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Impact of Privatization On Service Delivery; An Assessment Of The Kenya Railway Corporation Concession

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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.

Key Words: *Privatization, Concession, Structural Adjustment Programmes, Divestment, Investible Capital*

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Introduction

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 clamor 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

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 3.5tonnes in 1990 to the level of 2.3 million tonnes 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 not 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.

Problem and Concept

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.

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?

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.

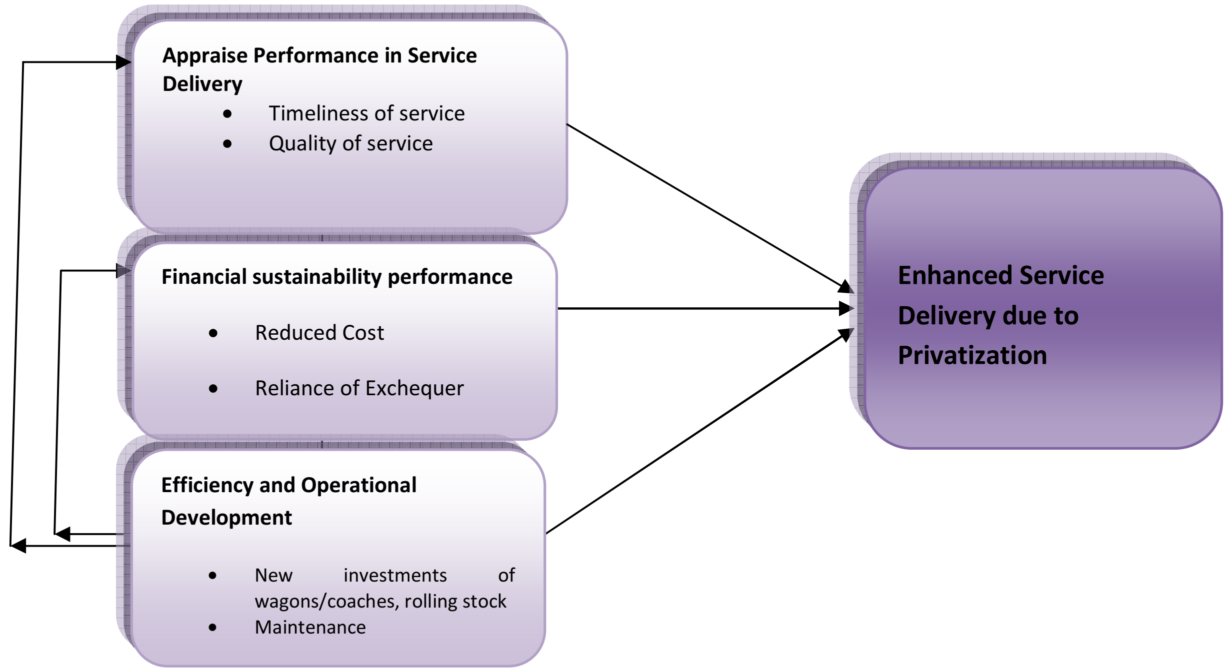

Figure 1: Conceptual Framework

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.

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.

Methods

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.

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.

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.

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:

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.

Data Analysis and Results

This chapter present finding 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.

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.

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 1.

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.

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 1.

Table 1: Work Experience

Work experience	Frequency	Percent
0 - 5 years	14	22.2
Above 5 years	43	68.3
Sub Total	**57**	**90.5**
Missing	6	9.5
Total	**63**	**100**

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.

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 2 provides a summary of the appraisal responses.

Table 2: Appraisal Performance

KRC/RVR	Response	Awareness		Preparedness		Involvement		Clear procedures		Successfulness	
		Freq	Percent	Freq	Percent	Freq	Percent	Freq	Percent	Freq	Percent
Staff	**Yes**	59	93.7	53	84.1	5	7.9	28	44.4	7	11.1
	No	4	6.3	8	12.7	57	90.5	22	34.9	56	88.9
	Don't know			2	3.2			13	20.6		
	Total	**63**	**100**	**63**	**100**	**62**	**98.4**	**63**	**100**	**63**	**100**
User	**Yes**	13	35.1	9	.3			8	21.6	18	48.6
	No	20	54.1	17	45.9	35	94.6	8	21.6	9	24.3
	Don't know	4	10.8	9	24.3	2	5.4	21	56.8	10	27
	N/R			2	5.4						
	Total	**37**	**100**	**37**	**100**	**37**	**100**	**37**	**100**	**37**	**100**

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.

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 2 provides an overview of the responses received.

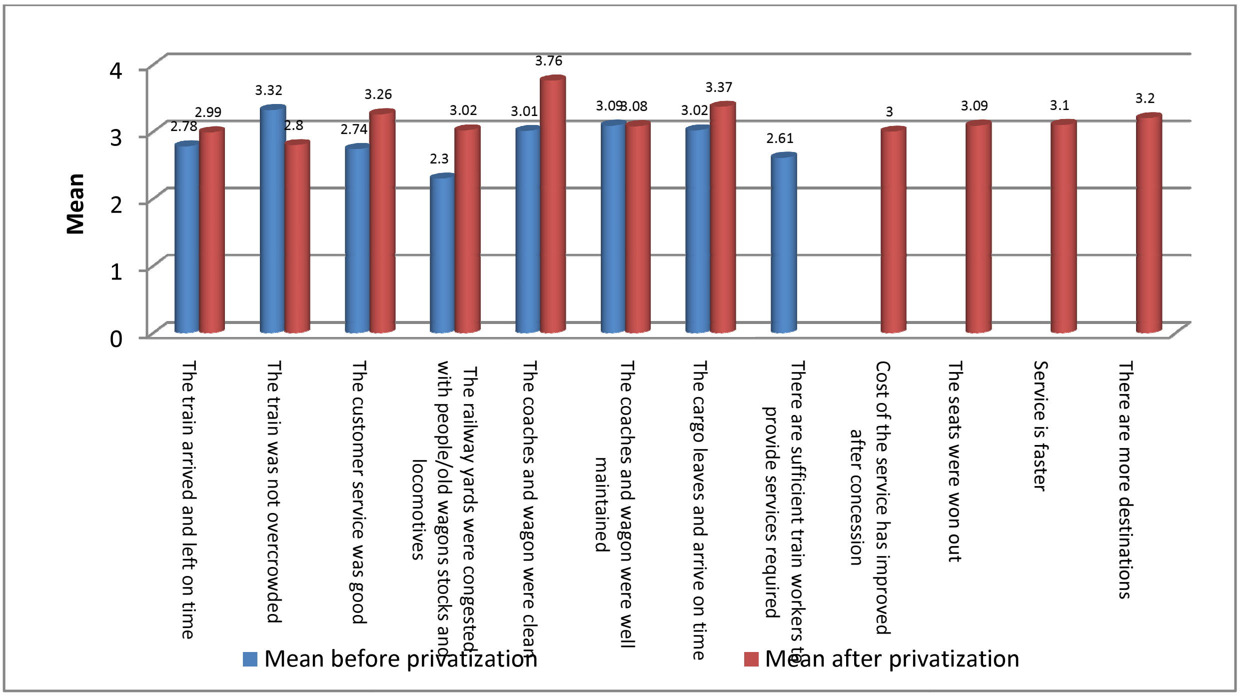

Figure 2: Views on service delivery
Source: Research Data, 2013

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.

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.

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 3: Timeliness

Statement	Before the concession	After the concession	Mean difference
Train left on time	48%	39%	0.21
Cargo left on time	36%	24%	0.35

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.

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 3

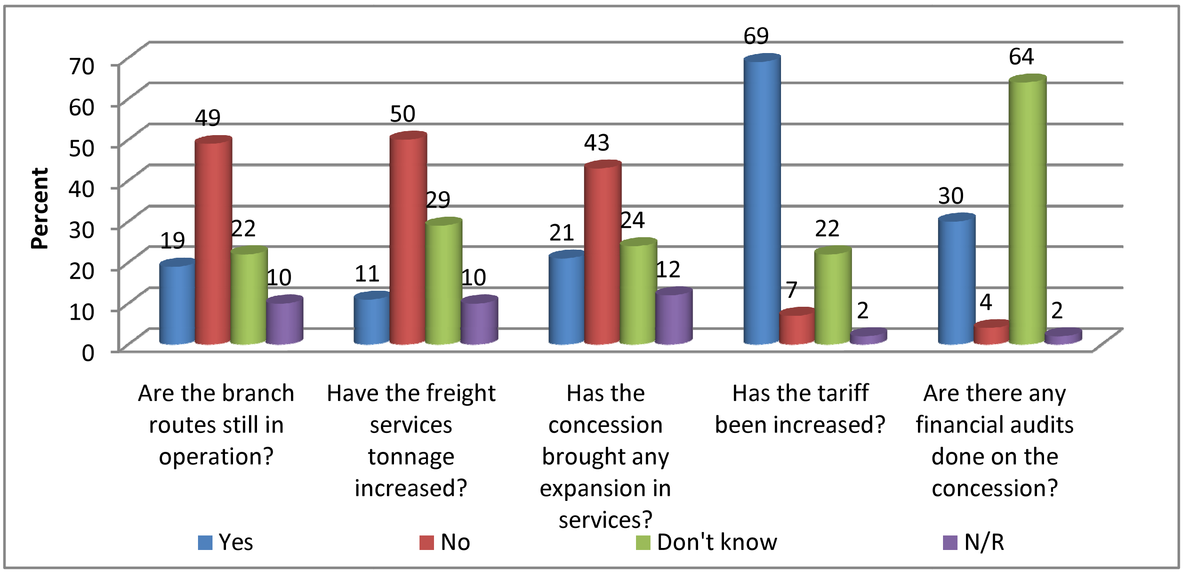

Figure 3: Financial sustainability
Source: Research Data, 2013

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

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

Source: Research Data, 2013

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 good has increased the metric tons being transported. Figure 4 provides a pictorial of mean of responses received. A further analysis is given in Appendix 3 and 4.

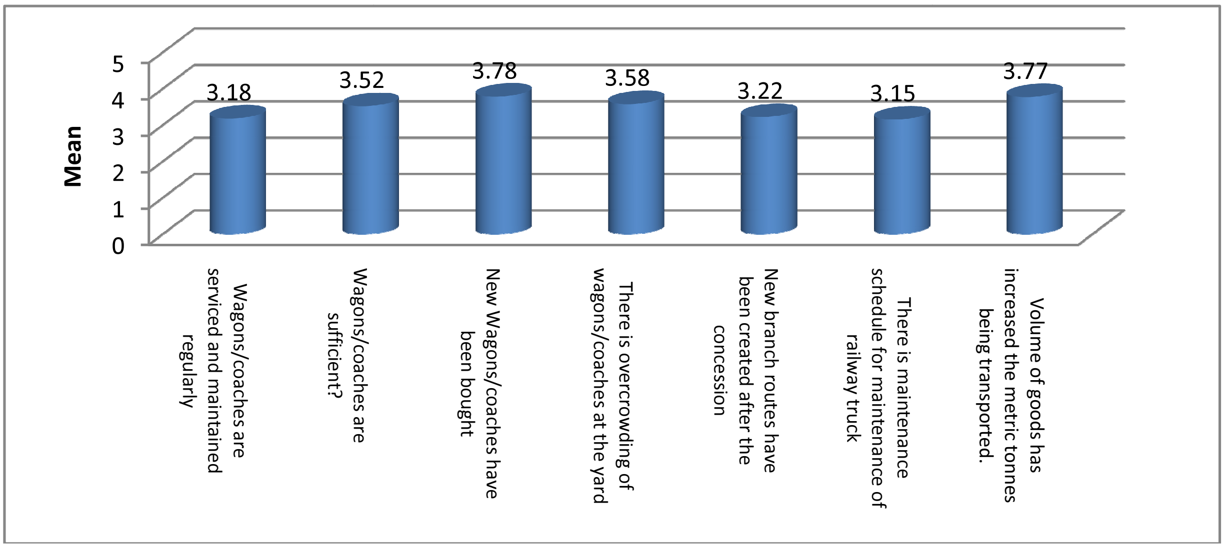

Figure 4: Operational efficiency
Source: Research Data, 2013

The statement 'wagons /coaches are serviced and maintained regularly' received 26% 0f 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 pubic 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.

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.

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 infrastructures 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.

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 5

Table 5: Metric Tonnes

KRC /RVR Cargo Metric Volume 2006-2012				
Year	1980	2006	2010	
Metric tonnes	4.3	2.6	1	

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.

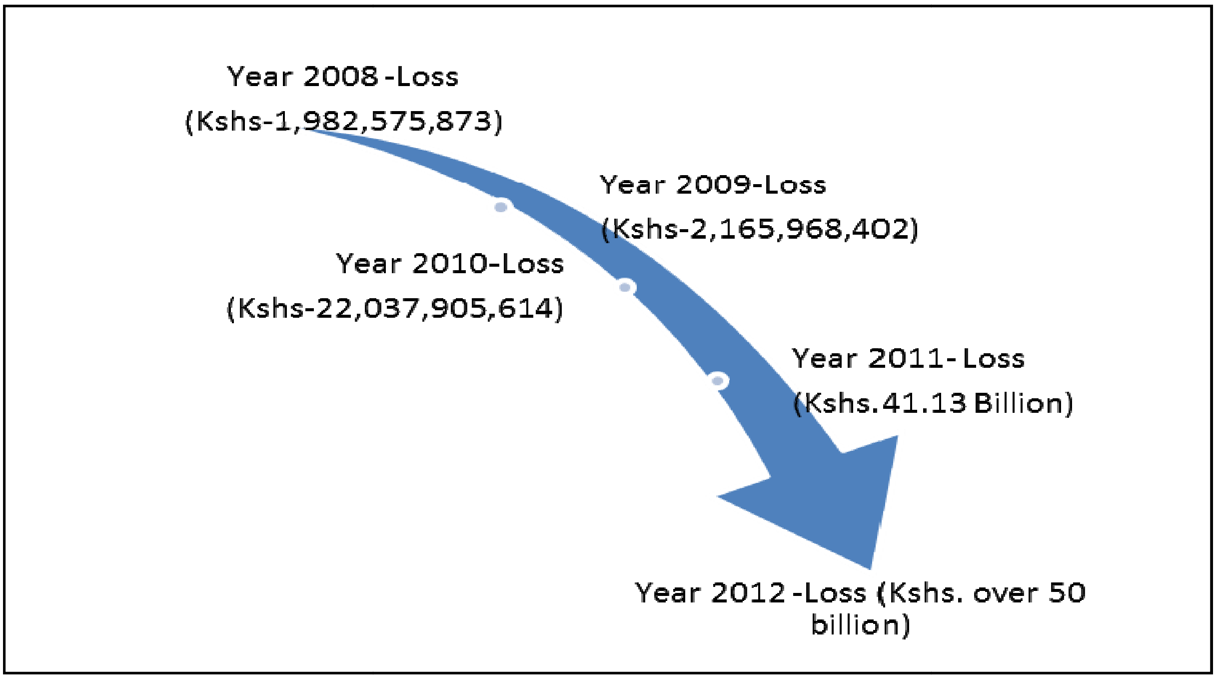

Figure 5: Financial sustainability

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.

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.

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 6: Means and Standard Deviations to Statements on Service Delivery

	Before concession		After concession	
Statement	Mean	Standard Deviation	Mean	Standard Deviation
The train arrived and left on time	2.78	1.124	2.99	1.216
The train was not overcrowded	3.32	1.294	2.8	1.32
The customer service was good	2.74	1.203	3.26	1.284
The railway yards were congested with people/old wagons stocks and locomotives	2.3	1.15	3.02	1.247
The coaches and wagon were clean	3.01	1.235	3.76	7.452
The coaches and wagon were well maintained	3.09	1.264	3.08	1.269
The cargo leaves and arrive on time	3.02	1.25	3.37	1.22
There are sufficient train workers to provide services required	2.61	1.142		
Cost of the service has improved after concession			3	1.182
The seats were won out			3.09	1.357
Service is faster			3.1	1.396
There are more destinations			3.2	1.414

Source: Research data, 2013

Table 7: Service Delivery Frequencies

Statement	Strongly agree (%)		Agree (%)		Neutral (%)		Disagree (%)		Strongly disagree (%)		N/R (%)	
	Before	After	Before	After	Before	After	Before	After	Before	After	Before	After
The train arrived and left on time	10	9	38	30	24	22	20	21	8	13		5
The train was not overcrowded	11	11	17	44	23	13	27	11	22	18		3
The customer service was good	15	6	34	31	22	17	20	23	9	23		
The railway yards were congested with people/old wagons stocks and locomotives	30	10	31	31	22	21	13	23	4	15		
The coaches and wagon were clean	9	17	34	30	18	22	25	22	14	9		
The coaches and wagon were well maintained	12	19	24	19	22	21	27	33	15	8		
The coaches/wagon often break down	24	16	28	18	29	31	15	23	4	12		
There are sufficient train workers to provide services required	14		39		18		6		0		5	
The cargo leaves and arrives on time	14	10	22	14	19	23	32	35	10	18	3	
The freight services arrived and left on time	9	8	25	19	27	22	31	33	8	18		
Cost of the service has improved after concession		10		24		27		22		11		6
The seats were won out		17		21		13		34		15		
Service is faster		18		20		14		30		18		
There are more destinations		18		17		12		33		20		
Passenger services en-route any destination arrive in time		8		20		26		32		14		

Source: Research Data, 2013

Table 8: Means and Standard Deviations to Statements on Operational Efficiency

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

Source: Research Data, 2013

Table 9: Operational Efficiency Frequencies

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

Source: Research Data, 2013

Summary, Conclusion And Recommendation

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.

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.

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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