BUSINESS DAILY

SHIPPING & LOGISTICS

How Kenya can make the best out of revamped ports

TUESDAY, JANUARY 14, 2020 22:51

SUMMARY

- The PwC research shows that factors that facilitate competitive ports are sufficient draught, quay length and crane sizes to accommodate the largest container vessels among others.
- Also key are facilities supporting efficient land transport connections along corridors leading into and out of the port and landside transport connections and operations effectiveness, including rapid container handling and quick ship turnaround times.
- The report says there are many improvements underway that will foster the competitiveness of Kenya's ports and related transport and logistics infrastructure.

As President Uhuru Kenyatta and former Prime Minister Raila Odinga prepare to preside over the official launch of Kisumu Port on Tuesday, focus now shifts to how to unlock bottlenecks such as delays caused by inefficiencies at all the cargo facilities in Kenya.

The Kisumu port is expected to revolutionise trade and transport in western region as well as the neighbouring countries. After being dormant for nearly a decade, the government refurbished the port — a key facility along Lake Victoria which connects to Mwanza, Musoma and Bukoba port facilities in Tanzania and Uganda's Entebbe, Port Bell and Jinja —at a cost of Sh3 billion.

The port expected to unlock the region's potential — especially for a landlock country like Uganda, that rely on Mombasa and Dar es Salam port — will also connect several piers in Kisumu, Homa Bay, Migori, Busia and Siaya counties, to ferry cargo and passengers.

Recently, the port resumed oil exports to Uganda with the first consignment of 22 wagons loaded with 894,000 litres of diesel last December. The investment in the port, jetty and rail facilities in Kisumu has started paying off with the off-take of petroleum exports to the hinterland.

However, a section of analysts are wary of the timing of the project and its economic intention, saying the viability of a project of such magnitude needs to address setbacks that hinder trade.

"One of the challenges that countries like Kenya face is to develop port infrastructure ahead of the demand curve instead of responding belatedly to demand pressure, delays and inefficiencies," says PriceWaterHouse (PwC) researchers Simon Mutinda and Christine Chepkwony in a new study.

The report says, "investors in ports are looking for clear information demonstrating that the demand is rising and costs are coming down somewhere in the logistics chain."

The larger shift, the study notes, is towards recognising ports' role in enhancing trade and development rather than "a primary focus on their capacity to generate revenue".

Kenya is launching a master plan to transform logistics and shipping capacity as investment in Africa's ports is being driven by government spending and donor funding as well as private financing, the report says.

China's investment in Africa ports, the report points out, has surged and by some estimates, ports investment constitutes over 50 percent of China's overall investment in infrastructure in Africa.

"These investment trends point to the necessity of expanding port capacity to facilitate trade and economic growth on the continent," says the research.

In Kenya, efforts to improve port infrastructure will help to bring down the cost of production and make Kenya's manufactured goods more competitive globally, create employment opportunities, as well as raise the standard of living by making imported products more affordable, according to the report.

Much of the focus now is on how ports of Mombasa, Kisumu, Lamu and inland dry ports such as Naivasha are managed in a bid to create greater capacity and reduce delays for shippers.

"... the larger shift is towards recognising ports' role in enhancing trade and development rather than a primary focus on their capacity to generate revenue," says the report.

"Another challenge is the balance of trade between Kenya and its trading partners; vessels arriving with imports as containerised cargo are not well suited to the goods being exported, which tend to be raw materials and agricultural products. "

In addition to rising demand and improving cost efficiencies, it says investors are also looking for more value addition in Kenya's exports to justify expanded port capacity.

The PwC research shows that factors that facilitate competitive ports are sufficient draught, quay length and crane sizes to accommodate the largest container vessels, efficient trans-shipment facilities, as well as rapid loading and offloading performance, and stack capacity, and supporting intermodal facilities and dry ports.

Also key are facilities supporting efficient land transport connections along corridors leading into and out of the port and landside transport connections and operations effectiveness, including rapid container handling and quick ship turnaround times.

The report says there are many improvements underway that will foster the competitiveness of Kenya's ports and related transport and logistics infrastructure. These include improved agility, better planning and accurate benchmarking against other ports.

"But the larger point is that ports only facilitate trade. Countries like Kenya still need to invest wisely to improve their balance of trade and competitiveness of their exports, both in terms of cost of production including transport as well as value addition," PwC report says, adding that Kenya's recent quest for development of ports is not an isolated case.

Investment in ports is surging in Africa. Gabon has recently secured funding to expand capacity at its Owendo port in Libreville, Namibia has expanded its container terminal at its port in Walvis Bay.

Further, port expansion and development are well underway in countries like Côte d'Ivoire, Benin, Congo, Djibouti, Tanzania and Somaliland. Morocco's Tanger-Med port is now the largest in the Mediterranean region.