



P.O Box 19777, Nelspruit, 1200
MCLI HOUSE 1st Floor, 16 Streak Street, Corner Streak & Ehmke Streets, Nelspruit
Tel: +27 13 755 6025 • Fax: +27 13 752 5453 • Cell: +27 82 802 2338 • Cell: +27 83 555 6025
E-mail: brenda.home@mcli.co.za • Website: www.mcli.co.za

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

Maputo Corridor Logistics Initiative



MCLI CHAIRMANS REPORT AS DELIVERED BY DR MATHEWS PHOSA IN MAPUTO 29 MAY 2008

- His Excellency the Minister of Transport and Communications in Mozambique, Mr Paulo Zucula
- Your Excellencies, the Ambassadors and High Commissioners present.

- Representatives of our event sponsors, namely USAID and MIPS
- Members of the Diplomatic Community
- Heads of National and Provincial Departments of the countries represented here
- Members of the Board of Directors of MCLI
- Chief Executives, Managing Directors and senior representatives of the public, private sector and parastatals
- Guest speakers who will be presenting the updates on the corridor this evening
- Representatives of organised business in Mozambique, Swaziland and South Africa,
- Ladies and Gentlemen.

On behalf of my co-chairman from Mozambique, Dr Antonio Matos, and the board of directors of MCLI, it is my honor and privilege to present this report to the members, as well as to the wider stakeholders present here tonight.

SUSTAINED ECONOMIC GROWTH

For the past few years, this corridor has operated within an environment of sustained economic growth in the SADC region. We are very proud of the fact that our corridor has become the flagship corridor in support of regional integration. Without the public private partnership in the road and port, and without the excellent cooperation between the private and public stakeholders on the rail and border post, this achievement would not have been possible.

In an environment of continuous economic growth we do not always notice the impact on our cross border transport infrastructure - however the figures speak for themselves.

When one compares the full year 2005 to the full year of 2007 we see a mammoth increase of 43%, which translates to an increase of more than a million passengers through our Lebombo/Ressano Garcia Border post; a 73% increase in cars and busses and a 20% increase in trucks. This means a 65% increase in the total number of vehicles that crossed the border, indicating an average of 1500 vehicles a day over the 365 day period of 2007 compared to the 900 vehicles of 2005. Our road partner, TRAC has statistics which reflect equally impressive freight volume increases of 11% through the Nkomazi Plaza, and a whopping 28% through the Moamba Plaza.

MCLI CALL FOR A JOINT 24 HOUR ONE STOP BORDER POST AND OPERATIONAL EFFICIENCIES

I am sure you all agree with me that the joint 24-hour One Stop Border Post Project is one of the most crucial projects this corridor has ever undertaken, and as MCLI we look forward, with great anticipation, to the timely implementation of this vital element of corridor infrastructure. It is the general public and private sector that will predominantly use this facility and it is crucial that sustained stakeholder engagement takes place - something that has not been very evident up to now.

After all, people get up to all kinds of things when they have to wait don't they? It reminds me of the man who arrived at the gates of heaven, battered and bruised. St Peter asked him the usual question: "Tell me friend, what good deeds have you done in your life, that make you believe that you deserve to be in heaven?"

The man thought for a moment and then said: “Well, there was this time I was waiting at the border post - because it did not have joint 24-hour One Stop Border Post facilities - and I noticed some bikers who had obviously been drinking all afternoon, pushing a young lady around. As I watched I noticed them getting rougher and rougher with the woman and I got really, really angry. So I went up to the leader of the gang – you should have seen him St Peter, he was a big man; he towered above me and he was very strong – anyway, I was so angry that I went up to him and I said:” Haven’t you got any manners? – leave the woman alone.”

Of course the big guy just laughed at me and said: “So what are you going to do about it hey? Pipsqueak.! Well I was so cross that I tackled him and I gave him a solid punch to his stomach. Then he just picked me up and threw me aside like a doll, and I was even more angry. So I picked up a stone and I hit him with the stone.”

“That’s amazing!” said St Peter. You are so brave! It certainly took courage to stand up for a defenseless woman against a gang like that! But tell me, when did this happen?” “Oh”, said the man, about three minutes ago.”

Maybe that is partially why MCLI makes an urgent appeal to all relevant authorities to consider the 24-hour facilitation of transit traffic to the port. Jokes aside though, such a facility is critical in the reduction of transport costs, which would be a key driver in reducing the cost of doing business for our region.

We also believe that a “passenger through-train” can be implemented immediately. The 120,000 additional passengers who pass through the border post in December, and who have to find road transport to the border from Komatipoort, greatly increase the congestion

there over the festive period. Such a train would greatly assist in easing the congestion through the frontier immediately, and later, during the period when construction of the new border post facilities is underway.

MCLI would further like to make a special appeal to all partners to be increasingly aware of the impact of policies, procedures and processes which, if not well thought through, could have a detrimental effect on the cargo flows of the corridor and ultimately on regional economic development. Elements such as the scanner in the port of Maputo, the transit bond regime, excessive inspections and stops, inefficient escorting of transit cargo, duplication of documentation, lack of electronic data interfaces and unsynchronized hours of operation by various stakeholders and departments, all increase the cost of transport and impact negatively on our ultimate goal of reducing the cost of doing business.

FEEDBACK ON PROGRESS OF CORRIDOR INFRASTRUCTURE INVESTMENTS

I am not going to elaborate on the great strides that have taken place or that will be taking place in the arena of the road, rail, border post, port and terminals. I believe our members and partners who presented earlier have given you the necessary updates. And during your trip along the Mozambican landscape earlier today, you have undoubtedly seen first hand, the significant amount of work done by CFM to rehabilitate the rail line Tomorrow morning you will also have the opportunity to visit the Port of Maputo to witness first hand all that has taken place there. All that remains for me to say is that our corridor transport infrastructure is ready! What is needed now is

your commitment to support it with excellent rates, service levels and cargo volumes. We simply have to create the economies of scale through a balanced two way traffic corridor to ensure that the Maputo Corridor becomes the first choice for the region's stakeholders.

REPORT ON MCLI OPERATIONAL EFFICIENCIES

Now closer to home. It is my privilege to inform the MCLI members that we are here to report yet another year of excellent audit results. There is excellent evidence of sound corporate governance, and we have been given the feedback from a climate survey in which our members as well as other stakeholders participated.

In terms of expectations, MCLI's effectiveness was given a 96% vote of confidence, with many positive comments ranging from the general to communication. Furthermore, co-ordination, event management, networking and promotion offer a clear indication that MCLI is perceived to be an effective organization that plays a crucial role in coordination of stakeholders, communication and trade facilitation on the Maputo Corridor.

Also encouraging is the fact that organizations responded very positively to the question of their organization's direct and indirect benefits from MCLI's activities, as well as MCLI's value in making a significant contribution to the economic development of the region.

FUNDING

The past financial year has been a very challenging one, dominated by a struggle for operational revenue, while simultaneously maintaining the momentum of promoting the Maputo corridor as first choice for the region's stakeholders; a strategy which has become synonymous with MCLI.

With the anticipated partnerships with, and funding from, the Mpumalanga Department of Economic Development and Planning and the SA Department of Transport not having materialized, MCLI was regrettably obliged to transfer the MFLF secretariat back to the public sector. This necessitated a strategic revisit of the core function of MCLI, resulting in the Board mandating MCLI to strive to

continue to work very closely with all relevant public sector departments, but without being reliant on funding from them. This has meant a greater funding burden on the foundation members, who have committed themselves to another year of funding for MCLI. During this time a study will be undertaken to look at a sustainable funding model for MCLI, based on a “user-pay” principle. This study will be sponsored by USAID through the SA TRADEHUB in Botswana. We will also in the near future start again with a core operational efficiency workgroup out of our members to ensure emphasis on those matters constraining the cost efficient bi-directional cargo flows on the corridor.

MCLI MEMBERSHIP

The MCLI membership mandate from Mozambique, Swaziland and South Africa at the end of February 2008 stood at 120, including Funding Directors, Non-Executive Directors, Cooperation Partners and Paid Up Members. I would like to personally welcome the Mozambique Ministry of Transport and Communications, as well as all the other new members who have joined their forces with us, and express the hope that the Swaziland Ministry of Public Works and Transport, as well as many of you here to-night, will be joining our ranks in the very near future, to work together to ensure our corridor becomes the first choice for all stakeholders.

EVENT ORGANISATION AND FACILITATION

The two MCLI bi-annual open network events remain a very popular item on our calendar - as the event tonight indicates - and interest in these events averages at around 350 participants per event. This is a clear indication of the important role fulfilled by MCLI in bringing corridor stakeholders together for the purpose of updating them on progress on the transport infrastructure, and for networking. This is a prime opportunity, where you, the cargo owner can, with a single traveling expense, meet with your agents, shipping lines, rail partner, road transport partner, financial institutions, other investors, port, terminal and other cargo owners who are already successfully using the corridor.

Without generous sponsorships we would not have been able to meet your expectations and for this we applaud all the organizations and partners, who during the past year - and tonight - have made it possible for us all to network.

OPERATIONAL EXPENSES

MCLI remains a very cost effective, lean and mean structure and the MCLI team ought to be congratulated for their effectiveness in meeting expectations in a difficult environment. We also want to thank all of the various regional organizations who so willingly support and assist MCLI by inviting us to participate in their various events, and in so doing, enabling us to promote and share the successes of MCLI and the Maputo Corridor.

IMPACT OF ACTIVITIES

Each and every activity over the history of MCLI has had as its target the achievement of our strategic objectives, and the sum of the total has contributed to the steep growth in numbers of use of the corridor, from both a passenger and a freight perspective.

The numerous activities which MCLI delivered on and which can be viewed on our website provide a clear indication of the reach and extent of MCLI's marketing of the Maputo Development Corridor (MDC), and the Port which gives the corridor its name, even as they play a significant role in trade facilitation, which in turn, supports regional integration. This all happens at local, regional and/or international level. The majority of international and intergovernmental engagement is carried out at an

extremely high level, often with high-ranking government and private sector decision makers. This is significant for the credibility and long-term effectiveness of the interventions in which MCLI is involved. In addition, it bears mentioning that in every presentation made, regardless of the platform, the key elements of infrastructure on the corridor, including the road, the rail, the border post and the port and terminals are included as a key element of the presentations. This is crucial in establishing and reaffirming the important role our port plays in complementing the port capacity in the region.

I am proud to say that the vision born in 2004 has become a reality. MCLI has become the leading coordinator of our Maputo transport corridor stakeholders, thus contributing to the aims and objectives of the Maputo Development Corridor. MCLI will continue to work with all role players

towards a logistics Corridor based on excellence; towards a cost effective, continuous, reliable logistics route with positive returns for all stakeholders.

I invite you to join hands with us in this call.

Dr Mathews Phosa & Antonio Almeida Matos
Brenda.horne@mcli.co.za