BUSINESS DAILY

Shipping & Logistics

Boost as firms sign up to ferry export cargo via SGR

Tuesday, April 9, 2019 21:58

Summary

- The trains will transport tea, fruit juices and soda ash from the Nairobi Inland Container Depot (ICD) if new laws sail through, said Peter Masinde, manager in charge of the ICD.
- Since the launch of the freight services in January 2018, the SGR has been transporting only empty containers on its return journey to Mombasa at highly discounted rates of Sh25,000 and Sh30,000 for a 20- and 40-foot containers respectively.
- Mr Masinde said they are already running trials with Del Monte Kenya Limited on how to transport their products to Mombasa. The Thika-based company manufactures a range of fruit products for local and export market.

The Kenya Railways Corporation (KRC) has entered into negotiations with exporters to scale up volume of cargo railed to Mombasa port via the Standard Gauge Railway (SGR) freight service, in what is expected to change the facility’s fortunes.

The trains will transport tea, fruit juices and soda ash from the Nairobi Inland Container Depot (ICD) if new laws sail through, said Peter Masinde, manager in charge of the ICD.

Since the launch of the freight services in January 2018, the SGR has been transporting only empty containers on its return journey to Mombasa at highly discounted rates of Sh25,000 and Sh30,000 for a 20- and 40-foot containers respectively.

Mr Masinde said they are already running trials with Del Monte Kenya Limited on how to transport their products to Mombasa. The Thika-based company manufactures a range of fruit products for local and export market.

“The goods will be transported from Thika using the Metre Gauge Railway (MGR) railway and we are looking at about 60 tonnes of cargo every week,” he said, adding that they are also pursuing a deal with Magadi Soda Company which is expected to commit a full train load of 108 containers daily.

There have been concerns that the single track may not handle multiple trains, but Mr Masinde said with the seven stations between Mombasa and Nairobi, it can operate a total of 24 trains on both sides going by trials in November last year when they operated 15 trains.

KRC is also targeting tea, which ranks among top Kenya's exports and according to Mr Masinde, they are negotiating with tea exporters who will transfer their direct sales tea to the ICD for onward transportation to Mombasa and loading onto vessels.

Direct tea sales account for 20 per cent of tea exported out of the country. In 2018, Kenya exported 436 million kilos of tea, meaning that if KR secures this cargo, it will transport at least 80 million kilos to Mombasa.

Although the exports are insignificant considering the volumes of imports, the management is optimistic that this will signify acceptance of the service by exporters, he said.

Already, Finleys Tea has signalled its direct tea sales will likely be transported via the SGR. Last week, the company advertised for a tender seeking for transporters who will be expected to transport tea from factories to either the ICD or Mombasa.

“We are also exploring possibility of providing warehouse services in Nairobi where exporters will blend their tea in readiness for onward transportation to Mombasa,” Mr Masinde added.

East Africa Tea Trade Association (EATTA) managing director Edward Mudibo said they were in discussion with KRC on how the corporation would be brought on board.

There is a possibility of changing some rules at the auction that would allow the buyer to accept tea to be auctioned in Mombasa while it is at a warehouse in Nairobi.

Currently, the rules state that tea presented for auction must be warehoused in Mombasa so that after the importer buys it, it’s loaded onto the vessel. This situation presents a costly logistics chain where if it would be railed from Nairobi, the consignment would have to be transported to warehouses in Mombasa for blending and back again to the port, thus increasing the cost of transport.

“The change of rules is work in progress and we are looking at procedures that will allow exporters to blend tea in Nairobi, keep it in a warehouse and bring samples to Mombasa for auction. The consignment will then be railed to the port for loading into the vessel,” Mr Mudibo told Shipping & Logistics in a telephone interview.

He however cautioned that KRC has to consider offering competitive freight rates for exporters to embrace the service.

Last month, a joint technical committee appointed to look into ways of reducing cost of transporting cargo from Mombasa to the ICD noted that ferrying a 20-foot container to Nairobi costs $1420 (Sh142,000) while a 40 feet container costs $2130 (Sh213,000), double the cost of transporting the goods by road.

There have also been concerns that Kenya's transit business with Uganda was under threat, following the country's reluctance to link the SGR at Malaba, at one point preferring the central corridor.

But planned establishment of a dry port for Uganda in Naivasha has been hailed as a sure way of securing transit business which has over the years evaded the Kenya Ports Authority (KPA). Uganda takes the lion share of KPA's transit business, accounting for over 70 per cent.

Last week when President Yoweri Museveni visited Mombasa, President Uhuru Kenyatta said Kenya would provide land for construction of the dry port as the SGR is extended to Naivasha. There have also been talks that Rwanda, Democratic Republic of Congo (DRC) and South Sudan may follow suit.

According to the Shippers Council of Eastern Africa (SCEA) chief executive officer Gilbert Lang'at, should Uganda set up the dry port at Naivasha, it would secure all Ugandan cargo which would be transported to the ICD via rail.

However, the success of this plan depends on a number of logistical factors including efficiency at the Mombasa port and how fast the Kenya Revenue Authority (KRA) customs department releases goods, SCEA said.

“Efficiency will be key because if delays become the order of the day at the ICDs, the envisaged gains will be lost. The transport chain from the ICDs to the depots should be seamless, with no room for bureaucratic procedures,” said Mr Lang'at.

Transporters have also protested that establishment of the dry ports will kill transit business. Since freight trains started ferrying all domestic cargo to the ICD, truckers have cried foul, saying their businesses faced collapse.

However, Mr Masinde said they expect better operations, since transporters will now have a shorter route from Naivasha to their destinations, with minimal costs.

“The transporter will have a higher turnaround and with reduced cost of transport especially on fuel, our projections are that they will make more money,” he said.