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FREIGHT & TRADING WEEKLY

ZIMBABWE

It's smoking
Five operators tell us why

It's easier doing business in Zim than SA

A RAINBOW OF HOPE
blighted by indigenisation uncertainty

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Spectre of indigenisation casts pall over Zimbabwe – in the short term

BY Ed Richardson

Zimbabwean business leaders possess an amazing – and somewhat humbling – resilience that has carried them through nearly a decade of gross economic mismanagement as the ruling party stumbles from one disastrous decision to another in a bid to hold on to power.

It is that resilience that has kept freight flowing even during the worst of times – and will keep the economy on life support as Mugabe's ministers push through the indigenisation regulations which require all companies valued at more than $500 000 to sell 51% of the company to black Zimbabweans.

The main targets have been the banks and mines.

Prime minister Morgan Tsvangirai has been critical of the policy, which he says threatens Zimbabwe's economic recovery.

Briefing journalists about a trip to the United States to woo investors, the prime minister said the message he heard was that the indigenisation programme had created great uncertainty among international business people.

FTW has seen the effects first-hand. Freight forwarders and clearing houses reported an immediate slow-down in the importation of spares and equipment for the mining houses last year when president Robert Mugabe's ministers announced that the law would be implemented.

This year, there seemed to be a wait-and-see approach, with most business plans on hold until the ailing president Robert Mugabe is no longer president, and greater clarity emerges about the future political and economic direction to be pursued by his successor – whoever that may be.

By the deadline on Sunday, October 1, more than 700 companies had failed to register their indigenisation plans, according to government officials.

In September, indigenisation minister Saviour Kasukuwere told journalists that most major foreign mining companies had complied. Chinese-owned mines were not exempt, he is reported as saying – contrary to the belief on the streets.

However, the banking sector has been critical of the law, saying that the country's 26 licensed banking institutions are mainly locally owned.

Foreign-owned banks include Barclays, Standard Chartered Bank, Stanbic Bank, MBCA and Eco Bank.

A rainbow of hope ... blighted by clouds of uncertainty over the indigenisation issue.
Photo: Alex Orlek

Foreign banks have a combined deposit base of more than $1 billion.

Although majority locally owned, CBZ Bank, the biggest bank by balance sheet size, is partly owned by SA's Absa.

Foreign firms deemed non-compliant could be fined or have their operating licences cancelled.

There is much interest in the future of a massive US$600-million ethanol plant at Chisumbanje, which already has a million litres of fuel in its tanks and is expected to meet 70% of Zimbabwe's fuel needs.

The project is a joint venture between the Agriculture and Rural Development Authority (Arda) and Green Fuel Private Limited. However, the residents of Chisumbanje have sent a petition to the government in which it is claimed that the project does not comply with the indigenisation regulations.

Zimbabwean business will, however, continue to resolutely keep the economy ticking over until there is the political will to unleash the country's incredible potential.


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'Dollarisation' makes it easier to do business in Zimbabwe than SA

BY Ed Richardson

An absence of exchange controls as a result of the dollarisation of the Zimbabwean currency means that it is easier in many ways to transact business in Zimbabwe than neighbouring countries like South Africa, says Sheila Mashiri, managing director of Allen Wack and Shepherd Global Freight (AWS) in Harare.

"Because we do not have your stringent exchange controls, we can pay suppliers, transporters and agents immediately on proof of import.

"As long as there is money in the account, we can pay. Previously one waited for three or four months to obtain permission to make payment.

"That led to problems where we could not pay the foreign forwarders on time, and that led to some demanding pre-payment when doing business with Zimbabwe. That has all changed," she says.

Being resourceful, Zimbabwean freight forwarders have also learned that they should not rely on just one bank.

"We use the bank that is best able to serve a particular market. So, for example, we have different banks for dealing with companies in China, India and South Africa.

"The objective is to conclude the transactions quickly in order to avoid incurring demurrage and other costs," she says.

Because of the complexities of the different customs systems, AWS works through agents specialised in each of the markets and types of cargo.

This strategy frees up the company to focus on its core business, which is freight forwarding and warehousing.

"That is our strength, because you need a world-wide network to provide professional and cost-effective freight forwarding services," she says.

Mashiri has experience of foreign exchange regulations in both South Africa and Zimbabwe – AWS has offices and facilities in Gauteng.

The company handles Zimbabwean exports of cotton, cotton seed, chrome and timber.

Imports include fast moving consumer goods, dry goods, spares, vehicles and bulk lubricating oil.

AWS handles the distribution of the oil on behalf of its client, with the client's customers collecting supplies from the AWS warehouse.

There is so much demand for warehousing that AWS has expanded its operations.

The mix is, however, constantly changing.

Regulations banning the importation of right-hand-drive vehicles, and second-hand vehicles older than five years have affected volumes.

Demand has also dropped off for some basic consumer goods as the Zimbabwean government has re-introduced import tariffs to protect the local industry.

Sheila Mashiri ... no need for prepayment.

Things change quickly, however, as Zimbabwean manufacturers of soap and oil have come under fire for exploiting the situation and raising their prices.

By the time this is printed, government may have delivered on its promise to lift the duties in order to protect Zimbabwean consumers.

'Suitcase agents' cause border congestion

SFAAZ looks into self-regulation

BY Ed Richardson

Unqualified agents are contributing to delays and congestion at Zimbabwean border posts – which has led the Shipping and Forwarding Agents' Association of Zimbabwe (SFAAZ) to look at ways of improving the self-regulation of the industry.

"It is a challenge throughout the Southern African Development Community," says Joseph Musariri, chief executive officer of the association.

Unqualified people are entering the industry because they see the opportunities being created by growing volumes of trade, he says.

Known as "suitcase agents," they operate with little or no support and infrastructure.

Shippers opt for what they see as a cheaper option.

The costs of mistakes and delays caused by the agent are, however, borne by the whole industry in the form of border delays and reputational damage to the Zimbabwean shipping and forwarding sector as a whole.

The Zimbabwean government has responded to lobbying for greater control by the shipping and forwarding agents by putting the ball back in the court of the association, saying that it prefers self-regulation.

Minimum qualifications for accreditation are now being set by the association, which will also have the authority to suspend the licence of operators who transgress the law or flout the minimum standards set by the association.

Government will then be asked to pass the necessary legislation.

"We want to be recognised as professionals – the same as doctors, lawyers, pharmacists, etc," he says.

A good working relationship has been established between SFAAZ and the Zimbabwean Revenue Authority.

"We have joined hands in terms of training, and a service level agreement has been signed between the association and the revenue authorities."

Joseph Musariri, chief executive of the Shipping and Forwarding Agents' Association of Zimbabwe (SFAAZ).

Pioneer group recapitalising to cater for growing business

Albert Ushe … new IT system and freight software to be launched.

Zimbabwe's listed Pioneer Corporation Africa is investing heavily in new vehicles and facilities to cater for the growing volumes of freight and people it is carrying.

The investments will help improve efficiencies and moderate increases in rates.

Pioneer has been able to offer competitive rates through the triangulation of freight services. Vehicles bring high-value mineral ore from the Zimbabwean mines to South Africa for processing.

Travelling in escorted, high-security convoys, the distinctive trucks "paint Beitbridge yellow when we get to the border," says group chief executive officer Albert Ushe.

Mainly fast-moving consumer goods are carried on the return leg, which is via Johannesburg.

By balancing the loads, Pioneer has been able to keep rates competitive, and has also "turned around" its business after the recession, he says.

Reported results for the first six months of 2011 saw an increase of 17% in revenue, and 168% in profit.

Profitability has been driven largely by "re-modelling and re-structuring strategies" implemented in 2010 to streamline business operations, reduce overheads and achieve operational efficiencies.

Investment in new vehicles has paid off because the owners of the high-value cargo do not want to entrust it to trucks that could break down along the way. "Plus, they know that if there is a problem, we will have another truck there within hours," says Ushe.

By the end of the year, Pioneer transport division will have added over 80 new truck tractors to its fleet.

In addition, a new information technology system and freight software will be launched to enable customers to track and trace their shipments at all times.

Further investment includes the purchase of Unifreight Limited and the Swift brand in January 2011.

Freight consolidator Swift has a network of depots throughout Zimbabwe and operates its own fleet of trucks. It has three brands – Swift Express for air and road courier services, Swift Freight and Swift Full loads.

Included in the Unifreight purchase is Contract Logistics, which offers fleet management and hire and passenger services.

Fleet management and hire services include providing the administrative and operational functions of fleet management.

Passenger services provided by Contract Logistics focus on contract transport for companies, such as mines.

With the new acquisitions bedded down and the recapitalisation of its fleet under way, he is confident that the Pioneer group is well positioned to serve the growing transport needs of Zimbabwe and its neighbours as the regional economy continues to grow.

"Transport is key to that growth," he says.

Courier offers tailored service package

Specialised option for small perishable consignments

BY **Ed Richardson**

Growing demand for courier services throughout Zimbabwe, as well as to and from international destinations, has seen Swift Freight invest in a new IT system that offers full track and trace from reception of an item to final delivery.

Established over 60 years ago in Zimbabwe, the Swift Group has over 30 branches throughout the country as well as a bouquet of services tailored for different needs that reflect the type of freight being carried in the country.

Its "Action Packs" are prepaid, fully sealable plastic packs used to send documents and small items of 1-3 kilograms.

The express service delivers documents and small parcels of up to 30 kilograms overnight to primary destinations, and within 48 hours to secondary destinations.

Swift has also moved into consolidation, offering overnight delivery of consignments of between 21 and 6 000 kilograms to primary destinations, and 48 hours to the more remote areas.

The company also carries full truck loads of between six and 34 tons.

Specialised services include Unicooler – a temperature controlled 2.2 cubic metre insulated mini container that is designed to carry small perishable consignments.

Rolltainer is a mini container that provides a high degree of security and minimises pilferage and damages, according to the company.

Well used ...

No, this is not a blurry picture – it is the state of some US dollar notes in Zimbabwe. Because they are not official currency recognised by the US, they are reused until they fall apart. Usage is high because most Zimbabweans still do not trust the banking system and keep their cash as just that – cash. And, if the South African authorities are wondering where the country's coins are going, they may want to look up north. South African R5 and other coins are in big demand in Zimbabwe's mixed currency environment. Change from shops comes in the form of IOUs or sweets – the customer's choice.

Gearing up for expected opportunities

The Zimbabwean economy is showing strong signs of recovery and Safmarine – which has served this market for many years – says its focus is on helping its customers take advantage of the growing number of opportunities on offer.

"Business is definitely looking up in Zimbabwe," says Safmarine Zimbabwe country manager Andrew Kuster. We've seen positive growth on both imports – the likes of consumer goods and construction inputs – and exports which include commodities and agricultural products like tobacco.

"To support this growth, and as a sign of our commitment to the market, we recently opened up a new corridor which links Harare to Maputo. This was done to provide the market with an alternative to the existing corridors to and from Beira and Durban."

Kuster says Safmarine is also considering other initiatives that will further enhance its product and service portfolio to the benefit of its customers. "For example, we've helped our mineral exporters reduce costs by providing them with a Beira and Maputo pack option.

"We've been through some tough economic times together, but we're excited about the future and intend playing a key role in growing Zimbabwe's economy in partnership with our customers."

Team Zimbabwe, from left: Pardon Muyocha, sales manager; Laurraine Mahove, customer service assistant, imports; Andrew Kuster, country manager for Safmarine Zimbabwe and Zambia; Rumbidzai Mwashita, senior customer service assistant; and Lloyd Taadira, customer service assistant: exports and cross-trades.

Road steps in where rail can't deliver

BY **Ed Richardson**

"When rail can't, we can," says Corné Pretorius, managing director at Kodav Logistic Solutions.

Long delays on the Zimbabwean rail systems have resulted in bulk commodities moving from rail to road, he says.

Kodav is investing to meet the needs, and added tipper trucks to its fleet in May this year.

"We have just placed an order for more, this time building 45-cubic-metre tippers instead of 40-cubic-metre machines.

"We have also recently included refrigerated and part loads in our offering," he says.

According to Pretorius, Kodav has seen "significant growth", but there is room for more. "We have definitely had a lot more interest from potential clients than previous years."

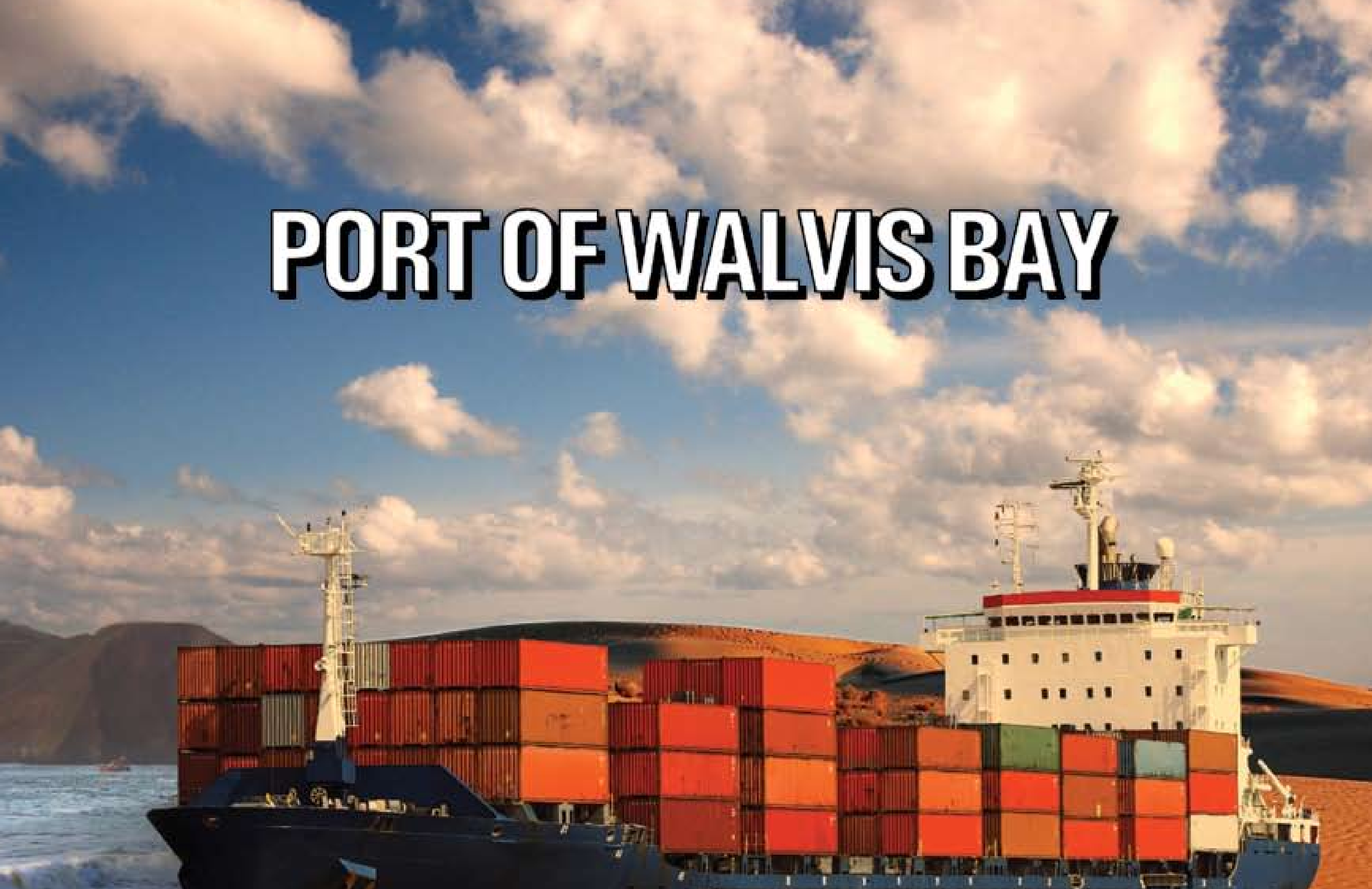
Cargo being moved by the company includes fertiliser and foodstuffs such as fruit juice, cold drinks, spices and sauces, and chocolates.

Moving freight into and through Zimbabwe is "always challenging. There are a few new rules to abide by, but one adapts.

"Our current business model is working, and we will continue with it for the foreseeable future. If the market dictates, we will adapt and make sure we are not left behind," he told FTW.

Kodav provides road, rail, bulk and project cargo, warehousing and consulting services.

One of Kodav's new fleet of bulk tippers.


PORT OF WALVIS BAY
THE GATEWAY TO SADC


ANGOLA
MALAWI
ZAMBIA
NAMIBIA
ZIMBABWE
BOTSWANA
WALVIS BAY
SWAZILAND
LESOTHO
SOUTH AFRICA

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Ready for Beira traffic growth

Transport logistics are in place to serve an expected growth in traffic through the port of Beira following the completion of a R430-million dredging project which could see Panamax-sized vessels calling, says Rob Follett-Smith of Alro Shipping.

Alro Shipping, which has its headquarters in Harare, is the agent for the Messina and MOL and also operates a fleet of over 70 long-haul trucks through its sister company, Alro Transport.

"Generally, Beira is headed for better days. It will be able to take bigger vessels (60 000 tons), and we should see more frequent calls," he says.

More direct calls on the port will help reduce costs for Zimbabwean importers and exporters, he adds.

Freight is currently being carried by road from Durban because of the high costs and delays of transit freight services into Beira.

Beira is, he believes, well positioned to serve the Zimbabwean and Zambian copper exports, as well as imports into the region.

More investment is, however, needed.

Volumes through Beira are expected to grow.

"Whatever the authorities say, there is a need for more equipment. Otherwise, there will be bottlenecks and delays," he says.

Alro, which has been operating on the Beira corridor for some time, is ready to handle the extra volumes. "We are one of the few freight companies recognised on the Mozambique route, and have the vehicles available," he says.

With rates "tight" due to adequate road freight capacity being available on the routes serving Zimbabwe, Alro Shipping is adding value through its clearing and forwarding arm, as well as its partnership with Leo Shipping in Gauteng.

Leo's warehouses are used to store and containerise cotton and tobacco exports, in addition to other import and export cargo through South Africa.

Rob Follett-Smith … 'Beira well positioned to service Zimbabwe and Zambian copper exports.'

Alro runs more than 200 loads a month from South Africa into Zimbabwe, neighbouring Zambia and as far as Zaire.

Vehicles travel a circular route, which could start in Cape Town and go up through the different countries, discharging and picking up loads along the way.

It has its own fleet of low bed trailers to carry heavy equipment for the mines.

Providing advice on capital equipment incentives

Changing trade patterns demand diversification

BY **Ed Richardson**

Manufacturing and mining companies investing in Zimbabwe often do not realise that the government provides a number of incentives to those bringing in capital equipment, says Elwyn Mudungwe, one of the directors at Speedlink Cargo.

As part of its services, the company advises its clients on the special concessions like duty rebates and suspensions that are provided for by the law. "For example, capital equipment for approved mining development operations is duty-free," he says.

Speedlink has handled project cargo for a number of the big investments in Zimbabwe over the past few years.

This includes the about-to-be-commissioned ethanol plant, fibre optics project, not to mention the huge chrome smelter project that started operations in the first half of this year.

The organisation believes more capital projects are in the pipe-line.

It has diversified and expanded its range of services in response to changing trading patterns in the economy.

The company has seen a sharp decline in the export of sculptures which was once a very lucrative area of business.

Zimbabwean artists have been hard hit by the world recession.

"We currently move only a container or two of sculptures a month, whereas previously we used to do that in a week" he says.

Speedlink is also offering bonded and general warehousing, as well as local delivery services within Zimbabwe.

"We handle the clearing, which has historically been our strength, as well as provide storage and export packaging services.

"By offering our clients bonded facilities, we essentially provide them with a vehicle through which they can manage their cash flow since customs duty and VAT are paid only on goods that have been ordered and sold to the end user," he says.

Due to the nature of some of the products handled by Speedlink – like wines, portable spirits and high tech electronic goods – specialised transport arrangements like sealable closed box trucks need to be put in place.

Elwyn Mudungwe and Deliwe Zhou of Speedlink outside their consolidated office and warehouse in Harare.

Zimbabwe to set up dry port at Walvis Bay

Walvis Bay port ... ‘significant growth’ on the Walvis Bay Corridors for imports to Zimbabwe.

Plans for Zimbabwe to operate a dry port in Walvis Bay are well advanced, according to Zimbabwean minister of industry and commerce, Welshman Ncube.

Speaking during a presentation by the Walvis Bay Corridor Group (WBCG) at the Meikles Hotel in Harare recently, he said Zimbabwe was in the process of developing a dry port at the Port of Walvis Bay with the aim of facilitating the import and export of goods, especially to and from America and Europe.

This project was being spearheaded by the Road Motor Service (RMS) of Zimbabwe in partnership with Namibia Ports Authority (Namport) and Walvis Bay Corridor Group (WBCG).

“To further promote the use of the Walvis Bay Corridors, the government of Zimbabwe is proposing the establishment of a one-stop border post (OSBP) at the Plumtree Border Post between Zimbabwe and Botswana, with efforts already under way to engage Botswana on the issue,” he said.

The experience of the Chirundu OSBP between Zimbabwe and Zambia has shown the value of the concept.

With the envisaged increase in cargo passing through the Plumtree Border Post, improvement of the border is imperative to ensure a congestion-free trade route as is currently being experienced along the current trade routes, he added.

There has been “significant growth” on the Walvis Bay Corridors for imports to Zimbabwe during the past 18 months, according to WBCG marketing and communications officer Agnetha Mouton.

Freight being carried along the corridor includes frozen chicken, furniture, equipment, vehicles and other consumables.

“The need for land-locked countries to gain access through an alternative trade route to and from sea is imperative. They are benefiting from access to the Port of Walvis Bay, which offers importers and exporters reduced time and cost savings, high reliability, and cargo security,” she says.

Jo’burg becomes consolidation hub

New patterns emerge as sourcing trends change

BY Ed Richardson

A combination of the global recession and weaknesses in the Zimbabwean economy has seen a significant shift in freight patterns, according to Ben Mukandi of Freight World.

Having established the company in 1991, Mukandi has piloted it through some very stormy waters, including run-away inflation and the overnight dollarisation of the Zimbabwean currency.

That was followed by massive restocking by the retail, commercial and industrial sectors which meant bringing in container loads of goods at a time.

However, the subsequent global recession and uncertainty in the Zimbabwean economy itself has seen shippers switching back to Just In Time (JIT) ordering from suppliers in South Africa.

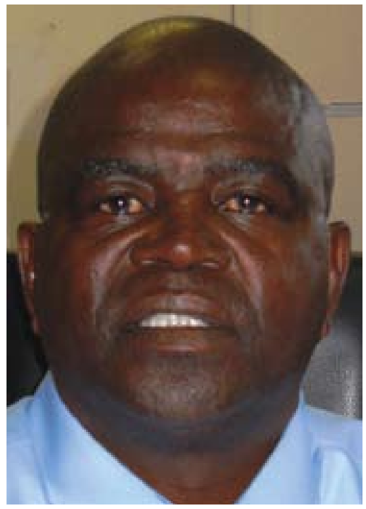
“We were seeing a lot of cargo out of Europe. We even had a consolidation hub in Hamburg. Consolidation is now being done in South Africa.

“However companies just do not have the funds to import large volumes at a time. They have switched to buying direct in South Africa instead of working through agents to save costs,” he says.

Before the economic meltdown and isolation of Zimbabwe politically, we were seeing a lot of cargo out of Europe. However the trend has shifted and the bulk of Zimbabwe imports are now sourced from across the border in South Africa – and coupled with government’s look east policy, a lot of cargo is now coming from China and India.

Changing patterns create new opportunities – and challenges for the logistics sector. Freight World has continued to adapt in order to deliver on its slogan “we deliver the goods” by offering a full service from “anywhere to anywhere”.

The company was one of the first freight operators in Zimbabwe to obtain ISO 9001 Quality management certification. The organisation has a carefully selected network of agents worldwide and in the region has a branch network from Durban up to all exit points in



Ben Mukandi of Freight World … ‘Shippers switching back to Just In Time.’

Zimbabwe – namely Nyamapanda, Chirundu and Forbes.

Groupage cargo arriving from the Far East and Europe is moved to Johannesburg which has become a hub for consolidation of cargo to Zimbabwe and for goods in transit to Malawi, Zambia and the Democratic Republic of Congo.

All the offices, including border posts, are internet-networked and are connected to Zimra through fibre network.

“Our strength lies in our expertise built over more than 150 years of combined experience. In addition our clients deal directly with people who own the company since the company is wholly owned by management and staff.”

Helping shippers navigate 20 000 customs laws

Exporters and importers doing business with Zimbabwe have to navigate their way through more than 20 000 “ever-changing” laws, says Judith Chigumira, marketing officer for Group Air.

Formed in 1985, the independent owner-managed logistics services provider, Group Air and its sister company GA Freight, provide air, road and sea freight forwarding, customs and logistics services.

“Incorrect declarations may delay the release of loads, and also result in serious penalties. Clearly, customs is for trained professionals,” she says.

The company has staff and offices at Harare and Bulawayo, and at the Beitbridge and Forbes border posts.

It has its own 30-ton trucks for road transport, and is positioned for the expected rapid growth in freight once the Zimbabwean and world economies have overcome their present challenges.

“As a signal of our confidence in the future, we have refurbished our head office building in Harare, and now present a fresh and more professional image to our clients,” she says.

The company also uses the local and international experience built up over the years to provide consulting services to its clients.

“Our staff has the expertise and contacts at customs, the airlines and shipping companies to ensure that the shortest possible transit times are achieved,” she says.

Judith Chigumira … also providing consulting services to clients.

Loads range from consolidation through to the charter of aircraft and even vessels for large shipments.

Catering for passengers and freight on Zim-Gauteng route

BY Ed Richardson

Pioneer Coaches – part of the Pioneer Corporation Africa group – is catering for both freight and passengers on its services between South Africa and Zimbabwe.

The service caters for traders on buying trips to South Africa, as well as expatriate Zimbabweans visiting home.

Three services a day are offered between Zimbabwe and South Africa.

“We are the only Zimbabwean passenger service operator with our own offices at Park Station, Johannesburg,” says Pioneer Corporation Africa chief executive officer Albert Ushe.

For a “reasonable fare” from Harare, traders travel to Gauteng where they visit wholesalers and other suppliers to stock up on products to sell in Zimbabwean stores and at flea markets, he says.

Pioneer’s other bus services terminate in Musina for passengers to do their shopping at the border.

The buses pull large trailers, which are used to carry the goods on the return leg.

Pioneer Coaches is set to open up new routes in the region over the next five years, including services to Botswana, Malawi, Mozambique and Zambia, as well as new destinations in South Africa.

Strong focus on compliance avoids customs-related hiccups

BY **Ed Richardson**

A strong focus on corporate governance and compliance with regulations is vital to keep freight moving says Maud Truter, managing director of VadoMark Logistics.

Founded three years ago by Truter and partners Wellington Majora and Sekai Kanjera, VadoMark has offices in Sandton, Beitbridge and Harare as well as an international network of freight forwarding agents.

It provides customs clearance, warehousing and distribution, as well as custom packing and freighting services.

Having proven systems, skilled staff, facilities and competitive pricing is not enough, she believes.

"You have to comply with all the statutes and laws, and ensure that your paperwork is correct in all respects. In addition, we believe you have to be very ethical," she says.

Customs clearing houses also have to stay abreast of ever-changing customs regulations in order to ensure that the entries are done correctly.

The advantage to clients is that there are no unnecessary hold-ups at the border posts or customs clearing at the airport.

A freight forwarder that has the trust of the customs officials is treated differently from those suspected of helping their clients bend the rules, or who do not understand the complex regulations.

When dealing with established and professional service providers, importers and exporters can also be confident that "there is no risk of the customs agent or forwarder running away with the money" deposited to meet costs such as import duties, VAT and haulage.

This has happened to importers who have opted for the lowest-cost "suitcase" agent, she warns.

With VAT at 15%, the temptation to abscond with the money is high for those with no long-term commitment to the industry.

VadoMark's Maud Truter (left) and Sekai Kanjera … staying abreast of ever-changing customs regulations.

'Zim economy poised for explosive growth'

Taking service into a new dimension with "after-service service" is helping Zimbabwe's Anlink Freight and its clients to weather the economic and political storms that have battered the country and the world economy.

"This is a dynamic industry. One minute you are a rich man, the next you are poor," says Anlink Freight managing director Patrick Gwasera with a smile.

Much of that dynamism is caused by political and economic forces outside the control of companies like Anlink and its clients.

"It is difficult to plan. No one doing business in Zimbabwe can have a five-year plan. There are just too many uncertainties," he says.

Gwasera is confident, however, that the Zimbabwean economy is poised to grow rapidly – and that Anlink Freight will be moving bigger volumes of imports and exports.

"When things go right, this economy will explode, and the challenge will be lack of capacity.

"We are ready for that," he says.

A strong network, flexibility and an ability to improvise are keys to keeping freight flowing and the economy moving, he says.

The company has provided the project cargo services for some of the biggest Zimbabwean investments over the past few years, and also handles general and special cargo.

"We have, for example, moved construction equipment from Botswana to Mozambique," he says.

"Our strength is in our network – we are well connected.

"We also pride ourselves in our 'after-service service'. Our relationship with our clients does not end when the cargo is delivered. We keep in touch by updating them on what is happening in the industry by sending out regular newsletters," he says.

The newsletters help Anlink's existing, past and future clients to plan ahead for the time when the Zimbabwean economy "explodes" – in a good way.

Patrick Gwasera … 'Our strength is in our network.'

Managing risk is crucial when moving high-value tobacco

BY Ed Richardson

Moving high-value tobacco from Harare to Durban on time, and with the cargo intact, requires complex, well-coordinated logistics and reliable service providers.

"To continue growing the business, we have to maintain our reputation. The cargo has to make the stacks on time, and losses must be avoided," says Graeme Pattinson, managing director of Aqua Shipping in Zimbabwe.

The company is building its reputation around the movement of Zimbabwe's tobacco exports, which have recovered slightly from a disastrous low of 50 million kgs to reach an expected 130 million kgs this year.

According to the Zimbabwe Tobacco Industry and Marketing Board (TIMB), the country earned US$313.5 million from tobacco exports up to August this year.

However, the 130 million kgs is well below the target of 177 million kgs owing to high losses of 31% on farms and 21% during the re-handling process, according to TIMB.

Logistics suppliers such as Aqua Shipping now have the responsibility of ensuring that further losses are kept to a minimum.

One of the biggest risks is theft of cargo. Losses incurred by cargo owners – if the tobacco is stolen – include customs duties, which are payable in the case of theft.

Pattinson says management of the risk starts with the choice of haulier. A broken-down vehicle, one that is pulled over for being un-roadworthy, and corrupt drivers all add to the risk.

"We only deal with reliable truckers," he says.

The vehicles travel in escorted and satellite-tracked convoys of no more than five at a time.

"More than that and you lose contact between the first and last vehicle, and the chances of delays increase," he says.

That is after the loads have been securely sealed against weather and pilferage on flat-bed trailers.

Pattinson and his team "who are all ex tobacco companies" also ensure that the correct grades are loaded. "We meet with clients every day to ensure that we supply the right mix," he says.

Aqua makes use of flat beds rather than containers because of the increased cargo payload (a full 34 tons of cargo) and greater flexibility during final preparation for export.

Loads are pre-cleared to speed up transit through the Beitbridge border post.

The tobacco is taken to the CWT/ASI warehouses in Gauteng where it is packed into containers for shipment through Durban.

Graeme Pattinson … 'Management of the risk starts with the choice of haulier.'

Customs specialists help speed up clearances

Clearing goods through Zimbabwean customs is due to become more predictable and manageable following a decision by the revenue authorities to split the customs and taxation functions and staff.

An earlier decision to use staff across both departments led to unnecessary delays and some confusion, according to Juren Mtemeli, managing director of Cilo Freight.

The company is a customs consultant for exporters and importers doing business in and through Zimbabwe.

Staffed by former customs officers, it has an in-depth understanding of Zimbabwean customs rules and procedures.

It also provides customs clearing, freight forwarding, in-bond cargo transit and warehousing.

"We can often get freight cleared faster than anyone else because we know the regulations so well, and also who to talk to in order to obtain a decision or ruling," he says.

Being compliant with the regulations has sometimes not been enough because the clearing officer on the day may be trained in taxation rather than revenue collection.

On the same day a tax consultant would be experiencing the same frustrations when dealing with a customs officer who had not been trained in tax law.

Fortunately, the revenue department realised that a mistake had been made in attempting to get its staff to multi-task across disciplines, and the professional customs officer is back behind the desk.

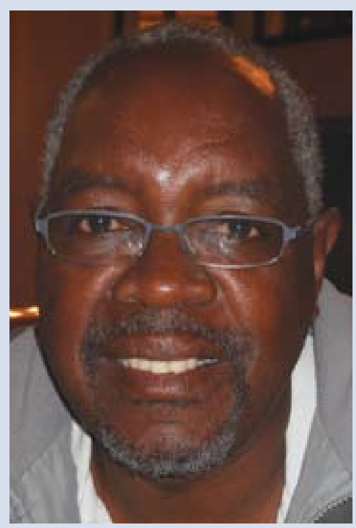
This brings its own challenges for clearing agents because perusal of the documentation will be more rigorous and well informed – which is good news for companies such as Cilo, which has invested in having the right skills and staff.

"Professionalism will return. This will be good for revenue collection because loopholes will be plugged," he says.

Imports into Zimbabwe are becoming more complex due to the greater use of groupage.

"Because of limited budgets importers are having to rely on middle agents in South Africa rather than importing directly from China. This raises the costs for Zimbabwean consumers," he says.

Cilo can help control some of the costs through its partnership with BP Freight in Johannesburg, which provides warehousing and packing services.



Juren Mtemeli… 'We know the regulations and who to talk to.'

A climate of optimism reflected in growing volumes

FTW asked companies active in the country to share their views on topical issues.
This is what they had to say:

FTW: Do you agree there is a climate of optimism in the country?

Warren Jayes, managing director of Leo shipping: This has been the case for quite some time since the US dollar replaced the Zimbabwe dollar. Zimbabwe has moved from strength to strength, with steady increase in volumes of cargo both in and out of the country.

John Deans, SDV country manager for Zimbabwe: There is certainly a climate of optimism, but any upturn in volumes is hampered by the clouds hanging over the uncertainty of the Indigenisation Act. Whilst we believe everyone supports the idea of local empowerment, the consensus is that more needs to be done to stabilise the business environment – and the policy must be more clearly defined in order to inspire investor confidence.

Gulshen Afridi, general manager CMA CGM Zimbabwe: The adoption of the US dollar as the official currency has contributed to the currency stability of Zimbabwe, resulting in early signs of economic recovery. Regarding the shipping sector, the Zimbabwean market for containers for export and import is growing, especially on the Asia trade.

Alwyn Nel, Kingfisher Freight Services: There does certainly appear to be an optimistic outlook at the moment. Some sectors of the economy are experiencing growth, while others continue to tick over. This has been reflected in the increase in volumes relating to capital equipment imports, plant upgrades and raw material imports used for the manufacture of local products. It is anticipated that with the coming festive season the importation of luxury and consumable items will again increase as local spending improves. But here, as always, it is dictated to by the availability of disposable income by the local residents.

Hazel Briggs, HB Services: Most Zimbabwe business people are very upbeat at present. Even though economies worldwide have taken a downturn, Zimbabwe seems to have retained a very steady flow of cargo from HB Services' customer base perspective. All businesses in Africa are aware of the European and American economic crises and the domino effect cannot be avoided so capital expenditure may be curbed for as long as possible but day to day items still need to be manufactured, and raw materials and agricultural products still need to be purchased

FTW: What are the major opportunities?

Jayes: The agricultural and building industries are definitely seeing a good boost in volumes as a result of the increased cargo going in and out of Zimbabwe.

Deans: Mining and agriculture are the two key areas for the logistics industry, but investor confidence brings a boom in retail sectors too, with new shopping malls, which also bring opportunities to the logistics industry. Tobacco and cotton production are up, year-on-year, resulting in larger export volumes. SDV has seen an upturn in a lot of sectors of the economy and the future remains positive for our company in Zimbabwe.

Afridi: Mining output has risen spectacularly – 8.5% in 2009, and a record level of 47% in 2010 largely due to increased mining investment. Agricultural output rose 15% in 2009 and 34% in 2010, largely from a doubling of

Tobacco and cotton production are up, year-on-year, resulting in larger export volumes.

tobacco production. Minerals, tobacco, cotton and tea are the main commodities carried from Zimbabwe to Asia, while on the other leg, all equipment, machinery and general cargo are shipped. There is a significant increase in imports and exports from Asia especially China and India.

Nel: Opportunities continue to be in the mining and industrial sectors and with the agricultural season having come to an end the exports of agricultural products will now increase.

FTW: What are the major challenges?

Jayes: As always, border delays. The efficiency of clearing agents must be managed properly to ensure that trucks do not stand unnecessarily. Zimra (the Zimbabwe Revenue Authority) has definitely increased requirements on importers such as proof of payments and correct tariffing of products.

Deans: Unproductive rail network and insufficient road transport capacity at certain periods of the year. Investor confidence on a larger scale is needed. A ban on the export of chrome-ore and chrome-concentrates has caused a huge drop in export-related tonnages.

Alfridi: Zimbabwe is a promising country and we should keep showing that it is not so difficult to do imports and exports in Zimbabwe. One of the main challenges is to improve the train efficiency/capacity to serve Zimbabwe through Beira, Maputo and Durban corridors. Investments in local packing facilities for tobacco, cotton and minerals will also be cost-effective for Zimbabwean exports.

Nel: As always the challenge faced is that of foreign currency to enable development and capital expenditure. Allied to this is the availability of funds for the payments of duties and taxes at the time of importation. Vehicles and shipments are delayed at the borders while importers find currency to meet the revenue requirements. Constant power cuts add to the border post delays – and are as always a frustrating issue.

Briggs: Always the border posts. It is imperative that each haulier has a competent clearing agent at each border post to handle their shipments efficiently to avoid delays

FTW: What's going right?

Deans: One-stop-border posts have resulted in efficient border crossings.

Briggs: The introduction of the SADC certificate is beneficial to Zimbabwean importers cost wise.

Connectivity the key to freeing up trade

BY Ed Richardson

Improved connectivity is the key to increasing the competitiveness of Southern African Development Community (SADC) countries, says Joseph Musariri, president of the Federation of Clearing and Forwarding Agents of Southern Africa (FCFASA).

FCFASA's registered offices are in Harare, and current members include Zimbabwe, South Africa, Namibia, Tanzania, Malawi, Zambia, Mozambique and Mauritius.

Musariri, who is also chief executive officer of the Shipping and Forwarding Agents' Association of Zimbabwe (SFAAZ), says the lack of connectivity means that there is no "real time acquittal of transit cargo.

"We need to automate and to reduce human interventions," he says.

Where systems have gone on-line, there are often delays due to power outages and software problems.

Another challenge is that the systems of countries in the region do not communicate with each other.

An example is the new "one stop" border post at Chirundu between Zambia and Zimbabwe.

"It is not performing to expectations. One of the problems is the lack of connectivity between the Zimbabwean and Zambian sides. Entries are still done manually on the Zambian side," he says.

Office accommodation also needs to be built at Chirundu.

Further delays are caused by the closing of border posts. Freight needs to move 24 hours a day, but the border posts do not.

The authorities are recognising the problems, and improvements are being made, he adds.

Border posts like Beitbridge are starting to operate 24 hours a day, and work is being done on creating connected one-stop border posts throughout the region.

A driver with a difference …

FTW's indispensable guide, driver and mentor while in Harare, Fanuel (Jimmy) Kawazua, owner of Avondale Taxis. You can contact him on + 263 774 109 655. Tell him Jodi sent you.

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