



FORMALIZATION OF MATATU SECTOR – SURVEY SUMMARY REPORT

Introduction

A formal public transport in Nairobi began in 1934 with the formation of the Kenya Bus Services Limited by Overseas Transport Company Services (OTC) of London, England. KBS operated successfully particularly after signing a 20-year agreement with the City council of Nairobi in 1966 to ensure affordable and accessible public transport to the city residents by having subsidies on routes.

The KBS operated about 70 routes covering Nairobi and parts of Kiambu and Kajiado. Half of those routes were cross-city routes passing through the CBD to drop and pick passengers and proceeded to terminate their journeys in a terminus outside the CBD. Due to high operating costs and lack of proper management KBS began going down and eventually was unable to continue providing efficient services. This led to emergence of matatus (14-seater minibuses) which were later allowed to operate legally from 1973.

The current organization of public transport is largely run by matatus who are more profit-driven as opposed to providing quality service to the public. The mode of operation is centered on a pick and drop area within the CBD turning every available space down town NAIROBI as a pick and drop area. This has led to high number of matatus parked within the CBD awaiting their turn to pick passengers. They lack a well-trained crew, clean and well-maintained buses, predictable fares and schedules, and accountability mechanisms.

Additionally, there is duplicity of route allocation leading to oversupply of PSVs in a route and hence affecting the movement of traffic in the CBD. This has led to increasing congestion with many matatus using the CBD as a waiting bay and allocation of bus stages at unsuitable locations.

Stakeholders in the matatu industry and Relationship structure of stakeholders in the matatu industry

Matatu sector has many stakeholders as listed below:

1. Owners – They are the investors in the sector and their aim is to get profit/income
2. Workers – This includes drivers, conductors and managers. They form part of the workforce and their motivation is the income/salary/allowances
3. Passengers – Ideally passengers ought to be the most important stakeholders in the matatus sector but they do not have a forum and space in the management of the matatu sector. Passengers are concerned about safe mobility and at least a socially just public transport system
4. Government – Through agencies like NTSA, the government regulates and issues policy guidelines for the sector. Government and subsequent county government also gets revenue from the matatu sector.
5. Traffic police – Conducts driver testing, licensing, adherence to traffic rules and also get revenue out of traffic fines and on a bad note, corruption
6. Other stakeholders include Motor vehicle manufacturers, Garages, Petrol stations, driving schools.

Matatu industry is highly politicized in Kenya. Politicians can also be considered as stakeholders and this is always evident by the attention and false promises the sector always gets during electioneering period from politicians.

Regulations for the matatu industry

The Matatu Sector in Kenya has experienced tremendous growth over the years

Key milestones in the sector include:

- | | |
|-----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1973 | • Presidential Decree issued, which legalized matatus and allowed them to operate without a PSV license |
| 1979 | • Matatu Vehicle Owners Association was formed |
| 1984 | • Traffic Amendment Act (10 of 1984) passed, which required all matatus to obtain PSV licenses, undergo annual vehicle inspection, and carry passenger insurance |
| 1988 | • Matatu associations banned for multi-party political activism |
| 1999 | • TLB rules introduced, which required matatus to display and remain on the routes for which they are licensed |
| 2001 | • Matatu Welfare Association formed |
| 2003 | • Matatu Owners Association formed |
| 2003-2005 | • ‘Michuki rules’ (Legal notices 161 of 2003, 83 of 2004, 97 of 2004 and 65 of 2005) implemented, which required: <ul style="list-style-type: none">○ display of route details and painted yellow band on matatus;○ fitting speed governors in all PSVs, with speed limited to 80 km/h (with vehicle owners held liable for any device tampering); |

- fitting seat belts in all vehicles;
 - employment of PSV vehicle crews on a permanent salaried basis;
 - display of PSV driver's photograph in vehicles
 - wearing badges and uniforms by PSV vehicle crews (navy blue for drivers and maroon for conductors);and
 - biennial re-testing of drivers
- 2010 • TLB directive introduced, which required all PSV owners to consolidate into either SACCOs or management companies in order to be licensed
- 2012 • National Transport and Safety Authority Act (33 of 2012) passed, which established a new regulatory body that assumed the functions of the TLB
- National Transport and Safety Authority (NTSA) directive introduced, which required: minimum SACCO fleets of 30 serviceable vehicles;
- installing digital speed governors;
 - (for those travelling at night) installing a fleet monitoring system;
 - implementing a cashless fare collection payment system by 1 July 2014
- 2014 • NTSA extended the deadline for cashless fare collection to 31 December 2014, and announced that no operating license will be renewed unless the vehicle has a cashless (or 'cash-lite') fare system.
- 2015 • NTSA further delayed the deadline for cashless fare collection as a requirement for the renewal of operating licenses. (Cashless system has failed to be implemented but the sector is experiencing strong penetration of MPESA payment of fare)
- 2018-2022 Attempts to ban Matatus from the CBD as a way of decongesting the city flops over and over again

Enforcement of regulations by government has been hard due to corruption and blatant disregard of the rule of law. Further, inadequate regulations inform the current state whereby the industry is infiltrated by cartels. This results to intimidation to matatu owners and even matatu workforce and loss of income to matatu investors.

Benefits of regulating the matatu sector cannot be underscored. It includes creation of productive and sustainable employment opportunities and most importantly, creates accountability for the stakeholders and results to profitability to the matatu investor.

Operational, management, business structure of Sacco/companies, Transport Sacco/company system in Nairobi and Membership structure of Sacco/companies

The introduction of Savings and Credit Cooperatives (SACCOs) and limited companies to be the centers of excellences for management of public service vehicles and boda boda has helped organize the sector into manageable units. Sadly, due to inadequate regulation of the Sacco's by NTSA the end result has been the mushrooming of all manner of Sacco's and companies who do not adhere to the laid down regulations. Failure to train and equip the workers in the industry continues to draw back the achievements so far realized.

The highest level of education for the majority of the investors and operators is a high school diploma. This makes their participation in high level policy making decisions for the sector hard. The fragmentation experienced in the sector which relegates keys stakeholders to mere observers is dealing a huge blow to developing the public transport sector. Thus the government makes policy decisions for the sector with limited participation from key stakeholders in the sector. Without a platform that brings together all the stakeholders, the sector will continue to be a mess to the detriment of the general public who depend on public transport.

On the other hand, most Sacco's actually do not add any other value to the matatu investor. Most owners are trapped into subscribing to matatu saccos by the fact that it is a requirement by NTSA but essentially their only benefit from the Sacco is RSL and allocation of stages. Most matatu Sacco's are not professionally managed.

Ownership structure of matatus and Categories of ownership in the industry

Ownership of matatus is majorly by individuals who own one or more vehicles. Ownership of matatus also entails Group ownership for example family, partnerships, cooperatives and limited companies.

Cost structure of matatu Sacco's/companies and owners – including financing,

Operating costs, fare setting

At the moment, the costs incurred by different matatu owners are diverse. This is informed by the fact that the matatu operations are highly personalized and each individual owner seems to be shouldering their own costs of operations. This situation is slightly different with the management companies which seem to have a more unified approach on operations and the owner has a more guaranteed expected income and also, structured incurred and expected expenses.

Secondly, both Sacco's and management companies do set standard fares for vehicles operating under them, and this applies for each and every route. However, the owners of the matatus often complain of high operating costs. To meet the expectations of the owners, Sacco's and management companies justify that they have to increase the fares. The matatu commuter thus becomes the main source of the money to satisfy the needs of these competing interests by owners, Sacco's/management companies and other businesses.

Each matatu Sacco's/management companies charge different fares for the same route. The fares are always based on factors such as the time of the day (rush hour and off-peak hours) sadly, at times weather conditions and prevailing transport demand. This is always inconveniencing passengers who have no choice other than paying.

The main reason for variation of prices (fares) by Sacco's/management companies is to attract passengers at off-peak hours where the demand is on the decline and this instant the crew (conductor) always determines what to charge the passenger as detailed also in the survey responses. Pricing and good customer service is a factor considered by more mature/elderly passengers as compared to Graffiti and music which attract more youthful passengers.

It is also important to note that the matatu conductors are always guided by the set daily revenue target collections from owners and the Sacco's.

Employment of workers

Matatu sector provide a vital source of employment. The sector always attract youth and with the current unemployment rate in Kenya, more and more learned youth are absorbed in the sector.

However, since the sector is not formalized, Sacco's are required to employ the drivers and conductors on permanent basis but this is not the case in the sector. This was evident in the survey responses whereby there is an element of a higher turnover of workforce given by the short period of time an owner had a driver or conductor.



Based on above, the drivers and conductors do not have a guaranteed source of income and they live from hand to mouth. This expose them to misuse, lack of accountability and that results to the higher level of unprofessionalism in the industry.

Secondly, the drivers and conductors do not have the mandatory social protection. Without NSSF, most drivers always retire to abject poverty and frustrations based on their hand to mouth life. Two, without NHIF, they do not have a guaranteed medical cover.

The revenue target system in the matatu sector forms the basis of performance for the crew especially the conductor. This is what will guarantee him/her a job next day.

The “I don’t care” approach by the crew is as a result of long term neglect the workforce in the sector has faced. This results to lack of loyalty from the workforce and as a consequence, higher turnover.

Matatu Owners association role in the industry

Basically the main objective of MOA and AMO or any other matatu association/welfare is to represent interests of matatu investor/sector through lobbying, advocacy and negotiation with government, county government and agencies such as NTSA.

However, most of these associations and their leadership have been compromised by politicians and their independence and purpose neutralized.

Most of the associations are not professionally managed with unqualified and questionable leadership and that is why majority of matatu owners do not even pay their membership subscriptions to these umbrella bodies.

Most owners feel that the umbrella bodies have failed in championing for their interests and advocating reforms beneficial to their operations. This results to imbalanced policies by the government which is not informed by consensus.

MOA recently announced a new chairman whom the owners feel, was part of the previous unprogressive regime hence no confidence in the future of MOA.

Factors/challenges that have plagued the sector over the years

- i) Ad hoc nature of policy interventions that are not supported by research, knowledge and holistic consultations with relevant stakeholders
 - There has been a deliberate attempt to leave out very many key stakeholders in the discussions to improve the sector
 - All major government plans on transportation have failed to recognize the important role played by the sector and plan for them. We lack a long term plan for the sector.
 - Policy interventions are aimed at over regulations rather than building the capacity of the sector to respond to the changing needs of the population.
 - Police harassment/extortion/bribery
 - Hefty cash bails and fines from the judiciary
- ii) Training and Capacity building - there has been no deliberate attempt to build the competencies of the investors, owners, Sacco/company staff, and workers.
- iii) High operational costs that make owners/investors to push the crew to meet targets.
- iv) High interest loans that leave investors high and dry without tangible return on investments
- v) Poor facilities and infrastructure that makes operational costs skyrocket. There has been little effort to improve the quality of facilities for public transport especially in the capital
- vi) Pollution – noise and air pollution is rampant in the sector due to loud music, honking, touting and aging engines that emit fumes.
- vii) Congestion – due to increased number of vehicles and the population with limited facilities the sector contributes to a large extent the congestion experienced.
- viii) Lack of Political will and Political Champions to advocate for a more a progressive plan for matatus.
- ix) Cartels and criminal gangs – the sector continues to suffer in the hands of criminal gangs who have taken over stages and routes. They impose daily charges to each vehicle operating in the sector.

BRT

The government through NAMATA is working on implementing the BRT project, based on our interaction with the stakeholders during the survey; it is likely to receive a lot of backlash.

This is informed by the fact that there is opaqueness on procedure of rolling out BRT and secondly, no clarification on what will happen to the current matatu's.

This builds up a silent protest caused by unnecessary fear that BRT will systematically remove them out of business. The fear of unknown trickles down to even the drivers and conductors who fear losing their jobs.

Based on above, there is need for dialogue, consensus and transparency on the part of the government on how the BRT project will be rolled out, two, how the current matatu's will compliment BRT operations.

It is also evident that the biggest impediment to government's implementation of BRT is how to build the capacity of the current operators to invest and operate BRT. NAMTA has previously proposed Sacco's joining up and forming management companies just to build up capacity for management and owning of BRT.

Majority of the existing matatu Sacco's are in chaos as far as operations are concerned due to poor management and lack of structured operations and further, based on the political nature of the matatu sector, amalgamation of the said Sacco's into management companies seem farfetched.

NAMATA currently as constituted is not anchored in law as the legislation to operationalize its functions is still yet to be passed by parliament.

Field observation of the survey, observation of matatu operations, Perceptions, attitude, views of owners, investors and Sacco/companies on - formalization of the matatu industry

- It is evident that the matatu sector seems to be in a state of chaos as far as management is concerned.
- There is lack of collaboration amongst stakeholders. Sacco's ought to be playing the most integral role of harmonizing operations to create efficiency. The associations have also failed in representation. On the other hand, NTSA and by extension the government, seem to have failed as far as regulation is concerned. NTSA needs to stop registration of new Sacco's and ensure the current existing Sacco's are properly managed.
- Formalization of the matatu sector is inevitable and it is timely. This should start by amendments to the laws governing the sector to ensure accountability. Formalization should also be done with transparency, considerations, procedurally and wholesomely to avoid anticipated protests by some of the stakeholders. Majority of operators feel that even before the government thinks of operationalizing BRT, the government need to streamline

the sector as it is now for BRT and matatus to work in a complimentary way.

- Majority of the matatu owners feel that they form a huge base of tax payers but it is evident the government has never prioritized the sector hence the current state of zero support and inadequate regulation.
- The sector faces intimidation, corruption and harassment in their operations from County government officers, Police, Cartels (commonly known as “Kamagera”) and NTSA. This wastage results to losses to investors and ultimately, they cannot invest back to improve customer experience for instance safety of the matatus.
- The matatu sector suffers from a bad historical public image and this informs how the government prioritizes it.
- As the government improves the matatu infrastructure, the workforce need standardized training in order to formalize the sector. Innovations (e.g cashless fare payment) in the sector and the increasing youthful workforce are drivers for change of the status quo.
- On the survey, many respondents found the questionnaire lengthy but with the help of our research assistants, we managed to take them through. This informs the random nature of the respondents as compared to your initial requirement
- In our email dated 14th of June 2023, we shared with you data based on a research NAPTA conducted on the number of matatus operating within the Nairobi Metropolitan. NTSA is yet to give us the official data on this for verification purpose.