Factsheet

CONTAINER TERMINAL 2:

WHY PRIVATISATION IS A BAD DEAL FOR MOMBASA

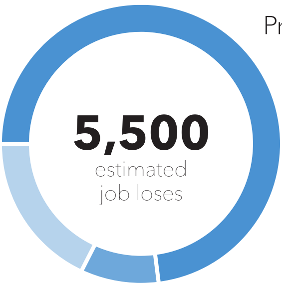
#OKOA MOMBASA

The Government of Kenya is attempting to privatise the Port of Mombasa's Container Terminal 2 (CT2), by handing it over in a secret deal to the Kenya National Shipping Line (KNSL) which is 47% owned by the Italian-owned Mediterranean Shipping Company (MSC).

CT2 is the most modern section of Mombasa's Port and one of the top shipping facilities in Africa. By some estimates, it is capable of producing upwards of KES 20 billion in revenue per year. It also employs over 3,000 people in well-paid, mostly unionized jobs.

How will Kenyans and in particular residents of Mombasa benefit from handing over such a high-value public asset to the private sector? Not much, it turns out. It's just another government initiative to siphon resources away from Coast. This factsheet summarizes why the secret deal to privatise CT2 is bad for Mombasa.

1. MASSIVE JOB LOSSES AT THE PORT



Privatisation will lead to more automation at the port, as the private operator seeks to maximize profits. It's expected that privatization will lead to the loss of at least 3,000 jobs at CT2 itself, plus another 1,500 jobs elsewhere in the port as more cargo traffic shifts to CT2. MSC has promised to create 2,000 seafarers jobs on their cruise ships – but that's still a net loss.

= KPA jobs (4,500) = admin staff (500) = other (1,000)

2. BROADER COMMUNITY IMPACT

Lost jobs equal lost livelihoods – not just for the workers themselves, but for the families and communities that depend on them. While it's difficult to estimate exactly how many people will be affected, the number will easily reach into the tens of thousands. With no viable economic prospects, people could become desperate and more likely to be drawn to crime and extremism.

* All job impact data taken from Kenya Dockworkers Union estimates

3. IT DISCOURAGES COMPETITION

Until 2019, Kenya's Merchant Shipping Act prevented shipping lines from directly or indirectly engaging in a number of related services, including operating a port, owning container stations, acting as a clearing and forwarding agent, and much more. The reason? To encourage competition and prevent one firm from having a monopoly on all port services. That changed in 2019 when Parliament amended the act – which was explicitly done to clear the way for the questionable CT2 deal.

4. IT USES PUBLIC MONEY FOR PRIVATE PROFIT

CT2 was built with KSH 60 billion-plus in loans from the government of Japan to the government of Kenya. Kenyan taxpayers will have to pay back that debt. CT2 is capable of generating enough revenue to repay the loans, but with privatization, some of that money will be siphoned off by MSC, a private firm. Why should it go to MSC rather than towards repaying the debt?

5. NO PUBLIC CONSULTATION AND NO BIDDING PROCESS

The CT2 agreement was negotiated behind the scenes, without a public tender process and without consultations with stakeholders. If it's such a great deal, why all of the secrecy? What's being hidden? And why no public participation where a public asset is involved?

OUR DEMANDS

- **Transparency**: All documents including records and contracts concerning the shareholding of KNSL, the operation of CT2 and the privatization deal should be immediately made public.
- **More local control**: The port is Mombasa's lifeblood. Where is the county's political leadership as the city's resources are being commandeered? Local government and residents need to be more involved in decisions regarding the port.
- **Public participation**: After CT2 records are made public, there needs to be a public consultation process allowing the people of Mombasa to express their opinions on the deal. And more importantly, their views must be taken into account.

CT2 PRIVATISATION TIMELINE: KEY EVENTS

2009

Merchant Shipping Act of 2009 is passed, prohibiting shipping lines from engaging in related services, including operating a port.

2016

CT2 is completed in March. A public bidding process to find a port operator - which started in 2014 - is abruptly cancelled.

2019

The Merchant Shipping Act is amended to allow shipping lines to run ports, so long as the shipping line is majority owned by the government

2019

In July, the Government signs a new secret shareholding agreement with MSC, allegedly to revive KNSL by handing over CT2.