

## **FONASBA YOUNG SHIP AGENT OR SHIP BROKER OF THE YEAR AWARD 2017**

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**Title:** Threats and opportunities facing small independent shipping agents in East Africa

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**Abbreviations:**

ETA: Estimated Time of Arrival

ICT: Information and Communications Technology

C&F: Clearing and Forwarding

P&I: Protection & Indemnity

**References:**

Various prominent individuals working in business and academia were interviewed with the questions indicated below. Many asked that their names and answers be kept anonymous. However those listed below agreed to have their names printed but preferred not to have their name against a direct quote. Much of what has been researched and written about in this paper is based on insight from these interviews coupled with my own thoughts on the subject.

- Richard Cockett, Editor, The Economist Magazine, UK
- Philip Aldrick, Economic Editor, The Times Newspaper, UK
- James Knight, Business Owner, Seaforth Shipping Kenya, Kenya
- Simon Fogarty, Legal Manager, Comarco, Kenya
- Terri Nedritu, Education Consultant & Networker, Kenya
- David Jones, Business Consultant, USA

**Interview questions:**

- What do you consider to be the biggest threats facing small independent businesses globally?
- Do you think the same threats apply to small independent businesses in Africa? If not, what different threats do you see in Africa and why?
- What do you consider to be the biggest opportunities facing small independent businesses globally?
- Do you think the same opportunities apply to small independent businesses in Africa? If not, what different opportunities do you see in Africa and why?
- How would you advise small independent businesses in Africa to exploit these opportunities?

Web sources:

1. [www.economicshelp.org/blog/glossary/derived-demand](http://www.economicshelp.org/blog/glossary/derived-demand)
2. <http://uk.reuters.com/article/britain-airports-ba-cruz-idUKL9N1HZ00T3>
3. <http://www.emeraldinsight.com/doi/abs/10.1108/07378830710754992>
4. <http://smallbusiness.chron.com/negative-effects-computers-workplace-22023.html>
5. <http://www.bbc.com/news/health-39899646>
6. [http://www.telegraph.co.uk/news/2017/05/12/nhs-hit-major-cyber-attack-hackers-demanding-ransom /](http://www.telegraph.co.uk/news/2017/05/12/nhs-hit-major-cyber-attack-hackers-demanding-ransom/)
7. <http://smallbusiness.chron.com/added-value-business-concept-65341.html>
8. <http://www.investopedia.com/terms/v/valueadded.asp>
9. [https://www.google.co.uk/?gws\\_rd=ssl#q=human+capital\)](https://www.google.co.uk/?gws_rd=ssl#q=human+capital)
10. <https://www.forbes.com/sites/blakemorgan/2015/03/04/happy-employees-equals-happy-customers/#5e26af3f57d2>
11. [https://en.wikipedia.org/wiki/Wilkinson\\_Sword](https://en.wikipedia.org/wiki/Wilkinson_Sword)

In addition to the interviews and websites, various articles from City of London business Library were read for general business information but have not been referenced specifically.

Annex 1 – Attached Immigration Procedures (company letterhead removed for confidentiality purposes)

## **1. The role of ship agents in East Africa**

### **1.1 The role of ship's agent:**

In East Africa, Ship's agents still play a vital role in the supply chain of all seaborne cargo movements. There are two main types of ship's agents – a Liner agent and a Tramp agent. Below is a list of a ship's agent's main responsibilities:

1. Provide Pre-arrival information regarding the port restrictions and tariff
2. Inform all parties of the vessel ETA based on the Master's advice and coordinate pre-arrival operations planning meetings. This helps all parties prepare.
3. Secure a berth for the vessel with the port, arrange pilots, tugs, linesmen to moor the vessel, book & arrange port stevedore gangs and oversee the discharge operation, ensure Immigration, Customs, Port Health board the vessel – the latter must grant the vessel 'free pratique' in order for cargo discharge operations to begin.
4. Inform all parties of the vessel berthing and send out daily activity reports to all – this includes preparation of the Statement of Facts and daily updates on how much cargo has been discharged.
5. Lodge the cargo manifest with the port and revenue authorities on which port dues (e.g. wharfage, storage etc) and taxes will be calculated.
6. Pay port authority invoices on behalf of principals and arrange outward clearance of the vessel with the port authority
7. Secure release of cargo to receivers by issuance of Delivery Orders
8. Coordinating all parties concerned with the vessel and cargo to ensure smooth discharge / loading of cargo, i.e. vessel owners, cargo receivers, trucking companies, C&F agents, port authority, and other third party contractors such as surveyors, technicians attending to the vessel and bagging operators etc,
9. Husbandry services: crew handing, spares and freshwater delivery, bunkers, local procurements and weapons to port armoury transfers
10. Payment to other government authorities and 3<sup>rd</sup> party contractors on behalf of the vessel owner, vessel time charterer and cargo receiver
11. Provide relevant port statistics and country information

### **1.2 Types of ship's agents:**

In addition to the above a Liner agent will also provide a commercial service and take bookings for import/export cargo on behalf of their principal and control their equipment (container tracking). This is particularly common in the case of container liner shipping, where annual contracts are signed between the Shipping Line and agent, or as is often the case, the agent is a subsidiary of the Shipping Line.

Tramp agents are appointed on a per voyage basis by the vessel owner / time charterer. This is a very important difference to recognize as it is a system that makes tramp shipping highly competitive. Another notable point to make, is that although the voyage appointment comes from the vessel time charterer (or vessel owner), it is the vessel voyage charterer / cargo owner that typically nominates / recommends the agent. Therefore a Tramp agent's client, otherwise known as their principal, is usually the vessel voyage charterer. The main point is that in Tramp shipping, there are many more players involved with each shipment and therefore more players to please in order to win and keep the business. And in the case of tanker vessels carrying petroleum products that are continuously traded, working out who the vessel voyage charterer is (i.e. your potential client) can be very difficult.

There is also a difference between a small independent ship's agent and a global corporate ship's agent – regardless of whether it is a tramp or liner agent. For the purpose of this research small independent ship agents can be defined as having less than 50 staff per country and covering no more than 6 ports in a maximum of 2 countries. Small independent agents will typically be privately owned enterprises and are often under the direct management of their shareholders. By comparison a global corporate agent will have a global brand with a Head Office in one country and branch offices worldwide often with a head count in the thousands. Typically incorporated as a public limited company or a private corporation.

### **1.3 What drives demand for ship's agents?**

Shipping is a derived demand. This means that unlike many business models whereby there is demand for the product being sold by a business, there is no direct demand for shipping but rather it is the demand for the products that are being shipped. For example: "Demand for transport tends to be determined by demand for another service / activity. If people need to get to work, they will demand more bus journeys. Few people take a bus for the intrinsic pleasure of a bus journey" (source 1)

This mechanism of derived demand has a big impact on the shipping industry, for example freight rates are not determined by the service offered (i.e. 'the product') but rather by the demand and supply of shipping tonnage. Shipping tonnage is the space/capacity available on vessels globally and/or on a particular route. If the distance between trade lanes increases, but the number of vessel remains equal, then clearly the vessel capacity / shipping tonnage available reduces. Example: suddenly coal is shipped from South America to China instead of South America to North America; because the journey to China takes longer, the vessel is full of cargo for a greater number of days per year all else being equal – i.e. available supply of vessel capacity reduces. This reduction in supply will lead to an increase in freight rate (in line with supply/demand dynamics), regardless of the quality of service ('product') offered. The point is that the shipping industry does not have control over the demand for their product, hence it is a derived

demand, and by virtue of this the shipping industry does not control the pricing of their product, in the same way a company selling a product like toys or washing machines does.

Ship agents provide a necessary service to the shipping industry and are therefore subjected to the same difficulties of working in a business context based on derived demand. Demand for ship agents is determined by the demand for shipping and the products being shipped (not the ship's agency service itself). Therefore a ship's agents' prosperity relies on their being demand for their principals' business, rather than their own service. An agent could provide the best service at the best price but lose a customer simply because trade in one location declined reducing the need for the shipping line to call or trader to sell cargo in that location. Also a ship agent could chose to work with Company A that subsequently loses market share to Company B resulting in the Agent losing business that was essentially out of their control. Therefore choosing the right client base is critical to risk management and a ship agent's success. Unless of course an agent wishes to take a gamble and hope they get 'lucky'.

It follows that the impact of operating in a business context based on a derived demand will create a different set of threats and opportunities that would exist in other business systems.

#### **1.4 The Business context of East Africa**

Having briefly described the role of a ship's agent, the different types and what drives demand for their services, it's also important to establish the business context of East Africa, as this context is very different to that of North Europe for example. The key aspects of the East Africa business environment are listed below:

- a) Poor infrastructure – road, rail, electricity, water, telecommunications
- b) Low per capita income and inadequate social support systems
- c) Low level of ICT capabilities
- d) Complicated Government procedures
- e) Poor security
- f) Corruption
- g) Inadequate or antiquated legislative regimes

All of the above contribute to creating the, sometimes difficult, business environment that exists in East Africa. To give a quick insight into the difficulties each of the above poses for business when operating in East Africa a summary of examples has been provided below:

##### **a) Poor infrastructure**

The issue of poor infrastructure in regions like East Africa is well documented and therefore this section simply highlights a few examples on how it impacts on business.

The inconsistent power supply and power outages has a huge cost impact on business, both in terms of hardware such as batteries, generators and damaged IT equipment, but also in terms of downtime especially when working with online cloud or web based systems that require uninterrupted high speed Internet capabilities, which are power dependent. To site an example of how power supply can affect ITC systems, on May 28th 2017 British Airways was forced to cancel all flights from London Heathrow and Gatwick due a power outage. According to Reuters BA CEO Alex Cruz said the 'power supply issue caused global IT failure' (source 2).

Lack of water supply is another major issue and businesses will have the added cost of supplying fresh safe drinking water to employees. Another example of a hidden cost that companies in Europe would not need to consider. Poor telecommunications networks affect Internet speed and reliability, and most companies now rely on mobile lines rather than landlines. Then of course the poor road and rail networks make travel, distribution and communication all more difficult and costly. Most companies in East Africa employ a few Tuk-Tuks or motorbikes with messengers to compensate for this.

**b) Low per capita income & Inadequate social support systems**

Countries with low per capita income and inadequate social support systems create a myriad of issues for businesses. To give some examples; a) due to poor education systems there is a less well educated society from which to source skilled labour which has a major impact on business being able to find qualified staff; b) A higher than expected number of 'sick days' taken by employees due to inadequate free health services costs businesses money through loss of time and provision of health insurance (which will often cover families too); c) In lower income countries, people often have larger families (with the hope of providing security in old age). This requires employers to give more compassionate leave and more maternity/paternity leave. In countries where polygamy is common companies may have to state paternal leave is for the first 2 children of the first wife in order to limit their exposure; d) in lower income countries with limited social support systems businesses may be more prone to theft of small items likes toilet paper, sugar, stationary, petrol, etc. Business confidentiality is also at risk as employees may also be more inclined to sell company information for personal gain. As a consequence companies have to place sometime prohibitively strict systems to prevent this or losses can be huge.

**c) Low level of ICT capabilities**

There is often inadequate training on Government ICT systems (port, revenue

authority etc), which means they are both under-utilized and breakdown with surprising frequency. Any company that is reliant on Government ICT systems will suffer from the failing the delays / costs associated as well as the potential loss of international clients who often blame the agent for causing the delay / error. In addition keeping up to date with the ever-changing ICT world is particularly difficult when there is a general shortage of basic ICT skills coupled with poor education levels and low-income families who mostly do not have access to computers outside of their jobs.

**d) Complicated Government procedures**

Many Government procedures are highly complicated and require thorough knowledge of an often undocumented procedure. Failure to follow the exact procedure will lead to huge delays as paperwork is shuffled between people and departments. Knowing the mobile phone numbers of the various individuals involved in the process is critical to navigating the maze. For example in Kenya all foreigners working in Kenya require 'temporary work permits'. Annex 1 provides the procedures as way of example. The procedures and time taken can frustrate clients and require the Agent to constantly follow up with the various Government Departments, which of course has a time and cost associated.

**e) Poor Security**

This adds to the cost of running a business for example; all offices require security guards, any cash moved is done using an expensive armed escort, vehicles parked without a driver risk losing wing mirrors etc. The security situation will also have a major effect on the type of business operating, for instance cruise vessels will stop calling in preference for a port/country that their passengers will be safer in and therefore more likely to book trips for. Conversely Navy calls may increase creating new opportunities for ships agents able to handle the call. One new business stream borne out of poor security in East Africa has been the rise of cargo vessels carrying armed security teams. All armed security teams have to have their weapons transferred by Customs escort to a port armory and this is a service many ships agents will provide. Perhaps the biggest negative effect of poor security is on discouraging international business investment.

**f) Corruption**

Corruption is well documented as having hugely detrimental effects on the development of business globally, but particularly in Africa. And although East Africa may not be considered to be as badly affected as some other countries it is a definite issue that cannot be ignored. This following example shows how a business operating in East Africa can be affected: a client may be dissatisfied with a service provided by Company A, when compared to Company B, when in fact Company A has followed strict Government procedures, which is why the procedure may have taken longer to complete for them than it did for Company



B who paid a facilitation fee to shortcut the system. The new compliance laws like UK Bribery Act make it easier for companies like Company A to operate competitively.

**g) Inadequate or antiquated legislative regimes**

Legislation affecting ship agency and logistics across the continent is inconsistent and at varying degrees of evolution. As such sudden and dramatic changes in legislation can, and do, occur often affecting multinational business more than independents (i.e. local content requirements, minimum local shareholding requirements, banning or amendment of local charges etc.) An unclear legislative environment creates a significant 'unknown' risk for businesses making it hard for companies to operate and plan strategically. Such 'hazy' legislative environments will also discourage international investors. As examples the Tanzanian Government liberalized the ship agency sector in the early 1990s to encourage inward investment, they subsequently tried to re-nationalize the sector some years later and eventually settled on a minimum 51% local shareholding requirement. This caused significant uncertainty for those agency companies that had invested in Tanzania and also led to a long-term reluctance to increase investment in order to limit exposure to future political decisions. Equally, Kenya in the 2011 gazetted regulations that sought to enforce 51% local shareholding and to seriously curtail the operations of companies in the maritime sector. It has taken six years of court proceedings for industry players to eventually have these regulations overturned. Obviously such uncertainty will lead to a decline in inward investment, a consequent slow-down in domestic skills development and an unnecessary stagnation with the maritime sector as a whole for those countries that fail to establish strong and clear legislative environments.

Unclear tax regulations often leave companies exposed to significant additional and unexpected tax bills. Significant time and money can be expended disputing unwarranted tax bills and, on occasion, companies will simply accept unwarranted taxes as they are unwilling to meet the costs associated in disputing these bills.

Onerous licensing requirements are not just costly and time consuming to implement, but also require businesses to allocate manpower to ensure they are kept continuously up to date with the continuously changing requirements. As one interviewee said 'small businesses will need to pay exactly the same for the various licenses as large businesses, so they represent a much higher proportion of their costs'.

This difficult business environment creates a unique business culture that unsurprisingly places huge emphasis on the importance of long-term experience, relationships, local expertise, local connections, and local knowledge of the market and procedures. A good

local reputation built on trust over time is key in this type of business context.

It's important to note the different business context of East Africa as it will create its own opportunities and threats that do not exist in other parts of the World where a different business context exists.

## **2. Threats facing small independent ship agents in East Africa**

Section 1 the role of small independent ship's agents in the context of East Africa. This paper will now look at the key threats facing them. The results of interviewing various prominent figures in the business and academic realm have highlighted the following areas as the greatest threats:

- **Large corporate agencies**
- **Failure to keep up to date with IT / modern communications**
- **High levels of competition**
- **Port improvements**
- **Higher insurance costs**
- **Business context of East Africa**

### **2.1 Large Corporate agencies**

Arguably the largest, or at least, most obvious threat to small independent ship agencies is being *'outmuscled by bigger businesses'*, as one interviewee said; *'that can be in competing for contracts or even in signing supply or service agreements with bigger businesses, with their deeper pockets and ability to squeeze suppliers and partners right down'*.

This is very true in the case of ship agencies, where the multinational players are able to capitalize on the development of ICT systems linking their global branches together. Thus enabling them to offer global or regional contracts to their clients with a simple click of a button. For ease of administration and/or compliance requirements, there is a growing preference for clients to contract with multinational agents who are able to offer global / regional agency services.

Another interviewee said *'multinational agency companies are better able to leverage their brands, standardise and minimise rates across regions, provide centralised accounts and have more developed marketing structures. Possibly the biggest threat is the continuing 'price war' between the multinationals where they continually drive agency fees down in an attempt to secure regional contracts – this is a factor across most sectors of the industry (cruise, navy, liner, tanker etc)'*

Multinational agents will of course benefit from economies of scale on a level that is not achievable for small independent agents. In theory, and all else being equal, this should enable them to offer lower rates for the same service, which gives them a huge advantage. In addition, multinational agents can use one of their country branches as a 'hub' to manage regional or global contracts. In doing so they are able to provide a one point source for communication, agree on a single tariff for a region, manage any sub-agents (e.g. by keeping them up to date with their client's compliance requirements, financial procedures etc), and depending on the agreement signed, they may also manage all the invoicing related to ships agency services and often provide favorable credit terms too. Small independent ship's agents can easily lose a client if such contracts are signed through no fault of their own. Essentially this makes it an unfair playing field for smaller ship agents. However, it must be remembered, they can also win contracts as a result of this too. At times it can feel like a smaller agents business is in the hands of fate.

The growth of multinational agency regional contracts can also result in income streams from traditional vessel appointments being reduced. In the past if an agent were to be appointed by the vessel owner based on a charterer nomination the agent would expect to handle all husbandry business (crew changes, spares supply etc) as well, but this is not the case nowadays. Rather vessel owners look to vessel management companies to run their business and vessel management companies in turn look to sign regional contracts. Therefore a charterer nomination does not secure a husbandry contract.

The growth in this 'regional contract' culture has contributed to a change in organization culture; with larger organizations there is a stronger requirement for written procedures and policies (e.g. ISO9001). Suppliers to these companies must meet strict compliance requirements before even being able to tender for any business. For some O&G majors it takes 6 months to pass compliance and be added to their 'approved supplier' list. And being on an 'approved supplier' list does not guarantee work. It simply allows you to tender for the business. Some smaller agents simply do not have the capacity (available staff time) to pass these compliance tests unless there is guaranteed business at the end.

Another major issue for smaller independent agencies working with larger companies is the huge size of the contracts being signed. And because of the size of the contracts being signed bigger business expects larger credit facilities to be offered in return. Again many small ship's agents simply do not have the cash flow to meet these financial terms.

For some small agencies these requirements will close doors to businesses they are in fact capable of handling and may even be better at handling than some of their multinational competitors. The irony of this is that in some cases a client may end up

with a 'worse' service being provided to them.

Multinational ship agents are able to gain a skills advantage by pooling on a global resource. An independent ship's agent in East Africa will have a much more difficult time keeping up to date and finding skilled people – especially those based in less developed regions like East Africa. Often top managers will need to be offered shares to encourage them to work for a small agency company.

Multinational ship agents can reduce their exposure to financial risk more easily by having different business sectors that can offer financial support to each other as and when required. This flexibility for 'business units' (often split by country) to support each other is a major advantage. For instance country markets fluctuate due to changes in trade dynamics or politics and because these changes can be short lived the ability to out ride a 'bad patch' can be hugely beneficial. Small independent agents will have less capacity to reduce their financial risk and must simply cover their costs to survive.

In fact some multinational agent's country branches will never actually be able to cover their operating costs (so in theory should have closed down). However, these country offices are supported by their regional / global Head Quarters because they are required in order for the multinational company to offer a 'global reach' to their clients, which will be part of their marketing campaign. To a small independent ship agency, the existence of these types of agencies creates an unfair playing field.

To summarise, multinational ship agents have a global reach, make huge cost savings (through tax loopholes and better economies of scale), have reduced exposure to financial risk and can usually offer better credit facilities to clients. It is no wonder they are considered the biggest threat to small independent ship agents.

*What can be done to reduce the impact?*

- a. Small agents should seek to work with larger corporate agents as their sub agents wherever possible. In East Africa there are still many larger agencies that do not have a presence in East Africa and operate via a sub agent. This is because the East African market can be considered too risky with too small profit margins for bigger players.*
- b. Smaller agents may need to diversify in order to have less reliance on one 'business stream' in order to reduce risk exposure.*
- c. Smaller agents may need to look for local niche services that they can offer that multinationals may be unwilling or unable to.*
- d. Smaller agents may need to consider lowering profit margins by arranging bank loans in order to offer competitive credit facilities, perhaps through a financing system known as 'discount invoicing'.*

## **2.2 Failure to keep up to date with IT / Modern communications**

'ICT, particularly the internet, is having a significant impact on the operations of business enterprises and is claimed to be essential for the survival and growth of nations' economies.' (Source 3)

There is a general shortage of ITC skills in East Africa and therefore keeping up to date with ever changing technologies can be both costly and intellectually difficult for small independent ship agents.

A ship agent's key 'raison d'etre' is to enable communications between the trader, ship owner, port and revenue authorities, cargo receivers and all other parties involved in a shipment. Therefore efficient communication is critical and it is essential to stay abreast of the changing methods of communications. For example, email, and therefore the written word, is the main form of communication in today's world. However 'many employees lack comprehensive writing skills and can therefore struggle with successfully communicating messages. Yet, even the most-skilled writer can still have trouble with conveying tone in electronic messages' (source 4).

This is a particularly hard area for a small ship agent in East Africa, where often people with operational capabilities lack written skills. Again small companies will lack the capacity to separate job roles; rather staff will be required to have a broader skill base than would be expected in a more developed region.

Although ICT improvements have made communications quicker, they have also created a culture of 24/7. This puts huge pressure on all businesses and their employees, but again is possibly felt by smaller agents more as they may lack the capacity (staff numbers) that larger organizations could achieve through economies of scale.

Diplomacy is key for all agents (big and small) and with the arrival of immediate and, often 'face to face', communication platforms such as Skype and WhatsApp agents are often not given enough time to think of the best response – this expectation for immediate answers can lead to mistakes when in the past such an immediate response would not have been necessary and the mistake not made.

Social media and online platforms such as Facebook, Twitter, LinkedIn, Youtube can provide an excellent 'free' marketing platform for businesses. However they need to be used correctly or they can also just as easily damage a company or employee's reputation. For example, once a company has decided to create a Social Media presence the sites have to be constantly updated with relevant information as the company will have 'followers' – i.e. people interested in them and watching them. The sites must be constantly monitored to check customer feedback comments – especially when 'response rates' to customers are published and low response rates will impact negatively on a company reputation. Any negative comments will have to be replied to

instantly but also diplomatically. In fact this is so important and so difficult to manage that many companies will out source the management of Social Media sites to companies with professional marketing and customer care expertise. This transparency of published information provides an immediate credibility/reliability check for customers wishing to get a quick snap shot image of a company. This ability for potential customers to judge a company based on existing customer' opinions, which are by virtue the most up to date company references, is an excellent tool. For businesses, however, while the rewards can be great, the use of Social Media also carries significant risks, especially if managed incorrectly. 'After all nothing in life is free'.

Social media demands can also cause constant distractions in the work place because of the overlap between social and work lives using the same mobile devices. But perhaps the most distressing factor of ITC developments is that work is now constantly monitored via computer and mobile screens. This encourages an unhealthy work life balance that forces employees to be glued to their devices. Not only can this effect an employee's long-term motivation (some may 'burn out'), it can also result in employees having less time to think of how to solve problems and innovate.

The ease of modern communications can ironically take away responsibility from junior managers as they can always get hold of a senior manager. This makes it harder for them to gain valuable lessons and experience and may also demotivate otherwise good employees.

Infrastructure costs of ICT will include the physical infrastructure required – computers, Microsoft packages, email and anti-virus software etc, but also implementation costs, and ongoing training fees. In fact these days many ICT systems are so complex that companies outsource their ICT departments and all-inclusive fees are levied on a per user monthly basis (e.g. Microsoft's Office 365 email system). Essentially ICT costs are high. Especially when considering that in the past receiving information was 'free' for the receiver – i.e. a letter. Now it costs a relative fortune to receive emails and their attachments. The risk of an email system and IT software failure is huge and not keeping software up to date can lead to emails being rejected by client email systems, or they may be unable to read attachments (if created on outdated / unsupported software) and of course outdated systems will be more vulnerable to cyber attacks.

In fact the most widely published threat to business at the moment is cybercrime (a word that would not have existed 20 years ago). The most recently documented example is that of the UK's NHS email systems cyber attack using 'WannaCry ransomware' on May 13<sup>th</sup> 2017 (source 5). According to cyber experts the reason the NHS system was attacked was 'because many [NHS] trusts were using obsolete systems, while others [had] failed to apply recent security updates which would have protected them' (Source 6). In todays world nearly all businesses rely on the Internet, computing technologies and email systems all of which are subject to cyber attacks that can crash

company networks, leak vital information or even cleverly divert cash by tricking companies to send cash to the wrong bank accounts.

Some email systems will now block all users (in order to reduce the chance of a cyber attack crashing their systems, as well as reduce junk mail). And in order for an email to be accepted a phone call between IT departments must be made to open up lines of communications. This makes it harder to reach out to new clients, but conversely may also protect your business from competition.

The risk of attack is high and so all businesses have to have systems in place to protect themselves, usually by buying insurance, anti-virus software packages and training staff. This can place a huge cost on small businesses that are unable to reap the benefits of economies of scale. It is also harder to keep up to date when there is a limited pool of IT expertise in East Africa and the general population does not have access to a computer at home so all ICT skills are learnt at the office.

The introduction of email has also changed organizational culture and the element of trust has been eroded both internally and externally with client. In the past 'my word is my bond' was the foundation of the global shipping industry. But these days everyone requires an email as 'back up' and this can lead to overwhelming large numbers of emails being sent/received. The irony is that when so many emails are sent sometimes the most important can be missed through human error.

New cloud based email systems (e.g. Office 365) are in place and people cannot only access emails out of work but also company documents. Remote working clearly requires companies to implement strict access criteria into their cloud based systems but at the same time to make it worth implementing a high level of trust with employees is also required. This is even more so in a region like East Africa, where the offer of very small amounts of money to sell company data can be highly tempting.

Many of the threats relating to modern communication systems will affect big and small businesses alike. As indicated above in many ways it will be harder for small independent ship agencies in East Africa to handle the ever changing ICT developments, but to some extent larger companies may find it harder to control some aspects, like trusting employees to use cloud based systems or social media correctly, simply because they have so many employees. Perhaps being big in this instance is not always better.

*What can be done to reduce the impact?*

- a) Place more importance on the role of ICT managers*
- b) Prioritise ICT training*
- c) Continuously keep ICT systems up to date so as not to fall behind in software developments or skill capabilities*
- d) Create a culture of trust and respect within the company*

*e) Utilize ICT for improving communications systems and data management*

### **2.3 High levels of competition**

Worldwide competition has increased, there has been a global power shift from seller to buyers partly because of ICT improvements and product price and information is now just a mouse click away for anyone. There are fewer barriers to entry in the virtual world and this leads to higher levels of competition as the numbers of companies offering the same service increase. It also leads to higher levels of uncertainty and mistrust (too much choice coupled with weak relationships). In fact one could argue the emergence of Social Media has been driven by this growth in uncertainty and mistrust and as one interviewee said 'people like to listen to friends, not brands because people trust friends'.

In relation to ship agencies, there is a low cost of entry even in the physical world, as they do not tend to own any major assets (other than equipment to enable communications). As a result there are many 'one man bands' operating as ships agents, especially in East Africa where there is almost no vetting process in qualifying for a ships agency license.

*What can be done to reduce the impact?*

- a) Monitor competition*
- b) Aim to reap the benefits of 'free' advertising from using Social Media*
- c) Maintain close relationships with existing clients*
- d) Use the threat of competition to encourage innovation*

### **2.4 Higher insurance costs**

The world has become more litigious and therefore the need for insurance has become essential a normal part of risk strategy for most businesses. Companies will need to be insured against cybercrime, professional liability, personal liability (Directors), and in the case of East Africa employees require medical insurance and companies will need to get 'cash in transit' insurance. Other types of insurance required include buildings insurance, car insurance and ICT insurance (for lap tops and smart phones etc). This all adds to the cost of doing business and will represent a higher proportion of costs for smaller businesses, particularly those in East Africa where insurance premiums will be higher.

*What can be done to reduce the impact?*

- a) Ensure insurance premiums are paid and kept up to date*



- b) Outsource management of insurance*
- c) Tender for updated rates & services each year to ensure use of the best suppliers*

## **2.5 Port improvements in East Africa**

There is always the possibility that as the ports improve the role of ship's agents becomes less important and the number of services they need to provide reduces. For instance the port themselves could book pilots, tugs and arrange efficient stevedoring. This is more of a risk if ports or terminals privatize.

With the improvement of communications technology, vessels could conceivably pay bills directly to the port authority in the future, perhaps port systems will become cloud based and an agent based in London could lodge a voyage manifest for a port call in Mombasa.

In Europe there have been huge improvements to port facilities / operational systems and agents have already diversified and moved away from the traditional role of purely acting as an agent for a vessel. For example Associated British Ports in UK has their own in-house agent based at various ports. The John Good Group, has combined with other companies like Dan shipping and together they offer port agency, logistics, transport warehousing, distribution, chartering, laytime calculations, etc. This trend coupled with ICT developments would suggest the traditional role of the independent ship agent has a time limit, even in East Africa, and as the port improves, agents will need to take on new roles to survive.

*What can be done to reduce the impact?*

- a) Focus on offering added value services to the cargo receiver that a port is unlikely to provide, e.g. provide bespoke market reports.*
- b) Consider partnering with a private terminal as an 'in house' ship's agent for the terminal.*

## **2.6 Business context of East Africa**

The difficult business environment in East Africa can be seen as a threat to independent ship agents, as described in Section 1.4 above. The context of East Africa will add to the cost of running a business, e.g. the poor roads add to the cost of vehicle maintenance, there will be increased security costs, and the costs of power outages damaging ICT and air conditioning equipment. Inadequate support systems add to the cost of employment and make it hard to find qualified skilled people within the region. And of course corruption creates an unfair playing field in which to operate. But perhaps the most important point to note is that the context of East Africa makes it harder for

businesses to attract investment that may be needed to help it expand. Many potential investors would consider an independent ship agency in Africa too risky to invest in or at the very least require unrealistically high returns to mitigate that risk.

*What can be done to reduce the impact?*

- a) Look at the threats the business environment poses to clients and see them as opportunities for businesses to solve*
- b) Diversify the business to reduce risk*
- c) Specialize the business by exploiting a niche market*
- d) Look for local investors that do not see the context of East Africa as quite so risky*

Many of the threats can also be viewed as opportunities, high competition can encourage companies to improve and innovate thereby creating a more successful enterprise. Also simply knowing and monitoring the threats facing a business will encourage strategies to be built that will help mitigate their negative impact. However rather than focus on how to reduce the impact of threats, it's perhaps better for a business strategy to focus on opportunities and how these can be exploited. This change of mindset could encourage the development of new ideas that would otherwise be overlooked.

### **3. Opportunities facing small independent ship agents**

This section will now look at the main opportunities facing small independent ship agents in East Africa. By interviewing the same prominent figures in the business and academic realm this paper has identified four opportunities as indicated below. Please note the last opportunity 'sell' will lead to the demise of small independent ship agents, so, although it may be seen as an opportunity for an individual business, it is not considered an opportunity for the business sector as a whole.

- **Diversify / Provide Added Value**
- **Exploit Local Knowledge**
- **Specialization**
- **Sell the business**

#### **3.1 Diversify / Provide Added Value**

As we have seen from the threats section above diversification is key to mitigating risk particularly in the business context of East Africa. This is something small independent ships agents need to place more emphasis on, as their risk exposure is greater. However, offering too many services can dilute any economies of scale that do exist and can dilute the quality of service provision or confuse the brand/image. Therefore the

process of diversification is sensitive and needs to be treated with care.

C&F, transport and warehousing are often considered three classic areas for ship's agents to diversify into. These tend to require large amounts of investment and are therefore perhaps less well suited to small independent ship agents. Other areas of diversification often considered include; Stevedoring, Bagging, Husbandry, Bunkering, Brokering, Manning & Recruitment and P&I correspondence. Although these business streams may require less capital investment, they will usually require separate business licenses and of course setting these businesses up and running them can cost more than anticipated. But there is nothing wrong with additional costs for a company as long as there is an associated increase in expected revenue. With this in mind, perhaps the easiest way for a company to diversify is through looking at what 'added value' services can be offered to existing clients.

*'The term "added value" means just what it implies: When a customer purchases a product or service from you, he gets an extra benefit. Added value is not the same as offering a free product or a discount because the customer gets something different than what she's buying or something that she can't buy. For example, if you give a customer a free belt with the purchase of slacks, that's a straight freebie. If you offer free alterations, that's added value.'* (Source 7)

'Added value' services often involve provision of an extra service at no extra cost to the client, but they can also be a way of making extra money from an existing client by providing additional services. The key to understanding the concept of 'added value' is knowing what customers value and what services will actually benefit them.

*'Companies are learning that consumers are less focused on the product and more focused on what the product will do for them. Finding out what the customer truly values is critical to how the company produces, packages, markets and delivers its products. For example, Bose Corporation has successfully changed its focus from a company that produces speakers to a company that delivers an 'uncommon sound experience' (Source 8).*

Added value services can be adding additional free services to the current business stream, like providing free training or free monthly statistics. But they can also require setting up new business streams for a customer as long as they are aligned to the core service, like investing in a timber treatment plant at a port for a timber importer. A timber treatment plant allows the timber importer to add value to their timber enabling them to sell it at a premium to their clients. These services would of course be charged for but they are still 'added value' services as they offer something additional to the core service. By providing free 'added value' services a business' image/brand will be enhanced and in some cases enable them to justify higher prices for their services (ironically the 'free' services are then paid for by the client). For added value services that require investment in new business streams, the risk exposure is reduced

dramatically when compared to straightforward diversification. This is especially the case when the 'added value' service is being provided to an existing client and presumably the decision to provide the service has been in collaboration with the client, at which point the revenue stream is already accounted for. Selling this newly developed 'added value' service to a new client will then of course be easier as the system is in place and client feedback already available as a reference.

When looking at 'added value' services, ship agents will need to look at what services will make life easier for their existing customers and what do they really value. In terms of free services these may include, training packages and local market information. Whilst revenue generating 'added value' services may include: setting up a specialized stevedoring service or bagging operation for cargo importers as they will value quick ship turnaround and careful handling of their cargo. These services can help reduce their exposure to demurrage and reduce their exposure to cargo damage claims – both can save money, time and administrative hassle for the client. To come up with 'added value' ideas the ship agent will need to dialogue with their clients on a regular basis and understand what they value most and work out how a ship agent can increase their value to them.

An idea that can be proposed and developed in partnership with an existing client in order to create a bespoke package is more likely to succeed. A bespoke 'added value' service can become a strong 'hook' and increase the interdependence between the two parties. And this will of course make it harder for the customer to switch agents, in a similar way that signing a contract does (in fact this type of 'hook' can be stronger than a legal contract as it is based on a relationship).

*How can this opportunity be exploited?*

- a) *Attend international business conferences to encourage ideas and stay ahead of future business trends globally*
- b) *Encourage feedback from customers to find out what they value most*
- c) *Dialogue with customers to understand what challenges they face*
- d) *Propose 'added value' services to customers and evaluate their response*
- e) *Actively learn more about potential new business streams*
- f) *Suggest partnering with customers to develop a new business stream*

### **3.2 Exploit Local knowledge**

Strong local knowledge and local relationships are good assets for small independent ships agent to have, but in the business context of East Africa (described under section 1.4), they are even more critical. As one interviewee said,

*"Connecting with people in East Africa is so important. People here feel comfortable with*

*people that they can relate to and trust. Being part of the same social or religious communities matters. Speaking the same language, being from the same tribe, or going to the same school, or same bars or sports clubs, are all very important factors in building relationships and doing business in East Africa’.*

Essentially the business environment of East Africa can be considered an opportunity for small independent agents who are capable and already established. They can exploit the fact they have the agility to respond to change quickly and can take risks (when the money allows) in ways larger agents cannot as they are constrained by bureaucracy and shareholder’s directives. But perhaps more importantly, small independent agents can take advantage of the fact that customers in East Africa place a higher value on trust and personal relationships. For larger corporate agencies, staff turnover will tend to be higher, particularly at management level (e.g. an expatriate contract is typically 2 years). This actually results in these companies losing local knowledge and weakens local relationships. This creates an advantage for small independent ship agents who need to capitalize on what they are skilled at and realize their local knowledge and local relationships, often built over decades, are huge assets. This asset is known as ‘human capital’ and is described as; *‘the skills, knowledge, and experience possessed by an individual or population, viewed in terms of their value or cost to an organization or country’* (source 9).

Small independent ship agents need to consider ways of creating value from their human capital asset. For instance one way of doing this is to advertise their local knowledge and coherently explain to both existing and potential customers why it is so critical in the context of East Africa. It is an asset often undervalued by companies, and as one interviewee said:

*‘Independent businesses in Africa could take advantage of their expertise on the ground. Most economists and business leaders I speak to think that Africa is going to become an increasingly important market place for the West and the East over the coming years. They will be looking for companies that can navigate through the unfamiliar and often difficult terrain of African politics and bureaucracy. This skill could be effectively a service for multinational businesses wanting to invest in Africa.’*

By virtue of the role undertaken by Ship agents, they are very well connected with most government departments, and are usually well connected to all others in the supply chain from seller to buyer. This will include a wide variety of industry players including international commodity traders, shipping companies, cruise lines, O&G majors, mining companies, transporters, ship chandlers, diving companies, hotels, restaurants and a range of cargo receivers (from fertiliser plants to steel importers). A tramp agent handling a variety of cargoes will be very well connected and will probably have access to a more varied network than a container shipping line agent. Therefore a Tramp agent is uniquely placed to connect people and businesses. This can provide a business opportunity itself where ‘face to face’ introductions can be ‘sold’ or a commission

returned if a deal materializes.

Ship agents have access to a lot of local data and it is important to look into new ways of managing this data and extracting value from it. Data management will be a key role of ICT department and working out way to simplify data and extract useful patterns that will be of use to existing clients, potential clients, and investors will be key to creating value from their human capital.

*How can this opportunity be exploited?*

- a) Focus on enhancing company wide networking capacity*
- b) Provide market reports & statistics to potential and existing clients.*
- c) Set up systems for collecting local market information*
- d) Provide business consultancy services to new investors in East Africa – a niche service for a global market*
- e) In order to make the most of consultancy opportunities relationships with the local embassies of foreign countries (e.g. British council) could be established. This should help gauge, which companies may be considering investing in East Africa and what types of service an independent business could offer.*

### **3.3 Specialization**

Worldwide people are inundated with information through email, TV, newspapers, WhatsApp, social media, mobile phones etc. Unsurprisingly this has led to people becoming increasingly busy with a consequent need to save time. The same applies, if not more so, to people in business. It is clearly time consuming to have to sift through emails and information, and it can also be confusing and frustrating for managers that need to make a quick decision. It is therefore no surprise that customers crave simplification. Communicating a clear simple service, a clear simple price and clear simple brand will help provide a simplified message that consumer's want to hear. Specializing is one way a business is able to provide this clarity to customers.

The main reason customers like a simplified product / service offering is because it makes their job - the decision making process - easier for them. Everyone's time is valuable, so if a product or service can save you time and make it easier to make good decisions quickly then it will sell. Consumers want a product that will do something for them (refer to source 8). It's not just about price, clients need products / services that help them do their jobs better, make them look good in front of their employers and, eventually, help them get a promotion.

A ship agent's key role is communication and in order to make life easier for their clients, they need to 'simplify' how they communicate and also offer clearly defined services. The process of specialization helps define a product / service.

Below is a fictitious example of two companies offering vessel agency services to a prospective client. The comparison is provided to show why a consumer is likely to choose Company B over Company A, when in fact Company A is likely to be cheaper and has more experience in handling their cargo. It also illustrates why managers may make unexpected decisions and what can be learnt from this.

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**Company A:** well respected agent with **more** experience in breakbulk cargo quotes as follows.

**Agency fee:** \$1,000 first 3 days, \$250 per day thereafter  
**Communications:** \$100 per day  
**Transport:** \$50 per day

The client receives this quote and has to then work out what the total fee for using their services will be and this takes them time to calculate. The Customer knows they usually stay in port 4 days, rarely 3 days, and occasionally 5 days, but to date never more than 7 and will compute the following:

3 days port stay:  $\$1,000 + (\$50 \times 3) + (\$50 \times 3) = \$1300$   
4 days port stay:  $\$1,000 + (\$100 \times 3) + (\$50 \times 3) + \$200 = \$1500$   
5 days port stay:  $\$1,000 + (\$100 \times 3) + (\$50 \times 3) + (\$200 \times 2) = \$1,700$

The client has to make a decision on the risk they are willing to take, and in this case, the client will be unsure about the total cost of the agency service and is left feeling slightly negative as a result.

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**Company B:** well respected agent with **some** experience in breakbulk cargo quotes as follows.

**Agency fee all in: \$1,600**

*(NB. Beyond 7 days stay a fee of \$250 a day is charged)*

The client receives this quote knowing they usually stay in port 4 days, rarely 3 days, and occasionally 5 days, but to date never more than 7. The flat rate given is simple to understand and they can easily budget for it. This leaves the client knowing the cost of the agency service and feeling positive as a result.

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Essentially when a customer receives a quote from Company B, the decision making process has been simplified. Can they afford \$1,600 or not?

When a customer receives a quote from Company A, they have to take time to calculate what the cost of agency will be. This is likely to frustrate them, as their time is valuable. Once the customer calculates the costs, they will notice that there is a considerable cost fluctuation depending on how long the vessel stays in port. This makes this option feel more risky for the customer, as they may make a saving but it may also cost them more. This puts more pressure on their decision being correct and the potential cost fluctuation makes it harder for the manager to budget their expenses. Essentially this over complication may dissuade a manager from choosing Company A. After all the manager will have to report to his employer and does not want to give a wrong answer or be forced into giving a time consuming convoluted explanation. He/She simply wants to say 'it will cost "\$xxx", is that ok?'

The problem is that it is not always easy for a company to simplify and this is perhaps why there is so much value in it and why specialization of the business can help. Using the example above, in order to simplify a tariff an agent needs to understand their client's business and understand the risks involved. It is easier to understand a client's business when the agent specializes in it. For instance when Company B offers an 'all in fee' it suggests they know that it is highly unlikely the vessel will exceed 4 days stay, and therefore they are willing to take a risk of having to offer their service for 'free' between days 4-7. This is why specialization and simplification fit so well. If an agent is willing to take a risk it will indicate they have more control and more understanding of the business. This removal of risk will clearly help speed up a client's decision making process and make life easier for them.

The above illustrates the need for ship agents to think of ways to simplify their business model in order to make their client's life easier. Specialization is an opportunity for small independent ship agents as this can help them; simplify their communication, simplify their service, simplify their tariff, and simplify their branding. This will also make life easier for the agency's employees, as procedures become more systematic, easier to learn, follow and remember helping them be better at their jobs, more confident and happier. Taking this concept full circle, 'happy employees equal happy clients' (source 10).

There are various examples in East Africa of agents specializing, for instance with steel, grain or cement cargoes. They tend to be 'one client' ship agents, that provide added value services to their client, like financing or specialist stevedoring services. There is clearly a huge risk associated with such a set up unless the ship agent can expand their client base under the same niche service offering or unless the agent has a very 'solid' client. However, usually when a client is that 'solid' the risk of setting up their own agency is low and many will invest in an in-house agent, e.g. container line / agent



relationships.

*How can this opportunity be exploited?*

- a) Simplify company procedures & processes (perhaps become ISO9001 certified)*
- b) Provide regular training on simplified procedures*
- c) Simplify communication channels*
- d) Specialize in one type of cargo or one type of service*
- e) Provide training on the specialized business sector*
- f) Simplify data and market information so that it will bring value to managers*

### **3.5 Sell the business**

There is always an opportunity for owners of small independent ship agents to sell. But selling to a corporate ship agent, the most likely buyer, would lead to the demise of the small independent ship agent! Regardless a small independent agent should always have their sales pitch and a valuation of their company to hand. If nothing else it keeps people interested in your company, which is a rather subtle way of marketing.

## **4. Conclusions**

### **4.1 Summary of threats and opportunities**

This research has identified the main threats facing small independent ship agents operating in East Africa as:

- Large corporate agencies
- Failure to keep up to date with IT / modern communications
- High levels of competition
- Port improvements
- High insurance costs
- Business context of East Africa

And the major opportunities have been identified as:

- Diversify / Provide Added Value
- Exploit Local Knowledge
- Specialization
- Sell the business

Innovation generally occurs through solving problems in difficult circumstances and in

response to increased competition and, interestingly, many of the opportunities for small independent ship agents operating in East Africa appear to have arisen out of the threats identified. Businesses should seek to focus on the future opportunities and evolve in a new direction that takes advantage of them.

#### **4.2 What role will small independent ships agents play in the future?**

The traditional role of a ship agent may still exist in 20 years, but it is likely this will be just one minor part to the services offered. In the future lodging manifests, berthing vessels and paying port bills may well be done through automated processes as port improvements develop, as a result, the traditional role of clearing vessels with the port authorities may become obsolete or, more likely in the mid term future be controlled by multinational agents and their hub branches. This service will be driven by price and regional contracts. Small independent agents will simply not be able to compete in this commoditized service offering and some may be absorbed as a result.

Those small independent agents that survive are likely to have focused their business strategy on their core advantages – local knowledge, local relationships, and agility. It is likely they will become local specialists serving higher risk niche markets whether regionally or globally. For-instance they may choose to provide a bespoke all in agency, financing, consultancy, management package to one carefully chosen client or just consultancy to one business sector or invest group (e.g. British businesses). Small agents that survive will embrace ICT improvements to gain strategic advantages that enable them to innovate quickly within a growing digitized and automated business environment, allowing them to capitalize on their agility and also gain access to specialized markets that may otherwise be harder to reach (globally or regionally).

Looking into the distant future, small independent ship agents are likely to evolve from their chosen specialist sectors into completely new but connected markets. For-instance ships agents with good husbandry contracts might move into 3D printing of vessel spare parts and deliver via drones to vessels at sea - and they may cease to be involved in ship agency at all in 20 years. Similar to how other businesses have evolved (albeit more slowly), e.g. Wilkinson Sword used to manufacture swords, but later switched to razors and then included other personal care products as well as their market changed (Source 11). They no longer make swords!

#### **4.3 Advice for small independent ship agents on how they should plan for the future**

So, what advice can be given to small independent ship agents on how to plan for their future?

- Small independent ship agents operate in a highly competitive system based on

the dynamics of derived demand. To gain more control of their business they will need to choose their clients and markets very carefully, as their business will be dependent on the success and growth of their client's business.

- In order to take back control of their business and not be subject to the impact of regional contracts of multinational agents they will need to stop competing in the same field as them. To do this they will need to find new niches in which they can specialize or provide added value services either in a local or global market place. They will need to exploit their human capital - local knowledge and experience, as this will be their unique selling point. They will need to focus on enhancing their human capital by continually seeking to improve their sources and quality of information. They will need to focus on building deeper trust within their local communities so as to strengthen local relationships.
- Understanding the need to simplify process both internally and externally will be critical to a businesses success in the future. There is huge value placed on summarizing and simplifying information, as people want simple and quick answers in today's chaotic world. Simplifying the business processes will improve employee understanding and communication capabilities, whilst specializing will provide a clear brand and service offering to clients.
- A focus on ICT will assist in managing data and communicating with clients in simpler more user-friendly platforms. It will also enable the business to evolve and innovate, which will be essential for survival in the future.
- Ship agents will need to focus on services that will make their customer's lives easier. They will need to dialogue frequently and openly with clients and work out what motivates them and, more specifically, on what will add value to the client's business and to the personal development of the individuals involved.

As a final word, I hope small independent ship agents are able to innovate and will continue to play a vital role in global trade for many years to come.

# KENYA IMMIGRATION RULES & PROCEDURES

## Visa requirements

- All visas must be applied for online prior to arrival in Kenya.

### How to apply:

1. Click register on [www.ecitizen.go.ke](http://www.ecitizen.go.ke)
  2. Select Register as a Visitor
  3. Once Logged in, Select Department of Immigrations Services
  4. Select submit Application
  5. Select Kenyan Visa
  6. Select the type of Visa and read the instructions carefully
  7. Fill in Application form
  8. Pay Using Visa card, Master card and Other debit cards
  9. Await for approval via email, then download and print the e-visa from your ecitizen account
  10. Present your printed e-Visa to immigration officer at port of entry.
- Nationalities that are exempt from paying visas include - Barbados, Fiji Island, Malaysia (For less than 30 days stay Samoa St.Lucia, Uganda, Belize, Ghana, Maldives, Sierra Leone, St.Kitts and Nevis Zambia, Botswana, Grenada, Mauritius, Singapore, Swaziland, Brunei, Darussalam, Jamaica, Namibia, South Africa, (For less than 30 days stay), Tanzania, Namibia, Burundi, Kiribati, Nauru Solomon Islands, Seychelles, Cyprus Lesotho Papua New Guinea St. Vincent and the Grenadines Trinidad Tobago ,Dominica Malawi Rwanda Zimbabwe Vanuatu, The Bahamas Tonga Tuvalu
  - If a referred visa is required it must bought prior to arrival (Agent can arrange) – referred visas are required by the following national: Afghanistan, Armenia, Azerbaijan, Cameroon, Democratic People's Republic of Korea (Formerly N. Korea), Eritrea, Iraq, Kosovo, Lebanon, Libya, Mali, Palestine, Senegal, Somali, Syria, Tajikistan. Please ask Seaforth Crew Manager to advise exact amount payable as this is subject to change.
  - If entering Kenya for a business meeting (but NOT actual employment/working in Kenya) then a Business Single Entry Visa is required.
  - Special Passes must be obtained for anyone working in Kenya. This includes all crew/personnel working offshore in Kenyan waters (e.g. offshore rigs, seismic vessels and security vessels), as well as all personnel working onshore (e.g. onshore representatives, onshore personnel working on ships, onshore personnel working on rigs).

- **Single Entry Visas must be purchased online for anyone wishing to obtain a Special Pass in Kenya.**

Current Visa Rates: (must be paid using Visa card, Master card and other Debit cards)

Single Entry Visa (valid up to 3 month):	US\$ 51 (anyone entering/staying in Kenya)
Transit Visa (valid for 3 days):	US\$ 21 (vessel off signers in transit)
Transit Visa (valid for 3 days):	US\$ 21 (vessel on signers in transit)

#### **PLEASE TAKE NOTE**

- Visa processing fee is non refundable
- Incomplete applications will be rejected
- The possession of an eVisa is not the final Authority to enter the Republic of Kenya
- Engaging in any form of Business or employment without a requisite permit or pass is an offence
- A visa is required prior to entry into Republic of Kenya
- The e-Visa printout must be presented at the port of entry.

#### **Special Pass procedures**

Any person wishing to work temporarily in Kenya will require a Special Pass.

Current prices for a Special Pass: 15,000ksh/=

To apply for a Special Pass the Applicant must provide the Agent with the following documentation:

- Copy of Applicant's passport
- 2 passport pictures of the applicant on white background (scanned soft copies are allowed)
- Professional qualification certificates & CV of the Applicant **(in English)**
- Proof employer has endeavored to recruit a local Kenyan e.g. copy of Job advert in local paper
- Discharge certificates (all Security / Consultant Safety Advisors must provide these)
- **Specific skill certificates – e.g. BOSIET certificate for personnel working offshore**
- Letter from the employer indicating the exact works the applicant will be carrying out for them :
  - Purpose of work / project
  - Length of intended stay in Kenya
  - Area of exploration / work (co-ordinates) – if applicable
  - Number of people employed on the project – if applicable
  - **The specific reason as to why this person should be employed instead of a local Kenyan** (must indicate specific technical expertise, international experience, specific training e.g. BOSIET). Agent can provide an example letter template to assist if requested

Once Seaforth receives the above documents Seaforth will then complete the 'Application for Special Pass' form and write an application letter to Immigration Department in Mombasa. In the case of O&G related Special Passes this application letter will need to be submitted with a covering letter from MOE (Ministry of Energy) and KMA (Kenya Maritime Authority). The Agent requests this information is sent at least 21 days prior to the applicant(s) arriving in Kenya in order to allow the Agent time to process the Special Pass(s) with the Department of Immigration in Mombasa. The Agent cannot guarantee the length of time a pass takes to process or whether an applicant is successful.

When the applicant arrives in Kenya (Nairobi / Mombasa Airport) they must enter the country on a Single Entry Visa – applied for online prior to entering Kenya. The applicant will need to complete an Entry Form at the Airport which must be submitted to Immigration at the Airport. The Agent can provide forms on request and an LOI to submit to Immigration on arrival. If required, Seaforth can enter 'air side' of the Airport, having obtained an Airport Pass. Please note it takes a minimum of 3-5 working days to obtain an Airport Pass so



prior notice is required. Also at times of heightened security risk the Airport does not allow this. Seaforth can then fast track the crew to the Immigration desk and assist in completing the forms. If the Applicant is flying into Nairobi and on to Mombasa, Seaforth will also assist with the transfer to the Domestic Departure Terminal. Once the Crew member(s) has arrived at their final destination (Mombasa or Nairobi) they must handover their passport and Visa to Seaforth who will take the Passport to the Immigration Office for endorsement - the Special Pass is stamped into passport. The applicant must make clear arrangements with Seaforth on how and when their passport will be returned.

The Applicant must complete the works and leave Kenya within the time period specified on their Special Pass or apply for another one before it expires. Application for a renewal can be done whilst the member of crew is offshore or onshore at the rig site and it can be couriered to the vessel offshore or onshore rig site via charter plane or helicopter whichever is in operation at the site. In this case Seaforth will handover the passports to the Pilot who must sign for them. The maximum period that any non-Kenyan national can stay on either a single entry visa or special pass is six months but please note this is at the discretion of the Immigration department. Each renewal of a single entry visa or special pass is subject to payment of the respective fees listed above.

### Oil & Gas personnel (working offshore in Kenyan waters or onshore)

#### MOE requirement

All O&G related Special Passes must be submitted with a letter from the Lead Operator (Block Operator) and clearance letter from the MOE endorsing the Lead Operator's letter. The Lead Operator is required to write to the MOE indicating that the Sub-contractor is working for the Lead Operator and that Seaforth is the Agent chosen by the Sub-contractor to process the Special Passes on their behalf. The letter must:

- Provide a list applicants (name, passport number, nationality, job position) who wish to work for the sub-contractor of the Lead Operator
- Clearly request the type of Work Permit / Special Pass and duration for which they are applying.
- Be addressed to 'The attention of Principal Secretary' MOE / REF: Special Pass application renewals for xxxx (sub-contractor of xxxx)
- The letter must connect the Lead Operator, Sub-contractor and Agent (Seaforth)

Seaforth can provide a sample template letter on request.

Agent will submit the application in hard copy with the Lead Operator letter to MOE and wait to receive a clearance letter from MOE.

Currently, Immigration request letter is submitted on each occasion an application for Special Passes is made. However, as this is a new procedure introduced by immigration we expect it to be refined over time. Seaforth requests the letter from the Lead Operator is received at least 21 days prior to the applicant(s) arriving in Kenya in order to allow time to submit the letter and applicant documents to the MOE and then again to the Immigration Department, who will then need to process the application.

**Please note, the Block Operator will be held responsible by Immigration for all sub-contractors. As such we advise the Block Operator handles all Special Pass applications.**

## KMA requirement

In addition, all O&G related Special Passes for personnel working offshore in Kenyan waters must be submitted with a clearance letter from KMA (Kenya Maritime Authority).

Agent will write to KMA requesting all Vessel /Rig Crew are cleared with one clearance letter from KMA - on the basis that for a project duration of 3- 6 months it is not practical to expect a vessel /rig owner to replace all crew on their vessel/rig.

However for all other contractors working on the vessel/rig applications must be submitted to KMA and KMA will consider these on a case by case basis as to whether a local Kenyan could replace the applicant or not. If the answer is not then KMA will issue a clearance letter.

An example of a contractor would be a Security / Safety Consultant Company working offshore for the duration of the project. All these applications will need KMA clearance prior to being submitted to Immigration.

## SPECIAL PASS SUMMARY

Offshore O&G special Pass applications need to follow the below procedures:

1. Block Operator to write to MOE
2. Agent to submit Block Operator letter with all applications to MOE in hard copy
3. MOE to provide a clearance letter to Immigration
4. Agent to write a cover letter to KMA providing applications in hard copy
5. KMA to provide a clearance letter to Immigration
6. Seismic Operator or Block Operator to write to Immigration
7. Agent to write a cover letter to Immigration to submit applications in hard copy:
  - a. Agent cover letter
  - b. Seismic Operator or Block Operator cover letter
  - c. Application Form, Certificates, proof it was not possible to recruit a local Kenyan
  - d. MOE letter
  - e. KMA letter
8. Once Special Pass is approved by Immigration, Agent is to take Special Pass Receipt with the applicants Passport to Immigration for endorsement.
9. Agent to return passport to applicant who is now legal to work in Kenya
10. Agent to provide all back up documentation to client (including applications, letters, Special Pass receipts, endorsement receipts, copies of bankers cheques).