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SESSIONAL PAPER NO. 3 ... OF 1998
TRANSFER OF OWNERSHIP OF GOVERNMENT
ASSETS TO KENYA FERRY SERVICES LIMITED

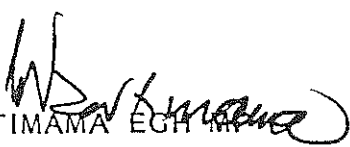
1. In accordance with the provisions of the Exchequer and Audit Act Cap 412 and the regulations made thereunder the following information is laid before the National Assembly for consideration and approval.
2. Kenya Ferry Services Limited is a State Corporation as provided under the State Corporations Act Cap 446 by being a company incorporated under the Co's Act and owned and controlled by government and Kenya Ports Authority. Following the declaration in 1989 by Kenya Bus Services Limited of its intentions to discontinue Ferry Services, the Government acquired ferry assets from the company at a total cost of Kshs.10.5 million and directed Kenya Ports Authority to take over the running of the Ferry Services.

After consultation with the Government and in order to avoid cross subsidy of the Ferry operations by other Port operators, it was decided that the Ferry Services be run as a separate cost revenue centre. At this time Kenya Ports Authority had a subsidiary company registered in the name of of BUNTY estates. The name of this Company was changed to Kenya Ferry Services Limited (KFSL) which commenced operations of the Ferry Services on 1st November 1989.

3. Later the Government acquired four additional ferries at a total cost of Kshs.376 million. These Ferries were also handed over to Kenya Ferry Services Ltd. and were commissioned in 1990. Today the Company's fleet consist of 6(six) Ferries and one service boat.
4. By a Government directive over 60% of the Ferries' capacity is utilized by pedestrians who are carried free of charge on the Ferries. Kenya Ferry Services has therefore been operating under severe financial difficulties. The only source of income being the revenue collected from the vehicle toll and is far below the company's recurrent and development expenditure requirements.

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5. The Cabinet has discussed the operation of the Ferries and approved the following:-
- a) that the ownership of the Ferries be transferred to Kenya Ferry Services Limited;
 - b) that the share capital of the company be increased from Kshs.2 million to Kshs.500 million to be held by the Government (80%) and KPA (20%);
 - c) that the Kshs.386.5 million used by the Government to acquire the Ferry assets be treated as Government's equity contribution in Kenya Ferry Services Ltd; and
 - d) that the Government should compensate the company by way of subsidy for free services provided to pedestrians
6. The National Assembly is requested to note the assets acquired by the Government and to approve transfer of the ownership of these assets to Kenya Ferry Services Limited.


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MINISTER FOR TRANSPORT AND COMMUNICATIONS