SGR freight services boost earnings Exempts from BD January 17, 2020.

Revenue from the railway line grew by 135 per cent to Sh8.82 billion compared to Sh3.74 billion over the same period in 2018

In Summary

•Passenger services grew at a much slower pace of 13 per cent to Sh1.28 billion

•Despite a spike in gains, the revenue is significantly low given China Communications Construction Company, the operator, requires an estimated Sh1.5 billion a month

Standard Gauge Railway earnings more than doubled between January and September 2019, new data shows.

Kenya National Bureau of Statistics data indicates that revenue from the railway line grew by 135 per cent to Sh8.82 billion compared to Sh3.74 billion over the same period in 2018, largely driven by increased freight hauling.

During the review period, revenue from SGR freight services nearly tripled to Sh7.54 billion from Sh2.61 billion in 2018. On the other hand, passenger services grew at a much slower pace of 13 per cent to Sh1.28 billion.

Despite a spike in gains, the revenue is significantly low given China Communications Construction Company, the operator, requires an estimated Sh1.5 billion a month (Sh18 billion annually) to operate the railway line.

Although Kenya Railways had budgeted to earn some Sh24 billion from the cargo services between July 2018 and June 2019, the state body fell 65.56 per cent below target with Sh8.4 billion earned.

The SGR is proving to face difficulties in breaking even, as the five year grace period awarded by the China Road and Bridge Corporation came to an end last year forcing the government to go into taxpayer funds to pay back Sh35 billion.

Kenya borrowed Sh324 billion for the project from the bank in May 2014, to be repaid in 15 years, with a grace period of five years.

This year, another Sh71.4 billion is expected to go towards China Exim Bank for the loan extended to finance the first phase of the Standard Gauge Railway.

Data presented to the National Assembly by Treasury shows loan payments to Exim Bank of China will increase to Sh84.3 billion for the 2020/2021 and Sh111.4 billion in the 2021/22 financial years.

This has in turn prompted the President to green light the issuance of a Sh150 billion infrastructure bond this year, nearly half of which will go into settling the SGR loan.

The government bond, which is part of the Sh800 billion infrastructure bond expected to be issued over the next two years, will also be used to complete all ongoing infrastructure as the Jubilee rushes to fulfil its 10,000km road pledge by 2022.

Over the past few months, importers have cited that the Standard Gauge Railway has failed to achieve its goal of reducing container transportation costs by 30 per cent, with the cost going up to 50 per cent more using the rail system.

This is because when using the SGR they incur extra fees, more time spent clearing goods at the Nairobi Inland Container Depot and the need to send a truck to collect the goods from there.

While moving goods via road costs Sh65,000 and Sh85,000 for 20ft and 40ft containers respectively, the average cost for transporting the same containers from Mombasa to Nairobi via rail is Sh142,000 and Sh212,000 respectively.