# Ugandans pay double to transport goods

By Prisca Baike

It is no secret that freight charges between Mombasa port and Uganda are the highest in the world. But that is not all.

Despite the progress registered by the freight and forwarding industry, the sector is still grappling with a host of challenges.

Rajesh Kumar, a businessman in Kampala attests to this. "The money I pay to transport my goods from Mombasa to Uganda is almost three times what I pay to get them from Europe to Mombasa," Kumar says.

He says the effect of these high charges eventually trickles down to the consumers in form of high prices.

Hussein Kiddedde, the chairman of Uganda Freight Forwarders Association (UFFA) says although consumers are affected by the high freight costs, the freight and forwarding companies, too, bear the brunt of the exorbitant charges.

"The biggest challenge is that we don't have a port of our own so we are taxed by Kenya," Kiddedde says.

He further notes that unlike other regions with well-established rail transport systems, Uganda uses road transport, which is very costly in terms of transporting cargo.

"This complicates the logistics and transport system," Kiddedde adds.

He explains that only logistics companies registered in Uganda can provide services in Uganda, yet services provided by a Ugandan logistics company will almost invariably be higher than those provided by, for example, a Kenyan company.

### High costs

He says this is due to the high road transport operating costs as a result of high taxes on new vehicles and spare parts, high taxes on fuel and lubricants, poor air links with the rest of the region and indirect air links with Europe, Asia and America.

Joseph Mutebi, a freight forwarder, points out the lack of access to affordable finance as a major curtailing factor to business growth in the industry.

"The cost of borrowing from banks in Uganda is high. It is therefore hard for us to buy new equipment such as delivery trucks," Mutebi says.

Mutebi also notes that there is an acute shortage of skills in the logistics sector. He mentions that heavy goods vehicle drivers, heavy equipment operators,

Ugandans incur high costs in transporting goods

warehouse managers, health and safety officers, cold storage managers, and many other skills are lacking in the sector.

At policy level, Kiddedde notes that the fragmentation of government and administration policy has negatively impacted the sector.

He explains that the fragmentation between the public and private sector has posed a great challenge to the sector. He adds that there is no single ministry or agency responsible for logistics.

"This means that even within Government, one department may not know what the other department is working on," Kiddedde says, adding that the legislation and policy affecting the logistics industry may not always be moving the industry in the same direction.

Mutebi also notes that international forwarding companies are a great challenge and threat to the local companies. He says most multinational companies have central procurement and buying policies. Meaning that they secure certain services, including logistics services, from another multinational logistics company wherever they operate in the world.

"So we end up with no work even after investing heavily into the business," he says.

Kiddedde says there is corruption and collusion at different levels of the supply chain and within the logistics industry, both in government and in the private sector. This affects would-be fair competition.

Kiddedde says trainings for capacity building have been put in place to fill the skills gap. He further notes that UFFA was part of the team that developed a curriculum for the East African Customs and Freight Forwarding Practising Certificate Course that has now been jointly implemented with Uganda Revenue Authority.

### Code of conduct

"The association has also developed a code of conduct for the industry for purposes of sustaining professionalism, ethics and integrity among members and their staff. The UFFA code of conduct was adopted at the EAC level, according to Kiddedde.

To address the issue of infrastructure, Kiddedde says Government and development partners are investing heavily in transport and logistics infrastructure including the Standard Gauge Railway, upgrades and improvements to Entebbe International Airport, including a cold storage and general cargo facility.

"With a functional railway transport system, business will get better because of the low cost," Kumar says.

There are also improvements in the trunk road infrastructure; upgrading of border posts to one-stop border posts, upgrading existing port facilities on Lake Victoria and construction of new facilities such as a logistics hub at Gulu.

However, most of these upgrades and improvements have not come into service yet so the current condition of infrastructure does not meet the requirements of the logistics industry.

At the East African Community level (EAC), a number of laws and regulations such as the EAC Vehicle Load Control Act, 2016, The EAC One Stop Border Posts Act, 2016 and the EAC Customs Management Act (2004). These, according to Kiddedde, provide a regional regulatory framework that drivers and transporters have to adhere to.

In addition, COMESA-EAC-SADC Tripartite Road Transport Regulatory Framework aims to harmonise road transportation regulations in the east and southern Africa region.

"The Uganda logistics industry has to adapt pretty fast or they will be excluded from the wider market," Kiddedde advises.

## Uganda Railways working towards efficient network

**An efficient railway network is a pivotal asset in the freight and logistics industry. Charles Kateeba, the Managing Director of Uganda Railways Corporation explains what they are doing to promote a vibrant freight and logistics industry in Uganda.**

Charles A. Kateeba, Managing Director

### About Uganda Railways Corporation

Uganda Railways Corporation is a government agency tasked with the construction, operations and maintenance of railway, marine and road services and our mandate is both inside and outside Uganda. We operate freight services between Kampala and Mombasa, Kampala and Dar-es-Salam and over the lake between Port Bell and Mwanza by use of wagon ferries.

In Mombasa, we work with Kenya Railways Corporation, and Kenya Ports Authority. As of now, we have two services, the first service is purely on the meter gauge network, where we load cargo at Mombasa or Changamwe and it comes all the way to Kampala over the Meter Gauge Railway.

The second service is in combination with the new Standard Gauge Railway, which is between Nairobi and Mombasa. Here, cargo is loaded at Kilindini or Port Reitz and it comes to Embakasi inland container depot or the new cargo terminal which serves both meter gauge and standard gauge. We for example load containers on standard gauge wagons from Port Reitz up to Embakasi inland container terminal. At Embakasi, the containers are transferred to meter gauge wagons which move from Embakasi in Nairobi all the way to Kampala.

The customer can therefore load his cargo either on meter gauge at Mombasa or Kyangamwe or standard gauge at Port Rietz or Kilindini and it will reach safely in Uganda.

We are also operating a limited passenger service currently operating in Kampala between Kampala station and Namanve station. We have three services a day, one in the morning and two in the evening and carries 1000 passengers each way.

### Life after Rift Valley Railways

We took over from rift valley railways in January this year and I can say, we are doing really well, a lot of people were skeptical that is difficult, but so far, a lot is being achieved.

In the first three months, the volume of cargo was still low and this was because before our taking over, there had been six months of inactivity, and systems had broken down and customers had walked away, because their cargo was delaying for months.

But by June this year, cargo has started picking up, especially after we agreed with Kenya Authorities on how to share containers between the standard gauge and the meter gauge wagons.

In July for example, we carried 22,000 tonnes, and starting September, we except to go over 35000 tonnes. We have also resumed services to Dar-es-salam via Portbell and Mwanza and we are now carrying up to 8000 tonnes on that route, we expect to have up to 15000 tonnes starting September and going forward.

And here, we have brought back strategic customers such as World Food Programme, Bakhesa, Mukwano, Spedag, Interfreight, Bolorre, Bidco and Roofings.

The Dar-es-Salam route is proving to be the most efficient, with cargo reaching Uganda in three and half days.

### SGR and Vision 2040

The Standard Gauge Railway is meant to revolutionise freight transport in East Africa. Whereas the current system is designed for operating speed of between 50 -55km per hour, the SGR has an average operating speed of 75km per hour. And this means that cargo can reach Kampala in less than 24 hours compared to the current system of minimum three days.

*Passengers aboard the train to Namboole*

*Mukono ICD*

*Wagon roll off from MV Umoja at Portbell, Luzira*

To a manufacturer, this means that they will be assured of replenishment every day, unlike today where replenishment is after every three days.

The most important however, is that the meter gauge had come of age and it required major refurbishment. Large sections of the railway line needed replacement, certain corners needed realignment, and this would have cost the Government about US$ 1B to rehabilitate our network.

Fortunately, the Government strategically decided that rather than spend a billion on a system that will give you at most 55km per hour, we would rather upgrade the railway line by straitening it, increasing the axle load, increase on the maximum number of wagons it can carry, and the pay load that it can deliver.

The current system is limited to 35 wagons maximum whereas the SGR can carry up to 100 wagons, the current system can carry up to 65 tons wagons and the future system can carry up to 100 tons wagons. SGR will therefore benefit the economy by providing a more productive transport system.

The SGR will also connect us to our neighbors, the current system stops at Kasese but the SGR is designed to connect to us Rwanda and South Sudan and this means we can now have better trade between these countries.

### Attracting investors

Currently, we have not opened up to private investors, though there are opportunities for investment, notably in rolling stock, maintenance, and in the future, opportunities may be available in operations as well. But in order to do that, you need to have sufficient volumes of traffic to guarantee a private investor that it is worth investing in.