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THE SENATE
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28 MAR 2018
DIRECTOR LEGISLATIVE AND
PROCEDURAL SERVICES



KENYA RAILWAYS 27 MAR 2018
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**A REPORT TO THE SENATE STANDING COMMITTEE ROADS AND
TRANSPORTATION ON THE BENEFITS OF THE STANDARD GAUGE
RAILWAY**

THE SENATE
RECEIVED
27 MAR 2018
SENIOR DEPUTY CLERK

① Mr. Chansa
Please deal.
28/03/18

26th March, 2018

① DHPS
Dcom

③ Ms. Adjibodon
Please see the response to
Statement
D. Chansa
28/3/18.

Kindly deal.
Ep
27/03/18

BRIEF ON BENEFITS OF STANDARD GAUGE RAILWAY

1. INTRODUCTION

Mr. Chairman, this is a response to your letter Ref: SEN/SCRT/CORR/2018/27 dated 21st March, 2018 where you sought the following information among others:

- i. State the volume or numbers of persons who have used the SGR since its inception;
- ii. Provide statistics on the volume of cargo that had been transported by SGR;
- iii. State the economic gains arising out of the establishment of the SGR and specify the amount of revenue that had been collected from the SGR and;
- iv. Explain the measures that the Government had put into place to improve the SGR services.

The report is as follows;

I. STATE THE VOLUME OR NUMBERS OF PERSONS WHO HAVE USED THE SGR SINCE ITS INCEPTION

a) Madaraka Express (ME) Passenger Services.

The Madaraka Express passenger service commenced with the launch of the first of passenger train `Madaraka Express` on 31th May 2017 by H.E the President of the Republic of Kenya. The service was initially an express service from Mombasa to Nairobi. The second pair of passenger trains was launched on 1st November 2017, this made it possible to operate an inter-county service in the morning and the Express train service in the afternoon.

The passenger service has grown over the months with the increase of advance booking period from 3 days initially to the current 30 days. The ticket booking options have also increased from over the counter booking, to USSD option and now the online booking option via Mpesa payment being phase one. Phase two of the online booking is expected to provide for seat selection and make available other modes of payment such as visa and master cards and other mobile payment platforms from Airtel, Telkom and Equitel et cetera.

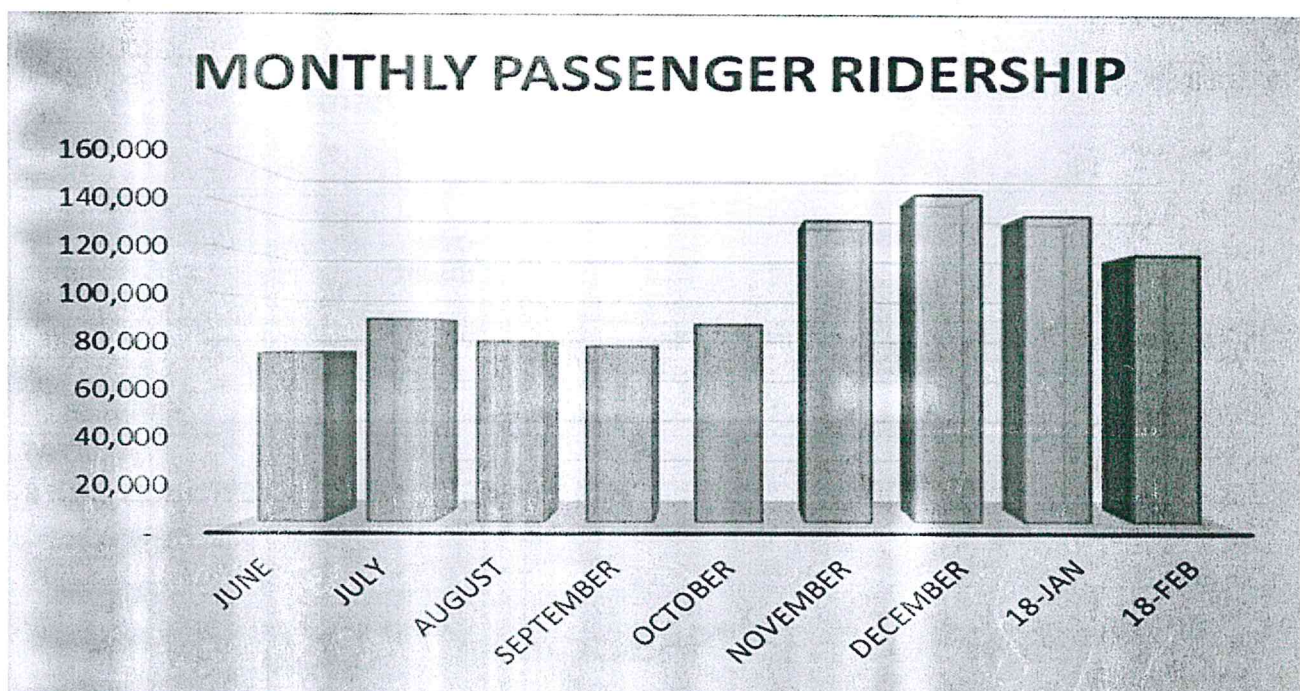
b) ME Passenger Service Capacity

The passenger service currently has a carriage capacity of two dinning cars, 25 economy class and 5 first class coaches. Each train set consists of 10

coaches, 8 economy and 2 first class. Each first class coach has 72 passengers while each economy class coach has 118 passengers. Averagely at 100% occupancy the train is expected to have 1100.

Performance Of The Service Passenger Service

Month	Total No. of Passengers	Average Daily Ridership	Average Occupancy %	Total Sales Ksh.
June	74,704	2,490	86	77,369,247
July	89,850	2,898	95.4	84,989,370
August	80,127	2,585	82	71,655,820
September	77,970	2,825	86.63	70,383,830
October	87,756	2,831	86.4	76,152,120
November	133,618	4,454	97.8	112,720,300
December	145,180	4,683	106	96,893,700
January -18	130,090	4,485	99	77,790,172
February-18	118,360	4,227	99.5	72,350,240
TOTAL	819,295			746,153,259



Performance of the various payment options

MONTH	CASH	POS	M-PESA	USSD
September	48,212,430	2,800,200	19,371,200	
October	33,120,360	2,462,680	12,108,160	28,460,920
November	52,396,450	3,694,540	16,473,500	43,856,870
December	39,883,670	4,826,450	14,062,920	38,120,660
January-18	23,917,950	2,931,150	7,381,340	43,559,732
February -18	18,894,410	1,525,850	7,826,810	44,103,170

II. PROVIDE STATISTICS ON THE VOLUME OF CARGO THAT HAD BEEN TRANSPORTED BY SGR

Madaraka Express Freight Services were introduced on 1st January 2018.

In March we have stabilized in running three (3) trains up from two (2) in February and one (1) in January.

The total volumes of cargo handled at ICD with respective estimated revenue up to end of February is as per tables below;

Table 1 – SGR Freight Mombasa to Nairobi

MONTH	MOMBASA - NAIROBI							
	TRAINS MSA - NRB	TOTAL TEUS MSA - NRB	TBL TEUS	TOTAL TONNAGE	Revenue Ld UP TBL	NON TBL TEUS	Revenue Ld UP Non TBL	Total Est Revenue (USD)
January 2018	14	964	854	16,581	213,500	110	27,500	241,000
February 2018	36	2,842	2,792	47,135	698,000	50	12,500	710,500
TOTAL	50	3,806	3,646	63,716	911,500	160	40,000	951,500

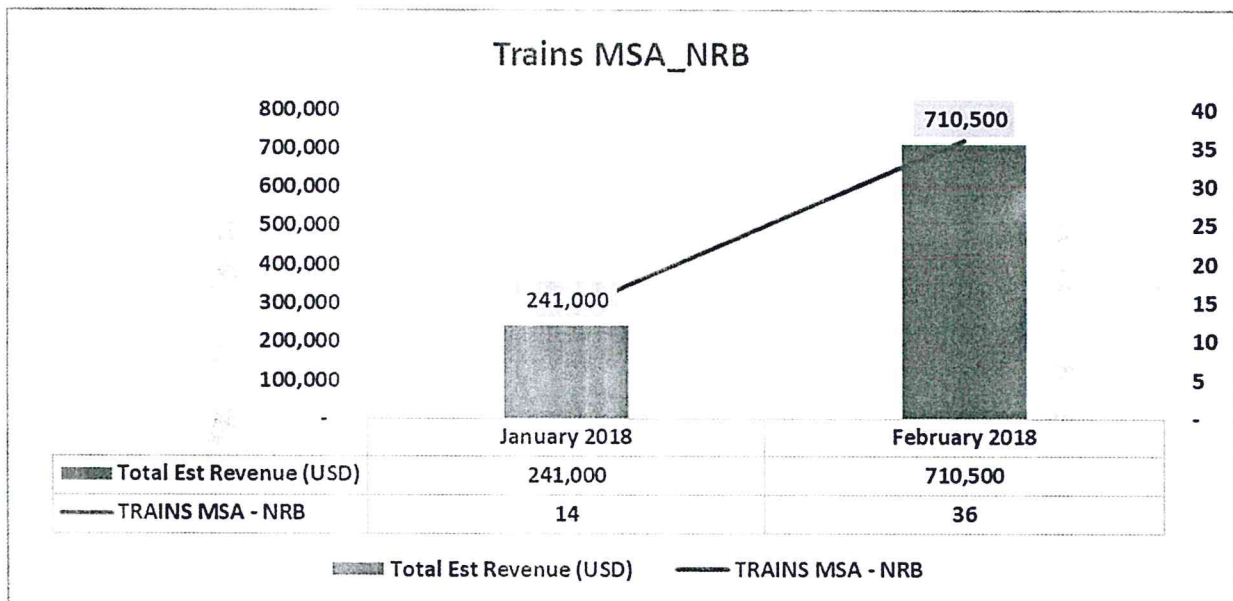
In the month of February you will note that the number of TBL's (Through Bill of Lading) increased by 227% due customer confidence in SGR Services.

Table 2 – SGR Freight Nairobi to Mombasa

MONTH	NAIROBI - MOMBASA			Revenue Ld NRB - MSA	EPTY TEUS	Revenue Epty NRB - MSA	Total Est Revenue (USD)
	TRAINS NRB - MSA	TEUS NRB - MSA	TOTAL TONNAGE				
January 2018	17	316	5,764	79,000	442	110,500	189,500
February 2018	26	526	10,498	131,500	610	152,500	284,000
TOTAL	43	842	16,262	210,500	1,052	263,000	473,500

Export containers from ICDN increased by 66%. This is attributed to tapping of export containers from Uganda both coming by road and Meter Gauge Railway.

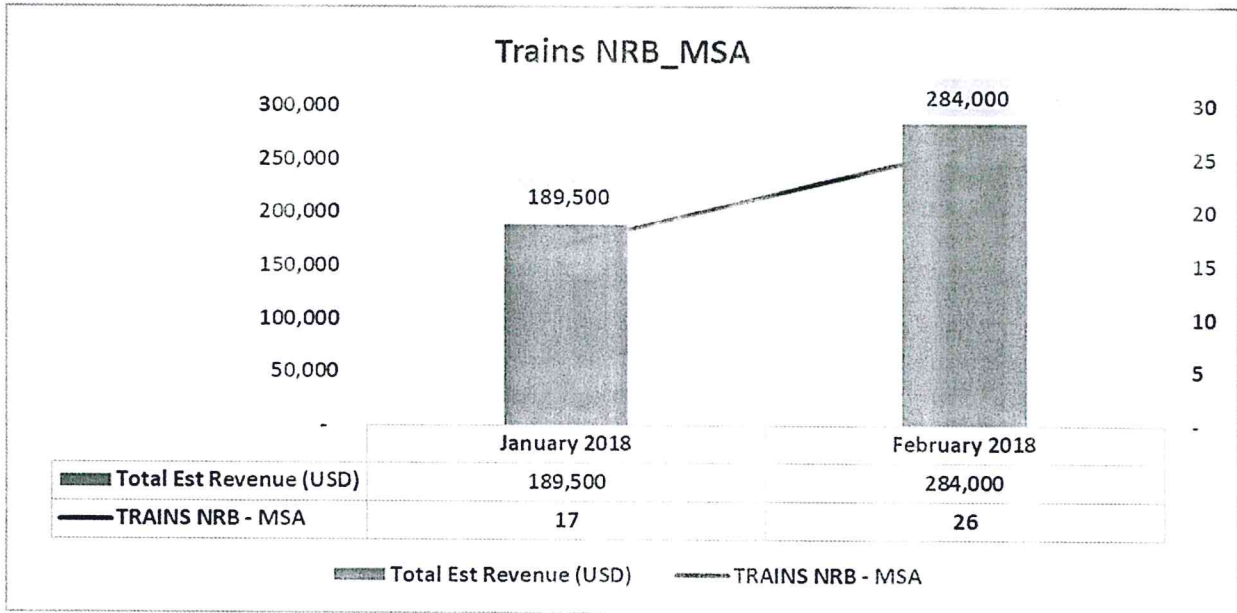
Table 3 – No. of Trains Vs Revenue moved Mombasa to Nairobi



There was 195% growth in Freight Revenue and 157% increase in the number of trains between January 2018 and February 2018 as indicated in Table 3 above.

N/B: The estimated revenue generated in USD is based on TEUs moved in both months.

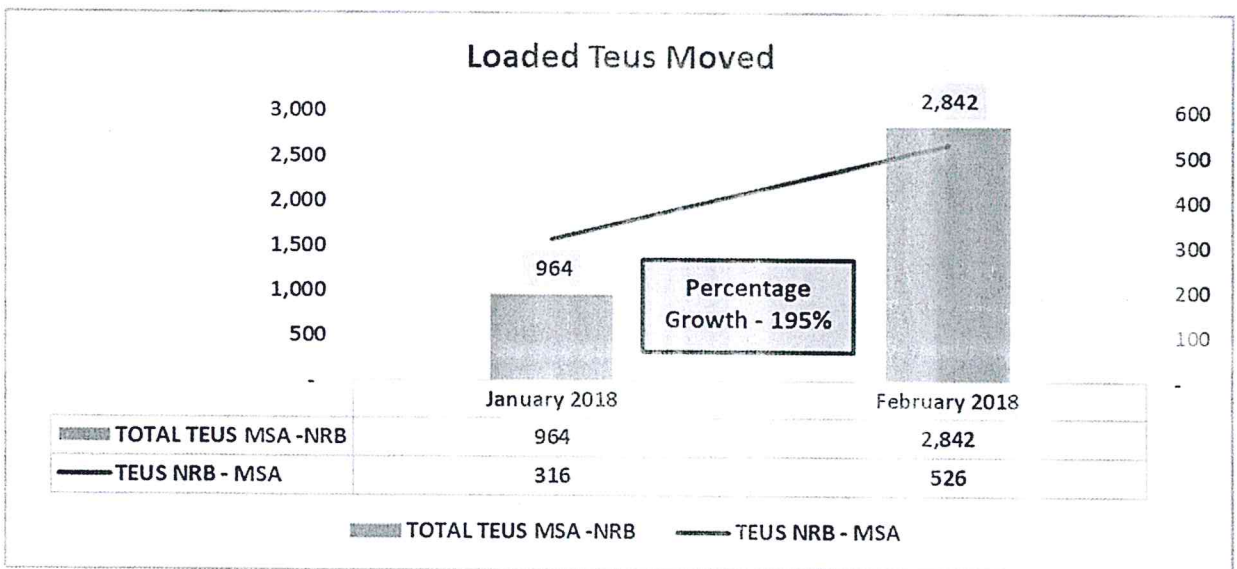
Table 4 - No. of Trains Vs Revenue moved Nairobi to Mombasa



There was 50% growth in revenue generated from Export containers and 64% increase in trains between January 2018 and February 2018 as indicated in Table 4 above.

N/B: The estimated revenue generated in USD is based on TEUs moved in both months.

Table 5 - No. of TEUs to and from Nairobi



There was 195% increase in TEUs from Mombasa to Nairobi and 66% increase in TEUs from Nairobi to Mombasa as indicated in Table 5 above.

N/B: Mombasa to Nairobi growth represents both TBL and Non TBL containers.

Note: Kenya Railways is planning to run 6 trains by June 2018 and move the same to 11 by December 2018 and the targeted cargo includes containers and other conventional and bulk cargo. The plan is to achieve a tonnage of 8 million tonnes by December 2018 and grow the same to 18 million tonnes in three years.

III. ECONOMICS GAINS ARISING OUT OF THE ESTABLISHMENT OF THE SGR AND SPECIFY THE AMOUNT OF REVENUE THAT HAD BEEN COLLECTED FROM THE SGR

The construction of the SGR project was anticipated to facilitate the following:

- i. Promote the integration of East African Community;
- ii. Promote national economic development;
- iii. Improved national transport network;
- iv. Promote economic development of the areas along new railway;
- v. Reduce environmental degradation
- vi. Reduce transport and production costs.

1. Economic and Social Benefits

A. Economic benefits during construction (Short Term)

- i. Provided employment to local locals both directly and indirectly;
- ii. Provided an opportunity for local suppliers and service providers;
- iii. Contributed to the economy through job opportunities, supply of materials and provision of services;
- iv. Capacity Building & Technology Transfer;
- v. Townships along the SGR route revived by way of accommodation, supply of foodstuffs.

B. Economic Benefits During construction (Long Term)

- i. Reduced cost of transportation thus making the region attractive for investment ;
- ii. Reduced environmental degradation through reduced carbon emissions;
- iii. Act as a catalyst for industrialization and economic & social development;
- iv. Contribute to an annual GDP growth during construction and operation phases;
- v. Enhance the Country's & Regions competitiveness;

- vi. Reduce congestion at the Port of Mombasa thus ensuring that it is the preferred Port of choice in the region;
- vii. Reduce wear and tear on the roads leading to reduced maintenance costs;
- viii. Enhance freight security

C. Benefits after commissioning Mombasa-Nairobi SGR Project

The benefits realized so far following the commissioning of the SGR project include the following:

- i. Provision of faster, safe and efficient alternative mode of transport for passengers travelling between Nairobi and Mombasa and the counties traversed by the project;
- ii. Provision of faster, safe and efficient alternative mode of transport for freight services.

IV. EXPLAIN THE MEASURES THAT THE GOVERNMENT HAD PUT INTO PLACE TO IMPROVE THE SGR SERVICES

We are currently running Three (3) container trains in since beginning of March 2018, this is anticipated to increase to six (6) trains in June 2018 and eleven (11) trains by December 2018.

We project that the two (2) conventional cargo trains which include steel products, fertilizer and grains will be moved with effect from June 2018. It is projected that the two trains will move a minimum of 189,000 tons per month which shall increase to 283,500 tons by December 2018.

The following are strategies in place to deliver the twelve (12) trains by December 2018.

- a) KR to enter into contracts with shipping lines for through bill of lading cargo to ICDE.
- b) Marketing strategies which have been put in place include;
 - i. Signing of contracts with shipping lines and agents
 - ii. Last mile contracting arrangements in place to ensure seamless operations
- c) Expansion of the Port relief line and shunting to Shimanzi area to facilitate loading of fertilizer, steel and grains.

d) Diversify from containers to break bulk and steel products.

e) Development of bulk handling facilities to target grains, clinker, fertilizers and other products requiring specialized handling facilities.

We would be pleased to provide any further clarification and information where necessary.

**Office of the Managing Director
Kenya Railways
27th March 2018.**

