



**ROLE OF FUTURE SEA PORT AUTHORITIES IN
THE LIGHT OF REGIONAL INTEGRATION AND
POVERTY REDUCTION**

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Introduction

1. Globalization has continued to influence heavily the direction of world trade. At the same time regional cooperation and integration is on an upward trend with a view to energizing trade within and between the cooperant nations. These two phenomena impose requirements on complementary service-providers to reform or modernize so as to serve them better. In this regard, sea ports can not be spared because of their predominant role in trade facilitation.
2. Economic growth is the principal avenue through which poverty can be meaningfully alleviated. Arguably, in driving growth, one foresees a situation where ports could influence development through distribution, hence poverty reduction. The underlying assumption is that trade is necessary as a

foundation for combating poverty, consequently the need for efficient ports to fuel trade.

Regional Integration

3. Regional Integration and Poverty Reduction, both call for deliberate policy pronouncement towards fulfilling them. We hasten to point out that we don't easily see the relationship between the two; even non – poor regions can integrate into whatever economic units. However, fully fledged integration may lead to aspects of free movement of resources within the region. This is possible from areas of abundance to those of scarcity. Then the important consideration is “what is abundant?” Wealth or Poverty? Fortunately none of these two is a resource, instead they are attributes.

4. We trust that integration seeks to “free” movement of resources and trade. It may also seek some common policies on trade, development, political or technological. The manifestation of these on the well being of the people is largely dependent on “local” or domestic conditions which are influenced by the habitat.

5. The role played by the port in deepening integration can somehow be proxied by the direction of trade as suggested in the **Table 1** below.

Composition of Port Trade in the Port of Mombasa , Table 1

Nature of Cargo	2000	2001	2002	2003	2004	2005	Average Growth Rate
Domestic	7,476	8,180	8,009	8,873	9,620	9,442	4.9%
%	82	77	76	74	74	71	-
Transit	1,454	2,117	2,215	2,453	2,891	3,536	20.2%
%	16	20	21	21	22	27	-
T/shipment	196	303	340	605	409	303	17.3%
%	2	3	3	5	3	2	-
Total	9,126	10,601	10,564	11,931	12,920	13,281	8.0%

6. The Port of Mombasa can together with the Port of Dar es Salaam be branded as Ports for the Great Lakes Region with each having a distinct advantage founded on geography. The Port of Mombasa serves Kenya, North Eastern Tanzania, Uganda, Rwanda, Burundi, Eastern D.R. Congo and to some limited extent Southern Sudan and Ethiopia. The high growth of transit traffic underscores some limited realization from the East African Cooperation initiative. Not only the growth rates of

non-domestic traffic are high, but the share has also been rising from 15% in 2000 to 27% in 2005.

Gateways

7. Despite the enormous progress in development and creation of economic and custom unions, free trade areas and political unions, there seems to be some inherent forces that tend to spur and drive individual ports. Ports will be on the same conurbation and grow at different paces without leading to automatic demise of either, they seem to exhibit very distinct comparative advantages which enable them to survive at all times; Ports of Long Beach - Los Angeles; New York - New Jersey; Rotterdam - Antwerp; Durban - Richards Bay - Maputo; Mombasa - Dar es Salaam; Southampton - Felixstowe etc provide sterling examples.

8. Early in the historical times, trade routes radiated from the seaports of which most of them have come to assume the status of port cities; even the slave routes had prominent gateways at the Coast. Not surprising then, that major surface track routes, both roads and railways tended to follow similar patterns into the hinterland. They signify access to tradable products and

potential for growth. In Kenya for instance, the road and railway links originated from the Port of Mombasa, whose old port dates into the 9th Century during the times of the Arab Dhow Trade; trade in ivory, spices, salt and slaves followed this broad highway right into the interior where it dispersed to various regions with specific products. These points of dispersal equally constituted collection or assembly points.

9. Subsequently, infrastructural developments were occasioned by the need to “formally’ connect the centres that emerged firstly as resting places and later as points of exchange or trade, mostly on barter. Most of these centres have since evolved into major urban centres, Nairobi, Nakuru, Kisumu, Jinja and Kampala along Kenya - Uganda, Rail/Road Lines and Dar es Salaam, Dodoma, Kigoma, Mwanza in Tanzania.

Economic Development

10. The nodal role played by early ports in opening up the hinterland followed by arrival of motorized means of transportation which on its part generated demand for the surface infrastructure, laid the foundation for economic growth and possibly development. It is widely believed that economic

advancement follows infrastructural developments and the two are strongly correlated. This is expected because transportation leads to exposure not only of the public but also of products. It broadens the choice of products and possibly avails technology both embodied and disembodied.

11. It is inferred that the road and railway systems were particularly in Eastern Africa, developed to help tap the huge potentials that lay in the Great Lakes Region. Besides the Colonisers agreed that to help off-set the cost of administration, it was advisable to introduce cash crop farming. This therefore saw the introduction of cotton, tea, coffee, pyrethrum, ranching etc, products whose contribution to export trade is very significant even in the present times.
12. Initiatives of the foregoing nature regardless of their exploitative inclination accelerated the monetization of the regional economies. Besides, they benefited trade by easing exchange. As these products together with others like mineral ores, whose final destinations were foreign markets gained currency, they imposed higher demand for port expansion. It is on these indicatives that the growth and expansion of the Port

of Mombasa is linked to the economic activity in the port hinterland. Over time however, the degree of skewedness of port trade has, like in the rest of trade, been high, nearly 80% is dominated by imports.

13. Evidently, the role of regional ports is trade facilitation except maybe for very small fishing ports where primary objective may be considered as subsistence or production. This is for instance underscored in the mission statement of our port of Mombasa which is to “Facilitate Seaborne Trade in the Most Efficient Manner by Progressively Benchmarking Operational Targets on Internationally Acceptable Standards”.
14. Between the year 2000 and 2005, total port throughput averaged 11.40 million tons through the Port of Mombasa. To the extent that seaborne trade accounts for 80 – 90% of trade in terms of tonnage, it can be imputed that 13.40 million tons were traded. In so far as only a meager 2.00 million was transported by other means, it implies that there would be no trade without ports; put differently the over-reliance of our region on seaborne trade can not be gainsaid. This reflects the significant role that the port must inevitably play. This role is amplified

when the port is excluded by geography from other ports, a situation we shall revert to when we discuss future ports in earnest.

Social Institutions

15. Because of their agency in trade facilitation, seaports have prominently assumed the role of nodal growth agents as well. They act as magnets in attracting labour and in times of break bulk cargoes were a major source of direct employment. In early 1980s, the Port of Mombasa had a labourforce of about 12,000. Presently, it has about 42% of this number. They also attracted and still do attract some commercial industries mainly, retailing and banking. And because of intra-industry dependence, other modes of transport and packaging firms spring up.

16. Besides it is not uncommon to find port cities that are more re-known than respective capital cities, Cape Town, Alexandria, Rotterdam, Lagos, Dar es Salaam, Barcelona, Genoa, Montreal, Hamburg etc. These cities have become crowd pullers, and are engines of forward and backward linkages. It is for this reason

they have significant implications on labour and its social dimensions.

17. As implied, ports in the early stages of development are mere points of interface. In their next level of evolution, they become home to industries that have strong dependency on their services, for instance, manufacturers of products that shed off a lot of weight after processing whether their markets are local or further a field – petro-chemical, iron and steel and heavy manufacturing plants. In more recent years they are also home to industries with substantial re-exportable products not to mention export processing zones.

18. Subsequently, transportation becomes vertically integrated; ports evolve into intermodal nodal points. This was remarkably demonstrated when containerization was peaking: In a number of ports in early phases of containerization they had substantial volumes of pier-to-pier, Less than Container Load (LCL) Containers, where most of stuffing and de-stuffing was undertaken inside the port. As containerization matured, LCL cargoes progressively waned as these functions were undertaken down stream before the loaded containers arrived

in the port. In tandem with these developments the port graduates into an intermodal nodal point. It becomes a buffer where balancing and direction are provided.

19. In the next phase of evolution, ports are expected to play a more peripheral cargo-handling related role as they become logistic platforms more adept to value adding activities. Free Ports best illustrate this stage. Matters of strategic positioning and enhanced economic contribution assume wider dimensions. Cargo tracking and distribution, through globalized network which is IT driven, appears the eventual step.

20. We expect Port Authorities to be called upon to provide leadership in development of cargo corridors which are eventually transformed into economic corridors. This is largely because ports are gateways: With passage of time they have to be positioned as important interveners on the corridors with a view to ensuring that the logistical supply chain is not frustrated. The Trans-Kalahari, Maputo, Central and Northern Corridors radiate from Namport in Walvis Bay, Port of Maputo, Port of Dar es salaam and Port of Mombasa respectively, are

corridors whose future importance hinges on the important role of the seaport they serve.

21. Conventionally, Land-locked countries are entitled to passage to seaports. In meeting this requirement, seaports provide a forum for port interaction. We acknowledge that ports are an important catalyst to industrial development and are pivotal in promotion of trade. In this endeavour, they are “ambassadors” of economic and cultural transformation as well as regional integration.

Poverty Reduction

22. Other than physical transformation of ports, the future ports will be radically changed from the traditional service through tool to landlord ports. As ports become logistic platforms, it is also prudent that their management focuses more on this strategic role. Needless to say, that the importance of port Authority in labour absorption declines with its devolvement. As a service port administered by a Port Authority, supply of labour to work ships and cargo is borne wholly by the Authority. However, when the Authority ceases to provide service to cargo and ships and instead owns the equipment

which it leases out to stevedores, it no longer has locus standi in provision or retention of massive pools of labour; and eventually when the Authority heaves off the responsibility of providing equipment and becomes a specialized landlord, its claim on labour is even leaner.

23. Reforms in the Port industry both technologically and managerial driven, have not been labour deepening. In situation of unemployment and public ownership of ports some “compromise” has been accommodated through bloated labour forces. Against this background, immediate benefits associated with port restructuring are quantified in terms of increased productivity, measured in increased average product/tons per capita. This is not difficult to appreciate because the immediate step that concessionaires take is to restructure labour, at any rate you can in the short run reduce a gang by two or so people, but can do nothing about a ship-to-shore (STS) gantry crane.
24. Whereas it is easy and predictable to forecast the impact of retrenchment on port output, it is difficult to do so with precision on the down-side of the dispelled labour. One would

wish to establish the long term social cost-benefit analysis of these actions. A former Minister for Transport in the Kenya Government, once remarked on being briefed on the planned Labour Reforms Programme, “The cost of a smiling face from an employee is hard to equate to any benefit the Authority would realize for laying off any person”. Against this background, it is unavoidable to see the negative social contribution that labour right-sizing would have in most of our ports.

25. It is generally believed that retirement benefits, particularly monthly pension receipts should be about 70% of the terminal remuneration. Unconfirmed report has it that civil servants in Kenya hardly get anything above 30%. Even within relatively generous schemes, the receipts are a pittance. Couple this with big families with off-springs coming close to retirement and the magnitude of the demands on income, never wane. It is not documented, but it is largely observable that very few retirees from the port industry have a post retirement life-expectancy of five years. Most retirees live some three years. For a society, this means shortage of grandfathers/mothers - a reservoir of skills and experiences – people are passing on at about 58 years

and yet these are the fortunate few who can arguably be classified very far away from the poor!

Future Ports

26. In progressing the future role of Port Authority, it is necessary to underscore that even as it, Port Authority, assigns its obligations to third parties, the responsibility to the public of providing the service lies in the Port Authority. In this regard, the Authority has an overbearing task of an overseer in the entire port. Essentially it is the operator of last resort. This realization is best captured in the Ghana Ports Authority, through its limited involvement in stevedoring activities in the Port of Accra. This is a very important source of comfort and assurance to the public.

27. As a result of the lordship of the Authority, it is inescapable that it must provide the coordinative role and promote interactive processes for the various actors. It must manage dialogue in the port and “supervise” operations. It has to monitor operations and call for redress as appropriate. In essence the oversight functionality becomes more intensified as it unbundles its stevedoring undertakings. It must manage

competition to ensure that it is not destructive. At the same time it must seek to ensure that consumers are not exploited and that they get value for money.

28. In our view the Authority has to act as a linkspan between the various agencies involved in the provision of port services. It has to bring together the Customs Authorities, Security organs etc and the stevedores to formulate common strategies for the port industry. It should also lead in seeking and/or promoting integrated development to forestall situations, where some complementary transport sub-sectors lag behind thereby constituting bottle-necks to developments achieved elsewhere.
29. Because of external economies of scale and lack of exclusivity, the Port Authority is best poised to market the port. In this regard it has to develop a blue print with the inclusion of relevant actors. Furthermore it is expected that the Authority will deal with matters of security whether on behalf of the state or not. With regard to compliance, it has to work closely with the State and affected players in the industry. It will constitute one-stop shop where matters of common concern have to be addressed.

30. Future port planning and development should be in the realm of the Port Authority even if it does not have to undertake the actual development, in that this can be effected through Build Operate and Transfer or any other such arrangements. We are inclined to charge the Authority with the responsibility of providing all common user facilities particularly the “main” trunk roads and railways within the port. The Authority can not escape from managing the movement of vessels in the port, including facilitation. Besides, it has to concern itself with vehicular movement. It should also undertake research, in trade and transport facilitation.
31. Benefits arising from environmental governance in the Port are for the good of all – port operators and port customers. They flow across the board without boundaries. The Port Authority should provide this function. It is upon it to ensure that concern and actions towards the environment are healthy and sustainable with beneficial impact to the society.
32. Along side environmental concern, the Authority should be prominent and visible on matters of Corporate Social

Responsibility. We take it that ports are social institutions and should be accessible to the wider public. They should then share at the minimum with the neighbourhood. They must identify with 'their' society and be part and parcel which however, play a leading role. They must reach out to the society and promote ethics of good neighbourliness. Because they are better endowed they should provide effective productive support with a legacy. They should therefore budget at all times for these endeavours. They may wish to embrace the various cargo interveners in the port but this is not a requirement, they may only appraise them.

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