



**For Competitive, Efficient, Quality and Safe Transport Services**

Surface and Marine Transport Regulatory Authority  
Mamlaka ya Udhibiti Usafiri wa Nchi Kavu na Majini

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## **Consultation Paper**

**Performance Indicators and Benchmarks for Clearing and  
Forwarding Agents in Tanzania**

SUMATRA

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## **Performance Indicators and Benchmarks for Clearing and Forwarding Agents in Tanzania**

### **1.0 Background**

Clearing and Forwarding Agents (CFA) are key actors in the freight logistics chain besides port operators, carriers, customs administrations, governments' intervening agencies (i.e. health & standards agencies), immigration and owners of goods. In the chain, CFAs facilitate trade and serve as agents of both customs administration and shippers.

Due to the significance of the freight logistics chain in the economy, several initiatives to improve performance have been undertaken. Notable ones include automation of business processes, introduction of risk management systems, permission of partial submission of cargo manifests, amendment of EAC Customs Management Act to allow for early lodgment of manifests before ship arrival, implementation of one stop border posts and simplification of customs clearance procedures to the extent of providing 24-hour operations and pre-clearance of goods.

### **2.0 Need for Performance Indicators and Benchmarks for CFAs**

The above mentioned initiatives have not been fully exploited as it takes a competent and motivated CFA to be able to fully tap potentials availed by these initiatives. It is therefore evident that, a mechanism that would motivate and eventually improve performances of CFAs is needed. Such mechanism should induce excellence, competence and motivation on the part of CFAs. Also it ought to demand CFAs to deliver high standard of services, preferably at a prescribed level of excellence. In essence, the

mechanism should provide for performance benchmarks, with objective indicators supported by a package of incentives and sanctions.

### **3.0 The Role of SUMATRA in Developing Performance Indicators and Benchmarks for CFAs**

SUMATRA, being the Regulator of the surface and marine transport services appreciates the need for a system to monitor and evaluate performances of CFAs. In fact, establishment of such system is in accordance with Section 6 of SUMATRA Act, 2001 which requires a regulator to establish standards and subsequently monitor performance of regulated services. Establishment of standards of regulated services, among others, entails setting of benchmarks and performance monitoring system.

### **4.0 Development Process**

The process of developing Performance Indicators and Benchmarks for CFAs has been going on under the coordination of SUMATRA. The development process targeted to go through four steps which were deemed critical; namely:

- (i) engaging few selected stakeholders to familiarize and capture practical facts related to CFAs functions and performance particularly at the Port of Dar es Salaam;
- (ii) Reviewing practices in neighboring competing ports with an intention to learn functions of CFAs and existing mechanism to monitor and evaluate performances
- (iii) holding consultations with key stakeholders including the Customs Department to refine the proposed draft of CFA performance indicators and benchmarks;

- (iv) Engaging a wider spectrum of stakeholders including CFAs and consumers of their services to fine-tune further the proposed indicators and benchmarks for CFA industry

## **5.0 Stage I: Engaging Few Selected Stakeholders**

Stage I involved engagement of six (6) CFAs and Customs Department. List of questions posed to CFAs during interviews is shown as Appendix to this report.

### **5.2 General Overview of Responses from Customs**

Generally, Customs Department welcomed the idea and pledged to support the system. The Department mentioned causes of delays in cargo clearance process, which were directly linked with CFAs, as:

- (i) Lack of knowledge in commodity classification;
- (ii) Lack of communication between CFAs and shippers;
- (iii) Lack of necessary infrastructure e.g. communication facilities etc;
- (iv) Lack of requisite training; and
- (v) Ineffective use of pre-lodgment facility by CFAs

The above resulted into frequent erroneous declarations, incomplete declarations, late declarations and repeated non-observance of Customs legislation related to cargo clearance.

### **5.1 General Overview of Responses from CFAs**

Interview sessions conducted with selected CFA enabled to elicit information directly addressing the relevancy and feasibility of the proposed system. Generally, visited CFAs were positive on the proposal. The interviews, among others, highlighted that:

- (i) developing indicator and performance benchmark is desirable but require careful thinking of parameters to be measured so as to serve the intended purpose of encouraging good performance and giving proper rewards to CFAs ;
- (ii) awareness of shippers regarding requirements for cargo clearance is a necessity for helping CFAs to perform;
- (iii) punctuality by CFAs vary remarkably, hence there is real possibility of improving performances by checking slow actions by some agents;
- (iv) accuracy level of declarations by CFAs vary extensively, again showing a practical possibility of improving industry performance discouraging unwanted conducts done deliberately, improving professionalism and shippers' awareness; and
- (v) impact of other government agencies in the cargo clearance process should also be looked into in a bid to improve cargo clearance process

### **7.0 Initial Set of Performance Indicators and Benchmarks for CFAs**

The interviews facilitated the process of developing an initial set of performance indicators for CFAs. The initial list of proposed performance indicators which were considered as a result of the interviews includes the following:

1. Number of employed staff;
2. Skills and qualifications of available staff;
3. Rejection rate at declaration stage;
4. Applicable tariff levels;
5. Number of transactions;
6. CIF value of handled transactions;
7. Turnover;

8. Available Facilities (level/number of equipment, trucks, IT, office space, warehouses, telephone, etc)
9. Level of transparency of business (availability of brochures, fliers, websites, publication of tariff, display of tariff)
10. Number of customers complaints registered with the Regulator and Customs Department;
11. Number of reported frauds;
12. Number of transactions falling into storage charge;
13. Total storage bill
14. Number of transactions falling into demurrage bill;
15. Total demurrage bill;
16. Number of queries' by Terminal Operators;
17. Average time taken to respond to various queries;
18. Customer rating (through random customer survey);
19. shipping agents rating (through random SA survey);
20. Number of shipments lodged prior to arrival;
21. Number of shipments cleared prior to arrival;
22. Average clearance time of all cargo;
23. Average time between payments and gate exits;
24. Number of staff attended workshops/seminars/meetings;
25. Number of security bonds executed successfully;
26. total amount of security bonds executed successfully;

## **8.0 Benchmarks**

### **8.1 Benchmarking Methodology**

It is proposed and indeed logical to benchmark performance indicators which address key aspects of performance and are directly associated with CFAs. Hence, not all indicators proposed in the initial list can be

benchmarked. Furthermore, the benchmarking process focused on the output rather than the methods; these whenever possible have been left to the CFAs themselves.

In arriving at the proposed benchmarks, the following three basic steps were thought through:

- i. Proposing benchmark values on different processes depending on best practices/legal requirements rather than empirical evidences.
- ii. Reviewing existing performance of the CFAs on the targeted process.
- iii. Considering the likelihood of CFAs to achieve the proposed benchmarks given the existing performance and the state of the industry.

## **8.2 Proposed Benchmarks**

A total of 9 Key Performance Indicators (KPI) were found to be feasible for benchmarking. A list of Key performance indicators which are benchmarked is given as Appendix to this report. The list is presented to stakeholders for their views in order that it can form the maiden list of KPIs.

## **9.0 Collection of Stakeholders Views**

The Authority calls for stakeholders' views on the proposed indicators and benchmarks. Stakeholders are invited to submit their views electronically through [views@sumatra.go.tz](mailto:views@sumatra.go.tz), or submit written views in person at SUMATRA Head Office located along Ali Hassan Mwinyi RD/Nkomo Street in Dar es Salaam. Written views can as well be posted to Director General, SUMATRA, P.O.Box 3093, Dar es Salaam. In any case, views must be received by 19th October, 2016.

### Questions discussed with Selected CFAs

1. How early do you normally gather all necessary documents/information and complete negotiations with shippers/consignees so as to start working on clearing assignments?
2. How long does it take to gather the documents/information and negotiate with clients before you are able to undertake their assignments?
3. How early do you normally submit declarations of assignments to Customs?
4. How long does it take for Customs to complete working on the declarations?
5. How long do you think it should take for Customs to complete working on the declarations submitted to them by C&F agents?
6. What issues should Customs address or improve to expedite their work on declarations submitted to them by C&F agents?
7. What issues should C&F agents address or improve to expedite the work of Customs on declarations
8. How early do you normally submit your requirements to various government agencies involved in cargo clearance process? (TBS, TFDA, Plant Inspection, Government Chemist, Tanzania Atomic Agency, etc)
9. How long does it take the government agencies to complete working on your requirements?
10. How frequent do you normally face rejections of declarations from Customs at the early stage of the clearing process?
  - a. What are the common reasons for the rejections?
  - b. What are the common solutions?
  - c. Do you think of any practical solution which is currently not in use?
11. How frequent do you normally face rejections over your requirements from various government agencies involved in cargo clearance process? (TBS, TFDA, Plant Inspection, Government Chemist, Tanzania Atomic Agency, etc)
12. Which activities in the cargo clearance process can run concurrently?
13. How long does it take you to effect relevant payments to TRA and obtain corresponding receipt/approval for further steps on clearance process once you have been invoiced?
14. How long does it take you to obtain effective Delivery Order from shipping agents?
  - a. How frequent do you face rejections for D/O from shipping agents?
  - b. What are the common reasons for the rejections?

- c. What are the common solutions?
- d. Do you think of any practical solution which is currently not in use?
- 15. How long does it take you to complete port clearance process?
  - a. How frequent do you face rejections for port clearance?
  - b. What are the common reasons for the rejections?
  - c. What are the common solutions?
  - d. Do you think of any practical solution which is currently not in use?
- 16. Do you think many C&F agents are able to work accurately (free of, or with minimum, rejections through Customs, government agencies, port operators) and at speed to be able to clear cargo within 7 days after ships' arrivals?
- 17. What are your views regarding establishing a system which can filter accurate and efficient C&F agents out of mediocre C&F agents so that competence of the agents are known and rewarded accordingly?
- 18. What are the critical cargo clearing stages/actions for accurate and/or speedy work of a C&F agent? (Please address not more than three)
- 19. How do you monitor your performance regularly?
- 20. Do you prepare reports regarding your regular performance? Which main areas/details are covered by the reports?
- 21. from the regular performance reports, which performance levels or factors make you note observe good or bad performance

**Performance Benchmarks for Clearing and Forwarding Agents**

<b>SNO</b>	<b>Indicator</b>	<b>Proposed Benchmark</b>	<b>Remarks</b>
1	% of rejections at declaration stage	Utmost 10	Enhances accuracy of declarations
2	Number of transactions handled	At least 6	Enhances activeness of agents in the business
3	% of customers complaints registered with regulator or customs department relative to transactions	Utmost 5	Enhances quality of services rendered
4	% of transactions falling into Storage charge;	10	Enhances efficiency and advisory role to shippers
5	% of transactions falling into demurrage bill	10	Enhances efficiency and advisory role to shippers
6	% Customers satisfaction (through customer survey);	at least 50	Reflects quality of services from consumers perspective
7	% Shipping agents satisfaction (through survey);	at least 50	Reflects quality of services and professionalism
8	% of shipments lodged prior to arrival	70	Enhances punctuality of service delivery
9	Average clearance time of all cargo;	5 days	Enhances efficiency in the clearance process to support BRN initiative