

KENYA RAILWAYS

PRESS STATEMENT

RESPONSE TO ALLEGATIONS ON THE STANDARD GAUGE RAILWAY (SGR) PROJECT.

Our attention has been drawn to news articles published by the Daily Nation on 25th and 26th February, 2020 with the headlines 'Pillars of Greed' and 'Chinese SGR staff lived large at Kenyans' cost', claiming alleged misappropriation of funds and inflation of some bills in the Mombasa to Nairobi Standard Gauge Railway Project (MNSGR).

Based on the severity of the allegations, and in the interest of transparency in the contractual obligations during the execution of the Mombasa to Nairobi SGR (Phase 1), we hereby wish to respond to the claims, with reference to the EPC Turnkey Commercial Contract between Kenya Railways and China Road and Bridge Corporation (CRBC) signed in 2012.

The items identified in these articles are allegedly based on the EPC Contract. It is worth noting that the open nature of the EPC Turnkey Contract means that the EPC contractor and the owner of the asset are allowed the flexibility to review and replace specific items based on the continuously changing nature of the project. This means that the figures were meant to provide an indication of the recommended equipment for the MNSGR project and their associated costs as a basis for the negotiation of the final contract.

1. Civil Works construction

Slope protection to save embankment

The article mentions use of KES 1,000,000,000 (1 Billion) for grassing in SGR Stations. As per the applicable Railway and Road Design Standards, embankment slopes should be protected by either grassing or herringbone slope protection. The Bills of Quantity for SGR Phase 1 provided for 3,029,734 m² for top soiling and grassing along the entire subgrade section (450 Km) of the SGR from Mombasa to Nairobi and not Station areas alone. This was to be done at a rate of KES 360 per m² (inclusive of top soiling, grassing and watering), which is relatively competitive as per the market rates for slope protection works.

Construction of Chain-link Fence

The article mentions the construction of a chain link fence along the entire 472 Km railway corridor to ensure safety of railway operations.

The actual fencing on the entire stretch was done using Type B fence (green mesh) which is superior to a chain-link fence. Furthermore, 320 Km and 15 Km of electric fence was also erected on both sides of the railway line within Tsavo and Nairobi National Parks respectively, which was not included in the BOQ. The EPC contractor went ahead to provide these items at no additional cost.

Track Ballast

The article mentions that ballast was costed at KES 4,100 per m³.

The entire railway line lies on 500mm of a ballast bed to distribute rolling stock loads to the railway subgrade. Ballast grading used ranges from 16mm to 63mm in size. The rate given of KES4,100 per m³ is relatively competitive globally, given that this is inclusive of purchase, transportation and laying the entire railway line.

Boreholes

The article mentions that boreholes have been sunk at the cost of KES 5,362,300, which is higher than a comparative cost of KES1,000,000 to 2,000,000.

All boreholes are specified at a minimum depth of 300m. The cost of drilling also varies with geotechnical characteristics of the area, as well as accessibility to the location of drilling. The boreholes drilled also include those located in campsites, batching plants, stations and factories (e.g. Emali Beam and Sleeper factory and Makindu Construction site in Section 4).

The actual number of boreholes sunk is more than the amount stated in the BOQ because many boreholes did not have water.

During the final handover of the boreholes to Kenya Railways, some of the boreholes were handed over to the local communities. Others are currently left for use by specific passenger stations that are not served by water companies.

Entertainment Facilities

The *Daily Nation* article claims that KES 239,000,000 was expended to provide entertainment for Chinese expatriates. This amount was billed per m² and is actually the cost for constructing waiting areas/lounges within all the railway station buildings and terminals for use by passengers. The unit price is also relatively competitive as compared with market rates.

2. Administration/Superintendence of Construction Works

Execution of works for Mombasa to Nairobi SGR was divided into 9 Construction units. Section 1 covered KM 0 to KM 70 and was based at Mariakani. Section 2 covered KM 70 to KM 214 and was based at Voi. Section 3 covered KM 214 to KM 254 with their campsite based at MtitoAndei. Section 4 covered KM 254 to KM 377 based at Makindu. Section 5 covered KM 377 to KM 472 with its base at Athi River. Section 6 and 7 at Kathekani and Emali for Pre-Fabrication of Beams and Sleepers while Section 8, based at Syokimau, was in charge of construction of all railway terminal buildings. Section 9 was in charge of Communication, Signalling and Electrical (CSE) works. For overall coordination, the works had a main core office in Nairobi.

All the Construction units were under their respective Resident Engineers' offices with a team of Engineers and Technicians for supervision of works as required in the Contract. Cumulatively, the project had 44 Chinese Engineers and 151 Kenyan Engineers. All these staff resided in their respective Construction Camps which also accommodated the Contractor's staff.

Airtime allowance

KES 5,000,000 of airtime allowance for effective communication was to be distributed amongst all the above staff for the entire 3-year contract period.

Office Furniture and Computers

The KES 57,000,000 was to furnish all the Engineers' residences, the Engineers offices and purchase of surveying equipment for all the 9 Construction Units.

3. Communication Signalling and Electrical (CSE) and Equipment Facilities

The article carried out various price comparisons of specific equipment against similar equipment available off the shelf. This does not take into consideration the fact that this is highly specialized equipment, specifically designed to meet global railway and industry standards and regulations that address the operational safety and reliability of the MNSGR. This specialization therefore comes with an additional cost in terms of production.

The price of communication technology equipment depends on the type of technology used, durability of design, storage capacity and security features. Railway communication systems are specialized for security reasons and cannot be compared to standard consumer units.

For example, the portable radio units referred to in the story are GSM(R) whereas the digital voice recorders are high capacity recorders with unique security features. These are devices that require dedicated, encrypted channels/frequencies.

4. Local content during the construction period and operation

During the construction of SGR Phase 1, CRBC had commercial partnerships with 1,000 local suppliers of materials, equipment and machinery, as well as local service providers, and worked with 404 local subcontractors in engineering. The project enabled a number of business opportunities for local Kenyan cement, steel, oil and transportation companies, and other small and medium-sized enterprises through procurement and sub-contracting.

As of 25th February 2020, SGR has already achieved safe operation for 1,000 days, cumulatively operating 13,000 trains. In total, SGR has offered services to 4,170,000 passengers and 771,000 TEUs, achieving tangible social and economic benefits for Kenya in the process.

5. Local employment and technology transfer

During the construction of SGR Phase 1, around 46,000 local jobs were created. During the construction period, the contractor employed over 20,000 local staff compared to only 2,247 Chinese workers, on average.

Significantly, the contractor also put the necessary emphasis on the use of local content and technology transfer, as required by its contractual obligations. From January 1, 2018 to August 31, 2019, the Kenya SGR Project trained 61,560 Kenyan staff members and organized 25 local employees to receive training in China. In order to accelerate the technology transfer within the entire railway ecosystem, CRBC has sponsored 100 outstanding Kenyan high school graduates in China for 4 years of undergraduate study, combining theory and practice. The students will study China's railway technology fully to enhance their competence in all aspects of railway operations, with the aim of serving Kenya after their graduation.

6. Supporting communities

During the construction period, the contractor started a number of community projects along the railway line, including drilling boreholes, constructing water supply projects, building roads and rehabilitating schools, among others.

Finally, due to the open nature of the EPC Contract as previously explained, and following the commencement of the contract, multiple design reviews were carried out. As a result, some of the initial equipment was replaced with options better aligned with project needs. Despite the quantities exceeding the provision in the BOQ, it is worth noting that the EPC contractor went ahead to provide these items at no additional cost.

PHILIP MAINGA
MANAGING DIRECTOR

