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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

MINUTES OF THE FOURTH ANNUAL GENERAL MEETING OF THE MAPUTO CORRIDOR LOGISTICS INITIATIVE HELD ON THURSDAY THE 29TH OF MAY 2008 HOTEL, POLANA, MAPUTO

1. Call to Order

Mr Antonio Matos, Chairman of MCLI in Mozambique, welcomed all present to the fourth Annual General Meeting of the Maputo Corridor Logistics Initiative and extended a special word of welcome to the dignitaries present.

2. Welcome Address

Mr Gary Juste, Deputy Director of USAID Southern Africa, delivered a welcoming address. He noted that the Maputo Development Corridor was a shining example of how the cooperation of government and private sector could promote regional integration and cooperation and pointed out that over \$5 billion had been invested in the Corridor since 1996. He noted that transport infrastructure and services were at the heart of African regional integration efforts, as they provided the backbone for the movement of people and goods across borders and fostered trade and competitiveness. He emphasised that safe, reliable transport systems were essential for Africa's economic development. Mr Juste indicated areas where USAID, through the Trade Hub, was supporting MCLI and pledged continued support of the Initiative in its efforts to bring stability and economic growth to the region. The full address is attached as Appendix 1 of these minutes.

3. Keynote Address

His Excellency the Minister of Transport and Communications in Mozambique, Mr Paulo Zucula, had been delayed in Lisbon and was unable to be present to deliver the keynote address to the meeting. The Permanent Secretary, Mr Jose Albano Lourenco presented the address on his behalf. He indicated that the Maputo Corridor constituted an instrument to speed up the process of regional integration and the opening up of markets in the region. He referred to the toll road, the concession at the Port of Maputo, the upgrading of the Ressano Garcia railway line and the modernization of telecommunications as fundamental for viable investment on the Corridor. He also commended MCLI for its role in ensuring permanent dialogue between the public and private sectors on the Corridor, thus creating a favourable environment for investment in the region. He noted that Swaziland was an important partner in the coordination of efforts on the Corridor, as it was connected to the Port of Maputo through the Goba

railway line. He emphasised the importance of MCLI's role in the context of SADC goals to increase the movement of goods and people through integrated transport systems being in place.

Mr Albano Lourenco noted the urgency of a 24hour commercial cargo clearing facility at the Lebombo/Ressano Garcia border post and indicated that the Mozambican government was well aware of the impact of this on cargo traffic, but indicated that the authorities were implementing strategies to ensure smooth and efficient clearing at the border post.

He noted the concerns of users regarding the scanning fees and indicated that efforts were being made by the government to come up with mutually advantageous solutions which would attract more potential users and investors. He emphasised the support of the Ministry of Transport and Communications for MCLI and indicated that they were open to dialogue on matters concerning the flow of cargo and investment, and expressed the wish that the meeting would result in increased utilization of the infrastructure on the Corridor, and that the services on the Corridor would constitute a reference for efficiency in the region. The full address is attached as Appendix 2 to these minutes

4. Updates on the Corridor

4.1 Road

Hannes van Wyk of TRAC outlined the consistent growth in traffic on the N4 of between 5 and 7% per annum since 1998, with heavy vehicle traffic growing at 10% per annum. He reported that TRAC was looking at various ways of accommodating the increased traffic volumes on the N4 and at electronic toll collection along the N4 with a pilot project to start in Maputo. The result of a fifth traffic study is awaited before a decision is made regarding the moving of the Machado Toll Plaza. Mr van Wyk indicated that R3billion had been spent on the road since 1998 and that an additional R3billion would be spent in the next 20 years. Currently R6000 per month per kilometer is being spent on road maintenance. Other construction projects include the Nelspruit Ring Road which is targeted for completion mid 2010, the improvement of the Crocodile Gorge for which preliminary designs are being undertaken, and upgrading and rehabilitation of the Middelburg undivided highway and the section of the EN4 approaching the EN1 in Matola.

With regard to overloading, Mr van Wyk provided statistics of the number of vehicles weighed, charged and fines issues since 2002. Currently 2-3% of heavy vehicles are illegally overloaded. He also outlined the many social responsibility projects being undertaken by TRAC, including TRACAssist roadside assistance which provides emergency assistance to travelers on the South African side of the N4. This service is to be expanded to Mozambique in future. The full presentation is attached as Appendix 3 to these minutes.

5.2 Rail

Mr Mesquita, a director of the board of CFM reaffirmed CFM's commitment to servicing its clients and to increasing the volumes on the line to Maputo. Mr David Gomes,

Commercial Director of Mozambican Ports and Railways (CFM), underlined this commitment to support the future development of the Port of Maputo and to reduce logistics costs by transferring traffic from road to rail. He outlined the market demand for various products from coal to fuel, and indicated that projections were that traffic would grow considerably during 2008. He also discussed the \$20million rehabilitation for the Ressano Garcia line and the \$50million investment in the repair of equipment which are to be finalised in mid 2008 and 2009 respectively.

With regard to actual inbound performance, Mr Gomes indicated that the line was carrying an average of 32 trains per week, 14 of which were coal trains, 9 magnetite, and 8 general freight including containers, steel, ferrochrome, citrus, sugar and cement. Mr Gomes also outlined the target for 2009 of 9 million tons. The full presentation is attached as Appendix 4 to these minutes.

5.3 Lebombo/Ressano Garcia One Stop Border Post

Mr Victor Nunes of the BCOCC (Border Control Operations Coordinating Committee) and project manager of the Lebombo/Ressano Garcia One Stop Border Post Project (LRG-OSBP) presented the background to the project, the outline of the design of the infrastructure of the facility, an overview of the project process and gave an update on the progress made on the project. He indicated that the facility would provide a One Stop Border facility which will clear commercial traffic at the KM4 freight facility on Mozambican territory. Non-commercial traffic will be processed at the current location, with new joint infrastructure spanning the border line. Rail passenger traffic will be processed at a new rail facility on South African territory. Mr Nunes presented the draft design for the three facilities which has been presented and agreement has been obtained in principle on this design.

Regarding the process for cars and motorcycles, Mr Nunes outlined that a “super green” lane would allow vehicles through without stopping, except for random customs compliance checks. A “green” lane would stop vehicles at a single passport capture booth, and would also be subject to random customs compliance checks. A “red” lane would require vehicles to park and carry out required formalities. Busses and coaches would be processed at the car and passenger terminal, or possibly at the KM4 facility during peak times. Pedestrians and taxi passengers would enter the passenger terminal; clear the various exit and entry formalities and board a car or taxi on the other side of the facility. Trucks and freight would have a fast track for those under an international transit regime, and for those in a bilateral transit scheme which are not cleared at the border. A normal track would be provided for trucks which are cleared at the border.

The project structure and workgroups, comprising representation from South African and Mozambican departments, were proposed in March 2008 and their terms of reference have been compiled. A detailed design workshop was held between the South African Department of Public Works and other relevant departments in April 2008.

With regard to the construction, Mr Nunes indicated that the following milestones would be noted:

- Fencing of the current border post for temporary construction - July - August 2008

- Temporary border construction - August - October 2008
- Operation of the temporary border - October 2008.
- Construction of the secure construction site - July - September 2008
- Demolition and relocation of services – August to October 2008
- Earthworks and retaining structures – KM4 – October 2008 – February 2009
- Earthworks and retaining structures – Main Non-Commercial facility – October 2008 to March 2009
- Construction of KM4 facility – March 2009 to April 2010
- Construction of Main Non-Commercial facility – April 2009 to May 2010
- Construction of Rail Facility – January 2009 to January 2010
- Construction of KM4 Road – September 2008 to March 2010

Mr Nunes's presentation is attached as Appendix 5 of these minutes.

5.4 Single Window System for Mozambique

Mr Kekobad Patel of CTA outlined the planned single window system for Mozambique. The primary aim of this process is to streamline red tape and bureaucracy at the border post and to speed up the clearing of goods and passengers at the border. With efforts being made to increase the flow of cargo between South Africa and Mozambique, this system would bring in the latest technology to clear goods and transit cargo, thus minimizing delays and the costs of delays for cargo owners. The principle was that users would interface with an IT system to make the declaration, such as the SAD 500 document, and it would be submitted electronically. As a result, the information precedes the truck once it leaves its point of origin and will be available at the border post when the truck arrives, thus streamlining and shortening the process of goods clearance considerably.

Mr Patel indicated that the costs would not be increased, but that the gains would be in the shorter time through the border post. He also outlined the need for systems to be compatible with the systems of neighbouring countries.

He indicated that the dialogue would shortly begin with government to have the system implemented.

5.5 Port and Terminals

Dick Moore of the Maputo Port Development Company reported that since the new ownership of the port had taken over, there had been a distinct sharpening of focus of activities in the Port which will lead to significant development and growth. He outlined various developments which were underway in the port, such as phase 2 of the new 5,5ha ferrochrome slab which had been completed and where it was anticipated that the terminal would achieve the 1 million tonne mark during this year as it had already achieved a 60% growth in 8 months of operation. \$2million had been spent on new handling equipment. He indicated that the car terminal was now operational and that Hoëgh Auto liners would join Mitsui later this year calling at the port.

Mr Moore reported that the bulk liquids terminal was fully operational and that this was a three phase project which would also develop specialised tankage for non-petroleum products.

MIPS, the container terminal, was expected to exceed 100, 000 TEU which meant that the terminal was at design capacity and would need major expansion. MIPS had also had two Gottwald mobile harbour cranes delivered during May 2008 which would further increase the efficiency of the container terminal. He indicated that container had been stacked two high five years ago, whereas containers were now stacked 5 high. He added that Grindrod would be investing in the modernisation of the Matola Coal Terminal and that CFM would be making sizeable investments in the oil terminal to improve the quality of service.

Mr Moore reported that a master plan study was being carried out which was the most comprehensive study ever carried out at the port. This study points to the port reaching predicted volumes earlier than predicted and will outline new strategies for future development and to sustain the growth path. He ended his presentation by saying that the port hoped to achieve 8 million tonnes during 2008. Mr Moore's presentation is attached as Appendix 6 of these minutes.

6 Formal Business of the Annual General Meeting

6.1 Chairman's Report

In his report to the meeting, MCLI's South African Chairman, Dr Mathews Phosa, outlined the environment of sustained economic growth which has accompanied the Corridor's operations and indicated that the Maputo Corridor has become the flagship corridor in support of regional integration. He pointed out the massive increases in movement through the corridor since 2005, such as the 43% increase in passenger movement, a 73% increase in cars and buses, and a 20% increase in truck traffic. He again called for the immediate implementation of 24 hour operations which would reduce transport costs on the corridor. He also called for passenger "through trains" to be implemented immediately due to the congestion of passengers at peak times. A through train would ease this congestion. He also appealed to partners to be aware of the impact of policies and procedures which are detrimental to the cost and efficiency of movement of cargo on the corridor, such as the scanner charges, the transit bond regime, excessive inspections, the lack of electronic data interfaces, and unsynchronized hours of operation. He also called on stakeholders to ensure that economies of scale are created on the corridor and for more balanced two way traffic. He then gave an outline of the activities of MCLI, including a climate survey of MCLI stakeholders who gave the organisation a 96% vote of confidence in its effectiveness. He also discussed the funding of MCLI which remained a challenge, but noted that a study, sponsored by USAID through the SA Trade Hub, would be undertaken to look at a sustainable funding model based on a "user-pay" principle on the corridor. He then outlined the reach and extent of MCLI's activities, pointing out that all these activities were carried out at a high level of engagement and played an important role in trade facilitation and regional integration. He noted that MCLI has become the leading coordinator of the transport corridor stakeholders and called on all stakeholders to join hands with MCLI to ensure that the Maputo Corridor becomes a cost effective and reliable logistics route with positive returns.

The Chairman's Report is tabled as Appendix 7 of these minutes.

6.2 Attendance Register and Apologies

The Chairman, Mr Antonio Matos, indicated that an attendance register had been circulated, and that a quorum of members was present for the meeting. The attendance register is attached as Appendix 8 and the apologies as Appendix 9 to the minutes.

6.3 Approval of the Minutes of the 3rd AGM - 23 May 2007

The minutes of the Annual General Meeting of the 23rd of May 2007 were approved by the meeting. The minutes are attached as Appendix 10 of these minutes.

6.4 Presentation of Audited Financial Statements and Budget for 2007

Mr Andries Oosthuizen of PricewaterhouseCoopers presented the audited financial statements, budget and cash flow statement of the MCLI, indicating that good governance procedures and sound financial controls had ensured sound management of funds within the organization, for which he commended the CEO, Ms Brenda Horne. He also indicated that this was the first year that there was no qualification in the audit opinion, which proved the excellent financial management of the organisation.

The audited financial statements were unanimously approved by the meeting. This presentation is attached as Appendix 11 to these minutes.

6.5 Acceptance of Budget 2008/2009

The budget for the 2008/2009 financial year was approved by the meeting.

6.6 Appointment of Auditors and Remuneration

The meeting unanimously approved the appointment of PricewaterhouseCoopers as auditors for the next financial year at a subsidised cost of R10,000 (ten thousand Rand).

6.7 Approval of Revised Constitution

The revised constitution removing the Secretariat role of the MCLI to the Department of Transport and Mpumalanga Department of Economic Development and Planning agreements was approved by the meeting. The revised constitution is attached as Appendix 12 to these minutes.

7. Closing Remarks

Mr Riad Khan, Chief Executive Officer of the National Ports Authority, and representative of the South African Department of Transport delivered the closing remarks at the meeting. He confirmed that the South African Department of Transport was passionate about the Maputo Corridor and that this was a significant Corridor for

the Department of Transport. He reiterated their unequivocal support of the Maputo Corridor Logistics Initiative. He indicated that integrated planning was key to the success of the corridor and that this integration was important across the public and private sector.

8. Closure

Dr Antonio Matos thanked all stakeholders for attending the MCLI AGM event and for making it a success, and invited all present to join MCLI for dinner and networking.

SIGNED AND APPROVED:

Chairman: _____ **Date:** _____

Appendices:

- Appendix 1: Welcome Address - Mr Gary Juste, Deputy Director of USAID Southern Africa
- Appendix 2: Keynote Address – Mr José Albano Lourenço Junior on behalf of the Minister of Transport and Communications in Mozambique – Mr Paulo Zucula
- Appendix 3: Update on the Road – Mr Hannes van Wyk – TRAC
- Appendix 4: Update on Rail – Mr David Gomes – CFM
- Appendix 5: Update on the Lebombo/Ressano Garcia One Stop Border Post – Mr Victor Nunes – BCOCC
- Appendix 6: Update on the Port and Terminals – Mr Dick Moore – MPDC
- Appendix 7: Chairman’s Report – Dr Mathews Phosa – MCLI Chairman, South Africa
- Appendix 8: Attendance Register
- Appendix 9: Apologies Register
- Appendix 10: Minutes of the MCLI AGM 23 May 2007
- Appendix 11: Presentation of Audited Financial Statements – Mr Andries Oosthuizen – PricewaterhouseCoopers
- Appendix 12: MCLI Constitution