Factsheet

SGR CARGO DIRECTIVE:

ILLEGAL, COSTLY & KILLING MOMBASA'S ECONOMY

In August 2019, the Kenyan Government issued a directive requiring all cargo arriving at the Port of Mombasa be transported to Nairobi via the Standard Gauge Railway (SGR). It also effectively shifted all clearing and forwarding operations to the Nairobi Inland Container Depot, bypassing Mombasa. Although the Cabinet Secretary for Transport issued a notice to suspend the directive pending consultation with stakeholders, the situation on the ground has neither normalized nor have the trends it set in motion reversed.

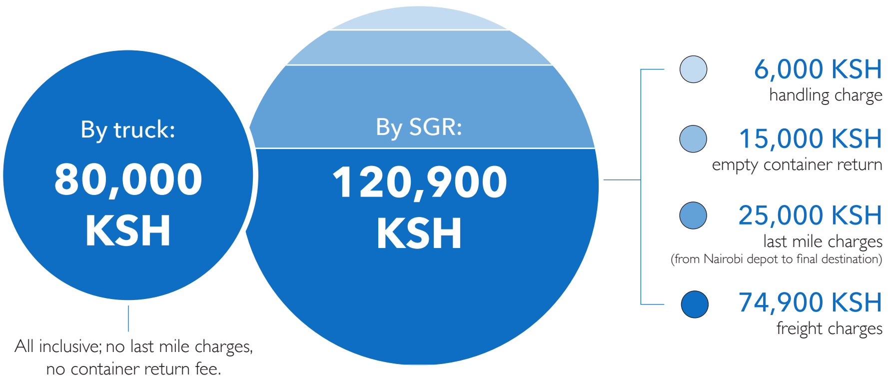
The directive has been devastating for Mombasa, whose economy relies heavily on the Port. Thousands of truck owners and drivers are no longer needed to haul cargo. Hundreds of clearing and forwarding firms have packed up and moved to Nairobi or wound up. Many local container freight stations now sit empty. And that's not to mention the tens of thousands of people indirectly affected: truck dealerships, fuel service stations, mechanics, spare parts dealers, restaurants, informal sector kiosks, hawkers and many more. The directive is also illegal, more expensive for businesses and consumers, and creates an unfair monopoly. This factsheet outlines the key problems with the SGR directive.

1. IT'S MORE EXPENSIVE

The government – most notably Transport Cabinet Secretary James Macharia – claims that putting cargo on the SGR is cheaper than transporting it by road. Nothing could be further from the truth. In fact, transporting cargo by SGR costs up to 50% more (see graphic). Who pays that extra cost? You, as businesses and consumers.

Costs to ship a 40 foot container from Mombasa port to Nairobi

* Based on Nairobi Industrial Area as final destination



2. IT'S ILLEGAL

KPA claims it has the authority to force cargo transporters off the roads, without an act of Parliament. We disagree. That's why some members of the Okoa Mombasa coalition are challenging the directive in court, as a violation of the Constitution and international trade law. Moreover, the government isn't playing things straight. They claimed to suspend the directive on Aug. 7, but as of October, it's still being enforced.

3. MASSIVE JOB LOSSES

The directive's impact on jobs is huge, and none of those affected were consulted or given sufficient time to adjust their circumstances. It's estimated that 8,000 people will lose their jobs in the transport and container freight sectors. Tens of thousands more in other sectors could face the same fate. Lost revenue could reach KSH 33.3 billion from three sectors alone (see right). That's 16% of Mombasa's total GDP.

4. IT CREATES A MONOPOLY

The directive forces people to use the SGR, which amounts to a restrictive trade practice that "prevents, distorts or lessens competition in trade," contrary to the Competition Act. There is no compelling reason to exempt the SGR from the Act, particularly since its monopoly disproportionately hurts the Coast region, while favoring relatively prosperous Nairobi and Nakuru counties.

5. AT BOTTOM, IT'S A COVER UP

The SGR directive isn't about what's best for businesses or consumers. It's about covering up the bad SGR deal made by the Government. Kenya borrowed more than KSH 360 billion from China to fund the project. The plan was to use SGR revenues to pay that back, but the railway is operating at a loss. The directive is nothing more than a desperate attempt to pump cash into the SGR and cover up their incompetence and possible malfeasance.

OUR DEMANDS

- **Transparency:** All documents including records and contracts concerning the SGR should be immediately made public.
- **Public participation:** After SGR records are made public, there must be a public consultation for the people of Mombasa, in Mombasa, to express their opinions on the deal. Their views must be taken into account.
- All Port operations return and resume in Mombasa.

SGR DIRECTIVE: IMPACT NUMBERS

8,000

Estimated job losses in the transport and container freight sectors alone

33.3b

KSH in lost revenue in the following business sectors: long distance truck, lubricants and fuels, container freight stations

16%

Percentage of Mombasa County GDP that the 33.3 billion KSH figure represents.

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