



**Northern Corridor
Transit and Transport
Co-ordination Authority**



REPORT OF THE SURVEY OF NAIVASHA INLAND CONTAINER DEPOT

NOVEMBER 2020



The Naivasha ICD is located 35km from Narok town and 15km from Mai Mahiu town. And it is 2.5km off the Mai Mahiu Narok highway.



Some of the Stakeholders who have been allocated office space at the Naivasha ICD are yet to deploy their staff to work at the ICD.

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TABLE OF CONTENTS

Abbreviations.....	2
Foreword.....	4
Acknowledgement.....	5
I. Background.....	6
II. Objective of the Survey.....	7
III. Scope and Methodology of the Survey.....	7
IV. Naivasha ICD Fact File and Business Processes.....	7
V. Survey Observations and Impact of SGR in General.....	14
VI. Recommendations and Way Forward.....	20
VII. Action Implementation Matrix.....	22

ABBREVIATIONS

ASYCUDA	Automated System for Customs Data
CoC	Certificate of Conformity
CCIC	China Certification and Inspection Company
COMESA	Common Market for Eastern and Southern Africa
COVID-19	Corona Virus Disease – 19 / 2019 Novel Coronavirus
DGDA	Direction Générale des Douanes Et Accises
DRC	Democratic Republic of Congo
EAC	East African Community
EAC-CMA	East African Community – Customs Management Act
e-SWS	Electronic Single Window System
Ft	Feet
ICD	Inland Container Depot
ICMS	Integrated Customs Management System
KEBS	Kenya Bureau of Standards
KeNHA	Kenya National Highways Authority
KEPSA	Kenya Private Sector Alliance
KNPS	Kenya National Police Service
KMA	Kenya Maritime Authority
KPA	Kenya Ports Authority
KR	Kenya Railways
KRA	Kenya Revenue Authority
KWATOS	Kilindini Waterfront Terminal Operating System
MGR	Meter Gauge Railway
MMI	Manifest Management Information
MSA	Mombasa
NCTTCA	Northern Corridor Transit and Transport Coordination Authority
NRB	Nairobi

NSA	Naivasha
OBR	Office Burundais des Recettes
PVoC	Pre-Verification of Conformity to Standards
R-ECTS	Regional Electronic Cargo Tracking System
RRA	Rwanda Revenue Authority
SCT	Single Customs Territory
SGR	Standard Gauge Railway
SOPs	Standard Operating Procedures
SSNRA	South Sudan National Revenue Authority
T1	Transit Document signifying release of goods in ASYCUDA
T810	Inward Transit Entry/Manifest
T812	Road Transit Entry/Manifest
TBL	Through Bill of Lading
TEU	Twenty Feet Container Equivalent Unit
TGL	Transit Goods License
URA	Uganda Revenue Authority
USD	United States Dollar

FOREWORD

The Naivasha ICD is strategically located to serve the Eastern African hinterland countries of Burundi, DRC, Kenya, Rwanda, South Sudan and Uganda using the port of Mombasa. The ICD is part of the Northern Corridor transport system and it is connected to the newly developed Standard Gauge Railway in Kenya.

The development of the ICD envisioned to serve the Eastern Africa hinterland countries by bringing the port of Mombasa closer to the transit countries which would reduce the time and cost of doing business for the users. The ICD is also located at the heart of the proposed Naivasha Industrial Park with vast land earmarked by the Government of the Republic of Kenya for private sector investment.

The implementation of the SGR and its enabling infrastructure such as the port and the ICDs has brought about gains in trade and transport along the Northern Corridor as shown by the improved performance in key performance indicators monitored using the Northern Corridor Transport Observatory.

Freight operations at Naivasha ICD commenced in May 2020, due to its potential to reduce time and cost of doing business, the ICD was expected to attract many users but this has not been the case. On a number of forums stakeholders have reported to be facing some challenges which may be affecting attractiveness of use of the Naivasha ICD and the SGR.

The NCTTCA conducted a survey of the Naivasha ICD to identify any challenges affecting operations and attractiveness of the ICD to shippers to enable engage the responsible parties to address them.

I take this opportunity to present to you the report of the survey of the Naivasha ICD. We hope that this report gives you an insight of the operations at the Naivasha ICD. We believe implementation of the recommendations in this report will go along away in improving the operations at the ICD and its usage by shippers.

Omae Nyarandi
Executive Secretary - NCTTCA Secretariat

ACKNOWLEDGEMENT

The NCTTCA Secretariat would like to express its gratitude to the stakeholders operating from the Naivasha ICD for sparing their invaluable time to meet with the Team conducting the survey at the ICD.

The Secretariat takes this opportunity to appreciate KEPSA for sharing their findings on the study they were undertaking at Naivasha ICD which gave more insight on issues that need to be addressed to improve operations at the ICD.

The Secretariat also appreciates the stakeholders from all the six Northern Corridor Member States and the Development Partners that participated in the virtual workshop to validate the report of the Survey.

Special recognition goes to staff of KPA, Kenya Railways and KRA for organizing our meetings and for the guided tour of the facilities at Naivasha ICD.

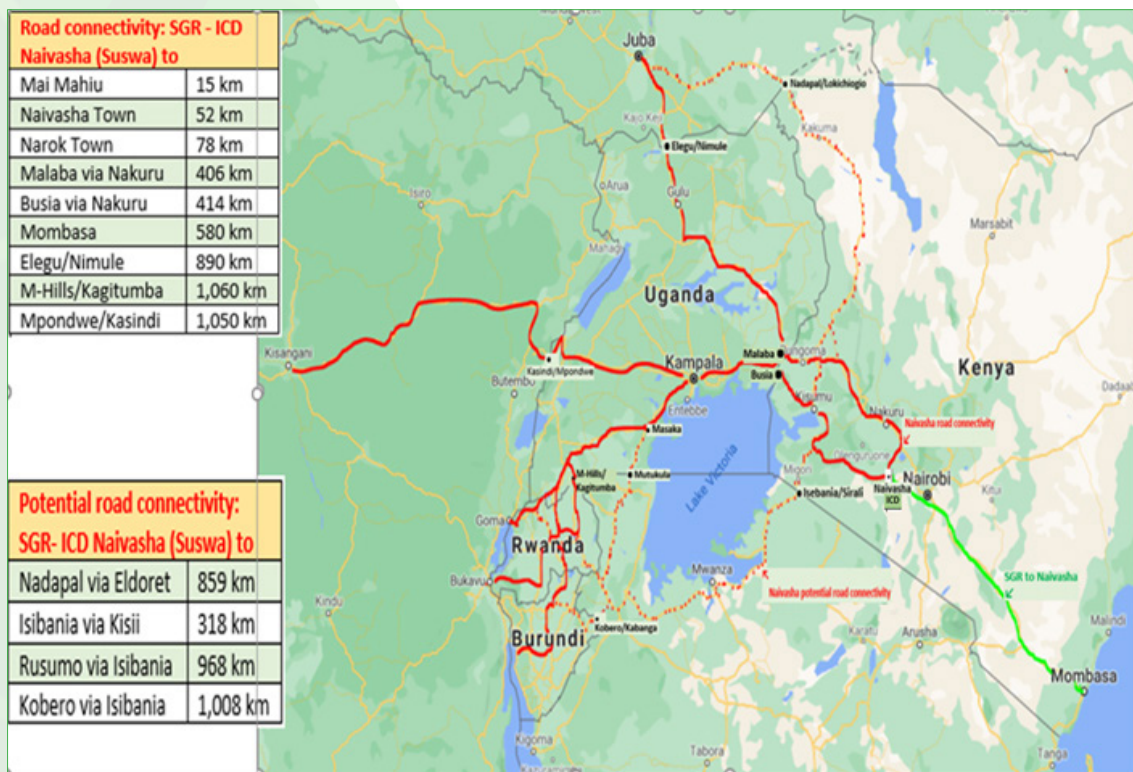
NCTTCA Secretariat

REPORT OF THE SURVEY OF THE NAIVASHA INLAND CONTAINER DEPOT

I. BACKGROUND

1. The Naivasha Inland Container Depot (Naivasha ICD) is strategically located at the heart of the proposed Naivasha industrial park, and it is part of the Northern Corridor Transport infrastructure connecting the Member States of Burundi, DRC, Kenya, Rwanda, South Sudan and Uganda to the Mombasa sea port. The Naivasha ICD Freight operations were launched in December 2019 following completion of construction of phase 2A of the Standard Gauge Railway line in Kenya. The ICD is served by the newly constructed SGR, which currently runs from Mombasa to Naivasha via Nairobi and the road network.
2. The ICD is part of the SGR logistics, and it is one of the facilities developed to boost trade and transport facilitation along the Northern Corridor. The ICD brings the Mombasa Port closer to its users in the Eastern Africa hinterland aimed at reducing time and cost of transportation of cargo to and from the Port.

Map showing the SGR (Green) and road (Red) connectivity to Naivasha ICD



3. The Northern Corridor Stakeholders using the Naivasha ICD reported during the stakeholders' trade and transport facilitation online meetings hosted by the Secretariat to be facing some challenges which needed to be addressed.
4. The NCTTCA Policy Organs, during their sitting in July 2020, directed the Secretariat to conduct a survey of the Naivasha ICD and examine its potential in reducing the cost of doing business along the Northern Corridor. The report of the survey is to serve as a basis for engaging the relevant stakeholders to address the identified challenges towards exploiting its potential in serving the East and Central African region.

II. OBJECTIVE OF THE SURVEY

5. The objective of the survey was, in general, to obtain information about the infrastructure and operations status of the Naivasha ICD, challenges and recommendations to address the challenges.

III. SCOPE AND METHODOLOGY OF THE SURVEY

6. The survey covered a tour of the ICD infrastructure and connecting transport network, business processes by the public and private sector stakeholders with operations at the ICD, literature review, discussions and interviews with the public and private sector stakeholders working at the ICD.
7. The stakeholders engaged during the survey included; Kenya Ports Authority, Kenya Railways, Kenya Revenue Authority, Uganda Revenue Authority, Kenya Bureau of Standards, Kenya Port Health, Kenya National Police Service, Clearing and Forwarding Agents, Road Transporters and Kenya Private Sector Alliance.
8. The survey was conducted by a team of three officers from the Secretariat from the Customs and Trade Facilitation Program and the Transport Policy and Planning Program from the 18th to 20th November 2020.
9. The team made observations regarding the status of Naivasha ICD infrastructure, mapped the key business processes at the ICD, held discussions and interviews with the stakeholders at the ICD, held a plenary session with all stakeholders at the ICD to share the findings of the survey and to give an opportunity to the stakeholders to contribute to the recommendations to address the identified challenges. On the last day, the team held a meeting with KEPSA, who were also carrying out a related study on the ICD and shared findings.
10. The NCTTCA Secretariat produced a draft report of the survey, which was presented to stakeholders and discussed and validated by delegates from the Member States during an online workshop held on 2nd March 2021.

IV. NAIVASHA ICD FACT FILE AND BUSINESS PROCESSES



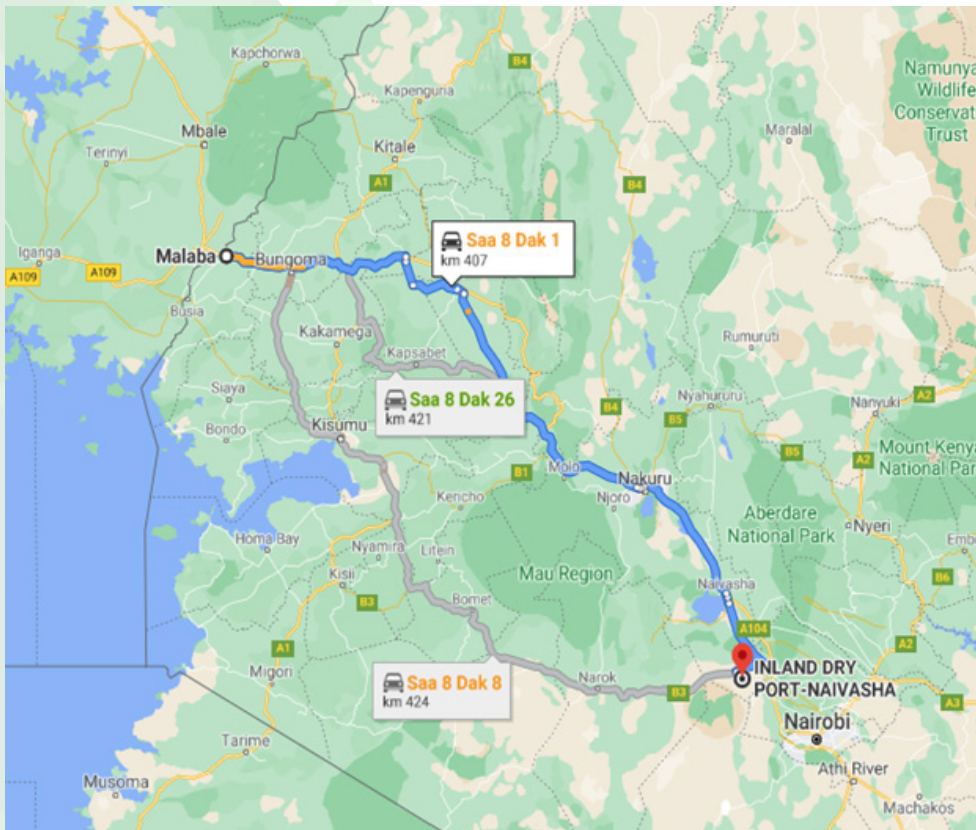
Above: Aerial view of Naivasha ICD. Adjacent to the ICD on the right is the Standard Gauge Railway line connecting Nairobi SGR station to Suswa-Naivasha SGR passenger station. On the left of the ICD is land earmarked by the Government of the Republic of Kenya for the Regional Member States to develop cargo freight stations and land earmarked for development of a business park by the private sector.

A. Naivasha ICD Fact File

11. Below are some of the key facts about the Naivasha ICD

- The area designated for the Naivasha ICD is 100 acres
- The container yard capacity is 4,000 TEUs (at the time of the survey, occupancy was about 14%)
- 1,000 acres of land adjacent to the ICD has been designated for development of an economic zone/industrial park and 50 acres designated to the transit countries for development of freight stations.
- The MGR line connectivity from the ICD to the existing Naivasha – Nairobi MGR line is 24.5km long; it is under construction about to be completed.
- The ICD is located 35km from Narok town and 15km from Mai Mahiu town, and it is 2.5km off the Mai Mahiu Narok highway.

Naivasha ICD road connectivity with the key towns to the Eastern Africa hinterland



- The ICD commenced commercial freight operations in May 2020
- The ICD has 4 reach stackers and 7 terminal tractors.
- The current truck holding area at the ICD has a capacity of about 150 trucks, but it is not yet paved.
- The number of trains run to the ICD depends on cargo volumes available for haulage. Two trains each 100 TEU's used to be run per week, but currently, the volumes are down.
- Naivasha ICD brings the Mombasa Port closer to the hinterland countries by over 500km and offers good connectivity by road to the neighbouring hinterland countries.
- At the time of our visit, hours of operation were from 08:00 am to 11:00 pm; KPA was in a position to operate 24/7 but dependent on KRA and other stakeholders.
- The bulk of cargo handled by Naivasha ICD is raw materials. About 80% of cargo handled at Naivasha is currently destined for Uganda.

12. The ICD is currently constrained to clear local cargo and exports in transit through Mombasa due to infrastructure challenges; the ICD lacks a verification bay, warehouse, scanner and weighbridge.
13. Other infrastructure challenges include lack of office space for trade facilitation logistics service providers such as freight forwarders and financial service providers. There is also inadequate space for the regulatory agencies. Inadequate sanitary facilities and restaurants, transport services to the nearest towns are also a challenge.



Naivasha ICD One Stop Center: Some of the stakeholders, even those that have been allocated office space at the ICD, are yet to deploy their staff to work at the ICD.

B. Cargo Clearance Process at Naivasha ICD

Imports Clearance:

14. In order for cargo imported through Mombasa port to be cleared at Naivasha ICD, there are two scenarios the importer can use;

- The importer consignees his cargo from origin on a Through Bill of Lading – Naivasha (TBL-Naivasha), in which case the cost of shipment of cargo from origin to Naivasha includes the cost of SGR transport from Mombasa to Naivasha. The shipping line delivers the cargo to Naivasha, and the importer returns the empty container to the shipping line at Naivasha.
- The importer consignees his cargo on a Merchant Haulage
- In case of Merchant Haulage, the importer has to nominate the cargo to be shipped by SGR to Naivasha, this is done by e-mail to KPA and Kenya Railways, and the importer meets the cost of SGR transport to Naivasha separately. Currently, KPA collects the SGR freight charges on behalf of Kenya Railways. The importer also is responsible for the return of the empty container to the shipping lines in Mombasa, even where the empty container is dropped at Naivasha to be returned to Mombasa by SGR.

15. Upon discharge of cargo/containers nominated for Naivasha ICD at Mombasa port, the cargo is booked for the next train available and railed to Naivasha for clearance; release to the importer in case of local and release for transit in case of cargo to the neighbouring countries.

16. It should be noted that Customs and other Standard Agencies clearance processes are the same, just like for cargo cleared at Mombasa or at Nairobi ICD.



Naivasha ICD Entry/Exit Gate: To gain entry to the ICD, one needs a KPA Port Pass. At the time of our visit in November 2020, one had to go to Nairobi or Mombasa to be able to obtain a Port Pass. The drivers that pick cargo from this facility and the clearing agents faced the challenge of getting the Passes. However, KPA was in the process of enabling its stakeholders to apply and get Port Passes at Naivasha ICD.

Step by step summary of the import cargo clearance process

- The importer/agent writes to KPA to inform them about the containers to be railed from Mombasa to Naivasha ICD (currently by e-mail)
- Kenya Railways avails next train to Naivasha ICD.
- Once at Naivasha ICD, for local cargo normal clearance process is used, and for cargo to neighbouring countries, normal SCT clearance process is used. Cargo destined to countries that are not using the SCT framework is cleared under the normal KRA transit clearance process.
- In case of transit, the Revenue Authorities of the destination countries, URA/RRA/OBR, generate a T1 for goods in transit (warehoused) or Exit Note for duty paid goods to trigger the release of goods by KRA to their destination. (In this document, goods referred to as transit are goods whose duty is not paid at the point of importation, under the SCT framework, are declared using the warehousing regime).
- Customs; URA/RRA/OBR removes customs hold on the goods in the system to enable assessment and payment of KPA dues. After payment of the dues, KPA issues the Importer/Agent a pick-up order for the cargo.
- In case of cargo cleared under SCT framework, the agent presents a T1 or Exit Note to KRA
- KRA checks if document has migrated from ASYCUDA – URA/RRA/OBR to the KRA MMI system and checks whether there is no customs warehouse rent accrued.
- KRA stamps on the T1/Exit Note and releases it to the agent to enable truck picking cargo to enter the ICD.
- Consignments not cleared under SCT, e.g. to DRC and South Sudan, are declared using KRA SIMBA system; importers/ Agents present T810 and T812 for clearance of cargo at the ICD.

- KRA checks the truck for validity of TGL before allowing it in the ICD to be loaded with cargo.
- KPA loads truck with the cargo
- Truck queues at the ICD exit gate
- KRA attaches/arms truck with the R-ECTS seal; arms seal in the R-ECTS system – container number, truck number and driver details are input in the R-ECTS system.
- KRA generates a release order (Form C2) for cargo to proceed on transit.
- It should be noted that before KRA allows the truck to proceed to destination, confirms that;
 - The R-ECTS seal is properly armed and reading in the R-ECTS server/system; once armed, from the system, you can tell the time and location of the truck/cargo.
 - There is no disparity between the shippers' seal on the container and the one declared; these are checked against the Bill of Lading and T1 or Exit Note.

17. Currently, the Naivasha ICD is only handling containerized cargo. However, it was reported that stripping of containers can be done at Naivasha ICD.

18. On the KPA website, one can apply for a container pick-up order or a container pre-advise. The website also has a Help Tool where information is shared for monitoring the movement of cargo.

Exports Clearance:

19. In the case of local exports from Kenya to overseas, normal clearance process for clearance of exports is done by the agent before cargo is brought to the ICD for transportation by SGR to Mombasa. Transit exports from the neighbouring countries cleared under the SCT framework follow the process below:

Step by step summary for handling of Exports at Naivasha ICD

- Driver/agent presents a T1 to the KRA officer at the customs border station of entry into Kenya, who generates a Form C2 to allow the cargo to proceed on their transit journey in Kenya. (T1 is generated by the Revenue Authorities where the cargo is originating; URA/RRA/OBR)
- Upon arrival at Naivasha ICD, the Driver/Agent presents the Form C2 to the KRA officer at the ICD, who checks in the customs system for certification and, if ok, stamps the C2 and allows truck entry into the ICD.
- Cargo Owner/Agent clears KPA and Kenya Railway charges; the charges are collected by KPA
- The KPA officer checks whether the details; truck number, container number, driver, and seal numbers are the same as declared on the customs documents before allowing offloading of export container in the ICD to await the next train to Mombasa.



Above: Exports stacked at Naivasha ICD awaiting transportation to Mombasa. It was observed that despite shipping lines demanding cash deposits to guarantee the return of empty containers, which most traders report as being high, most of the containers being received at the ports in our region are old and not suitable for transportation of certain exports.

Port Health – Naivasha ICD

20. The role of Port Health is to clear cargo (foodstuffs) and current enforcement of COVID-19 containment measures.

21. In performing its role Port Health;

- Checks on the sanitation of the facility and ablution blocks (*Currently, the ICD has 5 washrooms for male and 3 for female, which are inadequate to serve the users of the facility; furthermore, the drivers do not have an ablution block*).

- Checks for food quality, type of foods and requirements for fumigation. Port Health also certify food handlers at the facility to avoid transmission of communicable diseases.

- Some countries request that their cargo be inspected before being exported to them; it is the role of Port Health to check that this has been done.

- Monitors solid and liquid waste management (*bio-digester for solid waste*).

22. For the case of enforcement of COVID-19 containment measures, there is a testing lab for collection of samples established at Mai Mahiu, capacity is 200 samples per day, COVID-19 certificates for results from testing take 2 to 3 days. There is mass testing for COVID-19 for all staff/stakeholders working at the ICD once every month.

23. Several challenges; neither national water supply nor borehole water – water is delivered to the facility by water tankers, lack of health facility for staff and users of the ICD.

24. The Kenya Bureau of Standards runs a Pre-verification of Conformity to Standards (PVoC) program where importers are supposed to have their goods inspected by pre-shipment companies before shipment to Kenya. The agents appointed by the Government of Kenya to conduct a pre-shipment inspection are Bureau Veritas, SGS, Intertek, Cotecna and CCIC. The agents were assigned by KEBS particular zones/countries in which they can conduct an inspection on behalf of KEBS. Zoning of countries and their respective PVoC agents can be obtained from the KEBS website.

Kenya Bureau of Standards - KEBS



Naivasha ICD One Stop Center: Some agencies, especially standards agencies, are unable to conduct their work at the ICD due to lack of infrastructure and equipment necessary to conduct examination/inspection of cargo.

- The Trader/Agent lodges documents to KEBS through the Kenya e-SWS.
- Targeted inspection is done by KEBS based on risk profiles in collaboration with KPA and KRA.
- After the inspection is completed, the information is uploaded by KEBS in the system.
- There are 5 KEBS officers deployed to work at Naivasha ICD; however, at the moment, KEBS does not intervene in the clearance of goods due to lack of facilities at the ICD which are required to conduct inspections such as a verification bay and warehouse. The officers deployed to work at Naivasha ICD currently have been assigned duties at Nakuru.
- The documents that need to be uploaded in the system by Trader/Agent; Customs Entry, Bill of Lading, Certificate of Conformity (CoC) if no PVoC, such as for the case of human medicine.
- Exemption from inspection is issued by the Ministry for Industrialization.
- Testing labs are in Nairobi, KEBS - Naivasha ICD has two vehicles that can be used for taking the samples to the labs for testing. The average turnaround time is 10 days, inspection 2 to 3 days for microbes.

Kenya National Police Service - KNPS

25. The role of KNPS at Naivasha ICD is to provide security for the ICD and its users; KNPS provides security at the ICD gates, patrols ICD and the area surrounding the ICD and secures trucks and drivers using the ICD/parked at the ICD.
26. In case of any breach to cargo, it is reported at the police station located at the ICD; a police abstract with an OB number is given for reference; police visit the scene.
27. Challenges; drivers do not comply with COVID-19 SOPs; wearing face masks and social distancing. On the other hand, truckers face challenges in case of accidents and breakdown of their trucks along the roads. Transporters reported that it is difficult to get the police to secure their vehicles; furthermore, transporters reported that some Police officers do not recognize COMESA Motor Vehicle Insurance certificates if not obtained from a company in Kenya.

V. SURVEY OBSERVATIONS AND IMPACT OF THE SGR IN GENERAL

28. The survey team observed several challenges that may impact the utilization of the Naivasha ICD, which are categorized under four categories highlighted below.

a) Infrastructure gaps:

29. During the survey, it was observed that there are some infrastructure gaps that affect the operations of the ICD and renders some of the activities not to be undertaken at the ICD, such as customs verification of goods and inspection/examination of goods by Standards Agencies. In general, the deficiencies in infrastructure include lack of;

- Scanner.
- Weighbridge.
- Verification bay.
- Warehouses.
- Reefer points.
- Office space for logistics and other support services providers.
- Piped water; water is delivered to the ICD by trucks - water tankers.
- Healthy facilities – clinic.



Above: Left MGR line connecting to Naivasha ICD under construction, Right is the SGR line entrance to Naivasha ICD

30. It was also observed that;

- The parking yard for the trucks is not paved.
- The connection of the MGR to the ICD works are yet to be completed.
- Inadequate washrooms.
- The road leading to the ICD is narrow, with only two lanes. as traffic increases, this will be a bottleneck.
- There is only one exit/entry gate to the ICD.
- Inadequate firefighting equipment; there are some water hydrants, but ICD faces the challenge of water and has no mobile firefighting equipment.

b) Business operations challenges:

31. The challenges in operations highlighted by the stakeholders at the Naivasha ICD included;
- Delays in railing of imports from Mombasa to the ICD
 - Delay in railing of exports and empty containers from the ICD to Mombasa
 - Manual documentation for some of the business processes; KWATOS system not yet installed at the ICD
 - Interconnectivity of systems and network challenges, it was reported that there is no single network platform, each stakeholder sources for own internet connectivity.
 - Standard agencies like KEBS and Port Health, much as they are present at the ICD, they are redundant because they lack the primary facilities such as a verification bay and warehouse to enable them to carry out their work.
 - Absence of some key stakeholders at the ICD, such as the Revenue Authorities from the Member States which are currently using the ICD, such as Rwanda. It is only Uganda that has its staff at the ICD.



c) Other challenges affecting operations:

32. These include;
- In order to obtain a Port Pass, which is used to access the ICD, one has to go to Mombasa or Nairobi. It was observed that a good number of users such as truckers are from the transit countries and others from Western Kenya, which is a challenge for them to seek port passes from Mombasa/Nairobi
 - Transit Goods Licensing for trucks is not harmonized, the tractor head and the trailer are both supposed to be licensed according to the EAC-CMA, but some countries only license the trailer as such truckers are required to have the tractor head licensed if they are to be allowed to collect cargo from the ICD.
 - The shippers that use the SGR are constrained to bear the responsibility of the return of empty containers to shipping lines in Mombasa after handing them to KPA/Kenya Railways at Naivasha ICD for transportation by SGR to Mombasa.

- The KRA ICMS is still not running optimally; some modules are still under trial.
- Non-recognition of the COMESA insurance certificate by some Police officers along the Northern Corridor.
- Laxity of observing SOPs to contain the spread of COVID-19 by some users of the facility, especially truckers who are adamant about wearing face masks.
- Lack of forum to discuss and timely resolve operations challenges at the ICD.
- Non-declaration of Shippers Seals by clearing agents, the Shippers Seal is critical for customs checks and controls before the release of cargo to proceed on transit.



Trucks line up at the exit gate at Naivasha after being loaded with cargo at the ICD to be sealed with R-ECTS and final release to their destinations. Lack of R-ECTS has been cited at several fora by transporters as one of the causes of delays for trucks to commence their journeys. During our visit to Naivasha ICD, a mechanism had been put in place to address this problem. The ICD is supplied with seals every day based on the average number of trucks which require seals per day.

d) Mombasa – Naivasha SGR Freight Rates and Performance:

33. Following the launch of the Naivasha ICD SGR freight operations, the Government of Kenya offered promotional freight rates for the SGR between Mombasa and Naivasha. Furthermore, KPA also offered other incentives regarding the handling of cargo which included a storage grace period of 30 days for cargo at Naivasha ICD, as detailed in the table below.

	Promotional Import Container Charges		
	20ft (US\$)	40ft (US\$)	>21 tons
Shore Handling	60	90	
Wharfage	70	105	
Freight	480	680	728
	Promotional Export Container Charges		
	20ft (US\$)	40ft (US\$)	>21 tons (20/40)
Shore Handling	40	65	
Wharfage	70	105	
Freight	240	340	364
	Promotional Empty Containers		
	20ft (US\$)	40ft (US\$)	
Shore Handling	30	45	
Freight	120	120	

Source: Kenya Ports Authority

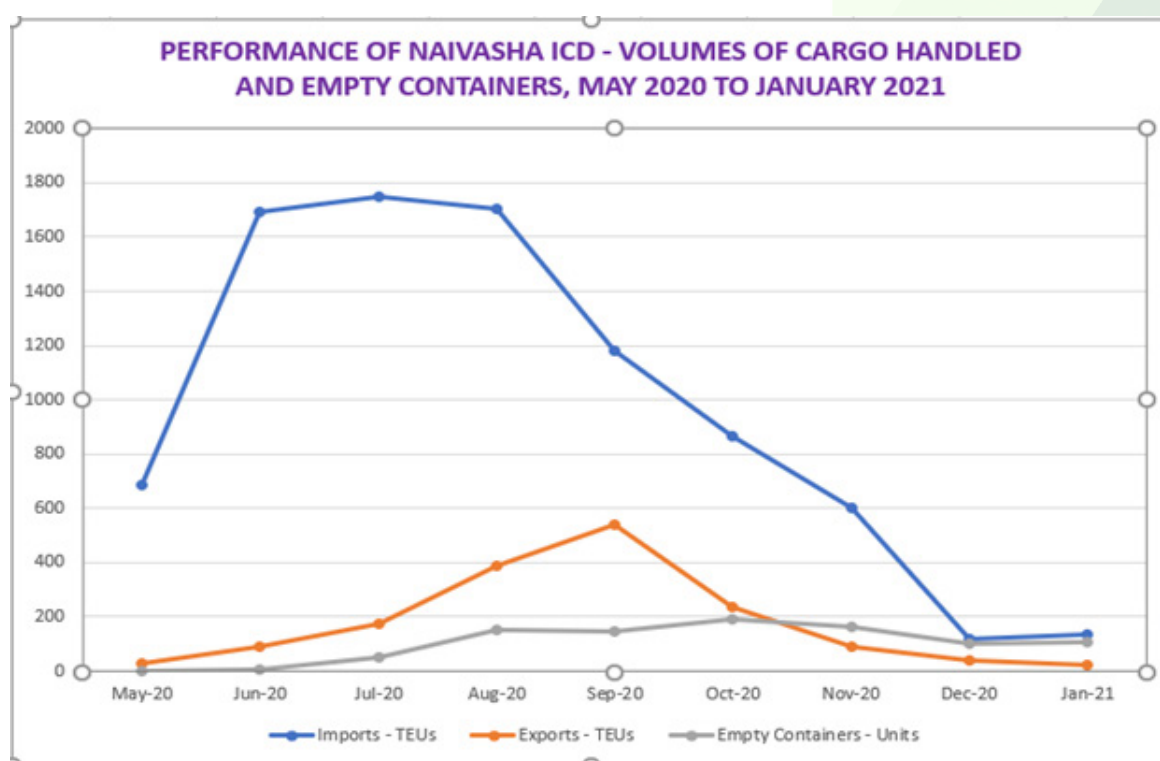
34. The promotional SGR-Naivasha freight rates ended in September 2020, and commercial rates thereafter became applicable. The current SGR freight rates to Naivasha ICD are as per the table below

MOMBASA – NAIVASHA ICD SGR CONTAINERISED CARGO FREIGHT CHARGES					
Container Size	Weight Range (Tons)	Rate for Loaded Container (USD)		Rate for Empty Container Return (USD)	
		Up Direction Mombasa to Naivasha	Down Direction Naivasha to Mombasa	Ex-Up Direction by Rail	Ex-Up Direction by Road
20ft	Full Range	600	300	120	180
40ft	Up to 20.9 Tons	850	420	120	180
	21 Tons and above	910	455	120	180

NB: Conventional cargo is billed at USD 0.044 per ton/km. The rail distance between Mombasa and Naivasha is 553km.

Source: Kenya Railways

35. Following the end of the SGR promotional freight rates in September 2020, when the commercial SGR freight rates become applicable, the volumes of cargo railed between Mombasa and Naivasha went down, as shown in the graph below.



Source: Kenya Railways

36. Most of the stakeholders interviewed hold that the current SGR freight rates are not competitive compared to road transport. It was observed that when using the SGR, there is the issue of; 1st Mile from the owners' premises where cargo or empty container is picked by a truck and delivered to the ICD for transportation by the SGR to Mombasa and; Last Mile where cargo at the SGR Terminal/ICD is picked by a truck and delivered to the owners' premises. The transport mode interchanges between SGR and road involve attendant costs which may make SGR freight rates not to compete effectively with transportation rates when one uses road only.

37. The study being conducted by KEPSA made a comparison when one uses SGR to Naivasha followed by road transport to destination/owners' premises and when one uses road only from Mombasa to destination/owners' premises. The findings for the total transport cost are as below:

Trip (Return Journey)	Transport Modes	Total Cost (US\$)	
		20ft Container	40ft Container
Mombasa - Nakuru – Mombasa	SGR – Road – SGR	1,330	1,650
	Road – Road	1,205	1,430
Mombasa – Kampala – Mombasa	SGR – Road – SGR	2,580	2,950
	Road – Road	2,205	2,280
	SGR – MGR – SGR	2,780*	3,105*

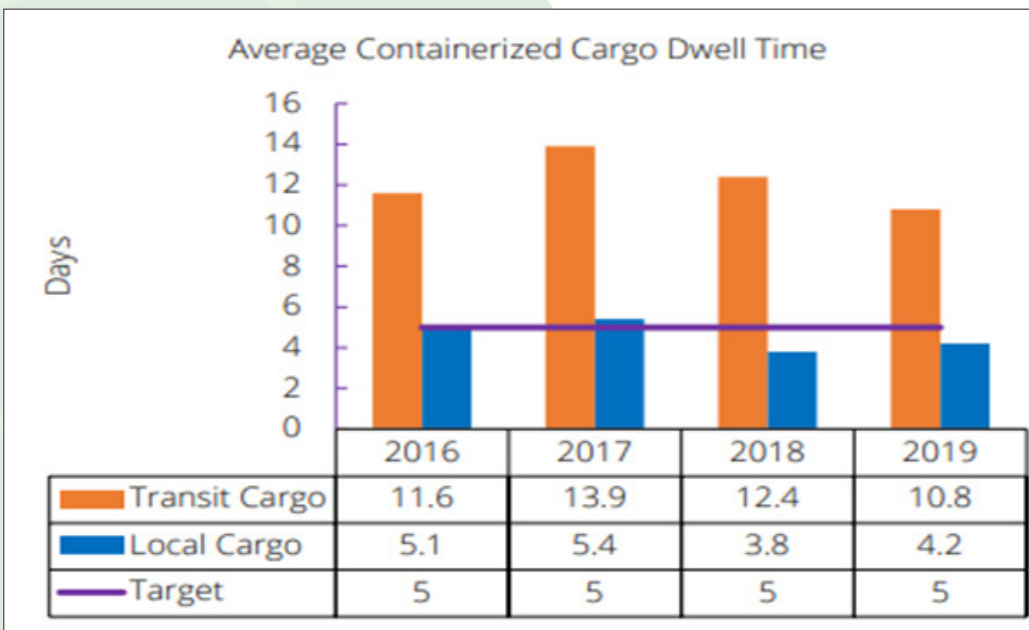
Source: November 2020 KEPSA Study – Private sector position paper on Naivasha Inland Container Depot (*Estimated total cost)

e) Impact of the SGR along the Northern Corridor

38. Notwithstanding the observed challenges at Naivasha ICD and its current performance that is not good, generally, the SGR brought about a couple of benefits, some of which one may not ordinarily think about. The Northern Corridor Transport Observatory tracks performance indicators along the Corridor since before the SGR operations commenced. Following the commencement of operations of the SGR, a number of performance indicators being monitored through the Transport Observatory showed an improvement; below are some of the highlights.

- **Port Dwell Time**

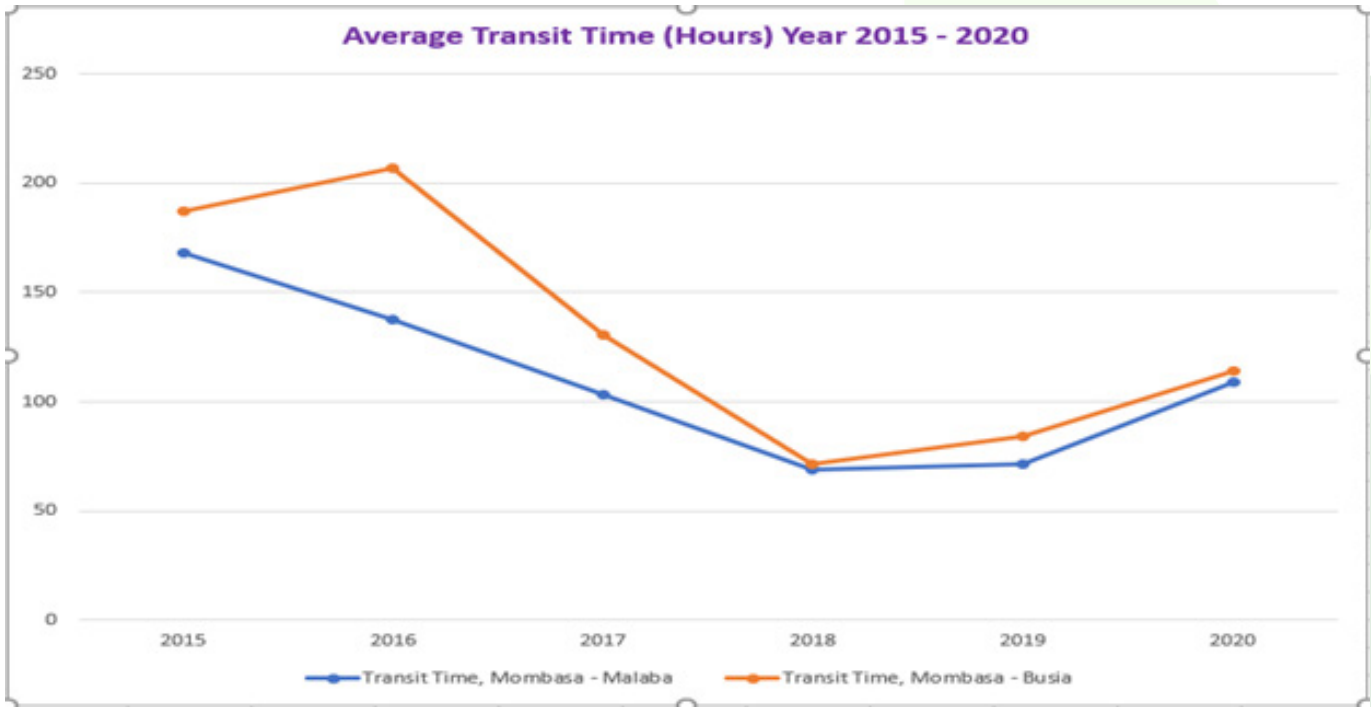
39. The average containerized cargo Port Dwell Time at Mombasa Port showed an improvement since the commencement of SGR freight operations. The train is able to expedite the evacuation of cargo from the Port to inland cargo terminals, thus impacting positively on the port cargo dwell time.



Source: Northern Corridor Transport Observatory

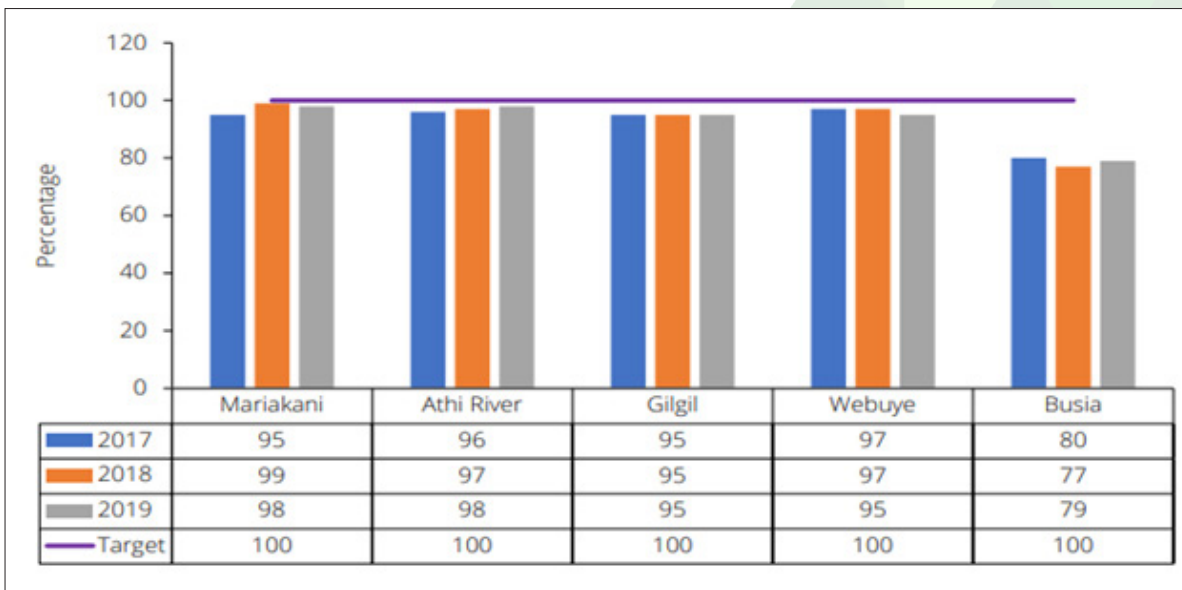
- **Transit Time along the Northern Corridor**

40. Transit time along the Kenyan section of the Northern Corridor also showed improvement. In 2020 the transit time increased partly as a result of the impact of COVID-19. Below is a graph of transit time from Mombasa to Malaba and to Busia.



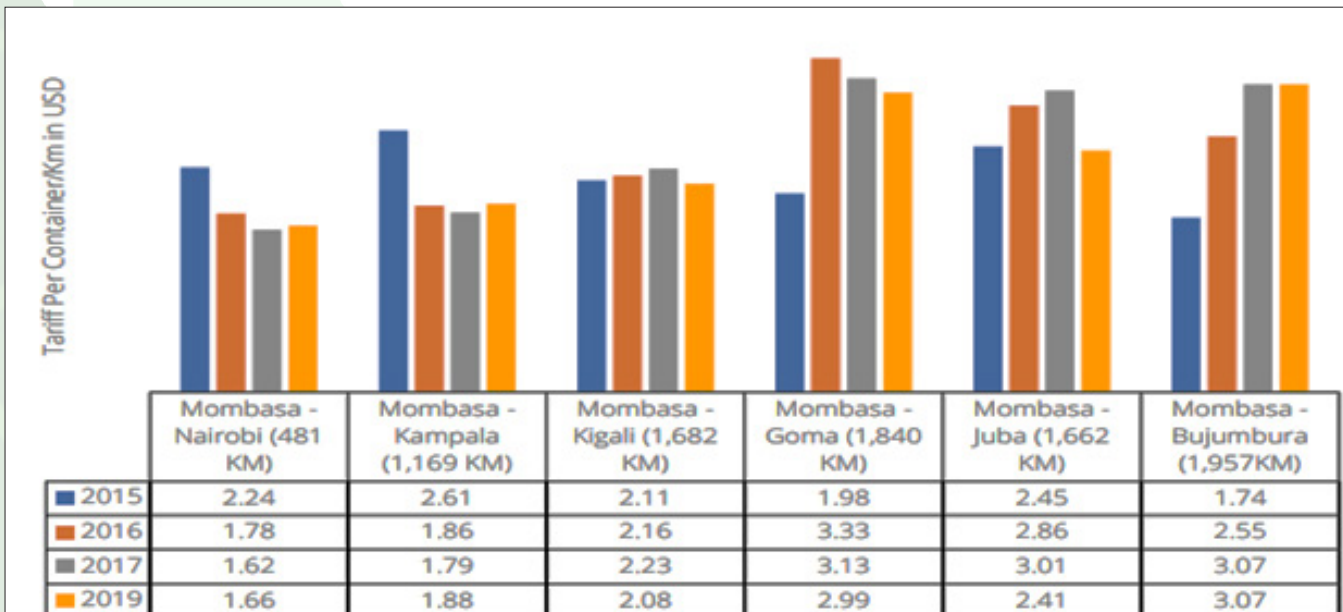
- Weighbridge Compliance**

41. The vehicle load compliance rate at weighbridges also improved more so for weighbridges between Mombasa and Nairobi. This is partly attributed to heavy containers being transported by the SGR to Nairobi and lately to Naivasha.



- **Transport Rates**

42. The road transport rates also went down partly due to competition from the SGR.



43. Other hidden benefits include reduction of congestion of traffic along the Mombasa Road, reduction of carbon emissions in transportation of cargo, safer to transport cargo by SGR other than by road, reduction of road accidents along the Mombasa-Nairobi highway. Diversion of heavy containers to railway transportation also helps protect the roads from premature damage.



Above: Trucks loaded with cargo at Naivasha ICD exit gate. It was observed that most of the trucks collecting cargo were carrying only one 20ft container, whereas the wagons that transported the cargo to Naivasha carried two 20ft containers from Mombasa to Naivasha. A good number of these containers were destined for Uganda. Other than a truck travelling to Mombasa empty from Uganda to collect one container, it is more economical if it collects the container at Naivasha.

44. However, despite the SGR having impacted positively on a number of performance indicators, including the cost of road transportation of goods, it now finds itself after the expiry of the promotional transport rates less attractive to some traders. The challenge has been the costs involved in the 1st and last-mile transportation of goods and return of empty containers.

45. It was observed that to have an efficient transport system, all modes of transport need to be developed. The development of the different modes of transport should provide for intermodal transport interchange to ease shift from using one mode of transport to another during a journey.



Above: On the left is the Mombasa – Nairobi highway, and on the right, the SGR line from Mombasa to Nairobi. Operations of the SGR has led to reduced congestion of trucks along the Mombasa – Nairobi highway. The SGR has also impacted positively on the transport rates for passengers by bus and air travelling between Mombasa and Nairobi.

VI. WAY FORWARD/RECOMMENDATIONS

46. Other than waiting for enough volume of cargo to run a block train from Mombasa to Naivasha. If the volumes cannot make a block train, the Naivasha bound cargo can be railed to Nairobi together with the Nairobi cargo from where a shorter train can be constituted to deliver the Naivasha bound cargo to minimized delays in delivering cargo to Naivasha from Mombasa.
47. Kenya Railways should have time limits to be adhered to in which the shippers expect their cargo to be transported upon discharge from the vessel or upon delivery at the ICD for transportation to Mombasa.
48. KPA/KR should work towards having a common internet service provider for stakeholders at the ICD
49. Develop an office block for the logistics and other support services providers at the ICD.
50. Expedite installation of scanner, weighbridge, verification bay and warehouse at the ICD to support clearance of local cargo at the ICD.
51. Market usage of the Naivasha ICD to stakeholders both local and transit
52. Review the SGR freight rates to attract more users of the ICD.
53. Declaration of Shippers Seal on the Customs Bill of Entry should be made mandatory by the Revenue Authorities/Customs.
54. Customs Authorities of the EAC Partner States should adhere to section 104(5)a which requires licensing both the Tractor head and trailer for Transit Goods License (TGL).
55. Police need to sensitize their officers about the regional coverage of the COMESA Motor Vehicle Insurance.

VII. RECOMMENDATION/ACTION IMPLEMENTATION MATRIX

	Challenge Observed	Recommendation/Action	Responsibility Centre	Remarks
1.	Delays in railing of cargo; - Imports to Naivasha from Mombasa. - Exports and empty containers from Naivasha to Mombasa.	Set time limits for which cargo is railed to Naivasha after discharge from the vessel at Mombasa/ after being deposited at Naivasha ICD for transportation by SGR to Mombasa. If the volumes to Naivasha are inadequate to form a block train, rail the Naivasha cargo together with Nairobi cargo and form shorter trains at Nairobi to deliver the Naivasha bound cargo.	Kenya Railways/KMA Kenya Railways	
2.	The ICD is currently constrained to clear local cargo and exports in transit through Mombasa due to infrastructure challenges; the ICD lacks a verification bay, warehouse, scanner and weighbridge	Expedite installation of scanner, weighbridge, verification bay and warehouse at the ICD to support clearance of local cargo and exports at the ICD.	KPA	
3.	Trade and transport facilitation agents are constrained to work at Naivasha ICD due to lack of office space.	Develop an office block for the logistics and other support services providers at the ICD.	KPA	

4.	Information about the SGR and use of Naivasha ICD is still scanty in transit countries; use of the SGR and Naivasha ICD has the potential of benefiting stakeholders in these countries to reduce time and cost of transportation of their goods.	Market usage of the Naivasha ICD to stakeholders, both local and transit.	Kenya Railways/KPA	
	Challenge Observed	Recommendation/Action	Responsibility Centre	Remarks
5.	Following the end of the SGR promotional freight rates in September 2020, when the commercial SGR freight rates become applicable, the volumes of cargo railed between Mombasa and Naivasha went down.	Review the SGR freight rates to attract more users of the SGR and Naivasha ICD.	Kenya Railways	The freight rates were reviewed and lowered effective 16th February, 2021. Refer to details below this matrix.
6.	Non-declaration of Shippers Seals by clearing agents, the Shippers Seal is critical for customs checks and controls before the release of cargo to proceed on transit.	Declaration of Shippers Seal on the Customs Bill of Entry should be made mandatory by the Revenue Authorities/ Customs.	Revenue Authorities/ EAC Secretariat.	
7.	Transit Goods Licensing for trucks is not harmonized; some countries only license the trailer. As such, truckers are required to have the tractor head licensed to be allowed to collect cargo from the ICD.	Customs Authorities of the EAC Partner States should adhere to section 104(5)a which requires licensing both the Tractor head and trailer for Transit Goods License (TGL).	Revenue Authorities (RRA)	
8.	Non-recognition of the COMESA insurance certificate by some Police officers along the Northern Corridor.	Police need to sensitize their officers about the regional coverage of the COMESA Motor Vehicle Insurance.	Police of the Member States.	

	Challenge Observed	Recommendation/Action	Responsibility Centre	Remarks
10.	In order to obtain a Port Pass, which is used to access the ICD, one has to go to Mombasa or Nairobi, which is a challenge to a good number of users such as truckers from the transit countries and freight forwarders.	Expedite putting place modalities for stakeholders applying and getting Port Passes at Naivasha ICD.	KPA	
11.	The shippers that use the SGR are constrained to bear the responsibility of the return of empty containers to shipping lines in Mombasa after handing them to KPA/Kenya Railways at Naivasha ICD for transportation by SGR to Mombasa.	Promote the use of TBL for stakeholders intending to use Naivasha ICD. Engage shipping lines to designate Naivasha ICD as a drop off point for empty containers.	Shippers Councils/ Clearing & Forwarding Associations. KMA	
12.	Manual documentation for some of the business processes; KWATOS system not yet installed at the ICD	Expedite installation of KWATOS at the ICD.	KPA	
13.	Interconnectivity of systems and network challenges, it was reported that there is no single network platform, each stakeholder sources for own internet connectivity.	Establish a common internet platform for stakeholders operating at the ICD.	KPA	
14.	The KRA ICMS is still not running optimally; some modules are still under trial.	Expedite role out of the ICMS modules.	KRA	
15.	Lack of forum to discuss and timely resolve operations challenges at the ICD.	Establish a public and private sector forum that meets periodically to monitor performance and to resolve operational challenges at the ICD.	KPA/KMA	

	Challenge Observed	Recommendation/Action	Responsibility Centre	Remarks
16.	Unexploited potential to reduce distance, time and cost of transportation of goods	Pursue opening alternative shorter transit routes to Naivasha such as; - The route through Kisii – Isebania/Sirali – Mwanza to Rwanda, Burundi and DRC. - The route through Kitale – Lokichogio/Nadapal to South Sudan.	KeNHA	
17.	Neither national water supply nor borehole water – water is delivered to the facility by water tankers, lack of health facility for staff and users of the ICD.	Establish a piped water supply for the Naivasha ICD.	Ministry of Water, sanitation and Irrigation.	
18.	The parking yard is not paved, and the capacity is small	Pave existing parking yard and consider increasing capacity of truck park yard in future expansion plans.	KPA	
19.	Inadequate washrooms	Increase the number of washrooms and establish an ablution block for truckers.	KPA	
20.	The road leading to the ICD is narrow, with only two lanes. as traffic increases, this will be a bottleneck.	Expedite the dualling of the road leading to the ICD from the Mai-Mahiu – Narok highway.	KeNHA	
21.	There is only one exit/entry gate to the ICD.	Consider the establishment of another entry/exit gate for trucks dropping/collecting cargo from the ICD.	KPA/KeNHA	
22.	Inadequate firefighting equipment; there are some water hydrants, but ICD faces the challenge of water and has no mobile firefighting equipment	Acquire mobile firefighting equipment for the ICD.	KPA	

SGR FREIGHT RATES EFFECTIVE 16TH FEBRUARY, 2021*

MOMBASA - NAIROBI ICD CONTAINERISED CARGO					
Size	Weight Range in Tons	Rate for Loaded Container (USD)		Rate for Empty Container Return (USD)	
		Up Direction (MSA - NRB)	Down Direction (NRB – MSA)	Ex-Up Direction by Rail	Ex-Up Direction by Road
20ft Container	Full Range	500	250	100	150
40ft Container	Up to 20.9 Tons	700	350	100	150
	21 tons and above	750	375	100	150
MOMBASA – NAIVASHA ICD CONTAINERISED CARGO					
	Weight Range in Tons	Rate for Loaded Container (USD)		Rate for Empty Container Return (USD)	
		Up Direction (MSA - NSA)	Down Direction (NSA – MSA)	Ex-Up Direction by Rail	Ex-Up Direction by Road
20ft Container	Full Range	510	255	120	180
40ft Container	Up to 20.9 Tons	725	360	120	180
	21 tons and above	775	390	120	180
Conventional Cargo Rate: Charged at the rate of USD 0.044 per ton/km					

Source: Kenya Railways * Freight rates updated after the Survey of November 2020..



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