Sub-regional maritime co-operation in East Africa

Abraham S Massawe

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SUBREGIONAL MARITIME CO-OPERATION IN EAST AFRICA

by

Abraham S Massawe

Tanzania

November 1985

A paper submitted to the Faculty of the World Maritime University in partial satisfaction of the requirements of the GENERAL MARITIME ADMINISTRATION COURSE.

The contents of this paper reflect my own personal views and are not necessarily endorsed by the UNIVERSITY.

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SUB-REGIONAL MARITIME CO-OPERATION IN EAST AFRICA

BY

ABRAHAM S. MASSAWE
(TANZANIA)

This paper submitted in partial fulfilment of the requirements for the award of the Degree of Master of Science (MSc) in General Maritime Administration to The World Maritime University, Malmo.

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LIST OF ABBREVIATIONS

CAF  Currency Adjustment Factor
CFB  Central Freight Bureau (of Tanzania)
CIF  Cost, Insurance and Freight
EEC  European Economic Community
FOB  Free On Board
GRI  General Rate Increase
IMO  International Maritime Organization
ISCOS Intergovernmental Standing Committee On Shipping
OECD Organization of Economic Co-operation and Development
PTA Preferential Trade Area (for Eastern and Southern African States)
SADCC Southern Africa Development Co-ordination Conference
UNCTAD United Nations Conference on Trade and Development
UNEP United Nations Environment Programme
The terms used to form the title of this paper are quite frequently used in many studies and subjects and sometimes there are overlapping interpretations with other terms which may or may not have the same meaning. In order to minimize such overlapping interpretations, I would like first to explain what is meant by the terms "sub-region" and "co-operation" as far as this paper is concerned.

In several occasions, some speakers and writers use the term region and sub-region interchangeably; but generally and in practice a region is a geographical phenomenon implying an area of the earth that is differentiated from other by one or more criteria which tend to be more physical rather than otherwise. On the other hand, a sub-region is a section of a region, but the differentiation between one sub-region and another is not very much pronounced by physical criteria, but rather more by political, economic or other characteristics. It is quite easily understood when one speaks of regions such as Africa, North America, South America and Caribbean; because physical boundaries for such regions are known, however it is not the same when one speaks of sub-regions such as Southern Europe, East Africa, Central Africa and Central Asia, etc... A sub-region like East Africa, can be expressed to comprise only the former East African Community member states, that is Kenya, Tanzania and Uganda, while on the other hand it can mean more than those three countries as to the case of this paper. Therefore, the term sub-region is rather an intellectual
concept created by the selection of certain features that are relevant to a particular purpose or problem. Hence once a sub-region has been so designated, its validity is related to its ability to carry out the tasks for which it was designed.

Having tried to explain what it is implied by sub-region, then let's see what does the East Africa sub-region intends to imply according to this paper and consequently the criteria used to arrive into such grouping of countries. The countries included in this sub-region basically are Kenya, Mozambique, Somalia, Tanzania, Malawi, Burundi, Rwanda, Uganda, Zambia and Zimbabwe. The first four (4) countries are coastal States to the Indian Ocean, while the others are neighbouring landlocked countries and important users of port facilities and other transport facilities in and through the four (4) coastal States. However, besides the ten (10) States mentioned above there are States which already have formal co-operation agreements with some or all of the nine (9) States, thus in subsequent chapters more countries are likely to be mentioned in one way or another.

Bearing in mind that the major theme of this paper is maritime co-operation, a major portion of criteria used in selecting the grouping of East Africa sub-region is based on the followings:

(i) Maritime activities which focus on major sea ports and other coastal facilities;

(ii) The existing formal co-operation agreements among these States, covering a wider spectrum than only the maritime activities.
Before going further, it is important to mention the organizations/institutions which exist as a result of cooperation agreements within the sub-region. First, there is an agreement that formed the Southern Africa Development Co-ordination Conference (SADCC) which includes Angola, Botswana, Lesotho, Malawi, Swaziland, Tanzania, Zambia and Zimbabwe. The grouping is not identical to the East Africa sub-region, as defined earlier, simply because of particular problems intended to be tackled by the SADCC member states. Those problems can be traced in the main four (4) goals for the (SADCC), as declared in Lusaka, Zambia in 1980. The goals are:

- reduction of economic dependence on South Africa (more of political goal)
- building genuine sub-regional integration
- mobilizing support for national, inter-state and sub-regional projects
- acting in concert to win international backing for the above stated goals.

Another organization is the Preferential Trade Area (PTA) for eastern and southern African States covering a wider range of countries - all SADCC member States and including Kenya, Djibouti, Ethiopia, Somalia, Burundi, Rwanda, Mauritius, Comoros and Uganda. The basic objectives of PTA are to harmonize and facilitate trade; to improve and develop communication and transport network among the member States.

A quite important organization, especially for the maritime sector, is the Intergovernmental Standing Committee on Shipping (ISCO), establish in 1967 by the four Governments of Kenya, Tanzania,
Uganda and Zambia, in order to promote and safeguard their common interest in matters of ocean shipping.

Co-operation in its proper use does not outright mean integration but rather a stepping stone towards integration and joint ventures; therefore, countries can co-operate in various activities and for quite a longer period of time without integration of those different activities into one sub-regional institution. Other grouping of countries can decide to integrate some of the common activities from the very beginning, while other activities, co-operation is only to the level of exchange of information and offering mutual assistance when needed. Nevertheless, this paper is not confined only to the low level of co-operation but it aims to cover the essential and viable sort of co-operation and even integration, where possible, of various maritime and related activities in the sub-region.

An obvious question one should try to answer is why should countries co-operate to solve certain problems?. Countries like individual human beings can have common problems and similar interests in various matters, consequently, circumstances put them in a such a situation that, in order to solve those problems or because of the common interests, co-operation become essential and even necessary. Sometimes mutual activities taking place within a region may, in time, lead to the creation of what is often termed as "sub-regional consciousness" on the part of all or some of the inhabitants. Another motive for co-operation is the benefits associated with the economies of scale and pooling of the resources, and these benefits, individual countries on
their own see no possibility of attaining them. Difficulties to establish legal rules of global validity for special cases, leave sub-regional approach as an appropriate move towards seeking solution to some problems posed by the number of situations.

Finally, most of international conventions advocate for co-operation among States at various levels - global, regional and sub-regional - depending on different nature of problems and circumstances. A typical example is the United Nations Conference on the Law of the sea, where the concept of regionalism - the same can be taken to mean sub-regionalism - is called in aid in the form of regional organization or centres to provide solution to the prevailing challenging problems and also to help to narrow the gap between the industrialized and developing countries.

As stated earlier, co-operation is for the purpose of common interest and similar problems and also aiming for easier, most rational and promising solutions to the particular problems involved. Nevertheless co-operation, regardless of its romantic aims and purpose, does not come from the thin air like dew, instead there are conditions necessary and even sacrifices needed from those opt to co-operate. To begin with they (countries that are to co-operate) should know that co-operation means a harmonious way of working together of non-identical countries, for the purpose of combining their resources in order to exploit the opportunities and share the risks. As one of the principal pillars of co-operation is the principle of "give and take", which must be supported from the very beginning by the notion that
there should not be "winners" or "losers" but instead harmonized varying skills that partners are able to contribute in the interest of all. Broadly speaking individual human beings and individual countries remain suspicious of one another, but for co-operation to exist, a certain degree of trust and confidence is necessary among the partners likewise whenever difficulties occur they should be handled with consummate care to maintain perpetual motivation of all partners and they should "sell" and "purchase" from each other.

Knowing that the maritime sector by itself is a very broad area of activities, this paper entails to cover only certain areas within the maritime sector that may be of considerable importance for the East African countries to co-operate for the purposes already mentioned and some of which will be further elaborated in the subsequent chapters. The areas therefore covered are: the promotion and protection of shippers' interests, the harmonization of ports development and planning, and the protection of the marine environment and marine research.
CHAPTER II

PROTECTION AND PROMOTION OF SHIPPERS' INTERESTS AND SUPPLY OF SHIPPING SERVICES

The east African sub-region is rather a shipping service consumer than a supplier, consequently the need for protection and promotion of shippers' interests is of prime importance, however such a prevailing situation should not taken to imply that, the sub-region should ignore the supply side of shipping service. The development of shipping capabilities (supply side) by the member states of the sub-region can have positive effects on the promotion and protection of shippers' interests and a wider spread effect on the economy of the area (this point will be discussed further at the end of the chapter). It would not be sufficient to jump a step ahead discussing co-operation by shippers in protection their interests at a sub-regional level without first looking into how shippers should be organized at a national level, otherwise a sub-regional co-operation without grass-roots at national levels may end-up to be less effective or short-lived undertaking. Therefore to begin with, a general review as who are the shippers at a national level and how they interact with the suppliers of shipping services is necessary. The awareness and willing to co-operate among shippers does not only consolidate shippers' power or strength when facing their major counterparts - conference lines which operate as cartels to discuss matters like freight rates, bunker surcharges, currency adjustment factors, etc., in improving services rendered to them by port operators, freight forwarders, customs, road haulers, rail-road operators and air transporters.
Shippers at a national level

For the purpose of this paper, the shipper(s) is used to include regular transport user in the movement of goods either as a buyer or a seller and also involved in the procurement of the transport service needed for the movement of those goods. However the discussion concentrates more on the shippers who are the users of marine transport services and then linked to the other modes of transportation due to the fact that their needs for transport do not only stop at the quay side of a port.

Most of East African economies with the exception of Zambia and to a lesser extent Zimbabwe, are agricultural oriented, consequently most of the exports are agricultural commodities and a significant portion of imports constitute a variety of commodities. Unlike the rest of the East African countries, Zambia's main exports are minerals, mainly copper, zinc and cobalt; and the mines for these minerals are concentrated in one main area of the country, known as "the Copper Belt". Zimbabwe's exports are a mixture of agricultural products, minerals, semi-finished and manufactured goods - it has a stronger industrial base than the other countries in the sub-region. In addition to that, Zimbabwe has a unique feature from the other countries, that of relatively strong private sector with diversification of importers and exporters. Exclusively in Zimbabwe, most the shippers in the area are semi-governmental organisations entrusted with the task of buying and selling most of agricultural commodities and minerals; hence they are not direct producers, but play the role of "middle men". Though in countries like Kenya and Tanzania produ-
cers' co-operative unions had existed since the colonial period, the establishment of these semi-governmental organizations like Tanzania Coffee Authority, State Mining Corporation, Kenya Tea Development Authority, etc., their effectiveness towards farmers' interests have very much appeared to be insignificant compared to the co-operative unions. Once the producers of agricultural and mineral commodities have sold their products to the organizations, that becomes the end of their role in any further transactions, hence the "middle men" take over as shippers. The operations of most of these organizations and their relationship with the producers, especially farmers, have not been satisfactory, leave alone considerably high overhead costs incurred by the organizations which are detrimental to the earnings of the real producers. It is now encouraging to see Tanzania deciding to reinstate the co-operative unions and may in future more farmers and other producers' associations will be encouraged while the abolition of the "middle men" organization is taking place.

None in any of the East African countries exist a well-established organization bringing shippers together either in a form of shippers' council or any sort of association, which is important as forum in discussing matters of mutual interests including freight charges by the transport operators, customs procedures and services offered by the port operators. As it has been mentioned before, most of the big shippers are semi-governmental organizations which are not directly involved in the actual production of the commodities that they sell and buy, and their costs of operations are covered by ear-
nings from the selling of the commodities. To quite an extent such a set-up has made these organizations less cost conscious, hence the need to negotiate for competitive transport rates is not given the necessary importance, because the actual price taker including the transport costs is the producer. With the hope that privatization (in large scale farming and other sectors) is growing quite fast and also for some years rates of transport costs have been increasing faster than the real prices of most of the commodities, the need for exporters and importers to co-operate is very necessary.

Experience in some developed countries most notably in Western Europe, has shown that shippers themselves have taken much of action needed to protect their interest by forming shippers' council and establishing consultation procedures with transport operators. However in developing countries the situation is somewhat different, because individual producers are either small i.e. produce relatively small quantities, or big exporters are semi-governmental organizations as already discussed. Governments in developing countries can not rely upon their shippers or producers to take the initiative, instead government should make the move. The west African sub-region is a good example, where the Ministerial Conference in 1975 recommended that the twenty five (25) west African countries should establish national shippers councils. The importers and exporters pay the council's levies based on the value of their trade - normally 1% of cost and freight - for the running of the council. The councils do not only fight for the best deal for the shippers, but also participate in the sub-regional negotiations with the conferences under the umbrella of the Ministerial Conference of west African States, which function as a sub-regional shippers' council organization.
UNCTAD, one of the United Nations agencies which has been in forefront in promoting development in developing countries, since its inception in 1974, came up with the United Nations Code of Conduct for Liner Conferences which came into force on the 6th October 1983. From the drafting stage of the code, the special needs and problems of developing countries were given considerable emphasis, especially those related to liner conferences serving their trades. In the preamble, as one of the objectives of the code it is stated that, "The objective to ensure a balance of interests between suppliers and users of liner shipping services, and the principle that conferences hold meaningful consultations with shippers' organizations, shippers' representatives and shippers on matters of common interest with, upon request, the participation of appropriate authorities" 1/. The objective of balance of interests between shipowners or ship operators and shippers, and the principle of meaningful consultations are among the set objective and principles spelt out by the code, but the balanced interests and meaningful consultations are the pillars of international recognition of collective bargaining power shippers can and should exercise in order to safeguard their interests and in addition, to facilitate the orderly expansion of the world seaborne trade. The definition of shippers' organization by the code is very clear and it is stated to be, "An association or equivalent which promotes, represents and protects shippers' interests and if those authorities of the country whose shippers it represents" 2/. The establishment of shippers' organization in the form of shippers' council or any other form can be expressed as one of the necessary conditions in the implementation of the code, but in addition to their establishment they must be recognized by
the appropriate authority. By appropriate authority according to the
code, it means a government or a body designated by a government for
the purpose of performing those functions provided by the code. There­
fore it is the task of the governments of developing countries to
take the initiative in organizing the shippers, otherwise those spe­
cial problems and needs fought for several years of hard negotiations
within UNCTAD will be a wastage of human effort at an international
level.

As from 1974 when the code was adopted, some developing
countries, through the initiative of the governments, have established
shippers' organizations which have become quite powerful and influen­
tial that a wave of worries by the traditional maritime countries (ma­
jor suppliers of shipping services) on the trend of events which they
never or little anticipated led to the adoption of the Brussels Packa­
ge as a guideline for the EEC and to a broader extent the OECD coun­
tries in satisfying the code. Developing countries which have not yet
made any step towards the implementation of the code, may not be in a
good position in expressing their views or even to defend their inte­
rest during the reviewing of the code in 1988, five (5) years after
entering into force.

The Role of Government

For quite some time governments of the sub-region states of
east Africa have been actively engaged in matters concerning maritime
transport and also shippers' interests, however their participation,
or involvement has been at the role of appropriate authorities rather
than that of shippers' organizations. The vacuum for shippers' organi­
zation still exists, especially at the national levels. At the sub-regional level (to be discussed later), ISCOS has played a remarkable role in protecting and promoting shippers' interests, but in its capacity as a "sub-regional appropriate authority", because ISCOS is answerable for the four (4) member governments and directly for shippers. Nevertheless there is a need for some modification to make ISCOS more closer to the shippers of the sub-region.

Certain procedures can be followed in establishing national shippers council, and as stated earlier, government should spear-head this task. The following stages can be taken into consideration (I have picked Tanzania as a main example):

1- The Ministry responsible for trade or transport and shipping should co-operate with other ministries and organizations in formulating a plan as a basis of establishing a shippers organization.

2- National seminars and workshops should be organized as the first step in bringing shippers together, discussion should include shippers' right and duties as provided by the code, the Hamburg rules, the Hague Visby rules, the York-Antwerp rules, the Multimodal convention and national policy and law.

3- Members of national working group in the establishment of shippers organization should be appointed after two or more seminars. The Chairman of the working group can be from the responsible ministry, but the composition of the group should not be dominated by the officials from non-shippers institutions such as government ministries.
4- The working group should formulate proposals which should then be discussed during international seminars. No doubt shippers willingness to safeguard their interests collectively exists, what may be lacking is a guide from appropriate authority.

5- A shippers' organization to be established can be in a form of an association headed by a chairman, but with no permanent secretariat or in a form of a council with a permanent secretariat, but the scope of its activities to be undertaken will determine what kind of set-up is required. A permanent secretariat stuffed with competent personnel should be able to cover areas like freight investigations, data collection, research in cargo consolidation, alternatives in transportation system, preparation for consultation with transport operators, facilitation in documentation and customs procedures.

Desires to establish a shippers' organization in Tanzania has existed since late 1970s when the ministries of Trade and Transport took the initiative to establish a committee comprised of officials from the two ministries and also others from the Board of External Trade, National Shipping Agency, Central Freight Bureau, Ministry of Justice and exporting and importing organizations. The committee was entrusted with the task of making a study on the establishment of a shippers' organization. Myself, I had the opportunity to be a member of the committee for three months, and I am sorry to say that no significant progress had been attained by the end of 1983, due to a number of reasons
(personal views) including the followings:

(i) Though the committee is drawn from government officials, participation of members from non-governmental organizations in the committee meetings has been very irregular, consequently it has rendered the committee ineffective in making meaningful proposals. The situation has been attributed by lack of awareness from the shippers; and this can be corrected by conducting national seminars in order to enlighten shippers on what are their rights and duties, current developments in international shipping, etc.

(ii) National shipping seminars which are held once every year (organized by the ministry of transport) have not yet put adequate emphasis on the need of national shippers organization, even during the last years seminar held in Dar-es-Salaam from 27th to 28th September 1984, one of the papers presented (on terms of shipment and incidences of freight rates in developing countries) only mentioned shippers council as one of the institutional measures by developing countries to assume control over their cargoes. A more broader lecture and discussions on the subject could stimulate shippers' awareness. Fortunately among the resolutions put forward at the end of the seminar is the need of the government and institutions involved in maritime affairs to encourage and to organize joint-
ly or severally and in collaboration with other governments and international institutions or otherwise conferences, seminars, workshops, debates and public lectures to disseminate maritime information with a view to generating enthusiasm and interest, and impact maritime knowledge and techniques. Such a resolution gives indication of hope for future seminars to use advantage of knowledge of experts from international institutions like UNCTAD, IMO, etc.

(iii) As already mentioned, to run a shippers organization, funds must be available, which means that shippers should contribute to the organisation's budget either in a form of levies based on the value of their trade or any other way to be agreed upon. According to the shippers, the funding will be a financial burden taking into account that they are also paying levies to the Central Freight Bureau (CFB) which is a cargo booking office. This particular problem can be resolved in one of the ways. In order to minimize the financial burden, a shippers association without a permanent secretariat can be established and because CFB depends on the levies from shippers, then it should be entrusted with the following tasks: collection of data necessary in advising shippers, freight investigation (in all modes of transport), research in cargo consolidation, preparations of consultation with transport operators, etc. Other alterna-
tive is to re-structure CFB into a shippers council utilizing the CFB personnel as an initial base of council secretariat. This second alternative, if given a thoroughly study, shippers would more likely support it than the first one, considering that the first alternative necessitates existence of two organizations, one established by the act of parliament (CFB) and another one which is just an association. The possibility of one giving directives to the other is very definite. The most likely problem with the second alternative with the legislative procedures to be followed in order to re-structure CFB and can take longer time.

In the other east African countries, the establishment of national shippers organization (preferably shippers councils) should also be given an urgent priority and the need to safeguard shippers interests be spelt out in the national shipping policies. The councils should then deal not only with maritime transport but with all modes of transport matters affecting shippers; prime purpose being to unite shippers and give them the necessary bargaining strength to obtain adequate and efficient services at the minimum costs.

Proposal for Organizational Structure for National Shippers Council

Organizational set-up of a national shippers council will have little difference if any, whether its establishment is by the act of
parliament or by presidential decree, what is fundamental is the purpose of its existence. The following structure can be adopted for organizational set-up of a national shippers council (see next page).

Duties and Functions

**Shippers’ Assembly**: This is the main body of all members of the national Shippers’ Council, and it supposes to meet once or twice in a year or otherwise. Main tasks include giving final approval on issues like the Secretariat budget, appointing of Board or Council members and appointment of chairman of the Board.

**Board or Council of members**: To be composed of a limited number of shippers, approximately ten (10) or twelve (12) members who will take the task of board of directors headed by the chairman of the board. Most of the board members should be representatives from the major shippers, however smaller shippers collectively and based on lines of activities should elect the representatives to the board. The board will be the main advisory body to the Secretariat and in charge of the assembly meetings.

**Permanent Secretariat**: Permanent staff of the shipper council forms the secretariat headed by an Executive Secretary or Managing Director, in charge of the day to day activities of the shippers’ council. The secretariat can then have four (4) major departments: shipping; road, railways and air transport; finance; and administration each headed by a manager or an executive officer. Road, railways and air transport department can be quite useful in dealing with matters such as multimodal transport system and documents, movement of container in land, rates charged
by freight-forwarders, air cargo rates, movement of dangerous goods from the port areas, inland wards, etc. The shipping department can be sub-divided into two sections; one responsible for booking of cargo and the other for research and investigation on shipping matters. Booking unit can recommend to the shippers the shipping company to ship their cargo, and when doing so, reasons should be given to the shippers. After certain period of time (e.g. six(6) months), the Secretariat should review the movement of cargo and see whether its recommendations were followed, if not shippers should explain why and what were the reasons and benefits for their decisions. Research and Investigation unit should build up data which will include cargo flows, vessels and vessel movements, port facilities against vessel requirements. All studies should aim at reducing long-term transport costs and also uncover the facts and figures which will guide sound policy and decision to be taken by the shippers' council and also the government and appropriate authority.

**Shippers at sub-regional level**

The nonentity of national shippers' organization in the sub-region could have adverse effects on shippers and to a broader scale on national interests; nevertheless some governments within the sub-region realised the need and importance of collective effort in safeguarding and promoting their common interests in matters of ocean-shipping, consequently this led to the establishment of the Intergovernmental Standing Committee on Shipping (ISCO) in 1967. Besides the need of collective effort, there are factors which played and still have a significant role in bringing together the ISCO member states i.e. Kenya, Tan-
zania, Uganda and Zambia, as far as shipping is concerned. Those factors include the followings:

(i) The four(4) countries have generally the overseas trade partners and most of the trade is through the same ports and consequently the use same shipping lines. This factor automatically leads to the four(4) countries to have the impact on their trade especially in freight rates, port charges, selling and buying prices, other requirements to trade such as packing, customs procedures, inland movement of traffic, etc.

(ii) All the east African ports starting from Nacala in Mozambique to the east coast of Somalia are regarded by shipping lines as a single range for the purpose of freight rates, thus uniform rate levels and other shipping conditions are applied.

(iii) In 1966 the four(4) countries formed a joint shipping line - the defunct Eastern Africa National Shipping Line. This had a very considerable influence in the creation of the ISGOS.

(iv) In addition to the above mentioned factors, the event of the Suez Canal closure had considerable effects on the east African trade due to the fact that, the canal was and still is a major connection between east African countries and their traditional trade partners, the western Europe. The closure of the canal in 1967 led to the announcement of General Rate Increase (GRI)
by the major conferences, this was quite a big shock to the trade, hence the four(4) countries had to form an organization which could bring pressure on conference lines to minimize rate increases in order to protect and improve their economies.

Organizational Structure and funding of ISCOS

The organizational structure of ISCOS is shown in figure 1. The top authority is the government ministers responsible for shipping matters in the four(4) member states. The Standing Committee is composed of the Permanent/Principal Secretaries of the ministries or their senior representatives and its functions as the board, headed by a chairman, a post which rotates biannually among the member States. A permanent Secretariat which is responsible for the day to day activities of ISCOS is then headed by a Secretary General and supported by a team of well-trained and skilled economists together with other administrative staff. The Secretariat is based in Mombasa, Kenya. The Standing Committee discusses administrative matters and specific policy issues and projects in addition to negotiations with Conferences and Shipping Lines on matters such as freight rate increases, bunker surcharges, currency adjustment factors, port congestion surcharges, etc.

The Secretariat studies all claims by shipping lines intending to increase freight rate or imposing surcharges and then advised the Standing Committee through internal consultation meetings on steps to be taken during the consultation with the shipping lines or conferences. This is one of the main functions and objectives of ISCOS which are
FIGURE 1

ISCOS ORGANISATIONAL STRUCTURE

MINISTERS RESPONSIBLE FOR SHIPPING IN MEMBER STATES

STANDING COMMITTEE

REPRESENTATIVES FROM THE FOUR MEMBER STATES.
CHAIRMANSHP ROTATES AMONG THE FOUR STATES BI-ANNUALLY.
COMMITTEE'S DECISION USUALLY BY UNANIMOUS CONSENSUS.

FULL TIME SECRETARIAT

TO SERVICE THE COMMITTEE, RESEARCH, PREPARES PAPERS FOR COMMITTEE MEETINGS, CONTINUALLY INFORMS COMMITTEE MEMBERS ABOUT SHIPPING EVENTS AND ISSUES.
CURRENT ESTABLISHMENT: SECRETARY GENERAL, SENIOR ECONOMIST, THREE ECONOMISTS AND TWELVE SUPPORTING STAFF.
METHOD OF FUNDING: EQUAL CONTRIBUTIONS BY MEMBER GOVERNMENTS.

KEY

entimes Direction of Authority.
entimes Direction of advice and information.
spelt out in its establishment agreement as follows:

a) To co-ordinate research and investigations into maritime freight rates and shipping conditions.
b) To advise member governments on shipping matters.
c) To represent member governments in negotiations on shipping matters as it may be instructed by the Governments from time to time.
d) To promote and safeguard the common interests of member States in maritime transport.

Funding

In order to run the Secretariat, the member states contribute equal amount of money for the annual budgets; and despite the economic and financial difficulties experienced by the member states for some few years, they continued giving high priority to the contributions.

Achievements of ISCOS

The existence of ISCOS up to the present day by itself is an achievement because the two(2) main pillars which ISCOS was built on, did collapse, that is the defunct Eastern Africa National Line and the East African Community; and it's no doubt the success and achievements of ISCOS since its inception sent a clear message to the member states that their support to the organization is their own national economies. Also it is already mentioned that none of the east African countries has national shippers' council, which could oppose the actions of shipping lines in raising freight rates, therefore without ISCOS, freight
rates could have been raised perpetually. The composition of ISCOS membership is quite unique, as two member states are coastal states, Kenya and Tanzania, while the other two are land-locked countries i.e. Uganda and Zambia. The two land-locked countries use the ports of Mombassa and Dar-es-Salaam for their imports and exports and are well connected to these ports by major roads and railways.

East Africa seaborne trade is very much dominated by shipping conferences (and a few independent shipping lines) which for some times had the monopoly of the trade, enabling them to dictate shipping terms and conditions on the governments and the shippers. However, ISCOS took necessary steps to rectify the situation by formulating a consultation and negotiation machinery in order to safeguard the interests of shippers. At present no conference or shipping line operating in the major routes (as shown in table 1) serving the sub-region trade can bring about changes in the freight rates or other shipping terms and conditions without consulting ISCOS and justifying the changes with necessary data and information. The consultation procedures have not been imposed by ISCOS on the conferences and shipping lines instead is mutually established taking into consideration recommendations and guidelines set-up by UNCTAD through the code of conduct of liner conferences. The procedures established and agreed upon are as follows:

a) ISCOS should always be consulted before any action is taken to introduce a rate increase or a surcharge.

b) A notice of at least one month should be given to ISCOS before a planned rate increase is announced to the trade.
<table>
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<th>TRADE ROUTE</th>
<th>% VOLUME OF TRADE</th>
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<td>1975</td>
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<td>E. Africa - U.K./N.W. Continent</td>
<td>39.9%</td>
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<td>E. Africa - India/Far East/Australia</td>
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</tr>
<tr>
<td>E. Africa - Middle East/Mediterranean</td>
<td>6.1%</td>
</tr>
<tr>
<td>Miscellaneous, Coastal trade and transhipment</td>
<td>19.8%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: ISCOS' Statistics
to facilitate prior discussions to take place between ISCOS and the conference or shipping line.

c) Proposals for general rate increases should be supported by data as outlined in the agreed format which should be provided together with notice to ISCOS.

d) When an agreed rate increase is announced, a notice of not less than three (3) month should be given to the trade before the new rate is implemented.

e) Only mutually agreed freight may be implemented in the sub-region.

The east African sub-region like most of developing countries have grounds for concern about the level of freight rates, because they bear the freight costs for both their imports (most of imports are on c.i.f. terms and also inelastic demand) and exports which have characteristics of elastic demand in the consumers' markets. In case of freight increases, developing countries are supposed to pay more for their imports and at the same time their shippers/exporters receive less for the goods they sell abroad. The sum effect of these two aspects will lead to a repercussion on the balance of payments.

Most of the negotiations and consultations between ISCOS and conferences and shipping lines have generally been successful and have as a result made a substantial saving to the economies of the East African sub-region (the ports of east Africa mainly Mombasa, Dar-es-Salaam and Tanga serve other countries which are not members of ISCOS but benefit from low rates negotiated by ISCOS. Those countries include Malawi, Burundi, Rwanda, Zaire and Sudan). Table 2 shows General Rate increases
<table>
<thead>
<tr>
<th>NAME OF THE CONFERENCE/SHIPPING LINE</th>
<th>CONFERENCE CLAIM</th>
<th>APPLIED AFTER NEGOTIATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Africa/Middle East Rate Agreement</td>
<td>20% w.e.f. June, 1978</td>
<td>7.5% w.e.f. September 1979</td>
</tr>
<tr>
<td>East African Conference Lines</td>
<td>12.5% w.e.f. June, 1979</td>
<td>8% w.e.f. July, 1979</td>
</tr>
<tr>
<td>East African Conference Lines</td>
<td>10% w.e.f. October, 1982</td>
<td>6.6% w.e.f. October, 1982</td>
</tr>
<tr>
<td>East Africa/Par East Freight Conference</td>
<td>10.48% w.e.f. April, 1979</td>
<td>7% w.e.f. September, 1979</td>
</tr>
<tr>
<td>East Africa/Par East Freight Conference</td>
<td>7.33% w.e.f. March, 1982</td>
<td>5% w.e.f. March, 1982</td>
</tr>
<tr>
<td>East Africa/Par East Freight Conference</td>
<td>15% (Mails) w.e.f. April, 1983</td>
<td>Deferred for review 1984</td>
</tr>
<tr>
<td>Besta Line</td>
<td>8% w.e.f. July, 1979</td>
<td>8% w.e.f. July, 1979</td>
</tr>
<tr>
<td>East African Coastwise Conference</td>
<td>25% w.e.f. May, 1979</td>
<td>Rejected completely</td>
</tr>
<tr>
<td>Shipping Corporation of India</td>
<td>12.5% w.e.f. May, 1979</td>
<td>12.5% w.e.f. Oct. 1979</td>
</tr>
<tr>
<td>Shipping Corporation of India</td>
<td>25% - 27% w.e.f. June 1981</td>
<td>13.00% w.e.f. Sept. 1981</td>
</tr>
<tr>
<td>South and East Africa/USA Conference</td>
<td>8% w.e.f. February, 1978</td>
<td>8% w.e.f. February, 1979</td>
</tr>
</tbody>
</table>

Note: w.e.f.: with effect from

Source: ISCOS's data
claimed by various conferences and shipping lines and the agreed increases after negotiations with ISCOS. In some cases the difference between the claimed rate increase and the agreed rate is quite substantial, this indicates that ISCOS has been able to negotiate a fair deal for the shippers and in other cases it has rejected completely the conference claim on rate increase.

Another area where ISCOS has shown a remarkable success is on port congestion surcharges. In attempt to ease congestion, ISCOS has organized meetings for users from time to time together with port authorities of the sub-region. In order to monitor the port performance and also to be able to advise port authorities ISCOS has established its own statistical offices in the two major ports of Dar-es-Salaam and Mombasa. Full time employed statisticians are entrusted with the task of data collection in a standardised from which includes monthly cargo flows through the ports, evaluation of cargo according to source and destination, container penetration with the dry general cargo sector, ship types calling the ports, berth occupancy ratio, ships' waiting time and other important statistics.

Information flow from port authorities and data collected by ISCOS offices at the two ports has enabled ISCOS' interventions whenever Conferences or Shipping Lines have demanded congestion surcharges. Table 3 shows congestion surcharges claimed by Conferences and Shipping Lines.

In order to widen its horizon of knowledge of its activities and to contribute towards the common objectives of orderly development of maritime transport and establishment of a just and fair internatio-
# TABLE 3: CONGESTION AND CONGESTION SURCHARGES

<table>
<thead>
<tr>
<th>NAME OF THE CONFERENCE/ SHIPPING LINE</th>
<th>CONGESTION SURCHARGE IMPOSED</th>
<th>POSITION FOLLOWING ISCOS' REPRESENTATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>South and East Africa/ US Conference</td>
<td>15% at Dar since 1978</td>
<td>Suspended since 1981</td>
</tr>
<tr>
<td>East Africa/Middle East Rate Agreement</td>
<td>15% Nov. 1978</td>
<td>Due to congestion in Khoramshahr</td>
</tr>
<tr>
<td>East Africa/Middle East Rate Agreement</td>
<td>15% June 1979</td>
<td>Due to congestion in Basrah</td>
</tr>
<tr>
<td>East African Conference Lines</td>
<td>5% 1978 at Dar</td>
<td>Withdrawn June, 1979</td>
</tr>
<tr>
<td>East Africa/Far East Freight Conference</td>
<td>5% 1978 at Dar</td>
<td>Abolished in 1979</td>
</tr>
<tr>
<td>Shipping Corporation of India</td>
<td>20% March 1979 at Dar</td>
<td>Completed removed in May 1979</td>
</tr>
</tbody>
</table>

Source: ISCOS' Data

* Both surcharges were withdrawn later in 1979.
nal economic regime, ISCOS has participated in various international, regional and sub-regional meetings and conferences.

In the ISCOS' annual report for the year ended 30th June 1984, it is mentioned that the East African Conference Lines in April 1983 announced the withdraw of the deferred rebate (10%) system. The withdraw of the rebate was generally welcome by ISCOS as the system was undesirable since it unduly perpetuated the loyalty of shippers to the Conference Lines. In most shipping routes of the world, loyalty contracts were perfectly acceptable years ago, when outsiders were few and services nowhere near as reliable as those of the conferences. These loyalty agreements differ from conference to conference, but common ones are three: immediate percentage discount usually 9.5% on all commodities; second is the deferred rebate system, often offered as an alternative to immediate rebate, usually 10% of freight provided the shippers proves that he has remained loyal not only for six month period during which the shipment took place, but also during the following six months at the end of which rebate is paid. Hence the agreement never ends, for the conference always retain the rebates accumulated during the preceding six month period.

Unlike the offer of an immediate rebate, the deferred system is not legal contract, except when the shipper uses the service of outsider he will lose the right to claim any rebates which might have been owned to him. The third type of loyalty system is commonly in use within United States trade conferences as a result of US legislation - this is dual rate system. It provides for a discount of 0% to 15% on different commodities and allows a shipper to be loyal for certain products and not for others. In case of deferred rebate some shippers may
find themselves in breach of the contract through no fault of their own; for example when dealing with a FOB (free on board) shipment and a buyer dictates that he wants his consignment to be shipped with an outsider. Furthermore shipper can not sue the conference in case it fails in its obligation i.e. provision of service sufficient to meet the ordinary requirements of the trade; because a conference is legally non-existent as far as third parties are concerned. Instead a shipper would have to take individual actions against each member lines, probably in each carrier's native country. But cost of such a venture deters the shippers from taking such a step. Those are the main factors which ISCOS looked into for the negotiation to withdraw the deferred rebate.

It is not only ISCOS which has shown concern on loyalty arrangements between conference and shippers. The British Shipper Council put forward the following proposals to be considered and incorporated within the EEC Commission's rules of competition

(i) Loyalty should be flexible enough to meet future changes. A dual system where minimum conditions and obligations of loyalty will be set out in statute; but shippers and conferences would be free to negotiate a mutually agreed alternative service agreement.

(ii) Loyalty should be to specific commodities or to a percentage of the shippers' total traffic.

(iii) Failure to achieve a mutually accepted service agreement, then the shipper would be entitled to sign the standard loyalty contract - which includes a provision that not more than 70% of shipper's traffic could be demanded by the conference.
ISCOS' future in the sub-region

Within the current structure of ISCOS, still there are some areas which need ISCOS' attention in order to strengthen the protection of shippers' interests; especially when bearing in mind the non-existence of shippers' council in any of the sub-region states. Appointment of independent accountant who should submit a report to the participating parties in the consultation for the general rate increase. As it is provided by the UN code of conduct for liner conferences, the report should be aggregated analysis of data regarding relevant costs and revenues which in the opinion of the conference necessitate an increase in freight rates. Shippers in West African sub-region, by utilizing the Ministerial Conference as a sub-regional organisation for shippers, they have benefited from low freight effectively negotiated on the basis of report submitted by independent accountants. There are two accountants who analyse the returns from the conference member lines (United Kingdom West Africa Lines - UKWAL). The Negotiating Committee of the Ministerial Conference requests the lines to submit information to the accountants covering six month periods and they must reveal the volume of cargo carried, the freight rates, direct and indirect costs, including running costs, voyage and capital expenses, number of round trips, the number of idle days, voyage times, port times and ballast time.

In addition to that more information on the following matters is also necessary:

a) How are round-voyage costs apportioned?

b) Any substantial difference between figures of the most efficient and least efficient lines which are aggrega-
c) What the precise basis of capital and depreciation charges - are these in accordance with standards account practices?

d) To what extent do the amounts debited to voyage accounts contain elements of profit i.e commission, stevedoring costs, repair costs paid to affiliated companies?

Other area where ISCOS should look into is the currency adjustment factor i.e CAF. CAF is a surcharge used in liner shipping to correct for the losses or excessive gain made by shipowner as result of fluctuations in exchange rates mainly between United States dollar (major trade currency) and other currencies. Generally, liner tariffs are calculated in US dollar, while majority of shipowners’ costs may be incurred in other currencies. In case of significant fluctuations in tariff currency (the dollar) against the value, the currency in which costs are incurred, shipowner would make losses (or excessive gains) in real value of their earnings. CAF is imposed to compensate (positive CAF) or to decompensate (negative CAF) shipowners for losses or excessive gains in the real value of their earnings. Shippers feel that the shipping lines need not be fully compensated for the revenue losses that arise from fluctuations in exchange rates but instead should absorb part of the loss as part of their commercial risks after all CAF has always been positive adjustment factors (to be benefit to the shipowners).

For ISCOS to embark on more research oriented activities, the present structure must be modified in several ways. First research acti-
vities will need more funds be available through ISCOS budget, consequently member states have to dig deeper in their pockets for the budget contribution. Secondly, the size of the Secretariat staff has to be increased, by recruiting research oriented personnel also by acquiring equipments like computers. These two factors or problems can be solved by absorbing ISCOS as an organization dealing with shipping matters and the umbrella of PTA, hence this approach will lead to pooling resources both financially and skilled wise. The task of selling this idea to PTA should be given a greater priority by the present members of ISCOS, namely Kenya, Tanzania, Uganda and Zambia. At the same time the Secretariat staff of ISCOS should be invited as observers in meetings and conferences which concern transport and shipping matters for the sub-region.

In research oriented activities, ISCOS or any other organization to be formed under the umbrella of PTA, should undertake to simulate re-scheduling of all conference vessels which actually serve the trade over a period of time. The simulation should aim at eliminating duplication of services while each vessel carries the maximum amount of cargo between the minimum number of ports. Details on the conference services from each loading port to each port of destination, including the loading date of the vessels are important for the evaluation of the degree of duplication (when the dates of loading of two or more vessels are too close). Any higher degree of duplication should be analysed and discussed jointly by the shippers, conference and preferably the port authorities of the sub-region. But internal consultation is very essential before the conference is contacted, due to the fact that there may exist some national or sub-regional problems to be solved before hand.
Research should also cover areas such as studies on new development including containerization – whether it reduces costs of transport system; impact on trade and cargo flows due to external facts which are somehow perpetual – mainly devaluation of the local currencies and other government policies including price increases to producers and export rebates incentives. Liner shipping still remains a relatively expensive means of transporting cargo by comparison with charter or contract shipping and it should not be used for cargoes which are capable of being shipped by more economical means. ISCOS should conduct more studies on this and advise what sort of commodities can be transferred away from the traditional liner system, which will not only reduce the costs of transport but also place shippers in a better bargaining position with respect to shipowners by obtaining command of the necessary tonnage to be able to solicit offers on open market. It should be noted that, in case of non-liner arrangements where charter parties are involved, ISCOS or any other sub-regional or national organizations which represent shippers are not in position to sign a charter party or shipping contract under which they would have accept responsibility of presentation of cargo or payment of deal freight. The signing should be left to the individual shippers and the shippers' organizations offer advices to the shippers on such transactions.

With proper planning, necessary sufficient funds and personnel ISCOS can be transformed into transport and shipping research organization for the sub-region, capable of offering services to shippers, port authorities, transport planners (the governments) and also spearhead sub-regional co-operation in maritime matters.
Supply of Shipping Services

Having discussed the demand side of shipping, the focus now should be on how can the sub-region co-operate in the supply of shipping services for the purpose of serving the shippers and the economy of the area in general.

It has been a common opinion expressed by the traditional maritime countries that developing countries should concentrate on the port development and increase productivity of the port operations and hence they should leave the supply of shipping services to the traditional maritime countries. Furthermore, it is said that shipowning is a risky, capital intensive and complex activity; and due to lack of sufficient capital and skilled personnel by developing countries, then other activities should be taken as alternatives especially basing on the law of comparative advantage. All these reasons given by the traditional maritime countries should be properly analysed otherwise they can mislead decisions in shipping investment and other related activities.

Investment in port development and operation is equally or even more riskier and capital intensive than acquisition of ships. Once investment is undertaken to construct a quay, the investment becomes a sunk cost, it can not be removed and sold for scrapping as it is the case of ships. The same applies to most of the equipments used in port operations. Port development technology tends to be a follower to ships development technology, hence changes in ships construction, cargo stowage in ships, cargo handling, etc. will influence the cons-
traction of quays, acquisition of new handling equipments, training of port personnel, etc. After all ship operators decide which ports to call, and for the port to attract more ships they have to keep on with the demand of ship operators. The principles of Law of comparative advantage were applicable to some extent in the 18th and 19th centuries, but nowadays world trade is characterised with all sorts of protection.

Developing countries should increasingly engage in struggle to broaden and diversify their economies through industrialisation, consequently to stimulate the rate of economic growth which is the corner-stone in raising the living standard of their people. In such an exercise shipping will play a linkage role which is quite vital due to expected increase in export demand for capital and consumer goods and also exports due to diversification. Shipping development by itself can substantially contribute to the diversification of the economies because the activity needs a wider range of services and supporting activities including shiprepairing, banking services, insurance, supplies, telecommunication, container-repairing, paints and painting, fumigation and forwarding activities. The shipping companies of developed nations in the operation of their existing services and when planning new routes they concentrate on securing participation in already existing cargoes. Very seldom do they actively assist in the promotion and development of new imports which are vital in the development of the developing nations’ trade and also provide a balance of cargoes in both directions consequently reducing both costs and freight rates.

As a typical example where foreign shipping lines pay lit-
tle attention on the needs of developing countries' trade, was in the early 1970s when the Western European lines opted to stop carrying copper (mainly from Zambia) because of uneconomic rates, leaving it to the Eastern Africa National Line, jointly owned by the Government of Kenya, Tanzania, Uganda and Zambia. There are also a number of examples of trade between developing countries which been promoted (if not developed) by the establishment of shipping service by one or more participating countries in the trade e.g. Brazil and Nigeria by the two countries shipping companies, India/East Africa and India/West Africa by the Shipping Corporation of India. Therefore development in liner shipping tends to promote the export trade of the country or countries concerned, bearing in mind that national carriers can reasonably be expected to be more closely linked with particular economic and commercial interest in their countries than foreign carriers.

As mentioned earlier, some of the sub-region countries (Kenya, Tanzania, Uganda and Zambia) jointly owned the defunct Eastern Africa National Shipping Line, which was a member of East African Conference Lines operating between East African ports and Western Europe and United Kingdom ports. Up to the present date there is no official report explaining the failure of the company which could be useful when planning for future co-operation in the same area of activities; however the following factors might had contributed to the failure:

a) Equity share of capital contributed by the partners was not sufficient enough to cover operation costs in case of losses, instead the company relied more on borrowed capital.
b) Management-wise there was no proper control of the company’s funds, lack of sufficient communication between the management and personnel on board the ships.

c) The number of ports of call (especially in Europe) was for greater given the size of the fleet which was six vessels during its peak.

d) When the company was carrying the low freight cargo such as copper, for the purpose of protecting and promoting the partners’ trade, no subsidies were offered to the company to cover the losses.

e) The break of East African Community and political differences between certain partner states had a considerable impact on the company.

Any successful co-operative venture will certainly offer a straightforward route for gaining access to the market place and its continuous successes will rely on its sponsors or partners to give constant attention to its needs. The overall complexity of joint venture is such that without detailed planning and provision for controlling the many interacting operations, there is little chance of success. People in the management team should be responsive and interested, technically competent and practical problem solvers who get things done. Management which is strongly based on political interests would likely become an obstacle to the smooth function of a jointly owned organization. Tight government control in the day to day ships operation in the form of strict and rigid imposition of regulations, hampers operators’ capability for efficient management especially bearing in mind that ship-
ping always needs quick decisions at the right time.

Despite of the failure of the Eastern Africa National Shipping Line, the need for co-operation as far as the supply of shipping services is concerned still remains; and what is urgently need to establish a kind of co-operation suitable for the sub-region. A multinational co-operation in shipping can be in any of the following forms:

(i) Where already exist national shipping lines, a pool co-ordinating sailings and dividing revenues in agreed proportions can be suitable co-operation, providing a wider market and rational operations.

(ii) A joint operating company chartering ships from the member countries or foreign shipowners on time charter or bareboat. Such an operation needs to have experienced staff in chartering, shipbroking and how to deal with brokers, market forecasting for shipping services and also cargoes movement.

(iii) A joint shipowning company, building, owning and operating its own ships, where no national shipping company exists.

Alternative number one will make the application of the Code of Conduct more flexible for the sub-region, on assumption that the national lines will operate within a conference as one regional line, consequently the 40% share of cargo from and to any of the sub-region states will go to this regional line. When an individual small country operates a liner service in a region where the code is applied, the chance of
being forced out of the market is quite possible. For example, Togo which is a small country in West Africa, her shipping line, Société Togolaise de Navigation Maritime (SOTONAM) was in serious problems when the code was applied in West African trade. The line is confined almost only to loading to and from Lomé instead of having access to the entire West African coast like her foreign counterparts. Alternative two, the company needs to have competent personnel in chartering and other related activities; this can be a problem at the beginning. Also the company should not only own chartered ships, it has to own some of the ships it operates. Alternative three sounds quite good, because it is easier to pool resources together for the capital and also the manpower, provided there is adequate pre-planning. Investment should not be only in liner shipping but also in bulk trade, especially in liquid bulk for crude oil and its products, due to the fact that the sub-region is a net importer of oil. Table 4 shows the freight charges paid by Tanzania for the import of crude oil for a period of one and half years (June 1983 to December 1984). The total bill is over US 8.8 million dollar, a substantial amount especially when considering the price of a second hand tanker at present market situation. For two or more countries in the sub-region to decide to purchase tankers, would be step in trying to save their foreign exchange, and in later stages a source of foreign earnings.

Beside foreign trade shipping, the sub-region should also assess possibility of establishing a coastal shipping service within the framework of increased co-operation. It is stipulated in both PTA and SADCC agreements that one of the aims of these organizations is to promote trade within the member states, hence coastal shipping
TABLE 4: FREIGHT BILL FOR CRUDE IMPORT

<table>
<thead>
<tr>
<th>DATE</th>
<th>TONS</th>
<th>RATE</th>
<th>FREIGHT (US dollar)</th>
</tr>
</thead>
<tbody>
<tr>
<td>29-6-83</td>
<td>73 540 68</td>
<td>-</td>
<td>644 501 03</td>
</tr>
<tr>
<td>11-10-83</td>
<td>68 870 29</td>
<td>-</td>
<td>695 230 43</td>
</tr>
<tr>
<td>15-12-83</td>
<td>52 388 18</td>
<td>WS 62.5</td>
<td>622 497 84</td>
</tr>
<tr>
<td>9-1-84</td>
<td>48 750 63</td>
<td>WS 62.5</td>
<td>516 247 49</td>
</tr>
<tr>
<td>11-2-84</td>
<td>57 524 00</td>
<td>-</td>
<td>693 456 49</td>
</tr>
<tr>
<td>24-3-84</td>
<td>80 000 00</td>
<td>WS 110</td>
<td>1 017 529 33</td>
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<td>26-6-84</td>
<td>80 441 00</td>
<td>WS 150</td>
<td>1 244 254 74</td>
</tr>
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<td>2-8-84</td>
<td>80 441 00</td>
<td>WS 130</td>
<td>1 030 305 20</td>
</tr>
<tr>
<td>4-9-84</td>
<td>81 069 00</td>
<td>-</td>
<td>566.132 88</td>
</tr>
<tr>
<td>21-10-84</td>
<td>86 278 00</td>
<td>WS 116</td>
<td>901 743 14</td>
</tr>
<tr>
<td>30-12-84</td>
<td>86 705 00</td>
<td>WS 112.5</td>
<td>876 910 53</td>
</tr>
</tbody>
</table>

TOTAL  795 963 78  8 828 809 00

WS : World Scale

Source : Tanzania Central Freight Bureau Statistics.
should be regarded as a contributor to inter-state trade, coastal shipping give better prospects for controlling the rationalisation of conference services due to the possibility of overcapacities by the conferences leading to over costs to foreign trade, can prevent the ocean liner from making unprofitable stops at small ports and the promotion of tourism, an important sector in the sub-region economy. Success of co-operation in the shipping sector will also depend on how and when the states come up with a common shipping policy, an area where ISCOS is supposed to give a considerable assistance according to its experience for some years in shipping at regional level.
FOOTNOTES.

1/ Convention on a Code of Conduct for Liner Conferences; Objectives & Principles

2/ Ibid; Definitions.

3/ Loyal Shippers move to reject contracts; Containerization International, November 1983. p.54.

CHAPTER III

Harmonization of Port Development and Planning

A port can be regarded as a "node" in the total transport chain as it is an interface between the sea link and the land link. The interdependence between ports and different modes of transport necessitates port planners to take an overview of the transport system in the planning process in order to identify bottlenecks which directly or indirectly may affect the performance of ports. At the same time port planners and operators through comprehensive planning can advise and advocate improvements in particular modes of hinterland transport. Hinterlands of various ports of the world can be more than one country, and this is the case of most of the major Eastern Africa ports including Mombasa, Dar-es-Salaam port throughput is transit cargo for Zambia, Malawi, Zaire, Burundi and Rwanda. The other ports also have significant proportion of transit trade, and some of the ports have the same hinterland.

Due to the interconnections between different ports, hinterlands, modes of transport and suppliers of shipping services, the need for harmonised port development and planning is essential. In the liner shipping the relationship between shipping services and port services offered by a number of ports is very direct because of the practice of averaging costs and charges for a complete range of ports. Ports in a range should form a sub-regional association for ports and harbours, as a forum for exchange of information and ideas on problems which are peculiar to region and which may not necessarily be of world-wide importance or impact. Such groupings should usually also be com-
posed of ports where traffic activity is affected by common types of import/export trade serviced by the same type of ships, shipping lines or conferences. In assessment of port capacity, the traditional practice has been to accept existing and future demands for facilities without considering whether the ship operators are making the most rational use of the facilities which they demand. Example is when the berth occupancy rate of a port is high, ship operators tend to ask for the expansion of port whereas the provision of extra berth may only serve to attract more duplicated calls by operators who previously by-passed the port, hence distributing the same amount of cargo on greater number of ships. Any expansion programme of the port should be followed by a study aiming at evaluate effective impact whether economical and not judging the outcome by increased number of ships calling at the port, but also the cargo through the port, time in port, port charges to the shippers, etc. It is also necessary for port expansion to go hand in hand with improvement of the inland transport network otherwise the improvement at the port may not give effective result.

Cross-fertilization of ideas and experience as to reliability and performance of various types and makes of equipment, experience with various manufactures and suppliers, is another area of cooperation. Studies on application of new technologies are important due to the fact that technology may cause costs to shift or impose new costs in another. For in container operations the cost of stowage is moved from the port to the depot where the containers are stored. In case of large tankers and other bulk carriers costs of transport are saved, but ports are subject to heavy costs in dredging and providing mooring facilities and other port equipments. Technological changes are inevita-
ble unless the whole world agrees to resist it. Individual or single country might resist any individual example of such changes, but overall they have to find ways of obtaining the undoubted advantages which the changes offer, while ensuring that any adverse consequences are minimal. There is no secret that, investments in port improvement have been more to the benefit of ship operators than other port users i.e shippers. If for example a port succeeded in cutting the cargo handling costs paid by the conference liners by 20% it would be reasonably apparent for shippers at that port to expect a 5% reduction in freight rates. In practice they will not get this since the conference spreads the reduction in overall costs over all the ports in the range and it becomes virtually unnoticeable thus the advantage of the port improvement has accrued to the shipowners. This is one of the reasons why ports which have undertaken improvements should not hesitate to charge shipowner appropriately for services rendered in the ports. Ports under the same range covered by a conference should try to co-operate in improving their services such that they can pinpoint shipowners where there is a need to reduce their rates due to the improvements on the ports handling facilities. Inefficiency of a port can have indirect effects on the other ports of the same range. For example if a port is always inefficient and always takes 10 days to handle 2,000 tons of cargo, the cost of its inefficiency will be borne by its partners in the range. If another port in the same range normally handles that amount of cargo in 4 days, but due to certain circumstances this same port takes 10 days instead of normal 4 days, the immediate effect will be a congestion surcharge of perhaps 15% or 20% on freight rates levied on the second port, but with nothing charge at the first port which is always inefficient.
Ports should exchange ideas on types of shed construction depending on local conditions, standardization of statistics, efficiency factors, co-operation in training of management and supervisory personnel through seminars and courses organized by regional association, collective discussions with shippers' councils, freight booking offices, shipping agents, shipping lines and conferences as to future demands on local port facilities and equipments through envisaged changes in traffic and commodity flow pattern, adequacy of notice before imposition of surcharges. A commonly method or policy to deal with congestion should be designed. Congestion is caused by more cargo coming into the port area than going out, not once or twice on isolated occasions but steadily over a long period. Inadequate transport, delays caused by customs and government departments, lack of adequate warehousing facilities outside the port area and importers financial problems are major causes of congestion. With congestion working space in shed and open storage areas (yards) become limited and obstructed; mechanical equipment moving cargo between ship's side and stowage on the land can not move freely, turn-round slowed and the discharge of ships is affected; the chance of landed cargo being overstowed and possibly damaged is increased.

**How to check congestion**

First step should aim at closely watch on the ratio of tonnage discharged from vessels to tonnage delivered from the port area during a given period, weekly or monthly. The routine analysis of delivery orders or gate passes could provide the basis for the desire statistics. Statistics give the facts in figures but not always have
the effect on the reader unless some interpretations are shown aside such diagrams to stress what the figures say or indicate. Also a projection for future trend is built out of the statistics and it can give an early warning on congestion before the situation reaches a crisis proportion.

At the early warning stage, the port should give notice to importers and warn them that congestion is building up and seek their co-operation in early and speedy removal of cargo. The port of Dar-es-Salaam informs shippers individually and a copy of the notice is sent to the ministry of transport, together with a summary report on the situation and likely measures to be taken. Likewise it is advisable to approach the customs in assisting over the early disposal of the old cargo.

Movement of cargo in and out the port area is generally the task of clearing and forwarding agents. Good performance by clearing and forwarding agents is not determined by the big number of such agents operating in the port, but instead by equipment and skill capabilities they possess; consequently it is advisable to authorities concerned with granting of permission to operate in the port, to scrutinise the capabilities of applicants. Experience (in the port of Dar-es-Salaam) has shown that when a big number of clearing and forwarding agents granted permission to operate in a port without proper assessment, service offered normally deteriorate pilferage is likely to increase. In Mombasa, Kenya, the agency licensing fee has recently been increased substantially from Kenya shilling 100 (US 7.2 dollars) to 5 000 (US 365 dollars) to halt the sudden rush of small time clearing
agents who were springing up all over Kenya. In future it is hoped that only those business with realistically large number of clients will consider it worthwhile to apply.

Coastal and Feded Services

Port authorities should co-operate and participate together with government authorities in assessing the coastal and feeder services suitable for their sub-region, with the aim of improving trade within the sub-region, cutting down the overcosts in case of overcapacities by the conferences and rationalisation of both port and shipping services within the area.

Expensive Equipments

Another are of importance for co-operation is the pooling of resources for acquisition of specialized and expensive equipments such as those needed for cleaning-up oil spillages, salvage purpose, dredging and handling of heavy and extraordinary cargo. Ports should not compete by constructing facilities which already are available in other ports for the same traffic or cargo. Instead they should compete by offering a fast and safe handling of cargo at a reasonable cost.

The land-locked countries whose foreign trade is served by the seaport of neighbouring states can be offered an associate membership in the sub-regional ports association. Associate members will provide information necessary for forecasting of traffic trends which is vital for planning purposes.
In the East Africa sub-region SADCC has been quite active in co-ordinating port development through the Transport and Communications Commission based in Maputo, Mozambique. The commission has been able to assess development requirements of the major ports in the area and then mobilised external funds for all the ports collectively. The following ports have benefited from the SADCC action programme of ports development:

**Port of Beira:**
- Improvement of the entrance channel by dredging and realignment to permit the passage of large vessels;
- Construction of a coastal terminal for coastal exports from Zimbabwe, Swaziland and Botswana;
- Construction of container terminal.

**Port of Maputo:**
- Improvement of entrance channel.

**Port of Dar-es-Salaam:**
- Rehabilitation of oil terminal;
- Improvement of harbour entrance;
- Construction of container terminal;
- Improvement of grain handling facility.
CHAPTER IV

Protection of Marine Environment and Marine Research

The United Nations have defined ocean or marine pollution as follows: "Pollution means introduction by man directly or indirectly of substances or energy into marine environment resulting in such deleterious effects as harm to living resources, hazards to human health, hindrance to maritime activities including fishing, impairment of quality use of the sea water and reduction of amenities". For many years, it was believed that the oceans were so vast that no amount of waste which human could generate could have other than negligible impact on them. It is now readily evident that this not the case. Destructive oil spills, sewage, garbage and radioactive wastes from nuclear power plants, research laboratories are dumped into oceans. Runoff from land enters the oceans carrying a substantial amount of pollutants including pesticides and other chemicals not forgetting petroleum products continually contaminate the oceans from offshore drilling platforms.

The greatest impact on ocean pollution can be seen along the coasts where waste inputs are generally made, but effects are not confined to the coasts. Oceans are very dynamic, and waste deposited at one point can quickly spread to other areas. That is one of the major reasons why the international community becomes so concerned about marine pollution. The seas provide considerable amount of animal protein consumed by mankind, hence when oceans are polluted, the result is a serious damage to fisheries, seaweed, birds, marine mammals
and other wildlife. Other consequences due to marine pollution are damaged to beaches and other recreational areas and damaged to marine ecosystem by eliminating or decreasing population of certain species.

**International Effort in Combatting Marine Pollution**

The best known cause of marine pollution is oil pollution which results from tanker accidents, although this may contribute as little as 5% of oil entering the sea in a year. The consequence of an accident can be disastrous to the immediate area, particularly if the ship involved is a large one and if the accident occurs close to the coast. The wrecks of the Torrey Canyon (1967) and the Amoco Cadiz (1978) are examples. These tanker accidents occur during transportation of petroleum which major deposits are found a great distance from industrialized nations, responsible for the greatest consumption. The problems posed by the transport of oil by sea are international as pollution can happen almost anywhere and affects coastlines which are often hundreds of miles away. Consequently pollution problem can only be effectively tackled on an international level by maritime countries of the world acting jointly.

IMO for some years has adopted several international conventions and other standards to tackle the problem of pollution in various ways, the major conventions include the followings:

1- **International Convention for the Prevention of Pollution of the Sea by Oil (1954)**. This convention was adopted before IMO came into existence, but the Organization assu-
med responsibility for it in 1959 and the convention has been amended in 1962 and 1969.

2- International Convention Relating to Intervention on the High Seas in cases of Oil Pollution Casualties (1969). It was adopted as a result of the Torrey Canyon disaster. It deals with the rights of nations to take action to prevent or mitigate the danger of pollution by oil following accidents involving ships outside territorial waters.

3- International Convention on Civil Liability for Oil Pollution Damage (1969). The convention is designed to ensure that adequate compensation is available to persons who suffer from oil pollution by placing the liability for compensation upon the owner of the ship from which the oil escaped or was discharged.

4- Convention on the Prevention of Marine Pollution by Dumping of Wastes and other Matters (1972). This convention was adopted at a conference called by the United Kingdom, but IMO has been responsible for duties associated with it since it came into force in 1975. Its aim is to prevent or limit the deliberate disposal at sea of various types of waste materials.

5- International Convention for the Prevention of Pollution from Ships (1973) as modified by its Protocol of 1978 (MARPOL 73/78). The convention contains new measures for the control and prevention of marine pollution not only by oil from ships but also other forms of pollution such as noxious liquid substances carried in packaged forms, sewage and garbage from ships.
Protection of Marine Environment and Marine Research at Sub-regional Level

The international community recognizes well that, certain marine pollution problems are confined to specific areas, thus regional co-operation can give a better solution to such problems. Hence, the United Nations Convention of the Law of the Sea on its articles indicate clearly the importance and where it is necessary for states to co-operate at regional and sub-regional level. The convention says the states should co-operate in regional and global programmes to acquire knowledge for assessment of nature and extent of pollution and also jointly develop and promote contingency plans for responding to pollution incidents in the maritime environment; for the purpose of promoting studies, undertaking programmes of scientific research and encouraging exchange of information acquired about pollution of maritime environment.

The understanding of effects of marine pollution needs some studies in a form of research. It is a given area caused by a specific pollutant, let alone to quantitatively assessment of the effects. Without this kind of understanding of causes and effects it is very difficult to predict the environment and ecological consequences of a given type of pollution. Marine research should not be limited to the study of effects of marine pollution but extended to researches aiming at establishing the potential of marine resources of the area and where possible to common hydrographic services.

The United Nations Environment Programme (UNEP) is a United Nations organization concerned with protection of the environment. In
the marine field, it encourages and supports the development and implementation of plans to prevent oil pollution by promoting international and regional conventions and guidelines for assessing and monitoring the state of pollution, supporting training schemes and providing a focal point for exchange of information. In the exercise of those functions UNEP works in close co-operation with other UN agencies and non-governmental organizations. IMO actively participates in the UNEP Regional Sea Programme to promote regional arrangements for combating pollution in cases of emergency, including undertaking of overview studies on oil pollution, the preparation of draft legal instruments for emergency co-operation and the organization of seminars and workshops for the development of regional oil spill contingency plans. Among the Regional Sea Programmes which IMO has offered Regional Technical Assistance are:

(i) Regional Oil Combatting Centre for Mediterranean Sea, Malta. This centre has been operated since 1976 by IMO with support of UNEP. It was established as part of the drive to clean-up the Mediterranean and develop contingency plans for combating oil pollution and assist Mediterranean countries in the event of oil spill, particularly from tankers.

(ii) Marine Emergency Mutual Aid Centre. This is part of the Kuwait Action Plan and the centre has been recommended for establishment in Bahrain for purpose of information exchange, technological co-operation and training and possible future extension of responsibilities to initiate operations on marine pollution problems.
(iii) Development of Contingency Plans for smaller Islands of the Caribbean Region. The project is jointly undertaken by IMO, UNEP, Organization of American States and with assistance from UN Agency for International Development. The project aims to develop a Caribbean Oil Spill Program.

(iv) Survey of Oil Pollution of the West African Coast with Particular Emphasis on Pollution from Shipping Activities. The project is designed to assist government of the sub-region in identifying priority action for the control of oil pollution as part of UNEP's Action Plan for West Africa. It provides an overview study of the present state of marine pollution by oil in the area, with particular emphasis on maritime activities.

The East Africa sub-region states have considerable length of coastline including some states which are islands in the Indian Ocean. The coastal length is as shown below:

<table>
<thead>
<tr>
<th>Country</th>
<th>Coastal Length</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comoros (island)</td>
<td>350 km</td>
</tr>
<tr>
<td>Kenya</td>
<td>500 km</td>
</tr>
<tr>
<td>Madagascar (island)</td>
<td>4000 km</td>
</tr>
<tr>
<td>Mozambique</td>
<td>2500 km</td>
</tr>
<tr>
<td>Seychelles (islands)</td>
<td>600 km</td>
</tr>
<tr>
<td>Somalia</td>
<td>3000 km</td>
</tr>
<tr>
<td>Tanzania</td>
<td>750 km</td>
</tr>
</tbody>
</table>
The East African coast is a major crude oil transport artery and an estimated 450 million tons of oil every year goes from the Middle East through East African coast, around Cape Horn to the major consumers in Europe and America; and in addition 22 million tons are imported into East and Southern Africa. The risk of oil spill at sea in this area is high and even in the Mozambique Channel because of traffic routing through the channel.

Besides the danger of oil spills from tanker accidents, the sub-region, in the current years has been very much involved in offshore exploration activities along the Continental Shelf; and this has led to discoveries of gas and oil reverses with their potentials yet to be established. Offshore oil and gas drilling and production operations have contributed relatively small amount of oil to total marine input, except in the case of catastrophic accidents. Oil pumped from submarine reservoirs contains water which must be separated from the oil before the oil can be transported to land. The amount of this water termed "production water" is generally small during the initial life of the oil field but increases progressively as the field is depleted and water invades the rock formation of the natural reservoirs. Separated water contains small droplets of oil because not all of this oil can be recovered during separation and consequently some is discharged into the sea. The real impact of offshore platforms is not the losses from normal operations but the losses from catastrophic accidents. Well blowouts, structural failure of the platform, failure of equipment and collisions have all resulted in major oil spills on several occasions.

In East Africa sub-region, a Protocol concerning Co-operation in Combatting Pollution in Cases of Emergency is under considera-
tion by the assistance of UNEP and IMO. In addition to that, between February 1981 and December 1985 one national seminar in Tanzania and two regional seminars in Kenya on Pollution Prevention, Control and Response were held in the sub-region. Still the sub-region can benefit more from the UNEP Regional Sea Programme provided the countries of the area show keen interest in co-operation in the development of sub-region maritime pollution response programme. Steps to be followed are:

a) To request from UNEP and IMO for an overview study on marine pollution arising from shipping and offshore exploration activities including a survey on maritime traffic, assessment of the source and state of oil pollution, identification of sensitive areas, collection of information on stockpiling of equipment, etc.

b) To develop and adopt Protocol to Regional Conventions or other Regional Agreements concerning co-operation in combatting pollution in cases of emergency.

c) To establish and operate a sub-regional pollution combating centre, to organize workshops and government expert meetings leading to the development of regional and sub-regional contingency plans.

d) To organize seminar and training courses, to provide advisory services and fellowships.

However with withering resources in the UNEP pot, it is not likely that there will be much support from international funds to accelerate these sub-regional programmes, therefore developing countries should and must start mobilizing their resources jointly which someti-
mes have acted as incentive in attracting assistance.

The needs for marine research can only be satisfied by providing the major three inputs, that is, sufficient perpetual funds, equipments and skilled team of research personnel. No doubt, it would not be easy for an individual country in the sub-region to set-up a marine research organization of a reasonable magnitude, bearing in mind the costs of inputs needed for such a task, hence a sub-regional undertaking will be a much far rational approach in establishing and conducting marine research. In order to recruit, train and maintain required skilled personnel, higher wages are necessary; modern equipments must be acquired to meet the needs of the researches and since most research organizations are not by themselves revenue generators, continuous funds must be available. Pooling of resources by the states of the sub-region together with international assistance in the form of exchange of information, equipments, experts analytical techniques and funding will give better results than other alternatives.
CONCLUSION

Sub-regional maritime co-operation in East Africa should be given a considerable importance for the purpose of improving the economy of the area and the protection of the environment.

Shippers of East African sub-region have not actively been engaged in decisions connected to pricing of their transport services. Governments should take the initiative of organizing shippers into shippers' councils, through which, collectively they can defend their interests, and also stimulate fair and competitive transport service for all modes of transport. For shippers to know what their rights are, governments should educate them on current development in shipping and transportation in general through national seminars and workshops. In addition to that, the governments should be party to international conventions and rules in order to be able to incorporate international rules and laws into national legislations which can then be used to protect shippers' rights, duties and interests. The conventions will include United Nations Code of Conduct for Liner Conference, Hague Visby Rules, Multimodal Transport Convention, York-Antwerp Rules, Hamburg Rules, etc.

At sub-regional level ISCOS which has been active in protecting shippers' interests, should be expanded to cover all member states of PTA and also the scope of its activities so that it can serve a Transport and Shipping Research Institution for the sub-region.

Establishment of sub-regional shipping company in a form of
multimodal joint venture should be encouraged despite of failure of the Eastern Africa National Shipping Line. Experience from the defunct joint venture could be used in a positive way for future co-operation in Shipping. Co-ordination of coastal shipping service will also promote inter-trade among the state of the sub-region.

Competing Investments at different ports in sub-region each deciding for itself without due consideration to what other ports in the same sub-region are doing could only lead to over investment and waste of resources. If the reduction of freight costs obtained as a result of investment in ports by developing countries would not be at least equal to the marginal productivity of capital invested this would mean that benefit from the sacrifice of the relevant resources goes to the carriers and this is nothing except the transfer of resources from the poor countries to the rich ones.

In personnel training for port operations a sub-regional training institute should be established and financed collectively. Such an institute can be useful for the training dock-worker supervisors, specialized equipment operators, administrative personnel, and in addition the institute can be a centre for sub-regional seminars, workshops and a co-ordinating centre with international organizations.

The Bandari college and Mombasa, Kenya, which has the basic facilities at the moment, can be expanded to save a sub-regional port training centre. Through a common training centre facilitation of harmonized port planning and development can easily achieved.
Port users should be given a chance to discuss with port operators on matters of mutual interests, through port advisory council. These councils should be established in all major ports, for the purpose of co-ordinating port users and port operators on services rendered by the ports including documentation procedures, customs procedures and tariffs.

Port planning and development must be linked with the development of inland transport network of the countries which are the users of the ports. Therefore a co-ordinated transport network planning involving coastal stated and landlocked countries is essential for port performance. The co-ordination should not only cover road and railway networks but also the inland water transport through the major three lakes of Africa i.e. Lake Victoria, Tanganyka and Nyasa/Malawi. Experience by the coastal states in sea transport and its facilities can be useful when developing inland water transport system.

Ports of the sub-region should look into the possibility of common acquisition of specialized and expensive equipments which are not used in the day to day port activities including those needed for cleaning-up oil spillages, salvage operations, dredging and extra-ordinary heavy weight handling.
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