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KPA reaps from inefficiencies at port as importers lose billions

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Summary

- Data by the Shippers Council of Eastern Africa (SCEA) shows the amount paid in different KPA facilities due to inefficiencies caused by government authorities and system hitches raised KPA's profit margins to Sh15.5 billion in 2018/2019 fiscal year.
- Government procedures account for 31 percent of lead factor for port dwell time with a total of 54 percent of clearance time being spent on securing permits.

Government procedures and system failures continue to choke performances at the Port of Mombasa and Nairobi depot as importers pay Sh3.324 billion in demurrage.

While the importers suffer, the Kenya Ports Authority (KPA) is raking in massive profits from storage charges.

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System failures are also some of the key causes of delays in clearance of cargo. The inconvenience has resulted to over 50 percent of cargo at the Inland Container Depot Nairobi (ICDN) paying storage since they could not be cleared within the charge-free period.

The KPA financial performance in 2019 indicates it collected Sh48.4 billion in operations revenue while it spent Sh34.8 billion in the same period. Finance income was Sh1.9 billion in the period, with a net profit of Sh15.5 billion.

The increase in KPA earnings is attributed to the new demurrage tariffs which took effect in 2018 where free period for cargo to stay at the port facilities was reduced. Cargo that stay at ICDN for six days is charged Sh4,000 for a 20-foot container and Sh8,000 for a 40-foot container compared to previous charges of Sh4,000 to store a 20-foot container for between 16 and 24 days.

Importers are also required to collect their cargo a day after being cleared by the Kenya Revenue Authority (KRA). Failing to do so attracts a Sh10,000 penalty for a 20-foot container and Sh20,000 for a 40-foot container daily.

KPA also cut the free storage period for containers at the depot from 11 days to four days but these charges have been a thorn to importers as they are forced to pay for the inefficiencies deliberately said to be caused by KPA and KRA to increase revenues.

In the SCEA report, 50 percent of containers pay storage fees at the ICDN with records by the Mombasa Port Community Charter published end of last year indicating only 26 percent of imported cargo in the past one year was cleared within stipulated time.

Records indicate 41 percent of total cargo throughput was cleared after 21 days with 15 percent of cargo collected in less than 21 days, resulting to losses for importers due to demurrage.

Due to the delays, KPA increased its revenues significantly by charging the importers handling and marshalling charges for all cargo which stayed beyond free stay period.

Marshalling is done to move the cargo from the ICD to holding Container Freight Stations to give room for more containers being hauled by the Standard Gauge Railway (SGR) from the Port of Mombasa.

The terminal at the port is linked to the ICD by a rail service that is run by the Kenya Railway Corporation (KRC) of both the standard gauge railway (SGR) and the meter gauge railway.

The Nairobi ICDs receive imports directly from Mombasa port and also collect export cargo and empty containers to Mombasa.

The report also indicates that 13 percent of increased delays were as a result of insufficient and faulty KPA's infrastructure.

To resolve trade bottlenecks, SCEA has recommended a number of initiatives which include s expansion of the new Nairobi ICD to keep up with SGR demands capacity that has increased to 450,000 Teus up from 180,000 Teus.

KPA has introduced integrated customs management systems (iCMS) but for the past five years it has not been streamlined to improve efficiency.

Last year, 20 agencies were suspended through a memo sent from State House on June 4 but they have illegally started operating hence causing delay.

The government nominated KRA, KPA, Port Health and Kenya Bureau of Standards (Kebs) as main agencies to have full access of cargo at the port facilities.

The importers have alleged that some of the agencies such as the National Intelligence Service, the Directorate of Criminal Investigation, Kenya Plant Health Inspectorate Services and the Anti-Counterfeit Agency are now interfering with the cargo clearance hence forcing them to incur demurrages as a result of delays in clearing.