Use TBL to cut empty container transport cost: KSAA

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The cost of transporting empty containers back to the shipping line depots in Mombasa is watering down the gains the importers using Standard Gauge Railway (SGR) are getting, save for those using Through Bill of Lading (TBL) model.

Kenya Ship Agents Association (KSAA) said that there is lack of understanding on the difference between a TBL and Merchant Haulage procedures for import cargo, which would have huge effect on the transport cost.

The contract on international carriage of goods by sea has set clear guidelines on where the obligations of the shipping line commences and ends. Through Bill of Lading refers to a single bill of lading covering receipt of the cargo at the point of origin for delivery to the ultimate consignee at a named place in the hinterland, Embakasi Internal Container Depot (ICD) in case of Kenya's SGR.

In the Merchant Haulage Containerized cargo, the responsibility of the Shipping Line ceases upon discharge of the container at the Port. This is the point where the consignee takes delivery of their goods and is given a time frame in which to return the empty container to the Shipping Line.

Hence, when the Shipping Line hands over the container cargo to the consignee at the port, the consignee will need to sign a 'Guarantee Form' – indicating where and when they will return the container to.

For those using TBL at the ICD, the responsibility of returning the container to the shipping line is minimized. The importer will need to adhere to the rules set out in the 'Guarantee Form' that the shipping lines issues when it hands over the container and the cargo to the consignee at ICD.

"The 'Guarantee Form' clearly indicates where and when they will return the container to and the numbers of days they have in which to honour this agreement," KSAA Chief Executive Mr Juma Tellah said.

It should be noted that this time frame in which they must return the container is costed by the Shipping Line and included in the freight rate offered to the client. Once the consignee exceeds the 'free days' allowed, then the consignee is charged demurrage.

If the place of delivery on the 'Guarantee Form' is ICD, then upon delivery to that location, any storage accrued thereafter is on account of the shipping line.

In the Merchant Holding model, if the consignee returns the container at ICD yet the 'Guarantee Form' indicates 'Mombasa empty depot', then any storage time accrued by the empty container at ICD will be to the consignees account and not the Shipping Lines.

If the container is railed to ICDE - Nairobi or any hinterland destination, the merchant is liable to return the container to a named shipping line empty container depot, which means that he will incur the cost of transporting the empty container, either on road or rail.

"When using road transport, one may pay between Sh 85,000 and Sh 90,000 and once the goods are delivered to the final destination, the transporter would make arrangement to ferry back the empty boxes," Mr. David Gioche Gioche, a Mombasa based clearing agent said.

To ferry back the empty container to Mombasa by road, transporters charge between Sh 50,000 and Sh 60,000, according to Mr. Gioche. Delayed delivery of the empty container attracts demurrage charges after free period days.

SGR, which is rapidly gaining importance as a transport solution for large cargo consignments destined for Kenya and the region has to some extent succeeded in convincing shippers to adopt the TBL freight model.

The service whose operations are coordinated by Kenya Railways, Kenya Ports Authority and Kenya Revenue Authority recently received a boost when Kenya Railways entered into an agreement with Pacific International Lines (PIL) Kenya Ltd, whose headquarters are based in Singapore.

In the agreement, PIL (K) Ltd committed to support the service and continually market the use of the Madaraka Freight Service as the preferred mode of transport.

"This is a positive step towards increasing cargo transportation via the SGR. It is a sign that customers have started appreciating the type of service we are offering which basically aims to enhance transport and logistics in the region. The TBL model makes it easier for customers to even transport empty containers back to the port after delivery," KR Managing Director Mr Atanas Maina said.

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In a similar development, Kenya Railways signed yet another agreement with Wilhelmsen Ships Services, an agent of the Emirates Shipping Line. During the signing ceremony, Wilhelmsen Ships Services General Manager, Mr Niroshan Jayasinghe expressed the willingness of the shipping line to support the service and continue promoting TBL haulage of cargo.

KR has also entered into a contract with Compagnie maritime d'affrètement – Compagniegénérale maritime (CMA – CGM) as part of the corporation's efforts in marketing the Madaraka Freight Service.

Under the agreement, it is expected that CMA-CGM will directly nominate huge volumes of cargo to the ICD.

CMA – CGM is a major shipping line ranked as the third largest globally, going by the number of twenty-foot equivalent units (TEUs) handled, operating a fleet of 504 vessels that call at 420 ports in 160 countries.

SGR commenced freight operations on 1st January 2018 and had moved 280,000 tonnes to ICD Nairobi in the first three months of the year using three daily freight trains.

The SGR expects to move a minimum of 5 million tonnes by June, 2018. It plans to move 8 million tonnes by December, 2018 achieving 18 Million tonnes in 3 years' time.