

How Ship Agents Help you Save Money

When you buy almost any item in a shop, either the product itself or part of it has been imported. The process of importing nearly always involves transporting the product or cargo in a ship across oceans (only around 5% of items by tonnage are transported by air or other means).

When the ship arrives in port, the ship agent is there to ensure the ship's stay in port is as short as possible. Any delay will add to the cost of importing the product or cargo, and ultimately increase the price you pay for the items in your shopping basket.

That is the basics, but now to add some detail.

When cargo is imported into Kenya the receiver of the good in Kenya has to pay for:

- The cost of the cargo itself, e.g. wheat, fertilizer, fuel
- Freight to transport the cargo to Kenya, usually quoted in \$ per tonne
- Port charges
- Customs duties, taxes and other Government levies.

There is little anyone can do to change the cost of the cargo as this is typically determined by global market prices. Likewise, Customs duties are controlled by the Government of Kenya. However, the freight to transport the cargo is negotiable and is partly determined by how efficient the transportation and delivery system is.

Freight is what a vessel owner will charge a cargo owner to charter (hire) their vessel for the sea transport. The terms of hiring the vessel are written down in a charter party. A voyage charter party will stipulate the freight per tonne to transport cargo from a Foreign Port to Mombasa Port and within that cost the cargo owner is allowed a set number of days at each port to load and discharge the cargo, e.g. 5 days. However, if it takes the cargo owner longer than say 5 days at each port then the vessel owner is completely within their rights to fine the cargo owner for delaying his ship

and will charge extra. This extra charge is known as 'demurrage'.

Demurrage is therefore an avoidable, unexpected and unplanned expense that a charterer never wants to pay. In Kenya, just like is international practice, the charterer of the vessel will almost always charge any demurrage they are billed by the vessel owner to the local Kenyan cargo receiver as per their sale terms.

The local cargo receiver in Kenya is then left with the burden of paying demurrage and their business will need to recover that cost. How will they do this? By increasing the price of their product sold in the shops. So in the end who pays? We do – local Kenyans. In addition, this puts unnecessary pressure on the local currency against the dollar, as the cargo receiver has to pay for the demurrage in foreign currency.

So how can a ship agent help save you money?

We help by ensuring a ship's stay in port is short as possible and thereby ensuring that charterers and local receivers pay as little demurrage as possible to foreign ship owners. We do this by booking the most efficient berth with port authority, ensuring all the relevant documentation is received well in advance of the ship arrival and lodged with the relevant government agencies.

We book pilots and tugs and make arrangement with Immigration, Port Health, Customs, as well as with Inspection authorities such as KEBS to ensure that the ship discharge operation is executed immediately upon vessel arrival.

Once cargo discharge operations commence we help co-ordinate port stevedoring and trucks for direct delivery of cargo to ensure discharge is quick as possible. We ensure there are no delays in payment of invoices to the relevant authorities to ensure everything runs smoothly.

And of course we communicate with our principals to ensure all their needs

are taken care of and any challenges faced are resolved quickly. Ultimately a good Ship Agent on ground will help save time and in doing so reduce the risk of the charterer and local receiver paying demurrage.

This is good for the country.

But sometimes a ship agent can do everything possible, but the ship is still delayed. The delay can be due to a lack of truck availability, due to a shore crane breakdown, due to no berth being available in port, due to an inspection delay or Customs refusal to release document due to a documentation amendment requirement. Sometimes the Government online systems fail to work properly, other times the port stevedores productivity is particularly slow.

These are just some examples that can cause delays that are outside an individual Ship Agent's control.

This is why KSAA and its members exist. We are there to help discuss these issues with the Government Authorities and to come up with new procedures, systems and methods to improve the efficiency of handling cargo at the port of Mombasa (and now, Lamu).

By doing this KSAA does and will continue to help reduce the risk of charterers and receivers paying demurrage and this in turn will keep down the prices we pay for items in our shopping basket.

We hope after reading this article you will start to see KSAA and Ship Agents as the good guys. We work for you. And we need your support in helping to encourage and improve the systems that lead to ships being delayed in port as this will save you money. And if we can keep the price of goods down in the shops then more people can buy them and the quality of life for Kenyans will improve.

The next article we will focus more on container demurrage and explain what you can do as an importer to help reduce your risk of paying demurrage.

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