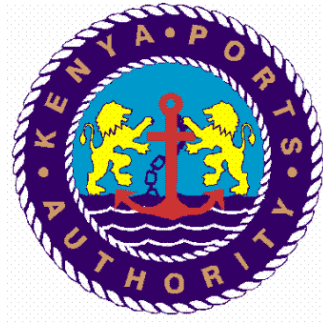


KENYA PORTS AUTHORITY



THEME

**Thriving in African Rapid Economic Growth: Maximizing African Logistics
and Transport Corridor**

TOPIC

**Developing The Port of Mombasa as one of the Top Five Container Ports in
Africa**

**13th Intermodal Africa 2015 Exhibition and Conference
Mulungushi International Conference Centre (MICC), Lusaka, Zambia**

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1.0 Preamble

The theme of this conference “Thriving in African Rapid Economic Growth: Maximizing African Logistics and Transport Corridor” is timely. The prospects for growth in Africa are good, and according to UNDP 2015¹, Africa’s gross domestic product (GDP) growth is expected to strengthen to 4.5% in 2015 and 5% in 2016 after subdued expansion in 2013 (3.5%) and 2014 (3.9%).

The world economy is improving and Africa will soon be closing in on the impressive growth levels seen before the 2008-09 global economic crisis. On the supply side Africa’s growth has been mainly driven by agriculture, extractive industries, construction and services. On the demand side, the boost has come from private consumption and infrastructure investment. This good run is also expected to have a positive impact on transportation and logistics services in Africa. In order to optimize on these opportunities, it will be necessary to improve on the quality of infrastructure and the efficiency of transport networks which will also have a knock-on effect on Africa's future growth and development.

Intra-trade in Africa tends to be low in comparison to its global counterparts because of poor infrastructure and because most economies continue to be primary raw resources based. Currently, only about 11% of Africa's trade is with other African trading partners, compared to Asia where half the trade is between the countries in that region. There are infrastructure barriers to trade. It takes a substantial amount of time and money to cross borders and trade because of the poor logistics and transport infrastructure. There is a growing recognition that it is through logistics efficiency and effective management of the supply chain that the twin goals of cost reductions and service enhancement can be realized.

Ports, as one of the important links between different modes of transport within the logistics chain, have special role since their efficiency and competitiveness have definite impact on the chain, and hence the national and regional economies. As such, Ports play a critical role in determining competitiveness of the trade patterns.

¹ African Economic Outlook, UNDP, 2015

2.0 Evolution of New Port Strategy

Improving productivity in all segments of the supply chain has become the focus of attention and, as ports play a key role in international logistics operations, it is in the ports where many of the business opportunities have been identified. They have in many cases moved from “mere interface between maritime transport and land transport” into “hub of seamless logistics chain” and “logistics value-creator or value-adder” where cutting edge services which interface with a complex transport and logistics environment take place.

Improving and efficient management of the Transport Corridors is crucial for optimal performance of the port. Transport Corridor enables regions and countries to offer high-capacity transport systems and services that reduce trade and transport costs by creating economies of scale. Regional corridors are particularly important to landlocked countries, where they are economic lifelines, often providing the only overland routes to regional and international markets – all these are true to Kenya and the Port of Mombasa.

3.0 About the Port of Mombasa

I was requested to talk about “Developing the Port of Mombasa as one of the Top Five Container Ports in Africa”. Before I delve into the Kenya’s long-term strategy allow me to introduce the Port of Mombasa.

The Port of Mombasa is a critical nerve centre of business serving Uganda, Rwanda, Democratic Republic of Congo, Northern Tanzania, Burundi South Sudan, and Somalia. The Port is well connected in the region, with over 33 shipping lines calling and providing direct connectivity to over 80 ports. The port is managed by Kenya Ports Authority (KPA).

KPA is a statutory body established in 1978 by an Act of Parliament, Cap 391 of the Laws of Kenya Part IV Section 12, with a mandate to maintain, operate, improve and regulate all scheduled seaports along the Kenyan coastline.

The Authority is responsible for the management of the Port of Mombasa and other smaller seaports including: the Old Port in Tudor creek, Funzi, Kilifi, Kiunga, Lamu, Malindi, Mtwapa, Shimoni and Vanga. KPA also manages Inland Container Depots in Nairobi, Eldoret and Kisumu and has liaison offices in Kampala (Uganda), Kigali (Rwanda) and Bujumbura (Burundi) that cater for transit countries. Kisumu Lake Port is also under KPA’s mandate.

Mombasa Port Layout



The Port of Mombasa has 13 General cargo berths; 2 Bulk oil jetties (KOT & SOT); 4 Specialized Container berths; Ship repair facilities; Private facilities for handling Grains, Cement, Titanium and fluorspar; Cruise Ships are received at berths 1 and 2.

4.0 Kenya’s Economic Development Strategy

The Government of Kenya through the Vision 2030, which is the Country’s Development Blueprint covering the period 2008 to 2030, aims to transform Kenya into a newly industrialising, “middle-income country providing a high quality life to all its citizens by the year 2030”.

The Vision is being implemented in successive five-year Medium-Term Plans, with the first such plan covering the period 2008 – 2012 and second, which is now under implementation, covering 2013 - 2017.

In the infrastructure sector, the country aims at the provision and expansion of physical infrastructure, thus developing Kenya to a country firmly interconnected through a network of roads, railways, ports, airports, water and sanitation facilities, and telecommunications. Furthermore, investment in the nation's infrastructure has been given the highest priority.

5.0 Mombasa Port Development Strategy

KPA developed a 25-year Master Plan in 2004 (updated in 2009) which provides an integrated development plan for the Port of Mombasa and all other port facilities in the country, including development of a Special Economic Zone at an area near the Port, called Dongo Kundu. This Master plan remains the key guiding document for infrastructure development and investment at the Port of Mombasa, as well as development of all other Port facilities.

The Authority also has a five (5) year Strategic Plan that is in-line with the Second Medium Term Plan of the National Vision 2030. The Plan outlines the implementation programme of projects aimed at meeting capacity needs over the medium term. The strategy is geared towards developing Port of Mombasa as a top performing port in all aspects including container operations.

KPA is called upon to playing a critical role towards supporting the implementation of the Vision 2030. In order to achieve this, the Ports Authority has strategically aligned itself to;

- Increase investment in port infrastructure development;
- Modernise and develop Mombasa Sea Port to international standards;
- Contribute to social economic development through job creation; and
- Enhance safety and security of the Port to increase maritime trade.

The above commitment is underscored by the Authority's main objective of continually improving service delivery and meeting customers' expectations through provision of quality port services in line with international standards.

6.0 Perspective of the Port Industry

The port industry has been faced with a need to respond to changes in the service economy including embracing technology to provide real time data. This can only be achieved through foresight, actualised through concrete planning and execution of laid down strategies.

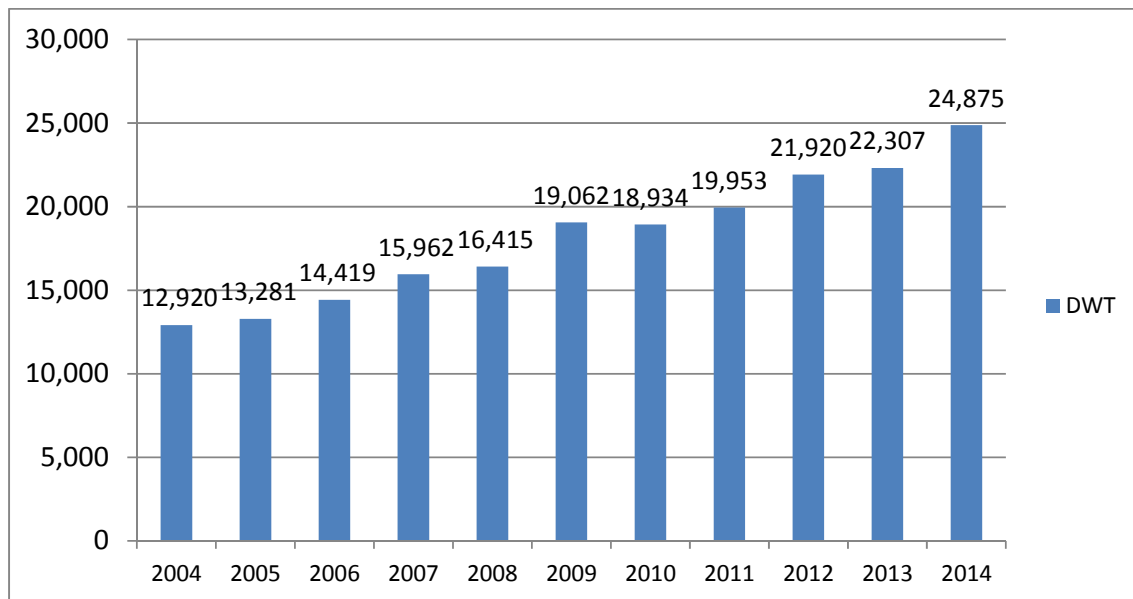
KPA's target, in the medium to long term, is to have a full complement of the following strengths that will define its success in the development, execution and evaluation of its strategic game plan:

- Have a multi-skilled and committed workforce;
- Consistently service ships within record time and achieve low container dwell times thus turning around cargo arrival and evacuation;
- Become a lean E-Port that is Green and has the right staff levels;
- Be able to provide surplus capacity in space, equipment and infrastructure;
- Have a more diversified client base that is satisfied with its services; and
- Ensure a supply of reliable/adequate equipment and infrastructure.

7.0 Recent Performance of the Port of Mombasa

7.1 Total Port Throughput (DWT)

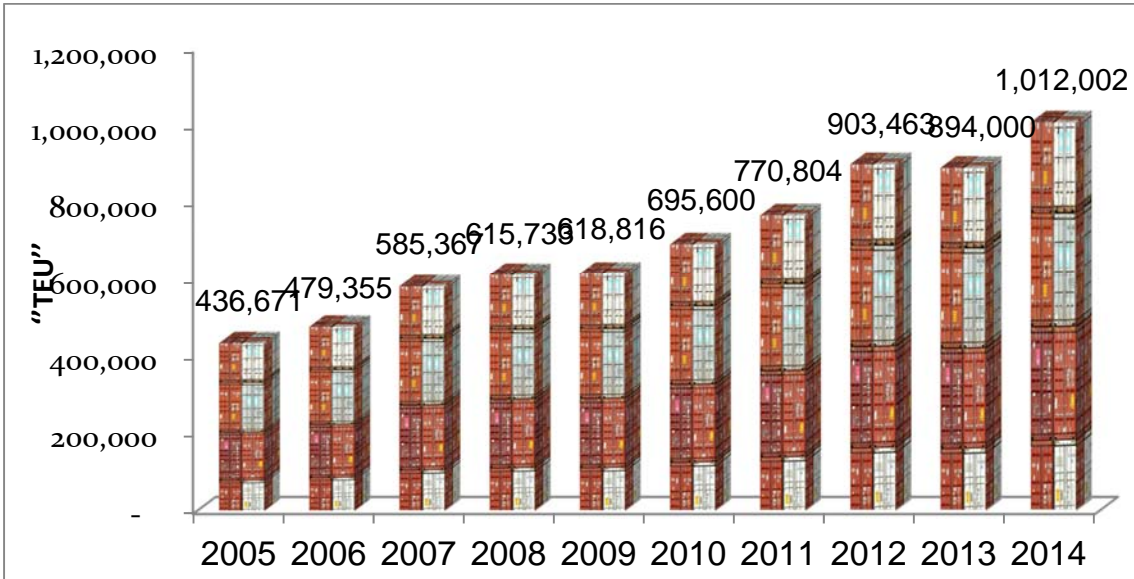
Port traffic is a useful barometer of a country's or geographical region's economic performance. As the domestic or regional economy grows, so does the volume of goods passing through the port. Over the last ten years, traffic through the Port of Mombasa increased by 7.1 percent per annum, rising from 13.28 million tons in 2005 to 24.88 million tons in 2014. The growth was boosted by imports which grew at a rate of 7.6 per cent per annum. Exports on the other hand, grew at annual average rate of 4.4 percent



Unfortunately for the Port of Mombasa, port traffic is heavily skewed in favour of imports, a trend that has been growing. In the year 2004 imports accounted for 78% of total port traffic. This share rose to 83.4% by 2014.

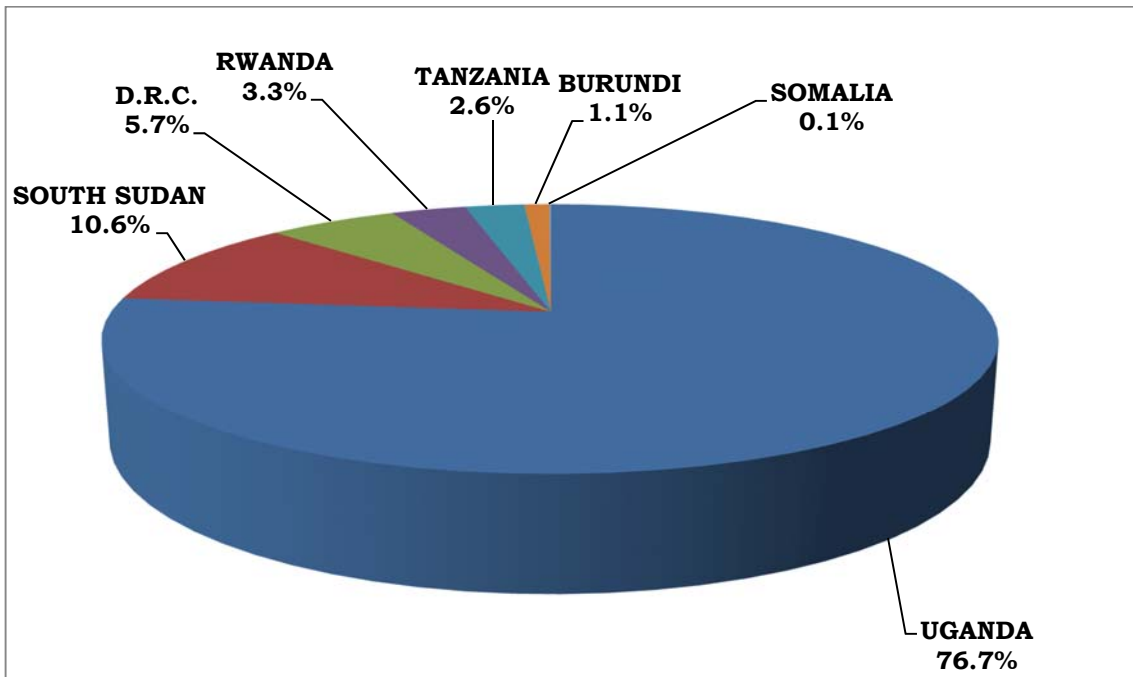
7.2 Container Traffic

Port of Mombasa has experienced phenomenal growth in container traffic. Over the last 10 years i.e. between 2005 and 2014, Container traffic has more than doubled, rising from 436,671 TEU to 1,012,002 TEUs, a compound rate of growth of 10%. The port defied predictions by moving 1,012,002 TEU, in 2014 representing 12.1 per cent growth compared to 894,000 TEU in 2013, a rate that is more than double the global maritime container traffic growth for that year.



7.3 Transit Traffic

About 70 percent of Port of Mombasa traffic is destined to the local market with the rest shared between Uganda, Rwanda, Burundi, Tanzania, Democratic Republic of Congo, South Sudan and Somalia. Uganda is the major transit point with its traffic claiming 76.7 percent of transit share.



8.0 Positioning Mombasa as a Top Container Port in Africa

History of Containerisation and Intermodalism

It is recorded that modern container shipping celebrated its 50th anniversary in 2006. The usage of containers for transportation of cargo has grown steadily over the last five decades. Today, containerships carry about 60% of the value of goods shipped via sea.

With regard to the Port of Mombasa, this port celebrated its 40th anniversary of containerization because containers were first recorded in appreciable numbers in 1975. During this year 1,298 TEUs were recorded.

However gains from containerization were to be realized not from the packaging only but largely through enabled seamless intermodulation ability to ship effortlessly between ships, trucks and trains. This would simplify the whole logistical process, hence the chain had to be integrated.

9.0 Intermodal Cargo Evacuation

Except for transshipment cargo, containers in the Port of Mombasa are either rail or road served. Unfortunately, the share of the rail has declined over time. The proportion carried by railway has dropped from 12% in 2005 to 2.6% in 2014. It must be appreciated that the road is compelled to provide this high level of complementary service because of the inability of the railways and lack of other water-related transport services.

The extent to which the road transport is stressed is evidenced by the table below.

Road and Rail Intake and Off take: 2005 – 2014 (TEUs) at the Port of Mombasa;

DETAILS	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Road	312,592	334,269	415,780	432,437	422,849	420,857	489,945	699,258	730,603	799,827
Rail	41,375	41,192	37,285	32,494	21,668	24,478	25,268	24,997	26,653	21,672
Total	353,967	375,461	453,065	464,931	444,517	445,335	515,213	724,255	757,256	821,499

% Share	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Road	88%	89%	92%	93%	95%	95%	95.10%	96.55%	96.48%	97.36%
Rail	12%	11%	8%	7%	5%	5%	4.90%	3.45%	3.52%	2.64%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

10.0 International Comparisons: Top Terminals Worldwide

The total box volumes handled by the leading 120 container ports in 2014 reached 557.922 million TEUs, an increase of 5 % compared with the 530.260 million TEU handled in 2013 (CM-Container Management). The top 5 African ports share was approximately 11.276 and 12.491 million TEUs in 2013 and 2014 respectively which translate to 2 percent 2.4 percent of the total share respectively. Luckily the share for Africa increased by 10.8%

Evidently, Asia takes the first 10 positions in container terminals, with the exception of Dubai at position 9 for two consecutive years. In the Global ranking, Mombasa's position has generally improved from position 120 in 2013 to position 112 in 2014.

Within the Continent, Mombasa Port was ranked fifth and was the fastest growing port except Tangier Med which is largely a transshipment hub. It is possible that that the Port of Mombasa had the highest growth between the two years amongst the gateway ports. It is evident that Mombasa will progressively join the superb world performing ports through increased volumes supported by quality service. Hence her place amongst the top five performing ports in Africa remains assured!

Top World Container Ports in 2014

Ranking		Port	Volume 2013 (Million TEUs)	Volume 2014 (Million TEUs)	% Change 2013
2013	2014				
1	1	Shanghai, China	33.77	35.285	4%
2	2	Singapore	32.228	33.9	5%
3	3	Shenzhen, China	23.278	24.037	3%
4	4	Hong Kong, S.A.R., China	22.352	22.226	-1%

6	5	Ningbo-Zhoushan, China	17.327	19.450	12%
5	6	Busan, South Korea	17.625	18.650	6%
8	7	Guangzhou Harbour, China	15.513	16.630	7%
7	8	Qingdao, China	15.556	16.620	7%
9	9	Dubai, United Arab Emirates	13.641	15.200	11%
10	10	Tianjin, China	13.010	14.050	8%
African Ports					
37	35	Port Said	3.671	4.060	11%
55	46	Tangier Med	2.558	3.077	20%
54	58	Durban	2.634	2.664	1%
85	83	Alexandria	1.519	1.678	10%
120	112	Mombasa	0.894	1.012	13%

Source data: Container Management (CM)

11.0 Container Handling Capacity of the Port of Mombasa

Increasingly the container business is taking centre stage as a more preferred mode of ship transportation. At the Port of Mombasa our strategy is to deliberately focus on growing this segment. The indications are good and currently the Port is handling over 1 million TEUs. Mombasa Port has a capacity of about 1.1 million TEUs, which is further complimented by the Container Freight Stations (CFSs) located near the Port. Imported containers can be transported from the Port container yard to a nearby CFS within a short time. CFSs are in actual sense working as supplementary on-dock container back up yards for storage because of shortage of the Port yard space.

Traffic Demand and capacity forecast is as below:

Latest traffic forecast indicate that the container throughput will rise from 1.012 million TEUs handled in 2014 to 1.12, 1.80, 2.00 and 3.00 million TEUs by 2015, 2018, 2020 and 2030 respectively. Against the backdrop of the above capacity of 1.1 million estimated in 2013/14 it is difficult to appreciate how the port is expected to cope.

12.0 Developing Mombasa Port to Maintain Top 5 Position in Africa:

Kenya Ports Authority is driving the delivery of the Vision of keeping the Port of Mombasa at the Top 5 position in Africa. This undertaking requires dedicated effort towards achieving world class sea port status, by providing competitive port services, anchored on quality and unmatched high productivity levels and efficiency standards. This has been achieved through reduced dwell time from 18 to 3.9 days in 2005 and 2014 respectively. Further investment in higher performing gantry cranes coupled with twin lift capabilities has consolidated the gains so far made.

Coping with demand

12.1 Mombasa Port Development Project (MPDP)

This is a new Container Terminal being constructed on a total area of 100 hectares and capacity to handle 1.5 million TEUs per annum on completion. This terminal will provide an additional 900meters of quay length and three (3) berths of 300meters each. It is partly funded by the Japanese International Corporation Agency (JICA) and the Government of Kenya.

The project is implemented in three phases:

MPDP Phase I

This phase, comprising of berths no. 20 and 21 was commissioned on 5th December, 2012 and is expected to be completed by 29th February 2016. It will provide additional capacity of between 470, and 550,000 TEUs annually.

The terminal is scheduled to be operated by an international terminal operator, through a 25-year Concession, whose identification process is ongoing.

MPDP Phase II

Phase II will involve construction of berth No. 22 which will give additional capacity of about 450,000 TEUs. Construction is expected to commence by early 2017.

MPDP Phase III

Phase III will be development of berth No. 23, 300meters in length and a side berth of 80meters long. Construction of this phase will give additional capacity of 450,000 TEUs. The entire project will cost USD 900million.

12.2 Extension of Existing Container Terminal

Following the relocation of the oil handling facilities at Kipevu, the land will be developed into extended container handling facilities to complement the existing capacity of berth nos. 16 – 19.

12.3 Conversion of Berth 11 - 14 into Container Berths

In order to create additional container handling capacity, the Authority considers the conversion of current conventional cargo berths 11-14, constructed between 1956 and 1959 into modern berths.

Currently, the berths are increasingly being used for container handling although they do not have the requisite equipment such as Ship -to- Shore Gantry Cranes, among others. The project will entail infrastructural modification to berths 11 to 14 to support loading from modern container handling equipment and procurement of handling equipment. Construction and equipping of the berths will take approximately 2 years. This project is expected to provide an additional 600,000TEUs capacity.

12.4 Dongo Kundu Freeport

As part of the Vision 2030 the Government of Kenya committed to the development of a Special Economic Zone (SEZ) at Dongo Kundu (3,000 acres of land owned by the Authority) which will include a Freeport area. KPA will develop and operate the first two (2) berths to facilitate operations of the Zone. This will be developed under Public Private Partnership arrangements (PPP) by 2018.

12.2 Capital Dredging

Recognizing that the shipping industry is shifting towards larger vessels that initially could not come to the Port of Mombasa due to draught restrictions, KPA embarked on capital dredging of the navigational channel and anchorage basins, maintenance dredging of areas in front of the existing berths and ancillary works such as installation of navigational aids. This Phase I of the project was completed in 2012 and extends up to berth no. 23.

12.3 ICT Developments

In addition to key infrastructural developments undertaken by the Authority, it has been appreciated that ICT is key to driving productivity, increasing efficiency and managing time. The Authority has therefore been at the forefront in rolling out advanced systems for time management, personnel management, procurement, among others, which have led to achievement of high targets and savings on costs.

12.4 Legal Review

In order to effectively deliver on its mandate and expand the scope of its responsibilities, the Authority embarked on a review of its Act (KPA Act) specifically to ensure better delivery of services, compliance to the new Constitution of 2010 and ability to engage the private sector better in development of port facilities.

12.5 Culture Change and Transformation Programs

To be able to realize modernization and expansion plans, requisite human capital will be key. In this regard and in order to tap into the stock of talent readily available in the seven thousand staff complement, the Authority initiated a change management system aimed at transforming the thinking and work culture of its staff. This has led to the inculcation of personal and collective responsibility values and work ethics to staff, thus enabling achievement of higher performance and increased productivity.

13.0 Conclusions

Kenya Ports Authority has, therefore, initiated key infrastructural development projects whose implementation to successful completion will transform the country and the region. The projects have far reaching impacts in mitigating capacity gaps, while improving operational efficiency at the Port of Mombasa.

It is envisaged that additional investments in capital infrastructure will ease congestion, reduce delays, increase revenue collection and cargo evacuation out of the Port. Essentially this will ready the port for more cargo and prominent ranking within the global port hierarchy

The Authority is therefore convinced that the above measures, to be complemented by coordinated interplay of other cargo interveners along the transport and supply chain, will deliver the promise of a **World Class Sea Port of Choice**, as per the KPA Vision and remain a top-five ranked container port in Africa.

October 2015