

Will logistics' freight services see headway soon?

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To deal with challenges in the logistics freight services, a national logistics strategy is being drafted while Ethio-Djibouti railway is considered to significantly abate hurdles in the sector.



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Stakeholders hope that the duo would help in overcoming persistent challenges relating to the adequacy of road transport fleet and warehouses as well as less coordinated services at borders and checkpoints - which have been incurring cargo importers and exporters with additional cost and time.

Yegna Transport Plc Managing Director Dejene Luchie says the custom process at checkpoints which rather is characterised by poor a logistics management system, and lack of coordination among goods' transporters is still creating bottlenecks. He adds that low-level development infrastructure, as well as the number and age of vehicles, are no fewer problems in reducing the quality of goods.

"System demands skilled and experienced personnel"

"In my view, more than anything else, Ethiopia's logistics system demands skilled and experienced personnel. Hence, pertinent bodies need to focus on building the capacity of service providers."

Moreover, the sector still lacks a comprehensive logistics strategy, he says, adding that the government along with sector's stakeholders has to come up with a sound strategy to spur the sector's contribution to the economic growth.

For him, it is also crucial to re-evaluate the current approach in a bid to install effective and supportive institutional environment as well as put a unified approach in place to logistics' policy. "In so doing, it is possible to reduce inefficiencies, duplication and inconsistencies in offering various services by all modes - rail, air, and road."

Ethiopian Shipping and Logistics Services Enterprise (ESLSE) CEO Roba Megersa is of the same opinion with Dejene but differs as he says: "The facility and logistics sector has been marking progress over the last years."

He says the efforts being carried out so far has resulted in improving the sector's performance particularly in cutting transit time for import and export, reducing the average waiting time of commodities at seaport, and increasing the general cargo import-export carried by multimodal transport system.

World Logistics Index 2016 report shows that Ethiopia stands at 126th he says, mentioning that there about six variables which are used in ranking the countries.

"As a nation, we have set to minimise the Index rate to 56 by the end of the GTP II period." As regards to road transport fleet, Roba argues that the Ethio-Djibouti railway is a timely and efficient solution in increasing the competitiveness of the sector. He elaborates that the railway is capable of transporting up to 50% of the import-export freight, and the road services can effectively carry out the rest.

Trade and investment is growing by leaps and bounds, thus modernising logistic services is not a matter of option alone but it is a question of ensuring market competitiveness, he underlines.

The services being rendered currently have not been effective. We know that a number of containers of public and private institutions are piled up at seaport of Djibouti. "It will be evacuated to hinterland as soon as the railway commences operation in 2018. The railway is the best solution in this regard which increases investor and trader's efficiency. "

Plans to expand Modjo Dry Port

In addition, the enterprise has already planned to expand Modjo Dry Port to make it an East African logistics hub, he indicates, unveiling as \$150m has been secured from World Bank to carry out the project. "The move is sure to help in doing away with the higher-than-average trade costs that have been undermining nation's international competitiveness. The project could assist in reducing burdensome regulations at customs, apart from financial services."

Admitting as there is no national logistics strategy, he notes that the enterprise is using the GTP II document as a frame of reference. But, vowed to push for the formulation of the strategy in cooperation with stakeholders.

For his part, Ethiopian Maritime Affairs Authority (EMAA) General Director Mekonnen Abera says in order to address bottlenecks specific to trade logistics, UNDP has commissioned study on the development of National Logistics Strategy - as per the request of the government.

He adds that the study attaches due emphasis on planning and implementing an efficient transportation and storage of goods, including financial services, and related information exchange systems - from the point of origin to the point of destination.

He elaborates: "The strategy can have tangible impacts on the effectiveness of the trading system and improvement of the nation's trade balance."

He also expressed hopes as the strategy will come to force soon after a thorough review by sector's stakeholders.

An attractive destination of international trade and investments

As Ethiopia is increasingly becoming one of the attractive destinations of international trade and investments, the strategy will help in modernizing the logistics' services to make it fit in the demands of the growing international brand investors.

Also, Ethiopian Railway Corporation (ERC) Communications Director Dereje Tefera indicates as the Ethio-Djibouti Railway cargo services can cut the transport time to only one day from previous three-day road services.

"Since, the corridor is responsible for 95% of import-export, the railway will become a game changer."

Asked to comment on the issue, Ethiopian Roads Authority (ERA) Communication Directorate Director Samson Wondimu says road upgrading projects are underway at the Ethio-Djibouti corridor.

He also seized the opportunity to say that government has already put road construction on top of its priorities. Hence, the road network has been expanded from 54,000km to 114,000km over the last decades.

The GTP laid goals to reach the road network to 222,000km by end of the plan period.

The future has to be met with more efforts to fill the gaps and sustain the gains.

Since global trade depends on logistics; countries with efficient logistics' handling can easily connect firms to domestic and international markets through reliable supply chains. Otherwise, countries with inefficient logistics face high costs - both in terms of time and money in international trade and global supply chains.

Ethiopia's economy has experienced a strong growth, averaging at about 10.9% per year according to World Bank. An expansion in the service industry and agricultural sectors have accounted for most of the growth, with domestic consumption and public investment playing increasingly important roles over last the past years.

Currently, 44 container loading and 30 car loading associations are working with the ESLSE.

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