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KTA- COMPETE CAPACITY BUILDING INITIATIVE

2011 QUARTER 1 TECHNICAL ACTIVITIES REPORT

(JANUARY 1ST 2011 – MARCH 30TH 2011)

KTA LAUNCHES THE CODE OF CONDUCT – 11TH FEBRUARY 2011



KTA – COMPETE GRANT – BASIC INFORMATION

| | |
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| | |
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| P F Tracking Number: | KTA-STA-010-011 |
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OBJECTIVES

Following the activities of the year 2010, it was observed that while the Association had made gains in its mission of representing supporting and advising road transporters, most of the issues arising would end up in Court as there were very few avenues of dialogue between the Association and the Government Agencies. It was therefore agreed that the Association would henceforth concentrate on Advocacy for the year 2011 and encourage dialogue with Government Agencies in addressing any transport facilitation barriers.

The major objectives for the 1st Quarter of 2011 were as follows:

- Launch the Code of Conduct.
- Advocacy on the issue of overloading and Axle Load limit controls.

NARRATIVE REPORTS

1. INSTITUTIONAL DEVELOPMENT & SUSTAINABILITY

- **LAUNCH OF THE CODE OF CONDUCT – 11TH FEBRUARY 2011**



The Launch of the Code of Conduct is the most significant Grant activity for the year 2011. This event happened on the 11th February 2011, at Wild Waters – MOMBASA. The invited guests constituted several Government Agencies, stakeholders, service providers among others. The Chief Guest for the day was Dr. PLO Lumumba – Director General Kenya Anti-Corruption Commission. Hon. Najib Balala – Minister for Tourism, also graced the occasion and during his speech, pledged support to the initiative by KTA and indicated willingness to support the setting up of a training school for truck-drivers. We had total number of invited guests amounting to 190.

KTA is pleased to report that the Launch was a major success, as we were able to present KTA to the stakeholders and inform on what KTA's plans are. It was also clear that there is a lot of interest in improving the cargo transport sector and the current business environment. It was clear that KTA needs to engage more.

2. ADVOCACY

- **AXLE LOAD LIMIT REGULATIONS AND WEIGHBRIDGE OPERATIONS.**
 - **JICA HARMONIZATION AXLE LOAD STUDY – 3RD AND 4TH FEBRUARY 2011.**

The issue of Axle Load and the Costs implication has been identified as the major barrier in smooth transport of cargo. The issues arising have always been that, especially for containerized cargo, the transporter has no way of ensuring Axle Compliance as the cargo is not always evenly distributed.

A second problem has been the insistence by the road highway authorities to weigh 100% of the trucks. This groups the compliant transport operators with those who are not complying with loading regulations thus causing delays.

A third problem area has been the reluctance by Kenya to adopt the COMESA protocol recommendations that seeks to increase the maximum load limits to 56tonnes as opposed to the 48ton limit in Kenya for the Gross Vehicular Weight and 9tonnes for the Axle limits as opposed to the 8 tonnes limit in Kenya. This has created an uneven field for Kenyan transporters as these increases the cost of transport.

JICA have therefore seen it necessary to conduct a study that will seek to bring all the studies on axle load together and make recommendations to harmonize the regulations in the East African Community. As part of the study, the JICA team with the cooperation of KTA, conducted interviews with several stakeholders and Government bodies to collect information and presented recommendations for consideration as well. In addressing the situation, the recommendations made to the Government agencies were as follows:

- a. Allow transporters to have interlinks. This will increase the payload that transporters are allowed to carry while adhering to the Axle Load distribution limits.
- b. Increase the Gross Vehicular Weight to 56tonnes as per COMESA.
- c. Weigh cargo at the Port of Mombasa.
- d. KTA to establish a weighbridge for members to be able to weigh and ensure compliance before proceeding to the Government weighbridge. The transporter can thus save on the Court charges imposed on those found not to be within the Gross Vehicular Weight and Axle limit.
- e. Develop compliance certificates for those transporters who have been identified as compliant and expedite their weighing process thus decreasing the delays.

- **OVERLOADING**
 - **COURTESY CALL TO KENYA MARITIME AUTHORITY**

KTA representatives paid a courtesy call the Kenya Maritime Authority on 8th March 2011. The main purpose of the meeting was to point out areas in which KTA and KMA would partner together in trade facilitation. The 4 major areas covered were as follows:

1. Overloaded containers.
 - Information should be sent out to the Ports of loading of the limits of loading containers.

2. Cargo to be weighed at the Port.
 - Cargo should be weighed at the Port and loading compliance should be enforced at the Port.
3. Transporters to be Associated.
 - KTA has put in place Code of Conduct, however it is difficult to implement as not all transporters are associated with KTA. Should put it as a requirement of accessing the Port and all other points of loading.
4. Effect of overloading on market transport rates.
 - The prevalence of overloading and its resulting effect on the transport market rates.

CONCLUSION: KMA committed to informing the Ports of loading and the Shipping lines of the weight regulations and thus support KTA in its endeavors to eliminate overloading.

3. MEMBER SERVICES

- **PARKING FEE Court Case.**

IN January 2011, the Municipal Council of Mombasa in partnership with Summit Cove Lines Ltd, went ahead and put in place a Calling system for trucks. The need for a Calling system for trucks has been on several occasions highlighted as a means of curbing Traffic Congestion in Mombasa. However the Calling system needs to be efficient. The Calling system that was put in place by the Oil Marketers was not efficient in terms of time and costs as it required that all oil tankers to pass through the Municipal parking yard and the Oil Marketers would then call the trucks from this Central Location.

It emerged during implementation that Summit Cove Lines did not have capacity to efficiently implement the system. The data indicated that the system increased delays of up to 4hours per truck with trucks that would have been loaded at 8am being loaded at 12noon. There was also an additional cost of Ksh. 450 per truck per day, whether you have your own parking arrangements or not. KTA attempted to discuss various options to address the implementation of the Calling system however these did not bear much result. It was therefore decided that KTA would go to court and file the case against the Municipal Council and its agent Summit Cove lines Ltd.

The petition was granted and the Municipal of Mombasa and all its agents were ordered to stop charging any sort of parking fees until the case is resolved in Court. On February 04th 2011, KTA again went to court to seek Contempt of Court orders against the Municipal and all its agents as they were disregarding the Court Order. This was granted and the Contempt of Court was issued on February 04th 2011.

After KTA had gone to Court on the matter, the Kenya Anti-Corruption went to court charging the Municipal of Mombasa on the awarding of the Municipal of Mombasa designated parking services tender irregularly. This has greatly strengthened the KTA position on the above matter. KTA now seeks to plan and have parking areas available, so that once the case is completed and the tender for parking Services comes up; KTA would be able to tender and minimize this cost to its members.

- **KTA MEETS WITH NATIONAL CEREALS AND PRODUCE BOARD.**

KTA held a meeting with the Managing Director of National Cereals and Produce Board on 29th March 2011 so as to iron out issues that were arising between transporters and the transport of cereals. The

issues discussed included the issue of Rates, the delays in payment and the security concerns along the highway.

The following recommendations were agreed upon:

- NCPB would work with transporters who are members of KTA.
- The transporters would not be allowed to overload.
- The Rates offered would be competitive.
- KTA would request for a temporary exemption from the KRA for local transportation so that transit vehicles would also be allowed to load due to the urgency of the matter.

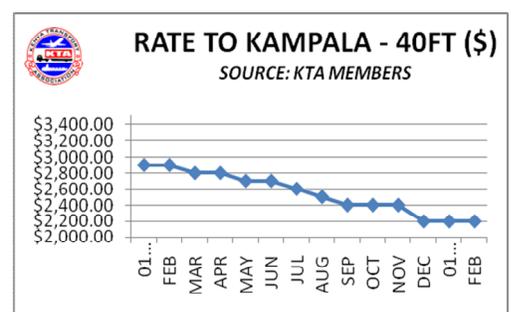
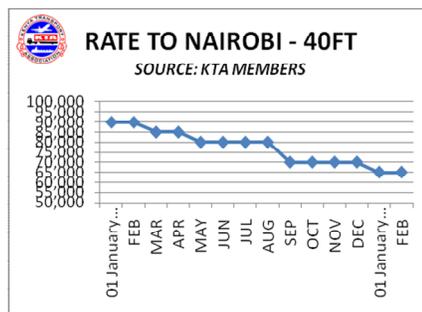
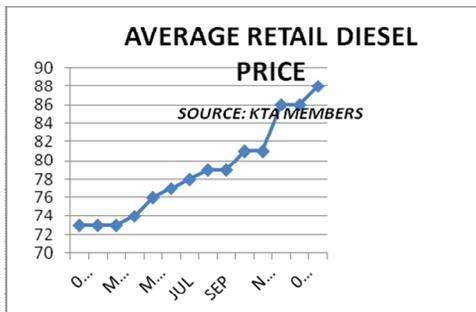
4. MEMBERSHIP DEVELOPMENT

- **TRANSPORT RATES – MEETINGS WITH TRANSPORTERS**



Transport Directors follow keenly during a Transport Costing Sensitization held at Travelers Beach Hotel on 03rd March 2011 and a 2nd meeting held on 24th March 2011 at Castle Royal Hotel. The meetings were organized with the objective of sensitizing transporters on the costs incurred in transportation.

A Members meeting was organized and held on 18th February 2011. The agenda was to discuss the decline in rates and compare with the increase in fuel. The comparison showed the transport rates had plummeted despite the increase in fuel by almost 40% in the last 4 months. The comparison can be presented in the following charts:



It was therefore agreed that a taskforce of KTA members would be formed to critically review the transport costs and report back to members.

The findings of the costing for the various destinations were presented at a Members meeting held on 03rd March 2011 to 128 transport company Directors present. The findings were as follows:

| TABLE SHOWING THE COST OF TRANSPORTATION TO VARIOUS REGIONAL DESTINATIONS | | |
|--|-------------------------------|----------------------------|
| DESTINATION | COST OF TRANSPORTATION | CURRENT MARKET RATE |
| MOMBASA - NAIROBI | USD: 1,227.94 | USD: 812.50 |
| MOMBASA - KAMPALA | USD: 3,458.31 | USD: 2,200 |
| The above rates are based on an exchange rate of Ksh. 80 to the dollar. | | |

COST BREAKDOWN WAS FOUND AS FOLLOWS:

| | Mombasa - Kampala | Local Nairobi - Mombasa |
|--|--------------------------|--------------------------------|
| | 2 trips/month | 6 trips/month |
| 1. Fuel - @ KShs.90/ltr | 99,000.00 | 36,000.00 |
| 2. Salaries | 13,000.00 | 5,000.00 |
| 3. Allowances incl. Border Fees | 17,800.00 | 4,000.00 |
| 4. Tyre Cost @ K.Shs.0.35/km | 18,095.00 | 7,700.00 |
| 5. Insurance costs | 8,100.00 | 2,700.00 |
| 6. Administration | 42,185.00 | 14,000.00 |
| 7. Repair and Maintenance | 30,285.00 | 12,500.00 |
| 8. Depreciation/ Wear & Tear | 45,000.00 | 15,000.00 |
| 9. Interest Cost on Asset | 3,200.00 | 1,335.00 |
| Total Expenses per Trip (K.Shs) | 276,665.00 | 98,235.00 |
| In US\$ at Exchange rate of 80/= | 3458.31 | 1227.94 |

KTA Transport Directors again held meetings on 17th and 24th March 2011 to deliberate on how to implement the rate guidelines. The meetings were attended by up to 134 Directors representing the various KTA members.

- **TRANSPORT RATES - MEETING WITH FORWARDERS**

The Rates Task-force met with the major Clearing and Forwarding firms to deliberate on the issue of the declining rates. The first meeting was held on 16th March 2011 where the Rates Taskforce presented the current situation and the costs incurred by transport operators. The Forwarders acknowledged that there was need to increase the rates.

The Rates Task-force met the Forwarders for a 2nd deliberation meeting that was held on 21st March 2011. The following was agreed upon by both parties:

| DESTINATION | DROP-OFF CONTAINER – NEW RATE (USD) | RETURN(EMPTY) – (USD) |
|---|-------------------------------------|-----------------------|
| MSA-KLA – 20FT | 3,050 | Negotiate Directly |
| MSA – KLA – 40FT | 3,050 | Negotiate Directly |
| Export Haul | 1,100 | - |
| MSA – NRB – 20FT | Ksh: 105,000 + 16%vat | - |
| The above are based at the exchange rate of Ksh: 85. There will be a 5% surcharge for every 5/- increase in fuel prices. | | |

It was recommended that KTA and Forwarders should have regular meetings so as to avert any future crisis meetings. The next meeting with the Forwarders was planned to be held on 4th April to review progress.

The Rates Taskforce carried out a very vigorous campaign in educating and sensitizing transporters on the costs of operations. This contributed towards an increased membership satisfaction index as can be highlighted by the numerous enquiries and requests for support and advice on matters pertaining to the rates, weighbridge among other issues. The following is an email received from a KTA member:

Dear All at KTA office,

Very, very good work Maiyo (*KTA Chairman*) and the entire KTA management and staff!
Congratulations for your selfless and tireless efforts in getting us to this point!

You are indeed a blessing to our industry.

Panafrica Logistics Ltd - KTA Member.

(Italics ours) *Received: Friday, March 25th 2011*

APPENDICES

PICTORIAL



Hon. Najib Balala addresses transporters during the Launch of the Code of Conduct urging transporters to take charge and follow the facets of the Code as well as KMA Director General – Ms. Nancy Karigithu who graced the occasion.



Chief Guest – Dr. PLO Lumumba during the launch of the Code of Conduct while (right) The Managing Director SGS, Mr. Gerald Aswegen chats with Mr. Manish Dawda of KTA.

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