

# BUSINESS DAILY

## Economy

### SGR cargo fees up 79pc on China pay

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#### Summary

- Kenya Railways said the cost of transporting a 20-foot container from Mombasa to Nairobi will increase to \$500 (Sh51,275) from Sh35,000, a 46.5 per cent rise
- Hauling the larger 40-foot container will cost up to Sh\$700 (Sh71,785), from the current Sh40,000, reflecting a 79.9 per cent rise.
- Cargo from Mombasa has been terminating at the inland container depot (ICD) in Nairobi's Embakasi area.
- This has forced importers to spend between Sh15,000 and Sh20,000 to ferry cargo from the depot to industries within Nairobi and its environs.

Cargo charges on the standard gauge railway (SGR) from Mombasa to Nairobi will rise by up to 79 per cent from January 1 in bid to raise more revenue to pay the Chinese operator.

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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 new transporter.

Kenya requires additional cash from the railway business to ease the taxpayer's burden of paying the Chinese firm managing the SGR.

China Communications Construction Company runs the SGR cargo and passenger business at an undisclosed management fee.

"The promotional freight tariff will come to an end on December 31, 2018, and thereafter the (new) tariff book rate will become effective from January 1," Kenya Railways said in a notice.

Those transporting cargo from Nairobi to Mombasa will pay \$250 (Sh25,637) for a 20 foot container, up from Sh25,000, while a 40 foot container weighing up to 20 tonnes will cost \$350 (Sh35,892) and \$375 (38,456) for those weighing to between 21-30 tonnes. Kenya Railways has been charging Sh30,000 to transport a 40 foot container from Nairobi to Mombasa irrespective of weight.

The Treasury also expects the SGR business to generate more revenue to help offset loans borrowed to build the multi-billion shilling railway line.

Kenya services loans taken from China Exim Bank for the construction of the line and paid Sh26.61 billion in the year ended June.

The Treasury will pay Sh36.24 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.

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With road transporters charging between Sh60,000 and Sh80,000 to ferry a 20 foot container from Mombasa port to the doorstep of the importer in Nairobi, SGR has faced stiff competition from truckers.

This prompted the promotional rate to give the SGR a competitive edge.

The promotional tariffs were introduced in January, when cargo ferrying kicked off, and were meant to end in April before being extended twice to June and December.