



PROMOTING MULTIMODAL TRANSPORT IN UGANDA

**For REDSO/ESA's Strategic Objective # 623-002-01:
Increased Use of Critical Information
by USAID and Other Decision-Makers in the Region**

**Rural and Agricultural Incomes with a Sustainable Environment (RAISE)
IQC No. PCE-I-00-99-00001-00, Task Order 805:
Regional Trade Analytical Agenda
Implemented by TechnoServe-Kenya and ARD
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for

**USAID/REDSO/ESA's Strategic Objective # 623-002-01:
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through**

ARD - Rural and Agricultural Incomes with a Sustainable Environment (ARD-RAISE)
Contract No. PCE-I-00-99-00001-00, Task Order 805
Regional Trade Analytical Agenda (RTAA)
Implemented by TechnoServe-Kenya and ARD

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FOREWORD

Methods that promote efficiency in transportation are preferred because they reduce transport costs. It is for this reason USAID's Regional Economic Services Office for Eastern and Southern Africa (REDSO/ESA) included the cost of transport (COT) as a component in its Regional Trade Analytical Agenda (RTAA). The other components of this agenda are concerned with comparative advantage in production and informal cross-border trade (ICBT) issues. RTAA's objective is to promote policy dialogue among stakeholders and policymakers for positive policy change. The expected results are increased regional trade and food security. It is for these reasons that stakeholders identified multimodal transport as an important area of investigation if Uganda is to benefit from increased trade and food security.

Uganda, as a landlocked developing country, experiences unique transit problems when transiting its goods through Kenya and Tanzania. The problems relate to poor infrastructure, biased tariff and nontariff barriers in the transit countries, and conflicting transport policies, regulations, and procedures. These problems result in high transport costs and long transit times that make Ugandan commodities noncompetitive in the regional and global markets.

To alleviate some of these problems in other regions, international trade has turned to multimodal transport, due to its known benefits in lowering transport costs. This is because in multimodal transport, one transport document, one rate and one through-liability cover are used. All this is done so that multimodal transport can make the movement of goods from seller to buyer more efficient through faster transit times and at reduced costs. During multimodal transportation, the responsibility and liability is concentrated in one entity known as the Multimodal Transport Operator (MTO). This entity is the organizer of all transport systems involved in the flow of goods from origin to destination.

For the MTO to succeed, he must have the ability and resources to meet the legal and service levels required for the protection of the seller and buyer. These include an international network of agents and offices, linked with modern communications systems, expertise in the market, and knowledge of regulations, procedures, and practices that govern international trade and transport.

Due to the comparative advantages MTOs have in terms of size, ability and financing, negotiated transport rates are much lower and service delivery more efficient. It is the recognition of these advantages that made stakeholders and policymakers in Uganda want to explore whether this mode of transport could be promoted for sustained efficient transport services to support economic development. This study is meant to show how this method of transportation can be promoted in Uganda and the East Africa subregion at large.

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Godfrey O. Wandera

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ACRONYMS AND ABBREVIATIONS

ACIS	Advance Cargo Information System
AWB	Air Way Bill
BDV	Brussels Definition of Value
BIF	Bond In Force
CAA	Civil Aviation Authority
CCC	Customs Convention on Containers
CFA	Clearing and Forwarding Agent
CIF	Cost, Insurance and Freight
CIM	Convention Concerning the Carriage of Goods by Rail
CLN	Convention Relating to the Limitation of the Liability of Owners of Inland Navigation Vessels
CMR	Convention on the Contract for the International Carriage of Goods by Road
COMESA	Common Market for Eastern and Southern Africa
COMESA-CD	COMESA Customs Document
COT	Cost of Transport
CTD	Combined Transport Document
CTO	Combined Transport Operator
DRC	Democratic Republic of Congo
EAC	East African Community
EAC-CD	EAC Customs Document
EAR&H	East African Railway & Harbors
EATI	East Africa Transportation Initiative
EDI	Electronic Data Interchange
ESA	Eastern and Southern Africa
EU	European Union
FOB	Freight on Board
FY	Fiscal Year
GATT	General Agreement on Trade and Tariffs
GDP	Gross Domestic Product
GHA	Greater Horn of Africa
GOU	Government of Uganda
HR	Hamburg Rules
H-VR	Hague-Visby Rules
ICBT	Informal Cross-Border Trade
ICC	International Chamber of Commerce
ICD	Inland Container Depot
IGAD	Intergovernmental Authority on Development
ISCOS	Intergovernmental Standing Committee on Shipping
ITI	International Convention on the Transit of Goods

JIT	Just-in-Time
KPA	Kenya Ports Authority
KRC	Kenya Railways Corporation
MOWHC	Ministry of Works, Housing and Communications
MPRO	Mombasa Port Release Order
MTO	Multimodal Transport Operator
MWG	Multisectoral Working Group
NCTA	Northern Corridor Transit Agreement
NVOCC	Non-Vessel Operating Common Carrier
NVO-MTO	Non-Vessel Operating Multimodal Transport Operator
OAU	Organization of African Unity
POL	Petroleum, Oil and Lubricants
RAFU	Road Agency Formation Unit
REDSO	Regional Economic Development Services Office
RTAA	Regional Trade Analytical Agenda
SADC/SATCC	South African Development Community/South African Transport and Communications Commission
TAZAMA	Tanzania/Zambia Pipeline
TAZARA	Tanzania/Zambia Railways
TDO	Total Distribution Operator
TEU	Twenty-Foot Equivalent Unit
THA	Tanzania Harbors Authority
TIR	Transport International Routier
TOR	Terms of Reference
TRC	Tanzania Railways Corporation
TTCA	Transit Transport Coordination Authority
UCFA	Uganda Clearing and Forwarding Association
UCTOA	Uganda Commercial Truck Owners Association
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNECA	United Nations Economic Commission for Africa
UNTACDA	United Nations Transport and Communications Decade for Africa
URA	Uganda Revenue Authority
URC	Uganda Railways Corporation
VAT	Value-Added Tax
VOCC	Vessel Operating Common Carrier
VO-MTO	Vessel Operating Multimodal Transport Operators
WTO	World Trade Organization

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EXECUTIVE SUMMARY

Introduction

Uganda is a landlocked country and as such experiences problems while transporting its goods to and from the ports of Mombasa and Dar-es-Salaam. These problems relate to poor infrastructure, tariff and nontariff barriers, and conflicting transport policies in the transit countries as well as regulations and procedures. As a result, these problems lead to high transport costs and long transit times.

In international trade, multimodal transport has been identified as an efficient way of transporting international cargo. In this system of transportation, one transport document, one tariff rate and a single through-liability are applied. The principal aim of multimodal transport is to make the movement of goods from seller to buyer more efficient, through faster transit times and reduced costs. During multimodal transportation, the responsibility and liability is concentrated in one entity known as the multimodal transport operator (MTO), who organizes all transport systems in the transport chain between countries.

To operate successfully, a MTO must have the ability and resources to meet legal and service requirements for the protection of the seller and buyer. These would include an international network of agents and offices, linked with modern communications systems, expertise in the market and knowledge of regulations, procedures, and practices that govern international trade and transport. Above all, his activities must be adequately insured against any loss. Uganda's economy and population are expanding rapidly, it is imperative that transport costs are cut down and transit times shortened through modern approaches to transportation and trade. This notion is consistent with the globalization process, which has resulted in increased use of containers and multimodalism in transportation. Uganda lacks most of the prerequisites of multimodal transport and hence can not benefit fully from the advantages that go with this system of transportation.

Due to the comparative advantages that MTOs have in terms of size, ability, and financing; negotiated transport rates are much lower and service delivery more efficient. This study is meant to explore the possibility of promoting multimodal transportation in Uganda in particular and in the East African region, in general.

Methodology

To determine how this modal systems approach to transportation can be promoted in Uganda, the following literature was reviewed: economic and transport demand studies, studies of individual modal aspects, and studies and manuals on multimodal transport. Primary data collection was conducted through oral interviews and questionnaires. A number of institutions were visited, including the Uganda Revenue Authority (URA), Kenya Ports Authority (KPA), Transit Transport Coordination Authority (TTCA), Intergovernmental Standing Committee On Shipping (ISCOS) and several clearing and forwarding firms. The consultant reviewed the present state of multimodal transport in Uganda, explored and documented its advantages, and finally proposed ways of promoting its application in Uganda and by extension in East Africa.

Conventions that govern the system and the status of Uganda in enforcing such conventions were also explored and documented.

Further information on regional and subregional agreements/treaties that govern the transport industry was explored, in order to understand the environment in which multimodal transport should be developed. The transport sector in Uganda was carefully reviewed for both infrastructure and the policies that govern its usage. Issues to do with transport facilitation in the East African Community (EAC), Common Market for Eastern and Southern Africa (COMESA) and Northern Corridor Transit Agreement (NCTA)/treaties were all explored and documented in relation to multimodal transport in the region.

Findings, Conclusions, and Recommendations

1. Multimodal Transport Convention

Efforts to set up an adequate legal framework for multimodal transport operations date as early as 1911. In the late 1960s, these efforts gained momentum following large-scale containerization habits in the transport industry. Consequently, the United Nations Conference on Trade and Development (UNCTAD) established an intergovernmental preparatory group for 68 countries to draft an International Multimodal Transport Convention, taking into consideration the special requirements of developing countries. Between 1973 and 1979, the intergovernmental preparatory group held six sessions on the convention, and in 1980, the convention was adopted by the UN Conference of Plenipotentiaries as the Convention on International Multimodal Transport of Goods. The convention applies to all multimodal transport contracts, as long as one of the places receiving or delivering goods is a contracting state.

Articles 5 to 13 of the convention set out the requirements to be fulfilled by the multimodal transport document, which may be either negotiable or nonnegotiable depending on the option of the consignor. When the document is negotiable, it can be made out to order, or to bearer, requiring the operator to hand out the goods against surrender of the negotiable document. The convention also establishes the necessary contents of the multimodal transport document and one of the most important parts of the convention relates to the liability of the MTO.

- The MTO assumes responsibility for the goods from the time he takes them into his charge until the time of their delivery.
- The liability is uniform throughout the time the goods are in transit, i.e., irrespective of the transport mode used. This is in contrast to the net work liability principle, which makes the shipper's protection vary as transport progresses over different modes of transport.
- The principle of presumed fault or neglect by the carrier shifts the onus of proof to the carrier.

- For loss and damage, the MTO is liable up to SDR 920 per package, or SDR 2.75 per kg whichever is higher if the contract includes the carriage of goods by sea or inland water ways; otherwise the limit of liability is set at SDR 8.33 per kg.
- The consignor is also held liable for loss suffered by the MTO, if the loss is a result of his or his agent's fault or neglect.

Although the convention provides a framework for the organization of multimodal transportation on an international level, only seven out of the required 30 countries have so far become contracting parties. These are Chile, Mexico, Senegal, Malawi, Morocco, Rwanda and Zambia. Uganda and the other EAC partner states are urged to ratify the convention so that their shippers may enjoy conducive and enabling legal requirements for promotion of multimodal transport services.

2. Uganda Status in International Transport Conventions

The status of Uganda in the ratification and enactment of the international conventions that relate to transportation and trade is summarized in Table 1.

Table 1: Uganda Status in International Transport Conventions that Govern Multimodal Transport

Name of Convention	Status
1. Convention on Transit Trade of Landlocked States.	Uganda signed on 21 st December 1965 but never ratified it.
2. Customs Convention on the International Transport of Goods under cover of Transport International Routier (TIR) Carnets (TIR Convention) done at Geneva on 15 th January, 1959.	Uganda has neither signed nor ratified.
3. Customs Convention on the International Transport of Goods under cover of TIR Carnets (TIR Convention) done at Geneva on 14 th November 1975.	Uganda has neither signed nor ratified.
4. Customs Convention on Containers (CCC), 1972.	Uganda has neither signed nor ratified.
5. CCC, 1956.	Uganda has neither signed nor ratified.
6. International Conventions Governing the Liability of Transport Operators of Terminals in International Trade. Concluded in Vienna 1991.	Uganda has neither signed nor ratified.
7. The UN Convention on the Carriage of goods Sea (Hamburg Rules [HR]) of 1978.	Uganda acceded on 6 th July 1979.

Name of Convention	Status
8. Convention relating to the Limitation of the Liability of owners of Inland Navigation Vessels (CLN) Geneva 1973.	Uganda has neither signed nor ratified.
9. International Convention on the Simplification and Harmonization of Customs Procedures Kyoto, 1973.	Uganda has acceded.
10. International Convention on Containerization and the Multimodal Transport Convention 1975.	Uganda has not acceded nor ratified

It is clear that Uganda has not ratified most of the important conventions that govern international transport liabilities. A system of educating the policymakers on their importance needs to be put in place and pursued immediately.

From the foregoing however, the study findings indicate that the overall objective of the Government of Uganda (GOU) is to create an efficient transport sector, able to contribute towards the acceleration of economic growth, eradication of poverty and food insecurity in the country. In this respect, the government has actively participated in the provision and maintenance of transport infrastructure, particularly along international corridors. GOU is promoting private sector participation in trade and in transportation for enhanced economic development.

The role of the private sector has greatly expanded and contributed particularly in infrastructure maintenance and construction. This has led to the private sector participating in the development of ICDs. There are currently 15 multinational inland container depots (ICDs) and only one of these is solely owned by local entrepreneurs (i.e., Peacock Inland Container Depot). The government or international investors own the rest.

In terms of freight traffic flows, over 90% of Uganda's imports and exports go through the Northern Corridor via the port of Mombasa in Kenya. Two-thirds of these go by road and the rest by rail/water. It was established that most of the transport infrastructure is in a poor state due to poor maintenance policies. There are a number of transit transport requirements, procedures and costs that inhibit the smooth flow of traffic to and from Uganda. Some of the procedures are lengthy and cumbersome and need a regional approach to be harmonized. Further, it was established that MTOs in Uganda are few and that they mainly deal with international freight companies and shipping lines. It is estimated, however, that they handle up to at least 75% of the containerized cargo.

Regarding conventions that govern multimodal transport, it was established that Uganda is a signatory to the UN Convention on Transit Trade of Landlocked Countries and that it acceded to the UN Convention on Carriage of Goods by Sea (HR) of 1978. It has also acceded to the 1973 Kyoto International Convention on the Simplification and Harmonization of Customs Procedures. Uganda has, however, neither signed nor ratified seven other major international

conventions and steps should be taken to accede to these conventions and incorporate their requirements into the statutes.

Conclusions

Multimodal transport in Uganda is underdeveloped because of a general lack of awareness of the concept. This means that Uganda does not realize the full benefits of multimodal transport, implying that trade with Uganda is disadvantaged due to high transport costs. This is compounded by a general inadequacy of modern technologies, such as information technology systems, ICDs, and the capacity to institute the system. This has inhibited Uganda's capacity to effectively handle international freight, particularly under multimodal transport arrangements because this system requires quick documentation and fast cargo movement. The poor infrastructure, coupled with lengthy and cumbersome procedures, are the major constraints to the development of multimodal transport in Uganda and this should be addressed both by the government and stakeholders with the assistance of regional organizations, namely EAC and COMESA. There is total lack of local involvement in this systems approach by local firms, and for it to take root, local investors should be encouraged to participate in the method.

Recommendations

In order for Uganda to develop local capacity for a multimodal transport systems approach that will be competitive and sustainable in the global market, the following actions are recommended:

- The COMESA multisectoral working group (MWG) should be facilitated to coordinate with EATI in consultation with various other stakeholders to enhance awareness of the importance of multimodal transport in the country and its neighbors. The experts in the two groups should spearhead the drafting of the relevant documents to facilitate Uganda's accession of the conventions and enforce them.
- There should be continuous forums to facilitate debate on multimodal transport requirements as well as continuous analysis of the situation as policy changes are realized.
- EATI and the MWG should take the lead in reviewing all international transport agreements, regulations and protocols to justify their importance to the economy in Uganda and hence play a key role in advising the policymakers. This approach should be applied not only to Uganda but also to all the countries of the Greater Horn of Africa (GHA) that form a common market in multimodal transport and trade in the region.
- Regional laws, customs documentation regulations and procedures should be harmonized so as to promote trade and food security in the GHA countries.

- The existing ICDs should be developed to modern standards and equipped with the right equipment and modern information systems.
- Government should endeavor to maintain both the road and rail infrastructure to allow quick and smooth flow of freight traffic. Particular attention should be focused on the Northern Corridor that takes most of the traffic from Uganda.
- MWG and EATI should solicit training of key operators in the multimodal transport chain from international trade organizations, including UNCTAD and USAID/REDSO to enhance the capacity of transport operators for multimodal transport promotion.
- Locally incorporated transport, clearing and forwarding firms, and corporations should be encouraged to pool their resources together to form a locally based MTO which can operate in conjunction with international MTOs, especially for legs in eastern Africa.
- Finally USAID/REDSO and other donors should continue facilitating the activities of the Eastern and Southern Africa (ESA) Transportation Initiative which brings the regional agencies (i.e., COMESA, the South African Development Community/South African Transport and Communications Commission (SADC/SATCC), EAC, Intergovernmental Authority on Development (IGAD, TTCA and ECA) together to coordinate implementation of transport policies in an harmonious manner in the ESA region.

CHAPTER 1. INTRODUCTION

1.1 Background

Uganda is a landlocked country and as such experiences problems that most landlocked countries experience while transporting their goods to and from the international ports of the continent. The problems relate to the infrastructure in use both in Uganda and in the other transit countries, because it lacks proper maintenance and there are tariff and nontariff barriers. Many of the transport policies, regulations and procedures are not harmonized within the region, shipping charges are high, and the management of the sector and its institutions is weak. All these problems translate into high transport and handling charges that adversely affect cross-border trade and food security in Uganda as well as the neighboring countries. To overcome transit problems that are experienced in regional and international trade, multimodal transport has been identified as the most efficient way of transporting international cargo. Multimodal transport is “the carriage of goods by at least two modes of transport on the basis of a multimodal transport contract from one country where, the MTO takes goods in charge to a place designated for delivery in another country”¹. Multimodal transport, therefore, seeks to ease challenges of regional and international transport.

In the whole transport chain only one entity, the MTO, is held liable for the cargo in transit. The MTO is the principle conveyor for the entire distance and duration of transport. The system is made up of subsystems, which are in turn made up of operational components. The components are integrated and have a common objective of attaining one goal, that is, the delivery of a consignment to a destination within the shortest time possible and at the least cost to the carrier and the consignor. In this case, the system entails an efficient operation of all activities and functions of the transport network, including the respective links and nodes to optimize international traffic flows.

1.2 Containerization

Multimodal transport has its roots in the container revolution, which started in North America in the early 1960s. It is backed by the emergence of the science of physical distribution or logistics management. In this system, goods are packed into a container² at any location then transported as one consignment. There are specially designed containers, such as those for carrying fruits and frozen meat. After a container is packed, it is placed on wheels and moved by truck or rail to the marine terminal where it may be transferred by crane lifts into a ship with slots to hold containers in place. Thus, containerization has made the delivery and storage of goods at waterfront sheds and the loading and packing of diverse small cargo items into the hold of the ship obsolete.

Although the growth of the container trade initially affected developed countries, the major international transport routes are now mainly containerized and developing countries have

1 UN Convention on Multimodal Transport, which took place in Geneva, Switzerland in 1980.

2 Containers are boxes that are typically eight feet in width and up to twelve feet in height while the length is 20, 40, or 45 feet. The carrying capacity of container ships and terminals is measured in the number of containers (twenty feet equivalent units [TEUs]) that they can handle.

gradually adopted this system of transporting cargo to markets. As a result, container ships are recognized as a means of marine transport all over the world because they bring great economic benefits to shipowners and shippers alike. They also bring better usage of vessels, shorter time in ports, reduced transit times for goods and greater reliability and enhanced cargo security.

By consolidating mixed general cargo packages into one standardized unit, the cargo is handled faster (reducing ships' time in port), requires less labor and is stowed more efficiently. Goods are handled undisturbed in sealed boxes from door-to-door by ship, rail, road and even air. The foregoing demonstrates that "multimodal transport" is an efficient door-to-door transport system that has brought economies of scale in handling break bulk general cargo. Containerization has also brought two major changes to the operation of general cargo shipping: standardization and mechanization. Standardization is necessary to ensure equipment compatibility. Mechanization increases the speed of loading and unloading, which results in increased vessel productivity. Fast turnaround time considerably increases the ports annual cargo throughput and reduces port congestion. Another advantage of containerization is safety arising from the strength of the container as is sealed at the premises of origin. The container is then securely transferred between transport modes.

Other advantages of this system are that container service operators mainly offer a door-to-door service because it is easy to shift containers between modes. It is also easy to offer personalized service to the consignor/shipper, tailored physically and commercially to his needs. This extra dimension is known as through transport and its essence is protection and reliability throughout the total journey from door-to-door. Containerization also enables larger commercial units to handle more consignments. The container revolution has led to the development of ICDs (e.g., Nakawa in Kampala). Shipowners realized that container services could not be offered fully unless the needs of small shippers were taken into account. This is efficiently done in ICDs where cargo is consolidated for containerization.

1.3 Liberalization and Globalization

Liberalization is widening the role of the private enterprise in economic activity (UNCTAD, 1996)³. In some economies, liberalization has led to disengagement of the state from production of goods and services and the establishment of institutions and legal frameworks appropriate for a market economy. The development has resulted in privatization of state-owned enterprises. Benefits that are usually realized from liberalization in trade, investments and capital movements include improved innovations and productivity of domestic firms, wider choice of goods and services for consumers, and reduced prices due to competition and specialization. Hence, Uganda has embraced a policy to liberalize its economy and this has effectively enlarged the economic space available to producers and investors. This, in turn, has fostered the process of globalization, i.e., the setting in course of a process whereby producers and investors increasingly behave as if the world economy consisted of a single production and market area. The principal driving force in the globalization process today is the search for both private and public-owned firms (local and foreign) for profit and this

³ "Globalization and Liberalization." Report of the Secretary General, UNCTAD 1996.

search is made possible by advances in information technology and by decreasing transport and communications costs. In this context, multimodal transport was embraced as a bold step to facilitate globalization due to its efficiency in cargo carriage internationally. It is for this reason that Uganda is seeking ways of promoting multimodal transport and hence the importance of this study.

1.4 Intermodalism on the International Scene

Intermodalism is the intensive co-operation and coordination among transportation modes. This is one of the most important phenomena that characterized trade in the 1980s that has resulted in increased coordination and integration by shipping lines, ports, and railways. Currently, intermodalism is being viewed as the key to the establishment of large, multimodal transport companies. Given the rapid population and economic growth, containerization, liberalization and globalization, and advancement in communication technologies, Uganda is vigorously seeking ways of promoting multimodalism through intermodal linkages. In this regard, the Government is endeavoring to create an environment conducive to the development of multimodal transport.

1.5 Multimodal Transport Operations

In multimodal transport operations, cargo must be transported in at least two different modes using a multimodal transport “contract” covering at least two of the transport modes. Another element is that the carriage of goods be of an international nature since the goods are carried from one country to another. In the contract, there is a definite pick up and delivery point and between these points, the MTO⁴ is held responsible. The principal aim of the MTO is to make the movement of goods more efficient through faster transit times at reduced costs. Therefore, a multimodal transport system involves coordination of different modes of transport, mainly via railways, road, sea, air and pipeline. It includes coordination of documentation (bills of lading) and the processing of the same; and coordination of commercial and physical aspects of the transaction between buyer and seller (checking, weighing, customs control, ware housing, and monitoring verifications en route).

To operate successfully, a MTO must have the ability and resources to meet legal and service standards required for the benefit/protection of the seller and buyer. These requirements normally include an international network of agents and offices linked with modern methods of communications; and expertise in international transport markets, regulations, procedures and practices for trade and transport. This includes knowledge of the transport rate levels and cost structures of carriers and ports, financial requirements, capacity to indemnify shippers in the case of loss or damage of cargo, and for rendering service. In order to offer such services efficiently, there must be a regulatory framework within which MTOs operate.

There are two major categories of MTOs, namely vessel operating and non-vessel operating common carriers (VOCCs and NVOCCs, respectively). Vessel operating MTOs (VO-MTOs)

⁴ An MTO is “any person who on his own behalf or through another person acting on his behalf concludes a multimodal transport contract as a principal on behalf of the consignor or the carriers participating in multimodal transport operations. The MTO assumes full responsibility for the performance of the contract.”

also known as VOCC, are shipowners that have extended their services to include carriage over land and by air mainly because of containerization. They carry goods using their ships for the marine legs but subcontract road, rail or air carriers to transport the goods to the buyer. Non-vessel operating MTOs (NVO-MTOs) or (NVOCCs) are further subdivided into two types. The first category consists of transport operators that are not ocean carriers but arrange door-to-door transport covering more than one mode. These subcontract the ocean voyage because they do not own or operate ocean vessels. These MTOs normally own one type of transport vessel, mainly road transport trucks. The second NVOCC type does not own any means of transport. This category may include freight forwarders, customs brokers and general transport advisors. These subcontract all transport activities to the vessel operating carriers and coordinate the process.

1.6 Growth of the Economy and Population

During the past decade, Uganda has had one of the fastest growing economies in Africa. The economy grew by 6.5% per annum while the population was growing at 3.1%. Presently, Uganda's GDP is estimated at US\$ 8,350 billion (US\$ 553 billion) and the population at 22 million people. The economy is still agricultural and highly dependent on coffee exports. There is some shift, however, in the production of traditional export crops (coffee, cotton, and tea) to nontraditional exports (sim-sim, flowers, and fish). In spite of these changes, Uganda still remains a net importer of commodities. For example, in 1999-2000, total exports were worth US\$ 638 million while imports were worth US\$ 1,863 million. The service industry, (hotels, tourism, and telecommunications) are growing fast, and need proper backing from the transport industry. Obviously, Uganda aims at reducing transport costs to sustain the current growth.

1.7 The Problem

Multimodal transport is a new concept in international trade that is offering benefits to business partners across countries. The roots of this system date to the 1970s when the system was promoted for commercial use in the transport chain. However, most developing countries, Uganda included, have not come to appreciate its impact in trade facilitation and the accompanying economies of scale have not been fully realized. This is because either the private sector is not informed of the advantages of the system or they are not aware of its existence. As such, those practicing this method of transportation are mainly foreign-owned companies and hence domestic investors have not taken full advantage in enhancing the transport efficiency in the country. At the same time, the government has not enacted the required legal rules for this system to be enforced. Therefore, it is necessary to lay the groundwork for full development of this transportation system if the current growth in economic activity is to be sustained.

The high transport costs that face Uganda can be alleviated if this system is adopted, because it aims at making the movement of goods from seller to buyer more efficient through faster transit times and lower transport costs. The system achieves this by capitalizing on efficient coordination of different modes of transport using a single document known as the combined transport document (CTD). This is coupled by efficient organization of commercial as well as physical aspects in the transaction between buyer and seller. The coordination involves

transport operators like railways, road transporters, shipping companies and clearing and forwarding agents (CFAs); the banking industry and the electronic media system; as well as insurance agents, among others. The problem of high costs, nonsynchronized transit requirements and other tariff and nontariff barriers to Uganda cargo can be alleviated if this system is adopted and encouraged for use by all transport operators. The responsibility and liability is concentrated in the MTO, who is the organizer of all transport systems in the transport chain. The MTO issues one transport document that makes him liable and responsible for the entire operation. This is governed by various international conventions, many of which are yet to be ratified by Uganda. This dictated the need to investigate the state of affairs in this approach to transportation in Uganda, a landlocked country in East Africa, and hence establish how this mode of transport may affect transport efficiency in Uganda and the subregion.

1.8 Objectives of the Study

Due to the CA the MTO has in terms of size, organizational ability and financing, negotiated transport rates are much lower and service delivery more efficient. As a result of this fact, the study set out to explore the possibility of promoting this transportation approach in Uganda and the region at large. The analysis was guided by the following terms of reference (TOR):

- i. Review the present state of multimodal transport in the East Africa region.
- ii. State the level of development/underdevelopment of the system in this region.
- iii. Explore and document in detail the advantages of multimodal transport in the transport chain for Uganda.
- iv. Make proposals on how to facilitate the application of widely practiced multimodal transport methods in Uganda.
- v. Explore the conventions that govern the operation of this system and the state of ratification by the national government.
- vi. Relate the international conventions to the intergovernmental protocols that have been signed by COMESA and EAC to determine any consistencies and/or inconsistencies and propose the way forward to enhance the use of this method of transportation.
- vii. Discuss the interfacing of various modes of transport to determine the degree of coordination and/or investments that is required for multimodal transport to succeed in Uganda.

1.9 Methodology

To understand and appreciate multimodal transport as a more efficient system of international transportation compared to segmented modes of transport, the consultant reviewed literature on economic and transport demand studies conducted in the region and specifically in Uganda. He reviewed performance reports of the individual transport modes, as well as journals on multimodal transport. The consultant also collected data and compared cargo flows from the northern and southern transit corridors from Mombasa and Dar-es-Salaam respectively. Data was collected through personal interviews with the major shippers and consignors. Where it was not possible to access respondents, questionnaires were used and 40% of the questionnaires sent out were filled and returned. The consultant also reviewed the

international conventions that govern cross-border transportation in the region. During data collection, the consultant visited the KPA, the Northern Corridor Secretariat, ISCOS, and a number of clearing and forwarding firms in Mombasa, Kenya. In Uganda, visits were made to the Uganda/Kenya border towns of Busia and Malaba, the Uganda Railways station in Tororo, the Uganda Railways Corporation's (URC's) headquarters in Kampala; Port Bell, Njinja and Kisumu ports on Lake Victoria; not to mention many other institutions and individuals contacted. Shippers in these localities were interviewed on transit issues through the ports of Mombasa and Dar-es-Salaam. It was not possible to visit the port at Dar-es-Salaam, because the budget proved to be too limited to allow travel to Tanzania.

1.10 Structure of the Report

This report contains seven chapters including the introductory chapter. In Chapter 2, recent performance of the Ugandan economy is presented. It shows the performance of the major economic sectors of Uganda, particularly the transport sector. Chapter 3 examines the existing transport system by mode. In Chapter 4, transport facilitation issues under the EAC, COMESA and NCTA/treaties are discussed. Chapter 5 examines the transit transport requirements, procedures, and costs. In Chapter 6, multimodal transport issues are discussed — including its present state, advantages, and ways of facilitation. Further, this chapter examines the conventions governing multimodal transport and the intergovernmental protocols that have been signed by COMESA and EAC. In Chapter 7, conclusions and recommendations are drawn.

CHAPTER 2. OVERVIEW OF THE TRANSPORT SECTOR

2.1 Introduction

This chapter outlines the general transport sector policies, and expounds on the principles governing such policies. The status of the transport infrastructure in each subsector is presented in brief. It also explores the international transport links that serve Uganda and also provides insight into the international transport links through which multimodal transport can be operated.

One of the objectives of the GOU is to create an efficient transport sector that can support economic growth, the eradication of poverty and the strengthening of national unity. To achieve this, the government has provided sound, economically justifiable and financially sustainable transport infrastructure. This situation calls for means to ensure that the quality of such infrastructure is maintained through preservation and maintenance of existing infrastructure. It is now government policy not to participate in the provision of transport services except in cases of perceived strategic need. The private sector is being encouraged to participate in the implementation of infrastructure works and complement government initiatives to enhance the capacity of domestic contracting and the consulting industry. There is conscious devolution of powers concerning the management of the sector to districts and municipal councils. The government, however, remains the main policy manager and deals with regulatory matters for the benefit of all transport users and stakeholders. It also administers the safety standards for all modes as well as the management of licensing requirements.

2.2 Recent Policy Transport Initiatives

To implement the basic principles of promoting transport efficiency, the government started by established a Road Agency Formation Unit (RAFU) as an interim arrangement for an autonomous roads agency. This is charged with the maintenance and operation of the classified road network. Meanwhile, responsibility for district roads has been devolved to the districts, although the Ministry of Works, Housing and Communications (MOWHC) continues to offer technical services. In freight and passenger transport, there is generally free competition. Government involvement however, remains strong in the rail and international inland water sectors, which are operated by the URC. URC is a government-owned corporation. In the aviation sector, the government continues to have stakes in both infrastructure and operations. The Civil Aviation Authority (CAA) was established in 1994 as the government agency responsible for airports, navigational aids, and airspace. The overall objective is to minimize total transport costs and thereby contribute to economic and social development of the country.

Presently, road and aviation infrastructure are available for use to several competing operators, but rail infrastructure is monopolized by URC while Lake Victoria infrastructure is used by URC, Kenya Railways Corporation (KRC) and Tanzania Railways Corporation (TRC) wagon ferries. To improve the use of transport infrastructure, there is need to promote modal interchanges (intermodalism) because journeys whose principal mode of transport is

either rail or water will begin and/or end with road transport. In this respect therefore, improved handling facilities for rail containers and secure storage facilities, good access links to the main road network are all required to facilitate intermodal efficiency.

2.3 Intermodalism in Uganda

Competition and cooperation among transport modes encourages efficient operations because different modes complement each other. The cooperation needs to be evident in the provision of interface facilities between the modes and should be given serious consideration at ports, railway terminals, and container depots. The shortage of cargo handling and storage facilities has hampered the development of container transport in Uganda, resulting in high transport costs due to high labor cargo ratios. Multimodal transport development is dependent on containerization, the domain of MTOs due to their large-scale handling abilities. The container handling facilities at Kampala railway station, which should ensure the interchange between road and rail transport, are in a poor condition because most are obsolete.

2.4 Transport Infrastructure

Uganda is served by road, rail, inland water and air transport modes. Roads are the dominant transport mode in terms of infrastructure and the volume of freight and people moved.

2.4.1 Roads

Road infrastructure comprises of classified/main trunk (national) roads, district roads, urban roads as well as community access roads. Classified roads are approximately 10,000 km, district roads 24,000 km and urban roads 1,400 km. Of the classified roads, only 23.5% are paved while all district roads are unpaved, and 42.9% of the urban roads are paved. There is also a network of community roads whose actual length is unknown but is estimated at 30,000 km. There is little information on this network and it is not known what proportion of it is accessible to motor vehicles. The estimated number of road vehicles stood at 110,000 vehicles in 1998 excluding motorcycles. Cars and other light vehicles constituted 89.6% of the total while buses and trucks made up the balance of 11.4%. Passenger vehicles accounted for 56% of the whole fleet.

2.4.2 Rail

URC was established in 1977 to take over the operation of parts of the former East African Railway and Harbors (EAR&H) network within Uganda. The railway network totals 1,244 km and comprises a main line that runs from Kampala to Malaba on the Uganda–Kenya border. This line is 251 km long and forms part of the international northern corridor between Kampala and Mombasa. Spur lines exist from Jinja town to the port in Lake Victoria (6 km) as well as Port Bell-Kampala (9 km). These form links with the Lake Victoria ferry routes between Kisumu in Kenya, Mwanza in Tanzania, Port Bell and occasionally Jinja in Uganda.

There is a main railway line in the west between Kampala and Kasese (333 km) as well as a northern line between Tororo and Pakwach (502 km). Among these lines, only the main line from Kampala to Malaba and the spur lines to the international ferry terminals on Lake

Victoria remain operational⁵. The others have been closed due to low cargo volumes and/or dilapidation.

2.4.3 Water Transport

The principal lake and river system includes Lake Victoria, Lake Kyoga, and Lake Albert together with Kagera River, the Victoria Nile and the Albert Nile. Among these, only Lake Victoria is used for international commercial transport.

2.4.4 Air Transport

Entebbe is the major international airport in Uganda. There are five other smaller up country aerodromes designated as international entry/exit points. The five aerodromes are Arua, Gulu, Kasese, Kidepo, and Pakuba. Apart from these, there are seven other smaller aerodromes that are used for domestic flights only.

2.5 International Transport Links

The international transport links include those connecting Uganda to the ports of Mombasa and Dar-es-Salaam in the Indian Ocean. There are also transit links that connect Uganda to other landlocked countries like Rwanda, Burundi, the Democratic Republic of the Congo (DRC) as well as southern Sudan. The international routes in East Africa are conventionally grouped into three major corridors, namely the northern, southern and the central corridors⁶.

2.5.1 Northern Corridor

The main northern corridor route runs inland from Mombasa via Nairobi to Kampala, with extensions to the DRC, Rwanda, and Burundi. The northern corridor includes both road and rail routes, which encompass rail/ferry services on Lake Victoria. The oil pipeline link from Mombasa to Eldoret and Kisumu are part of the Northern Corridor. The pipeline is to be extended to Kampala in the next few years. The Northern Corridor has traditionally been Uganda's lifeline and it comprises the following routes.

2.5.1.1 All Rail Route - Mombasa-Malaba-Kampala (1,333 km)

The railway line from Mombasa has been used since the beginning of the last century when it was constructed. It is 1,082 km long within Kenya up to Malaba, and 251 km long between Malaba and Kampala. Most of the rail network in Uganda is very old, and the general state of the track remains poor. However, the Malaba-Jinja-Kampala line (251 km) is in good condition, except for some sections where the sleepers are worn out and require replacement. URC has planned spot improvements on this line in FY 2000-2001 to eliminate speed restrictions and reduce accidents.

⁵ Operating railway lines constitute 21% of the total railway network in Uganda.

⁶ This section borrows heavily from the study on Comparative Transport Cost Analysis in East Africa executed for USAID/REDSO by the Management Center in 1996.

The all rail route, Mombasa-Malaba-Kampala, extends to western Uganda along the Kampala-Kasese railway line (333 km). This line is currently closed because of frequent derailments due to its poor condition. Additionally, it is not commercially viable but it has theoretical potential as a railhead for eastern DRC.

2.5.1.2 Rail/Lake Route - Mombasa-Kisumu-Kampala (1,211 km)

This route is 929 km between Mombasa and Kisumu, and 282 km between Kisumu and Port Bell. Port Bell is linked to Kampala by a 9 km rail line. It is essentially a branch line route that leaves the mainline at Nakuru and extends to Kisumu. Because of the 60-lb gauge restriction of this section, heavier trains must proceed at slower speeds. Work is ongoing to upgrade it to 80 lb to allow the operation of heavier trains at increased speed. The lake route from Kisumu to Port Bell complements this route. The Kisumu-Jinja route has fallen into disuse since the opening of the Port Bell terminal in 1992.

2.5.1.3 All Road Route – Mombasa-Nairobi-Eldoret-Malaba-Kampala (1,148 km)

The road route from Mombasa to Uganda via Malaba dominates transit traffic because of its good condition and high security standards. An alternative road route crosses the border at Busia before rejoining the main route east of Bugiri. Both roads are paved throughout, but some sections in Kenya are in very poor condition due to inadequate maintenance. The affected sections include Voi-Mombasa, Nakuru–Kisumu, and Nakuru–Eldoret. The Ugandan sections have also deteriorated, although a major rehabilitation program has commenced.

2.5.2 Central Corridor

This corridor runs from Dar-es-Salaam to Mwanza, then by lake to Port Bell before reaching Kampala by rail. The traditional rail route runs from Dar-es-Salaam to Tabora, where it splits into two branch lines, one branch runs westwards to Kigoma (1,254 km) on Lake Tanganyika while the other branch runs northward to Mwanza on Lake Victoria covering 1,230 km. Uganda traffic continues by wagon ferry from Mwanza to Port Bell or Jinja covering approximately 450 km. Although in practice the northern corridor has been the principal route in use, it is government policy that the central corridor should be used by a proportion of international traffic, not only as an alternative, but also as a complementary route.

There is a proposal by the Tanzanian government, through the EAC, to construct a railway line from Arusha to Musoma in the southeastern shores of Lake Victoria. An alternative is to construct a road connecting the two towns. This would make it possible to open a third route from Uganda to the Indian Ocean, using the wagon ferry service from Port Bell to Musoma and the extended railway line/road from Musoma to Arusha and onwards by rail to the Tanga port.

Another proposal is to develop ‘through rail’ services (to and from central and southern Africa), using the 1.06 meter gauge up to Kidatu, with transshipment there to the east African meter gauge for onward transit by Tanzania Railways to Mwanza and Port Bell by wagon ferry service. This route has already been tested with a consignment of goods from South

Africa. It took only 14 days for the goods to arrive in Kampala. Further studies are required to confirm the viability and sustainability of this route.

2.5.3 Southern Corridor

The southern corridor runs southwest from Dar-Es-Salaam to serve landlocked countries in southern Africa, including Zambia, Malawi, and southern DRC. The southern corridor (from Dar-es-Salaam to Southern Africa) has as its central features the trunk road, the Tanzania/Zambia Railways (TAZARA) and the TAZAMA pipeline from Tanzania to Zambia. In the past, this corridor was of little direct interest to Uganda. However, since the change of government in South Africa in the early 1990s, trading links have been developed with several countries in East Africa, including Uganda. There is a recent proposal to develop ‘through rail’ services to the eastern and central regions from southern Africa using this route.

CHAPTER 3. TRANSPORTATION AND THE ECONOMY

3.1 Introduction

This chapter examines the overall economic growth of the country against the performance of the transport sector. It gives insight into how the Ugandan economy has performed in the last five years and justifies the need for a more efficient cargo delivery system, particularly of international cargo.

3.2 Economic Performance

The Ugandan economy is largely agricultural, and highly dependent on coffee exports despite ongoing diversification efforts. Since 1987, the economy has averaged 6.5% growth per year, while population growth has been 3.1% per annum. During FY 1999-2000, economic activity remained buoyant, with real GDP growth estimated at 5.1% despite deteriorating external terms of trade (see Table 3.1). This is in spite of a surge in world oil prices that pushed domestic fuel prices up, the prolonged drought in the second half of 1999, the ban by the European Union (EU) on Ugandan fish exports⁷.

A major contributor to the reduced pace of economic activity in 1999-2000 was the decreasing rate of agricultural output compared to 1998-1999. The agricultural output grew by only 3%, versus 6.9%. The pace of expansion of the manufacturing sector also slowed down compared to the last six years, but at 8.6% remained robust in 1999-2000. The utility sectors also performed well with electricity and water subsectors growing by 8.6%, and transport and communications by 8.0%. The expansion of the economy, particularly agriculture and manufacturing, calls for efficient delivery of export crops and other products to markets. Similarly, imports of inputs for manufacturing and even agriculture require fast delivery mechanisms if Uganda is to sustain the impressive economic growth rates.

3.3 Transport Sector Performance

3.3.1 Roads Sector

The overall growth of road transport activity is best indicated by the road subsector's contribution to real GDP, as shown in Table 3.2. The composition of road transport activity in the overall GDP has risen from 3.1% in 1990-1991 to 3.8% in 1999-2000. Additionally, road transport constituted 70% of the overall contribution of the transport and communications sector to GDP in 1990-2000.

⁷ The GDP growth of 5.1% was lower than 7.4% that was achieved in 1998/99 (see Table 3.1).

Table 3.1: GDP Performance by Sector 1995-1996 to 1999-2000
(in millions of Uganda shillings at constant prices, growth rates in percent).

Period	1995-1996	1996-1997	1997-1998	1998-1999	1999-2000
Agriculture	1,303,652	1,317,851	1,342,827	1,435,096	1,477,763
%	4.3	1.1	1.9	6.9	3.0
Food Crops	872,038	854,597	868,209	932,160	963,454
%	1.3	-2.0	1.6	7.4	3.4
Mining and Quarrying	11,493	17,260	22,040	23,194	24,343
%	35.7	50.2	27.7	5.2	5.0
Manufacturing	225,977	256,362	293,393	326,614	354,655
%	7	13.4	14.4	11.3	8.6
Electricity and Water	27,036	29,763	31,846	33,787	37,544
%	10.5	10.1	7.0	6.1	8.6
Construction	214,331	229,848	247,301	265,191	287,730
%	13.4	7.2	7.6	7.2	8.5
Commerce	423,040	436,197	462,575	503,591	528,020
%	10.7	3.1	6.0	8.9	4.9
Transport and Communications	134,154	148,349	163,121	176,654	190,772
%	11.0	6.3	10.0	8.3	8.0
Community Services	432,678	459,722	487,079	511,475	537,467
%	6.0	6.3	6.0	5.0	5.1
Owner occupied dwellings	80,396	86,828	92,906	100,338	108,366
%	8.0	8.0	7.0	8.0	8.0
Total GDP	2,852,758	2,982,179	3,143,088	3,375,940	3,546,660
GDP Growth Rates in %	7.8	4.5	5.4	7.4	5.1

Source: Background to the Budget 2000-2001

Table 3.2: Percentage Distribution of GDP at Factor Cost (at constant (1991) prices, FY 1990-1991 to 1999-2000)

Industry Group	1990-1991	1991-1992	1992-1993	1993-1994	1994-1995	1995-1996	1996-1997	1997-1998	1998-1999	1999-2000
Agriculture	52.7	50.7	51.1	49.3	47.3	45.7	44.2	42.7	42.5	41.1
Mining & Quarrying	0.3	0.3	0.3	0.3	0.3	0.4	0.6	0.7	0.7	0.7
Manufacturing	5.6	6.2	6.2	6.7	7.1	7.9	8.6	9.3	9.7	10.0
Electricity/Water	0.9	0.9	0.9	0.9	0.9	0.9	1.0	1.0	1.0	1.1
Construction	6.0	5.9	5.0	6.2	7.2	7.5	7.7	7.9	7.9	8.1
Wholesale & Retail Trade	11.2	11.5	11.2	11.5	12.7	13.1	12.9	12.9	13.2	13.2
Hotels & Restaurants	1.2	1.3	1.4	1.6	1.7	1.8	1.8	1.8	1.7	1.7
Transport Communications	4.2	4.3	4.2	4.4	4.6	4.7	5.0	5.2	5.2	5.4
-road	3.1	3.2	3.2	3.2	3.2	3.3	3.6	3.7	3.7	3.8
-rail	0.3	0.3	0.2	0.3	0.4	0.3	0.2	0.2	0.2	0.2
-air	0.3	0.4	0.4	0.4	0.5	0.6	0.7	0.7	0.7	0.7
-communication	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.6	0.6	0.7
Community services owner	14.9	15.8	15.8	15.9	15.4	15.2	15.4	15.5	15.2	15.2
Occupied dwellings	3.1	3.1	2.9	2.9	2.8	2.8	2.9	0.0	3.0	3.1
TOTAL	100.0									

Source: Background to the Budget 2000-2001

The growth of road traffic is best indicated by:

- sales of automotive fuels over time,
- changes in the number of vehicles on the roads, and
- traffic survey statistics.

Information on the sale of petrol and diesel during the 1990s is available but it does not provide a satisfactory indicator of the growth of road traffic vehicles because of rampant smuggling from Kenya as a response to the large fuel price discrepancies between the two countries. As indicated in Appendix A, it is evident that there was a sharp drop in the sales of petroleum fuels between 1989 and 1995. This can be attributed to unrecorded imports of smuggled fuels. The growth in the number of vehicles has been around 16% per year since 1987 as per the findings of continuous traffic surveys. This growth however, is too rapid to be a good indicator of overall growth in road traffic throughout the country. Overall, the growth in the number of heavy vehicles on the road has been slower than for light vehicles and the proportion of heavy goods vehicles in the total fleet has dropped from 16% to just under 13% since 1987.

It may be noted, however, that traffic surveys in Uganda have mainly been confined to the classified road network. Different consultants, as well as the MOWHC, have carried out these surveys between 1989 and 1999. However, it is considerably difficult to make statistically valid comparisons over time, due to limitations in coverage by the traffic counts. These difficulties occur because of variations in survey methodology, comparability of survey locations and links, and the effect of seasons on events. Since the available traffic counts are confined to classified road network, the counts do not take adequate account of traffic within Kampala. Nevertheless, it is suggested that the overall average annual traffic growth between 1989 and 1998 was 5.5%.

3.3.2 Railway Sector

URC currently operates two essentially separate networks joined together at Kampala. These are the Kampala-Jinja-Malaba rail and the Kampala-Port Bell/Mwanza rail/lake routes. The only infrastructure that these two routes have in common is the 100 meters of railway line east of Kampala Railway Station and storage facilities in the Kampala area. The rail route via Malaba is not an isolated transport system and is, in practice, an extension of the KRC line from Mombasa. The successful operation of the Kampala-Malaba (and also Port Bell/Kisumu) routes is thus dependent upon the performance of KRC, Kenyan customs officials at Malaba/Kisumu and Mombasa, and the efficiency of KPA. Similarly, the performance of TRC, Tanzania customs officials at Mwanza and Dar-es-Salaam, the efficiency of Tanzania Harbors Authority (THA), and indeed the performance of Uganda Immigration and Revenue Authorities, heavily influence the overall performance of the route via Mwanza from Dar-es-Salaam.

In recent years, however, both TRC and KRC have experienced a shortage of motive power and wagons, affecting URC performance adversely. For instance, URC wagons are diverted by KRC and/or TRC for their internal traffic. This situation is reportedly improving, thereby allowing the movement of block trains within the region. As a result of the improvement,

cargo transported by rail has increased by 25.5% from 600,182 tons in 1998 to 753,488 tons in 1999. Between 1996 and 2000, rail transport contributed a paltry 0.2% per annum to the GDP, as compared to the annual averages of 3.7% and 0.7% contributed by road and air transport, respectively.

The main trend during the 1990s is that the northern corridor has maintained its lead over the central corridor in the carriage of both exports and imports from and to Uganda. For example, the percentage of URC cargo going through the northern corridor for the period 1995-1999 ranged between 72 and 83%. However, there was an increase of cargo on the central corridor over the same period, particularly in 1999. This is attributed to increased business between Uganda and South Africa and the enforcement of axle load limits both in Kenya and Uganda. It is expected that the closure of Kasese and the northern lines will lead to a downward trend for domestic traffic. Domestic cargo accounted for approximately ten percent of the total cargo carried in 1999, but this percentage is likely to drop to less than five percent, due to improved road transport. Given that the longest domestic distance available for URC domestic traffic is now around 250 km, road transport will remain as the preferred mode due to the short distances involved for the type of cargo available. URC survival, therefore, is going to be on international traffic in the coming years. Within this context, URC plans to undertake spot improvements on Kampala-Malaba (mainline) so as to eliminate speed restrictions and reduce accidents. It will further continue to improve on the container and wagon ferry terminals so as to facilitate the movements of cargo through Lake Victoria.

One of the most cost-effective ways of running a railway system is to maintain a balance between the two directions. Uganda imports significantly more goods than it exports and this makes it more challenging for URC to achieve a balance between the inward and outward bound traffic flows. Competition from road haulage is stiffer for exports than for imports because most of the trucks plying the international routes are based in the coastal towns of Mombasa and Dar-Es-Salaam and when they come to the hinterland to drop cargo, they undercut the railways to avoid empty return legs.

Table 3.3 shows the trend in the import and export cargo traffic carried by URC from 1991 to 1999. It is clear from the table that there was a downward trend in the level of exports hauled, as a percentage of total traffic. This trend can be attributed to URC's loss of a large proportion of coffee exports to road transport which saw URC's share of the coffee export transport market decline from around 90% in the early 1990s to 20% in 1998. Since coffee is Uganda's most important single export, the ability of URC to compete successfully for a high share of this traffic is of considerable importance. On the other hand, petroleum products are the largest import commodities handled by URC and traditionally one of the most profitable. Between 1990 and 1997, total sales for petroleum products increased by 46% despite the illegal imports.

Table 3.3: Imports and Exports by URC (1991-1999)

Year	Exports		Imports		Total
	'000 tones	% of total	'000 tones	% of total	'000 tones
1991	125.1	38.5	200.0	61.5	325.1
1992	125.0	41.4	201.1	58.6	326.1
1993	153.3	36.5	267.1	63.5	420.4
1994	174.6	24.5	539.4	75.5	714.0
1995	112.5	14.8	648.2	85.2	760.7
1996	146.2	23.5	475.6	76.5	621.8
1997	74.5	15.1	419.0	84.9	493.5
1998	51.5	10.0	513.6	90.0	565.1
1999	123.4	20.2	609.8	79.8	733.2

Source: URC Statistical Digest

The poor performance of URC in the transport market for Uganda's imports and exports in the 1990s is partly due to liberalization of the coffee marketing, which saw much of URC export traffic being lost to road transport and partly due to lack of progress in developing new container depots.

3.3.3 Inland Water Transport

URC operates its international wagon ferry services between Port Bell and Kisumu. It is estimated that up to 40,000 tons of cargo is transported on the lake each month. The other services on the lakes and navigable rivers are more localized. Since this study is mainly concerned with international freight traffic, domestic inland water transport is not discussed in detail. It's worthy to note that traffic data on domestic inland water transport is very scanty except for that operated by the government.

3.3.4 Air Transport

Air traffic has been growing fast for this subsector since the late 1980's. However, the long-term growth has not been so spectacular when current traffic levels are compared with those that prevailed in the 1970s. Despite this, the speed of recovery from the depressed levels of the 1980s has been impressive. Available statistics show that in 1970 Entebbe International Airport reached a peak of 355,000 passengers, of which 180,000 were international, 92,000 transit and 83,000 were domestic. Thereafter, traffic fell to a low of about 32,000 passengers in 1979. Since 1987 there has been a general increase in the number of passengers handled at the airport, from approximately 140,000 in 1987 to about 450,000 passengers in 1998. This increase is because of the growth of the economy, particularly in exports, especially flowers and fish; and increased tourism, due to the population growth and the prevailing political

stability, particularly in Central and Eastern Uganda. Other factors that have contributed to this growth include the successful restructuring of the management of civil aviation by creating the Uganda CAA, the rehabilitation of Entebbe International Airport, including the terminal building, runways, taxi ways and communication systems and privatization of handling services. The later developments have contributed to the efficiency of the airport, hence attracting more customers.

Over the period 1991-1998 cargo exports from Entebbe have grown tenfold and at a higher rate than imports that tripled in the same period. During the period, the average annual growth rate of cargo was 39.8% per annum for exports versus 18.4% per annum for imports. The increase in exports by air transport is due to the introduction into the export market of nontraditional items, especially mainly perishables such as fish, fruit, vegetables and flowers (see Table 3.4). Although figures for 1999 are not yet complete, there are indications that since the EU imposed a ban of fish exports from Uganda in March 1999, the export rate dropped. There is however, hope that the export traffic will once again peak up as the ban was lifted in September 2000. During the period 1995-1999, fish exports constituted over 50% of air export traffic throughout the period except for 1999 when it dropped to 23% due to the ban export ban by EU.

Table 3.4: Exports from Entebbe International Airport by Product Type

Product Type	Volume (Tonnes)				1999	%Change 1995-98
	1995	1996	1997	1998		
Fish	5,219	9,703	5,989	6,550	2,645	-49.3
Flowers	721	1,236	1,862	1,765	1,990	176.0
Papain	223	114	140	247	211	-5.4
Fresh produce	792	1,518	2,153	2,874	2,778	250.7
Coffee beans	767	835	120	-	2	-99.7
Other	705	1,321	659	137	3,918	455.7
	8,427	14,727	10,923	11,573	11,545	37.0

Source: CAA

Import and export of cargo through Entebbe is hampered by high handling charges as compared to Nairobi and Dar-es-Salaam. For example, the standard cargo handling charges for horticultural produce, excluding flowers, are US\$ 0.07, US\$ 0.02 and US\$ 0.01-0.004 at Entebbe, Nairobi, and Dar-es-salaam International Airports, respectively. Entebbe handling charges for imports are higher than those for exports (see Table 3.5).

Table 3.5. Cargo Handling Charges at Entebbe, Nairobi and Dar-es-salaam International Airports (in US\$)

A. EXPORTS	ENTEBBE	NAIROBI	DAR-ES-SALAAM
i) Standard charges for horticultural produce excluding flowers			
a) Handling charge per kg	0.07	0.02	0.01 - 0.04
b) Minimum charge	10.00	3.10	2.70 – 8.00
c) Bond fee per consignment	15.00	2.40	-
ii) Standard charges for exports other than horticultural produce			
a) Handling charge per kg	0.20	0.02	0.02 – 0.04
b) Minimum charge	10.00	3.10	2.70 – 8.00
c) Bond fee per consignment	25.00	2.40	-
iii) Standard charges for flowers			
a) Handling charges per kg	0.07	0.02	0.02 - 0.04
b) Minimum charge	10.00	3.10	2.70 – 8.00
c) Bond fee per consignment	15.00	2.40	-
iv) Diplomatic mail	10.00	3.10	4.50
v) Amendment/cancellation of AWB	15.00	2.30	5.00
vi) Storage charges for exports			
a) Charge per kg	0.05	0.06	0.04
b) Minimum charge	10.00	3.10	4.00
vii) Other Services			
a) AWB documentation	20.00	1.85	5.00
b) Processing customs entries	40.00	3.90	18.00
B. IMPORTS	ENTEBBE	NAIROBI	DAR-ES-SALAAM
i) Standard handling charges			
a) Charges per kg	0.20	0.02	0.03
b) Minimum charge	10.00	3.10	2.70
ii) Diplomatic mail	10.00	3.10	4.50
iii) Storage charges			
a) Charge per kg	0.05	0.06	0.02
b) Minimum charge	10.00	3.10	2.70
iv) Other facilities			
a) Forklift up to 5 tons per hour	150.00	125.00	200.00
b) Forklift over 5 tons per hour	150.00	150.00	200.00
v) Cold storage			
a) Cold storage charge per kg	0.02	0.01	0.04
b) Minimum	10.00	1.55	4.00
vi) Charge for storage of valuables in strong room per consignment per kg	SNA	8.00	0.04
vii) Storage of radio active shipments per kg	SNA	3.10	SNA
viii) Storage of other hazardous cargo per kg	SNA	3.10	0.05

SNA = Service Not Available

Source: CAA “Comparative analysis of aeronautical charges at the three main international airports of Entebbe, Nairobi and Dar-es- Salaam”

Although cargo handling rates at Entebbe are much higher than those pertaining at either Nairobi or Dar-es-Salaam, it is important to note that these charges do not affect aircraft operators but are a heavy burden to airport users, especially importers and exporters. The GOU, through CAA, is encouraging the handling companies to lower their rates and make them more competitive in the region. However, the companies have indicated that the volume of business is too low to warrant such reduced charges.

There has also been a problem with the import valuation system of customs for import tax purposes, which until recently was based on the Brussels Definition of Value (BDV) for Customs Valuation. This definition requires that goods are assessed for taxation purposes on the basis of their cost, insurance and freight (CIF) value, while the General Agreement on Trade and Tariffs (GATT) valuation code bases it on freight on board (FOB) values. In the case of air transport, the freight element is very high and including it in the base for the calculation of taxes greatly increases the tax obligations. This has been the main underlying factor responsible for holding back rapid growth of airfreight in Uganda. Due to this, the Ugandan government adopted the GATT valuation code as recommended by COMESA from FY 2000-2001. This development is likely to promote multimodal transport that encompasses airfreight in Uganda.

3.4 Uganda Transit Traffic

A proportion of traffic to and from Rwanda, Burundi, the DRC, and Sudan passes through Uganda. Most of the traffic transiting Uganda to southern Sudan is relief foodstuff. Information on transit traffic along the corridors is more readily available for rail traffic than for road. It is difficult to build up a complete time series of transport movements through the two corridors by mode. It is, however, estimated that over 90% of Uganda's imports and exports move via the northern corridor, out of which over two-thirds move by road. Ugandan traffic through the central corridor moves via rail and Lake Victoria ferry services. Flows of transit dry cargo from Mombasa and Dar-es-Salaam to and from Uganda, Rwanda, Burundi and the DRC are summarized in Table 3.6. From the table, the bulk of cargo flows to and from Uganda generally pass through Mombasa and the northern corridor. There has also been significant flow using Dar-Es-Salaam and the central corridor of late. In most years, the bulk of Rwandan traffic has used the northern corridor while a high proportion of Burundian traffic has consistently used the central corridor. The turmoil in Rwanda, Burundi and DRC undoubtedly played a part in the decline of central corridor cargo traffic. Statistics show wide fluctuations in dry cargo flows to all the four landlocked countries. These fluctuations may be largely attributed to the substantial relief flows that are frequently required to alleviate the effects of famine and wars in the Great Lakes Region. As with Uganda, the principal exports from Rwanda, Burundi, and the DRC are coffee, tea and other cash crops. As earlier indicated, URC only carried 25-27% of traffic in the period 1993-1996 and this share, fell to 13% in 1997 and 1998. However, in 1999, there was a slight recovery to 17%, probably due to implementation of axle load limits both in Kenya and Uganda.

Table 3.6: Dry Cargo Transit Traffic Flows through Mombasa and Dar-es-Salaam

Year	Volume ('000 tonnes)									
	Through Mombasa					Through Dar-es-Salaam				
	Uganda	Rwanda	Burundi	DRC	Total	Uganda	Rwanda	Burundi	DRC	Total
1991	303	102	13	70	488	59	59	206	180	504
1992	467	113	42	112	734	21	73	129	129	352
1993	476	124	22	78	700	39	183	259	101	582
1994	916	178	36	260	1,390	44	100	249	71	464
1995	1,056	494	48	143	1,741	56	103	172	125	456
1996	1,213	796	13	285	2,307	72	104	65	153	394
1997	872	167	-	106	1,145	83	108	33	86	310
1998	842	94	1	59	996	52	60	31	64	207
1999	1,013	109	4	52	1,178	--	-	-	-	-

Source: Transport Sector Strategy Study 1999, KPA.

CHAPTER 4. REGIONAL TREATIES AND AGREEMENTS

4.1 Introduction

This chapter reviews the various transport facilitation instruments used by the regional bodies to which Uganda is a signatory. It highlights some of the key provisions of the treaties establishing the EAC, COMESA, and the TTCA of the northern corridor. In addition, actual requirements, procedures and arrangements for cargo movements, and the types of costs that are involved are also highlighted. The chapter elaborates the involvement of the clearing and forwarding firms, banks, customs, police and port authorities.

4.2 EAC Treaty

The objectives of the EAC are to develop policies and programs aimed at widening and deepening cooperation among the partner states in political, economic, social and cultural fields; research and technology; and defense, security, legal and judicial affairs for their mutual benefit.

Articles 90-95 of the treaty establishing the EAC make provisions for the development, maintenance, cooperation, and coordination of various modes of transport within the EAC. Article 95 specifically provides for the development of multimodal transport. The article statements follow.

The partner states shall:

- i. harmonize and simplify regulations, goods classification, procedures and documents required for multimodal transport within the community;
- ii. apply uniform rules and regulations with respect to the packaging, marking and loading of goods;
- iii. provide where feasible, technical and other facilities for direct transshipment of goods at main transshipment points, including intermodal cargo exchange points, inland clearance depots, and dry ports or ICDs;
- iv. agree to allocate multimodal transport facilities for goods consigned to or from the partner states;
- v. take measures to ratify or accede to international conventions on multimodal transport and containerization and take such steps as may be necessary to implement them; and
- vi. promote communication and information exchange to enhance the efficiency of multimodal transport.

4.3 COMESA Treaty

The COMESA Treaty aims at promoting economic development and joint adoption of macroeconomic policies and programs. It aims at cooperation in investment including the joint promotion of research and adaptation of science and technology. COMESA also aims at promoting peace, security and stability among its members and with the rest of the world.

In order to achieve the above aims, COMESA members have made specific undertakings in several areas. In the field of transport and communications, the following specific goals have been made:

- i. foster cooperation among themselves for the production of goods and facilitate trade in goods and services and the movement of persons,
- ii. make regulations for facilitating transit trade within the Common Market, and
- iii. adopt a Third Party Motor Vehicle Insurance Scheme.

Chapter Eleven Articles 84-91 of the COMESA Treaty provide for cooperation in the development of various modes of transport. Article 91, in particular, addresses multimodal transport issues. The article states that member states shall

- i. harmonize and simplify regulations, goods classifications, procedures and documents required for their multimodal interstate transport;
- ii. apply uniform rules and regulations with respect to the packaging, marking and loading of goods;
- iii. provide, where feasible, technical and other facilities for direct transshipment of goods at main transshipment points, including intermodal cargo exchange points, inland clearance depots, dry ports or ICDs;
- iv. agree to allocate multimodal transport facilities for goods consigned to or from the territories of other member states; and
- v. take measures to ratify or accede to international conventions on multimodal transport and containerization and take such steps as necessary to implement them.

4.4 Northern Corridor Transit Agreement

The northern corridor comprises the transport infrastructure and facilities in East Africa served by the port of Mombasa in the Republic of Kenya. The contracting parties to the NCTA are the Republics of Burundi, Kenya, Rwanda, Uganda and the DRC. The NCTA provides for the establishment of the TTCA. The NCTA provides the most effective route for surface transport of goods between the contracting countries and the sea. The purpose of the agreement is to promote the usage of the corridor. The contracting parties agreed to grant each other the right of transit in order to facilitate movement of goods through their respective

territories and to provide all possible facilities for transit traffic between them. According to the agreement, contracting parties shall take all necessary measures

- i. for the expeditious movement of traffic and for the avoidance of unnecessary delays in the movement of goods in transit through their territories,
- ii. to minimize the incidence of customs fraud and avoidance, and
- iii. to bring about simplification and harmonization of documentation and procedures relevant to the movement of goods in transit.

In pursuit of the above objectives, the agreement has specific sections and articles that are meant to facilitate and harmonize the movement of transit traffic within the region. Although the agreement is supported by several protocols on individual modes of transport, there is no specific protocol on multimodal transport. This does not, however, mean that the NCTA does not recognize the importance of multimodal transport in the region. Unlike the EAC Treaty, which was ratified only in 2000, the NCTA was signed way back in 1985. Multimodal transport is a relatively new concept and it is just gaining popularity in the region. The agreement addresses most of the concerns that affect transit traffic, multimodal transport inclusive. Major areas of intervention set out by the NCTA include:

- i. safeguarding the freedom of transit and the right of access to/from the sea for the landlocked member states;
- ii. designation of transit transport routes within the region;
- iii. developing regional transit transport infrastructure that is safe, secure and in good condition;
- iv. promoting a regional consensus on the modalities for the utilization of transit transport facilities by landlocked member states;
- v. establishing a regionally agreed upon and harmonized system for the management and control of transit operations;
- vi. simplification and harmonization of customs control and administrative procedures; and
- vii. establishment of uniform rules for contracts of carriage and carriers liability.

Clearly, the role of the EAC and COMESA treaties and the NCTA in the transport sector has been to develop policy measures geared toward cutting transport costs in roads, railways, air, pipeline and maritime transport.

4.5 Progress Achieved

The regional organizations are urging their member states to harmonize their laws concerning equipment and vehicles used in interstate transport within the Common Market. Documentation and formalities for vehicles are being simplified. Member states are making efforts to harmonize road transit charges, and axle load limits with a view to eliminating all physical and nonphysical barriers. Inland container terminals have been built in Nairobi, Eldoret, Kisumu and Kampala in order to facilitate transshipment of cargo destined to Uganda and other landlocked countries in the region. The Yellow Card — a third party insurance scheme in the COMESA region — is also being implemented. A Tripartite Agreement on Road Transport for the EAC has been signed with the goal of coordinating and harmonizing road transport policies and plans.

Railway administrations in the region are working closely in order to harmonize tariffs, documentation procedures, and packaging standards, marketing and wagon utilization. In the aviation subsector, COMESA member countries are progressively liberalizing air traffic rights for both scheduled and nonscheduled air cargo services. Uganda has, for example, instituted the following measures:

- nonlimitation on capacity of the aircraft and frequency of regional airlines,
- fifth freedom rights on routes not operated by Ugandan carriers are granted automatically, and
- licensing of nonscheduled air cargo operations is automatic.

In the maritime transport subsector, a Tripartite Agreement on Inland Waterways for EAC countries has been signed and only awaits ratification by the three states. The agreement is geared towards coordinating and harmonizing the establishment of a common maritime transport policy. Uganda, Kenya and Tanzania are coordinating and cooperating in the maintenance of safety on Lake Victoria, which is shared by the three states.

It has been observed that some of the provisions of the treaties/agreement are being implemented fast and have shown tangible results. For example, 28 stamps were previously required on one entry form at the port of Mombasa before goods could be released. Documentation and regulations have been eased and only four stamps are currently required. Similarly, KPA has improved its transshipment facilities at the intermodal exchange points. Special desks have also been set up at the KPA revenue offices and at the container terminal to cater for transit traffic. All these measures have resulted in improved transit times, from 28 days in 1995 to the current four days of cargo haulage from Mombasa to Kampala. Road transport costs have also dropped from approximately US\$ 2,300 to US\$ 1,800 per TEU.

In spite of these new developments, there are still some provisions of the treaties that have not yet been implemented. For example, member states have not yet ratified a number of international conventions on multimodal transport and containerization. Communication and information exchange is still quite low. At the same time all EAC, TTCA and COMESA

member countries are grouped together under the Organization of African Unity (OAU) charter establishing the African Common Market and therefore resolutions passed at the subregional level are supposed to be consistent with those passed or envisaged under the OAU and UN Economic Commission for Africa (UNECA). The EAC, COMESA and OAU treaties and the NCTA aim at reducing transit times and transport costs for both intrastate and international cargo. The agreements are consistent with international conventions that govern multimodal transport.

4.6 National Transit Requirements, Procedures and Costs along the Corridors

Transit transport requirements are varied between the two corridors serving Uganda. The requirements include transit bonds, police escorts and surveillance, and the need for convoys, among others.

4.6.1 Transit Bonds

All transit goods from or to Mombasa must have a transit bond posted in each transit country. The bonds are meant to protect the domestic markets of each transit country against loss of customs duty and value-added tax (VAT) if the goods are diverted to the local markets. Due to differences in customs duties and VAT, a standard bond has never been issued within the entire corridor, hence a separate bond is required in each transit country.

CFAs normally arrange for transit bonds, through insurance companies and local banks. This provides guaranteed payment of duty if the goods are diverted to the domestic economy. According to a study on “Comparative Transportation Cost Analysis in East Africa”, it has been estimated that a transit bond adds up to three percent of the CIF value to the cost of transit, particularly for traffic to Burundi along the northern corridor. The study suggests that ways be sought to reduce costs and streamline the issuing of bonds. The COMESA customs’ bond guarantee scheme was perceived as a step towards the required simplification although ratification has been accomplished by only four countries, Uganda included. EAC has also drafted a custom’s document based on the COMESA version, but it is yet to be reinforced.

4.6.2 Police Surveillance

In Kenya, the police require trucks not under escort to use a truck control form titled P27. This form requires trucks to travel using the designated routes and to check in at specified police checkpoints. This form is stamped and signed at the respective police stations. In Uganda, the Transit Vehicle Log sheet serves the same purpose as the Kenya’s P27. This requirement is also used in Rwanda. The purpose of this procedure is to ensure that goods are not diverted into the local market and to supervise the transportation of dangerous goods.

4.6.3 Procedures

Procedures, arrangements and issues for cargo movements from the time it is landed at either the Port of Mombasa or Dar-es-Salaam until it reaches the consignee in Uganda can be translated into costs. This represents a significant proportion of the overall cost structure. It

has been observed that as procedures become easy to understand and use, related costs fall, and vice versa. Some of the procedures and arrangements are translated into direct costs of cargo movement, while some of them are covered in the quoted freight rates for transportation, particularly if cargo has to be moved by road. The major players are CFAs, customs and port authorities, police and transporters. The central issues that mitigate delays and costs include:

- notification of arrival of cargo,
- clean Report of Findings,
- customs clearance procedures and issues,
- port charges,
- road transit procedures, and
- clearing and forwarding costs.

4.6.3.1 Notification of Arrival of Cargo (Imports)

The procedures for clearing and forwarding cargo at the two ports of Mombasa and Dar-es-Salaam are fairly similar although each port has its own details. In both cases, however, import procedures are more intricate and complex than export procedures. Once the cargo is loaded on board a ship in the country of origin, relevant documents are sent to the importer, or his appointed CFA, or to his bank. These documents comprise the bill of lading, a commercial invoice and a packing list. It has been estimated that a typical vessel takes between 19 and 21 days to reach Mombasa or Dar-es-Salaam from any part of the world and therefore documents, once forwarded by air, should reach the importer before the vessel docks. All documents received by the importer are given to the importers' appointed CFA. If the documents are not lodged in time, most CFAs penalize the importer.

Each vessel arriving at the port of Mombasa or Dar-es-Salaam has a shipping agent, who is the intermediary between the shipowners and the cargo owners. At the port of Mombasa for example, daily meetings are held whereby shipping agents announce the expected arrival date of each ship and the goods destined to the port of Mombasa. Representatives of the KPA, KRC, road transport operators, customs officials, and CFAs attend the meeting. The ship arrival dates are also announced in the local press.

The appointed CFA presents the documents received from the importer to the ship's agent. Thereafter, the original bill of lading is released and acted upon through the signature of an approved person by a stamp indicating that all sea freight and incidental charges have been paid. Most sea freight is prepaid at the port of origin; there are instances, however, when additional charges are raised. The signature of the approved person is circulated to KPA and Mombasa Port customs. Original bills of lading not endorsed in this manner, or by nonapproved signatories, cause considerable delay in cargo clearance. Cargo received at the respective ports traditionally fall into three distinct categories:

- general cargo which is described in harbor tons;⁸

⁸ A harbor ton is equivalent to a metric ton or one cubic meter whichever is higher.

- containers, which are described in twenty-foot equivalent units (TEUs), are either 20 or 40 ft long (A 20 ft container is equivalent to one TEU while a 40 ft container is equivalent to 2 TEUs); and
- oil products, often designated Petroleum, Oil and Lubricants (POL), which are measured in tons. In most situations, oil products do not actually pass through the respective ports, as the offloading tankers utilize the available jetty facilities. These facilities are normally provided by oil companies and often located in the vicinity of the port.

4.6.3.2 Clean Report of Findings

At the port of Mombasa, domestic imports are subject to a preshipment inspection report. Multinational inspection companies, such as SGS and Cotechna provide preshipment inspection services. The inspection ensures that a correct value is endorsed for import duty assessment on arrival of cargo.

4.6.3.3 Customs Clearance Procedures at Mombasa

The appointed CFAs start clearance of import transit cargo by making an entry or a declaration of the import cargo. To enter or declare goods means to make a statement in the form prescribed (C34 in the case of Mombasa), indicating the customs procedure to be applied to the goods. The CFA also completes a Mombasa Port Release Order (MPRO). These two documents, when completed, give the details of the cargo, which enables the customs officials, and Port Revenue Office to calculate their claims on the cargo. While excise duty and VAT assessed need not be paid for transit cargo, the combined value constitutes the Bond in Force (BIF) which the CFA is obliged to cover through a security bond before customs officials release the cargo. The security bond is effected with customs, either in the form of cash through an insurance or bank guarantee to cover the BIF. The security bond safeguards customs authorities against dumping transit cargo in the Kenyan market.

At the Mombasa long room, CFAs bring all documents (C34, MPRO, bill of lading, commercial invoice and packing list), which are received and processed. Transit goods documents are forwarded to transit section. The C34 is checked whether the agent BIF is sufficient to cover the particular assessed BIF for transit goods. Accepted documents are forwarded to the Manifest Section through a registered dispatch. In the Manifest Section, the documents are received and recorded. The details on C34 are checked against the manifest, bill of lading, and ships parking list. The procedure in the long room takes two days under normal conditions, if the documents are in order. Should customs officials need to verify a specific consignment, it is indicated by a STOP stamp on the customs copy of the C34 before forwarding copies of the documents through a delivery book, twice a day, to customs office at Kilindini Port.

4.6.3.4 Road Transit Procedures

In the port of Mombasa, transportation of general and dry cargo is by road and rail, while petroleum products pass through the Mombasa-Nairobi pipeline. Over 60% of the general and

dry cargo are transported by road. The organization of cargo off loading from the port and road starts when the CFA receives the shipping documents. From the bill of lading it is possible to extract information which includes type of cargo, weight and size of the cargo or container. On the basis of this information, the CFA agent can identify a suitable vehicle while the documents are being processed by the customs.

4.7 Costs

4.7.1 Port Charges

For all transit cargo through the port of Mombasa, KPA offers a free period of eight working days. KPA also offers concession tariff rates for transit cargo as an effort to be more competitive with the Dar-es-Salaam port and attract higher volumes of transit cargo. For loose transit cargo, KPA charges US \$0.5/ton per day. For Kenyan bound cargo, they are charged USD\$ 1.0/ton per day. For containerized transit cargo, the charge is US\$ 10/container per day and US\$ 12.50/container per day for Kenyan bound cargo.

4.7.2 Customs Verifications Charges

Customs verification charges relate to the stripping and restuffing of containers for customs verification of cargo. They have, however, been waived for all transit cargo through the port of Mombasa to hasten port clearance procedures and reduce transit costs through the port.

4.7.3 Clearing and Forwarding Costs

The role of the CFA is mainly to facilitate the port, customs and security procedures. CFAs are also the commercial representatives of importers and exporters at all border crossings, inland ports, and all destinations. Prominent involvement of CFAs has associated costs that have to be paid by importers and exporters. CFAs are sometimes obliged to meet the costs of clearance and forwarding of cargo and then bill the importer or exporter in due course. This implies that successful CFAs need to have large sums of money at their disposal. In many cases, however, the importer or exporter is required to deposit a payment to the CFA before the clearance of goods takes place. The deposit supplements the CFA's funds where credit service is offered.

CFAs can levy many and varied charges, although there are schedules published as guidelines. Charges will therefore vary from one CFA to another and most of CFA charges are quoted on the basis of the CIF value of the consignment, although some are levied on the basis of weight and/or volume. The most common CFA charges are categorized as follows:

- agency fee,
- customs BIF fee,
- documentation,
- handling,
- port and customs charges (e.g., wharf age, verification, shore handling, etc), and
- in cases where the CFA also operates as a transporter or when the importer or exporter require the CFA to arrange for transport, the related transportation charges.

Agency fees are the professional fees charged by the CFA. Rates quoted range between one and two percent of the CIF value of the cargo landed at Mombasa. The smallest CFAs charge toward the one percent end, while the parastatals and multinationals levy higher charges. On the other hand, the BIF fee is the compensation to the CFA for facilitating a security bond in transit, and acts as a recovery of the insurance premium or bank interest (for overdraft facilities) paid by CFA for the required guarantee. Many CFAs levy transit bond charges as a percentage of BIF (the value of excise duty and sales taxes/VAT), normally ranging between 1.25 and 3%. Additionally, there are other charges relating to documentation, commission on disbursements, handling and transportation. Documentation charges relate to the cost of preparation of documents for clearance of cargo. Often this charge is an agreed flat rate. Commission on disbursement is compensation to the CFA for using his own funds to clear and forward a consignment. Handling charges are billed for supervision of the movement of goods from the port to a warehouse, or to where the loading is effected. Handling charges may include costs of temporary warehouse storage. Transportation bills are raised when a CFA arranges transport via their own vehicles or on subcontract arrangements. For containerized cargo, CFAs may also arrange or provide a guarantee by way of deposit to shipping agents to secure containers in transit to and from landlocked countries.

CHAPTER 5. MULTIMODAL TRANSPORT

5.1 Introduction

This chapter examines the present state of multimodal transport in Uganda and explores its advantages over other systems of transport. Further, the chapter looks at ways of facilitating the applicability of the system. It explores the conventions that govern the operation of the system and relates them to the intergovernmental protocols that have been signed by COMESA and EAC. Lastly, the chapter discusses the interfacing of various modes of transport to determine the degree of coordination and/or investments that are required for multimodal transport to succeed in Uganda.

5.2 Present State

International transport has often experienced bottlenecks due to insufficient infrastructure and equipment coupled with institutional problems such as over-centralized decision making in government, lack of coordination between the private and public sectors, and lack of knowledge of modern transport technology and procedures. Insufficient coordination among the major players in logistics in the industry has been a major stumbling block.

5.3 Infrastructure

In Uganda and in eastern Africa at large, the infrastructure is not adequately maintained and some of it has become obsolete. In some instances, feeder and trunk roads have fallen apart and railway lines to the west and north of the country have been closed due to lack of maintenance and insecurity. The appropriate infrastructure, within which multimodal transport can develop and flourish, is therefore inadequate in Uganda.

5.4 Institutional Framework

Efforts have been made to put up an efficient institutional framework both at national and regional level. The NCTA was contracted to simplify and harmonize procedures relevant to the expeditious movement of goods in transit. Under the agreement, a TTCA of the Northern Corridor was formed to facilitate the process, particularly on matters relating to transport policy and operational coordination of transit traffic. Since its initiation, the institution has and continues to sensitize stakeholders and policymakers on how to ease the flow of transit traffic to the hinterland. The institution continues to advocate for the removal of physical barriers such as roadblocks, and nonphysical barriers such as cumbersome customs procedures. Through this approach, TTCA has created an environment conducive to the rapid development of multimodal transport not only in Uganda, but also in other EAC countries.

Uganda is implementing various COMESA transport facilitation procedures, such as the axle load limits, and the COMESA third party insurance scheme (Yellow Card). These procedures have helped in the facilitation of transit traffic, not only in Uganda, but also in the region. MTOs are beneficiaries of these procedures. At the national level, there is not a well-established institutional framework to cater to the needs of transit transport. However, there is

the Uganda Clearing and Forwarding Association (UCFA)⁹ and the Uganda Commercial Truck Owners Association (UCTOA), which are new institutions that have not yet matured and need propping. UCTOA anticipates it will be fully representative of Uganda commercial truck owners: to coordinate, encourage, promote and protect the interests of its members; to promote and encourage professionalism in its fields of operation; to discourage unfair competition; and to consider, report and advise on existing or future legislation that affect its members.

Of the two organizations, UCIFA has a large membership of about 350 that deal with international cargo handling, and are generally more conversant with the documentation of transit cargo. On the other hand, the UCTOA membership is still small and their business is mainly concentrated on transportation of both local and international traffic. Although UCIFA has a large membership, the majority of the members are small and some of them do not even have offices because they are briefcase businesses.¹⁰ At the same time, few of them understand the concept of multimodal transport and it is evident that a national institutional framework for MTOs is lacking and should be developed.

5.5 Existing MTOs

Some international freight companies, such as Maersk Uganda Ltd., P&O Neddloyd, Kuenhe & Nagel, and Spedag, are MTOs. They use multimodal transport bills of lading that are issued subject to UNCTAD/International Chamber of Commerce (ICC) rules for multimodal transport. Maersk operates all logistical services including cargo shipping, inland haulage, and clearing and forwarding. Recently, they opened up a modern ICD, which is the only privately owned common user ICD in Kampala. This offers a direct rail link to and from Mombasa and Dar es Salaam. A new transit shed has been constructed for fast verification and storage of goods by customs and there are URA offices next to the verification bay. The ICD is also a dedicated depot for empty containers, and this allows Maersk to release empty containers to its exporters swiftly. One of the significant contributions of Maersk to Uganda exporters and importers is that Maersk offers them an internationally recognized Kampala through bill of lading. This is because the facility provides an entire door-to-door transportation service under one transport document. Road and rail thus link directly with the world's largest container shipping company, Maersk-Sealand, that offers the most comprehensive services to any port and inland point around the entire world. Maersk Sealands has vessels that call directly at the ports in Mombasa and Dar-Es-Salaam every week on a fixed schedule. Other international firms are also following suite and respondents indicated that between 75 and 90% of all the containerized cargoes going through their firms were transported under multimodal transport arrangements. It was, however, not possible to establish what proportion of the container traffic was from or to Uganda from the KPA nor was it possible to find out the same from the URA. This is because URA records are in varying units such as kg, tons, boxes, or number of trucks.

⁹ UCIFA was formed with the objective of uniting all clearing and forwarding firms to promote professionalism and have bargaining power with a single voice.

¹⁰ The agents operate as middlemen carrying all their office requirements in a briefcase ready for business. They have no official fixed aboard to transact their business.

On transit traffic, the study could not estimate the amount of cargo that is being moved, due to shortage of data. However, there is ample evidence that MTOs¹¹ are on the increase due to high levels of containerized cargo in the East African region. This is depicted in Table 5.1. Between 1994 and 1998, containerized traffic grew from 160,000 to 250,000 TEUs, an impressive growth rate of 56% in only four years. It should be noted that currently, shippers from Uganda are given 28 days to return containers to the port of Mombasa. Their colleagues in Kenya are allowed only 14 days. Given the fact that, on average, a truck takes five days to travel from Mombasa to Kampala, the shipper will have at least 18 days in which to clear the cargo, strip the container, and send it back. This is relatively ample time.

Table 5.1: Container Traffic through the Port of Mombasa (in TEUs)

		1994	1995	1996	1997	1998
IMPORTS	Full	66,652	86,350	85,245	90,983	104,529
	Empty	12,320	11,638	16,958	15,992	14,122
	Total	78,972	97,988	102,203	106,975	118,340
EXPORTS	Full	54,315	62,641	69,392	61,637	66,648
	Empty	20,565	34,722	33,868	40,685	49,889
	Total	74,880	97,413	103,260	102,322	116,537
T/MENT	Full	5,666	4,757	11,115	20,118	12,304
	Empty	775	397	450	1,283	959
	Total	6,441	5,136	11,565	21,401	13,263
TOTAL:	Full	126,633	153,748	165,752	172,738	183,481
	Empty	33,660	46,789	51,276	57,960	64,970
TOTAL:		160,293	200,537	217,028	230,698	248,451

Source: KPA, Mombasa

5.6 Legal Framework

Multimodal transport is a relatively new concept and a few governments have the appropriate laws, regulations, and procedures for controlling and facilitating it. Uganda, on its part, fully alludes to the internationally recognized multimodal conventions and protocols although it has not yet ratified all the international conventions governing multimodal transport. It has acceded to the 1973 Kyoto Convention and to the 1978 UN Convention on Carriage of Goods at Sea (HR). Uganda has also signed the Convention on Transit Trade of Landlocked States¹².

¹¹ It is important to remember that all MTOs handle containerized cargo only.

¹² Details of Uganda's status regarding international conventions are in Section 6.6 of this report.

5.7 Existing Cargo Tracking Systems

Although information processing systems have greatly improved in Uganda, a lot more needs to be done. For example, the Advance Cargo Information System (ACIS)¹³, a system that is used to track cargo movement, is only operational for the rail tracker. Development of the ACIS system is incomplete and the “road tracker” has not yet commenced. The use of email and Internet services is still very limited because of lack of appreciation and expertise on the part of the users.

5.8 Level of Professionalism

Human resource development is critical for the development of multimodal transport. Many transport operators suffer from a lack of professional skills in technical and supervisory fields. The current state of multimodal transport in Uganda can be described as foreign dominated, lacking an institutionalized framework, with little awareness of the concept amongst it nationals. The system is dependent on only UN Conventions, as there are no national laws and regulations governing the concept. Multimodal technologies such as ACIS, Internet, ICDs plus handling equipment (cranes), and storage facilities are either not fully developed or are insufficient.

5.9 International Transport Documents

There are three commonly used transport documents internationally.

5.9.1 Bill of Lading – (Conventional or Ocean Bill of Lading)

This is a negotiable document, which gives evidence of a contract for the carriage of goods by sea. It also shows the taking over, or loading of goods by the carrier, and stands for an undertaking by which the carrier commits himself to deliver the goods against surrender of the document by the consignee or his agent. A provision in the document that the goods are to be delivered to the order of a named person, or to the bearer, constitutes such an undertaking.

5.9.2 Through Bill of Lading

A bill of lading is used as evidence of a contract of carriage from one place to another in separate transport legs, of which at least one stage is sea transit. The issuing sea carrier accepts responsibility for the sea carriage and acts as agent for the shipper in arranging carriage and in handling the goods to the subsequent carrier.

5.9.3 Combined Transport Bill of Lading

This is a negotiable document, which evidences a combined transport contract, the taking in charge of the goods by the combined transport operator (CTO) at a place of acceptance, and an undertaking by him to deliver the goods at a place of delivery against surrender of the

¹³ ACIS is a computer system that tracks cargo movement from source to destination. It is only operational in railways in East Africa.

document. A provision in the document that the goods are to be delivered to the order of a named person, or to the bearer, constitutes such an undertaking.

5.9.4 Differences Between the Documents

Whereas the conventional/ocean bill of lading is quite simple, there is need to outline the difference between “**through bill of lading**” and “**combined bill of lading**”. In the latter, the issuer, in accepting full responsibility for the entire movement, acts as principal with respect to the shipper and other carriers. In the former, the issuer accepts responsibility only for his own segment of the movement (the liability of which would be limited to that contained in the Hague Rules or the Hague-Visby Rules [H-VR]) then casts himself in the role of an agent between the shipper and other carriers. Any combined bill of lading issued in accordance with the UNCTAD/ICC rules for multimodal transport documents is acceptable.

The through bill of lading has a small problem, in that it covers only the sea carriage by two or more carriers. The land carriage would be covered by another document in which case the two bills of lading may limit negotiability of the documents. Moreover, the land document can not be issued before the sea carriage is over and yet the seller requires payment at the first port of loading. If an MTO arranges the entire door-to-door service whereby he issues a combined bill of lading that covers the whole operation, the seller would be able to negotiate the document at the place where the goods were taken into the charge of the carrier. Even with this single document, a problem of the liability regime arises due to a multitude of conventions that govern each stage (mode) of carriage.

It is against this background that the ICC published a set of uniform rules for a CTD in the 1970s. Since 1992, a new set of rules came into force — the *UNCTAD/ICC Rules for Multimodal Transport Documents*. They are the best solution to problems that may occur with CTDs and have been gradually accepted in the international trading and transport community. According to the ICC rules, the CTO who issues a CTD incorporating these rules, accepts responsibility for the entire movement of cargo. If any loss, damage or even delay occurs, the CTO will be liable as far as practicable.

5.10 Advantages of Multimodal Transport

The main objective of multimodal transportation is to make the movement of goods from seller to buyer more efficient through faster transit times and lower transport costs. During this study, a majority of MTOs were found to be international freight and forwarding companies. Most of them were NVOCCs and since no shipping line covers the entire world except their individual strongholds (e.g., Europe to Africa or Southeast Asia to the Middle East), MTOs find it more cost effective and efficient to operate as NVOCCs. In this case they are not subjected to the need to own, operate, and maintain various transport vessels.

Most industrial and commercial sectors now realize the importance of developing strategic alliances between partners into common production/consumption systems. Under such alliances, MTOs perform all transit logistics on behalf of the shippers. The MTO thus offers more than multimodal transport operations but becomes a Total Distribution Operator (TDO). For example, in addition to providing transport services, the MTO can analyze the shippers

logistic needs, then design networks and systems to meet those needs and provide customized services within that design. The main advantages of such partnerships to the shipper are reduced costs and improved service levels, since the TDO has greater expertise in transportation and distribution than the shipper. Second, there is higher return on investment since the shipper would redeploy those assets, which would otherwise be invested in the logistics field into his primary business; the shipper also experiences reduced labor costs in negotiating with the shipping agencies because this is taken over by the TDO. This allows the shipper more flexibility in adapting new changes in the market and provides him with **Just-In-Time (JIT)** supplies to his customers. JIT is a concept that alludes that the best approach to managing inventories is to deliver materials to points at the production/distribution/consumption line in the exact amount and at the precise time that such materials are required. JIT, therefore, eliminates inventories and their associated costs. This is made possible because the shipper gets access to most appropriate transport and communications technology in a cost-effective manner. He uses well-maintained transport equipment and facilities along with efficient computers and electronic information systems to move and keep track of the shipper's cargo.

While the ultimate benefactor of standardized performance levels would be the shipper, carriers themselves also benefit from being able to examine how the industry is performing as a whole. Efficient transport services contribute to more efficient trade. Currently, only countries that have well-functioning, cost-effective transport services succeed in obtaining access to foreign markets. Multimodal transport is the most cost-effective way of transporting and handling international freight. Uganda, as a landlocked country, stands to benefit from this arrangement. The ongoing process of liberalization/globalization of trade in goods and services creates worldwide competition for market opportunities. This process changes production patterns to supply competitively priced goods and stimulates the need for other services. Transport, particularly multimodal transport services, are an integral part of this process.

5.11 Facilitation of Multimodal Transport

In the second UN Transport and Communications Decade in Africa 1991-2000 (UNTACDA II) program, the UN Economic Commission for Africa laid out five strategies for the development of multimodal transport. According to the program, the strategies for multimodal transport facilitation include the creation of an enabling institutional framework; introduction of multimodal regulations; promotion of trade facilitation, development or enhancement of multimodal technologies; and finally promotion of human resource development.

5.11.1 Creating an Enabling Institutional Framework

Many transport problems are the result of institutional, intergovernmental and legal issues that include decentralized decision making across different levels of government; complex, sometimes conflicting responsibilities of different government units, and the difficulty of merging public goals with those of the private sector. It is therefore essential to rationalize and coordinate transport policies through public-private sector partnerships. This should develop closer relationships between government, the service providers, and the transport users. By meeting regularly and reaching decisions among stakeholders, in a specifically designated

forum, proposals that are widely acceptable can generally promote transport efficiency. It is important to consolidate and support existing committees that deal with trade and transport issues. This will have a positive impact in the search for appropriate solutions to cross-border trade and transport problems. The consolidated committees should establish research networks to continuously examine ways of modernizing trade and technology absorption in the region.

In Uganda, the composition of such a committee could draw participants from stakeholder institutions including MOWHC, Ministry of Tourism, Trade and Industry, URA, and UCFA. Other participants can be drawn from URC, CAA, Uganda Manufacturers Association, Uganda Chamber of Commerce, UCTOA, MTOs, banking institutions, insurance companies and other transport users (importers and exporters) and EATI. To avoid duplication, the current MWG for COMESA programs can be expanded and given the responsibilities. The composition of MWG at present is not all-inclusive, because it is dominated by government institutions and does not include, for example, clearing agents and banking institutions. The committee's responsibilities could include proposing transport- and trade-related laws, regulations and practices. The facilitation of formalities, procedures and documentation used in international transport and trade may also be under its purview. The committee could also look into multimodal transport investments especially in the development of ICDs and purchase of cargo handling equipment and communication technology and propose the way forward.

For the committee to be effective, it should have a coordinating contact point within the MOWHC through which its advice and recommendations will be transmitted to the government for action. After the establishment of the committee, it should embark on a program of awareness creation for the multimodal transport concept. This is necessary because the concept is not well understood as reviewed from the interviews. It is necessary for all parties involved in international trade transactions (i.e., importers and exporters, transport operators, banks, insurance companies and policymakers to be sensitized). This objective can be achieved by first organizing and implementing campaigns to publicize the benefits and requirements of multimodal transport. Second, organizing and presenting a series of seminars for policymakers, senior decision makers, and managers in transport operations in order to make them aware of multimodal transport principles, practices, and implications.

5.11.2 Introduction of Multimodal Transport Regulations

Multimodal transport is a relatively new development in Uganda and there are no appropriate national laws, regulations and procedures for controlling and facilitating it. With the globalization of trade and other services under the World Trade Organization (WTO), it will be necessary for the stakeholder committee to weigh the benefits of applying new national laws *vis à vis* the existing international laws, many of which have not been locally institutionalized. One special area where contention might be strong, is the regulatory framework within which the establishment of economically viable Ugandan or East African MTOs will be encouraged and their operations and sustainable development facilitated.

The committee, once established, will have to develop a framework, which would allow and assist the diversification of existing transport operators such as the URC or in the context of the EAC, East African railways, East African shipping line, or East African Ports Authority to

become MTOs. Prominent business people could also be encouraged to invest in MTOs and open ways for the economy to reap the benefits that go with this system of transportation. Special incentives may be introduced to encourage the establishment of homegrown MTOs as long as this doesn't conflict with the current government policy of liberalization and other international and regional accords/protocols that Uganda has entered into.

5.11.3 Promotion of International Trade Facilitation

International trade in the region still suffers delays and additional costs due to differences in trade documents, customs documents and transport licensing systems. In order to facilitate trade in Uganda and in East Africa, there is an urgent need to harmonize regulations, documents, and procedures in the region. In particular, road transit charges, axle load limits, customs documents and others should be harmonized. At least there are efforts towards harmonization of axle load limits and road transit charges within the EAC. There are also additional efforts under COMESA to facilitate international and regional trade. These include the COMESA "Yellow Card," the customs guarantee scheme, liberalization of air transport within the region, and the communications telecommunications project. All these are bold steps towards promotion of trade.

5.11.4 Development of Multimodal Transport Technologies

Appropriate infrastructure, within which multimodal transport can develop and expand, is quite inadequate in the region. Areas that are of concern include ICDs, dry ports, adequately equipped intermodal exchange points and information systems to allow monitoring of cargo movement. Until recently, Uganda did not have a common user ICD nor did it have a dry port where containers could be stripped. The available ICDs belong to individual freight companies such as Transami, Spedag, and Maersk (U) Ltd. among others. URC also operates a container terminal but lacks appropriate equipment for stacking containers quickly and efficiently. The proposed ICD at Namanve is still on paper but some private investors have already shown interest.

Uganda, in collaboration with Kenya and Tanzania, can go a step further by establishing a dry port¹⁴. This will facilitate faster movement of transit cargo from the ports of Mombasa and Dar-Es-Salaam. The establishment of a dry port in Uganda implies that all customs procedures and payment of port charges would be handled in Kampala. For this to work efficiently, the government should improve intermodal exchange and facilities at border crossing points. Malaba, for example, needs tarmac on the parking yard and office blocks. The only available information system in transport operations is ACIS, which is functional in the railways (rail tracker) only. Therefore, there is an urgent need for reliable comprehensive, modern information technology systems compatible with the demands of multimodal transport. The government, in collaboration with other stakeholders, should promote the concept of Electronic Data Interchange (EDI), while operators involved in multimodal transport should be encouraged to get connected onto the rail tracker to improve monitoring of goods in transit, particularly by rail. Multimodal transport databases should be established as part of the existing National Transport Database in the Ministry.

¹⁴ The managing director of KPA has already hinted that Kenya is willing to study this proposal.

5.11.5 Human Resource Development

Since multimodal transport represents the introduction of new technology, there is need for training transport operators both in technical and supervisory fields. There should be a national committee to coordinate and work out a training scheme. This could be done collaboratively with UNCTAD and other international bodies such as the WTO, among other stakeholders in their training programs for the transport sector.

CHAPTER 6. MULTIMODAL TRANSPORT-RELATED CONVENTIONS

6.1 Introduction

In this chapter, the conventions that impact on the operations of multimodal transport in international trade are outlined. It also shows the position of Uganda in the ratification and enforcement of such conventions. As discussed earlier, international transport is a function of international trade and without the latter, there would be no need for such services. Due to this, conventions have been prepared to standardize operations and carefully apportion responsibilities to operators and stakeholders in international transport services. It is important that the set conventions are understood, and where necessary, adopted and adapted to the situation prevailing in this part of the globe.

Transit operations often entail little economic benefit for transit countries because no levies may be charged except for administrative services. At the same time, the flow of transit goods increases the demand for customs services and calls for investments in infrastructure such as customs offices, parking space, roads, etc. Developing countries are therefore not enthusiastic about transit operations on their territory. According to Geert Sanders (1994), the heavy strain of transit operations on infrastructure, for which adequate compensation cannot be obtained, has contributed to this attitude. However, developed countries have solved customs problems affecting transit operations by ratifying conventions on a multilateral basis.

Uganda, with its partners in the EAC and COMESA, have been discussing this issue for some years now and have in principle agreed to do the same as a block, but removal of tariff and nontariff barriers in the region is still elusive. The TTCA of the northern corridor has played a major role in identifying barriers and sensitizing stakeholders through meetings, seminars/conferences and publications. Multimodalism has led to increased demand for containerization in international transport and to realize full benefits of containerization and multimodalism, Uganda and other countries in the East African region should adopt the CCC as well as the Multimodal Transport Convention. Further, the simplification and introduction of international standards into customs procedures should be done in accordance with the standards and recommendations of the Kyoto Convention on Customs.

6.2 Customs Conventions

To simplify and standardize customs formalities that otherwise constitute a barrier to trade, a number of international customs' conventions have been introduced in the past 45 years. The following five conventions are the primary ones:

- Convention on Transit Trade of Landlocked Countries,
- TIR Convention,
- CCC,
- the Kyoto Convention, and
- Customs Convention on International Transport of Goods (ITI). This convention has not yet come into force.

The requirements of these conventions are discussed in the following sections.

6.3 Convention on Transit Trade of Landlocked Countries

This convention embodies the principle of free access to the high seas for countries whose geographical situation leaves them with no direct access to the sea. A related convention on the high seas states that the high seas are open to all nations and no state may make any part of them its sole sovereignty. Therefore, to enjoy the freedom of the high seas on equal terms with coastal states, countries having no seacoast should have free access through transit coastal states. Countries situated between the sea and a landlocked state should allow ships of the landlocked country treatment equal to that of their own ships regarding access and use of seaports. With regard to the movement of goods, the convention provides that:

- i. Goods in transit should not be subject to duty, but charges may be levied to cover expenses of supervision and administration entailed in the transit process. At the same time, the means of transport used should not be subject to special taxes or charges higher than those levied on other transport services in the coastal state.
- ii. The assembly, knocking down and reassembly of machinery and bulky goods should be permitted, provided it is necessary for their transport to the landlocked state.
- iii. Contracting parties agree to provide adequate transport and handling equipment to move transit traffic without undue delay. They further undertake to use simplified documentation and expeditious customs procedures and take all measures to avoid delays or restrictions to transit traffic.
- iv. No discrimination is to be exercised based on the place of origin, departure entry, exit or destination, or relating to the ownership of the goods, or the place of registration or flag of vessels, vehicles, or other means of transport.
- v. No contracting state is bound by the convention to allow transit goods that are prohibited on grounds of public health, public moral or security; or as a precaution against disease of animals or plants and pests; and with regard to movement of persons.
- vi. A contracting state is bound by the convention to allow transit to persons whose admission to its territory is forbidden.

6.4 Transport International Routier (TIR) Convention

TIR was originally conceived solely for the international carriage of goods by road under the Economic Commission for Europe in 1949. This agreement was signed by a number of European countries but due to its success, led to the negotiation of the TIR convention in 1959. It was revised in 1975 to take into account the practical experience in operating the system and to give effect to technical advances and changed requirements. As a result, the convention now admits the carriage by trailers in mixed road and rail movements and the carriage of containers by various modes of transport. To ensure that goods move with

minimum interference en route, and at the same time offer safeguards to customs administrations in all transit countries, the TIR system contains four basic requirements:

- i. Goods should travel in secure vehicles or containers.
- ii. Duties and taxes at risk should be covered throughout the journey by an internationally valid guarantee.
- iii. The goods should be accompanied by an internationally accepted carnet taken into use in the country of departure and serving countries of dispatch, transit, and destination.
- iv. The country of transit and destination should accept customs control measures taken in the country of departure.

The convention also provides that goods shall be carried in containers or in vehicles whose load compartment is constructed such that there shall be no access to the interior when secured by customs seal and the results of any tampering will be clearly visible.

6.5 Customs Convention on the International Transit of Goods (ITI Convention), 1971

The ITI Convention was adopted by the Customs Cooperation Council in Vienna in 1971. The convention, however, remains inactive, because the number of countries required to ratify it has not yet been achieved. The concept of the convention is that goods moving by multimodal transport should pass through from exporter to importer with minimum interruption and delay. To achieve this, the ITI convention provides that the customs carry out the bulk of the work at the beginning and end of the journey, reducing, as far as possible, controls during transit. This can be limited to checking the transit declaration and that the customs seals are intact when customs frontiers are crossed en route.

It is envisaged that reduction of customs control en route could be achieved through the use of a single customs document (the ITI declaration), the establishment of an international guarantee chain (along the lines of the TIR Convention) and the acceptance of through customs seals.

6.6 Customs Convention on Containers (CCC)

The first container convention was produced in 1956 in Geneva for members of the Economic Commission for Europe. It was amended in 1972 for worldwide application. The Customs Cooperation Council administers the convention. The main purpose of the convention is to facilitate the use of containers in international traffic. Contracting parties are supposed to grant free temporary admission to containers subject to reexportation either empty or loaded, provided that they are not purchased in the transit country. However, containers have to be approved in compliance with technical conditions concerning construction and closing systems.

6.7 International Convention on the Simplification and Harmonization of Customs Procedures, Kyoto, 1973

The Customs Cooperation Council attempted to make a systematic approach to harmonization of customs procedures but they were swamped by the large number of proposals and requests from member countries and international organizations seeking solutions to urgent customs problems. The council gradually recognized the need for an international instrument which would have a broad scope and which would provide countries with a comprehensive and coherent guide for use in the simplification and harmonization of their customs legislation. Simplification of customs procedures leads reduction in the number of documents required by customs, thus further reducing the costs of importing and exporting, reduction of costs to the customs since administration of the requirements is simplified. This makes it possible for effective delegation of powers and the training of officials becomes simplified, making computerization even easier.

Although COMESA and EAC have each developed a simplified customs document (COMESA-CD and EAC-CD), these documents are not yet in use. It is hoped that countries in the region will soon adopt the EAC-CD so as to enhance the flow of regional and foreign trade. It is important to note that the EAC-CD was developed along the COMESA-CD guidelines.

6.8 International Transportation Liability Regimes

Legal regimes governing liability in transport operations differ widely between modes and countries. The various legal regimes governing liability in transport operations currently in use and the transport modes to which they apply are shown in Table 6.1.

Table 6.1: International Conventions Governing the Liability of Transport Operators

Mode	Convention	Adopted
Sea	International Convention for the Unification of Certain Rules Relating to Bills of Lading (Hague Rules) – amended by protocols (so far the Visby protocol 1968)	Brussels 1924
	UN Convention on the Carriage of Goods by Sea (HR)	Hamburg 1978
Air	Convention for the Unification of Certain Rules Relating to International Carriage by Air- amended by protocols	Warsaw 1929
Road	Convention on the Contract for the International Carriage of Goods by Road (CMR) - amended by protocol	Geneva 1956
Rail	International Convention concerning the carriage of Goods by Rail (CIM) – amended by protocols	Berne 1961
Inland Waterways	CLN	Geneva 1973
Multimodal Transport	UN Convention on International Multimodal Transport of Goods	Geneva 1980 (not in force)
Terminal Operators	Draft Convention on the Liability of Operators of Transport Terminals in International Trade	Not yet adopted.

6.9 The Hague Rules and Hague–Visby Rules

The past several hundred years, there has been a shift in the distribution of risks between shippers and shipowners. However, at the close of nineteenth century, the shipowners managed to have practically no liability at all. This development led to strong reaction from shippers and concern by some governments. Several acts were made with a view to placing minimum mandatory liabilities on carriers. In due time, a general compromise was struck in the 1924 Brussels Convention, now known as the Hague Rules. Although the Hague Rules were a compromise agreement, they still provided ocean carriers with many exceptions from liability such as error in navigation, error in the management of the ship, fire, on deck cargo and unit package limitation.

Due to containerization and other changes in shipping technologies, it became inevitable to amend the Hague Rules. In 1968, the Visby protocol was added on the Hague Rules. The protocol added the “Container Clause”, which makes it possible for the shipper to claim each package or pallet inside a container provided the packages are listed on the bill of lading. In spite of this clause, the protocol did not adequately address the question of liability under the Hague Rules, whereby the carrier is innocent unless proven guilty for damage that may have occurred to goods in his care.

The Hague Rules came into force in 1931 and has 72 contracting parties while the Visby protocol together with the Hague Rules came into force in 1977 and there are 19 contracting parties. The H-VR were modified in 1979 and 1986 with changes in the limitation amount.

6.10 The Hamburg Rules (HR)

The HR, which are also known as the UN Convention on the Carriage of Goods by Sea, were negotiated in 1978 and came into force in 1992. There are at least 20 contracting parties, mostly developing countries. Within the East African region, Tanzania and Uganda are some of the contracting countries. It is not clear whether Kenya has acceded to the HR.

The new convention brings much needed modernization to the ocean liability regime because is a positive development for shippers and carriers alike. The fixed limits of liability are an advantage for the carriers, while the increased limits (compared with the H-VR 1979 Protocol) are beneficial to shippers.

The main thrust of the HR is that the carrier is presumed liable unless otherwise proven. The difference between H-VR and HR are contained in Table 6.2. It is important to note that HR only extends the carriers liability to cover port-to-port movements, but with containers that move door-to-door, that is not enough. It is recommended, in case Kenya has not yet acceded to the HR, that it does so because this will allow their shippers better terms of carriage with the shipowners. It would also be good in that EAC will have harmonized regime based on these rules.

Table 6.2: Main Differences between H-VR and HR

Hague-Visby Rules	Hamburg Rules
The Modified H-VR are in operation in some 19 countries.	HR have been ratified by twenty states and are in operation per 1.11.92.
H-VR apply by law only if a (negotiable) bill of lading or a similar document or title is issued.	HR apply by law to the contract of carriage.
They can be applied by contract to nonnegotiable receipts but it is more common to find the unamended Hague Rules of 1924.	The consignee is entitled to a bill of lading that may be produced by electronic means.
Generally the port of loading is relevant to application and not the port of destination.	The HR will apply if the port of loading or destination is situated in a contracting state.
Carrier is liable on tackle once physical charge of the goods is taken an earlier point.	Carrier is liable from the moment he takes charge of the goods until he releases them, even if the carriage is subcontracted.
The H-VR have no mandatory application to deck cargo.	Mandatory application to deck carriage as well as underdeck carriage.
Carrier is prima facie liable for loss/damages subject to a long list of excepted perils.	Carrier is presumed liable for loss, damage and delay, unless he proves he took all reasonable measures to avoid the occurrence.
Compensation is SDR 666,7 per package or 2 SDR per kilo. Packages must be enumerated in the bill of lading for containerized cargoes.	Compensation is SDR 835 package or SDR 2.5 per kilo.
Notice of loss: at time of delivery of within 3 days for hidden damage.	Notice of loss: 1 day after delivery or 15 days for damages.
Time bar: one year	Time bar: 2 years

6.11 Multimodal Transport Convention

Efforts to set up an adequate legal framework for multimodal transport operations date as early as 1911. In the late 1960s these efforts gained momentum following large-scale containerization habits in the transport industry. Consequently, UNCTAD established an Intergovernmental Preparatory Group for 68 countries to draft an International Multimodal Transport Convention bearing in mind the special requirements of developing countries. Between 1973 and 1979, the Intergovernmental Preparatory Group held six sessions on the convention and in 1980 the convention was adopted by the UN Conference of Plenipotentiaries as the Convention on International Multimodal Transport of Goods. The convention applies to all multimodal transport contracts as long as one of the places of either taking charge of goods or of delivery is in a contracting state.

Articles 5 to 13 of the convention set out the requirements to be fulfilled by the multimodal transport document, which may be either negotiable or nonnegotiable, depending on the option of the consignor. When the document is negotiable, it can be made out to order or to bearer, requiring the operator to hand out the goods against surrender of the negotiable document. The convention also establishes the necessary contents of the multimodal transport document and one of the most important parts of the convention relates to the liability of the MTO.

- The MTO assumes responsibility for the goods from the time he takes them into his charge until the time of their delivery.
- The liability is uniform throughout the time the goods are in transit, irrespective of the transport mode used. This is in contrast to the net work liability principle, which makes the shipper's protection to vary as transport progressed over different modes of transport.
- The principle of presumed fault or neglect by the carrier shifts the onus of proof to the carrier.
- For loss and damage, the MTO is liable up to SDR 920 per package, or SDR 2.75 per kg, whichever is higher if the contract includes the carriage of goods by sea or inland water ways; otherwise the limit of liability is set at SDR 8.33 per kg.
- The consignor is also held liable for loss suffered by the MTO, if he or his agents' fault or neglect is the cause.

Although the convention provides a framework for the organization of multimodal transportation on an international level, only seven out of the required 30 countries have become contracting parties. These are Chile, Mexico, Senegal, Malawi, Morocco, Rwanda and Zambia. Uganda and the other EAC partner states are urged to ratify the convention so that their shippers may enjoy conducive and enabling legal requirements for the promotion of multimodal transport services.

Due to the small number of contracting parties to the Multimodal Transport Convention and the slow process of ratification, the ICC and UNCTAD have developed the *UNCTAD/ICC Rules for Multimodal Transport* as an interim measure.

6.12 Uganda Status in International Transport Conventions

The status of Uganda in the ratification and enactment of the international conventions is summarized in Table 6.3.

Table 6.3: Uganda Status in International Transport Conventions that Govern Multimodal Transport

Name of Convention	Status
1. Convention on Transit Trade of Landlocked States.	Uganda signed on 21 st December 1965 but never ratified it.
2. TIR Convention, Geneva on 15 th January, 1959.	Uganda has neither signed nor ratified.
3. Customs Convention on the International Transport of Goods under cover of TIR Carnets (TIR Convention), Geneva, 1975.	Uganda has neither signed nor ratified.

Name of Convention	Status
4. CCC, 1972.	Uganda has neither signed nor ratified.
5. CCC, 1956.	Uganda has neither signed nor ratified.
6. International Conventions governing the Liability of Transport Operators of Terminals in International Trade. Concluded in Vienna 1991.	Uganda has neither signed nor ratified.
7. Hamburg Rules, 1978.	Uganda acceded on 6 th July 1979.
8. Convention relating to the Limitation of the Liability of Owners of Inland Navigation Vessels (CLN) Geneva 1973.	Uganda has neither signed nor ratified.
9. The Kyoto Convention, 1973.	Uganda has acceded.
10. International Convention on Containerization and the Multimodal Transport Convention 1975.	Uganda has not acceded nor ratified

It is clear that most of the important conventions that govern international transport liabilities have not been ratified by Uganda and a system of educating the policymakers on their importance needs to be put in place and pursued immediately.

CHAPTER 7. CONCLUSION AND RECOMMENDATIONS

7.1 Introduction

The major focus and scope of this study is to provide recommendations on how Uganda may minimize costs of transporting goods to and from international buyers and sellers by using a multimodal transport approach. In this chapter, major findings are summarized and conclusions drawn. It is from the conclusions that recommendations to minimize the costs of international freight transport to and from Uganda are advanced.

7.2 Major Findings

The study indicates that the overall objective of the GOU is to create an efficient transport sector that can contribute towards accelerated economic growth, eradication of poverty and food insecurity in the country. In this respect, the government has actively participated in the provision and maintenance of the transport infrastructure, particularly along international corridors. The government is also promoting private sector participation in trade and in transportation as a requisite for the development of multimodal transport.

The role of the private sector is systematically being encouraged and is expanding and now contributes in infrastructure maintenance and construction. The private sector has greatly contributed to the development of ICDs. There are currently 15 privately owned ICDs of which only one is owned by local entrepreneurs (i.e., Peacock Inland Container Depot) with the rest owned by the government and international investors.

In terms of freight traffic flows, over 90% of Uganda's imports and exports go through the northern corridor via the port of Mombasa in Kenya. Two-thirds of these are transported by road, and the rest by rail or water. Most of the transport infrastructure is in a poor state due to poor maintenance policies. There are a number of transit transport requirements, procedures, and costs that inhibit smooth flow of traffic to and from Uganda. Some of the requirements and procedures are lengthy and cumbersome and need a regional approach to be harmonized. Further, it was established that MTOs in Uganda are few and that they mainly deal with international freight companies and shipping lines. It is estimated, however, that they handle up to 75% of the containerized cargo.

Regarding conventions that govern multimodal transport, it was established that Uganda is a signatory to the UN Convention on Transit Trade of Landlocked Countries and that it acceded to the UN Convention on Carriage of Goods by Sea (HR) of 1978. It has also acceded to the Kyoto Convention of 1973. Uganda has, however, neither signed nor ratified seven other major international conventions and steps should be taken to accede to these conventions and incorporate their requirements into the statutes.

7.3 Conclusions

Multimodal transport in Uganda is still underdeveloped and there is a general lack of awareness of the concept. The major constraints to multimodal transport in Uganda are the

inadequacy of modern technologies, such as information systems, ICDs, etc. to handle international freight, particularly under multimodal transport arrangements requiring fast documentation and movement of cargoes; and the poor infrastructure coupled with lengthy and cumbersome procedures. The industry is also foreign dominated and lacks local professional skills.

7.4 Recommendations

In order for Uganda to develop local capacity for multimodal transport systems that will be competitive and sustainable in the global market, the following actions are recommended:

Member states are therefore urged to jointly promote communication and information exchange in order to enhance the efficiency of multimodal transport in the region. One way to achieve this would be to install the “Road Tracker” component of ACIS.

- The COMESA MWG should be facilitated to coordinate with EATI in consultation with various other stakeholders to enhance awareness of multimodal transport requirements in the country and the EAC region at large. The working group chairman can be the liaison officer with the government to enable his experts to spearhead the drafting of the relevant documents to facilitate Uganda’s accession to the conventions and enforce them.
- There should be continuous fora to facilitate debate on multimodal transport requirements as well as continual analysis of the situation as policy changes are realized. This will ensure that the achievements and difficulties are kept in the fore for necessary follow up.
- EATI and the MWG, through their networks of stakeholders, should take the lead in reviewing all international transport agreements, regulations and protocols to justify their importance to Uganda and hence play a key role in advising the policymakers. This approach should be applied not only to Uganda but also to all the countries of the GHA that form a common market in multimodal transport and trade in the region.
- Regional laws, customs documentation regulations, and procedures should be harmonized so as to promote trade and food security in the GHA countries.
- The existing ICDs should be developed to modern standards and equipped with the right equipment and modern information systems to enhance their capacity of handling cargo. Many more ICDs should also be opened for public use rather than being privately used to avoid idle capacity that is costly to the country.
- GOU should endeavor to maintain both the road and rail infrastructure to allow quick and smooth flow of freight traffic. Particular attention should be focused on the northern corridor that takes most of the traffic from Uganda.

- MWG and EATI should solicit for training of key operators in the multimodal transport chain from international trade organizations including UNCTAD and USAID/REDSO to enhance the capacity of transport operators for multimodal transport promotion.
- Locally incorporated transport, clearing and forwarding firms and corporations should be encouraged to pool their resources together to form a locally based MTO that can operate in conjunction with the international MTOs, especially for legs in eastern Africa.
- Finally, USAID/REDSO and other donors should continue facilitating the activities of the ESA Transportation Initiative, which brings the regional agencies (i.e., COMESA, SADC/SATCC, EAC, IGAD, TTCA and ECA), together to coordinate implementation of transport policies in a harmonious manner in the ESA region.

APPENDICES

APPENDIX A. BIBLIOGRAPHY

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APPENDIX B. COST OF FUEL (1987-1997)

Sales of Automotive Fuel 1987–1997

Year	Automotive Fuel Sales					
	Petrol		Diesel		Total	
	(m ³)	Change (%)	(m ³)	Change (%)	(m ³)	Change (%)
1987	101,550		85,200		186,700	
1988	112,600	10.9	97,200		209,800	12.4
1989	123,700	9.9	108,500	11.6	232,200	10.7
1990	120,408-	2.7	100,649-	7.2	221,057-	4.8
1991	109,512-	9.0	92,672-	7.9	202,184-	8.5
1992	107,752-	1.6	85,108-	8.2	192,860-	4.6
1993	115,595	7.3	83,207-	2.2	198,802	3.1
1994	139,437	20.6	99,626	19.7	239,063	20.3
1995	166,048	19.1	120,395	20.8	286,443	19.8
1996	181,777	9.5	124,348	3.3	306,125	6.9
1997	177,094-	2.6	125,621	1.0	302,715-	1.1
Average annual trend growth (%)						
1987-1997		5.5		3.4		3.9
1994-1997		8.4		5.5		7.5

Source: Statistical Digests, Various years

APPENDIX C. TRANSIT TRAFFIC THROUGH THE PORT OF MAMBASA (1995-1999)

Transit Traffic through the Port of Mombasa 1995 – 1999

PARTICULARS		1995	1996	1997	1998	1999
UGANDA	Imports	910,211	962,317	594,948	650,529	77,442
	Exports	145,622	250,441	276,570	191,372	235,139
	Total	1,055,843	1,212,758	871,518	841,901	1,012,581
TANZANIA	Imports	75,662	344,142	64,980	40,987	50,979
	Exports	15,696	19,462	23,830	16,714	12,343
	Total	91,358	363,604	88,810	57,701	63,322
BURUNDI:	Imports	45,172	12,113	-	1,169	3,403
	Exports	3,056	859	-	-	846
	Total	48,228	12,972	-	1,169	4,249
RWANDA:	Imports	474,851	769,853	155,443	83,306	91,421
	Exports	18,718	25,761	11,519	11,066	17,866
	Total	493,569	795,614	166,962	94,372	109,287
SUDAN:	Imports	25,576	10,686	20,075	51,832	46,349
	Exports	-	951	-	330	-
	Total	25,576	11,637	20,075	52,162	46,349
D.R.CONGO	Imports	116,222	259,337	93,922	42,707	42,250
	Exports	26,770	25,212	11,597	16,751	10,127
	Total	142,992	284,549	105,519	59,458	52,377
OTHERS:	Imports	78,121	144,059	43,767	17,595	
	Exports	1,100	12,004	45,903	2,474	
	Total	79,221	156,063	89,670	20,069	
TOTAL:	Imports	1,725,825	2,502,507	888,125	888,125	1,024,875
	Exports	210,962	344,690	238,707	238,707	285,116
	Total	1936,787	2,837,197	1,126,832	1,126,832	1,309,991

SOURCE: KPA, Mombasa

APPENDIX D. QUESTIONNAIRE

QUESTIONNAIRE ON MULTIMODAL TRANSPORT IN UGANDA

Introductory Notes

Multimodal transport is the carriage of goods by two or more modes of transport using a multimodal transport document. The method operates using systems approach to all activities and functions in the transport chain from origin to destination in two different countries. In the whole transport chain, only one entity, i.e., the MTO, is held liable of the cargo in transit. The MTO is the principle conveyor for the entire distance and duration of transport and issues one transport document that makes him liable and responsible for the entire operation. He may or may not have his own transport vessels and hence may qualify either as a Vessel Operating Common Carrier (VOCC) or a Non-Vessel Operating Common Carrier (NVOCC). We are in the process of investigating the state of affairs in this approach to transportation in Uganda, a landlocked country and hence see how the findings effect transport efficiency.

You are therefore kindly requested to fill the following questionnaire.

QUESTIONNAIRE ON MULTIMODAL TRANSPORT IN UGANDA

1. Name of Company.....
2. Postal Address.....
3. Physical location (street and Plot No).....
4. Tel. No..... Fax.No.....
5. E-Mail.....
6. Type of business
 - a) Clearing and forwarding
 - b) Transportation
 - c) Clearing and forwarding (transportation)
7. How long have you been in this business in Uganda).....
8. Are you a multimodal transport operator (MTO)?

(a) Yes (b) No. (c) Not applicable

9. If yes in Qn. 8, are you a vessel operating common carrier (VOCC) or a Non vessel operating common carrier (NVOCC)?

(a) VOCC (b) NVOCC Please explain

10. Which of the 2 do you find more efficient?

11. If no in Qn.6, please describe how you handle your business?

12. What problems do you encounter in your business?

13. How can Government assist you to improve your business?

Thanks you very much for your cooperation.

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