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1st September, 2006



**The Attorney-General
Permanent Secretaries/
Accounting Officers
Controller and Auditor-General**

USE OF OFFICIAL TRANSPORT IN STATE CORPORATIONS

This is with reference to Circular No. OP.CAB.23/1A of 30th June, 2006 on the new Transport Policy in the Public Service.

The frugality measures announced in that circular letter were intended for the entire public service and that is why they were addressed to Chief Executive Officers of State Corporations, among others.

In consultation with SCAC account has been taken of the varied environments within which the state corporations sector operates due to the diverse nature and scope of their mandates. However, within the overall objective of adopting best management practices to eliminate wastage in the manner in which transport services are structured, and managed within each state corporation, the following guidelines shall apply effective from the date of this circular.

1. Allocation of Official Transport

(a) Non Executive Chairman

Non Executive Chairmen of State Corporations Boards are not entitled to full time official transport. Chief Executive Officers of State Corporations are expected to facilitate transport for the Chairmen whenever they travel on official business of the Corporation.

This arrangement is provided for under item (f), Annex IV of the Guidelines, and may be amended through circulars issued from time to time. The current circular being No.OP.CAB.9/21/2A/LII of 24th March, 2005 paragraph 3(b).

(b) Chief Executive Officers

Transport for Chief Executive Officer when on official duty or from house to office and back is provided for under item 16, of Annex V(B) of the Guidelines of 23rd November, 2004. The official transport is now limited to one vehicle only within the capacity approved by the Government through circulars that are issued from time to time. The current circular being No. OP.CAB.23/1A of 30th June, 2006 which provided for one vehicle and of capacity within approved limits.

(c) Management Staff

- a) State Corporations will maintain appropriate reasonable pool transport for use by Management Staff when on official business of the Corporation.
- b) Depending on the financial ability of a State Corporation, Senior officers of the Corporation could be facilitated through a car loan scheme to purchase vehicles and use the vehicles for official business of the Corporation. Such officers would then be paid a transport allowance at rates approved by the Board of the State Corporation.

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(d) Unionisable Staff

In cases where transport or commuter allowance is currently being availed to unionisable staff as part of the Collective Bargaining Agreement the same may continue within the approved budget.

2. Transport for Staff Who Provide Essential Services and Utilities

A State Corporation whose mandate involves the provision of essential services such as in areas of medical care and utilities, or operate during hours when public transport is not available or reliable, should with the approval of the Board in consultation with the parent Ministry put in place a cost effective and efficient transport arrangement to facilitate its operations.

3. Group transportation of staff

Given the level of public transport in urban centres in the country, there is no reason for the provision of Group transportation of officers from town to office and back unless it can be shown that;

- a) The use of public transport would not be practicable. In this circumstance, the State Corporation will seek authority of the parent Ministry to be allowed to offer on owned basis or lease hire basis Group transport for its staff.
- b) Where authority is given for group transport, the facility should be utilized in a cost effective way and be subjected to periodic review as circumstances change.

4. Transport Related Allowances

As clearly stated in the Pay Policy for Public Service, the wage bill for the public sector remains high relative to GDP and Government revenue. Fringe benefits and allowances, including transport related allowances, have, in this regard increased significantly in terms of amount relative to salaries and in absolute terms. At a time when pay should be a function of performance and productivity, the allowances will invariably reduce rationale and transparency of the Remuneration system. The Board of each state corporation should bear this in mind when drawing its Human Resource budget.

5. Common Practices

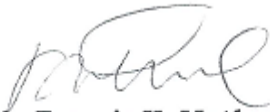
There are practices of irregular or wasteful use of official transport which are common to both mainstream civil service and state corporations. These practices are discouraged. In this regard a Board and Management of a State Corporation are asked to ensure that;

- (a) Use of official transport is restricted to official business of the corporation.
- (b) Officers travelling to the field by road or air on official duty comply with the provisions of paragraphs nine (9), and ten (10) of Circular No. OP/CAB.23/1A of 30th June, 2006 are applied.
- (c) Staff appreciate transport as a cost centre and it has to be managed effectively and efficiently within approved budget for the State Corporation to deliver on its mandate and annual Performance Contract.

6. Conclusion:

In conclusion, it is reiterated that compliance with approved budget is one of the criteria of Performance Contracting. Boards are therefore expected to manage the Resources of State Corporations including transport in an efficient manner in order to achieve their set performance targets.

Yours



Amb. Francis K. Muthaura, EGH
PERMANENT SECRETARY/SECRETARY TO
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NAIROBI

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