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MULTIMODAL TRANSPORT AND LOGISTICS SERVICES
The case of São Tome e Príncipe*

by

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The case of São Tome e Príncipe

1- Brief Presentation of the Country

São Tome e Príncipe is located in the west coast of Africa, in the Gulf of Guinea, 290 Km west from the mainland and 2 Km north of the equator. After Seychelles, the Archipelago of São Tome e Príncipe, with an area of 1001 sq. Km, is the second smallest country in Africa. The Republic has a population of around 150,000 inhabitants.

The official language of the country is Portuguese.

The country is independent since July 1975 and the present form of government is a multi-party democratic republic.

The economy of São Tome e Príncipe is based almost exclusively on cocoa exports. The government is implementing an economy diversification program based in new agricultural products and in services, namely tourism and transport.

2- Determinants of quality and costs of transport in S.Tomé e Príncipe

2.1- Distance, volume and pattern of trade

S.Tomé e Príncipe is a mono-exporter of cocoa, mainly to the markets of Europe and imports almost everything that the country needs, from equipment to construction materials, food, clothing, etc. The trade deficit of the country amounts to 26 million US dollars, that represent almost 40% of the country GDP.

The country imports around 65.000 tons of goods, worth around 31.000.000 US dollars, whereas exports are in volume 5.000 tons and 6.000.000 USD in value, i.e. a very small amount of cargo that prevents any benefit derived from economies of scale provided by the transport industry.

Trade with the Central Africa regions is not substantial and reaches less than 15% of the country's total trade, being more than half of it oil imports from Angola. Trade exchanges with Europe represents around 80% of the total foreign trade of the country.

Unfortunately, due to different reasons, the country does not take advantage of the possibilities of the regional trade that brings along the benefits of economies of distance.

These trade imbalances have a negative impact on the transport costs.

2.2- Infrastructure

The situation of the communications infrastructure in São Tome e Príncipe is very bleak. The port has a depth limitation that obliges ocean going vessels to discharge containers

and goods to a barge. This creates inefficiencies that lead to long time of the vessels in the port.

The port equipment is obsolete and requires substitution.

The runway of the airport needs maintenance work and has, presently as the operational critical airplane the Airbus 320.

Telecommunications are well spread but the band width is small and creates constraints when the amount of data to be transferred is large.

São Tome e Principe does not have railways infrastructure. The roads network covers almost all the territory of country but the secondary roads need important maintenance works.

2.3- Security and safety

Due the smallness of the country the safety and security situation of the goods is quite reliable. This is eventually one of the comparative advantages of the country compared to the region. Cases of theft, accidents or corruption are rather seldom.

However, there is a lack of updated regulations and legislation pertaining this issues, mainly in the area of prevention of terrorist acts, a growing concern in the transport industry.

2.4- Facilitation

There is a lack of updated regulations and legislation that cover the requirements of door to door operations. However, due to the size of the country and the attitude of the authorities, unnecessary constraints are not created in dealing with the movements of goods.

São Tome e Principe uses the SYDONIA system (Systeme Douanier Automatisee-Computerized Custom System), that facilitates and improves the quality of the custom services, increases the quality of the custom's control and provides statistic information about the trade.

Due to the fact that S.Tomé e Príncipe maintains its own currency, the country is not part of the CEMAC (Communité Economic et Monétaire de l'Afrique Centrale) and therefore does not enjoys the freedom of movement of passengers and goods that exists within this community where the country is located.

2.5- Legal Aspects

As in many other countries the existing legal framework does not cover the multimodal transport. The laws regulating the carriage of goods are defined in the country commercial code that is very old and previous to the expansion of the multimodal transport in the world.

S. Tomé e Príncipe is not part of the MT Convention, neither is it in the process of preparing or adopting any regulation or legislation covering the multimodal transport.

After the above considerations, one can conclude that the conditions for the development of the multimodal transport in São Tomé e Príncipe are not met. The amount of trade is very small, the infrastructures are poor and this creates constraints to the efficient operations of vessels and airplanes, which in turn leads to costs surcharges that have a substantial effect on the cost of living. As an example, the cost of carrying a container from Lisbon to São Tomé is 30% higher than from Lisbon to Luanda, even though the journey to the latter takes three days longer.

The smallness of the country has however a positive effect on some of the factors influencing the efficient operations of transports, namely security and safety of the goods and facilitation of the operations. These aspects had a determinant impact for the surging of the first experience of multimodal transport and logistics in São Tomé e Príncipe.

The Panalpina case

During three years PANALPINA used São Tomé as a logistic center for its operations in the region. Panalpina offers multimodal transport and logistic services to the oil companies operating in the region.

The multimodal transport operation and logistics was organized in the following way: Cargo was delivered to the Panalpina offices around the world that would then send it to their office in Luxembourg. There, the cargo was consolidated and sent by air to São Tomé with a Panalpina chartered plane. Once in São Tomé the cargo was unpacked and organized in different sea containers, according to its final destinations. A Panalpina vessel would then carry the cargo to the oil platforms and oil rigs scattered in the Gulf.

Due to the fact that there was no legal framework that would cover all the aspects of this multimodal operation, the Government entered into a contract with the agency representing Panalpina in the country. The cargo was treated as cargo in transit, and there was a need for a new cargo document only because of the logistics of unpacking and consolidating the cargo in different containers to different destinations.

Although the country did not enjoy the best infrastructure in the region, it was selected due to its comparative advantage as far as safety, security and facilitation was concerned. Providing services for the oil platforms, timely, stable and safe operations were the most relevant concerns in the multimodal transport operator's agenda.

This operation alone, accounted for some 15% of the country's yearly foreign exchange earnings.

The improvement of transport infrastructures in neighboring countries that were in condition to offer safe and speedy operations, encouraged the multimodal transport operator to move its logistic center to a new location.

São Tome e Príncipe has the hub for the region

The Government of S.Tomé e Príncipe has defined as one of its central development strategies, the transformation of the country in a service center for the region. This development option is based on the following premises:

- S.Tomé e Príncipe has a privileged geo-strategic location, in the center of the Gulf of Guinea, less than 3 hours flight to the most important cities of the Central Africa and less than 48 hours by sea to the main ports of the region (Accra, Lome, Cotonou, Porto Novo, Lagos, Port Harcourt, Abuja, Malabo, Bata, Douala, Yaounde, Libreville, Port Gentil, Pointe Noire, Cabinda, Luanda).
- The Central Africa region is extremely rich in natural resources (oil, diamonds, gold, other minerals, wood, fish, etc.) and has a large population of around 200 million inhabitants, that makes the region one of the most promising markets in Africa.
- S.Tomé e Príncipe is an archipelago formed by two small islands, known for their social peace and ethnical homogeneity, fact that drastically reduces the probabilities of an ethnical outbreak similar to those existing in the region. Indeed, S.Tomé e Príncipe enjoys the security and safety that the region sometimes lacks;

With this strategic vision, the Government intends to tackle the main constraint for the development of inexpensive and high-quality transport services in the country, that is, the small amount of trade that prevents economies of scale and hinders the financial viability of high investments on transport infrastructure.

The Government is launching, with the participation of private capital, two important projects: one for the BOT of a new deep sea port and another for the renovation of the airport. The objective of these new developments is to set up modern, efficient and competitive infrastructures and services that will allow the country to become an air and sea service providing hub in the region.

Needless to say that in order to attract multimodal service providers a lot more than modern port and airport infrastructures will be required. The Government will have to pay special attention to the promotion of the increasing use of computer technology in the trade facilitation and to the development of a legal framework that covers the specificity of multimodal transport.