STANDARD Digital

Thousands to lose jobs as 26 State firms set to be privatised

By Moses Michira and Protus Onyango | Published Mon, November 5th 2018 at 00:00, Updated November 5th 2018 at 00:05 GMT +3

The Government has put up 26 firms for sale after the privatisation schedule got all the requisite approvals.

The privatisation of the firms could lead to job losses and high commodity prices.

The Government's full exit from targeted enterprises translates to the famous British idiom - every man for himself, which is the highlight of the capitalist thinking. The immediate consequences of the restructuring could sweep into ordinary households. But on the flipside, wealthy individuals, who are the intended buyers, would benefit by acquiring the hugely undervalued firms at a song. New KCC has, for instance, been a critical player in the stabilisation of milk prices for both the farmer and the consumer. "Privatisation of the company will address future governance and sustainability of its operations," reads a State notice on the intended disposal of New KCC.

Options analysis The Privatisation Commission (PC) said that for most of the companies, due diligence and options analysis had been completed and submitted to the National Treasury for action. The commission, according to information on its website, gave the reasons for privatisation as including mobilising resources for additional investments, enhancing transparency and corporate governance, broadening shareholding, developing the capital markets, and raising resources to support the Government's budget.

It pays farmers the highest prices for milk deliveries, currently at Sh35 a litre, and its brands are the cheapest on the shelves at Sh48 for a half-litre pouch. Electricity generating company KenGen and Kenya Pipeline Company (KPC) are also up for sale.

Others are the troubled sugar millers and critical services offered by Kenya Ports Authority (KPA), whose mandate is to manage entry points along international borders – including the biggest one in Mombasa.

The Mombasa port is singly the biggest employer in the entire Coast region besides being the economic mainstay of the city. KPA and KPC are majority-owned by the State. A partial divestiture in 2006, through the Nairobi Securities Exchange, handed a 30 per cent stake to private entities.

Investors fought hard to own a piece of KenGen when they bid four-fold the shares offered for sale in a unprecedented rush that saw the value soar five times in a single day.

While the shares have since tumbled, bogged down by huge loans taken to develop electricity generation plants, the days that followed the listing made millionaires from ordinary investors.

Immensely rich

It is likely that the KenGen frenzy will be replayed in the cases of the immensely rich KPA and KPC, and possibly several others, given that they operate as monopolies.

KPA generates Sh100 billion a month. Its main activity of offloading docked vessels is marked for privatisation by contracting a third party.

The approval of the sale of strategic Government entities is likely to raise eyebrows after it emerged that their privatisation would further raise the cost of living.

Other critical entities earmarked for privatisation are East African Portland Cement, National Bank of Kenya, Consolidated Bank of Kenya, Kenya Meat Commission, Development Bank of Kenya, and five sugar millers — Chemelil, Sony, Nzoia, Miwani and Muhoroni.

Others are Agrochemical and Food Corporation, Numerical Machining Complex, Isolated Power stations, hotels (Kabarnet Hotel, Mt Elgon Lodge Ltd, Golf Hotel Ltd, Sunset Hotel Ltd and Kenya Safari Lodges and Hotels Ltd).

Increased shareholding

Also targeted are Kenya Tourism Development Corporation-associated companies, which include International Hotels Kenya Ltd, Kenya Hotels Properties Ltd, Mountain Lodge Ltd and Ark Ltd.

Over the past 10 years, PC has only managed to carry out one transaction, which was the sale of a 26 per cent stake in Kenya Wine Agencies Ltd (KWAL) to South Africa’s Distell Group Ltd in 2014.

In 2017, Distell increased its shareholding in KWAL to 52.43 per cent after acquiring an additional 26.4 per cent stake from Centum Investments. Currently, there are 262 State corporations and agencies but the Government plans to reduce the number to 187 by merging them to eliminate duplication.

In May, the Government contracted an adviser to carry out due diligence on the hotels it owned.