SOUTHERN AFRICA GLOBAL COMPETITIVENESS HUB

Improving Transportation Logistics for Competitiveness of Swaziland

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ACRONYMS AND ABBREVIATIONS

AGOA	African Growth and Opportunity Act
ASYCUDA	UNCTAD Developed "Advanced System for Customs Data"
B/L	Bill of Lading
BAF	Bunker Adjustment Factor (Is a surcharge implemented by shipping lines to compensate for fluctuating fuel cost)
CoC	Chamber of Commerce
FEU	Forty Equivalent Unit i.e. 12m or Forty Foot Container
FOB	Free on Board
ICD	Inland Clearance Depot
ISPS	International Ship and Port Security
MoF	Ministry of Finance, Swaziland
MOPWT	Ministry of Public Works and Transport
NPA	National Ports Authority
STA	Swaziland Transporters Association
SACU	Southern African Customs Union
SAGCH	Southern African Global Competitive Hub of USAID assistance to Southern Africa
SAPO	South African Port Operations
SARS	South African Revenue Agency
SIPA	Swaziland Investment Promotion Authority
SR	Swaziland Railways
TEU	Twenty Equivalent Unit or Twenty Foot Container or 6m container
THC	Terminal Handling Charge
USAID	United States Agency for International Development
VAT	Value Added Tax
WTO	World Trade Organization

EXECUTIVE SUMMARY

A recent study, undertaken by the USAID/RCSA financed Southern Africa Global Competitive Hub (the Trade Hub), concerning the textile and clothing industry in Swaziland, identified unreliability and high cost of transport as one of the critical constraints in Swaziland's trade competitiveness in the overseas markets. This current report looks at the main components of Swaziland's transport and logistics chain to the sea and beyond, particularly those affecting the competitiveness of the textile and garment industry and the consequential impact on the performance of the clothing factories, resulting in closures and therefore loss of jobs. This state of affairs has seen the erosion of jobs from around 30,000 at one time and now to about 20,000 and going down further unless some measures are urgently taken both in the short term and in the long run to mitigate the situation.

The findings reveal that while the ocean component of the total transport and logistics costs is higher than the inland costs, the latter is relatively very high considering the shorter distance over which these land costs apply. The principal causes of the high inland transport costs and excessive transit times are due to poor cargo interchange at Durban port, lack of cargo coordination between Durban and Swaziland and difficulties shippers face at border posts with South Africa.

The report identifies the following key areas to be addressed in order to reduce costs and improve reliability of Swaziland's transport and logistics links with overseas markets.

- Establish Swaziland's own cargo logistics facilitation at Durban port

  Durban port is a key hub point for the movement and interchange of Swaziland's foreign trade. Significant delays and logistics costs in the inland transport chain occur at the port. Delays result in increased turnaround times and decreased equipment utilization, and hence increased costs. Swaziland's own presence at the port area to look after its interests would greatly facilitate some of the logistics problems faced by transit cargo as it interchanges between sea, rail and road transport and thereby reduce costs.

- Establish high level working relationship with South African Authorities particularly concerning customs and other regulatory requirements and application thereof

  Implementation by South Africa of its laws affecting transit traffic such as those governing Value Added Tax and inspection of goods at border posts and of factories within Swaziland borders appear to create considerable inconvenience and add costs on shippers in Swaziland. Some of these issues could be resolved through greater education and awareness of the shippers as well as more involvement between authorities of South Africa and Swaziland governments.

- Promote better transport planning and production scheduling by Swaziland Manufacturers, particularly within the textile sector. This can affect land transport costs very significantly, depending on the circumstances, and an important factor which influences overall logistics costs in Swaziland

  Both the Swaziland Railways and road transport sectors' transport costs and tariffs are comparable to other parts of the region. However, because the volumes are low, unit (e.g per

container) transport costs are highly sensitive to equipment utilization such as loading one container on a vehicle with capacity to carry three containers. This situation can be vastly improved through improved transport planning and scheduling. The Swaziland Chamber of Commerce could promote the collaboration between different manufacturers, in order to generate traffic volumes that achieve economies of scale within the transport services. This could also be addressed by the transport operators applying significant price incentives or, where appropriate, penalties, depending on customer performance.

- Promote improved balance of traffic flows for both road and rail services

  Transport services are priced on the basis of a turnaround or round trip; therefore the cost of a one-way trip can be almost twice as much as balanced two way flow. The textile manufacturing sector in Swaziland generally imports the raw materials through Durban by rail, and exports the finished products by road. This preference is due to various factors such as customs and clearance procedures, production scheduling, reduced transit times, etc. Co-operation between manufacturers, promoted by the Swaziland Chamber of Commerce, should seek to establish a base load volume for the sector as a whole, which could be transported by rail to balance the textile imports – and should seek co-operation with other commercial sector importers to achieve a better balanced flow for the textile exports by road transportation.

- Create strong public and private sectors consultative forum

  There is need for a high level public sector commitment to addressing various problems affecting international trade and policy development. As the issues are multisectoral cutting across the public and private sectors there is need for a regular public/private sector consultative forum, which is currently lacking.

- Establish one-stop-border posts

  Work towards the establishment of a one-stop border post on each of the country's transport corridors with both South Africa and Mozambique would greatly ease the clearing and facilitation of incoming and outgoing goods, and reduce time spent at border posts and cut transport costs.

- Implement seamless rail service to Durban

  The establishment of a seamless rail service operation to Durban would reduce the transit time between Durban and Swaziland. This implies improved co-operation between Swaziland Railway and Spoornet, in the first instance to operate an express block train between Swaziland and Durban on a (more) regular basis, without scheduled stops or shunting of wagons, and secondly, to remove the need for locomotive changes at the border. This would imply minimum trains lengths to and from Swaziland of at least 20 wagons, and preferably, a balanced traffic flow.

- Implement the Advanced System for Customs Data (ASYCUDA) or similar software

  There is need for accelerated installation of the UNCTAD developed software (or similar) of customs processing of imports and exports. This would provide quicker and more effective way of clearing goods at border posts.

- Aggressively Examine and Encourage use of Maputo Port

Maputo port capacity remains underutilized, with the container terminal operating at 40% of installed capacity. Some industries could take advantage of this capacity in view of the logistics problems surrounding Durban port. Maputo has a clear land transport distance advantage over Durban, 200km vs. 550km, but the main problems of using Maputo relate to infrequent vessel calls, the additional cost and time of the weekly feeder service to Durban, and the absence of direct container vessel calls. Currently this can add as much as US$ 350 per TEU to the transports costs, in addition to a US$ 150 transshipment cost, more than offsetting the lower land transport costs. Despite the much lower land transport costs to Maputo, this makes the use of the port for containerized traffic to and from Swaziland uncompetitive – until volumes have increased. This can be achieved by growth of Mozambican and South African imports and exports through Maputo, and also by support from Swaziland by adopting a long term vision. The increased use of Maputo by Swaziland's importers and exporters will probably mean loss of business for Swaziland Railways because of the shorter distance

- Establish industry capacity to effectively coordinate their import and export operations and lobby for enacting and implementation of facilitative regulations and procedures.

  All industries interviewed involved in importing and exporting operations had many individual experiences and complaints about logistical problems they face. Due to these logistical costs and problems encountered, owners of some of the industries even questioned or regretted their decision to invest in Swaziland. Some also wondered why they should not relocate to South Africa to avoid the Customs problems and costs. One way to overcome these problems is for industries to develop effective and stronger policy and regulatory lobbying and advocacy capacity, which are well informed or grounded on appropriate analysis. Industries should therefore endeavour to move away from facing and solving logistical problems in most cases ***individually****. They should instead establish an effective coordination system for logistical operations. Furthermore, in the case of textile industries, the local manufacturers may consider establishing an integrated industry, which is not too dependent on imports. In this way they could reduce the risk and cost of importing the textiles from the Far East, and could also reduce the critical lead time between the placing of production orders and the delivery of the final product.*

The above key areas and issues must be addressed in a coordinated manner, and it is unlikely that one issue can be addressed without simultaneously addressing all the key issues, with full commitment from all the stakeholders. Effective communication and consultation is therefore the first action point.

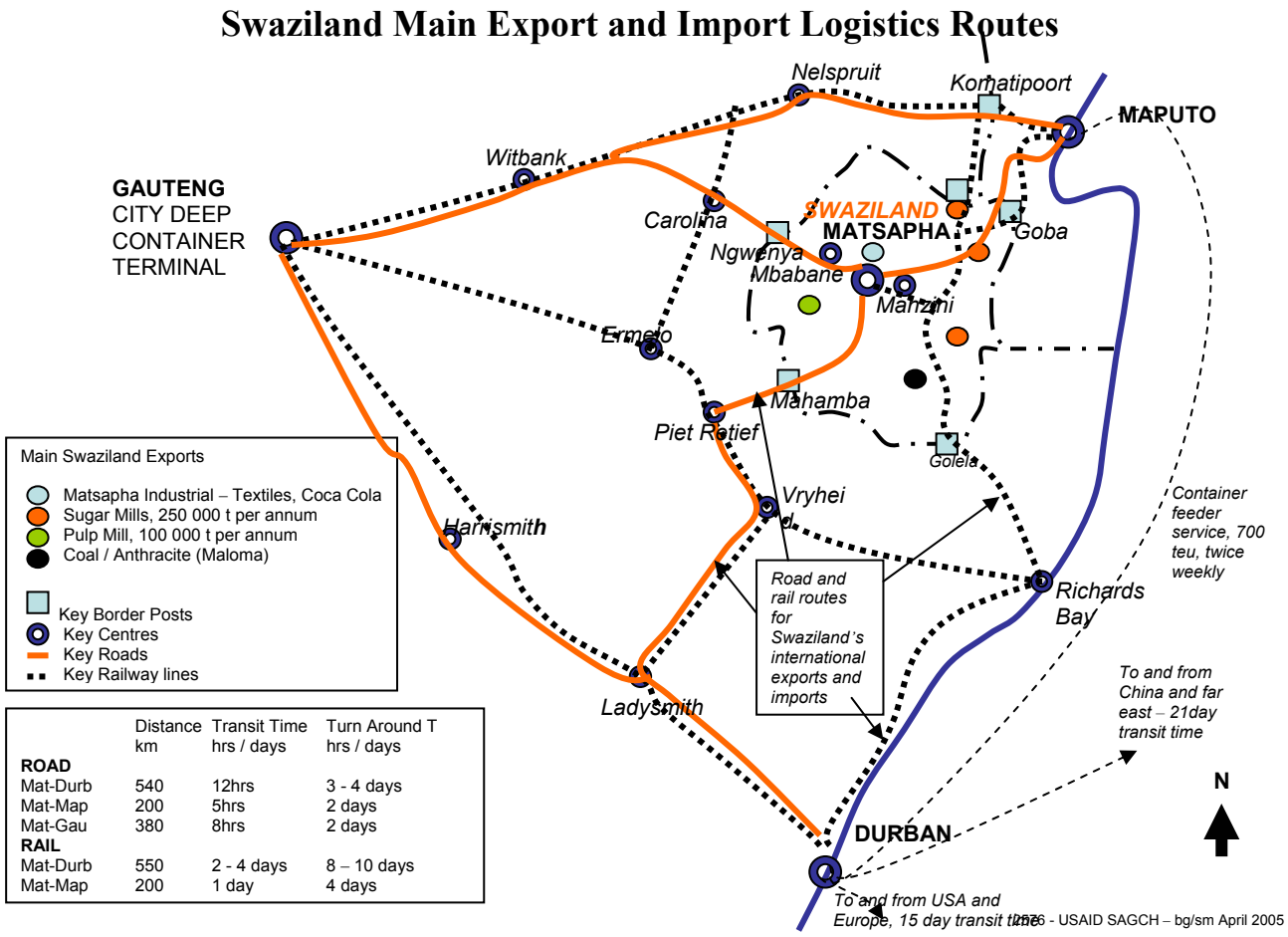

FIG 1-1 Swaziland's Logistics Corridors

1. INTRODUCTION

1.1 BACKGROUND

A December 2004 report by the USAID/RCSA funded Southern Africa Global Competitive Hub (Trade Hub) concerning the textile and clothing industry in Swaziland, identified high cost and unreliability of transport as one of the critical constraints in the trade competitiveness of Swaziland in the overseas markets. This study was therefore commissioned to look into the transport and logistics sector in the total supply chain between Swaziland and her overseas markets particularly those concerning the textile and clothing industry which has been experiencing factory closures and job losses.

1.2 OBJECTIVE

The objective of this study is to identify causes of the high costs and unreliability of transport, and recommend actions to be undertaken to improve the transport logistics chain linking Swaziland to overseas markets and thereby increase the country's competitiveness in international trade.

1.3 OUTPUT

The output of this report is:

- Analysis of the current situation
- A set of recommendations; and
- An action plan attached to this report.

2. METHODOLOGY

The report has been compiled after a country visit, 15th – 19th March, 2005, to Swaziland by a team of transport specialists (Smak Kaombwe, Stallard Mpata and Bo Giersing), during which a number of stakeholders were consulted on the various areas of transport and logistics affecting the external trade sector. Some data including for international trade was collected from persons visited from the public and private sectors. A full list of persons visited is in Appendix II. The visits were kindly facilitated by the American Embassy in Mbabane, Swaziland.

In addition, a stakeholders workshop is planned to be held soon to discuss the draft report and the proposed Action Plan and comments thereby will be duly reflected in the final report.

3. SWAZILAND INTERNATIONAL TRANSPORT SYSTEM

3.1 TRANSPORT CORRIDORS

Swaziland is a landlocked country completely surrounded by South Africa for some 90% of its border except for a relatively short distance of about 10% with Mozambique to the eastern side of the country. The country has a population of about 1million.

The following main transport corridors, as depicted in Figure 1-1 through which international freight is conveyed, serve the country:

- LOMAHASHA to the east by road to Maputo, Mozambique, about 200km
- GOBA by rail to Maputo
- LAVUMISA to the south by road to Richards Bay (about 350 km)
- GOLELA to Richards Bay and Durban, South Africa, about 550km
- MAHAMBA to the southwest, the preferred road route to Durban
- NGWENYA, to the northwest, by road to Gauteng, South Africa

3.2 DIRECTION OF INTERNATIONAL TRADE

Most of Swaziland overseas trade comprises of sugar, pulp, textile and clothing, canned fruit and soft drink concentrates. The bulk of foreign trade is with South Africa, around 80%, and traded directly through the land routes between South Africa and Swaziland.

For much of the rest of the external trade, it is with North America, the Far East and Europe and for which the principal exit ports are Maputo and Durban, with Maputo serving as the sugar port while Durban is the principal port for textiles and clothing and most of the other general overseas trade.

3.3 PRINCIPAL PORTS SERVING SWAZILAND OVERSEAS TRADE

Durban

Durban is Southern Africa's busiest port. It has a container terminal with 16 gantry cranes, 2 road-rail transfer cranes, 60 straddle carriers, a reach stacker and 35 tractor-trailer combinations. The current port performance is some 8-15 container moves per hour, much less than the international benchmark of 25 moves per hour, and has ships waiting to berth of average 2-5 days. It serves as a pivotal hub for the entire southern Africa region, serving trade links to the Far East, Middle East, Australasia, South America, North America and Europe. The terminal also serves as a transshipment hub for East Africa and Indian Ocean islands. Durban currently handles about 1.5m TEUs per annum, and is undergoing a phased expansion programme over the next 5 years to more than 2m. TEUs per annum, but which is not expected to relieve the overall problem of congestion, due to increased demand from South Africa's own external trade.

The port is connected to Swaziland by both rail and road, and is currently Swaziland's prime port.

Maputo

Maputo was Swaziland's premier port prior to the start of the Mozambican civil war in 1975, and has the advantage of a much shorter road and rail distance from Matsapha than Durban, 200km vs. 550km. During the past 5 years the port has gone through privatization process, with new investment in infrastructure and equipment.

The port is growing from its recent past. Apart from the sugar terminal, the port has a 300m long container terminal which is privatized and is equipped with 2 gantry cranes, 7 Kalmar top trucks with lifting capacity between 30 and 45 tonnes, 1 Linde top lift truck with 35 tonnes capacity. Container moves performance is 15 per hour. The capacity of the port is 100,000 TEUs per annum, but currently handles 40,000 TEUs per annum. There is average berth occupancy of 30% meaning there is almost no delay time waiting to berth. The port is served by container service of Unifeeder on a weekly service covering the Southern African coast. MSC – East Africa and South Asia, every ten days; Global Container Line East Africa and South Asia every ten days; MACS – Southern Africa and West Europe, monthly and MESSINA - East Africa and Mediterranean, monthly service.

The main problem related to Swaziland's use of Maputo for containerized traffic, is the infrequent vessel calls, absence of direct vessel calls to Europe, Americas and the Far East, and the cost and time of the feeder trans-shipment service to and from Durban.

The port is connected to Swaziland by both rail and road.

4. ISSUES

4.1 GENERAL OVERVIEW

The issue of high transportation costs affects the global competitiveness and economic growth potential of most developing countries, but in particular the land locked countries of Southern Africa, such as Swaziland. For most of the developed world, the transport cost component of imports and exports are generally in the 5% to 10% region, but for Southern Africa it is generally in the 15% to 40% range, mainly due to the following factors:

- Long distances from the centres of production to the sea ports ;
- Relatively low volumes, giving high unit costs and tariffs due to poor equipment and infrastructure utilization;
- Traffic flow imbalance, resulting in a large proportion of empty return hauls, and additional costs for repositioning empty containers;
- Absence of competition in the railway and port sectors, often resulting in poor service levels, and a shift to more expensive modes of transport;
- Poor interface management between various service providers, resulting in long transit and turn around times and high unit costs;
- Poor co-operation between importers and exporters, with little or no attempt to achieve savings by co-operating in order to achieve economies of scale – higher volumes and lower costs and tariffs.

All these factors also apply to Swaziland but with some additional factors to take into account:

All exports and imports must cross the border with South Africa or Mozambique. Although Swaziland and South Africa belong to the same customs union, the country cannot avoid the process of additional cost (time, cost of forwarding agents), and compliance with the transit

requirements of the transit country. In addition Swaziland's relatively small economy and low volumes for transporters and service providers, makes it very difficult for local companies to compete with the neighboring larger South African companies on resource base, flexibility of operations and price.

The problem of high transport and logistics costs affects the global competitiveness of the Swaziland economy as a whole, including the small exporters of arts and crafts, candles and glass etc. The impact is especially felt in the sectors where Swaziland is competing directly with other larger and 'low cost' economies such as India and China. For example, the newly established Swaziland textile industry, founded largely on preferential access to the USA market through the provisions of AGOA, has been very hard hit following the worldwide scrapping of import quotas by the WTO on textiles and apparel and thereby affecting exports of these products to the USA. The action by WTO has resulted in the open access for textile and clothing imports from the East, which are produced at a much lower cost than can be achieved in Swaziland.

The Swaziland textile industry, which used to employ more that 30,000 people at one time and is down to around 20,000, generates about US $200m per annum in exports to the USA through AGOA, (according to the AGOA statistics, 2004, representing about 7.5% of all Swaziland's exports by value), is in danger of collapse because of price competition from the East. The price disadvantage suffered by Swaziland's manufacturing exports is partially due to the additional costs of transportation of both raw material imports and the export of finished products.

4.2 SWAZILAND TRANSPORT AND LOGISTICS CHAIN

Swaziland's principal trading points outside the African continent are in the **Far East**, comprising a transport and logistics chain of some 550km by rail or road plus some 13,000km by sea; **North America** some 550km by rail or road and some 13,000km by sea; and **Europe** about 550km by road or rail plus some 10,000km by sea. These are based on using the port of Durban, while the land leg is about 150km if the port of use is Maputo, Mozambique.

The crucial issues for Swaziland are the cost efficiencies of the transport and associated logistics in each of the above sectors. Other issues tied to transport cost efficiencies are *reliability, predictability and flexibility* of the transport segments and these will be elaborated on later in this report.

A transport chain consists of different players including transport service providers such as rail and road operators, shipping lines, port services, government authorities/agencies, private intermediaries facilitating the transport operations and shippers themselves. The key components in this chain are the sea, rail and road service costs because they constitute the single largest portion of the transport system costs. As Swaziland does not have a shipping line of its own, the country relies on international shipping lines for competitive sea freight rates. On the other hand Swaziland has both a railway company and road haulage operators. These provide the transport service links to the country's major ports of Durban in South Africa and Maputo in Mozambique. The question is "how do the three modes of sea, rail and road and other services feature in Swaziland's transport chain costs?"

4.2.1 Transport Costs Between Swaziland and Overseas

Swaziland's major trade with the Far East and North America is based on sourcing raw materials from the Far East, and after processing thereof, exports are sent to markets in North America. From the various discussions with industry in Swaziland, it is noted that most of this trade is conveyed in containers and the approximate transport costs for shipping a forty-foot textiles container (FEU) between the Far East and Swaziland; and Swaziland and North America are as shown in Table 1.1 below:

Sea vs. Land Costs

The sea leg constitutes the lower share of the total costs, accounting for some 41-46% of the total transport and logistics chain costs. The land costs account for some 54-59% of the total costs over a relatively much shorter distance of about 550km.

The land costs, applying over the distance between Durban port and Swaziland, relate to four principal areas:

- Port area costs
- Transport
- Cross-border costs
- Agency/Swaziland

On the import leg, the port area costs (56%) account for the largest share of the land costs, followed by rail (33%), agency (10%) and cross-border costs (1%). On the export leg, road transport (56%) accounts for the largest share, followed by port (24%), agency (18%) and cross-border costs (1%).

Rail vs. Road

The cost of road haulage, Swaziland to Durban, is generally much higher than rail freight, ranging, for example, around $983-1,229 per FEU, considerably more than rail, which ranges from around $422 for a light 6m container to $700 for light 12m container to about $875 for heavy 40ft /12m container. This is about 40% higher than rail. The cost on road depends on several factors such as the number of containers carried. If a truck is fully loaded i.e. carrying two or three Twenty Foot Containers (TEUs) or one FEU or One FEU and one TEU, the cost per unit is almost proportionately lower. Similarly if clients can negotiate contract or long-term arrangements, road freight rates become lower. In addition if haulage is on a round trip basis, rates are further more attractive, particularly if one takes into account the door-to-door convenience of road transport. Railway has a clear advantage over road for heavy goods, but for light goods, based on a balanced two way traffic flow, road is generally more competitive, particularly when the reduced transit time of road is taken into account. Road has the disadvantage of border customs clearance hassles.

Table 1-1 TRANSPORT COSTS BETWEEN SWAZILAND AND OVERSEAS (Approx.)
Forty Foot Container (FEU)

Imports

		$	ZAR	$	ZAR	%
Sea leg		1,800	10,980	1,800	10,980	46
Port Durban	– BAF(Fuel levy)	200	1,220			
	- B/L	19.67	120			
	- Handover	47.54	290			
	- ISPS(Security)	19.67	120			
	- Terminal (THC)	180.33	1,100			
	- VAT Bond	24.59	150			
	- Congestion Charge	200	1,120			
	- Dues (Port Charges)	510	3,111			
	Sub-total			*1,201.80*	*7,331*	*31*
Rail		592.30	3,620			
ICD		107.05	653			
	Sub-total			*700.49*	*4,273*	*18*
Road		-				
Agency		57.38	350			
Disbursement		49.18	300			
Documentation		40.98	250			
Courier		49.18	300			
	Sub-total			*196.72*	*1,200*	*5*
	TOTAL			3,899.02	23,784	100

Exports*

		$	ZAR	$	ZAR	%
Sea Leg		1,500	9,150	1,500	9,150	41
Port	- BAF	200	1,220			
	- B/L	19.67	120			
	- Handover	47.54	290			
	- ISPS	19.67	120			
	- Terminal (THC)	180.33	1,100			
	- Cargo Dues (Port Charges)	247.54	1,510			
	Sub-total			*534.43*	*3,260*	*14*
Rail		-				
ICD		-				
Road		1,229.51	7,500			
VAT/Bond		24.59	150			
	Sub-total			*1,254.10*	*7,650*	*34*
Agency		57.38	350			
Disbursement		49.18	300			
Documentation		40.98	250			
Courier		49.18	300			
F/Forwarder Doc.		163.93	1,000			
	Sub-total			*401.64*	*2,450*	*11*
TOTAL				**3,690.16**	**22,510**	**100**

Exchange Rate used to $ is 6.1

* A shipper may incur additional costs such as storage charges ($40/FEU/day), cargo scanning (R2, 500/FEU}, late arrival into stack (R2, 700/FEU), inspection costs at border post. The road transport cost is based on the one-way transport of a 40ft/12m container. Two-way transport could reduce this by close to 50%.

Source: Based on the Consultant data collection during March, 2005

It is the general observation that on both rail and road transport there is room to reduce costs ***provided*** operational and logistics services associated with both modes are improved. Some of the key logistics improvements needed relate to the Durban port operations, others concern cross-border cargo facilitation, while others still relate to logistics coordination in Swaziland itself between the rail operator and importers/exporters. Improvements in logistics at Durban port will have spill over benefits to sea freight costs.

4.2.2 Reliability/Predictability/Flexibility

To a shipper it is not always the cost of transport that is the critical factor in deciding on the choice of transport service, but equally important is the consistency of availability of transport that is critical in the shipment of goods to/from overseas markets.

Talking to industry in Swaziland, rail transport is seen to be suitable for imports but its reliability is marred by poor intermodal link services at Durban port. In addition, the information on train schedules and services was in some cases very different between industry and the railways authority, thereby creating, in the industry, uncertainty of the services. Some companies noted the advantage of rail of carrying heavy containers and providing through transport link from overseas to Swaziland, through combined or multimodal transport operations.

On the export leg, rail is considered inflexible to accommodate certain types of export industries, notably the textile/garment factories. It requires 24 hours notice of intention to use rail, and thereafter cargo must be at the departure station, the Manzini dry port, 2 hours before the train departure. This time commitment appears difficult for the textile industry due to its apparent last minute production schedules.

Road transport is the preferred option for some exports, particularly the textile/garment and small-scale industries of curios conveyance to the airfreight hub of Johannesburg. Road transport is preferred due to its flexibility to time deliveries with the onward sea transport or air cargo operations.

4.2.3 Transit Times

One of the main constraints in Swaziland's transport chain is poor overland transit times (Table 1.2), most of which is at the Durban port area, accounting for almost 90% of overland transit time problems.

It is observed that a container on board a ship takes some 3-4 weeks to complete a sea journey between Durban port and either North America or the Far East, some 13,000km away in both cases. Yet the same container can take more than one week (up to 10 days average) to cover the leg between Durban port and Swaziland, a distance of some 550 km. Various reasons cause the slow movement, among which are –

- ship congestion at Durban;
- delays at the marshalling yard at Durban;
- lack of immediate access to the container-stacking depot at Durban port;

- lack of Swaziland's own dedicated presence at the port;
- lack of cargo coordination at Durban port; and
- delays caused by border posts formalities.

Table 1-2 TRANSIT TIMES
(FAR EAST/NORTH AMERICA – SWAZILAND)
(Approximate)

SECTOR	***TIME TAKEN***	
	Sea/Rail	Sea/Road
	(Days)	
Sea Leg	25	25
Port of Durban waiting to dock	2	2
Port of Durban Discharging	2	2
Port of Durban Clearing	3	3
Port of Durban marshalling yard	2	
Rail, including cartage	2	
Road		2
Border Post		0.25
	41	39.25

Source: Based on the Consultant data collection during March, 2005

As regards containers via Maputo, transit times are further affected by the need to transship cargo, via a weekly feeder service, through Durban because Maputo port performance is affected by low volumes of throughput, resulting in low frequency of ship calls and competition. In addition to the increased transit time of the feeder service through Maputo, the additional cost of the feeder service generally exceeds the cost of road transport directly to the port of Durban.

4.3 FINDINGS AND RECOMMENDATIONS

A number of issues have been identified which require immediate attention by the Swaziland authorities. While action on any one may not make immediate impact on the costs of the transport and logistics chain, acted on as a whole, will offer positive contribution to the country's external trade competitiveness. The findings and recommendations cover three areas – ***transport services*** i.e. shipping (sea leg), rail, road and port services; ***facilitation*** mainly customs, and ***institutional services*** i.e. public and private sectors related.

4.3.1 Shipping Services

Swaziland relies on foreign shipping lines for her ocean freight services. Accessing this service is therefore subject to international market forces of this industry. It was noted during the discussions that inward shipping of raw materials for textiles is mostly on a through transport system from the Far East to Swaziland. In other words the combined or multimodal shipping contract is used. Investors who are largely from the Far East own the textile

industry in Swaziland. The same group is the importer of raw materials to Swaziland from their affiliate in the Far East, and is the decider of the transport chain options all the way. This relationship is important because who decides on the cargo routing plan can make a difference on the overall cargo handling and cost of importing.

On the other hand on the export leg, sales are made on FOB basis ex port, to a different party in North America. As such the risk to deliver goods to the port for export, rests with the exporter and can make a difference at times where delivery times must be strictly adhered. It was noted in this regard that one exporter has had to occasionally deliver export containers to as far as the port of Cape Town (at an overland transport cost of some US$5,400) in order to meet the FOB shipping commitment, and thereby increasing costs on the exporter.

One of the fundamental problems facing the competitiveness of Swaziland's textile industries with that of the Far East is that it relies on importation of raw materials from the Far East which have to be shipped by sea. This not only adds additional transport related cost to the cost of the final product, but also significantly increases the time between the placing of orders and the final delivery of the product. In the Far East this period could be 1 month, whereas in Swaziland, this could be as much as 6 months – a very important competitive factor in the fashion clothing industry.

***Observation**:*
Swaziland has a functioning dry port, which means that imports and exports can be consigned to/from it as if it were a sea port. Adoption of appropriate import/export trading contracts could avoid unnecessary costs, but will depend on appropriate logistics linkage at modal change points especially at Durban.

Recommendation:
Swaziland industry should use the multimodal transport contract, but for this to work effectively logistics bottlenecks at the modal change point of Durban have to be addressed by government, with South African authorities.

4.3.2 Road Transport Services

Road Transport is gradually and steadily increasing its market share of the movement of Swaziland foreign trade. The greatest share of this is in the export cargo, where for textiles/garments, for example, it is the mode that carries the shipments to the port of Durban. This is largely due to road transport flexibility to link with the ocean vessels. Road transport suits the needs of the textile industry due to the industry's tendency of last minute production delays at the factory, making it difficult for rail removal where greater lead-time planning is essential. Road transport is a door-to-door service conveniently fitting delivery of containers directly to container stacking bays at the port, ready for ship loading.

The service is also convenient for small companies shipping their parcels to the Johannesburg airfreight hub to overseas market, albeit these too meet the same road transit problems as the bigger exporters, particularly at border posts.

Although foreign owned carriers dominate the road haulage sector, there was general satisfaction with the service, and entering the sector by local operators and entrepreneurs is not seen as a problem.

On the cost side, the service is more expensive due to, among other reasons, lack of two-way traffic by individual shippers. As such the service is largely priced on a one way loaded basis, but becomes less costly if trucks are fully loaded both ways. If Swaziland can establish a cargo coordinating centre at Durban port to coordinate her cargo, road transport rates would be lower as there would be assured return loads by hauliers.

Swaziland road hauliers operate in an open competitive market, and the pricing of their services is competitive on a regional benchmark level. The price of a round trip Matsapha – Durban ranges from E7500 to E10 000, depending on the load carried, whether it is a two way haul, and whether it is a last minute urgent request requiring the haulier to have a truck on standby. This indicates a transport unit price of between E7 and E9 per km, which is comparable to the regional average rate. Thus, the cost of transporting a container from Matsapha to Durban could be as low as E1250 to E1650 (three light 20ft / 6m containers in each direction), much cheaper than rail, and as high as R10 000 (an urgent last minute one way delivery). *This confirms the recent press reports of the very high transport prices in Swaziland. However, the prices vary considerably, depending on the circumstances.*

Improved production scheduling and transport planning could therefore significantly reduce land transport costs. One way to do this would be for all the Swaziland based manufacturers to cooperate and coordinate their transport requirements and on the basis of the larger volumes, agree on a fixed base volume, which can be committed to a scheduled 'take or pay' contract with either road or rail. In this way the transport costs for at least part of the exports could be reduced. The textile industry and other exporters could also coordinate with importers of goods to Swaziland, such as consumer goods, foodstuffs etc, to try to achieve a better balance of transport flows – savings could be significant.

Observation:
Road transport is a major option for Swaziland foreign trade and is growing. Costs for road transport can come down if there is general coordination between the port and points in Swaziland to take advantage of two-way carriage. Coordination between manufacturers could provide better planning and allow for fixed transport schedules, take or pay contracts and reduced prices. Road transport has the disadvantage of cargo weight limitations and cannot carry heavy containers, but its door-to-door delivery is convenient to production schedules of some industries particularly the textiles/garments.

Recommendation:

- *Swaziland government should critically study the idea of establishing a cargo coordination expeditor at Durban port based on private sector basis;*
- *Provide technical assistance to support and train personnel of the Road Transporters Association;*
- *Monitor and study the reasons for the wide range of prices on the road service;*
- *Promote the cooperation between manufacturers in Swaziland to achieve better planning, scheduling and balance in traffic flows.*
- *Establish Route Management Groups (RMGs) with neighbouring states on each transport corridor.*

4.3.3 Rail Transport Services

A parastatal, Swaziland Railways, provides rail services and has no capacity problem at present. SR is considered to be an efficient and low cost haulier, but finds the relationship with the textile industry difficult to manage, because of the absence of planning and scheduling, which is considered critical to a successful railway operation. The principal connections are to Durban, Richards Bay and Maputo ports. Most users expressed satisfaction with rail services except for the textile manufacturers on the export side, largely due to the nature of the production line of this industry, entailing last minute completion of orders and stuffing in containers. This is not convenient for proper planning on rail, which requires adequate lead times. As suggested above, this could be improved by cooperation between manufacturers to identify a fixed 'base volume', which could be committed on a contract basis.

There was a general gap of understanding of the rail schedules by industry. Swaziland Railways assume that all industry is fully aware of their rail operations *timings, frequencies and types of services*, when the fact was that there were considerable variations of understanding by industry of the available services, particularly to Durban port. Swaziland Railways said that if train lengths could be consistently 20 wagons or longer, then the shunting yards at Kings Rest and Bayhead in Durban could be avoided, and direct access to the port could be gained. However, the current container traffic from Gauteng to Durban, consisting of 50 wagon trains, suffers the same problems as the traffic from Swaziland. Swaziland needs to have it's own rail traffic manager within the port, and this could possibly be jointly funded by industry and Swaziland Railways.

Almost everyone agreed that the rail/port/sea interconnections at Durban port are far from satisfactory, making it difficult for rail services to cater for all customers.

Observation:
Rail services should brace themselves for competition with road transport; and if they are to maintain their market share, increased marketing strategies are required to interface with clients and know more the clients' requirements.

Recommendation: *Swaziland Railways should:*

- *Establish representation at Durban port to better coordinate its interface with the port operations and thereby establish increased efficiencies in the transfer of cargo between rail and sea operations;*
- *Improve its customer relations by directly going to the customer to understand his needs e.g. express train services are understood differently by industry, as to available and efficiency;*
- *Examine/establish train schedules to meet specific needs e.g. unit train service for the textile/garment industry;*
- *Implement seamless rail services to Durban, the concept of which is already adopted under the SADC Transport Protocol.*

4.3.4 Inland Clearance Depot (ICD)

The railhead at Mbabane/Manzini has an ICD, which operates as a dry port to/from which cargo can be consigned. This makes it an ideal facility for through transport operations. The facility, operating 6 a.m. to 10 p.m. daily, started with problems of container handling equipment, but this problem is now over. There is now a new container stacker. The facility

provides cartage around the Mbabane area. The facility could be better used through greater understanding of its advantages by greater targeted marketing and reaching out to clients.

The Matsapha ICD is operated by Swaziland Railways and handles 10 000 TEUS per annum (2003/2004), most of which are exports in 6m containers from Usuthu Pulp and Swazican (4,476 and 809 TEUs respectively). Swaziland Railways handles virtually all the imports for the textile industry in 12 m containers, but a small proportion of exports. During 2003/2004, Swaziland Railways imported 956 12m containers (1912 TEUS) through the ICD, but only exported 489 12m / 978TEUS, in imbalance of about 50% - imports exceeding exports. Attempts could be made to try to balance this traffic for the manufacturing exporters, but this volume would only support one dedicated express train per week. Hence, one could try to identify a scheduled base volume by cooperation between all manufacturing exporters.

Observation:
The ICD could take advantage of its classification as a port and therefore make use of the Multimodal Transport Convention operations. But this will mean that the depot and Swaziland Railways should establish closer coordination with Durban port for the smooth intermodal cargo transfer.

Recommendation:
Swaziland Railways should examine the possibility of establishing a cargo coordination service at Durban port to coordinate cargo movements with the inland port (ICD);

4.3.5 Port Services

Durban Port

Durban port is the single major port used by Swaziland for its containerized exports and imports. Apart from sugar, which goes through Maputo, most of the country's major overseas trade is through Durban port. The port is linked to Swaziland by both rail and road. Durban is also a major transit port for South African foreign trade and other Southern African countries.

Due to its relative huge traffic operations, handling almost 1.5 million TEUs per annum (it is estimated that Swaziland's share of this is about 15,000 of which 10,000 is carried by rail), the port is faced with several problems impacting on the Swaziland shippers, the main of which are:

- Congestion of ships, waiting to dock; (this has started improving, with the lifting of the congestion surcharge of $100 per TEU on 1st May 2005);
- Limitation on times for placing containers into stacking areas readying for loading onto ships; (currently 5 days opening and closing 3 days to ship loading)
- Short and missed shipments due to mis-link with land transport/operations;
- Storage charges; (charged against cargo waiting placement in stack bays);
- Cargo scanning charges;
- Rail marshalling yard inefficiency. (Rail traffic first reports at marshalling yard)

Much of industry's views were that delays of transit traffic in Durban are of the order of 8-10 days. Improvements of operations at Durban port are not easily in sight although it is

reported that the South African government is implementing plans to increase the port capacity and other services.

One of the main problems affecting the efficiency of Durban container terminal is the handling of trains in and out of the port marshalling yards at Kings Rest and Bayhead – delays of 3 or 4 days due to shunting operations are not unusual, and this directly affects traffic to and from Swaziland because of the relatively low volumes. Container trains are often mixed in respect of origin and destination, requiring shunting and sorting to be carried out in the yards. Poor traffic co-ordination with inland terminals is also a factor, so the problem is quite difficult to solve, and probably cannot be solved without private sector participation. Ideally, Swaziland should have it's own depot within, or near the container terminal.

***Observation**:*
The port of Durban will remain the major artery for Swaziland's foreign trade, as there is no immediate major alternative port. The nearest option is Maputo in Mozambique, which if and when operations improve can in the medium to long term emerge as an alternative to Durban. But only aggressive action by Swaziland to keep step with the developments of the port can see this option mature for her foreign trade.

Recommendation: *Swaziland should:*

- *Explore the possibility of establishing her own cargo centre at Durban for coordination of her cargo;*
- *Negotiate with the appropriate authorities to exempt storage charges imposed on waiting cargo for reasons of not making by Swaziland, especially cargo which has to wait due to ship congestion impacting on poor container stacking times;*
- *Negotiate for improvement of operations of the rail marshalling yard at Durban*

Maputo Port

Maputo is the nearest port to Swaziland, only half a day travel away, but, due to its recent historical past, has low traffic volumes. With the economy in Mozambique growing and the South African government support to develop Maputo for that country's use, the port services have been fully privatized and have improved – total volumes have almost doubled to 5 mi. tpa over the past 3years, mostly due to bulk exports through Matola. The Maputo container terminal handles about 40,000 TEUs per annum, enough to support a fixed weekly feeder service to Durban, but not enough to attract direct vessel calls. Increased traffic from South Africa and Mozambique will eventually attract direct calls, probably when volumes have reached 80,000 to 100,000 TEUs pa. Traffic from Swaziland could assist in reaching this threshold, and *stay in step* with this development and take advantage of this potential. Indeed much of Swaziland poor transit efficiency points to logistics problems around Durban port resulting in long transit times and relatively high costs. This should trigger Swaziland to look at other options, and Maputo port could be the window to examine aggressively.

At present containerized traffic via Maputo is being transshipped via Durban port. The advantage of this link is that once the traffic has been shipped ex-Maputo, it remains in the shipping line's system and responsibility for onward movement. The current disadvantage of the feeder and transshipment service is the additional cost of about $500 per TEU and the additional transit time. Rumours of restricted water depths and access to Maputo are largely

exaggerated – the port and access channel have recently been dredged and are being maintained by the private sector port operator.

Observation:
Maputo port is a major potential alternative for use by Swaziland, and remains to be harnessed. This entails deliberate actions to be taken by authorities to exploit this option.

Recommendation: *Swaziland should:*

- *Attend regularly Maputo port management meetings to learn more about developments of the port;*
- *Create more awareness of this port for use by Swaziland shippers;*
- *Discuss with Mozambique to jointly address road security concerns on the road Swaziland – Maputo.*

4.3.6 Airfreight Services

Mostly high value items and parcels such as curios use airfreight services. These services are costly, and in some cases making landed costs overseas to be as high as two and half times comparable costs by competitors to Swaziland. Thus the service will remain to be for high value exports. Swaziland exporters connect to the Johannesburg air hub by using cheaper road transport from Swaziland to Johannesburg and link to airfreight services to overseas markets.

Observation:
Airfreight will remain a service for high value goods until airfreight services are fully developed in Swaziland through improved air connections and air traffic.

Recommendation:
Swaziland should support the liberalized road transport, which can ferry high value items to adjacent major airfreight hubs.

4.3.7 Value Added Tax (VAT) Application/Processing by South Africa

A number of exporters in Swaziland expressed concern with the way VAT is applied by South Africa on Swaziland exports. There were reports of *selective application of VAT procedures, long delays to obtain VAT refunds (6-10 weeks waiting, one worst case was mentioned of about a year), and deductions of administrative charges* from the refunds. It was further noted that the VAT refunds involves the process of submission by the exporter of acquittal documents, which confirm that the transit goods, which had entered one South African customs border post, had actually exited another South African customs post. However there were complaints that there were instances when the process required the Swaziland *exporter to submit acquittal documents of the concerned goods certified by a final destination point outside and beyond the South African borders.*

In talking to a SARS office, it was stated that the issue was that of advance payment of VAT, and is demanded on certain shipments depending on various factors such as type of goods and client relationship. On VAT refunds, SARS stated that they had established an office in Mbabane to assist with some of the VAT claim matters. The concern that acquittal

documentations have to be certified at the overseas cargo destination point i.e. outside and beyond South African borders was said to be not normal.

In talking to the Swaziland Customs authorities, they confirmed that they were aware of the concerns of the industry and assured that they were discussing these with their counterparts in South Africa.

Observation:
This is a highly crucial matter in the efficient financial operations and competitiveness of some exporters in Swaziland as VAT demands tie up capital for the concerned business parties. The issue needs greater awareness of the legal requirements by industry. SARS appeared ready to extend awareness education to the business sector in Swaziland.

Recommendations: *Swaziland should:*

- *hold high-level discussions with South Africa to agree on more facilitative operations of VAT on transit goods .In this connection, consultation with industry is also highly recommended;*
- *In conjunction with South Africa, mount awareness messages through: -*
- *Seminars through the Swaziland Chamber of Commerce;*
- *Publish periodically newspaper messages on VAT and its application;*
- *Support the Chamber of Commerce through training of its staff.*

4.3.8 Inspection of Transit Goods by South Africa

Export Goods at Border Posts

Some exporters expressed great concern that their export goods, which had been duly inspected and sealed in Swaziland by Swaziland Customs authorities, were subject to destuffing and stuffing at South African border entry points. This process involves opening containers even in the open area, it was claimed.

Both South African and Swaziland authorities confirmed that the practice, which was limited to certain goods, was perfectly legal. However, it seems odd that the South African customs authorities should find it necessary to open a container, which has been sealed by Swaziland customs, unless there is suspicion that the seal has been tampered with. It should be possible to avoid this procedure in joint discussions between the two authorities. If necessary, the South African customs could add a second seal to the container, as was done by Botswana for a period for imports through Walvis Bay.

Observation:
The inspection of transit goods may add considerable cost in time and financial resources to the competitiveness of Swaziland exports.

Recommendation: *Swaziland government at high level:*

- *Should discuss with South African authorities on facilitative procedures for inspections; and sealing of containers, as well as mutual acceptance of the integrity of seals by the respective authorities, i.e. SARS and Swaziland Customs authorities.*
- *Mount awareness campaigns through the news media in Swaziland and through the Chamber of Commerce on the legal provisions to sensitize industry on the legal requirements and need for compliance thereof.*

4.3.9 Inspection of Swaziland Manufacturing Plants by South Africa

There were some exporters who expressed concern at the manner and the way in which South African customs authorities visit their manufacturing premises for inspection. It was reported by some that the visits were aggressive and without the company of Swaziland authorities, while others did state that the inspections were carried out in company of Swaziland customs authorities.

The Swaziland authorities did confirm that within the Southern African Customs union (SACU) the inspections were legal and are only undertaken in the company of Swaziland customs officials.

Observation:
The inspections appear to bring apprehension and are considered intrusive among the business community and negatively impacting on industry.

Recommendation:
- *Swaziland Customs should work more closely with SARS in the determination of the need for inspections of plants and the process thereof. In doing so, the Swaziland Customs should in particular ensure that the interests of the Swazi industries are duly considered;*
- *The Swaziland authorities should mount an awareness campaign of its industries through the news media and also the Chamber of Commerce for the latter to take on more responsibility of informing its membership of the legal requirements and industries rights in such exercises.*

4.3.10 AGOA Facilitation – Swaziland Customs

One of the requirements of accessing the AGOA facility is certification by the Customs authority of the exporting country. It was stated by an exporter that the procedures and final documentation signatures were not facilitated on time by Customs Authorities. The exporter had spent months to go through the process and without success to obtain the final signature from a registered customs official.

The Swaziland Customs Authorities stated that they were aware of the procedures and that signatures of five officials had been registered under the AGOA programme to certify the AGOA exports, three of these signatories were based in Mbabane. There was also an office at the Customs head office specifically dealing with AGOA.

Observation:
Lack of speedy processing of AGOA certification can lead to business incurring costs resulting in their uncompetitiveness.

Recommendation:
Swaziland government, particularly Swaziland Customs, should mount more awareness campaign of AGOA procedures by:
- *Further streamlining, designing and printing simple AGOA procedures or road map to exporting under AGOA;*
- *Working with the Chamber of Commerce to take on more responsibility of disseminating AGOA procedures to its members;*
- *Publishing in the news media location of AGOA offices where information can be obtained.*

4.3.11 Institutional Issues – Swaziland

Public Sector

The business sector in Swaziland is supported by a number of public institutions in the government of Swaziland. The key institutions are:

- Ministry of Enterprise and Employment dealing with enterprises and jobs creation: It has recently been directly concerned with the threat on the survival of the textile/garment industry and loss of jobs in this sector;
- Ministry of Foreign Affairs and Trade, particularly its department of international trade;
- Ministry of Economic Planning;
- Ministry of Finance under which foreign trade facilitation through the country's exit corridors is undertaken through the Customs Department;
- Ministry of Public Works and Transport concerning transport policy and services under which foreign trade haulage is regulated especially concerning transport and logistics provision on the country's transport corridors;
- Swaziland Investment Promotion Authority, a special body created to promote investment.

In the area of transport and logistics to assist Swaziland's foreign trade and bring about its effective competitiveness, the activities of the following are critical in order to achieve the overall objectives:

- Ministry of Public Works and Transport;
- International Trade Promotion Unit; and
- Customs Department.

Many of the observations/comments/concerns by the business community touched on the need for these institutions to play their respective roles and compliment the efforts of the private sector. For example, issues such as *problems faced at Durban port, use of Maputo port, South Africa's Customs actions of implementing its customs requirements,* are issues which cannot be tackled by the business/private sector alone but require immediate and proactive, aggressive actions by the public sector to support industry. It is only then that some of the concerns by the private sector will be addressed and thereby result in greater competitiveness of the private sector in foreign trade. The need for a **senior level consultative forum** by the economic institutions of government administration cannot be overemphasized. Such a forum, working together with the Chamber of Commerce, can go a long way to addressing the concerns of industry facing a variety of difficulties in importing/exporting their goods through the transport corridors and beyond to/from overseas markets.

Swaziland has entered into bilateral and multilateral agreements governing or touching on transport and logistics issues. These include in particular, the ***SACU Arrangements and the SADC Transport and Communications Protocol.*** Committed implementation of these agreements on the part of Swaziland will go some way towards addressing some of the key

concerns or fears of the business community, and thereby bringing about greater foreign trade competitiveness. In part, it is to assure the business community of a public service that has the capacity and is motivated to address and take on key issues, especially those that affect other countries to negotiate with them and appropriately seek better terms for Swaziland for her foreign trade.

It was noted that unlike in many other SADC countries, the Customs Department in Swaziland still operates as a Government Department under the civil service structure. This structure has been acknowledged in many SADC countries to constrain a business like approach to trade facilitation or Customs operations. It was also noted that there is a process which is underway to create a semi-autonomous body, a Revenue Authority, as is the case in almost all other SADC countries. Considering the positive changes that have been observed in countries that have gone through similar reforms, it is considered that this process is timely and should be completed as soon as possible.

Industrial Development Issues

It is clear from the study that due to the landlocked position Swaziland faces, some of the changes and implementation needed to improve the transport and logistics systems may be beyond what the country can optimally achieve because the issues are transnational, across the borders into other countries, and therefore are depended on other countries' cooperation, willingness and speed of action. For example, the reliance on imported raw materials for garment manufacture, which depend on the efficiency of the transport and logistics systems, poses serious problems and challenges to the industry. The unreliability of the transport system also makes production scheduling difficult. A critical factor is the length of time taken between the placing of orders for imported materials and the delivery of the final product – this can be up to 6 months in Swaziland, compared to as little as 1 month in China.

Swaziland therefore should examine her own industrial development strategies and other relevant policies with a view to having an industry based on harnessing local resources as much as possible. This would entail maximizing value added to exports and thereby reducing the impact of high transport and logistics costs. The institutional consultative forum suggested herein provides an ideal setting for discussion and policy development in this regard.

Furthermore, industries/shippers should develop capacity to effectively coordinate their import and export operations and lobby for enacting and implementation of facilitative regulations and procedures. Industries should also take initiative to reduce production and logistics costs in a planned and coordinated manner, including close cooperation between different manufacturers/shippers, in order to achieve benefits from the economies of scale.

With regard to diversification possibilities, it is important to note that other sectors of the Swaziland manufacturing industries are similarly affected by the difficulties in the transport and logistics system, especially when associated with small and unpredictable volumes, such as the arts and craft industry, including candles and glass. However, traditional resource based export sectors, such as timber, pulp, sugar, citrus, coal and canned fruit, have not been affected as much by prohibitive logistics costs, because they have long term contracts and relationships mainly with Swaziland Railway, and also with the road hauliers. Therefore a

strategy to expand exports based on value addition to the traditional resources should be encouraged.

Observation:
Swaziland has all the key institutions needed to support her foreign trade. However what remains is to harness her various institutions into an effective unit, which should and can adequately address key concerns of the business sector and thereby improve the country's foreign trade competitiveness.

Recommendation: *Swaziland should:*

- *Immediately create a CONSULTATIVE FORUM to meet regularly to address critical issues of foreign trade facilitation and policy development. Such a forum should be a working forum and be results driven,*
- *Create n autonomous Revenue Authority able to operate on a more businesslike approach and accountability for trade facilitation to its client,*
- *Seek donor funding to inject into the Chamber of Commerce to improve its capacity to serve as a vehicle of dissemination of information relevant to foreign trade movement and government policies awareness, including those of foreign states;*
- *Continue to monitor its public sector capacity to ensure that it implements the economic growth objectives especially those of foreign trade and job creation, and that it fights for the country's rights to protect the country's foreign trade competitiveness;*
- *Implement the One Stop Border post concept with South Africa and Mozambique;*
- *Implement the ASYCUDA or similar software for clearing/processing foreign trade at border posts.*

Private Sector - Chamber of Commerce

Swaziland has a Chamber of Commerce, which appears very active to stand up for the rights of its members. Its efforts need however to be supported and complimented by the public sector. It should also be given the responsibility of taking on more to serve as the vehicle of educating its members on various regulatory or other information on trade facilitation. This will require increasing its capacity to deliver such services.

Improved capacity by the Swaziland Chamber of Commerce could result in the Chamber being more active in promoting cooperation between manufacturers and industry sectors, in order to achieve better transport planning and better traffic flow balance on both road and rail – this will reduce transport costs for the economy as a whole by better resource and equipment utilization

Observation:
There exists in Swaziland an active Chamber of Commerce, which needs to be supported to increase its capacity to serve its members better. In so doing it will also assist government policy dissemination.

Recommendation:

- *Swaziland should create a CONSULTATIVE FORUM between the public and private sectors to meet regularly.*
- *The Chamber of Commerce should draw up a strategy to build up capacity to take on increased responsibilities to serve membership better, particularly in the area of transport planning and information dissemination for foreign trade to avoid hassles of international trading, and thereby reduce costs.*

Championing Implementation Process

The Swaziland Investment Promotion Authority (SIPA) is an institution whose role cuts across the institutional linkages and coordination needed to see the implementation of a number of issues raised in this report. In this connection, the Authority's role can be divided into two: (a) Coordination of the proposed Workshop to discuss this report; and (b) overseeing the overall implementation of the action plan.

SIPA appeared ready and committed to undertake these roles, and it is strongly recommend that they do so.

Appendix I

SWAZILAND TRANSPORT LOGISTICS IMPROVEMENT ACTION PLAN

SECTOR	Issue	Activity	Responsible Institution/ Persons	Others	Implementation Date/Period	Resources
	TRANSPORT SERVICES					
SHIPPING	1. Coordination of Multimodal shipping, linking sea and land transport to/from Manzini ICD	• Initiate technical discussions with Durban Port authority (NPA/SAPO) and Spoornet for easier modal interface to facilitate multimodal transport contracts through the port of Durban	MoPWT	SR		Own
ROAD	1. Efficient use of road transport between Durban port and Swaziland.	• Establish a cargo expeditor at Durban port to coordinate cargo and thereby enable two way truck loads	MoPWT	CoC, STA		Own/Donor
	2. Assistance to STA	• Provide technical Assistance to Swaziland Transporters' Ass'n to cover various aspects of road operations	MoPWT MoPWT	MoF		Own/Donor
	3. Establishment of RMGs;	• Establish Route Management Group (RMG) on main corridors;	MoPWT			Own Own
	4. High Road Rates	• Monitor and study road rates	MoPWT			
	5. Implement One-Stop-Border posts;	• Implement one-stop border post plans with neighbouring states		STA, Customs, Immigration, STA		Own
	6. Seek to achieve better planning and balanced traffic flows	• Promote cooperation between manufacturers and industry sectors	CoC			Own/Donor Own

SECTOR	Issue	Activity	Responsible Institution/ Persons	Others	Implementation Date/Period	Resources
RAIL	1. Rail Service Cargo coordination	• Establish representation at Durban port by SR; • Increase marketing to appreciate customer needs particularly train schedules	SR	MoPWT		Own Own
	2. Establishment of seamless rail Service	• Implement seamless rail services between Swaziland and Durban.	SR			Own/Donor
	3.Seek to achieve batter planning and balanced traffic flows	• Provide performance incentives and penalties	SR			
	3. ICD cargo coordination with port of Durban	• Establish cargo coordination centre at Durban port	SR			Own
PORTS	1. Port Services improvement at Durban; 2. Storage charges	• Establish cargo centre at Durban port; • Negotiate for waiver of storage charges on export cargo waiting to load on ships	MoPWT MoPWT	SR		Own/Donor
	3. Use of Maputo Port	• Attend regular port management meetings;	MoPWT	CoC, Customs, C&F		Own
		• Create more awareness by advertising the port	MoPWT	CoC		
	4. Security on road	• Discuss with Mozambique authorities on security issues of the road to Maputo	MoPWT			Own
AIR	1. Air freighting of exports	• Support road transport services to the air hub at Johannesburg by facilitating easier cross-border movement	MoPWT	Customs, SARS		Own
	FACILITATION					
CUSTOMS	1. VAT-SARS	• Hold high level discussions with RSA on operations of VAT; • Hold seminars to sensitize business community;	Customs Customs	MoPWT CoC, SARS		Own
	2. Training of shippers	• Publish newspaper messages on VAT • Support staff training programmes of Chamber of Commerce. eg Re: VAT Procedures.	Customs	CoC		
	3. Inspection of Export goods at Border Stations	• Seek improved cooperation between SARS and Swazi Customs – respect and accept customs seals	Customs	SARS		Own
		• Sensitize business				Own

SECTOR	Issue	Activity	Responsible Institution/ Persons	Others	Implementation Date/Period	Resources
		community on inspection requirements and procedures; • Mount awareness campaigns on the requirements in the newspapers	Customs			
	4. Inspection of Swaziland Manufacturing plants by RSA	• Mount awareness messages on the legal requirements and rights of business • Swazi Customs to establish improved consultation with industry and SARS.	Customs Customs	SARS SARS		Own/Donor Own
	5. AGOA Facilitation 6. Installation of ASYCUDA 7. Expedite creation of a semi-autonomous institution for Customs operations/trade facilitation (e.g. Revenue Authority)	• Design/print leaflets on AGOA procedures or road map for exporting under AGOA; • Hold seminars with the Chamber of Commerce on same; • Publish short messages in the print media. • Implement/install ASYCUDA or similar software to process foreign trade • Complete assessment and decision making process • Establish necessary legislation • Create and staff Revenue Authority	Customs Customs Customs Customs Govt Govt Govt			Own Own/Donor Own/Donor Own/Donor
	INSTITUTIONAL ISSUES					
INSTITUTIONAL COORDINATION	1. Role of Public Sector	• Create Consultative Forum to meet regularly to address issues of foreign trade and action plans thereof; • Seek donor funding to inject into the Chamber of Commerce, Road Transporters' Ass'n; • Build capacity to support foreign trade bottlenecks such as those addressed herein	MoPWT, CoC, RTA MoPWT MoPWT	Foreign Trade, Economic Planning, SIPA, Customs, MoF Trade Unit, Customs		Own Donor Own Own/Donor
	2. Role of Private Sector	• Establish closer working relationship with Chamber of Commerce	MoPWT	CoC, Customs		Own

SECTOR	Issue	Activity	Responsible Institution/ Persons	Others	Implementation Date/Period	Resources
		through a public/private consultative forum; • Support Chamber of Commerce to increase its capacity and serve as a vehicle of information dissemination to private sector	Trade Unit	Customs, SIPA		Own/Donor
	3. Cross Cutting Coordination	• Appoint SIPA to coordinate both the workshop and overall implementation of this action plan				

MoPWT = Ministry of Public Works & Transport
MoF = Ministry of Finance
CoC = Chamber of Commerce
SR = Swaziland Railways
STA = Swaziland Transporters Association
SIPA = Swaziland Investment Promotion Authority

Appendix II

PERSONS CONSULTED

Name	Organization	Address	Position	Telephone
1. Evart M. Madlopha	Min. of Public Works & Transport	P.O. Box 58, Mbabane, Swaziland	Principal Secretary	Tel : (09268) 404 232 Fax : (09268) 404 1896
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Appendix III

TERMS OF REFERENCE

SCOPE OF WORK FOR STUDY TO PREPARE ACTION PLAN TO IMPROVE TRANSPORTATION LOGISTICS FOR COMPETITIVENESS OF SWAZILAND INTERNATIONAL TRADE

Background

The report by the Trade Hub AGOA Advisor on "The Impact on Swaziland of the Elimination of Quotas under the World Trade Organization Agreement on Textile and Clothing (ATC)", has identified that high cost and unreliability of transportation constitute a major impediment to competitiveness of Swaziland international trade. The report, which was prepared upon the request of the United States Ambassador to Swaziland, Lewis Lucke, elaborates that the inland transportation costs for a much shorter distance are far higher than the much longer sea leg. For example, apparel producers claim that it costs an average of between R2,500 to 3,000 to ship materials from Hong Kong to Durban, but the cost from Durban to Mbabane ranges from R7,000-10,000, and is unreliable. All producers cited logistics as a major concern.

The report makes proposals on what should be done to mitigate the impact especially on the impending most likely loss of jobs. Proposals include diversifying to more competitive exports or into tariff-peak items especially under AGOA. However, it is clear that any success in these proposed mitigation measures depends on the reduction in transportation cost and transit times as well as improvement in reliability of the total logistics.

Objective

The ***overall objective*** of this study is, therefore, to identify the causes of the high cost of transportation and long and unreliable transit times and recommend actions to be taken to improve logistics and ensure competitiveness for Swaziland international trade.

The ***specific objectives*** are to:

(i) Analyze the existing situation and identify the level of transportation cost and transit times for major exports and imports for the various components of the transport logistics or supply chain, including sea leg, port, inland transport and local handling of cargo;

(ii) Identify the transport logistics problems and causes of the high cost and long and unreliable transit times for main producers/exporters in Swaziland, including problems or aspects related to policy, regulations, operations and infrastructure or related facilities;

(iii) Recommend actions to be taken to improve transportation and reduce costs and transit times and improve reliability. The proposals should include proposed timing and

allocation of responsibilities for implementation of the recommended actions.

Scope of Work

The Consultant shall:

(i) Consult key players in international trade in Swaziland, including major producers and exporters, transport operators (road and rail), other trade facilitation service providers (such as Customs, clearing and forwarding agents and logistics companies), relevant Government ministries/departments (especially transport and trade) and regulatory agencies;

(ii) Review related past studies and recommendations available with the key stakeholders;

(iii) On the basis of analysis of data and information obtained from the consultations and literature reviews, elaborate key transportation constraints and issues impeding current and future competitiveness of Swaziland international trade;

(iv) Prepare a draft report on the identified constraints and issues and related recommendations to address them, including a time bound action plan and allocation of responsibilities for implementing the recommendations;

(v) Facilitate a national workshop of stakeholders to consider the draft report and recommendations and decide on the course of action;

(vi) Prepare and submit a Final Report, incorporating views from the workshop/stakeholders.

Output/Deliverables

The main output of the consultant shall be recommendations and action plan for improving reliability of transport logistics and reducing transportation cost and transit times for international trade agreed by Swaziland stakeholders.

The specific deliverables are:

(i) A draft report elaborating key transportation issues constraints impeding current and future competitiveness of Swaziland international trade and recommendations to address the impediments, including a time bound action plan and allocation of responsibilities for implementing the recommendations;

(ii) A workshop of national stakeholders and their agreement on an action plan for removing the transportation problems or constraints; and

(iii) A final report, which shall be an improvement of the draft report incorporating views from the workshop/stakeholders.

Timing

The assignment shall be carried out in the months of March and April 2005, with total resources not exceeding 30 workdays.

REFERENCES

Amanda Hilligas - *"The Elimination of Quotas Under the World Trade Organization Agreement on Textiles and Clothing:* ***The Impact on Swaziland****." USAID/Regional Centre for Southern Africa, Gabarone, Botswana, December, 2004.*