

Of multi-billion industry without proper regulations

By Veneranda Sumila
BusinessWeek Reporter

Dar es Salaam. When cargo is discharged from the ship, it must be tallied- and there emanates a multi-billion industry for Tanzania, one of the richest "port" nations in Africa, enjoying 10 major Indian Ocean ports and a host of others on Lake Nyasa, Lake Tanganyika and Lake Victoria. The shipping industry in Tanzania is a multibillion business, serving the country and interests of several landlocked neighboring countries

Yet despite the importance of ship tally sub-sector in the shipping industry, Tanzania has no proper regulations on how it operates, according to Tanzania Shiptally Association (TASHITA).

TASHITA says lack of proper regulations turn the Shipping Agency Act of 2002 into a one-sided piece of legislation which only benefits world-wide based shipping agents at the expense of the host country.

Shipping agents who are not necessarily authorized dealers for tallying are left to check and ascertain cargo loading into or discharging from the ship to physically establish whether the cargo conforms to the valid and authorized export and import documents.

"This is a big loophole that could be denying Tanzania huge revenue in tax collection," TASHITA vice chairman Hezekiah Teveli *BusinessWeek*.

Since 2004 the association has been lobbying for formulation of proper regulations that will guide the performance of the industry.

"So far all our efforts are yet to bear fruits. We have been raising our argument that tallying in Tanzania is performed as in-house operations



A ship about to dock at the port. In Tanzania there is no proper regulation to govern who should undertake the duty of cross-checking against the correct quantity of cargo that the ship is carrying. PHOTO | FILE

and could be a means to evade tax and deny the government revenue, but the government is yet to act accordingly," said Mr Teveli.

He said that unscrupulous shipping lines' agents now operate ship tallying. No wonder there are so many malpractices in major ports that range from overloading, smuggling, theft and pilferage of cargo.

"This poses security risks and is an avenue for economic sabotage," said Mr Teveli. A position paper by TASHITA on revision of improved enforcement of Shipping Agency Act of 2002 and Regulations' reveals many shortcomings in the ship tally

industry, which must be dealt with for the country to benefit from the industry.

According to the paper, ship tallying business is now largely under shipping agents or their sister companies. "As the name indicates, they are agents of shipping lines. They are appointed by shipping lines and act in the interests of their principals. They cannot serve the interests of their principles and at the same time serve the interests of the host country," notes the paper.

"Ship tallying services should therefore be performed by other parties other than shipping agents and their sister companies. There should be proper regulations in place to ensure that this is properly followed. Such regulations are lacking in Tanzania."

According to the study, separation of services will facilitate curbing of tax evasion by companies which are registered for doing one business but ending up performing ship tallying, a business which they are not officially licensed to operate.

In this way, according to the study, such companies do not pay any taxes on ship tallying business, as they do it as just an in-house operation and not as a tax payable business.

The paper indicates that Shipping Agency Act of 2002 is a one sided piece of legislation and benefits shipping agents at the expense of Tanzania.

Another challenge which afflicts the ship tally industry is that of lack of accurate and independent cargo statistics.

"Independent ship tallying gives unbiased data for the benefit of all parties," says the study.

According to Mr Teveli, Independent ship tallies are also useful to Insurers and Protection and Indemnity (PI) Clubs, as the accurate data

enables the proper calculation of payments for services offered by the various parties.

It also facilitates proper calculation of taxes due for payment by different companies and individuals doing business within the shipping industry.

The study also reveals that lack of proper ship tally regulations is a serious economic risk as Tanzania can easily suffer economic sabotage through imports and exports frauds.

According to the paper, shipping lines, which in Tanzania are mostly foreign-owned, have an immense influence over shipping services in the country. They extend their influence through their appointed agents, some of which are their sister companies.

"This influence is vividly shown in the Shipping Agency Act of 2002 which gives a lot of powers and discretion to the shipping agents who, of course, are there to protect the interests of foreign shipping lines."

According to the study, the Act downplays all other services including ship tallying which is very vital in protecting the interests of a country and its citizens.

"All other services are placed at the mercy of the shipping agents. Ship tally regulations would help to have a balanced control in the shipping industry," says the report.

Does SUMATRA neglect some sub-sectors?

According to TASHITA, the Surface and Maritime Regulatory Authority (SUMATRA) has too many sectors to regulate which include ports and shipping services, maritime safety and security, rail and road transport hence tend to neglect sub-sectors such as the ship cargo tallying.

Some services like ship tallying,

CHRONOLOGY: HOW SHIP TALLY HAS BEEN HANDLED IN TANZANIA SINCE INDEPENDENCE

1961-1967: At independence, ship tally was a distinct business under private operators within the shipping industry

1971- 1973: After Arusha Declaration, the shipping industry was nationalised and shipping agencies were placed under National Shipping Agencies Company (NASACO)

1975-1976: Ship tallying, an important and distinct business sub-sector within the shipping industry, was taken over by NASACO.

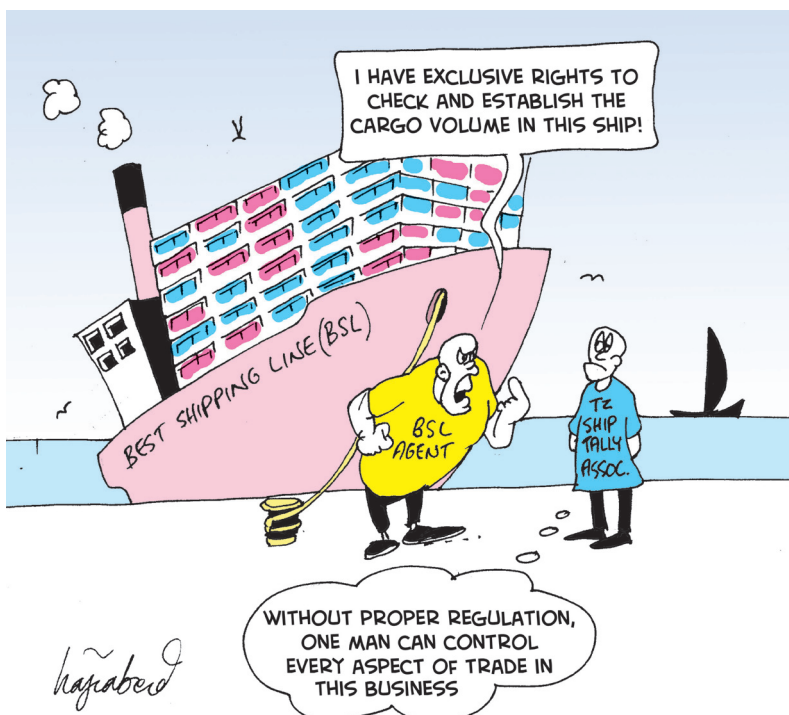
1990- 2000: Trade liberalisation in Tanzania and the dissolution of NASACO. The ship tallying business was left hanging without proper regulation.

2002: The Shipping Agency Act enacted to fill in the statutory vacuum covering shipping agency and other related services, including ship tallying. Ship tallying services were not adequately taken care of in the legislation.

2004: The establishment of the Surface and Marine Transport Regulatory Authority (SUMATRA). However, the new body fails to properly regulate ship tallying business as there are no proper regulations in the legislation.

2005 -2013: TASHITA continues with its struggles to have ship tally business operated in a proper manner by liaising with stakeholders.

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