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WORKING TOGETHER TO MAKE THE MAPUTO CORRIDOR FIRST CHOICE FOR ALL STAKEHOLDERS  
TRABALHANDO JUNTOS PARA TORNAR O CORREDOR DE MAPUTO a PRIMERA ESCOLHA

## Maputo Corridor Logistics Initiative

### REPORT OF THE MEETING OF THE MCLI MAPUTO CORRIDOR OPERATIONAL EFFICIENCY WORKING GROUP 4 & 5 FEBRUARY 2010 NOU'S TOEKA, NELSPRUIT

#### DAY ONE: THURSDAY 04 FEBRUARY 2010

#### OPENING AND WELCOME

Brenda Horne-Ferreira, CEO of MCLI, kicked off the programme warmly welcoming all stakeholders to the meeting and briefly mentioning the prestigious NEPAD Transport Infrastructure Projects of Excellence Award received by MCLI last November. She dedicated the award to all members and stakeholders of MCLI for their support of the Maputo Corridor.

She outlined MCLI's focus for 2010 would be the 24-Hour Joint One-Stop Border Post, bi-directional transit cargo flows, efficient rail service delivery to support port growth and the establishment of and MCLI footprint in Maputo.

Brenda Horne-Ferreira thanked the Southern Africa Global Competitiveness Hub and TradeMark Southern Africa for their generous financial support of the meeting and reiterated that the workshop would be a platform for mutual collaboration and cooperation, as well as an opportunity to share achieved volumes on the road, rail, port, terminals and border post, which would enable a joint evaluation of challenges and constraints impacting upon the overall operational efficiency of the corridor. She urged all parties to work together to find workable solutions that would benefit the corridor, its stakeholders and communities.

#### AN OPERATIONAL OVERVIEW

A brief outline of the Corridor's history and the start of MCLI was presented by Barbara Mommen, Chief Operations Officer, recounting MCLI's achievements since its inception, its strong multi-lateral, multi-stakeholder, public/private partnership with significant membership support, institutional knowledge and a strong credible framework through the clout of its strong private sector mandate, as well as being a model of institutional corridor management on the African continent. She noted MCLI's high visibility in the freight and logistics sector because of its successful interface between government and private sector. This success is attributed to MCLI's strong and passionate leadership, an active secretariat and a committed board of directors who jointly possess a wealth of industry knowledge and expertise from both

public and private sector of both countries. This right mix of partners and the strong membership base continues to enable MCLI to remain instrumental in forming bilateral agreements at national level giving form to the ongoing political will in the region.

**MASTER PLAN AND PROJECTIONS FOR THE PORT OF MAPUTO : MR RUI SANTANA AFONSO :  
PORT DEVELOPMENT MANAGER : MAPUTO PORT DEVELOPMENT COMPANY**

In a comprehensive presentation, Rui Santana Afonso, gave an informative update of the progress and development planned for the Maputo Port. From the 17 million tons of cargo handled in 1971 to the current expected throughput of 8,7 million tons in 2010 and the projected increase to 26,2 million tons by 2015, 34,2 million tons by 2020 and reaching 48,6 million tons by 2030, the Maputo Port is set to become a sustainable SADC regional port for the vibrant import and export global trade markets.

A CAPEX investment to upgrade services, infrastructure, equipment, roads, rail, quays and to dredge the channel totalling US\$749.1 million is envisaged over the next 20 years, being US\$253.3 million by 2015, with a further US\$106,4 million by 2020, US\$229.3 million by 2025 and US\$160.1 million by 2030.

Rail freight capacity for the port will increase from the present 10 trains per day to 36 by 2030. Road truck handling would increase from the current 500 truck capacity (320 trucks per day at present) to 3000 trucks by 2015 and 4800 trucks by 2030. Increased cargo will impact on vessel draft requirements and a dredging plan to increase the dept of the channel from 9,4m to 12,1m by 2015 with the berths at MPDC, MIPS & TCM to 12,8m. Three new 15m berths at MIPS & TCM are planned which will substantially increase vessel handling capacity to 1500 vessels per year, by 2015 with further growth to 2500 vessels per year by 2030.

Mr Afonso reiterated that the key factors influencing the success of the implementation of the master plan remain the Maputo Port management and shareholders commitment to achieving and delivering a reliable cost effective service for all the Maputo Corridor stakeholders. In order to achieve this goal, cost effective and efficient bi-directional flow of transit cargo and the implementation of a one-stop border post must be attained.

In conclusion, Mr Afonso emphasised that the port development was going ahead very positively but that there were issues that needed attention, which was why the meeting had been called. He noted that several issues would affect the growth of port and the implementation of the master plan, namely, management and shareholder commitment at the port, cost effective and efficient bi-directional cargo flow, successful implementation of the One Stop Border Post, cost effective and efficient solutions to reduce the loss of revenue due to customs risks, ensuring reliable rail services for all users, and ensuring that all stakeholders provide the necessary services, including the port and terminals, agents, transporters and the various government authorities. He pointed out that one body was needed to coordinate these entities and that the Port felt that this was where MCLI's role was so important.

## **TRANS AFRICAN CONCESSIONS AND THE ONE STOP BORDER POST : MR ARTHUR COY : CEO OF TRAC**

Trans African Concessions CEO, Arthur Coy, presented the background to the 30-year Concession Contract awarded to TRAC in 1997 for the building, operation, maintenance and expansion of the N4 toll route. He noted the strategic objectives and benefits of the N4 which had provided access to global markets through the development of the Maputo Port, and the stimulation of trade and tourism which had increased job creation because of increased economic activity in Maputo and along the Corridor, improving income generation through the encouragement of private investment and the saving of public sector financial resources through the use of private sector investment in infrastructure development. TRAC had also invested substantially in social development projects and in ensuring job creation through the awarding of 720 contracts to 160 SMME's to the value of R304 million

Arthur Coy pointed out that TRAC has no law enforcement rights and relies on the law enforcement agencies of South Africa and Mozambique to monitor accidents, non-legal vehicles and driving, although TRAC does manage load control stations on the N4. Traffic has increased by 5-6% per annum and he reiterated the critical need for a one-stop border post given the volumes of cargo, passengers and vehicles processed daily.

The volumes over the recent festive period at the two toll gates closest to the border post showing a 5% increase over the previous year in spite of the economic downturn and the perceived reduced numbers of passengers as per BCOCC. He reiterated the critical need for a one-stop border post given the volumes of cargo, passengers and vehicles processed daily. On the 23<sup>rd</sup> of December 2009 alone, 55,505 vehicles were processed at the Maputo Toll Plaza, an 18.7% increase over December the previous year.

### **QUESTION AND ANSWER SESSION**

Questions regarding the port presentation were responded to as follows:

Concerning what incentives there would be to switch cargo from road to rail, it was suggested that MCLI drive this issue. Rail had conceded most of its cargo to road and the suggestion was made to move rail friendly cargo by rail at the start and to continue moving road friendly cargo by road. Concerning prices and associated tariffs, a tariff book would be published in 2 months time and made available to all interested parties.

On a question regarding port tariffs, Mr Afonso confirmed that the port was currently busy with verification of the information contained in an internal draft tariff book and that the intention was to make this available to the public once the internal process was completed within the next month or two.

Concerning the port's future plans for fruit handling, Mr Afonso noted that the trend to container shipping had been noted, with approximately 80% of fruit moving by container and that the fresh produce terminal would be move adjacent to the container terminal to allow better handling. Provision had also been made for fresh produce and fruit packing closer to the terminal to improve efficiencies for both container and break bulk.

In response to a question regarding Maputo's transit and transshipment activities, Mr Afonso noted that the port saw itself servicing local and transit cargo to South Africa, both imports and exports, which is why it made getting bi-directional cargo flows right. In terms of transshipment of containers, he said that port was more of a transshipment port to the Mozambican ports of Beira and Nacala which service Zimbabwe, Malawi and Zambia

Questions raised regarding the road were the condition of the N4 in Mozambique, the congestion of vehicles moving out of Maputo, the planned pedestrian bridges at border and closer to Maputo not yet being built, still leading to frequent pedestrian deaths and objections were raised regarding the sand damage to vehicles on the Moamba/Matola section of the N4. There was concern that toll fee increases had been implemented in South Africa but not in Mozambique and that the quality of the road on the Mozambique side was inferior to that on the South African side.

#### **ACTION: MCLI**

Arthur Coy noted that the portion of the road where the major congestion occurred fell outside of TRAC's Concession and was the responsibility of ANE. He noted that TRAC was working with ANE to ease traffic, but the solutions were expensive. He also noted that it was the Mozambican Government's responsibility to erect pedestrian bridges, while TRAC was responsible for their maintenance. Regarding the sand damage to vehicles, this matter had been pointed out to the Minister of Public Works and this was an issue which the Government should be dealing with. On the issue of tariff increases, the Mozambican Government had subsidized the toll fee difference due to the election, but scheduled adjustments would happen shortly. Arthur Coy advised the meeting that the Mozambique section of the road was new and of superior quality and reported potholes are repaired within 24 hours and also indicated that there was a 24 hour call centre servicing the whole of the N4 and complaints, concerns or any emergencies should be reported there.

#### **ADDRESS BY THE SOUTH AFRICAN HIGH COMMISSIONER TO MOZAMBIQUE – HIS EXCELLENCY D MOOPELOA**

His Excellency Moopeloa briefly addressed the meeting reiterating the importance of the relationship between South Africa and Mozambique with the Maputo Corridor as a most strategic artery for growing the economies of the corridor countries. He noted the importance of Mozambique as South Africa's key trading partner, the need for partnerships in energy and rural economic development to meet the growth needs of SADC.

He encouraged MCLI to continue with building the critical relationships between the public and private sectors and indicated that the South African High Commission was open for discussions with stakeholders and that the Commission's briefing sessions would be an important conduit for further promoting trade and investment between the two countries.

#### **PANEL DISCUSSION**

**MOZAMBIQUE'S NON-INTRUSIVE INSPECTION PROGRAMME : DR HORÁCIO SIMÃO : DEPUTY DIRECTOR GENERAL OF PLANNING, STUDIES AND INTERNATIONAL RELATIONS : MOZAMBIQUE REVENUE AUTHORITY**

Dr Horácio Simão presented an overview of the customs and fiscal reforms being implemented by the Government of Mozambique. These reforms are in line with the World Customs Organisation recommendations, and legislation and procedures were being addressed to meet the recommended international policy and practices. The main pillars of the WCO framework of standards which Mozambique had adopted are Customs to Customs Cooperation and Customs to Business Cooperation. These ensure a better flow of information between the customs operations which in turn facilitates the clearing process and fast clearance of goods, ensuring security of goods in the international supply chain; a prerequisite for global trade facilitation.

One of the recommendations in the implementation of the framework of standards is the use of non-intrusive inspection equipment which circumvents the need for customs officials to open containers for inspection. This program has been adopted and implemented by decree 10/2006 with Kudumba Investments having been awarded the concession to perform this function on behalf of the government. The government is currently looking at implementing these strategies at all main entry points and transiting points so that traffic can be speedily processed. This includes all ports, airports, railways and land borders, being the Ressano Garcia Border Post along the Maputo Corridor as part of them. Besides reducing cargo clearing times and facilitating the flow of passengers and vehicles, another advantage will be to control and prevention of drug trafficking and dangerous goods from coming into or out of the country creating greater reliability of the service provided by Mozambican Customs.

#### **MR KEVIN DAVIES : MANAGING DIRECTOR – KUDUMBA INVESTMENTS LDA**

Mr Davies showed a short film giving insight into what Kudumba does at the Maputo port and gave an overview of the Kudumba Project, a public private partnership concession covering the major arteries into Mozambique, providing integrated border security solution at all frontiers, land, sea and air using international technology and expertise on behalf of the Government of Mozambique.

With regard to the Port of Maputo, Kudumba is at the centre of the import, export and transit good operations, with the major advantages of speedy processing, increased efficiencies, customs reconciliation of documentation with physical inspections, compliance with legislation whether national or international and increased security.

Mr Davies pointed out that all rail traffic into the Port of Maputo would soon be subjected to scanning activities and the dual rail scanner was, in fact, the first of its kind in the world placing Mozambique in a position of leading in innovative scanning technology. These X-ray systems give customs officers the ability to differentiate between organic and non-organic material, such as drugs, weapons and standard goods. From the time the goods enter the port to departing, the entire process of the operational flow takes up to a maximum of 6 to 7 minutes. The scanning of the container itself takes less than 40 seconds.

#### **MOZAMBIQUE'S SINGLE ELECTRONIC WINDOW SYSTEM : DR RUI DA SILVA : SGS**

Dr Da Silva gave an insightful presentation of the Single Electronic Window system for customs clearance of goods which is hoped to be implemented in Mozambique in January 2011. This is a unique platform where all information can be accessed by authorized stakeholders, allowing for

quick processing and clearing of goods. In essence, SEW is a server that will be interfaced with the SIGA server (Customs Integrated Management System Server of the Mozambique Government) integrating all the information and operations into one single operation which will allow the declaration and release of goods without goods going through customs, and represents a transition from the transfer of documents to the exchange of information.

The benefits of the SEW include reduced paperwork, increased efficiency of the public sector which forms part of the Government of Mozambique's reform program, improving the business environment, increasing the safety and integrity of goods in foreign trade, optimization of tax collection, exchange of information, and a reliable channel for the exchange of statistical information between national agencies involved in foreign trade. In addition, the SEW project will comply with international standards and has been tested in the EU and Africa with considerable success.

The project will be implemented via a public private partnership at a cost of US\$12,75 million via the joint venture named MCNet which has 20% government shareholding, 20% shareholding by CTA and a 60% shareholding by Escopil/SGS.

#### **UPDATE ON MODERNISATION INITIATIVES AT SARS : MR BEYERS THERON : EXECUTIVE – CUSTOMS MODERNISATION AT SARS**

At the outset of his presentation Beyers Theron commented on how encouraging it was to hear the region talking the same language with regards to trade and customs modernisation. He gave a brief background of the major transformation initiatives over the past 11 years, from the Customs Transformation Programme starting in 1997 through to the Customs Green Paper adopted in 2006 which still forms the basis of current procedures. He went on to unveil the modernisation strategy which has yet to be fully shared internally at SARS. He stressed the foundation of the Customs Strategy which incorporates WCO best practice and benchmarking with best practice organisations internationally. The implementation of the modernisation initiatives would require a new legislative basis which would probably be passed in parliament later this year or early in 2011.

The key principles for modernisation are a supportive policy framework, consistent and predictable processes, a new value-add and performance driven culture and flexible, adaptable and smart systems capabilities, in compliance with international instruments such as the Kyoto Convention and WCO SAFE Framework of standards, whilst at the same time maximising existing and available equipment and technologies in an environment of continuous change. Theron indicated that the improvements must be implemented across people, processes, policy and technology. He outlined the implementation of a single registration system for SARS which would be implemented within the year and which would eventually be integrated to have a single view of the client and their tax/trade profile. New cargo clearance technologies and trade accreditation benefits will enable legitimate traders to pass through the system with minimum intervention and improved facilitation opportunities.

The benefits of the modernisation initiatives include improved service delivery to trade, enhancement of international and regional trade, encouragement of ownership and accountability for individual and organisational performance, automation of non-value adding activities to leverage scarce customs human resources, empower intelligent and assertive

border management and control and fostering transparency, predictability, self compliance and regulation.

## **QUESTIONS AND ANSWERS:**

On a question raised regarding the lack of transparency on the introduction of the Non-Intrusive Inspection and the suspicion by stakeholders due to the high costs per container, Kevin Davies of Kudumba and Horácio Simão from the Mozambique Revenue Authority indicated that the concession had been granted by the Mozambican Government and that tariffs were determined by the government. The Kudumba contract did not include stakeholder engagement; however, extensive information was given through the media and various stakeholder organisations. With regard to scanning devices in South Africa, Beyers Theron clarified that SARS carries the cost of scanner operations.

On an issue of regional integration and a concern regarding three different customs initiatives being introduced at a time when regional integration was a strong imperative within SADC, it was noted that countries launch customs systems from different policy positions and for different reasons and that, despite this, the systems were able to interface and talk to one another. Beyers Theron pointed out that there is an international data formatting standard prescribed by the WCO and a common data model that supports data exchange between members administrations where possible. Dr Simão clarified that the scanner fee is only charged once if cargo is processed by more than one inspection point.

Regarding the inspection of containers in transit, it was indicated that the inspection process was not a decision of the concessionaire, but by Alfandegas and Kudumba was required to carry out the inspection based on the information of the customs authority.

A question was raised regarding the necessity of the inspection of empty flat bed trucks and it was explained that Customs views the empty trucks as a risk as goods can be hidden under the chassis. Empty containers were also viewed as high risk objects as tracking usually stops once the consignment is offloaded.

David Gomes of CFM made a plea to Alfandegas to review the scanner charges and he gave the example of a container despatched through the port of Durban costing \$2850 while a container despatched through Maputo cost \$3470, and as a result traffic was being lost every day, as was revenue to Mozambique. He requested an urgent review of the fees while the modernisation process was underway, as this cost represented a stumbling block for the corridor and the port of Maputo.

### **NOTE FROM MCLI:**

The rates quoted by Mr Gomes were presented by a client comparing road on the Maputo Corridor vs. rail from Nelspruit to Durban. For good order's sake and a realistic understanding please refer to the attached cost comparison between Maputo and Durban of rail done by the container terminal and which compares the same transport mode, thus comparing apples with apples.

Brenda Horne-Ferreira raised the issue of the DA341 having been removed from circulation and despite MCLI having requested a response from SARS on the matter, nothing had been

forthcoming. She requested the SARS representatives to pursue the matter and to respond to MCLI.

**ACTION: SARS**

## **PART TWO : ONE STOP BORDER POST PROJECT STAKEHOLDER ENGAGEMENT**

### **JOINT ONE STOP BORDER POST PRESENTATION : MR VICTOR NUNES OF SARS AND DR DANIEL TOVELA OF MOZAMBICAN CUSTOMS**

Mr Victor Nunes, Program Manager for the Lebombo/Ressano Garcia One Stop Border Post and his Mozambican counterpart Dr Daniel Tovela gave an update on One Stop Border Post project. The key factor affecting progress had been the financial setbacks the project had experienced due to the impact the Global Financial Crisis had upon available budgets and funding. Although the original OSBP design currently cannot be implemented as per the initial scope, a contingency plan had been agreed in November 2009 to alleviate congestion and cater for the 2010 World Cup event.

The decongestion plan included the development of a freight bypass road to KM4 in Mozambican territory. This project had begun and it was being planned that this would be completed by June 2010. The KM4 facility would have capacity for approximately 120 trucks. This would provide some form of relief to the current congestion.

Non-commercial traffic would be cleared at the current site with current infrastructure at the Lebombo and Ressano Garcia border posts. A pedestrian facility in South Africa is to be developed with a foot path linking South Africa and Mozambique. The Mpumalanga Government is also working in association with the Department of Transport to implement a joint rail port of entry at the Komatipoort Station.

Mr Nunes reiterated that legal issues remain a huge challenge and require considerable attention.

Dr Daniel Tovela added to the presentation saying that the One Stop Border Post was crucial and would make the Maputo corridor more viable in terms of the road component and for trade facilitation. He added that the Mozambican Government would like to create the situation where the competitiveness of the Port of Maputo becomes a reality in relation to Walvis Bay and Durban. The implementation of the project would also increase tourism to the region, particularly with regard to capitalising on the 2010 Soccer World Cup.

The project had been estimated at USD130million, but the actual costs would only be determined later. He indicated that a number of preliminary projects had to be implemented before beginning the project and are now completed:

- resettlement of 51 families
- de-mining of the area
- compensation to families for the loss of fruit trees

Dr Tovela assured the meeting that the work would be done before the 2010 Soccer World Cup and he said that his government was reckoning on the support of the private sector in ensuring the success of the project.

This 24-hour OSBP principle is urgent but the private sector must be prepared to work hand in hand with the public sector. Clearing agents, road, port and border post personnel must work on a 24-hour schedule to decongest and increase freight capacity by 33%.

#### **QUESTION AND ANSWER SESSION:**

In response to a question regarding the inclusion of road transporters in the working groups on freight transport, Victor Nunes indicated that the project had as yet not included the private sector, but that there were plans in future to involve the private sector once it was clear what could be done with the available resources.

Clarifying the issue of what functions would be carried out at KM7 and KM4, Mr Nunes indicated that the relevant working groups would determine which infrastructure was best suited for particular activities and functions. Clarification was also given regarding the role of FRIGO in the future, and Dr Tovela pointed out that FRIGO has capacity for 320 trucks, as opposed to the 120 truck capacity at KM4, and that both would be used. The division of functions between FRIGO and KM4 would be that small importers and exporters would use KM4, i.e. where the cargo did not exceed R12 000, and that this would be revised, possibly up to R40 000, but that the terminal would need a bank, storage capacity as well as cold storage capacity.

Dr Tovela reiterated the need for a 24hour operation and said that they were working towards that goal. Clearing and forwarding agents present indicated that they would certainly work for 24hours should traffic warrant 24 hour operations.

Brenda Horne-Ferreira pointed out that many of the issues impacting on the cost to the supply chain were as a result of inefficiencies at FRIGO, and asked if there were opportunities for the private sector to partner with government to create facilities at KM4. Dr Tovela indicated that the present situation was a contingency plan and that the implementation of the total project was in the pipeline and that there would be opportunities for participation in due time in order to add to that objective.

A question was raised regarding the compulsory use of the FRIGO facility and the exorbitant costs charged at the facility which is seen as unreasonable and detrimental to the cost efficiency of the Maputo Corridor.

Mr Fernando Anselmo of ATM clarified the matter saying that the management of the terminal was on a concession basis and that the modality for management and setting of costs was as a result of services provided at the facility. He conceded that the services provided should be on the basis of a formal agreement between the Government of Mozambique and the concession company. He noted that there was a need for a revision of tariffs in the light of the national and regional situation and suggested that the appropriate channels within the private sector forum should be used to ensure that the issue reaches the correct role players in Government who had the power to renegotiate the

Brenda Horne Ferreira noted that the storage at FRIGO was charged on an ad velorem tariff basis. She added that customs at FRIGO did not operate for 24 hours which resulted in high costs. Trade negotiations are difficult because the costs are not predictable. She emphasised the need for this costs to be a predictable costs.

The meeting unanimously agreed that MCLI should facilitate a working group on the matter.

**ACTION : MCLI**

It was noted that at peak periods, and with one commodity alone, a truck passed through every four minutes and the need for a 24 hour operation was emphasised. This was accompanied by a plea for more customs officers to be allocated to the operation to get rid of the bottlenecks. In addition a question was raised regarding what infrastructure would be provided at KM7 to assist with the clearance of freight that would move through the Dry Port.

The meeting made a unanimous all for the 24 hour operation of the border post.

**ACTION: ATM, BCOCC, MCLI**

Victor Nunes indicated that the processes were currently being worked on by the operating procedures working group who were, amongst others, addressing how and where the two facilities would work together, should that be the agreed concept and process. This work had not yet been finalised, but once completed, the concept and processes would be communicated accordingly and the private sector included accordingly.

A question was raised relating to which authorities would be in control at these facilities. Victor Nunes indicated that the legal issues pertaining to the OSBP were complex and were in the process of being discussed, debated and developed. These issues covered, amongst others, jurisdictional issues, the duties and powers, and such intricacies as the case, for example, if a Mozambican is injured on South African soil and vice versa. He reiterated that acts and legislation were needed and would be addressed and developed over a period of time.

On questions regarding the total project costs and what the funding gap amounted to, Victor Nunes pointed out the initial design and plan had resulted in estimated infrastructure costs of over a billion Rand. This was mainly due to the difficult terrain on which the current border posts were built, the limited land available to develop the future infrastructure developments and the development of the initial KM4 bypass road. With the limited funds provided to DPW South Africa by National Treasury, there was a shortfall of approximately 75% which resulted in the redesign and development of the 2010 Contingency Plan, which would assist in alleviating congestion at the border posts and which was decidedly less expensive.

Victor Nunes advised that the plan was to develop and build the pedestrian facility, walkway and KM4 facility and have them in place prior to the 2010 Soccer World Cup.

Barney Curtis raised the concern that there had been no reference to the regional economic community which was essential in a regional project between two countries. He added that there would be a greater likelihood of sourcing donor funding if this was the case. Dr Simão gave the assurance that SADC was well aware of the development of this project and that support had been offered at political and technical level. He added that the One Stop Border Post project had unique characteristics which made the new model a challenge for cooperation, but there was determination for the project to succeed through bilateral cooperation.

**ACTION: SARS**

## **WAY FORWARD AND TERMS OF REFERENCE**

## **MCLI MANDATE FOR THE OSBP : BRENDA HORNE-FERREIRA : CEO - MCLI**

Brenda Horne-Ferreira outlined the need for a formalised bi-lateral stakeholder engagement mechanism to facilitate engagement and communication between the public and private sector on the Lebombo/Ressano Garcia 24 hour One-Stop Border Post. She presented a proposal for a bilateral stakeholder engagement structure which would include MCLI within the anchor structure representing the private sector.

She outlined the purpose of the Bilateral LRG OSBP Communications Committee which was to ensure coherence, synchronisation and dissemination of news to both countries on the objectives and progress on the project and provided a summary of the functions of the various anchor point representatives. She also proposed performance standards which would ensure accountability within the project, the content of communication as well as stakeholders to be targeted and significantly, a monthly meeting with the Bilateral SSABP Committee to ensure feedback and updates to accomplish the objectives of the Committee and the project itself. She reiterated that, over time, this structure could become a very powerful tool, even once the OSBP is completed, to communicate what is happening in the region

The proposal was unanimously adopted by the meeting and MCLI was mandated to present the proposal to the SARS and Mozambican Customs principles to see how it could be taken forward.

**ACTION: MCLI, LRG OSBP**

This presentation closed the first day of proceedings.

## **DAY TWO: FRIDAY 05 FEBRUARY 2010**

### **ADDRESS BY MCLI SOUTH AFRICAN CHAIRMAN : DR MATHEWS PHOSA**

Dr Phosa addressed the meeting reiterating the need for stakeholders to support and promote operational efficiencies on the corridor, and in so doing, reduce the cost of freight transport and the cost of doing business in the region. He expressed his delight at the wide representation and active participation from both the public and private sectors at the meeting. He alluded to the increased volumes on the Maputo Corridor, despite the economic recession of 2009 and said that this was proof of the huge potential of this strategic corridor.

Dr Phosa urged the bi- lateral lead agencies and government departments to work with the private sector to keep the newly demonstrated momentum going by ensuring the immediate 24 hours opening of our border post for freight and to ensure that the target to have the border post de-congested before the World Cup Soccer is met and to continue to focus on operational efficiencies. He gave his unequivocal support to the MCLI proposal for participation in the OSBP Communication Committee to ensure transparency and open communication to all stakeholders.

Dr Phosa made a personal appeal to the revenue authorities, TFR and CFM to consider the seriousness of the discussion of the day, especially in the light of the seriousness of ensuring optimisation of corridor infrastructure investments. He also urged participants to utilise the opportunity to table operational issues so that MCLI could take these to the relevant platforms. He closed his address with an observation that 2010 was likely to be a challenging year for the

transport sector, but expressed confidence that the collective efforts of the public and private sector would bring success and support to the economies of South Africa and Mozambique and bring benefits to the people of the region.

### **SESSION THREE : TRANSIT CARGO AND TRANSHIPMENT DISCUSSION**

#### **THE IMPORTANCE OF BILATERAL TRANSIT CARGO FLOWS ON THE CORRIDOR – RUI SANTANA AFONSO – CHAIRMAN OF THE MCLI CUSTOMS COMMITTEE**

Mr Afonso provided an overview of the role of the Port of Maputo in its heyday as the preferred in-transit cargo port for neighbouring countries. This was no longer the case due to the imbalance between incoming and outgoing cargo. He also provided a cost analysis of the logistics chain showing the tariffs of the port of Maputo in relation to other South African ports. These extended to sea freight tariffs, land tariffs and the customs guarantees which had a severely detrimental impact on the competitiveness of the port to receive in-transit cargo. He provided an example of customs guarantees being levied on a pipe transshipment which was essentially a low risk item. He then outlined the impact of not receiving in-transit cargo on the economy of Mozambique and the possible revenue and cargo volumes that could be generated if the port of Maputo became a cost effective in-transit option. He projected that 20 ships per month with in-transit cargo would increase total income to US\$59m annually, and cargo volumes would increase from the current 8million tons to 10,5million tons.

Mr Afonso outlined the interventions that were needed to improve the competitiveness of the Port of Maputo as well as the challenges facing in transit cargo. He ended his presentation with a proposal for discussions with Mozambican Customs which included defining a list of low, medium and high risk cargo, the introduction of certification for transit agents to conform with the needs of Customs, to establish guarantee services through insurance companies, the investigation of forwarding agents and transport service providers being accredited operators and the establishment of a 24 hour customs team at the port which would be entirely dedicated to in-transit cargo.

#### **THE IMPORTANCE OF SHIPMENT MANAGEMENT – MR FRANS VISSER – RÖHLIG GRINDROD MOZAMBIQUE**

At the outset of his presentation, Mr Frans Visser emphasised the need for all stakeholders in the supply chain to work together to ensure that the correct processes and procedures were followed and highlighted some crucial general pointers to ensure the success of shipment in and out of Maputo and to enable efficiency and cost effectiveness of the Maputo Corridor. He provided a valuable step by step process flow for the release of empty containers for rail and road, and for the return of full containers by rail and road. He also provided a process flow for cargo imported through Maputo to South Africa and urged stakeholders to do their homework thoroughly before embarking on cargo shipments, to use trial shipments to test the system and to provide an insight into the complex requirements. He said that a partnership approach between customs and business was essential in order to achieve a smooth shipment of goods.

#### **CASE STUDY FROM THE CITRUS GROWERS ASSOCIATION: MR MITCHELL BROOKE – LOGISTICS COORDINATOR**

Mr Mitchell Brooke's presentation outlined the strategic position of the Port of Maputo for citrus exports particularly from the northern regions, showing that, amongst others, substantial potential to increase volume throughputs, a migration toward containerized shipping which is pulling the fruit exports to Durban, and potential to pull European, Russian and Middle East market fruit to Maputo. He then outlined the shipping constraints, the chief of which is a lack of named day shipping schedules to Europe and the Mediterranean via reefer ship, and the lack of a direct shipping option to key citrus markets in Europe, the Mediterranean, the Middle East and Far east.

In his discussion on operational constraints he highlighted issues around market consolidation, road and rail transportation, with a particular focus on the problems with rail and suggesting that multimodal transport was the future of citrus transportation. He provided a cost comparison between Maputo and Durban showing the current cost constraints around handling, transportation and shipping, and providing an insight into the interventions required on the Maputo corridor by specifically reducing transportation costs, a key factor being the delays at the border post, in order to provide a cost effective option for the port of Maputo. In addition, shipping coordination was required to ensure that the cost of shipping is reduced by loading full and complete vessels to Europe out of Maputo.

Mr Brooke summarised the needs for successful citrus shipping out of Maputo by ensuring efficient and cost effective transportation by road and or rail, shipping access in the form of cost effective and regular shipping services to key citrus markets by container or reefer vessels, and sufficient and adaptable storage and handling infrastructure both inland and at the port of Maputo.

#### **TRANSIT POLICY, RISK MANAGEMENT AND PROCEDURES: MR FERNANDO ANSELMO – MOZAMBIQUE REVENUE AUTHORITY**

Mr Anselmo began his presentation with an assurance to stakeholders that the Mozambican Revenue Authority was committed to promoting fiscal reform and customs modernisation, customs to customs dialogue and customs to business dialogue in order to facilitate regional trade. He added that the context within which these reforms are taking place was the SADC policies on regional and economic integration, and that SADC member states, of which Mozambique and South Africa are active members, had developed the transit management instrument governing the in-transit movement of goods.

Mr Anselmo then outlined the key legal provisions of the SADC transit management system which include the following:

- General provision governing the free movement of goods
- Extra territorial recognition governing the mutual recognition and surety of transit declarations
- Licensing of Transporters and Carriers governing transport service providers, including SADC-TRANSIT plates on the means of transport and the licensing of such transport
- Bonds and sureties which apply to charges payable before goods can be released under transit procedures

- Transit documentation governing the mandatory use of prescribed documents within SADC member states
- Transit procedures governing the presentation of cargo at customs offices, the security of cargo during transit and the single customs office of destination for transit shipments
- Obligations of member states relating to the transfer of funds and the liability of covering goods outlined in the SADC Transit control document
- A record keeping regimen for transit operators requiring the safekeeping of records for a period of five years
- Surety via cash, bonds or guarantees, the types and validity of guarantees and relative legal provision around cancellation of guarantees
- Designation of transit routes and prescription of time limits
- Incident reporting mechanisms
- The alignment of computerized and electronic lodgement systems with transit procedure requirements and
- Offences and penalties

In response to the bond and guarantee issues raised by previous speakers, Mr Anselmo indicated that operators with a good profile would not encounter problems with regard to negotiating these in accordance with the risk profile of the cargo. He emphasised that this process was an ongoing dialogue and that the discussion should be opened with the customs and revenue authority. He emphasised the willingness of the customs and revenue authority to work together with the private sector to promote business and the growth of the Mozambican economy.

Brenda Horne-Ferreira thanked Mr Anselmo for the open and frank discussion and the willingness to cooperate with the private sector and offered MCLI's services in coordinating and facilitating the communication of changes in the transit customs regimes to the wider community.

## **QUESTION AND ANSWER SESSION**

A comment was made on the presentation on shipment management procedures by Frans Visser and it was suggested that forum be facilitated by MCLI which would look at the detail involved in transit shipments so that everyone involved would have a clear understanding of all the requirements and that a monitoring type body could act in the interests of ensuring compliance with each consignment. Brenda Horne-Ferreira confirmed that this was the very reason that the issue was included in the workshop. She emphasised the need to interact with the authorities to work with the supply chain and confirmed MCLI's ability to work with the authorities to find a workable means of solving the problems. She noted that the transit environment was different and that MCLI was engaging extensively with the Port to create solutions. She urged stakeholders to call on MCLI early on in the process, rather than when a shipment had fallen flat. She confirmed that a detailed document of the process was in draft and would be finalised shortly and made available to stakeholders.

### **ACTION: MCLI, MPDC**

An MCLI member pointed out that it was a principal mistake to assume that every service provider in the supply chain knew exactly what was expected of them. He urged those

intending to import to ensure that they engaged with all the relevant parties to ensure that all the correct procedures were followed and encouraged stakeholder to join MCLI who was able to assist wherever possible.

It was noted that users of the corridor should not assume that everyone in the supply chain knows exactly what is expected of them and potential users were warned to meet with all the role-players along the line and ensure that their roles were clear before embarking on a shipment. Stakeholders were encouraged to join MCLI who was dedicated to assist members wherever possible.

On a question regarding the bond situation having resulted in lost transshipments to Durban and whether something was going to be done in this regard immediately, Mr Fernando Anselmo indicated that each case was viewed on its own merits. He emphasised that the transit agents were the main links to customs and had to be registered and licensed according to the norms and local laws and recognised by customs. He confirmed that the profile of the shipment was evaluated and all elements taken into account when determining the risk profile of a shipment. He also pointed out that there was definite commitment and goodwill on the part of Customs to be partners in this business. He indicated that the time limit was a matter of planning and that Customs would have to do its homework on the issue. He added that Customs should not delay on the matter as they were already fairly late in the process and that he would not like to leave the solution to the future, but the recommendations should be passed on to MCLI and that the result should be immediate and for the benefit of all.

Brenda Horne-Ferreira confirmed that MCLI would facilitate this process in partnership with Customs so that MCLI members would be accredited. She was gratified that there was an interim process in place which would cover the risks until the new system was in place. She added that MCLI would set up the process for the accreditation of agents, transporters and rail as accredited operators, which would obviate the need for bonds and guarantees.

**ACTION: MCLI, ATM**

In answer to a question regarding duplication of the Customs tracking system and the Kudumba function, Dr Horácio Simão indicated that the tracking formed part of the same government programme which was aimed at covering the entire country.

Mr Rui Santana Afonso commented that the MCLI Customs Committee had started discussing transit cargo a year ago and that much has been learned in that year. He added that all stakeholders and partners had the same objective which was for trade to take place and that as a result, the relationship between stakeholders had grown closer. He pointed out that results of the two day meeting were extremely positive and had been important in bringing stakeholders together and in creating understanding. Mr Anselmo confirmed the commitment of his department to move forward and requested that an action plan with a matrix of the appointed problems would be drafted, along with deadlines for customs to solve the problems. Brenda Horne-Ferreira thanked Mr Anselmo for this commitment and expressed her appreciation to him and his colleagues for their willingness to work together with corridor stakeholders to bring solutions.

## **SESSION 4 : RAIL**

### **JOINT PRESENTATION BY TFR AND CFM : MR DAVID GOMES : COMMERCIAL DIRECTOR - CFM**

Mr Gomes's presentation covered the capacity of the Ressano Garcia line, providing an insight into the growing commodity movement on the line, putting paid to the incorrect perception that apart from coal and magnetite, there is no capacity for anything else. Detailed statistics formed part of the presentation, as did a summary of the problems which had been identified on the line. These included the perceived problems surrounding the availability of CFM locomotives, the wrong perception which prevails regarding the availability of the Ressano Garcia line for cargo other than that of TCM, the delay in transit times from Komatipoort to Maputo caused by communication inefficiencies between TFR and CFM, and the delays in procedures at the Maputo marshalling yard. The presentation also outlined the turnaround times achieved by CFM.

Mr Gomes pointed out his concern at the absence of TFR which placed the bilateral agreement between them and CFM in question. He raised another key concern for the attention of the forum, namely that TFR was charging a discriminatory rate for the Maputo route, and this presented an enormous problem for CFM and he was unsure as to how to handle the situation. He gave an example of a 40ft container from Witbank having to pay more than the same container from origin to Durban. He added that the per ton kilometre rate was discriminatory and was in contradiction to the business agreement signed by the CEO's of CFM and TFR, which was in fact a binding document. He emphasised that this was a long standing problem and must be dealt with urgently.

The meeting unanimously mandated MCLI with the drafting of a document that would clearly outline the agreement, the non alignment and the proposals for addressing the matter. Brenda Horne-Ferreira indicated that MCLI would need to be proactive in the matter as previous lobbying with TFR had not worked and that there was no point the Port investing to push throughput to 48mt if the rail issue was not resolved.

**ACTION: MCLI**

### **PASSENGER RAIL UPDATE : DR PAULO FERNANDES – MAPUTO CORRIDOR FLAGSHIP PROGRAM**

Dr Paulo Fernandes, Programme Director of the Maputo Corridor Flagship Programme of the Mpumalanga Government, provided an overview of the Flagship Programme and the objective of the provincial government to develop an economic corridor. The projects of the Flagship Programme include industrial parks, truck stops, border infrastructure, tourism infrastructure, technology centres, information centres, a Portuguese Language Institute, and the Lowveld Show grounds upgrade.

On the issue of the Komatipoort Station project, he updated the meeting on the key elements of the project which were to provide a passenger clearing facility at the Komatipoort Station which would focus only on rail passengers with a long term capacity of 1000 passengers per day. He provided an overview of the challenges and key success factors for the project which included the continuity of government department representation, funding issues, bilateral and other agreements, amongst others.

The key element of the project is that it is seen as a long term solution to the need to decongest the Lebombo/Ressano Garcia Border Post, and as a catalyst for rail passenger traffic between the two countries and a means of reducing the estimated costs of the OSBP Project.

## **QUESTION AND ANSWER SESSION**

CFM was complimented on its turnaround times and several stakeholders expressed their embarrassment and disappointment at the lack of TFR representation at the meeting and expressed their support of the mandate for MCLI to intervene on the TFR issue. Concern was also expressed at the lack of participation by both the national and provincial departments of public works.

The matter of the lack of siding facilities for end users was raised as was the intention by TFR to abandon the branch lines and it was suggested that the revival of branch lines had become critical. MCLI is to request the Provincial Department of Roads and Transport to look into the matter.

**ACTION: MCLI, MDPWR&T, DOT**

On a question relating to the clearance of train passengers at Komatipoort, Dr Fernandes indicated that first prize would be on board clearance of passengers, but that there were complex technical and immigration issues which made this more difficult than would normally be the case. He emphasised that the purpose of the single station for clearance was to ensure that passengers were kept out of the existing border post and that if clearance could not be done at the station, then the project did not make sense.

Rui Santana Afonso encouraged freight forwarders to participate in the daily port meeting which would assist with preventing a situation which had occurred recently where trains had sat at the marshalling yard for two days without any indication whose consignment this was and where it should be going.

**ACTION: FREIGHT FORWARDERS**

David Gomes responded to comments and questions regarding the critical need for reliable rail services for the movement of cargo to Maputo. He indicated that the scheduled quarterly meetings between TFR and CFM had also failed because TFR was not participating. CFM had even offered to take trains 12km into South Africa to Malelane to collect sugar for Maputo, but this had been a difficult process and the planned implementation from 01 April was regarded with some scepticism on the part of TSB Sugar. He indicated that the same problems existed with regard to TFR's citrus operations. The need had been identified for trains for maize and citrus and Mr Gomes suggested that case studies in this regard would raise the necessary attention to this matter, although this would have implications for tariffs. He added that CFM was awaiting TFR's input on this matter.

**ACTION: CFM,TFR**

Brenda Horne-Ferreira committed MCLI to setting up a rail working group with a small team of knowledgeable technical people on rail who would be able to elevate the issues to the highest level. She reminded the meeting that Dr Phosa had asked for a writing regarding the rail issue which could be taken by him to the relevant representatives and this had not been

forthcoming, and that the setting up of the task team was critical. The task team will be comprised of the following representation and undertook to meet within the next month:

CFM – Mr David Gomes

Port of Maputo – Mr Rui Santana Afonso

PDNA - Dr Paulo Fernandes

BP South Africa – Itumeleng Motsopa

Grindrod Terminals – Mr Pieter Venter

Citrus Growers Association – Mr Mitchell Brooke

Manganese Metal Company – Mr Nirosh Nanoo

Delta EMD – Maureen Steinbrucker

Motlabaile Plant Road/Rail Freight Transportation - Mr Diphale Motsepe

### **CLOSURE:**

Brenda Horne-Ferreira thanked stakeholders for their attendance and valuable inputs into the meeting which contributed to its success and undertook to ensure that the matters raised would be taken up with the relevant authorities. She also announced that Mr Jorge Ferraz had been appointed Chief Executive Officer of the Port of Maputo and congratulated him on this achievement.

In his closing remarks, Jorge Ferraz indicated that the last 5 years had seen great progress by MCLI in influencing and creating awareness of the corridor. He thanked the members for their support and ongoing commitment to the success of the corridor, without which it would not have made the progress it had over the past five years. He urged all stakeholders to work together to build the port to what it was before.

### **ANNEXURES:**

1. Attendance Register
2. Apologies Register
3. Opening Remarks : Mrs Brenda Horne-Ferreira
4. Presentation : Operational Overview of MCLI : Ms B Mommen
5. Presentation : Port and Terminals of Maputo : Mr Rui Santana Afonso
6. Presentation : Trans African Concessions : Mr Arthur Coy
7. Presentation : Security and Trade Facilitation : Dr Horácio Simão
8. Presentation : Non-Intrusive Inspection : Kudumba Investments : Mr Kevin Davies
9. Presentation : Mozambique: Single Electronic Window Project for Trade Facilitation : Dr Rui Da Silva
10. Presentation : SARS Customs Modernization : Mr Beyers Theron
11. Cost Comparison for Containers on Rail - MIPS
12. Presentation : Lebombo/Ressano Garcia One Stop Border Post – Mr Victor Nunes
13. Presentation : Lebombo/Ressano Garcia One Stop Border Post – Dr Daniel Tovela
14. Presentation : MCLI Proposal & Terms of Reference : Mrs Brenda Horne-Ferreira
15. Address by Dr Mathews Phosa, SA Chairman of MCLI

16. Presentation : Importance of Bi-lateral Transit Cargo Flows on the Corridor : Mr Rui Santana Afonso
17. Presentation : Importance of Shipment Management : Mr Frans Visser
18. Presentation : Case Study – Citrus : Mr Mitchell Brooke
19. Presentation : SADC Transit Management System : Mr Fernando Anselmo
20. Presentation : Statistics and Capacity of the Ressano Garcia Line : Mr David Gomes
21. Presentation : Maputo Development Corridor Flagship – Passenger Rail Facility : Dr Paulo Fernandes

## **ABBREVIATIONS:**

AHI – Afrikaanse Handelsinstituut  
 ATM – Mozambique Revenue Authority  
 BCOCC – Border Control Operations Coordinating Committee  
 BOOT – Build Own Operate Transfer  
 CFM – Ports and Railways Authority of Mozambique  
 CPI – Centre for the Promotion of Investment in Mozambique  
 CTA - Confederation of Business Associations - Mozambique  
 DBSA – Development Bank of Southern Africa  
 DOT – Department of Transport  
 DPW – Department of Public Works  
 FABCOS - Foundation for African Business and Consumer Services  
 FOB – Free On Board  
 FPT – Fresh Produce Terminal  
 KM4 – Kilometre 4  
 KM7 – Kilometre 7  
 KRT - Komatipoort  
 LRG OSBP – Lebombo Ressano Garcia One Stop Border Post  
 MCCI – Mpumalanga Chamber of Commerce and Industry  
 MCLI – Maputo Corridor Logistics Initiative  
 MCNET – Mozambique Community Network, SA  
 MDPWR&T – Mpumalanga Department of Public Works, Roads and Transport  
 MEGA – Mpumalanga Economic Growth Agency  
 MIPS – Maputo International Port Services  
 MPDC – Maputo Port Development Company  
 NAFCOC – National African Chamber of Commerce  
 NT – National Treasury  
 O & D – Origin and Destination  
 OSBP – One Stop Border Post  
 PRASA – Passenger Rail Association of South Africa  
 SADC – Southern Africa Development Community  
 SARS – South African Revenue Service  
 SDI – Spatial Development Initiative  
 SEW – Single Electronic Window  
 SIGA- Integrated Customs Management System

TCM – Matola Coal Terminal  
TEU – Twenty foot Equivalent Unit  
TFR – Transnet Freight Rail  
TIL – Trade and Investment Limpopo  
UNCTAD – United Nations Conference on Trade and Development  
USAID – United States Agency for International Development  
WCO – World Customs Organisation