



Improving Land Transportation Logistics For International Trade Competitiveness of Lesotho

FINAL REPORT

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ACRONYMS AND ABBREVIATIONS

AGOA	African Growth and Opportunity Act
ALE	Association of Lesotho Employers
ASYCUDA	UNCTAD Developed “Advanced System for Customs Data”
B/L	Bill of Lading
BAF	Bunker Adjustment Factor (Is a surcharge implemented by shipping Lines to compensate for fluctuating fuel cost)
C&F	Clearing and Forwarding Agents
FEU	Forty Equivalent Unit i.e. 12m or Forty Foot Container
FOB	Free on Board
GOL	Government of Lesotho
ICD	Inland Clearance Depot (or Intermodal Container Depot)
ISPS	International Ship and Port Security
LCCI	Lesotho Chamber of Commerce and Industries
LNDC	Lesotho National Development Corporation
LRA	Lesotho Revenue Authority
LTEA	Lesotho Textile Exporters association
MASCON	Maseru Container Terminal
MoF	Ministry of Finance, Lesotho
MOPWT	Ministry of Public Works and Transport
MTI	Ministry of Trade and Industry, Cooperatives and Marketing
NPA	National Ports Authority
PE	Port Elizabeth
SACU	Southern African Customs Union
SAGCH	Southern African Global Competitive Hub of USAID assistance to Southern Africa
SAPO	South African Port Operations
SARS	South African Revenue Agency
TEU	Twenty Equivalent Unit or Twenty Foot Container or 6m container
THC	Terminal Handling Charge
USAID	United States Agency for International Development
VAT	Value Added Tax
WTO	World Trade Organization

EXECUTIVE SUMMARY

A recent report, undertaken by the USAID/RCSA financed Southern Africa Global Competitive Hub (the Trade Hub), concerning the textile and clothing industry in Lesotho identified unreliability and high cost of transport as one of the critical constraints in Lesotho's trade competitiveness in the overseas markets. This current report looks at the main components of Lesotho's land transport and logistics chain to the sea and beyond, particularly those affecting the competitiveness of the textile and garment export industry. The report also highlights the consequential impact on the performance of the clothing factories, whose survival is threatened by the recent changes to the world trading conditions through the removal by WTO of quotas. Lesotho's textile and garment industry which at peak employs over 50,000 people and generates around 10% of GDP is thus in jeopardy, unless some measures are urgently taken both in the short term and in the long run to mitigate the situation.

The findings confirm that the land component of the total transport and logistics costs is very high compared to the sea costs, yet the land costs occur over a relatively much shorter distance compared to the sea leg. The study found that rail is mostly, but not exclusively, used for imports through Port Elizabeth, as it is generally more cost competitive, and that the road services are mostly used for exports through Durban, because of quicker transit times. The principal reasons of the high costs and poor transit times of inland transport are poor rail services between the ports and Lesotho, coupled with poor rail terminal infrastructure and services at the Maseru container depot (MASCON) – in other words, if road and rail services were more competitive, then services could improve and logistics costs could be lower. Other reasons are the many charges at ports and delays due to cumbersome import and export procedures including Customs documentation and processes. Some of these relate to charges for port congestion and customs inspections of transit cargo, which affects mainly road transport. There are also charges of cartage service at the inland container terminal, which appear excessive in comparison with similar charges in the region.

The report identifies the following key areas to be addressed in order to reduce costs and improve reliability of Lesotho's transport and logistics links with overseas markets.

1. *Accelerate the implementation of the EU funded feasibility study and the subsequent process to develop the Maseru container terminal as a dry port and a COMMON USER facility, but managed on a term basis by the private sector, selected on a competitive bid procedure.* The container terminal service, including the road feeder operations to and from the customers' premises, is a critical major constraint in Lesotho's external trade transport system and requires urgent attention. Significant delays and logistics costs in the inland transport chain occur due to the poor services at the terminal and the rail services between the terminal and the South African ports serving Lesotho (Durban, Port Elizabeth and Cape Town). Poor rail services result in increased turnaround times and decreased equipment utilization, and hence increased costs. A modern terminal would greatly ease some of the logistics problems faced by Lesotho's transit cargo as it interchanges between sea and rail and road transport.
2. *Establish a one-stop-point for the development of the new container terminal or inland port, through the designation- or appointment of the office of Project Manager to champion the development of this crucial facility.* This recommendation is likely to be incorporated into the above EU funded study. This action would

ensure dedicated focus on actions needed to see that this critical intermodal facility is implemented as quickly as possible. For example it is necessary to clarify issues of land and the existing arrangements concerning the terminal. It is understood that the land at the container terminal belongs to the Government of Lesotho (GOL), and there is an existing contract with Spoornet to operate the terminal. Timely coordination of matters such as these and the development of the dry port itself can best be done through a central point, and the office of Project Manager would be the most appropriate.

3. *Establish high level working relationship with South Africa, in particular the road, rail and ports authorities, in order to obtain the appropriate understanding and agreements regarding the development and efficient operations of the road and rail services to/from South African ports and the Lesotho.* The planning and maintenance of national roads and the implementation of toll roads and toll fees have a direct impact on Lesotho's economy and Lesotho should have an influence on the South African government's policy in this regard. Similarly, the successful marketing of improved services by the Maseru Container Terminal, and the ability to attract a private sector operator / investor, will be largely dependent on the rail services to the ports – currently provided exclusively by Spoornet. A performance agreement may have to be negotiated and entered into, in order to support the required investment. Spoornet is currently considering various alternative proposals for private sector involvement in the rail services to Lesotho, and efforts should be made to ensure that Lesotho is not disadvantaged during this process. The GOL should discuss with the Government of South Africa, the possibility of reducing the NPA cargo dues for imports and exports from Lesotho – this charge has replaced the previous wharfage charge and should be based on actual cost, but is still considered by many to be an effective South African tax.
4. *Organize training on basic shipping contracts and procedures for the shipping departments of the textile/garments factories.* Some of the cargo delays and costs relating to cargo handling at ports appear to stem from the lack of knowledge and information on shipping procedures and operations at ports, and therefore the proposed course would equip those concerned with the appropriate knowledge.
5. *Hold high level discussions with South African Authorities on customs inspection procedures.* Implementation by South Africa of its laws affecting transit traffic, such as those governing inspection of goods at border posts and at ports, creates considerable inconvenience and adds costs on shippers in Lesotho. Some of these issues could be resolved through greater education and awareness of the shippers as well as enhanced cooperation and coordination between authorities of South Africa and Lesotho governments, and especially Customs authorities (SARS and LRA).
6. *Implement computerization of the Customs documentation and processes, with an appropriate software that will be able to harmonize with the South African system.* There is need for accelerated installation of appropriate software for Customs processing of imports and exports, such as the UNCTAD developed and widely used Advanced System for Customs Data (ASYCUDA). This action would provide quicker and more effective way of clearing goods at border posts.
7. *Streamline export documentation processing and authorization/clearance points for export cargo as the current system is long and creates delays in the departure of*

loaded trucks at times. Efforts should be made to reduce the number of separate activities required to complete the required export documentation – possibly electronic data processing and communication with a final physical inspection and approval.

8. *Promote the development of empty container depots to ensure availability of empty containers at competitive rates.* At present the road haulage of empty containers to and from the container terminal appears to be a profitable and monopolistic operation, with very little attempt to optimize container movements and reduce overall costs. The strategic positioning of empty container depots to serve several customers according to their demand profile could improve container utilization and reduce overall logistics costs. This will require a degree of cooperation and liaison between shipping lines.
9. *Accelerate the implementation of the collection of transport data and statistics, and publication thereof on a timely basis.* This will allow availability of data for improved transport planning by both the GOL and transport operators, and will also provide a system for monitoring the performance of the transport sector, especially of the international trade routes/corridors. This will greatly assist to proactively identify bottlenecks and expedite their resolution.
10. *Establish one-stop-border posts.* Work towards the establishment of one-stop-border post on each of the country's transport corridors with South Africa would greatly ease the clearing and facilitation of incoming and outgoing goods, and reduce time spent at border posts and cut transport costs.
11. *Support capacity building of business associations which are essential in complementing government drive towards an effective private sector and transport system.* This would provide a forum for business leaders to raise common issues and collaboratively resolve problems with the GOL. This would also promote co-operation between companies to, *inter alia*, achieve economies of scale for the delivery of certain services in the transport and logistics sector.

The above key areas and issues must be addressed in a coordinated and phased manner. The early development of the dry port is very important, upon which a number of the other issues depend for their effective contribution to reducing transport costs and transit times. It is important to maintain and improve the competitive environment between road and rail, and also the use of alternative ports, as the most effective way of ensuring competitive transport costs. Effective communication and consultation is therefore the **first action point**.

1. INTRODUCTION

1.1 BACKGROUND

The unreliability and high cost of transport and logistics have been identified as one of the constraints in Lesotho's competitiveness in international trade, particularly with regard to the textile and garment industry. This observation has been reflected in the recent report of the USAID Southern Africa Trade Hub by the AGOA Advisor, and comes in the context of the recent action by the WTO to phase out quotas on textiles, and thereby threatening the textile and garment industry of Lesotho which at peak employs over 50,000 peoples in a population of some 2 million. The current study was therefore commissioned to look into the transport and logistics sector in the total supply chain between landlocked Lesotho and her overseas trading points with particular regard to the textile and garment industry which in 2003 accounted for 10% of Lesotho's GDP, and was the largest foreign exchange earner for the country, according to the Trade Hub report.

1.2 OBJECTIVE

The objective of this study report is to identify the causes of the high costs and unreliable transport and logistics and recommend steps to be taken to improve the transport logistics chain for Lesotho's international trade. The report also proposes an action plan to address the identified logistics constraints so as to improve the country's competitiveness in international trade and the investment climate.

1.3 OUTPUT

The output of this report comprises:

- Analysis of the current transport and logistics situation;
- Provision of a set of recommendations; and
- An Action Plan attached hereto.

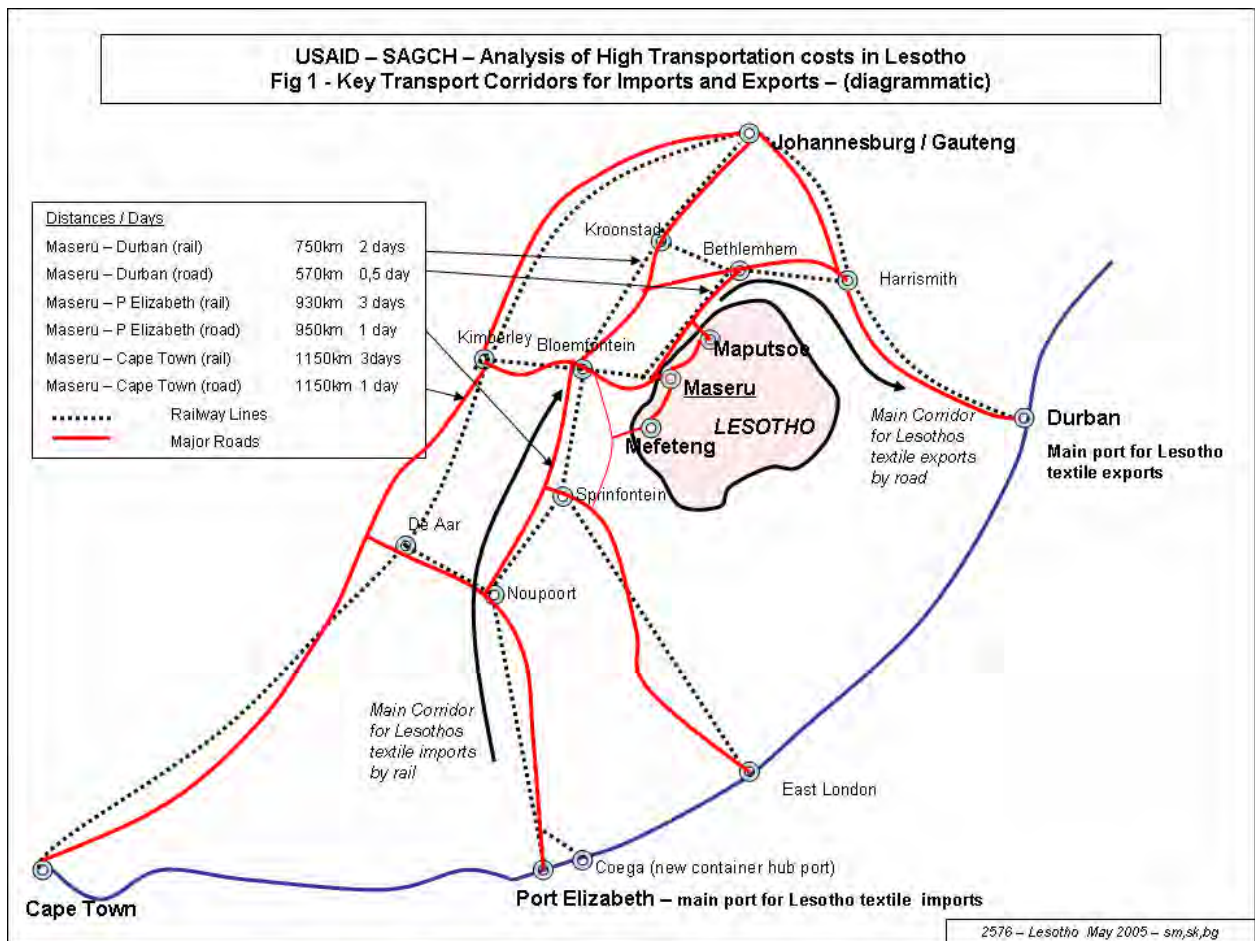
2. METHODOLOGY

This report has been compiled following a country visit 9th – 13th May, 2005, to Lesotho by a team of transport specialists (SMAK Kaombwe, Stallard Mpata and Bo Giersing), during which a number of stakeholders were consulted on various aspects of the transport and logistics chain of Lesotho's international trade. Some relevant data was collected from both the public and private sectors. A full list of persons visited is in Appendix II to this report.

The team's consultations in Lesotho were efficiently facilitated by the American Embassy in Maseru, Lesotho. The representative of ComMark, a (DfID) donor-funded organization whose extensive work on the garment industry includes also an analysis of the logistical issues and constraints, provided important support in preparing for and during the visit.

A stakeholders' workshop was held in Maseru on 22nd August 2005, to discuss the draft report and the proposed Action Plan, and comments therefrom have been reflected in the final report.

3. LESOTHO INTERNATIONAL TRADE ROUTES



3.1 TRANSPORT CORRIDORS – ROAD and RAIL connections to the ports

Lesotho is landlocked and completely surrounded by South Africa – it depends on the South African roads, railways and the ports, for all its exports and imports.

The South African Department of Transport and the provincial governments decide on the road building, upgrading and maintenance programmes for the road network which connects Lesotho to the regional ports, and also decide on the designation of toll roads and toll fees. The performance of this road network and the costs associated with truck transportation along these corridors, and the interface with the ports, largely determines Lesotho’s international competitiveness and the state of Lesotho’s economy. Continuous direct liaison with the appropriate South African authorities, presenting Lesotho’s interests and requirements, is therefore of utmost importance.

The South African transport parastatal, Transnet, operates the ports and railways under the following fully state controlled divisions:

- The National Ports Authority (NPA) – has ownership and development responsibility for all the South African ports. Transnet’s stated policy is for NPA to retain control of the ports.
- The South African Port Operations (SAPO) – operates all the container terminals and some bulk cargo terminals. Many of the bulk cargo terminals are privately operated.

Transnet's stated policy is that the container terminals remain under SAPO control, but to invite private sector participation

- Spoornet, which operates the entire mainline railway services. Transnet recently stated that it is planning effective privatization of the low density railway lines and also Spoornet's non core activities, such as inland terminals. Consultants have been appointed to carry out this assignment over an 8 week period commencing primo October 2005, and the Government of Lesotho (GOL) should consider using this study as a forum to record and present its interests.

Transnet's business development and pricing strategy is primarily geared to serve the South African economy, which may not benefit Lesotho in many instances. In view of Lesotho's vulnerable position, this requires the GOL to make high level representations to the South African authorities to ensure that the economy of Lesotho is not disadvantaged – this applies particularly to port charges such as cargo dues and treatment of transit cargo by road and rail. (Transnet has traditionally covered Spoornet's operating losses by allowing the port operations to subsidise this through very high port charges, and in effect, Lesotho may have contributed to this subsidy).

In general, the road and rail infrastructure on the main corridors serving Lesotho are in very good order, and the main area of poor service relates to the management of the modal operations, logistics chain and the modal interfaces. The main transport corridors serving Lesotho (Maseru) are shown in Figure 1 and described as follows: -

Durban by road

This is the shortest distance to any port from Maseru, and serves as the prime export route for Lesotho's textile industry, and the exports are mostly carried by Lesotho based road hauliers. The road route has a total of length of 570 km. It follows the R26 through Ficksburg, joining the N5 at Bethlehem and then the N4 toll road at Harrismith. About 60% (305km) of the route is tolled. The N4 also serves as South Africa's main export route and is becoming increasingly congested. The transit time from Maseru to Durban is typically 8 hours.

Durban by rail

The rail distance to Durban is considerably longer than the road distance if the route through the ICD at Bloemfontein is used – at about 750km. The wagons from Maseru would then be combined into longer 40 to 50 block trains from Bloemfontein to Durban, which is a 3KV DC electrified line all the way (much cheaper to operate than non-electrified diesel line). The alternative shorter route goes from Maseru through Ficksburg to Bethlehem, following the road route, but traffic volumes are likely to be lower and less balanced. (Ref Fig 1) The rail transit time from Gauteng to Durban is 16 hours, but can also be as high as about 2 to 3 days from Maseru because of the need to consolidate wagons and change locomotive power – the problem of interface management. It is quite apparent that road transportation has a clear advantage over rail transportation (at the present time) for Lesotho's exports in terms of transit time and overall logistics costs.

Port Elizabeth by road

The road route from PE to Maseru is used for selected imports to Lesotho when the railway service is considered too slow, and also occasionally for exports when the stack dates at Durban have been missed – at about 930 km the route is longer than the Durban road route by 360 km (60%). The transit time is about 12 hours.

Port Elizabeth by rail

The rail route from PE is used mainly for textile imports to Lesotho from the Far East. The rail route is favored because of congestion at Durban and the existing arrangements with shipping lines, and the transit time for the 950km distance is normally about 3 to 4 days, but can take much longer. The main problem relates to the use of 3 different traction systems along the route, requiring two locomotive changes. This line is likely to be upgraded in connection with the development of the new container terminal at Coega. Train lengths to Maseru from Bloemfontein are typically 20 to 25 wagons, up to three trains per day, made up of containers and break bulk (mainly cement and maize imports)

Cape Town by Road

The distance to Cape Town port (1150 km) is more than twice as long as that to Durban, and this route is only used for 'emergency' exports from Lesotho, when the container stack dates at Durban and PE have been missed. The cost of using this route is much higher at an average of about R12000 per 12m container instead of R5500 to Durban. The transit time is about 1 day

Cape Town by Rail

This route is not used for Lesotho except in unusual circumstances.

Johannesburg by road

The road distance to Johannesburg from Maseru is about 430 km and is used mainly for imports of consumer goods to Lesotho and for exports via Johannesburg International Airport. This route is used occasionally in emergency situations for major shipments. It is used when such a shipment has to be delivered in a very short time either due to missing the shipping schedules or other logistics problems. The road is tolled for most of the distance and the transit time is about 6 hours.

SADC countries by road

Lesotho imports cotton by road from SADC countries such as Malawi, Zimbabwe and Zambia, which pass through the Beit Bridge border post between South Africa and Zimbabwe. The road distance to this border from Maseru is about 1050 km, and the road is generally in good condition. Delays can be experienced at Beit Bridge due to congestion at peak times. The reason for using road instead of rail for cotton imports is that a road truck can carry a much higher volume in break bulk of light goods than can be carried on a railway wagon.

In general, road transport is considered much more efficient than railway transport in terms of transit times, but is more expensive. Rail transport is favored for predictable high volumes and "less time sensitive" bulk goods such as maize and cement imports to Lesotho.

3.2 PRINCIPAL PORTS SERVING LESOTHO OVERSEAS TRADE

Durban

Durban is Southern Africa's busiest port. It has a container terminal with 16 gantry cranes, 2 road-rail transfer cranes, 60 straddle carriers, a reach stacker and 35 tractor-trailer combinations. The current port performance is some 8-15 container moves per hour, much less than the international benchmark of 25 moves per hour, and has ships waiting to berth for an average 2-5 days. It serves as a pivotal hub for the entire southern Africa region, serving trade links to the Far East, Middle East, Australasia, South America, North America and Europe. The terminal also serves as a transshipment hub for East Africa and

Indian Ocean islands. Durban currently handles about 1.5 mill TEUs per annum, and is undergoing a phased expansion programme over the next 5 years to handle more than 2 million TEUs per annum. But this is not expected to relieve the overall problem of congestion, due to increased demand from South Africa's own external trade.

The port is connected to Lesotho by both rail and road, and is currently Lesotho's main port for exports.

Port Elizabeth

SAPO operates two terminals in Port Elizabeth:

Port Elizabeth multipurpose terminal (MPT) :

The Port Elizabeth MPT manages the port's breakbulk, bulk and motor vehicle cargoes. These commodities include all types of unitized, free flowing (i.e. wheat and maize) and ro-ro (motor vehicle) commodities. Berths 8, 9, 10 and 11 are used for breakbulk cargo. They include large sheds, providing covered storage. The port also handles stern and quarter ramp ro-ro vessels and forms part of the car-terminal operation. Total breakbulk and bulk cargo handled at Port Elizabeth MPT is 2 Mt p.a.

Port Elizabeth container terminal (PECT)

The Port Elizabeth container terminal is one of three specialized container-handling terminals along the South African coastline and serves the immediate hinterland of the Eastern Cape. This includes a large automotive-manufacturing region, in which knocked-down motor components arrive as containerized cargo for assembly at several vehicle-assembly plants near the city. Assembled and manufactured vehicles are exported in containers to Europe, Australia and Asia. The terminal also handles an increasing volume of transshipped cargo for the other South African ports. In 2003/04, PECT handled close to 300,000 TEUs.

PECT also caters for substantial agricultural products that are exported in containers, including refrigerated fruit. The terminal makes use of three berths, totaling 635 m, and is equipped with four 40-t gantry cranes. There are 4,800 ground slots and 212 reefer points. The terminal incorporates two sheds, providing 7,500m² of storage space for stuffing and de-stuffing of less than container load (LCL) containers. The terminal has direct rail and road access.

A new development, which could be of great significance to Lesotho, is the new Port of Ngqura, situated about 25 km north of the existing port of Port Elizabeth, initially planned to serve the new Coega industrial development zone (IDZ). The Coega IDZ development is being managed by the Coega Development Corporation (CDC), a company incorporated under the Companies Act of South Africa and wholly owned by the government.

The port development was pushed ahead with great speed and the construction phase is now complete, awaiting tenants and customers. It is understood the intention is to incorporate a large container terminal to relieve congestion at Durban harbour and serve the Gauteng industrial area. It would also function as a container hub for the Southern Hemisphere, whereby large Post-Panamax size vessels (80 000 dwt) would transship containers to smaller vessels for regional feeder distribution – however, a suitable container terminal operator has not been found yet, and SAPO has declared that it will be handled 'in-house'.

There are two 16-m-deep container berths, capable of handling vessels of up to 80 000 dwt. Such vessels can carry 6 000 TEU, larger than planned for Durban. Port Elizabeth now serves as the main import port for the Lesotho textile industry – this may well be shifted to the new port of Ngqura at Coega, which with new equipment and technology, could eventually also serve as Lesotho's premier export port.

Cape Town

Cape Town container terminal (CTCT), operated by SAPO, is South Africa's second-largest container terminal, with a ground capacity of 5,250 slots and 1,500 reefer points. This terminal is also the country's premier fruit-export terminal; handling containerized refrigerated (reefer) cargo as well as other containerized cargo. It has become a large transshipment hub for West Africa, South America and other regions. In 2003/04, the terminal handled almost 530,000 TEUs

The terminal employs six 40-t gantry cranes with additional cranes planned. There are seven berths – five deep-sea berths, totaling 1,500 m, and two for coastal vessels (9.4 m draft).

With a dramatic increase in throughput, efforts are being made to increase capacity at CTCT, including increasing the stack height of containers and a possible increase in the terminal area, although this is subject to environmental approval. A programme of replacing and upgrading terminal infrastructure (gantry cranes and straddle carriers) is under way.

Cape Town serves as Lesotho's emergency export port – when the dispatch of exports are delayed, and cannot reach the container stack closing times at Durban and Port Elizabeth, the containers are sent express to Cape Town by road to reach the vessel on time. The port is the last point of sail for vessels sailing to Europe and the Americas.

3.3 DIRECTION OF REGIONAL AND INTERNATIONAL TRADE

Virtually all Lesotho's regional and international trade passes through the Maseru border post with South Africa. Almost all consumer goods are imported from South Africa by road, and this is the main flow of trade.

Cement and maize are imported mainly by rail. Cotton for Lesotho's denim textile mill is imported by road from the SADC countries.

The textile sector is the principal player of Lesotho's manufacturing sector, and trade flows are mainly dominated by exports both in terms of volume and value – imports from the Far East through Port Elizabeth and exports mainly to the USA via Durban. The establishment of a textile spinning mill in Lesotho has made the garment sector relatively less vulnerable to sourcing denim material from the Far East.

4. GENERAL OVERVIEW OF COSTS AND TRANSIT TIMES

4.1 MAJOR CAUSES OF HIGH COSTS

Landlocked countries such as Lesotho, suffer high costs of transport due to their geographical location in relation to their trading points overseas. This fact is more apparent with regard to the textile and garment industry in Lesotho, which is dependent on two extreme geographical positions, the source of the raw materials in the Far East and the

final buyer of the final product in the USA. For most of the developed world, the transport costs component of imports and exports is generally in the region of 5 to 10%, but for Southern Africa, it is generally in the 15 to 40% range. The main causes of this are the following factors:

- Long distances from the centers of production to the sea ports;
- Relatively low volumes, giving high unit costs and tariffs due to poor equipment and infrastructure utilization;
- Traffic flow imbalance, resulting in a large proportion of empty return hauls, and additional costs for repositioning empty containers;
- Absence of competition in the railway and port sectors, often resulting in inefficiency and poor service levels, and a shift to more expensive modes of transport;
- Poor interface management between various service providers, resulting in long transit and turn around times and high unit costs;
- Poor co-operation between importers and exporters, with little or no attempt to achieve savings by co-operating in order to achieve economies of scale – higher volumes and lower costs and tariffs; and
- Poor facilitation along the transit routes, including cumbersome Customs and other regulatory procedures and documentation.

All these factors also apply to Lesotho but with some additional factors to take into account.

The impact of high transport and logistics costs is especially felt in the sectors where Lesotho is competing directly with other larger and 'low cost' economies such as India and China. For example, the newly established Lesotho textile industry, founded largely on preferential access to the USA market through the provisions of AGOA, has been very hard hit following the worldwide scrapping of import quotas by the WTO on textiles and apparel and thereby affecting exports of these products to the USA. The action has resulted in the open access for textile and clothing imports from the East, which is produced at a much higher efficiency and lower cost than can be achieved in Lesotho.

The Lesotho textile industry, which at peak employs more than 50,000 people, generates about US\$400million per annum in exports to the USA through AGOA. According to AGOA statistics, in 2004 the textile industry output represented about 83 % of all Lesotho's exports by value, excluding exports of water and electricity to South Africa, and income generated by labor exports. However, the industry has experienced slight reduction in recent times due to some manufacturers folding up. The industry faces major challenges for survival because of competition from the East. A total of 96% of Lesotho's manufacturing exports are destined for the USA, while about 80% of the value imports are from Hong Kong, Taiwan and China, linked to the textile sector. The competitive disadvantage suffered by Lesotho's manufacturing exports is partially due to the additional costs of transportation of both raw material imports and the export of finished products.

4.2 TRANSPORT AND LOGISTICS CHAIN COSTS

Lesotho's principal trade in the textile and garment industry is firstly with the Far East, some 13,000km away where raw materials i.e. fabrics, are sourced and imported in containers by sea to South African ports of Durban and Port Elizabeth and eventually by rail or road to Lesotho, and after processing, garments are shipped to the USA, some 13,000km by land and sea in containers. An analysis of the transport and logistics costs

regarding the supply chain is presented in Tables 1-1 and 1-2 for imports and exports respectively.

4.2.1 Sea vs. Land Costs

On the import leg, the sea component accounts for some 41-43 per cent of the total transport and logistics cost, while the land portion is around 57-59 per cent, yet the land costs relate to a distance of some 600 km compared to about 13,000 km for the sea leg. Looking at the individual transport modes over land, rail is cheaper at about 38 per cent of the total cost compared with 42 per cent for road. Port area costs account for about 17 per cent, while agency charges are at around 2 per cent.

On the export leg, the sea leg accounts for some 42-50 per cent, with rail at about 39 per cent and road at 28 per cent. Port charges are at 16-19 per cent and agency at around 3 per cent.

4.2.2 Rail vs. Road Costs

Of the land costs, and on the import leg, road costs more than rail at around 42 per cent to 38 per cent, taking Port Elizabeth as the principal port of use due to logistical problems of congestion at Durban. On the export leg, road is clearly cheaper than rail at about 28 to 39 per cent.

The above indicative figures show that improving the rail transport system would greatly ease the transport and logistics costs of foreign trade. It should be noted that these costs do not include hidden costs relating to problems faced by traders of running up and down to obtain various approvals and clearance, as will be touched upon later in the report.

4.2.3 Port Charges

The total port costs are relatively high considering that the seaport should serve as a mere transit point where cargo should change mode of transport from sea to land. Once Lesotho develops her own dry port to/from which cargo can be consigned as a port, authorities should examine more critically the cargo inter-modal change system at South African ports so that transit cargo of Lesotho destined for the inland port is subjected to minimum intervention some of which is currently adding costs to Lesotho's shipments, which have no other option than transiting the South African transport systems.

Cargo dues, paid on both imports and export containers, constitute a significant portion of the land logistics costs. Cargo dues are charged by NPA, and replaced the previous wharfage, which was a South African tax on imports and exports. The question is whether cargo dues are based on actual costs or whether there is still an element of taxation in this charge. The GOL should take up the possibility of reduced cargo dues on Lesotho's transit traffic through the South African ports.

Table 1.1 TRANSPORT COSTS BETWEEN LESOTHO AND OVERSEAS (Approximate)
 For forty foot container (FEU) and at exchange rate of \$1 = ZAR 6.1

IMPORTS

Sector & Charge item	Port Elizabeth				Durban Port			
	ZAR		US Dollars		ZAR		US Dollars	
	Rail	Road	Rail	Road	Rail	Road	Rail	Road
Sea leg			2,000	2,000			2,000	2,000
Ocean freight	10,800	10,800	1,800	1,800	10,800	10,800	1,800	1,800
BAF			200	200			200	200
Port			789	789			789	789
Port cargo dues	3,111	3,111	510	510	3,111	3,111	510	510
Terminal (THC)	1,100	1,100	180	180	1,100	1,100	180	180
B/L	120	120	20	20	120	120	20	20
Haulage release fee	320	320	52	52	320	320	52	52
CTO fee	87	87	14	14	87	87	14	14
Container cleaning	82	82	13	13	82	82	13	13
Inland transport			1,771	2,049			1,771	1,558
PE - Maseru	6,500	9,500	1,066	1,557				
Durban - Maseru					6,500	6,500	1,066	1,066
Cartage (ICD)	1,300		213		1,300		213	
Container terminal fee	3,000		492		3,000		492	
Container turn in fee		3,000		492		3,000		492
Others			75	75			75	75
Agency fee	285	285	47	47	285	285	47	47
Rebate certificate	85	85	14	14	85	85	14	14
Communication	85	85	14	14	85	85	14	14
Total			4,635	4,913			4,635	4,422

Source: Based on the Consultant data collection during May, 2005

Note : It was pointed out during the workshop that the current shipping charges for a 12m container to or from the Far East, is more the USD3000 – however, this rate varies considerably from time to time depending on international demand and seasons, and is largely outside the control of the GOL and shipping customers

Table 1.2 TRANSPORT COSTS BETWEEN LESOTHO AND OVERSEAS (Approximate)
For forty foot container (FEU) and at exchange rate of \$1 = ZAR 6.1

EXPORTS

Sector & Charge item	Port Elizabeth				Durban Port			
	ZAR		US Dollars		ZAR		US Dollars	
	Rail	Road	Rail	Road	Rail	Road	Rail	Road
Clearance charges in Lesotho			137	137			137	137
Documentation	285	285	47	47	285	285	47	47
Communication	100	100	16	16	100	100	16	16
CTO fee (Maseru & port)	450	450	74	74	450	450	74	74
Inland transport			1,833	1,619			1,833	1,128
Maseru - Durban					6,500	6,500	1,066	1,066
Maseru - Port Elizabeth	6,500	9,500	1,066	1,557				
Container delivery fee	1,300		213		1,300		213	
Container lift fee	376	376	62	62	376	376	62	62
Container turn in fee	3,000		492		3,000		492	
Port			750	750			750	750
Destination documentation	103	103	17	17	103	103	17	17
Port cargo dues	1,545	1,545	252	252	1,545	1,545	252	252
Terminal (THC)	1,100	1,100	180	180	1,100	1,100	180	180
Haulage fee	320	320	52	52	320	320	52	52
Security	120	120	20	20	120	120	20	20
On carriage			229	229			229	229
Sea leg			2,000	2,000			2,000	2,000
Ocean freight			1,800	1,800			1,800	1,800
BAF			200	200			200	200
Total			4,720	4,506			4,720	4,015
Maseru - Cape Town by road, the total cost is much higher since road freight charge is ZAR 13,000 or \$ 2,131								

Source: Based on the Consultant data collection during May, 2005

Note: The shipping rates vary from time to time depending on international demand, and are currently (Sept 2005) higher than the costs given above. All the other costs tend to be relatively stable, but gradually rising with inflation and increasing oil prices.

4.3 ORDER-TO-EXPORT SHIPMENT LEAD TIME

The geographical location of Lesotho, being completely landlocked, lying some 550km from the sea coast and surrounded by only one neighbour, South Africa, puts the country at an obvious disadvantage in some respect, especially that the raw materials used in the country's apparel industry are currently almost 100% imported from the Far East, some 13,000km away. The Far East is also Lesotho's principal competitor in the North America market for the final products. According to industry in Lesotho, it takes some 3-4 months on receipt of an order from a buyer before an export product can be shipped to the buyer in America. In the Far East this period (lead time) is around 1 month, a major advantage in an industry governed largely by changing fashion.

For Lesotho, after receipt of the order from USA, fabric is ordered from the Far East. This process, together with the sea voyage to reach South African port, takes about 30-40 days. Land movement from the port to Maseru factory gate takes around 5-9 days using rail and around 2 days using road. Manufacturing takes some 22-28 days. The export process including requisitioning container and truck, stuffing and documentation takes 2-3

days, and transport to the port by road is 1-2 days. Sea voyage to America is about 25 days. Improvement of the transport and logistics chain, in which Lesotho has some measure of control, is clearly an area that could assist cutting down the lead time and thereby improve the country's competitiveness. Table 1-3 gives a detailed breakdown of the cargo movement transit times.

4.4 TRANSIT TIMES

To a shipper, it is not always the cost of transport that is the critical factor in deciding the choice of transport service and routing, but equally important is the consistency of timely delivery of cargo to/from overseas markets. Transit times are therefore an important factor in the movement of goods in international trade.

Table 1-3 gives a detailed breakdown of the transit times for the cargo movement from the Far East to Lesotho and Lesotho to America. The sea legs are the longest, but there is little Lesotho can do to reduce these times because the country relies on international shipping industry, and for which there is little, if any, significant influence Lesotho can exert. This is mainly because the international shipping industry is very competitive and operates at optimal efficiency. The rail movement from the port to Lesotho stands out as an area requiring improvement, particularly that it could be made to be more cost and performance competitive with road. However improvement in this area is tied to the Spoornet service and its linkage to Lesotho. Urgent changes are needed at Lesotho's container terminal for the rail service times to improve (see section 5.3.3).

**Table 1.3 TRANSIT TIMES (Approximate)
(Between Far East/North America - Lesotho)**

Sector	Time taken (Days)	
	Sea/Rail	Sea/Road
Sea leg	25	25
Port (Discharging & clearing imports - mostly through Port Elizabeth)	2	2
Rail (including cartage)	7	
Road (Mostly to Durban for exports)		1
Border post		0.25
Total	34	28.25

Source: Based on Consultant data collected during May, 2005

However improvement in this area is tied to the Spoornet service and its linkage to Lesotho. Urgent changes are needed at Lesotho's container terminal for the rail service times to improve (see section 5.3.3).

5. ISSUES

IMPORTS SUPPLY CHAIN

5.1 SHIPPING

5.1.1. Choice of Shipping Line and Nomination of Port

The nature of the investment in the textile and garment industry in Lesotho is such that most of the investors are from the Far East, and orders for the supply of the raw materials are largely arranged by the respective parent companies in the Far East and shipped to Lesotho. Almost all imports are routed via Port Elizabeth port (PE). The shipments are made on a through bill of lading using multimodal transport or shipped to Port Elizabeth where new instructions are issued to forward to Lesotho. In the case of multimodal transport, the ocean carrier arranges the land transport to Lesotho. The choice of shipping line is thus made in the Far East, while the port is dictated by efficiency of port operations.

Thus PE is the preferred imports port because it is less congested than Durban and quicker to process imports traffic.

5.1.2. Frequency of Vessel Calls

The three ports of Durban, Port Elizabeth and Cape Town, which serve Lesotho, are well covered by weekly services from the Far East and to North America. All manufacturers raised no problem on frequencies of vessels availability at the three ports. Industry generally noted the congestion of ships at Durban port, and therefore the preference by many to use Port Elizabeth for the import leg. On the export leg industry prefers to catch the vessels at Durban. However, since vessels also call at Port Elizabeth and Cape Town on the westward journey, some exporters catch the ships at these ports, albeit at increased costs of land transport to deliver containers to these ports. This happens when the production and export process is late and cannot catch up with the ship departure timetable at Durban.

5.1.3 Ship Agents Services and Ship Arrival Information

A number of importers and exporters complained of lack of reliable information on ship arrivals at ports. This situation is occasioned by the congestion of the terminal which often leads to frequent changes to the stack opening and closing times. Lack of this information makes it very difficult to plan the export movements from Lesotho so that the cargo meets the cargo stacking period and the ship at the right time, without incurring penalties for early or late delivery or missing the ship altogether.

Observation

Ship arrival information should be obtained from the respective agents at ports. However these agents usually work for many other clients, some of who probably hold huge portfolio compared with the relatively small shipments from Lesotho, and as such may offer substandard service to Lesotho shippers.

Recommendation:

Lesotho exporters and importers should, as a block through the exporters association, and supported by government, make the necessary contact with the agents association of South Africa to make the country's needs better appreciated and taken into account. The early completion of Lesotho's own dry port would assist in this regard because the dry port would have readily available information from shipping lines and counterpart ports on the coast.

5.1.4 Receipt of Shipping Documents

The Lesotho Revenue Authority provides pre-clearance service, and this service works only if shipping documents are presented well in advance and on time. As the imports are shipped by the parent companies in the Far East, there were some manufacturers who appeared to have shipping documentation problems, but this appeared more to do with knowledge of the shipping process than a real problem. Nevertheless what is important is for importers to understand the documentation process so that they can timely demand from the source of the documents all the relevant papers and thereby clear the cargo on time.

Observation

In the age of efficient communications (e.g. through courier mail service and electronic data transfer), non receipt of shipping documents should not be a problem unless staff handling shipments overlook the shipping follow up procedures.

Recommendation

A technical course should be organized on shipping contracts and documentation for managers and staff of shipping departments of in particular the textile and garment plants. ComMark indicated readiness to assist in organizing such training.

5.2 PORT

5.2.1 Cargo Release

There were not many complaints on the interface of cargo/containers from the ship to the port and eventually on to the land transport system except where there was a documentation problem. In one case it was stated that the parent company, the shipper, had stipulated road removal from the port, but the cargo was instead released on to rail causing considerable inconvenience and delay. This may have been due to incorrect bill of lading and or the quality of the service by the C&F agent at the port. The technical course earlier suggested herein would assist to clarify roles and avoidance of this problem.

5.2.2 Customs Inspections

Some importers complained bitterly that each and every one of their containers was being subjected to inspection by SARS at the port, and for which considerable costs were being incurred comprising charges of transferring the cargo to the inspection bays and back, in addition to inspection fees and lift off/on charges.

Observation:

There appears to be excessive inspection of transit goods resulting in considerable additional costs on the shippers.

Recommendation:

High level discussions should be held between LRA and SARS, to identify and address the causes of the high inspection requirements on some imports

5.2.3 Port Charges

As discussed in section 4.2.3 the port charges are high. The GOL should engage the SAPO authorities to fully understand the nature of cargo dues to ensure that Lesotho trade is not taxed by South African authorities.

Observation:

There is need to fully understand the nature of cargo dues.

Recommendation:

High level discussions should be held between the GOL and SAPO to ensure that Lesotho trade is not unduly taxed by South African authorities.

5.3.1 Choice and Share of Road and Rail

The choice of transport is largely dictated by two factors of cost and efficiency of delivery. In the past, many manufacturers were almost 100% importing raw materials using rail. However many are now using road due to the delays/inefficiency of rail transport from the port to Maseru. The indications were however that rail is still maintaining a higher

percentage preference to road due to cost advantages. The indicative share of rail to road removal from the ports is 70/30, with the road option increasing.

5.3.2 Road Transportation

Participation by Lesotho transporters

There was general satisfaction by industry of the availability and service of the Lesotho owned trucks. However it was noted that there is little data concerning trucking capacity and current road rates structure to enable users make the right choices.

There was some expression of concern that Lesotho hauliers are blocked by South Africa to pick up cargo from the ports due to the requirement of a road carrier bond. This concern was not wide spread. Nevertheless, the matter should be cleared by authorities as on the face of it, the requirement for road carrier bond appears to be a duplication of service normally undertaken by forwarders who take bond on behalf of the owners of cargo in the event of cargo missing en route.

Observation:

There appears to be a requirement in South Africa that hauliers carry road bond for the goods. As such, some Lesotho hauliers have difficulty raising sufficient funding for this cover, and are therefore denied the opportunity to participate in the conveyance of Lesotho bound goods.

The current trucking capacity of near 100 long haul trucks needs to be increased to match the expected improved dry port operations

Recommendation:

Lesotho should carefully analyze the above observation, which would appear to duplicate the bond requirement carried by freight forwarders as covered under customs procedures

There should also be measures to improve of trucking feeder capacity in the context of the modernization of the ICD into a full port, which will demand appropriate haulage capacity

Border Documentation and Processes

Most of the people visited did not raise any particular problem with border procedures particularly that most textile imports are pre-cleared.

Customs Clearance

Some concerns were raised regarding the clearance of import goods. These were with regard to documentation needed for “change of status” of cargo at the port before further movement of the goods or where goods have been imported without an appropriate permit.

In addition the quality of service by Clearing and Forwarding agents was raised as unsatisfactory at times and leads to delays in the clearance process. Indeed some of the delays in clearance are due to poor agents’ service where Customs forms are incorrectly filled or presented. This is due, in part, to clearing agents’ manpower capacity and quality, which will need to be addressed through, *inter alia*, strong agents association and training.

Another problem was the delay in obtaining the Bill of Entry from LRA. A number of manufacturers complained that there were delays of as much as 3 weeks to obtain a Bill of Entry.

Observation:

The delays in the processing of the Bill of Entry are a cost on the industry. So too is the poor quality of service by clearing agents. As for the need for "change of status" of transit cargo, this is a procedure which can be avoided if shipping departments in industries are fully conversant with shipping contracts.

Recommendation:

As recommended in section 5.1.4, a technical course should be organized for shipping managers and officers in the manufacturing plants to enable them be fully knowledgeable of international trading and shipping contracts, as well as agents roles.

5.3.3. Rail Transportation

Port to Maseru

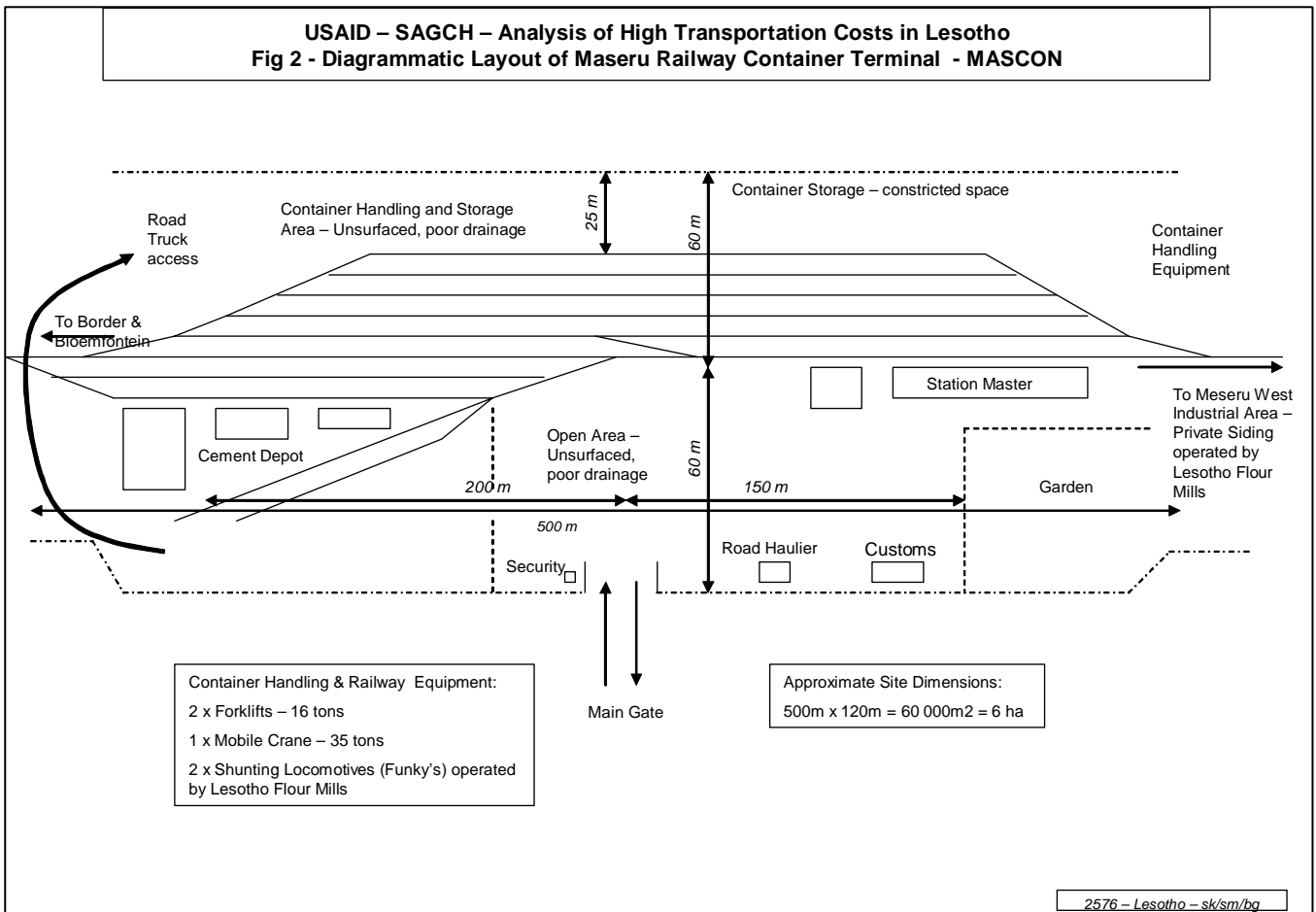
Many importers complained of poor rail service to Maseru. The principal problem appears to be that Lesotho traffic is first railed to Bloemfontein, South Africa, some 150km away from Maseru, from where the train is re-assembled and cargo is then shuttled to Maseru. Delays occur in this process due to a number of factors such as lack of locomotive power and need to make up full train. It should be noted that on the Maseru to PE route, 3 different traction systems are used, requiring locomotives to be changed.

Maseru Container Terminal (MASCON)

Lesotho has one container terminal in Maseru – MASCON. MASCON lies at the end of the Spoornet line from Bloemfontein, South Africa. The terminal, about 500m by 120m (rough dimensions as no detailed measurements were obtained or taken during the visit), has six rail tracks. Beyond the terminal is a siding, serving Lesotho Flour Mills Ltd and fuel depots. The siding is owned and operated by the Flour Mill Company. The rail terminal handles break-bulk cargo on one side, principally cement, and containerized cargo on the other side. The terminal is thus approachable from two sides. One mobile crane and two forklifts do cargo handling. There is general observation that the handling equipment breaks down frequently, and due to lack of a proper pavement, the terminal becomes muddy during the rainy season making it difficult to handle/transfer cargo. The terminal handles 2-3 trains per day of 20 to 25 wagons each

The facility has outlived its purpose; as such it is no longer adequately serving the needs of the huge textile and garment industry, which accounts for considerable portion of Lesotho's GDP. In the entire supply chain, the container terminal is the single major constraint in the rail transport system and yet rail could be the option, which can have the most significant impact on the cost of the overland transport and logistics system – if for no other reason than providing a competitive alternative to the faster road service. MASCON lacks all the major facilities of an inland clearance depot such as effective cargo handling equipment, proper paved container yard, workshop area for equipment maintenance, security, customs facilities, adequate and proper area for the safe and efficient interchange of cargo between rail and road transfers, agents offices and general facilities for people working at the terminal.

USAID – SAGCH – Analysis of High Transportation Costs in Lesotho
 Fig 2 - Diagrammatic Layout of Maseru Railway Container Terminal - MASCON



Observation:

The most significant constraint in Lesotho's transport system in her foreign trade is the lack of a proper ICD, fully developed and gazetted/promulgated as a dry port to/from which goods can be consigned like any sea port.

Recommendation:

Lesotho should urgently develop MASCON into a full dry port by vigorously pursuing the current EU project of a study of MASCON. The terminal should be developed into a COMMON USER FACILITY, served by both road and rail, and managed by private sector selected through an open competitive bid system. The proposed study, Lesotho should clarify the technical and other arrangements with Spoornet concerning the terminal and the rail line feeding it.

Local Distribution – Cartage

A local transport system to distribute cargo between the container terminal and the various arteries to/from manufacturing plants and other users is an essential component of a proper inland clearance depot system. In the case of Lesotho, many users complained of the high cartage rates (Table 1-1) offered principally by a monopoly operator. Some users also indicated that they were not permitted to arrange their own cartage. Even by comparison with other rates in the region, the cartage rates appear high and a disincentive to the rail transport system and in the end to the manufacturing industry and investors.

Observation:

Internal distribution network and facilities are essential component of a transport system.

Recommendation:

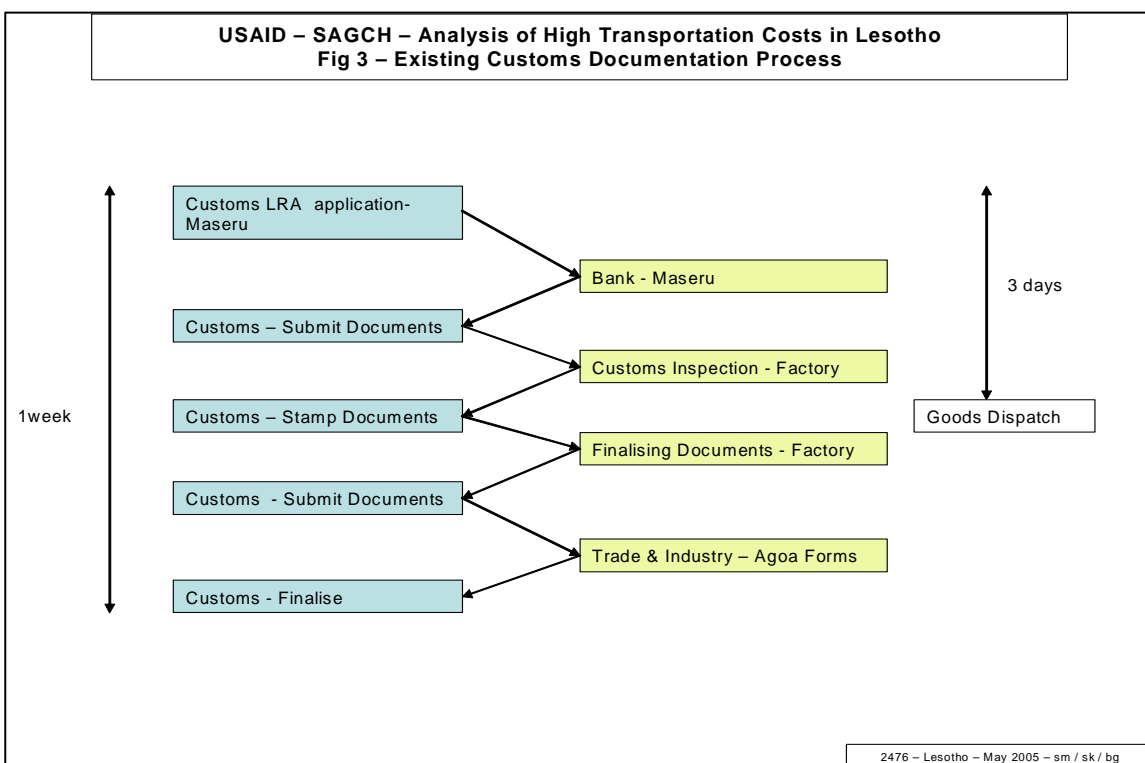
In the development of the new container terminal, it will be necessary to examine the transport system between the ICD and factories including the provision of competitive shuttle services between the dry port, factories and empty container storage depots.

During the workshop, held in Maseru on 22nd August 2005, it became quite apparent that there was some resistance by Lesotho trucking companies to the concept of a new improved ICD at MASCON, because this was seen as supporting railway services which was seen as being South African controlled. Nevertheless, for certain types of traffic, railway transportation can be cheaper than road transportation, with significant economic benefits to Lesotho, which outweigh these concerns. The current planned restructuring of the Spoornet branch lines, could mean that the railway services to and from Lesotho could be controlled by Lesotho interests, which could include Lesotho transport companies.

EXPORT SUPPLY CHAIN

5.4 EXPORT DOCUMENTATION

The nature of the garment industry is such that there are last minute production schedules to meet customers' orders and shipping schedules. As such there is considerable pressure on industry to meet deadlines. Almost everyone complained of the long clearance of exports forms presentation at the bank and LRA. The routing, as per Figure 3 below, schematically shows the long process:



The process is a cost in time and money as people have to move from one place to another and wait in long cues at times, and results in delayed departures of loaded trucks.

The exporter visited in Maputsoe, some 85.km from Maseru, indicated that they have to send drivers to Maseru to process bank clearance.

Observation:

The textile and garment industry is a major contributor to the economy and when the industry is facing the kind of competition now in place after the removal of quotas by the WTO, any action at the margin is critical to attract and retain the investors. Therefore streamlining of export procedures is one aspect which can make a positive difference to attract and retain investors.

Recommendation:

LRA and the banking sector should examine the export documentation process with a view to streamlining the procedures and reduce the reporting stations.

The banks should also establish export clearance services at branches in the other places (Maputsoe and presumably also Mafeteng) where textile producers and exporters are located.

5.5 CHOICE OF PORT

The choice of port of exit for the exports is largely dictated by -

- speed and convenience of land transport to the port;
- need to satisfy the sale contract;
- cost of land transport

As such almost everyone prefers to use road transport to Durban due to cheaper and convenience of road transport to reaching the container stacks at the port, many times at very short notice. However, if a ship schedule is missed at Durban, then Port Elizabeth and Cape Town are next used in that order. Finally airfreight, though rare, is used as the last resort. The longer and/or more expensive options are taken because exporters realize that missing their sale delivery, which in all cases is FOB port of exit, could destroy their reputation and reliability. In many such situations the exporters could default supply contracts by not meeting stipulated delivery dates, in which case they would even be risking losing their entire business.

5.6 INFORMATION ON SHIP ARRIVAL AND OPENING OF STACKS AT PORT

The garment industry appears to work to a very tight schedule. At the same time the logistics chain contains a number of “penalties” such as charges relating to late entry of cargo into port stacking areas and storage charges if early arrival of cargo at port. As such, information on the exact arrival of booked ships is critical to the cost effectiveness of the entire export supply system in view of the cost implications if one does not meet the deadlines.

Observation:

Reliable and timely information on ship arrival to exporters is vital for planning of the export cargo, and can make a difference in the entire transport and logistics chain.

Recommendation:

Lesotho should vigorously support industry to identify port services, such as ship and forwarding agents who can reliably keep the export industry informed of the essential information on ship operations, particularly ship arrivals.

5.7 AVAILABILITY OF EMPTY CONTAINERS

All export cargo for the garment industry is shipped in containers, and in most cases as full container loads (FCL). Availability of empty containers at competitive rates is vital for the industry. From discussions with industry, availability of empty containers is not really a

problem but the cost of taking delivery of containers is the problem. Some exporters use the same containers in which incoming raw materials were carried to ship their exports. This however is not widespread due in part to differing shipping lines in use on the import and export legs, because containers generally go with their respective shipping line(s). Everyone complained of the high cost of securing a container mainly due to the charges of delivery to factory premises, provided as a monopoly service.

Observation:

The availability of empty containers at competitive rates is tied to improvements of the container terminal.

Recommendation:

There should be aggressive action to develop the container terminal and promote the development of empty container holding sites, as currently there is only one site outside MASCON.

5.8 CUSTOMS SERVICE PRIOR AND UP TO SEALING OF CONTAINERS

Much of the industry talked about the delay in the provision of customs service necessary for inspection of export goods and sealing of same. Although LRA has provided hours (8 a.m. - 5 p.m.) during which the service can be called up on, the *de facto* situation on the ground is that officials on duty appear to play go slow tactics at times, particularly when it is nearing end of their normal working time.

In addition a number of exporters thought that the provision of customs service even during the weekend would be highly beneficial to the industry due to port stacks opening hours during weekend periods. If Customs service can be extended to synchronize with operations at ports, it would ease the problem of inland logistics and delivery to ports.

Observation:

Lesotho is in some way at crossroads to ensure the retention of her export industry, and if anything can be done to support this industry at the margin, government should do its utmost to facilitate. Furthermore, development of the dry port would result in improved hours of service and meet the current need.

Recommendation:

LRA should closely monitor the actual field situation to ensure that the published service is indeed being provided. In addition LRA should consider extending the hours of service, even over the weekend, to the export sector to synchronize with ship arrivals/departures during off hours.

Customs Inspection by South African Revenue Services (SARS)

Almost all exporters, to varying degrees, stated that their export containers had been subjected to destuffing by SARS at border posts i.e. cutting the LRA seals off and examining the cargo. The practice was reported to be done on a regular basis. LRA were not quite aware of this practice.

Observation:

Opening of seals of another authority and at border posts is an inconvenience and cost placed on industry.

Recommendation:

Lesotho (LRA) should urgently take up this matter with its counterpart in South Africa, and educate its exporters on transit cargo inspection procedures and compliance thereof.

5.9 PORT PROCESS

The port exit procedures are much less cumbersome and industry did not raise any particular problem with the port export process.

5.10 SHIPPING

The buyer in America largely dictates the choice of shipping line for export containers. There were no specific problems noted regarding arrangements for this service. The positive aspect is that ships on the westward journey call at all the three ports of Durban, PE and Cape Town at which cargo can be booked and delivered, albeit at a premium in cost for the latter ports, and this extra cost is borne by the exporter.

INSTITUTIONAL ISSUES

5.11 PUBLIC-PRIVATE SECTOR DIALOGUE

Lesotho is well ahead in addressing her private sector development. The key public sector institution, the Ministry of Trade and Industry, Cooperatives and Marketing chairs an interministerial **Task Force** team on the attraction and retention of investment, particularly the textile and garment industry. Under this umbrella, various arms of the public sector address issues such as land allocation, environment, and transport infrastructure. The private sector groups such as the textile and garment association, labour union, Lesotho Chamber of Commerce and Industry should be invited to participate in the work of this high level committee.

A number of issues raised in this report require joint efforts between the public and private sectors to discuss, agree upon and implement. The issues raised herein would directly enforce the work of the technical committees falling under the above Task Force team.

It is noted that some of the private sector institutions require urgent assistance from the public sector to enable them build capacity and appropriate structures to assist their members. These bodies can help to channel and clarify to their members some of the matters, for example, the regulatory provisions governing import and export trade. They can also serve as a forum for directly engaging customs and cross border procedures. They should also analyze issues so that the private sector makes a well informed representation to public sector policy development and implementation. The road transporters association, the Lesotho Chamber of Commerce and Industry, the Employers Association, Clearing and Forwarding Agents are some of the bodies, which would greatly facilitate transport and logistics issues if they had the appropriate structures and capacity.

Observation:

Private sector bodies are key allies in the implementation of public policy necessary for the smooth flow of international trade.

Recommendation:

Lesotho, with the assistance of development partners, should assist private sector associations, such as the the Lesotho Chamber of Commerce and Industry, Employers Association, Lesotho Road Transporters Association and the Forwarding Agents, build capacity and appropriate structures for facilitation of foreign trade.

5.12 DRY PORT DEVELOPMENT PROJECT MANAGEMENT

The modernization of the Maseru container terminal is one single development which can make considerable positive change to Lesotho's transport and logistics system for external

trade movement. Everyone visited pointed to the current inefficient rail and container services, and indeed the poor infrastructure of the terminal was noted during the visit.

Work is already in the pipeline to addressing issues of the container terminal through the proposed EU funded study, soon to be carried out, with the coordination of the Ministry of Public Works and Transport. However, there is urgent need for the designation or establishment of a champion to serve as the nucleus for dedicated activity to promote the development of the terminal and allied services into a full dry port. An office of Project Manager is essential to drive the process. The office, possibly falling directly under the functional Ministry or the LNDC, would support and complement the current institutions such as the Interministerial Task Force, which are already addressing private sector development. The Project Manager would be a full time office concentrating on various coordination roles, and thereby reflect the commitment of government to addressing the transport and logistics constraints. The office would, for example, ensure the processing and speedy conclusion and follow up of the EU study and, thereafter, mobilization of investment and management, preferably by the private sector.

Recommendation:

In view of the importance and scale of development required to modernize the Maseru container terminal and allied services, government should consider appointing an office of Project Manager who would be tasked to champion and concentrate full time on the project, and thereby achieve its desired goal as quickly as possible.

5.13 TRANSPORT CORRIDORS - PERFORMANCE MONITORING AND EVALUATION

It was noted during the visit that current transport statistics are not readily available, and in a format necessary for external trade traffic analysis and planning. Industry also pointed to the lack of data such as trucking capacity of the country.

It is thus necessary that the Ministry of Public Works and Transport accelerate the implementation of a system of data collection and management of key transport data such as traffic flows, available capacity, costs, transit times and by mode of transport. Specific attention should be made on monitoring of the performance of international trade routes/corridors. Such information shall enable the industry and other parties make use of this critical information in their operations and planning processes.

Recommendation:

The Ministry of Public Works and Transport, in collaboration with the private sector and with the assistance of donors, should accelerate the establishment of a transport database, with a particular focus on the monitoring and evaluating the performance of the international trade routes/corridors.

5.14 CHAMPIONING THE IMPLEMENTATION PROCESS

The LNDC, under the Ministry of Trade and Industry, Cooperatives and Marketing, is a body whose role cuts across the institutional linkages and coordination needed to see the implementation of a number of the issues raised in this report. In this connection the LNDC will oversee the overall implementation of the Action Plan.

Improving Lesotho Transport Logistics

PROPOSED ACTION PLAN

IMPORT SUPPLY CHAIN						
SECTOR	ISSUE	ACTIVITY	RESPONSIBLE INSTITUTION/ PERSON	OTHERS	Implementation Date/Period	Resources
SHIPPING	1. Reliability of Information on opening and closing of stacks	<ul style="list-style-type: none"> Strengthen working network with ship and cargo agents at ports Govt. to raise the issue with SA 	LTEA	SAPO, C&F	1 month	Own
			MoPWT		1 week	Own
	2. Knowledge of shipping contracts	<ul style="list-style-type: none"> ComMark to identify clients who need training through forwarding agents Hub to identify training providers 	LTEA MTI	MoPWT	1 week	Own /ComMark
Hub				1 week	Own	
PORT	1. Inspection of transit containers at ports	<ul style="list-style-type: none"> Discuss at high level with SARS on procedures and requirements for transit containers/cargo inspection 	LRA	MoPWT MTI MoF	*****	Own
	2. Nature of cargo dues.	<ul style="list-style-type: none"> Discuss with SAPO to avoid undue taxation of Lesotho trade. 	MoPWT	SAPO	1 month	Own
RAIL	1. Efficiency of Rail Service	<ul style="list-style-type: none"> Review arrangements with Spoornet to ensure that the rail service to/from Lesotho adequately meets the needs of Lesotho trade/traffic between Maseru rail head and South African ports/points; 	MoPWT/ MTI	LRA LNDC	1 week	Own

SECTOR	ISSUE	ACTIVITY	RESPONSIBLE INSTITUTION/ PERSON	OTHERS	Implementation Date/Period	Resources
	2. Efficiency of service/Cargo Transfer at Inland Depot	<ul style="list-style-type: none"> EU funded tender for the feasibility study for a container terminal opened on 16 Sept. 2005. MoPWT managing the process 	MoPWT	LRA, LNDC	In progress	Own/EU
	3. Cartage	<ul style="list-style-type: none"> Examine current cartage service to ensure fairness and competitive tariff to users; 	MoPWT		1 week	Own
	4. Storage of Empty Containers	<ul style="list-style-type: none"> Promote the development of container depots to ensure availability of empty containers at competitive rates; 	MTI/LNDC		6 months	Own
	5. Rail Traffic Data	<ul style="list-style-type: none"> Collect and publish on time rail traffic data both break-bulk and containerized 	MoPWT, MoF	LRA Home Affairs	6 months	Own
ROAD TRANSPORT	1. Road Bonds requirements.	<ul style="list-style-type: none"> Discuss with LRA details of the road bond and educate members 	LRTA/LRA	MoPWT	*****	Own
	2. Trucking Capacity	<ul style="list-style-type: none"> Strengthen capacity of Lesotho Road Truckers Association; 	LRTA/MoPWT		6 months	Own/Donor
	3. Road Transport data availability	<ul style="list-style-type: none"> Collect and publish on time road transport statistics on all corridors 	MoPWT		6 monts	Own/Donor
CUSTOMS	1. Clearance of cargo	<ul style="list-style-type: none"> Accelerate computerization of Customs processes (by installation of ASYCUDA or similar software) on all major corridors. A request was made to EU for 	LRA LRA/EU		***** Jan 2006	Own/Donor Own/Donor

SECTOR	ISSUE	ACTIVITY	RESPONSIBLE INSTITUTION/ PERSON	OTHERS	Implementation Date/Period	Resources
		funding. EU consultant will review request in Jan. 2006 <ul style="list-style-type: none"> • Provide Customs Service at all major garment industrial areas/districts; 	LRA/LTEA		*****	Own

EXPORT SUPPLY CHAIN						
SECTOR	ISSUE	ACTIVITY	RESPONSIBLE INSTITUTION/ PERSON	OTHERS	Implementa tion Date/Period	Resources
SHIPPING	See plan on Imports	Supply Chain section on Shipping.				
CUSTOMS	1. Export Clearance Procedures	<ul style="list-style-type: none"> • Streamline clearance procedures to reduce reporting points to absolute minimum; • Create one stop window for exporters documentation processing; • Open off hours window for documentation processing; • Establish full Customs and bank service at all major industrial sites 	LRA, Banks, MTI		*****	Own
			LRA, Banks, MTI		*****	Own
			LRA		*****	Own
			LRA, Banks, MTI		*****	Own
			LRA		*****	Own
	2. Inspection of transit export containers by SARS/RSA	<ul style="list-style-type: none"> • Hold high level discussions with SARS/RSA on procedures for Lesotho sealed transit containers inspections; • Sensitize industry on legal provisions for inspections and rights of shippers; 	LRA		*****	Own
			LRA, ALE, LCCI, C&F		*****	Own
RAIL	See plan on Imports	Supply Chain section on Rail.				
ROAD TRANSPORT	Implementation of One Stop Border posts	<ul style="list-style-type: none"> • Agreement in place to pilot at Maputsoe. To confirm implementation plans. 	MoPWT	LRA, Immigration, Security	*****	Own/Donor
PORT	1. Storage of Containers	Discuss with NPA/SAPO possibility of free storage provision for export containers arising from unreliable advice of stacking dates.	LTEA, MoPWT MTI		1 month	Own

INSTITUTIONAL ISSUES						
PUBLIC	1. Creation of ICD Development Project Manager	<ul style="list-style-type: none"> MoPWT managing the project 	MoPWT, MTI	LNDC	Under way	Own
	2. Rail Way leave	<ul style="list-style-type: none"> Ascertain and clarify with Spoornet arrangements of the rail spur in Lesotho up to and including ICD 	LNDC, MoPWT	Lands	1 month	Own
	3. Route Management Groups (RMG)	<ul style="list-style-type: none"> Strengthen RMGs on each transport corridor 	MoPWT		6 months	Own
PRIVATE	1. Business Associations	<ul style="list-style-type: none"> Actively support and strengthen capacity of business associations; a. LCCI; b. ALE; c. LRTA; d. Exporters Association e. Clearing & Forwarding 	MTI MTI, Labour MoPWT LRA, MTI MoPWT	LRA	6 months	Own/Donor " " " "

- LTEA - Lesotho Textile Exporters Association
 MTI - Ministry of Trade & Industry, Cooperatives and Marketing
 MoPWT - Ministry of Public Works & Transport
 LRA - Lesotho Revenue Authority
 ICD - Inland Clearance Depot
 ALE - Association of Lesotho Employers
 LCCI - Chamber of Commerce
 C&F - Clearing and Forwarding Agents Association
 SARS - South African Revenue Agency
 NPA - National Port Authority
 SAPO - South African Port Operations

***** - The LRA will consult and provide time frames to the LNDC.