IMPACT OF PRIVATIZATION ON SERVICE DELIVERY; AN ASSESSMENT OF THE KENYA RAILWAY CORPORATION CONCESSION (2006-2012)

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This research study has been submitted for examination with my permission as the supervisor.

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DEDICATION

This study is dedicated to the memory of my late parents; Risper and Johnson Malago, who instilled in me the love for reading and respect for education which they passionately cherished. I equally dedicate this study to Daniel, Noel and Angel Orwa without whose sacrifice, patience, caring support and encouragement it would not have been possible.
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ABSTRACT

This research focused on the impact of Privatization on service delivery. More specifically, it assessed the Kenya Railway Corporation and Rift Valley Railway concession between years 2006 to 2012. The study was guided by three objectives namely; evaluating effects of privatization of quality of service delivery by KRC concession, secondly assessing the effects of privatization on KRC financial sustainability and lastly assessing the effects of privatization of KRC’s operational efficiency. In line with this, the study adopted the following assumptions; that privatization enhances the quality of service delivery, that concession leads to financial sustainability of KRC to reduce costs and reliance on the exchequer and concession improves operational efficiency of KRC/RVR concession.

The study adopted a conceptual framework in interrogating issues for the study. This elaborated on the variables of the study on privatization to enhance of service delivery by appraising performance in quality of service delivery, improving financial sustainability performance and improving operational performance. The study was grounded on the new public management theory in running public affairs under which efficiency and accountability of service delivery was emphasized. The study used both primary and secondary data to enrich the study giving prominence to non-probability sampling technique in collection of data.

The study major findings were that despite all requirements put in place, in terms of service charters, procedures and funding, the performance of KRC/RVR concession deliverables have not been adequately met as originally envisioned. There is continued reliance on the exchequer for liquidity and lack of new investments and maintenance among other issues. The quality of service delivery eroded and based on these findings the study recommends that a hybrid of public and private State Corporation to run such functions in a market model for efficiency and accountability purposes. There is need for regular and frequent auditing to ensure the concession is delivered as per the agreement.
CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The debate about the sagacity of privatization of state agencies is not new in the public service. Developing countries had not been left out of the crusade of privatization. The overall goals of the ideology are better government, increased business opportunities, and a better society. Osborne and Gaebler (1993) argued that governments’ fundamental mission is to advance the public good and not profit seeking. As such, they served everyone equally to extend that they rarely achieve the same market efficiencies. Graham (1986) added that performance and efficiency in public management cannot necessarily be improved by borrowing from private management.

There are various approaches and strategies that had been adopted by governments to make public enterprise better ‘managers’ of economies. These measures included but not limited to out-sourcing; retrenchment aimed at optimal size of public service; contracts and concessions. Privatization is the act of reducing government or increasing the role of the private sector in an activity or in ownership (Savas, 1987). The justification for privatization may be pragmatic, ideological, commercial or populist. The expected outcomes include better government, increased business opportunities and enhanced social welfare.

The successful cases of privatization were recorded in western industrial countries of United Kingdom, France, Italy, Spain, Austria, Sweden, Portugal, Netherlands, Germany, the United States, Japan and Canada. These countries had reformed their state-owned enterprises in order to achieve efficiency in factor products. Over the years public enterprises have played a significant role and are a manifestation of mercantilism. The rationale being that the economies of countries could not be left in the hands of the unregulated private sector whose profit maximization mantra on investible capital was likely to cause market disequilibrium according to Were et al (2005).
Privatization of public services in Kenya is traceable to the 1980’s public sector reforms especially after the ministerial rationalization process. The public sector reform was aimed at restoring and strengthening the public sector in national development by meeting objectives such as smaller, affordable and effective public service. The government was keen to streamline, revitalize and strengthen the public sector functions in enhancing efficiency and effectiveness coupled with probity and integrity Murugaru (2003).

In 1993 the civil service reform program was launched to improve efficiency and productivity in civil service through rationalization of ministerial functions and structures, staffing and management of the wage bill, pay and benefits, training and capacity building and finance and performance management. By 1999, the ministerial rationalization program adopted phasing approach in terms of reforming and rationalizing structures and functions in light of defined core functions. Key reform strategies aimed at improving efficiency and productivity focused on cost containment through restructuring leading to compulsory retrenchment of staff as a way of reducing cost, promoting efficiency and improving productivity in government. The government’s intention was to examine and eliminate overlapping, duplicating functions and non-core functions that could be contracted out, Privatization Act (Revised 2009).

The process of privatization in Kenya was financed by the World Bank and the International Monetary Fund (IMF). Goddard, Cronin and Dash (2005) observed that the clamour for privatization was propagated through the 1980’s Structural Adjustment Programmes (SAPs). SAPs were characterized largely by economic and political liberalization. However, SAPs did not become an important part of economic management until after the publication of the Sessional Paper No. 1 of 1986 on economic management for renewed growth by Kenya. The Sessional paper argued that Kenya’s rapid economic development would be realized through increased and larger inflows of private investible capital. This would in the long term spur multiplier effects of investment in Kenya. The private investors boosted the country’s economic state through their foreign investments.
According to a World Bank Report (2001), the objectives of privatization were first, to enhance the efficiency of the public enterprises (PE); second, reduce the financial burden of public sector budget i.e. reliance on the exchequer; and enable PE’s to operate on the basis of market principles, by promoting operational autonomy and finally enhancing accountability. The market principle was perhaps the most compelling reason for privatization. Peters (2001) explained the market principles approach of running public services traces its intellectual root to the changing public sector belief in the allocative efficiency of markets instruments in a society. He explained that if there were effective bureaucratic competition to provide good quality service, the agency would have an incentive to drive the competitor out of business. Most governments had implemented market-based reforms with the assumption that some public values such as accountability that will be acquired within the civil service.

The World Bank and IMF SAP’s conditionalities were viewed as worsening dependency on foreign aid and its consequence on domestic inflationary tendencies through increased debt asserts Calabrese (2008). The decision to privatize railways in Africa was taken in the 1990s following the profound changes that were taking place in the rail transport particularly in Europe. This was because pertinent directives had been issued on the separation of infrastructure management (public enterprise) from rail operations (concessionaires or other licensed operators); on the issuance of rail operation licenses; and authorizing appropriate fees to be collected for the use of rail infrastructure by railway companies according to Were et al (2005).

It is imperative to note that privatization programs could take different forms and levels in the transfer of asset ownership and management of the service to consumers. These forms include divestment, delegation and displacement. Divestment means off shedding of an enterprise, function or asset. It is a one-off event that involves complete sale or transfer of the state owned asset and at times involves liquidation of the assets while displacement is passive, and the government is displaced by private sector through deregulation or withdrawal of assets. Lastly, delegation which generally sees the government retains functional responsibility while delegating the actual production to the private sector. It specifically included contracts, public
private partnerships, franchise, grant or loan. These methods are utilized according to the political economy of the country (Savas, 2005).

The Kenya Railway Corporation (KRC)

The Kenya Railways Corporation was established by an Act of Parliament (Cap 397) and commenced operations on January 20, 1978. It is a wholly-owned government parastatal that took over the operations of the defunct East African Railways Corporation (EARC), following the demise of the East African Community (EAC) in 1977. The overall mandate of the corporation was to provide a coordinated and integrated system of rail and inland waterways transport services and inland port facilities within Kenya. The Act was revised in 1979 and 1986, and it detailed the duty of the corporation as to provide coordinated and integrated rail and inland waterway transport services, port facilities in relation to inland water transport and auxiliary road transport services.

As a state corporation with national responsibility it was expected that KRC would contribute to the well-being of all Kenyans by fostering an efficient, sustainable, competitive, safe and secure rail, inland waterways transport system, develop and manage of inland waterways. The Corporations’ key objectives include management of the concession and non-conceded assets; promotion, facilitation and participation in national and metropolitan railway network development; development and management of inland waterways and management of the Railway Training Institute (RTI).

The situation on the ground at KRC before the concession was that the infrastructure was working particularly in the 1980’s and the freight services was thriving and supplemented the other sectors in economic growth. However, challenges such as mismanagement; shortage of financial resources, deterioration of facilities and low quality service due to long and accumulated delays in the maintenance of the rolling stock started to come into play. The Government had not invested in the Railway for a long time and due to tear and wear and lack of service, the track and rolling stock got worn out and required replacement. Deferred decisions on maintenance and no new replacement of rolling stock and infrastructure were made. An unstable track led to accidents with the consequent loss of equipment and rolling stock. KRC
being a state corporation relied on the exchequer to sustain it financial obligation. There was massive over-employment with about 5000 employees the railways and the declining revenue from reduced stock could not sustain the salaries for employees leading to strikes and subsequent loss of man-hours, which made the situation worse and affected the quality of service delivery. The Government was forced to bail out railways but over time the governments found the situation unsustainable and begun looking for way out. Worse off the railway relied on the exchequer to manage its affairs recording cumulative losses of Kshs.22,037,905,614 as at 2010.

The railway stopped its passenger’s trains on main routes such as Kisumu, Mombasa, Nanyuki, Voi-Taveta and only operated on per demand basis. Some branch lines network on freight services closed on the some routes and decline on cargo transport initially at 4.3 million tonnes in 1980 to 3.5 tonnes in 1990 to the level of 2.3 million tones per annum in 2005/6 making huge losses. This figure seemed to dwindle by the day.

The World Bank and IMF were against government subsidies on the so-called “ailing” parastatals and were advocating for privatisation of such organisations, the railway being one of them. The push for the privatisation by the two Bretton-wood institutions was global, but more particularly directed at African railways. In this case of Kenya and Uganda Railways which are literally “joined” at the hip, the two governments decided to cede them to a single concessionaire.

Restrictive regulations such as the setting of the tariffs contributed to high costs of running the railway and became barriers to new innovations. There was no railway system and so inefficiencies were the common occurrences. There was inadequate technical and financial capacity was lurking. There was highly unionized de-motivated workforce high over-head costs and lack of substantial volume of investments was evident as some of challenges faced.

The poor performance of KRC was attributed to inappropriate policies, especially reliance on “public monopoly” administrative structures, poor determination and inconsistently in tariffs and cross-subsidization of services e.g. in tariffs. Consequently, reforming the KRC railway sector became inevitable as a response to the challenging transport sector market demands. This was
expected over the 5 years concession to lead to more effective use of human and financial resources, and to improve financial sustainability and attract foreign investible capital.

It was against this background that the Kenyan Government privatized part of Kenya Railway Corporation (KRC) services through concessioning contract with Rift Valley Railways (RVR). KRC retained functional responsibility for the function while delegating its operations line in passengers and freight services to RVR with concessioner for the last five years (2006-2012). The concession agreement had since lapsed, without meeting the concession agreement within the specified time. That notwithstanding, the RVR still received funding from donors for the rail infrastructure and the rolling stock for the renovation of the wagon and repair of a section of rail trucks. The Railway sector policy reforms were necessitated by the rapidly changing transport market where efficiency and reliability had become the key pillars.

Following an Amendment of the Kenya Railways (Amendment) Act, 2005 that made it possible for the Board of Directors to enter into concession agreements or other forms of management for the provision of rail transport services, the KRC conceded railway operations to Rift Valley Railways Ltd (K) RVR from November 1, 2006 for 25 years for freight services and 5 years for passenger services which lapsed in June 30th, 2012. The five-year concession was to recover costs from services to reduce reliance on the exchequer revenue and improve the quality in service delivery of freight and passengers railway services. The RVR concessions terms were to invest in the railway system, upgrade it, reduce inefficiencies, utilize a smaller work force, and generate an annual concession fee of 11.1 per cent in each country (Irandu 2000).

Irandu (2000) further explains that the Rift Valley Railways is owned by Rift Valley Railways Investments Pty Ltd, which is in turn owned by “Kenya Uganda Railways Holdings” (‘KURH’). The current shareholding of KURH is; Ambience Ventures Limited and Ambience Rail Company limited both investment vehicles for Citadel Capital with an ownership 51%, of KURH. Safari Rail company is a wholly owned subsidiary of Trans-Century limited of Kenya with 34% ownership of KURH and Bomi Holdings Limited of Uganda with 15% ownership of KURH.
1.2 Statement of the Research Problem

The study examined the impact of privatization on the service delivery more specifically the Kenya Railway Corporation (KRC) and Rift Valley Railway (RVR) concession. The study therefore sought to interrogate whether the stated objectives as stipulated in the concession had been achieved. More specifically, the effects of privatization on the quality of services offered by KRC concession, the effects of privatization on KRC’s financial sustainability and how has the concession impacted on the operational efficiency of Kenya Railway Corporation.

1.3 Research Question

In doing so, the central question that guides the study was; how effective is privatization as a strategy for improved service delivery through the Kenya Railway Corporation/Rift Valley Railway Corporation concession?

1.4 The Objectives of the Study

The main objective of the study was to assess the impact of privatization on KRC’s service delivery. The specific objectives included;

i) To evaluate the effects of privatization on the quality of services offered by KRC.
ii) To assess the effects of privatization on KRC’s financial sustainability.
iii) To examine the operational efficiency by KRC after the concession
iv) To recommend ways of further enhancing service delivery by KRC.

1.5 Justification of the Study

The findings of this study would be quite relevant to the KRC management board in making better and informed decisions when undertaking the concession and appraising the impact of the concession to improve service delivery of the corporation. The policy makers at the Ministry of Transport would benefit by guiding the transportation related institutions to assimilate effective concession change management process in service delivery. Ministry of Transport under which KRC falls will benefit in terms monitoring the deliverables of KRC/RVR concession and minimize the risks proactively. Other public agencies considering privatization would draw useful lessons from this study and avoid the pitfalls that hindered KRC from meeting its service
delivery projections. The other associated agencies and sectors that rely on the railway services would benefit from the partnerships which would arise when they join forces to work towards mutual interests. In the field of scholarship, the study would enrich the existing literature and knowledge on privatization on service delivery on public agency. Finally, this study would add knowledge to the formulators and implementers such as the World Bank and IMF, and the Kenyan Government in respect to the effects of privatization. The recommendations would provide useful guidelines to the government agencies involved in implementation of privatization programmes.

1.6 Scope

The study was limited to Kenya Railways Corporation and Rift Valley Railways service station. The study was carried out from December 2012 to August 2013 in Nairobi at the KRC/RVR Station in Nairobi town. The focus was on the impact of the concession period (2006-2012) in Kenya Railways Corporation on service delivery.

1.7 Limitations of the Study

The challenges encountered during this study included; confidentially; some respondents were not willing to give information. This was overcome by assuring the respondents of confidentially on respondents’ names and that the information would not be used in any way whatsoever and is strictly meant for academic purposes.

Evidently actual budgets were classified and as such proved difficult to corroborate the financial position. The study thus relied on alternative financial information on annual reports though not for the whole concession period. Due to constraints of time, it became necessary to e-mail questionnaires to some users and staff. However, some of the users did not have access to internet to complete questionnaires online. To mitigate this, questionnaires were printed out and distributed for those respondents who had no online access. However, the main limitation was sample size not covering cross section of all users in Kenya and Uganda.
1.8 Definition of Concepts

Privatization: This is the act of reducing government or increasing the role of the private sector in an activity or in ownership (Savas, 2005). The expected outcome includes better management, increased business opportunities and enhanced social welfare.

Concession: Refers to the special agreement in this study. It is a type of privatization which falls under delegation. It calls for active positively act by the government, which retains responsibility for the function while delegating the actual production to the private sector. (Savas, 2005).

Quality of Service delivery: referred in this study was operationalized as efficiency, timeliness, reliability, convenience

Infrastructure in this study included the railway trucks, station buildings, warehouse, depots and workshop

Rolling stock includes in this study included the locomotives, wagons, coaches and equipment

Kenya Railway Corporation (KRC): in this study the concessioner. A state corporation established by an Act of Parliament (Cap 397), and commenced operations on January 20, 1978

Rift Valley Railways (RVR): in the study the concessioner. RVR is owned by Rift Valley Railways Investments Pty Ltd, which is in turn owned by “Kenya Uganda Railways Holdings” (‘KURH’). The current shareholding of KURH is; Ambience Ventures Limited and Ambience Rail Company Limited both investment vehicles for Citadel Capital with an ownership 51%, of KURH. Safari Rail company is a wholly owned subsidiary of Trans-Century limited of Kenya with 34% ownership of KURH and Bomi Holdings Limited of Uganda with 15% ownership of KURH
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This section reviewed relevant works related to the subject matter under study. A corpus of literature existed that endeavors to analyze, describe and explain privatization process and outcome. The study critically delved into this literature with a view to highlighting their strengths and weaknesses. It then identified the gaps in the quality of service delivery, performance on financial sustainability and the operational performance.

This research was based on two principles. The Public administration theory of the market approach model in running public affairs Shafritz and Hyde (2007) and The New Public Management Theory by the fathers of NPM, Osborne, David and Gaebler T (1992). Reinventing Government-How the Entrepreneurial Spirit is Transforming the Public Sector, USA advocates the Government should operate and be regulated in a businesslike manner.

While the market model is based on the belief that the market is the efficient mechanism of allocating resources within a society, it perceives that society would be better off and more efficient if the market competition were allowed to determine policy decisions. This would eradicate bureaucratic monopoly which is associated with bottlenecks and self-interest at the expense of the quality of service delivery. To work effectively and fairly, markets require a number of elements that is there must be supply, demand, accessibility and information, Shafritz and Hyde (2007).

According to Peters (2001) the market based reforms began with basic steps of privatization and economic liberalization. These steps were geared towards making the economies more efficient and productive. The market-based mechanism is favored by contemporary politicians, academicians and the public appears to be the best model to obtain results from public sector replacing traditional bureaucracy. The mechanism was a result of concern with the economic and efficiency, insufficient incentives for employees, government are now using performance
and quality standards as the means for assessing management and policy, with economic efficiency being one of the numbers of standards being applied to managers and their programs.

Peters further explains that privatization and reducing the role of the state has gained an ideological status in many reform efforts, with the point of diminishing returns for the use of private sector being exceeded. The market model is accountable through the market and any error detection would be through the market principles. Osborne and Gaebler (1992) also believed whether you privatize ownership of goods or service whether public or private is far less important than the dynamics of markets or institutions. The determining factors are accountability, restrictive rules, quality of performance.

Put differently, the goal of privatization was to make government less expensive, more efficient and change monopolistic culture with to competitiveness. The Denhardtts and Denhardt (2000) observed that in many cases, governments and its agencies had succeeded in privatizing previously public functions, holding top executives accountable for performance goals, establishing new processes for measuring productivity and effectiveness, and reengineering departmental systems for accountability. Peters (1996) argued that market based private sector management techniques was likely to obtain better results such mechanisms was believed to solve and cure the traditional public administration ills. Osborne and Gaebler (1992) and, Graham (1980), argued that the public and private functions overlap variedly in terms of size, structure, philosophy and operations. The authors explained that integrating market principles in government activities was as important as it allowed governments to focus and concentrate on its core functions.

Similarly, other authors disagreed with the pro-privatization scholars. Moe (1987) explained that there was a wrong assumption that public and private sectors were alike. Rather, he advocated that the major elements of the reinventing government movement as an important shift away from the administrative management paradigm for public administration to an entrepreneurial paradigm based on customer satisfaction. He observed that privatization affects the ability of
public managers to meet requirements of accountability. The need to regulate and manage privatized government services was a challenge for public administrators.

Moe and Gilmore (1995) argued that the application of private sector management practices to government had harmful effects. While Bozeman (2007) explained that unvarnished truth was that private organizations were undertaking functions traditionally were performed by governments exclusively. He questions privatization as this hybrid was a threat to public administration. Admittedly, the envisaged benefits of privatization are clouded with fears on the cost and the source of funding. The government business was to measure its impact and look at its sustainability to development and growth.

Graham (1986) on the other hand argues that performance and efficiency in public management cannot necessarily be improved by borrowing from private management reform should focus on public management issues. Drucker (1973) examines three commonly held reasons why public service organizations under-perform is because managers are no businesslike, the quality of their employees is low, and their objectives and results are too intangible. He offered prescriptions to improve performance: better definition of the organization’s business, clear objectives and goals, priority-setting, measure of performance, systemized feedback from the results and an organized audit of objectives and results. All these improve efficiency in the quality of service delivery.

The market model has tended to decentralize and disaggregate government departments to provide autonomy to managers. This is the most fundamental way to breakdown large government monopolies to use private and quasi private organization through assigning functions to lower levels to deliver public service. It also develops quasi markets sort for citizens to exercise choice of services and what they receive. The administrative model makes clients to make their own decisions, Peters (2001). The key is that if your core business is known concentrate on it; else outsource what is not core to your business so as to improve on efficiency.
The management under market model emphasizes on pay for performance and need for coordination in the public sector. Linden (1994) argues that instruments used to organize and motivate personnel are as applicable in the public sector as they are in private sector. This model integrates some of the private sector features and techniques. Hence, services can be outsourced to give better results using the private sector feature and techniques thus improve service delivery.

In policy making the market model encourages market incentives for services provided and internal markets so as to motivate people while making surpluses. The reforms in Kenya have largely focused on performance and empowerment to improve service quality and efficiency, if lengthy bureaucracy is minimized then there can be innovation, creativity and administrative talent of individuals working in the public sector. The Denhardts (2000) explains that many cases, government agencies have succeeded in privatizing previously public functions, holding top executives accountable for performance goals, establishing new processes for measuring productivity and effectiveness, and reengineering departmental systems to reflect a strengthened commitment to accountability.

In conclusion, the market approach successful implementation would result in a more efficient and effective public sector whether in delivering defense or social service. According Iimi (2003) since the 1970s, following United Statement America (USA) and United Kingdom (UK) experiences, both developing and developed countries have accelerated the privatization of traditional public industries, such as electricity, telecommunications, railways and water supply. The term privatization has various connotations, such as ownership transfer (divestment of assets and sale of shares), involvement of private activity (management and operation contract, and leases) and Greenfield projects (franchising of public goods).

### 2.2 Privatization

World Bank report (2001) the report explains that although numerous enterprises were privatized in the 1980’s the impact on the economy has been limited because most of the enterprises privatized were relatively small and self-sufficient; most of the large companies were considered
strategic and therefore not privatized, and the programme had institutional and process weaknesses arising from failure to entrench the procedures and institutional framework in law.

Although researchers have made considerable progress in compiling data sets on public sector performance within and across countries, coverage remains limited. Few studies on privatization programs have attempted to track systematically indicators across the full range of impacts of political or programmatic importance and operational performance. Yet policy makers and program managers need feedback and guidance on the impacts of privatization and how they are shaped by their decisions and actions according to the report by Privatization Impact Assessment Report - 1999.

A survey done in the USA in 1992 revealed that the top two reasons government privatizes are internal effort to reduce costs and external fiscal pressures. In other words government privatizes to save money. An earlier survey identified infrastructure decay as another important reason governments privatized. Savas (2005) explains that Phoenix is one major success story with cost saving of 24 per cent in 56 vigorously contested public-private competitions. Privatizations efforts are misguided if applied to unpromising candidates and can fail when competition is absent, elementary safeguards are ignored and necessary political will is lacking Jerome (2008)

Thayer (1991) also an opponent of privatization, argues that privatization of public services results in graft, corruption, and misuse of public resources. He challenges the economic argument that government inefficiency is the result of a lack of competition and argues that it is the inefficiency of monopoly authority that should be addressed.

According to the report from the First African Union conference for ministers in 2006 the concession principle under the lease system, the State entrusted to a private contractor the management of a rail enterprise in lieu of payment of a fee. The infrastructure remains the property of the State, while the contractor is responsible for management and maintenance. The
contractor also bears the costs relating to renewal investments, while the State takes charge of development investments. Under this option, a significant proportion of the financial risks is borne by the contractor.

Were et al, (2005) explained that the public sector reform was to establish private sector participation in provision of essential services. The process was to reduce the involvement of government in commercial activities and accelerate privatization for public enterprises. This was expected to generate more revenue to the government for national development through improved efficiency in service delivery.

Jerome (2008) explained that while the underlying causes of privatization are shared globally, the relevance and benefits of privatization programmes are perceived differently in different countries. It follows then that each country has to structure a privatization programme that takes care of its socio-economic and industrial ethos for maximum benefits.

The challenges faced by the appraisal of the impacts of privatization are no different from those for any policy or program evaluation. It is opined that the KRC concession’s is no different from other privatization programs and the impact on enhancing service delivery is the question that this study attempts to answer.

2.3 Appraising Privatization Performance

One of the characteristics of privatization is not its size but the fact that developing countries have largely introduced privatization policies in good faith, matching their pace to developed countries (limi, 2003). Therefore appraising privatization efforts and performance differs as the environments placed for privatization in developed countries is totally different from that of developing countries.

Privatization advocates raise concerns that while privatization can indeed be mismanaged, management of ordinary public services suffers from many shortcoming; that is poor management can be found whether government is managing public employee or the privatization
process. Poor management is not inevitable, however it is easier to manage a privatized service than an in-house one asserts Calabrese, (2008). Calabrese explains that private services providers often achieve efficiency and maximize profits by seeking out the least costly clients for social service.

Shirley and Walsh (2000) points out that from 1971 to 1999, 32 studies out of 52 show the superior performance of privatized firms. 15 studies show no significant relationship between ownership structure and performance, and five studies conclude that the performance of publicly owned firms is significantly better than for privatized firms. This study shows that when appraising the current state of privatized public owned corporation the performance suggests that performance may not be up to expectation and always be superior performance.

According to an African Union (AU) Report (2006), the major railway difficulties in Africa included: mismanagement; shortage of financial resources, deterioration of performance in quality service due to long and accumulated delays in the maintenance of the rolling stock. The report also explains decreased technical and lack of financial sustainability as other difficulties. Highly unionized workforce, high over-head costs and lack of substantial volume of investments are some of challenges faced. Irungu (2005) explains that poor performance of KRC was attributed to inappropriate policies, especially reliance on “public monopoly” administrative structures, poor determination and inconsistently in tariffs and cross-subsidization of services. Consequently, reforming the railway sector became inevitable as a response to the challenging transport sector market demands. This was expected over time to lead to more effective use of human and financial resources, and to improve financial sustainability and attract foreign investible capital.

Havrylyshyn and McGettigan (1999) have also reviewed that the privatization effects in transition countries. While many empirical studies tend to find positive effects of privatization associated with corporate governance and firm restructuring in transition economies, some indicate the serious selection problem. Despite compelling evidence from other developed and
developing countries that privatization is viable and capable of injecting dynamism into economies; only a few countries in sub-Saharan Africa have made appreciable impact in privatizing.

While there is an increase in the level of privatization across Africa and the upsurge in research on the operating performance of privatized firms in both developed and developing economies, empirical knowledge of the privatization programme in Africa is limited (Jerome, 2008). He further explains the reasons for the poor performance are well documented and not surprisingly bear a uniform pattern globally. These include among others, the lack of residual claimant to profits, the presence of multiple and conflicting objectives determined by politicians, the prevalence of incomplete contracts and government subsidies that protect internal inefficiencies, perpetration of soft budget constraints and corruption. Although the theoretical debate is currently heavily tilted in favor of privatization, the true measure of statements of expenses effectiveness must be based on empirical research. The weight of empirical research is now decidedly in favor of the proposition that privately-owned firms are more efficient than state-owned firms (Jerome, 2008).

Many authors have given their views appraising the privatization performance state, and studies suggests that indeed there is a gap on the current status of the privatization process and thus the effects of privatization has also not been fully met. As limi (2003) argues, the privatization effects are crucially dependent on the level of economic development technique (e.g. operations and management contracts, and greenfield investments) and public infrastructure exhibits significant externalities in production at the initial stage of economic growth; premature privatization will have an adverse effect on economic growth and national-level expansion.

The World Bank Report (2001) explains that public reform included the privatization of at least 20 public enterprises (PE) out of the 207 earmarked for divestiture, and the liquidation of uneconomic PEs; improvement of the efficiency, profitability and accountability by phasing out subsidies, establishing an improved corporate governance system, and dealing with excess indebtedness; adopting and implementation of restructuring plans for five of the largest PEs.
Studies in Latin America have found performance improvement due to privatization for instance, Ramamurti (1997) in a very comprehensive albeit descriptive study appraises the impact of the 1990 restructuring and privatization of Ferrocarilla Argentinos, the Argentine railroad the then the largest in Latin America. The author documents a 37 per cent improvement in labor productivity and a massive decline in employment from 92,000 to 18,682 workers (78.7%). Consumers also benefit from expanded and better quality services delivered at lower costs. Freight rate declines by 20 per cent in real terms over 1991–1994 as a concessionaire competes more aggressively with trucks.

Privatization has become an acceptable paradigm in political economy of states. Privatization according to free-market ideology of the laissez-faire classical economic theory would reap the advantages of the market system and competition, namely effectiveness, productivity, and efficient service. This trend strengthens market forces with some degree of deregulation, economic liberalization, relaxation of wage and price controls (Ugorji, 1995).

Quite a number of public sector enterprises are operated without respect to financial costs or returns says (Okigbo, 1998). Not all such investments are expected to yield immediate financial returns as some of the benefits are social rather than private in character that is, they accrue to society as a whole rather than exclusively to particular or denominated individuals (Okigbo, 1998). In the production of most of other private consumer goods and services, it is easy to determine whether the outlays are justified or not lay on the virtue of the financial returns to investment.

In recent years all levels of Kenya government, seeking to reduce costs, have begun turning to the private sector to provide some of the services that are ordinarily provided by government. The spread of the privatization movement is grounded in the fundamental belief that market competition in the private sector is a more efficient way to provide these services and allows for greater citizen choice. Jerome further explains that in practice, however, concerns about service quality, social equity, and employment conditions raise skepticism of privatization.
2.4 Financial Sustainability Performance

Privatization according to free-market ideology of the laissez-faire classical economic theory would reap the advantages of the market system and competition, namely effectiveness, productivity, and efficient service. This eventually translates into enhanced capital formation and subsequent surplus accumulation for the benefit of service delivery and increased government revenue. This trend strengthens market forces with some degree of deregulation, economic liberalization, relaxation of wage and price controls (Ugorji, 1995).

Quite a number of public sector enterprises are operated without respect to financial costs or returns says (Okigbo, 1998). Not all such investments are expected to yield immediate financial returns as some of the benefits are social rather than private in character that is, they accrue to society as a whole rather than exclusively to particular or denominated individuals (Okigbo, 1998). In the production of most of other private consumer goods and services, it is easy to determine whether the outlays are justified or not by virtue of the financial returns to investment.

Jerome (2008), states that while the underlying causes of privatization are shared globally, the relevance and benefits of privatization programmes are perceived differently in different countries. It follows then that each country has to structure a privatization programme that takes care of its socio-economic and industrial ethos for maximum benefits. In recent years all levels of Kenya government, seeking to reduce costs, have begun turning to the private sector to provide some of the services that are ordinarily provided by government. The spread of the privatization movement is grounded in the fundamental belief that market competition in the private sector is a more efficient way to provide these services and allows for greater citizen choice. In practice, however, concerns about service quality, social equity, and employment conditions raise skepticism of privatization.

Some confusion occurs with the transition to privatization in many sites, along with the typical hiccups that accompany any major change in program or service delivery. Since this transition often came with changes in the overall philosophy of the welfare programs, it is difficult to
ascertain the effects of privatization per se. Despite public employees' fears, however, large layoffs of public agency staff did not occur in any site. This was because private agencies hired some public agency staff, and the public agencies provided positions for staff in other parts of their agencies and reduced staff size through attrition according to Case Studies of Contracting for Temporary Assistance for Needy Families (TANF) Case Management. (McConnell, Johnson and Winston, 2003).

2.5 Efficiency and Operational Development

Privatization is expected to result in increased efficiency in enterprises as a result of new investment, new technology and improved corporate governance state (Jerome, 2008). According to the Government of Kenya Session Paper 2005, on privatization of state corporation, due to the inefficiencies and the resultant financial losses, which partly reflect, lack of corporate governance and accountability, PEs have been unable to provide the services for which they are responsible, and have not been able to expand their infrastructure. This has contributed to raising the cost of infrastructural service and, more generally, raised the cost of doing business. Greater emphasis on efficiency is anticipated to lead newly privatized firms to increase their capital investment spending. Once privatized, firms should increase their capital expenditures since they have access to private debt and equity markets (Boubakri and Cosset, 1998).

The experiences of Case Studies of Contracting for TANF Case Management Pay-for-performance and hybrid contracts require a sophisticated data management system to track whether goals are met. It is also challenging to set the performance targets at an appropriate level that is high enough to motivate the contractors and allow them to cover their costs, but not so high that the public agency pays significantly more than the actual cost of service provision.

According to (Irandu, 2005) differences in the technical capacities along the railway network have forced the relaying of long distance freight traffic to branch lines. This occurs because of the desire to change locomotives and/or wagons as well as crew. Locomotives and wagons are
changed so as to adjust to the carrying capacity of branch routes, which is governed by the weight of the rails, strength of bridges and the gradient. This has necessitated the use of locomotives of different capacities to match railway line strengths. Obviously this constant shifting from one train to another often results in a series of delays that slows operation of the railway asset. He further explains that an important attribute of the locomotives is availability, which is a measure of the quality of maintenance, yet most of the time the maintenance is deferred.

Jerome (2008) notes that there is empirical support for the view that privatization is associated with improved technical efficiency. It should be borne in mind, however, that no assessment is made of whether the improvement in efficiency has been translated into improvement in allocative efficiency, and ultimately into improved consumer welfare. Ownership seems to be important. Indeed, it is assumed that privatization brings with it private owners who place greater emphasis on profit goals and also carry out new investments that lead to increased output and employment.

As Peters (2001) explains there is need to minimize redundancy of functions to prevent effective competition among agencies. Indeed, there is need to minimize redundancy in the regulatory framework where citizens and corporations complain about multiple and conflicting requirements. The belief in the efficiency of markets as means of allocating resources is the root of market approach; if there is effective competition to provide services, there should be minimal redundancy of functions. The service provision should be integrated to provide for greater efficiency for both client and government.

The redundancy may enable agencies to play off each other with some agencies running away from the responsibility and accountability. In the case of KRC/RVR, even with regulatory redundancy, it would have been efficient from the perspective of Ministry of Finance seeking to gain information about the financial performance of the corporation working together with the regulated organizations. The integration of services of the agencies is presumed to provide
greater efficiency for both parties in this case the Ministry of Finance and transport. However, conflict arose with regards to provision of the quality service where no ministry was ready to take responsibility thus blaming each other.

From the literature reviewed, the various authors opine that privatization process requires effective management for its impact to be felt. Evidently, not all state corporations have positively benefitted from privatization. In certain situations, privatization has been largely negative and failed to meet expectations of the users as intended. In the case of KRC this is due to several factors including inefficient, unreliable, unprofitable performance and dilapidated operations and obsolete rolling stock among others. Lack of effective policies and political will also eventually affect privatization process.
2.6 Conceptual Framework

The success of privatization is realized when the objectives it sought to achieve have been realized. The outcome is largely influenced by reviewing the current state of the situation, be it financial or operational against previous performance. Privatization of KRC was expected to generate revenue to the exchequer for national development through improving efficiency in service delivery, increasing profits and reducing public debt.

Figure 1: Conceptual Framework

Source: Research Data (2013)

From the aforementioned factors that make up efficient service delivery process due to privatization, the following three independent variables that is (appraisal of performance in service delivery, financial sustainability performance and efficiency and operational
development) show the above relationship with the dependent variable that leads to enhanced service delivery of the concession.

Performance evaluation in service delivery includes looking into the quality and timeliness of service. For instance, when the train arrived on time, customers’ satisfaction level was high since there was less time wasted hence efficient service delivery. This consequently reduced congestion and queues occasioned by lateness of the trains. There was also less overcrowding of passengers at the stations and people climbing on top of the coaches thus resulting into fewer accidents. Scrambling of passengers reduced passenger accidents as people got into the train orderly hence improved quality of service delivery. Efficient service delivery meant that the quality of service was to standard. The quality of service complied with the standards, the passengers’ expectation was met and increasingly more people used the services and there was less customer complaints.

Maintenance is important for any asset to allow for continuity of the use of the asset. For financial sustainability, maintenance of the railways assets was key. However, the cost of maintenance can be very expensive. Cost of maintenance and reliance on the exchequer are some of the factors that affect the effectiveness of service delivery. Since the cost of maintenance of the rolling stock was considerable high, the need to rely on exchequer to fund for maintenance of the rolling stock. If there is regular maintenance of the coaches and wagons, there was high likelihood of trains stalling and even accidents by derailing from the trucks. Currently, the users cannot use the services because the corporation has to wait for money from the exchequer to maintain the wagons and railways passengers reduced using the services. The railway service delivery was not good, thus there was no profit from the services and thus there was reliance on the exchequer to run it operations.

New investments to expand the operations of the railway would reduce levels of maintenance and costs. This was because the consumer needs changes every day and investments come with different new features consequently, the frequency of maintenance of the equipment, wagons and
coaches were also to improve its technical and operational services. The three variables are interrelated thus can determine the effectiveness of the service delivery on the concession.

2.7 Research Hypotheses

Hypothesis 1: Concession enhances the quality of service delivery.

Hypothesis 2: Concession leads to financial sustainability of KRC.

Hypothesis 3: Concession improves operational efficiency.
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction study sites
This section discusses how the study was conducted. It began with a description of the research design; sampling techniques, sample size, the data collection methods and instruments and the data analysis and presentation to satisfy the objectives of the study and reaching certain conclusions either in the form of solution(s) towards the research questions.

3.2 Research Design
The purpose of the research was to assess the impact of concession on the quality of service delivery. The research was triangulated in nature and used non probability sampling technique. The researcher purposively selected the sample population targeting respondents who are more knowledgeable and experienced with in depth information such as the focus group. Quantitatively, semi structured online questionnaires were used to interview and collect data from service beneficiaries and KRC staff. The researcher also used passive observation to observe quality and operational performance of the service delivery. Secondary data in the form of annual reports from KRC for the period 2006-2012 were used to gather statistical financial information.

Qualitatively, the researcher selected the focus group participants based on their in-depth experience and knowledge of work at KRC and their positions at work. This was because the researcher captured small ‘N’ with in-depth information to enrich findings. In this case, a maximum of 10 participants all engineers and doubled as managers who had over 10 years’ experience with KRC/RVR concession since its inception were chosen to participate in the focus group. The participants were mainly engineers or managers had also worked at KRC during the concession period. They were selected using purposive sampling for these are the people who were knowledgeable about the concern of the study. During the focus group interview the participants were assured of confidentiality on the information that they provided for the research. The findings were then recorded down.
The study also conducted face to face semi structure online interviews based on the research objectives. 100 respondents from KRC and RVR were interviewed especially those that are directly involved with the running of KRC and even the concession program and had worked at the corporation for over five years. This included managers and long experienced staff so as to get a larger ‘N’ with broad knowledge on the concession. They were selected using purposive sampling technique for these are the people who are knowledgeable about the concern of the study. Others who were interviewed included the state corporations’ officials. This was because they were in a position to give informed in-depth opinion smaller “N” number on the performance of the state corporation before and after privatization.

The questionnaires were administered through purposive method for the railway users and staff. This method was intended to capture a broader view of the larger ‘N’ that is to capture as many as possible respondents based on the research variables i.e. quality of the railway services, the operational development of the railway and the financial sustainability of the railway. Purposive method was used because the railways users are many and not all can answer all the questions. The KRC/RVR staff members who answered the questionnaires had worked in the railway for more than five years to be able to compare the situation before and after the concession. The researcher used online semi-structured questions to staff members with an aim of faster means of response and consistency to give respondent a chance to express their opinion. This enriched the quality of data sought. The researcher then checked and recorded data from participants correctly and thereafter analyzed the data. The study questionnaire is attached in Appendix 2.

The researcher passively used observation method every three days of the week at the Kenya Railway station. The researcher observed the users and station environment including the rolling stock of the railway that is wagons, coaches and the station based on the variables of research at the Nairobi Railway station. The observation was more centered on the quality of service delivery and operational development of the railway in relation to the enhanced service delivery due to privatization. During the observation session the researcher recorded findings immediately. To get varied rail users the researcher also observed the coaches arriving from
Kisumu and Mombasa stations. An observation guide (Appendix 3) was used to record the observation finding which was collected for a month. The researcher entered the observed findings immediately as observed and then analyzed the data with the help of statistical tools such as the mean, mode and variance.

To find out the financial sustainability performance of the railway, secondary data was used to qualitatively gather data through the KRC annual reports for the period 2006-2012 and the content analyzed in the form of time series analysis. The researcher represented the data through line time series graph. .

### 3.3 The Population of the Study and Sample size

The population of the study was drawn from Kenya Railways Corporation/Rift Valley Railways users and staff. The total population size for staff as at year 2012 was 2741. The questionnaire was distributed to total of 100 purposively chosen respondents in June 2013. This number comprised of the staff who had worked for more than 5 years with knowledge of the status of service prior and after the concession. The focus group comprising of ten (10) participants were interviewed face to face and about 100 users getting in and out of the Railway station at Nairobi were observed. Kisumu Station was closed down during the time of visit and the wagons were being used as classroom to train the railway workers.

**Population and Sample Size**

The target population was defined as the complete group of objects or elements relevant to the research project (Hair et al., 2007). A typical respondent for the survey were railway users and staff with experience in the use of KRC /RVR concession. Thus, the target population for the current study defined as follows:

<table>
<thead>
<tr>
<th>Table 1: Target Population</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Element</strong></td>
</tr>
<tr>
<td>Sampling unit</td>
</tr>
<tr>
<td>Study sites</td>
</tr>
</tbody>
</table>

*Source: By Author (2013)*
3.4 Data Collection Methods and Instruments
The primary data was collected using semi-structured online and self-administered questionnaires and an observation guide. The goal of semi-structured questionnaires and observation guide was for consistency and to enable respondents to express their opinion. This enriched the quality of data sought. Questionnaires are cost effective method for securing feedback. The questionnaires contained structured and unstructured questions both for staff and users. The questionnaires were sent online so as to reach staff members who were on email and also hardcopies self-administered to users who could not access email.

The secondary data such as KRC annual reports was sourced from the Kenya Railways and Rift Valley Railways data base reports for the Annual reports for the period 2006-2012.

3.5 Data Analysis and Presentation

The data analysis process involved checking or logging the data in; data was checked for accuracy; the data entered into the computer; transformed the data; and developed and documented a database structure that integrated the various measures. To check the responses of the questions, the researcher grouped the related data together and tagged them with a unique number or code assigned to each question. Data analysis and presentation was done in the form of statistical means such as tables, charts and graphs and report forms. The analysis procedure is described below in detail.

For qualitative data analysis focus group, interviews and observation raw data was checked on the date of receipt and identified the inconsistencies that had arisen during the filling in of the questionnaire or guide. Clarifications were made with the respondents on the date of receipt and data rectified and edited. The researcher checked using the central tendency and the distribution of data using the mean, measures of dispersion and the variance in the data collected in order to have a good idea of how the respondents have reacted to the questions in the questionnaires.

The verified data was analyzed in order to seek the answers to the research objectives and questions. The closed ended questions were assigned code for ease of coding purposes. The
open-ended (unstructured) questions were summarized according to the research objectives. Section one will give the Bio-data details. Section two format questions was limiting individual responses to objective one of the research with closed ended questions using five point Likert scale. This enabled the information to be grouped and analyzed statistically using a descriptive statistical programme like Statistical Package for Social Science [SPSS] version 17.0 for windows to obtain descriptive statistics. The last section with open ended questions was summarized using content analysis which gave the researcher a feel of the correlation among the data items.

Quantitatively the secondary data in the form of annual reports data and financial budget were analyzed using the time series analysis. The researcher used time series to analyze ordered sequence of values at space time intervals such as the financial trends, cost of maintenance and the reliance to the exchequer and financial sustainability by KRC. Once analyzed the information was presented using simple graphics analysis, which forms the basis of virtually every quantitative analysis of data for presentation of the data through charts, figures, tables and graphs.
CHAPTER FOUR

PRESENTATION OF FINDINGS

4.1 Introduction

This chapter presents the findings of the study on the impact of privatization on service delivery; an assessment of the Kenya Railway Corporation concession (2006-2012). The results are organized according to the three objectives of the study. The study was conducted in the months of June and August 2013 among KRC/RVR staff and users. 100 questionnaires were coded and analyzed. The overall response rate was therefore 84%. SPSS Version 17 was used for data analysis and results are presented in the form of tables edited using MS excel. The data was checked, coded, analyzed and presented in tables, and bar and line graphs.

The study’s objectives were to appraise the effects of concession on the quality of services offered by KRC concession to RVR; to assess the effects of concession on KRC’s financial sustainability in terms of reliance on exchequer, maintenance costs and to evaluate operational efficiency by KRC after the concession i.e. new investments or expansions made and frequency of maintenance. The results are organized in terms of background information, compares service delivery before and after concession, organization’s financial stability as perceived by respondents and the operational efficiency as viewed by respondents. The following three data collection methodologies were employed; questionnaire interview, focus group and passive observation.

4.2 Background Information

The background information provides data on type of respondents interviewed (employed by Kenya Railways Corporation/Rift Valley Railway concession (KRC/RVR) and gender and work experience if employed by KRC/RVR during the concession period.
4.2.1 Type of Respondents

The quantitative part of the study interviewed a total of 100 respondents (63 KRC staff and 37 RVR users. This was further split as shown in Table 4.2.

Employment Status and Sex of Respondents

The employment status of the 100 respondents interviewed were either KRC/RVR staff with a frequency of 63% response rate out of which 59.5% were male respondents and 40.5% being female. There were a total of 45 (71.4%) male KRC/RVR staff, 18 (28.6%) female KRC/RVR staff, 22 (59.5%) male KRC/RVR users and 15 (40.5%) female KRC/RVR users. The variation in percentages for the sexes considered for this study was due to employee sex ratio.

4.2.1 Work Experience

The corporation’s employees were asked to state their work experience to know if they had had experience during the period of the concession. This was pre-coded into 0 to 5 years and above 5 years. Information given was later collated as shown in Table 4.2.

Table 4.2: Work Experience

<table>
<thead>
<tr>
<th>Work experience</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 5 years</td>
<td>14</td>
<td>22.2</td>
</tr>
<tr>
<td>Above 5 years</td>
<td>43</td>
<td>68.3</td>
</tr>
<tr>
<td><strong>Sub Total</strong></td>
<td><strong>57</strong></td>
<td><strong>90.5</strong></td>
</tr>
<tr>
<td>Missing</td>
<td>6</td>
<td>9.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>63</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**Source: Research Data, 2013**

Out of the 100 questionnaires distributed a total of 63 respondents responded to this question; six employees interviewed did not give a response to this question. Generally, most of the employees totaling 43 (68.3%) have worked for the organization for more than five years. This is an indicator that the organization can benefit from quality and efficiency derived from experience of employees.
4.3 The Kenya Railways Corporation Concession Appraisal

The study’s main objective was to evaluate the effects of privatization on the quality of service delivery. The questions used included; awareness of the KRC concession, preparedness and involvement for changes that would come with the concession process, role in the process, existence of clear procedures for concession, judgment of the status of the concession and the strength of feedback mechanism in place. Table 4.3 provides a summary of the appraisal responses.

Table 4.3: Appraisal Performance

<table>
<thead>
<tr>
<th>KRC/RVR</th>
<th>Response</th>
<th>Awareness</th>
<th>Preparedness</th>
<th>Involvement</th>
<th>Clear procedures</th>
<th>Successfulness</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Freq</td>
<td>Percent</td>
<td>Freq</td>
<td>Percent</td>
<td>Freq</td>
</tr>
<tr>
<td>Staff</td>
<td>Yes</td>
<td>59</td>
<td>93.7</td>
<td>53</td>
<td>84.1</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>4</td>
<td>6.3</td>
<td>8</td>
<td>12.7</td>
<td>57</td>
</tr>
<tr>
<td></td>
<td>Don't know</td>
<td>2</td>
<td>3.2</td>
<td>13</td>
<td>20.6</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td><strong>63</strong></td>
<td><strong>100</strong></td>
<td><strong>63</strong></td>
<td><strong>100</strong></td>
<td><strong>62</strong></td>
</tr>
<tr>
<td>User</td>
<td>Yes</td>
<td>13</td>
<td>35.1</td>
<td>9</td>
<td>.3</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>20</td>
<td>54.1</td>
<td>17</td>
<td>45.9</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>Don't know</td>
<td>4</td>
<td>10.8</td>
<td>9</td>
<td>24.3</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>N/R</td>
<td>2</td>
<td>5.4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td><strong>37</strong></td>
<td><strong>100</strong></td>
<td><strong>37</strong></td>
<td><strong>100</strong></td>
<td><strong>37</strong></td>
</tr>
</tbody>
</table>

When the question ‘Were you aware of the KRC concession?’ was put across to respondents, it became apparent that it was mostly the employees that knew about it as a total of 59 (93.7%) of employees as opposed to 13 (35.1%) of users knew about KRC concession. In this, more people 84.1% of staff and fewer 24.3% of users were prepared for the changes that were to come with concession.

Even though 7.9% of the employees mentioned they were involved in the concession process, none of their involvement was classified as active. This meant that they were passively involved. All the five classified their involvement as passive. Though even with the minimal involvement, 44.4% of the staff and 21.6% of users indicated that there were clear procedures
that the concession process was to follow. 30 people indicated that there were no clear procedures while 34 people did not know about the procedures.

There was a contrast on success rating by staff and users as only a total of 11.1% of the employees rated the current status of the concession as successful in terms of service delivery. The users seemed to have been reading from a different script as 48.6% of them considered current concession status successful. All the staff 11.1% who rated the current status as successful and 37.8% of users who rated the current status as successful also said that the feedback mechanism for users is effective to communicate the success to all.

4.4 Service delivery

In order to evaluate the impact of concession on service delivery, the study had a set of questions measured on a five point Likert scale for which the respondents were to tick on 1- strongly agree, 2- agree, 3- neutral, 4 – disagree, 5- strongly disagree. A look at the responses was taken by use of mean. A mean of ‘1’ implies that the respondents strongly agreed with the statement whereas a mean of ‘5’ implies the respondents strongly disagreed with the statement. Figure 4.1 provides an overview of the responses received.
4.4.1 Service Delivery and Efficiency

To measure the efficiency of service delivery, the study asked respondents to rate three items i.e. the train was not overcrowded, the customer service was good and the railway yards were congested with people and old wagons stocks and locomotives.

With regard to whether ‘the train was not overcrowded before and after the concession, 27% of the respondents agreed that there was overcrowding before concession and 55% agreed with the statement after concession. This result recorded a mean of 3.32 before concession 2.8 after concession. This is an indication that even though overcrowding had reduced, the use of rail service reduced drastically after concession due to other factors such as efficiency. Also there is need at this point to clarify that passenger train plying Nairobi, Kisumu, Mombasa may not be overcrowded and while the commuter trains are experiencing different service levels are still overcrowded.

In respect to the quality of customer service, 49% agreed that before the concession there was good customer service and 37% agreed of the same after concession. It recorded a mean of 2.74 before concession and 3.26 after concession.
The study also sought to find out whether the railway yard services were congested with people or old wagons stocks and locomotives’ was agreed to by 61% of the respondents before concession and 41% after concession. It recorded mean of 2.3 before concession and 3.02 after concession. This compared to the other statements shows some level of improvement done by the organization as they have tried to decongest the yards.

4.4.2 Quality
The quality of service was measured using four items whether ‘the coaches and wagon were clean, whether the coaches and wagon are well maintained, whether the coaches and wagon often broke down and whether there were sufficient train workers to provide services required before and after the concession.

With regard to cleanliness of wagons and coaches, the findings revealed that ‘the coaches and wagon were clean’ had 43% of the respondents agree with the statement before concession and 47% of the respondents agree with the statement after concession. It had a mean of 3.01 before concession and 3.76 after concession. The high mean of 3.76 can be explained by the high values in the extreme pulling the standard deviation to 7.452, far higher than the other standard deviations.

The second statement ‘the coaches and wagon were well maintained’ had 36% agreeing before concession and 38% agreeing after concession. It attracted mean of 3.09 before concession and 3.08 after concession. This implies that the perceptions of users and staff have not changed as much as regard maintenance of coaches and wagons.

The third statement ‘the coaches and wagon often break down’ had 52% of respondents agree with the statement before concession and 34% of the respondents agree with the statement after concession. It recorded mean of 3.09 before concession and 3.08 after concession.

As to whether ‘there were sufficient train workers to provide services required before the concession, 53% of the respondents agreed that there were sufficient trained workers to provide
services. It had a mean of 2.61. It shows that around half of the respondents believe the staff capacity that existed was good enough to adequately provide services to the users.

4.4.3 Timeliness
The quality dimension was also measured on timeliness i.e. the extent to which the train arrived or left on time. In this regard the respondents were asked whether the ‘train arrived and left on time’. The responses were measured on a Likert scale ranging from strongly agrees to strongly disagree. Table below summarizes the finding on timeliness.

Table 4.4.3 Timeliness

<table>
<thead>
<tr>
<th>Statement</th>
<th>Before the concession</th>
<th>After the concession</th>
<th>Mean difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Train left on time</td>
<td>48%</td>
<td>39%</td>
<td>0.21</td>
</tr>
<tr>
<td>Cargo left on time</td>
<td>36%</td>
<td>24%</td>
<td>0.35</td>
</tr>
</tbody>
</table>

Source: Research Data, 2013

When the respondents’ opinion was sought on the statement ‘the train arrived and left on time’. They had various responses ranging from strongly agree to strongly disagree. A summary had 48% agreeing with the statement before concession and 39% agreeing with the statement after concession. This explains the shift of means from 2.78 before concession to 2.99 after concession. The same question for cargo services recorded 36% agreeing with the statement before concession and 24% agreeing with the statement after concession. The mean before concession was at 3.02 to 3.37 after concession. This is an indication that lateness is even more after the concession.

4.5 Financial Sustainability
The study examined at financial sustainability in the context of ‘are the branch routes still in operation, whether freight services tonnage has increased, whether the concession has expanded in the services delivered, have the tariffs been increased, whether there has been any financial audits done on the concession. The summary to the responses were as shown in Figure 4.2.
Source: Research Data, 2013

A handful of respondents totaling 19% confirmed that the few of the branch routes are still in operation. A total of 49% said the branch routes had ceased to be while 22% did not know and 10% did not give a response to the question.

When asked whether the freight tonnage had increased, only 11% agreed. The other 50% said no, 29% did not know while 10% did not give response to the question. This indicates that the freight tonnage has not increased.

In terms of services offered, 21% of the respondents mentioned that the concession had brought some expansion in services. A total of 43% of the respondents said that the concession has not brought any expansion in services. A total of 24% did not know while 12% did not respond to the question. This shows there has been marginal expansion that even though at a low level, there has been expansion of services.
The item on whether tariffs have been increased’ had decisive opinion as 69% of the respondents said that the tariffs had increased. Only 7% disagreed, 22% did not know while 2% did not respond to the question.

When asked whether there were ‘any financial audits done on the concession?’ many respondents were unaware given that internal audits figures are handled by those with interest to know. A total of 30% agreed, 4% disagreed, and a larger 64% were unaware and 2% did not respond to the question.

Table 4.4 summary of branch routes, freight tonnage, expansion, tariff and financial audits.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Yes</th>
<th>No</th>
<th>Did not know</th>
<th>No response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are the branch routes still in operation</td>
<td>19%</td>
<td>49%</td>
<td>22%</td>
<td>10%</td>
</tr>
<tr>
<td>Have the Freight services tonnage increased</td>
<td>11%</td>
<td>50%</td>
<td>29%</td>
<td>10%</td>
</tr>
<tr>
<td>Has the concession brought any expansion in services</td>
<td>21</td>
<td>43%</td>
<td>24%</td>
<td>12%</td>
</tr>
<tr>
<td>Has the tariff been increased</td>
<td>69%</td>
<td>7%</td>
<td>22%</td>
<td>2%</td>
</tr>
<tr>
<td>Are there any financial audits done on the concession</td>
<td>30%</td>
<td>4%</td>
<td>64%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Source: Research Data, 2013
4.6 Operational Efficiency

The operational efficiency dimensions measured issues of; whether wagons/coaches are serviced and maintained regularly, wagons/coaches are sufficient, whether new wagons/coaches have been bought, whether there is overcrowding of wagons/coaches at the yard, whether new branch routes have been created after the concession, whether there is maintenance schedule for maintenance of railway truck and whether the volume of goods has increased the metric tons being transported. Figure 4.3 provides a pictorial of mean of responses received. A further analysis is given in Appendix 3 and 4.

**Figure 4.3: Operational efficiency**

![Operational Efficiency Chart]

Source: Research Data, 2013

The statement ‘wagons/coaches are serviced and maintained regularly’ received 26% of the respondents agreeing, 40% being not sure and 32% disagreeing. Another 2% did not give a response to this question. The statement had a mean of 3.18, an indication that the responses were pulled both ways as only quarter of the respondents said the wagons/coaches are serviced and maintained regularly.

The other items ‘wagons/coaches are sufficient’ had 26% agreeing, 58% disagreeing, 14% being not sure and 2% not giving any response. The mean score was 3.52.
Respondents were also asked to assess to the statement on whether ‘new wagons/coaches have been bought’. A total of 20% agreed with the statement, 64% disagreed with the statement and 16% were not sure. The statement recorded a mean of 3.78.

The other statement ‘there is overcrowding of wagons/coaches at the yard’ received 16% of the respondents agreeing, 62% disagreeing and 22% being neutral. It recorded a mean of 3.58.

The item on whether ‘new branch routes have been created after the concession’ received 39% of the responses agreeing, 44% disagreeing and 17% being not sure. It attracted a mean of 3.22. The understanding derived from this is that the public are almost not sure about creation of new branch routes after the concession.

The item on whether ‘there is maintenance schedule for maintenance of railway truck’ 38% agreeing, 37% disagreeing and 25% being not sure. It had a mean of 3.15. Just like new branch routes being created, the statement brought out none decisive stand on the respondents.

The last item on whether ‘volume of goods has increased in metric tons being transported; only had 13% of the respondents agreeing, 58% disagreeing and 29% being not sure. It attracted a mean of 3.77. This implies that many opine that the volume of goods has not increased the metric tons being transported.
4.7 Focus group interview

A total of 10 engineers doubling as managers from KRC and RVR were purposively chosen for focus group discussions and interviewed based on the objectives of the study.

4.7.1 Appraisal of performance in service delivery

Exploratory discussion with the ten (10) KRC/RVR participants of focus groups established that the main objectives of the now over 5 years KRC/RVR concession was to improve the efficiency in service delivery of rail freight and passengers railways. The concession ideally was to improve the two integrated assets of KRC. These assets include the KRC infrastructure and the rolling stock. The infrastructure i.e. the railway trucks, station buildings, warehouses, depots and workshops. These infrastructure were in dilapidated state with some of the wagons and coaches being as old as 72 years. The rolling stock which includes the locomotives, wagons, coaches and equipment were also in unsatisfactory state.

4.7.2 Financial Sustainability

The discussion with focus groups participants established that the financial losses experienced by KRC over the years had put a considerable strain on public finances. Restrictive regulations such as the setting to the tariffs contributed to high costs and were barriers to new innovations. The railway has since stopped its passenger’s trains on main routes such as Kisumu, Mombasa, Nanyuki, Voi-Taveta. The branch lines network on freight services had now closed on the following routes such as Nanyuki, Kitale, Kisumu - Busia and Nakuru- Kisumu making a decline on cargo transport from 2.6 million tonnes to 1 million tonnes making huge losses. The corporation carried a freight volume of approximately 1.0 million from 2.6 million metric tonnes per year and does not seem to have the potential to increase the volume to five million ton per year any longer. In 1980, a freight level of 4.3 million ton per year was attained, while in 1989-1990, the railway carried 3.5 million tonnes per year. This figure seems to dwindle by the day as explained by the engineers during the explanatory meeting in March 2012. See table 4.4
Table 4.4: Metric Tonnes

<table>
<thead>
<tr>
<th>Year</th>
<th>KRC /RVR Cargo</th>
<th>Metric Volume 2006-2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>4.3</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>2.6</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Data, 2013

The participants alluded that the poor performance of KRC was attributed to inappropriate policies, especially reliance on “public monopoly” administrative structures, poor determination of tariffs and cross-subsidization of services. RVR has defaulted in paying back the agreed percentage of gross revenue to KRC because they cannot meet their financial obligations. This means that KRC continues to rely on the exchequer for its operations. A number of amended agreements have been made on the original articles of concession with RVR, to give the corporation a chance to recover its money.

There was a going concern on the financial aspect of KRC and sustainability of Finances on reliance on the exchequer that has never improved. Due to the sensitivity and confidential nature of the accounts, the research was not able to get all the annual reports for the years as anticipated.

As reported in 2008/2009, the Corporation recorded a loss of Kshs.1,982,575,873 during the year (2009)- Kshs.2,165,968,402), increasing the accumulated losses to Kshs.22,037,905,614 as at 30 June 2010. Similarly, the Corporation’s negative equity increased to Kshs.12,775,739,849 from the previous year’s figure of Kshs.9,182,617,997, while the current liabilities stood at Kshs.60,011,054,360 compared to the current assets of Kshs.6,679,571,720.

The Corporation is therefore termed technically insolvent. According to information available, the Management has attributed the negative working capital of Kshs.53, 331,482,640 to loan charges and arrears amounting to Kshs.38, 456,005,070 as at 30 June 2010.
In the circumstances, the financial statements have been prepared on a going concern basis on the assumption of continued financial support from the Government and creditors. The Rift Valley Railways Debt net receivables balance of Kshs.2,855,320,518 includes an amount of Kshs.1,165,092,028 due from the Rift Valley Railways. The amount which represents unpaid concession fees, rent and supply of spare parts and has remained outstanding for a considerable long period of time. Consequently, the full recoverability of the receivables balance of Kshs.2,855,320,518 is in doubt according to the KRC Annual report 2008-2009.

**Figure 4.4: Financial sustainability**

The Kenya Railways Corporation (KRC) is technically, insolvent to the tune of Sh50 billion, making it yet another State-owned enterprise that has gone bust. The corporation’s liabilities stood at Sh59.44 billion against Sh9.33 billion in total assets, leaving it with a negative working capital of Sh50.11 billion for the year ended June 2011. Kenya Railways management has attributed the massive negative working capital to a heavy loan and interest charges burden of Sh41.13 billion that it continued to shoulder even as its revenue sources have dwindled over the years Kisero (2012)
In these circumstances the financial statements have been prepared on a going-concern basis and on the assumption of continued financial support from the government and creditors.

4.2.3 Operational Efficiency

After consultative meeting with the KRC engineers/managers, it was established that the railway transport was the second most popular mode of transport in Kenya, after road transport for both freight and passenger traffic. However, the high costs, unreliability and poor quality of railway transport services hindered efforts to promote Kenya’s economic development. There are no measurable expansions in terms of investments and there is evidence that there is differed maintenance on the rolling stock i.e. locomotives, wagons, coaches, equipment and trucks. The expectations to reduce the cost of transportation and increase frequency of maintenance of rail transport to be more effective is still farfetched.

The engineers explained that on July 9th 2012, RVR received 6000 tonnes of rail from China, marking the first major investment of the concession. The respondents observed that this was a good starting point although there were far too many curves to strengthen in the old fashioned railway design thus an overhaul of the whole railway truck was preferred.

4.8. Observation

Passive observations were made on the users and rolling stock at the railway station in order to supplement information received from survey data collection methods. 100 users were observed going in and out of the station together with the state of the railway station. This was done on different days of the week on separate weekends from Friday, Saturday and Sunday for month July 2013. The following information was gathered. The station on Fridays was quiet crowded especially on the rainy days. The passengers scrambled at the door when boarding with only one railway attendant on site. The train did not leave on time as the crowds had to be given time to all get into the coaches which looked old. The passengers coming out littered the area with their used tickets and since there were no directions signs caused confusion at the station as they found their way out. On Saturday and Sunday, it was observed that the some coaches had just
been repainted while others had old rusty look. The coaches were not clean either as there were litter of used water bottles or plastic bags on the coaches especially when the passengers alighted. Some passengers did not have receipts while others disposed their receipts upon arrival. There was only one board showing the train schedule though the scheduled was not adhered to.

The observation exercise confirmed the interview findings that indeed the quality of service delivery is on the concession is not up to expected standards as depicted on the tables below showing the frequencies of quality of service delivery and operational performance of the concession.

**Table 4.5: Means and Standard Deviations to Statements on Service Delivery**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Before concession</th>
<th>After concession</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>Standard Deviation</td>
</tr>
<tr>
<td>The train arrived and left on time</td>
<td>2.78</td>
<td>1.124</td>
</tr>
<tr>
<td>The train was not overcrowded</td>
<td>3.32</td>
<td>1.294</td>
</tr>
<tr>
<td>The customer service was good</td>
<td>2.74</td>
<td>1.203</td>
</tr>
<tr>
<td>The railway yards were congested with people/old wagons stocks and locomotives</td>
<td>2.3</td>
<td>1.15</td>
</tr>
<tr>
<td>The coaches and wagon were clean</td>
<td>3.01</td>
<td>1.235</td>
</tr>
<tr>
<td>The coaches and wagon were well maintained</td>
<td>3.09</td>
<td>1.264</td>
</tr>
<tr>
<td>The cargo leaves and arrive on time</td>
<td>3.02</td>
<td>1.25</td>
</tr>
<tr>
<td>There are sufficient train workers to provide services required</td>
<td>2.61</td>
<td>1.142</td>
</tr>
<tr>
<td>Cost of the service has improved after concession</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The seats were won out</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service is faster</td>
<td></td>
<td></td>
</tr>
<tr>
<td>There are more destinations</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Research data, 2013
<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly agree (%)</th>
<th>Agree (%)</th>
<th>Neutral (%)</th>
<th>Disagree (%)</th>
<th>Strongly disagree (%)</th>
<th>N/R (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Before</td>
<td>After</td>
<td>Before</td>
<td>After</td>
<td>Before</td>
<td>After</td>
</tr>
<tr>
<td>The train arrived and left on time</td>
<td>10</td>
<td>9</td>
<td>38</td>
<td>30</td>
<td>24</td>
<td>22</td>
</tr>
<tr>
<td>The train was not overcrowded</td>
<td>11</td>
<td>11</td>
<td>17</td>
<td>44</td>
<td>23</td>
<td>13</td>
</tr>
<tr>
<td>The customer service was good</td>
<td>15</td>
<td>6</td>
<td>34</td>
<td>31</td>
<td>22</td>
<td>17</td>
</tr>
<tr>
<td>The railway yards were congested with people/old wagons stocks and locomotives</td>
<td>30</td>
<td>10</td>
<td>31</td>
<td>31</td>
<td>22</td>
<td>21</td>
</tr>
<tr>
<td>The coaches and wagon were clean</td>
<td>9</td>
<td>17</td>
<td>34</td>
<td>30</td>
<td>18</td>
<td>22</td>
</tr>
<tr>
<td>The coaches and wagon were well maintained</td>
<td>12</td>
<td>19</td>
<td>24</td>
<td>19</td>
<td>22</td>
<td>21</td>
</tr>
<tr>
<td>The coaches/wagon often break down</td>
<td>24</td>
<td>16</td>
<td>28</td>
<td>18</td>
<td>29</td>
<td>31</td>
</tr>
<tr>
<td>There are sufficient train workers to provide services required</td>
<td>14</td>
<td>39</td>
<td>18</td>
<td>6</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>The cargo leaves and arrives on time</td>
<td>14</td>
<td>10</td>
<td>22</td>
<td>14</td>
<td>19</td>
<td>23</td>
</tr>
<tr>
<td>The freight services arrived and left on time</td>
<td>9</td>
<td>8</td>
<td>25</td>
<td>19</td>
<td>27</td>
<td>22</td>
</tr>
<tr>
<td>Cost of the service has improved after concession</td>
<td>10</td>
<td>24</td>
<td>27</td>
<td>22</td>
<td>11</td>
<td>6</td>
</tr>
<tr>
<td>The seats were won out</td>
<td>17</td>
<td>21</td>
<td>13</td>
<td>34</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Service is faster</td>
<td>18</td>
<td>20</td>
<td>14</td>
<td>30</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>There are more destinations</td>
<td>18</td>
<td>17</td>
<td>12</td>
<td>33</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Passenger services en-route any destination arrive in time</td>
<td>8</td>
<td>20</td>
<td>26</td>
<td>32</td>
<td>14</td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Data, 2013
Table 4.7: Means and Standard Deviations to Statements on Operational Efficiency

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wagons/coaches are serviced and maintained regularly</td>
<td>3.18</td>
<td>0.967</td>
</tr>
<tr>
<td>Wagons/coaches are sufficient?</td>
<td>3.52</td>
<td>1.142</td>
</tr>
<tr>
<td>New Wagons/coaches have been bought</td>
<td>3.78</td>
<td>1.177</td>
</tr>
<tr>
<td>There is overcrowding of wagons/coaches at the yard</td>
<td>3.58</td>
<td>1.027</td>
</tr>
<tr>
<td>New branch routes have been created after the concession</td>
<td>3.22</td>
<td>1.382</td>
</tr>
<tr>
<td>There is maintenance schedule for maintenance of railway truck</td>
<td>3.15</td>
<td>1.158</td>
</tr>
<tr>
<td>Volume of goods has increased the metric tons being transported.</td>
<td>3.77</td>
<td>1.043</td>
</tr>
</tbody>
</table>

Source: Research Data, 2013

Table 4.8: Operational Efficiency Frequencies

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly agree (%)</th>
<th>Agree (%)</th>
<th>Neutral (%)</th>
<th>Disagree (%)</th>
<th>Strongly disagree (%)</th>
<th>N/R (%)</th>
<th>Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wagons/coaches are serviced and maintained regularly</td>
<td>26</td>
<td>40</td>
<td>20</td>
<td>12</td>
<td>2</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Wagons/coaches are sufficient?</td>
<td>2</td>
<td>24</td>
<td>14</td>
<td>37</td>
<td>21</td>
<td>2</td>
<td>100</td>
</tr>
<tr>
<td>New Wagons/coaches have been bought</td>
<td>2</td>
<td>18</td>
<td>16</td>
<td>28</td>
<td>36</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>There is overcrowding of wagons/coaches at the yard</td>
<td>4</td>
<td>12</td>
<td>22</td>
<td>46</td>
<td>16</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>New branch routes have been created after the concession</td>
<td>10</td>
<td>29</td>
<td>17</td>
<td>17</td>
<td>27</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>There is maintenance schedule for maintenance of railway truck</td>
<td>2</td>
<td>36</td>
<td>25</td>
<td>19</td>
<td>18</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Volume of goods has increased the metric tons being transported.</td>
<td>13</td>
<td>29</td>
<td>26</td>
<td>32</td>
<td>18</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Research Data, 2013
CHAPTER 5
SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter thematically presents the study findings as explained in the study hypotheses. The major findings as regards the effectiveness of quality of service delivery successfulness based on major indicators that is service timeliness, efficiency, cleanliness, maintenance, quality, staffing before and after the concession reveals the trend that there was decline and minimal improvement if any on all the indicators. Regarding the financial sustainability on the exchequer, from the annual reports, it evident that there increase of losses incurred over the year thus more reliance to the exchequer. Meanwhile, on the indicators on operations on new branches, freight tonnage, expansions, tariffs and financial audits done we find that very minimal improvements and decline on all these indicators including decline of freight metric tonnes to 1 tonnes per year from 4.3 tonnes 20 years ago. The operational efficiency in terms of maintenance of the rolling stock and infrastructure with 64% agreeing that no maintenance mainly deferred maintenance or new wagons bought.

5.2 Conclusion

In conclusion, the study established that the Kenya Railways Corporation performance has not met the expectations of its users nor its owners especially during the concession period. It still remains inefficient, unreliable and unprofitable in most years and operates a dilapidated, obsolete rolling stock. KRC relied on the exchequer for it financial sustainability due to an existing backlog of financial requirements from the concessionee. This study key question was how effective has privatization been as a strategy of improved service delivery through KRC/RVR concession has since been answered. Three hypotheses were tested and were supported in this study.
5.3 **Recommendations**

The study recommends that in future there is need to do public-private partnership hybrid to allow the public to run its functions in market model in exchange for profitability, efficiency and accountability purposes.

Secondly, it is imperative that adequate measures be put in place to control concession terms and effect changes in the event that the terms of the concession are violated. Such measures would include controls mechanisms for processes, systems and financial audits to monitor and evaluate the processes. The government should actually seek judicial arbitration to get refunds from the concessionee who did not deliver its tasks or have revised the agreement for them to accomplish the contract terms.

Thirdly, there was a lot of political interference in decision making, the railway being a government agency, the ministry of transport claiming ownership and ministry of finance claiming the agreement was drawn under their ministry. This created confusion with no ministry wanting to take responsibility especially when the process began to face challenges. This was not beneficial to the concession. A continued going concern on mismanagement of finances and lack of audits to the concession agreements’ was clearly evident as the financial gap widened.

Therefore the government should step up to revive and upgrade the railway, reduce inefficiencies, find a formula to financially sustain overhaul people, systems and structures of this state corporation through mitigating these negative impacts of concession findings of this study. This will tremendously improve the economy to best of the government’s achievements since the Railway has been identified as key to modernizing Kenya’s dilapidated and chaotic transport system - especially in the movement of goods from the Mombasa port and in efficiently transporting the rapidly growing urban population.
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APPENDIX 1

1 July 2013

Lynette A. Malago
University of Nairobi
C/O P.O Box 74165, 00200
Nairobi.

Dear respondent,

Thank you for agreeing to participate in this research.

My name is Lynette A. Malago a student at University of Nairobi. I am pursuing a Masters degree in Public Administration. I am conducting a research entitled: Assessment into the impact on Privatization on service delivery the case of Kenya Railway Corporation.

We are very interested to hear your valuable opinion on how KRC/RVR concession has improved the railway service delivery. The purpose of this research is to learn how we can best manage the impacts of privatization concessions to improve service delivery.

The information you will give us is highly confidential and your name will not be associated with anything you say or take part in during the research process. Please feel free to give us any other information that you may deem necessary for this research proposal.

Thank you once again for taking your time to participate in this research.

Yours sincerely,

Lynette Malago
MPA student, Faculty of Arts
University of Nairobi

Cell Phone: +254 0722 343 133
APPENDIX 2

KENYA RAILWAY CORPORATION/RIFTVALLEY RAILWAY STAFF AND USERS QUESTIONNAIRE

I am a student at University of Nairobi undertaking a Masters degree course in Public Administration. I am conducting research on the Impact of Kenya Railways Corporation/Rift Valley Railway concession on Service Delivery. The purpose of this research is to learn how we can best use concession’s impact to improve the quality of the railway service delivery, the financial sustainability and the operational efficiency.

Confidentiality

I do hereby guarantee that the information to be collected is solely for the purpose outlined in the above and any information from the respondents will be treated with the strictest confidence and will not be divulged to a third party without the respondent’s knowledge and permission.

Section One:

(a) Names: (Optional) __________________________________________
(b) Gender Male□ Female□
(c) KRC/RVR Staff □ KRC/RVR user □
(d) Work experience: 0-5 years □ 5 years and above □

Section Two:

1. The Kenya Railways Corporation Concession Appraisal
a) Were you aware of the KRC concessioned? Yes □ No □ Don’t know □
b) Were you prepared on the change to be brought by the concession? Yes □ No □ Don’t know □
c) Were you involved in the concession process? Yes □ No □ Don’t know □
d) What was your role in the concession process? Active □ Passive □ Don’t know □
e) Were there clear procedures that the privatization process was to follow? Yes □ No □ Don’t know □
f) Would you say the current status of concession is successful in terms of service delivery? Yes □ No □ Don’t know □
g) If Yes, do you think the feedback mechanism for users is effective to communicate this? Strongly agree □ agree □ neutral □ disagree □ strongly agree □
Please rate the following aspects in Service delivery in KRC Before and After privatization.

*Use the following Scale in Rating the Applications*
1: Strongly Agree; 2: Agree; 3: Neither Agree nor Disagree; 4: Disagree; 5: Strongly Disagree

<table>
<thead>
<tr>
<th>Item</th>
<th>Rating (Please Tick One)</th>
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<tbody>
<tr>
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<td>1 2 3 4 5</td>
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<tr>
<td><strong>KRC Before privatization</strong></td>
<td></td>
</tr>
<tr>
<td>1. Service delivery and Efficiency</td>
<td></td>
</tr>
<tr>
<td>a) The train arrived and left on time</td>
<td></td>
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<tr>
<td>b) The train was not overcrowded</td>
<td></td>
</tr>
<tr>
<td>c) The customer service was good</td>
<td></td>
</tr>
<tr>
<td>d) The railway yards were congested with people/old wagons stocks</td>
<td></td>
</tr>
<tr>
<td>and locomotives</td>
<td></td>
</tr>
<tr>
<td>2. Quality</td>
<td></td>
</tr>
<tr>
<td>The coaches and wagon were clean</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td><strong>KRC After privatization</strong></td>
<td></td>
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<tr>
<td>4. Service delivery</td>
<td></td>
</tr>
<tr>
<td>a) Congestion of the coaches has reduced</td>
<td></td>
</tr>
<tr>
<td>b) The train arrives and leaves on time</td>
<td></td>
</tr>
<tr>
<td>c) The railway yards are not congested with people/old wagons stocks</td>
<td></td>
</tr>
<tr>
<td>and locomotive</td>
<td></td>
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<tr>
<td>d) The customer service has improved</td>
<td></td>
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</table>
5. Efficiency
Cost of the service has improved after concession

6. Quality
a) The quality of the service in terms the following has improved
   i. The seats were won out
   ii. The service is faster
   iii. There are more destinations
b) The coaches are now cleaned
c) The coaches break down less as compared to before concession
d) No overcrowding is seen on the coaches

7. Timeliness
a) Timely services on freight services are being offered now
b) Passenger services enroute any destination arrive in time
c) The cargo do arrive and leave on time

2. Financial Sustainability
a) Are the branch routes still operation? Yes ☐ No ☐ Don’t know ☐
b) Have the freight services tonnage increased? Yes ☐ No ☐ Don’t know ☐
c) Has the concession brought any expansion in services?  
d) Have the tariff been increased? Yes ☐ No ☐ Don’t know ☐
e) Are there any financial audits done on the concession? Yes ☐ No ☐ Don’t know ☐

3. Operational efficiency
(a) Has KRC acquired any new wagons after privatization? Yes ☐ No ☐ Don’t know ☐

Use the following Scale in Rating the Applications
1: Strongly Agree; 2: Agree; 3: Neither Agree nor Disagree; 4: Disagree; 5: Strongly Disagree. Strongly agree equals to 1 while strongly disagree equals to 5

<table>
<thead>
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<th>Rating (Please Tick One)</th>
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<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Wagons/coaches are serviced and maintained regularly</td>
<td></td>
</tr>
<tr>
<td>Wagons/coaches are sufficient?</td>
<td></td>
</tr>
<tr>
<td>New Wagons/coaches have been bought</td>
<td></td>
</tr>
<tr>
<td>There is overcrowding of wagons/coaches at the yard</td>
<td></td>
</tr>
</tbody>
</table>
New branch routes have been created after the concession

There is maintenance schedule for maintenance of railway truck

Volume of goods has increased the metric tonnes being transported.

Please provide any other relevant information that you think is not covered by the questionnaire.

_____________________________________________________________________________________________
_____________________________________________________________________________________________
_____________________________________________________________________________________________
_____________________________________________________________________________________________
_____________________________________________________________________________________________
_____________________________________________________________________________________________
_____________________________________________________________________________________________

Thank you for agreeing to participate in this research.

Comments and suggestions to;
Lynette A. Malago

MPA Student, University of Nairobi

Cell Phone: 0722-343 133

E-mail: lmalago@yahoo.co.uk
APPENDIX 3

KENYA RAILWAY CORPORATION/RIFTVALLEY RAILWAY STAFF AND USERS OBSERVATION’S GUIDE

The purpose of this research is to learn how we can best use concession’s impact to improve the quality of the railway service delivery, the financial sustainability and the operational efficiency.

Please rate the following aspects in Service delivery in KRC

1: Strongly Agree; 2: Agree; 3: Neither Agree nor Disagree; 4: Disagree; 5: Strongly Disagree

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</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>The train arrived and left on time as per train time table</td>
<td></td>
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<tr>
<td>The train was not overcrowded</td>
<td></td>
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<tr>
<td>The customer care agents were friendly</td>
<td></td>
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<tr>
<td>The railway yards were congested with people/old wagons stocks and locomotives</td>
<td></td>
</tr>
<tr>
<td>The coaches and wagon were clean</td>
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<tr>
<td>The rail station was opened and clean</td>
<td></td>
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<tr>
<td>The coaches and wagon were well maintained.</td>
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<tr>
<td>The coaches/wagon often break down</td>
<td></td>
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<tr>
<td>There are sufficient train workers to provide services required</td>
<td></td>
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<tr>
<td>The cargo leaves and arrive on time</td>
<td></td>
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<tr>
<td>Passenger services enroute any destination arrives in time</td>
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<td>The quality of the service in terms the following has improved</td>
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<td>The service is faster</td>
<td></td>
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<tr>
<td>There are more destinations</td>
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<tr>
<td>The passenger services train arrive and leave on time</td>
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<tr>
<td>The Cost of the service has improved after concession</td>
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<tr>
<td>The coaches are now cleaned regularly</td>
<td></td>
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<tr>
<td>Have you noticed any maintenance/repairs going on?</td>
<td></td>
</tr>
<tr>
<td>The wagons and coaches are rusty and parked</td>
<td></td>
</tr>
<tr>
<td>Any rail truck expansions?</td>
<td></td>
</tr>
<tr>
<td>Wagons/coaches are serviced and maintained regularly</td>
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**Comments and suggestions to:**

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