

BUSINESS DAILY

NEWS

Slash cost of moving cargo via SGR, says regulator

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SUMMARY

- The agency — which is the regulator of railway transport — outlines in confidential internal performance reports seen by the Business Daily plans to lower the cost of ferrying goods on the SGR.
- Cargo charges on SGR from Mombasa to Nairobi were increased by up to 79 percent from January this year in a bid to raise more revenue to pay the Chinese operator.

Kenya Railways has recommended reducing standard gauge railway (SGR) cargo train fees amid opposition from importers who say that it is costly to ferry goods on the line compared to road transport.

The agency — which is the regulator of railway transport — outlines in confidential internal performance reports seen by the Business Daily plans to lower the cost of ferrying goods on the SGR.

Cargo charges on SGR from Mombasa to Nairobi were increased by up to 79 percent from January this year in a bid to raise more revenue to pay the Chinese operator.

But some importers said their transport costs shot up by nearly 50 percent when they used the rail due to extra fees, more time spent clearing goods at the Nairobi train depot and the need to send a truck to collect the goods from the facility.

“We recommend that conventional tariffs for freight be reduced to promote conventional volumes via the SGR. This is pending ministry approval,” Kenya Railways wrote in its latest internal performance reports.

The report shows that the cargo volumes moved via SGR from the Port of Mombasa have been on the rise with 2.1 million tonnes of goods ferried on the new line in the six months to June, up from 950,000 tonnes over a similar period in 2018.

The below target performance comes at a time when businesses based in Nairobi and upcountry are being compelled to use the new railway line because the Mombasa port is contracted to supply it with a minimum amount of cargo.

“KPA has an obligation to feed the railway ... we were the guarantors of the rail,” said Daniel Manduku, managing director of Kenya Ports Authority.

Moving a 40-foot container to Nairobi by rail costs nearly Sh80,000 - roughly the same as a truck, says the Kenya Transporters Association.

But importers must also pay at least Sh25, 000 for a truck to collect the goods from the Nairobi depot, breaching the Sh100, 000 mark.

The cost of transporting a 20-foot container from Mombasa to Nairobi increased to Sh51,275 in January from Sh35,000, a 46.5 per cent rise

Hauling the larger 40-foot container rose to Sh71,785, from the current Sh40,000, reflecting a 79.9 percent rise.

The SGR cargo sector has struggled for business in the face of competition from truckers, prompting a fierce government campaign to drive cargo to the SGR.

Kenya requires additional cash from the railway business to ease the taxpayers burden of paying the Chinese firm that is managing the SGR.

China Communications Construction Company runs the SGR cargo and passenger business at a fee estimated at about Sh1.5 billion monthly. The SGR is yet to break even.

Kenya is servicing loans taken from China Exim Bank for the construction of the line and paid Sh30.9 billion in the year ended June.

The Treasury will pay Sh61.2 billion in the year starting July. 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.