.
- Automation of business processes
- Focus on Trade facilitation – service charters
- Resolve of industry to fight graft -steadman survey.
- Public/private sector partnership e.g. EAC/FEAFFA/Customs

Challenges

- Regional laws and regulations not harmonised e.g. axle-load limits
- Infrastructure – quality, quantity.
- Unfair trade practices
- Integrity
- Balance between revenue and trade facilitation.
- Legal status, perception, resources, management, attitude, industry support etc

End

Asante sana

