LOGISTICS IN NAMIBIA: ISSUES AND CHALLENGES

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Abstract

There is a perception that the logistics industry in Namibia is important for the country’s growth and development. Prior to this project the justification of this perception could only be a matter of conjecture. Furthermore, it was uncertain what the understanding of “logistics” is for key stakeholders in the country. There is certainly a dearth of documented information about the logistics industry in Namibia. This includes data on numbers of vehicles in use, volumes uplifted, border crossings and other relevant measures.

The first phase of this research project started to address some of the above issues and lay the foundation for a more thorough investigation. Its findings produced a preliminary view of the logistics industry in Namibia that will act as a focus for collaboration with industry, and provide a database that could be used to underpin future projects.

25 semi-structured interviews were undertaken with key stakeholders. The output from these interviews was analysed using matrix analysis as proposed by Nadin and Cassell (2004) to identify important themes. The themes were then analysed to see whether they were common across stakeholder groups, groups previously unidentified or occurring randomly.

Some preliminary findings include: universal agreement on the importance of logistics to Namibia, the variety in the understanding of the term logistics, the strength of the continuing influence of South Africa as the dominant economic power in southern Africa and contrasting views on the main factors limiting logistics development, including: infrastructure, attitude, government, customs, training, railways, corruption and driver shortage.

Keywords: Logistics, Namibia, Development, SADC, Matrices

1. INTRODUCTION

The purpose of this paper is to identify and explore contemporary issues and trends in the Namibian logistics industry. This paper attempts to address the overarching research question:

“What is the current state and potential for the development of logistics in Namibia?”

To do so it attempts to answer three subsidiary questions:

1. What are the stakeholders’ views on the current state of the Namibian logistics industry and the principal logistical issues in their firm/organisation?
2. What do stakeholders believe are the barriers and key issues affecting the operations and development of the logistics industry in Namibia?
3. What are stakeholders’ views on the sustainability of the Namibian logistics sector?

For the purpose of this research, stakeholders are defined as users, logistics companies, freight forwarders, the state, logistics service providers (LSPs) and transport firms. This paper will present
an overview of Namibia, discuss the research methodology, which involved semi-structured interviews with stakeholders in the Namibian logistics industry, and present the key findings of the research. The paper will then finish with a conclusion and address some of the limitations of the research.

2. NAMIBIA

Namibia is a sparsely populated country of only approximately 2.3 million people in sub-Saharan Africa. It is categorised as an upper middle-income country but has one of the highest levels of income inequality in the world. A commonly used way of measuring income inequality is the Gini coefficient that varies between 0 (which reflects complete equality) to 1 (which reflects complete inequality). Namibia’s Gini coefficient is estimated at 0.58 by the latest (2009/10) household survey, which is one of the highest Gini coefficient figures of any country in the world.

The economy of Namibia is closely linked to that of South Africa with the Namibian Dollar being pegged at a ratio of 1:1 to the South African Rand. South Africa plays an important role for logistics in Namibia because it has the most developed infrastructure and logistics skills in Africa as well as functioning as a gateway for southern Africa. Indeed, approximately 80% of Namibia’s total imports are from or through South Africa. Furthermore, South Africa continues to exercise a great deal of pressure on Namibia with South African companies retaining monopoly control through restrictive purchasing, over-pricing and dumping.

The Republic of Namibia’s (2004) Vision 2030 strategy (framework for the development of the country) recognises the importance of a well-developed infrastructure to the industrialisation of the country. Furthermore, the 3rd National Development Plan, identifies the goal of establishing and sustaining a well-developed and reliable infrastructure in order to improve competitiveness, reduce production costs and increase productivity. This infrastructure includes roads, railways, airports and seaports. The development of the road network is particularly important because it influences access to markets. The recently published NDP_4 sets logistics and infrastructure as an important priority. Clearly, the Namibian government considers logistics to be important for the development of the country.

3. METHODOLOGY

This study focuses on exploring the contemporary issues and trends in the Namibian logistics industry. As there is a dearth of published information on the state of the logistics industry in Namibia, the research design is primarily explorative with the objective of establishing focus for future work. Semi-structured interviews were used to obtain information from the main stakeholders about key areas. These were chosen as the principal method to collect primary, qualitative data where the major questions were the same in each interview but where the interviewer was free to alter the sequence of questions and probe for greater detail. This allowed an exploration of emergent issues in greater depth whilst remaining able to react to individual respondents. An interview schedule was developed as a guide for the interviewer that addressed general information about the organisation, management and operations, cost and time management, technology and infrastructure and future issues for the organisation and the country (Namibia). Where appropriate, the questions featured a semi-quantitative section to determine where the interviewee felt their company or the country fitted in a continuum or spectrum of the facet being examined.

Suitable organisations were selected from the 2010/2011 Transport Directory for Southern Africa (transport operators and freight forwarders) and telephone directories (users and other non-transport specific stakeholders) with organisations being purposively selected to reflect the type of stakeholder and geographical diversity. The use of such a non-probability sampling design is suitable for
exploratory research, as the objectives for this research do not require generalisations and statistical estimations. A total of 25 interviews were undertaken in this, the first phase of the research. Table 1 shows the number of interviews conducted classified by the different stakeholder groups.

<table>
<thead>
<tr>
<th>Stakeholder group</th>
<th>Number:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Users</td>
<td>9</td>
</tr>
<tr>
<td>LSPs and freight forwarders</td>
<td>5</td>
</tr>
<tr>
<td>Transport operators</td>
<td>6</td>
</tr>
<tr>
<td>Government, parastatals and others</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
</tr>
</tbody>
</table>

Interviews typically lasted between 45 to 60 minutes and were conducted face to face at the interviewee’s place of work. The interviewer took detailed notes and these notes were subsequently transcribed. The transcripts were analysed using the data matrices approach as recommended for cross-site, qualitative data analysis by Cassell and Nadin. The aim of this method is to produce a complete matrix, analysing similarities or differences by row or column. An advantage of using data matrices is that it provides accessibility to large amounts of qualitative data, although the technique is time consuming and may be too reductionist. In this case, although, the provisional stakeholder groups were associated with each interview, the data was then examined in its entirety to determine factors that related to categories and sub-categories, irrespective of the source of those data. Subsequently, it was possible to compare the responses by stakeholder group to check for commonality and differences. Further, by creating “cross-category codes” and re-examining the matrices, it was also possible to see if the data contained other relevant groupings besides those of the initial stakeholders identified by the team.

4. FINDINGS

There was general agreement on the high importance of logistics to Namibia. Some people seem to be quite optimistic, for example a parastatal representative felt that “Namibia ‘punches above its weight’ in logistics terms and has been responsible for changing some of the old established trading routes”. Similarly, a forwarder stated that “Namibia has a great harbour in Walvis Bay as well as the corridor groups that give it the potential to act as the main supply channel for imports to itself and other countries in the region”. On the other hand some people were very concerned about the “lack of a level playing field for transport operators” [transporter], which they felt exists partly because of a “lack of government concern and knowledge about the role and importance of logistics to Namibia”.

As with any country, some of the factors affecting logistics relate to the geography and history of the country. The most frequently occurring issues related to the continuing influence of South Africa. Typical user comments concerned sourcing and included; “most product comes from South Africa”, “when a surge occurs the first recourse is to try to get additional suppliers from SA” and “Namibian regulations specify that 32% of fresh produce must be purchased locally, but this is artificial as many of the ‘local’ suppliers import much of their produce from S.A. anyway!”. Others seemed more concerned with technical issues such as IT & accounting systems, “Customer account system, managed in S.A.”, [user], “S.A. satellite tracking system used to check drivers / vehicles against a
Apart from the South Africa influence there are other geographical factors affecting Namibian logistics including issues related to borders. For example, “There are Customs issues and delays at borders”, [transport], “Border control paperwork is cumbersome and it happens often that goods (including fresh foodstuffs) are held at the border too long because of the submission of paperwork”[transport], “charges are applied at the borders (e.g. by Botswana & Zambia)” [other]. There are also signs of potential improvement such as being “connected to a system that shares data like border control issues in Africa”, [other] and “a ‘Transport Observations’ system is being developed that will have a database enabling the use of KPIs for factors such as; traffic volumes and border delays” [other].

- Although opinions varied both across and within the stakeholder groups, the barriers and key issues affecting the operations and development of the logistics industry in Namibia were found to be:
  - The absence of an effective rail network.
  - Poor road conditions
  - Limited harbour capacity
  - Lack of qualified staff
  - Lack of innovation
  - Racial issues, legislation and corruption
  - Attitude, service and culture

In general terms, most respondents were aware of the environmental issues. Their attitude to taking action was, however, extremely variable. For example, a transport company stated “environmental sustainability is key to the future for both the country and business concerns, it also saves costs and so the two concepts go ‘hand in hand’” and another said “The company takes environmental considerations seriously as they are part of ensuring the future”. However, a transport operator said, “I’ve heard of green / environmental issues, but never given them much thought” and another said “not really doing anything about the green side, but am interested in it”, and a user stated simply, “(we are) not interested in environmental issues”.

Despite this seemingly low commitment to environmental action, many interviewees showed great interest in recycling and in-house green practices, especially where there was an immediate cost saving.

Whilst the importance of commercial sustainability was almost universally acknowledged, views on the degree of that sustainability varied and often showed concern: “sustainability is becoming a problem because of the distances involved and the escalating price of fuel”, [user] and “this year the business is good but last year it was not sustainable”, [transport]. Some people recognised their interdependence with other companies for sustainability; “commercial continuance / sustainability is maintained by the partnership with the main transport operator”, [user] and “the company owns some of our own vehicles, which provides some control and we can only hope that our 3PLs are sustainable, but in cases where we are not sure, sometimes our warehouses are overstocked, because of the fear that 3PL and suppliers can’t deliver on time”, [LSP / forwarder].

5. CONCLUSIONS

Namibia has a key position on the west coast of southern Africa between Angola and South Africa. It has the potential to service land-locked countries such a Botswana and Zambia, but this geographical positioning also imposes difficulties because of the distances involved, making the haulage costs and times greater. Furthermore, the vast size of the country, combined with the low population and very limited industrialisation, poses problems in terms of the cost of maintaining the infrastructure. This is
made worse by the high road density per head of population and represents a significant funding problem that is reflected in the lack of road maintenance.

To exploit Namibia’s positional opportunity further will require considerable development. The immediate restriction concerns the limitations of the existing port, road & rail infrastructure, which are now being placed under strain as highlighted by recent congestion. To optimise logistics development, a network of logistics hubs will need to be established at the port, at other key Namibian locations and in neighbouring countries. This would help attract increased international shipping and other trade, which in turn could help increase economies of scale and enhance productivity. To be successful this would require huge, coordinated infrastructure development, international cooperation and a significant change of culture within the industry.

Increased volumes will not be attracted unless some basic issues are addressed. These include the attitude to service. Clearly, the service offered is the choice of the provider and, if local operators wish to provide only a “modest” level, that is their concern. However, if Namibia wishes to compete internationally and win greater international trade, the country must provide the service standards expected by the global community.

To support the development of the logistics industry in Namibia there is a need for training and education. Training at all levels is needed to enable drivers, warehousmen and other operators to work as effectively and efficiently as possible. Education is needed to allow supervisors and managers to develop sound systems for those operations and help their organisations evolve. Many organisations make use of qualified overseas staff. This is good practice but the government should reduce the red-tape associated with such recruitment.

Whether at a local, national or international level, connectivity is essential as is interaction between stakeholders. This requires strong communication and IT systems, but these cannot be designed and will not be used effectively unless there is a better level of understanding of what is possible and needed. This again requires education and training. Operational and IT systems, whilst designed to suit logistics’ needs, must encompass other stakeholders: manufactures, retailers, importers and the like as well as related service providers such as customs and the parastatals.

At the operation level, there is a need for specialist systems. Some of these, such as routeing and scheduling, can be owned and bring benefits on an individual company basis. Others, such as brokerage systems, will only be effective if they are shared, ideally nationally or, sub-optimally, by groups of operators or even 4pl practitioners. It is important to note that, such “community” systems can be costly to initiate and require open cooperation, but have great potential to address national issues, such as improving vehicle usage through backloads. On the bigger stage, some issues, such as cabotage, tariffs and border arrangements can only be addressed at the national or international level. They are, however, vital to facilitate effective regional and international trade. Therefore, they must be tackled in parallel with the “pure logistics” issues.

As revealed in the findings, there is a tendency to postpone addressing environmental issues in favour of projects with a more immediate financial benefit. This is an understandable yet very short-sighted approach because: firstly, green thinking often brings financial benefits, secondly, legislation from neighbouring countries may force the issue, thirdly, international requirements may make non-compliant companies non-competitive and lastly, much of Namibia’s attraction as a tourism destination is its flora, fauna and lack of pollution. Logisticians, like everyone else, have a duty to improve efficiency and effectiveness without jeopardising the future of the country and ultimately, the planet.

Overall, Namibia’s logistics industry serves its purpose at the moment and has a number of good features. It cannot, however, afford to stand still and, with government, as well as private and
international support, must address the issues discussed in this paper. If it does, it has a good opportunity to become a gateway to southern Africa and reap the rewards in terms of both trade and inbound investment. If it fails, or does so only half-heartedly, it will “miss the boat”. The industry would undoubtedly survive, but it would stagnate and eventually regress to a point where it would no longer be fit for purpose.

LITERATURE