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Matatu investors feel electric buzz

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SPECIAL REPORT



Public transport stakeholders board a BasiGo electric bus in Nairobi during a sanitisation tour, courtesy of GIZ Kenya and The Standard Group last Thursday. [Samson Wire, Standard].

As Kenya maps out electric vehicle charging infrastructure, visionary entrepreneurs in the public transport sector are eager to venture early for future profits.

Matatu investors now eye electric vehicles

By Esther Dianah
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Investors in the matatu industry are warming up towards electric mobility. The electric transport space has been opening up in the country as Kenya joins the rest of the world in efforts to cut carbon emissions.

Two Kenyan e-mobility companies - BasiGo and Roam, have introduced electric vehicles (EVs) into the market and are eager for a slice of the juicy public transport pie.

Matatu Operators Association (MOA) Chairman Christopher Muia says he's willing to bet on EVs. However, he's cautious about the costs involved and whether such a venture can break even fast.

"This is a good concept and plan which is also eco-friendly. As a businessman, whenever you get an opportunity to invest, just grab it," he said.

"It's a new product, so we want to understand the servicing, the charging of the vehicle and charging stations and spares of the vehicles."

Public Service Operators (PSVs) were

recently on a familiarisation tour of the companies bringing in electric buses in Kenya that was supported by the German Agency for International Cooperation (GIZ).

BasiGo sells the bus upfront through the banks while Roam sells on a lease-to-own basis within four to five years.

Other concerns expressed by investors from the Matatu sector include the cost of purchase.

"With where the economy is right now, and interest rates from the bank, if you were to put in deposits or look for finances for such a bus, it might not be viable," said MOA Secretary Kenneth Munyui.

Lease-to-own basis

Munyui urged EV assemblers to look for ways of bringing down the cost of a bus. For instance, Roam (OPIBUS LTD) sells its vehicles on a lease-to-own basis, the initial cost of the vehicles is about Sh16 million.

"The idea is good, but the cost of the bus is way too high. They should engage the government on issues like value-added tax (VAT) and excise duty," Munyui said.

He noted that when the cost of the bus

is high, insurance goes up too. "They are insisting on comprehensive insurance, which has been a major impediment to our investments," he said.

Munyui said that despite the initial cost, he is willing to invest in electric mobility owing to the volatility of fuel prices witnessed in the last few years.

"The cost of fuel keeps going up. As we speak, matatu operators are working for oil companies because nearly 60 per cent of our collection is going to fuel, not forgetting the issue of spare parts," he said.

Kenya National Bureau of Statistics (KNBS) data shows that the matatu industry generates over Sh200 billion in revenue with about 70 per cent of Kenyans relying on matatus.

Earnings from road passenger traffic were estimated at Sh349 billion in 2017.

George Githinji, a businessman and chairman of OMA Services Limited, a matatu operator, said that the idea of electric mobility is a noble one.

"It makes business sense owing to the high fuel prices. Ultimately, any business person is looking for something that is efficient, less tiresome and less prone to mechanical problems and profitable," said Githinji.

The buses are single transmissions, and do not have an engine but instead, use a mortar. Also, they don't have an air filter and there is no oil change. These buses run on battery which can cover about 250km on a four-hour single charge. They also have a trained technical team to service the buses at night.

Githinji says he has already ordered vehicles from BasiGo and is eager to see how the venture will turn out.

"I want to convert into electric buses because it is a new experience and the mathematics is adding up correctly and it seems profitable. The return on investment is a plus," said Githinji.

Githinji says that compared to diesel vehicles that are predominantly used in the matatu business, electric buses have low maintenance costs.

PSV licenses

Unlike Munyui, for Githinji, the amount invested is not a problem, as long as he can recoup back his investment.

Matatu owners association also estimates that there are 200,000 matatus in Kenya with 20,000 matatus in Nairobi and 53,629 PSV licenses issued by the National Transport and Safety Authority (NTSA).

BasiGo and Roam's objective is to address the urgency of the climate crisis and revolutionise public transport by making it more accessible.

According to Samuel Kamunya, the head of business development at BasiGo, for every 280km, electric vehicles consume electricity worth Sh2,300. This, he says, is far much lower than the Sh7,000



PROS AND CONS OF ELECTRIC VEHICLES IN THE MARKET

- **Energy efficient:** Recharging an electric car is much more affordable in the long run as opposed to refuelling a gas-fueled car.
- **Reduce emissions:** Electric cars emit zero tons of Co2 or other greenhouse gases, making them much more environmentally friendly.
- **Low maintenance:** Mechanical engines have a lot of moving parts, including pumps and valves, along with fluids that need changing. Think of frequent oil changes - which electric cars don't have.
- **"Fueling" takes longer:** Finding a charging station while on a long-distance road trip can be a challenge. Adding gas to a fuel tank doesn't take much longer than five minutes, whereas recharging an electric car can take some time to do, especially if the battery is fully depleted.
- **Expensive to acquire:** Although the cost of an electric car can be offset by fuel cost savings and tax credits in some countries, the upfront price of most electric cars is higher than that of comparable gas-powered vehicles.
- **Can't travel as far:** The driving range of a gas-powered car is much longer than that of an electric car. This can be problematic if you're planning a long-distance trip, but it should be fine for daily commutes if you charge your car nightly.



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Christopher Muia, Matatu Operators Association (MOA) chairman

we come in after selling the bus to you. The cost of technical expertise is also high, so we do that for you, you own the bus but we ensure the bus works for you," explained Kamunya.

BasiGo, which now has 25-seater buses that go for Sh5.8 million, is planning to bring 33-seater buses in the next month and projects local assembling by end of the year to make the buses more affordable.

The company says that the challenge they face is capital expenditure, and have not recovered from the global logistics challenge as a result of the pandemic.

Alternative fuels

Kamunya noted that the rise in electricity prices does not affect them as much. "The rate at which electricity goes up is negligible compared to how alternative fuels go up".

Roam, which entered the Kenyan market in 2018 and started retrofitting is now assembling locally. The firm aims to manufacture about 50 buses monthly.

According to Felix Eningsjo, the project head at Roam, as compared to diesel, Roam buses have lower operating cost, zero noise pollution, requires less maintenance and have local support after-sales service.

"The buses are designed for the Kenyan market, the chassis is assembled locally and the body is built in Kenya. The preferred time of charging the battery is night time, for slower charging which is sufficient. Daytime charging is rapid," he said.

Roam's project head also noted that for every km, operators save Sh35 which is an equivalent of Sh1 million per year.

Eningsjo expressed his concern that one of the risks they have to deal with is what to do with the batteries when they run out.

"These are going to be many batteries in five to ten years, we don't want them to be dumped in the landfill, we are talking to companies that can recycle this," he said.

FORECAST

Inside the world's fastest-growing industries for the next few years

The world is changing rapidly, and with it, the industries that drive the global economy.

In recent years, some industries have seen explosive growth while others have slowed or disappeared entirely. We take a look at the top five fastest-growing industries and discuss what makes them so successful. From technology to health care, these sectors are driving the economy forward and paving the way for a brighter future.

1. Shipping and delivery services

The rising popularity of online purchases has led to an increased demand for shippers and is fast securing its place as the growth industry front-runner.

With an increasing number of people purchasing items from websites like Amazon and eBay, there will be an increased demand for individuals who can transport these items from one location to another since the pandemic. It is predicted by many economists to be the fastest-growing industry world-over within the next year.

As a result, shipping companies are hiring more people than ever, and your skills may allow you to join them.

If you're looking for a career that allows you flexibility in scheduling while still maintaining a stable income while working remotely (or at least part-time), this industry might be right up your alley.

There are many benefits associated with being an independent contractor including flexible hours, no commute time, no dress code and a choice over how much work or money you want out of it (or how much time). These perks make it easy enough to fit into any lifestyle and succeed.

2. The healthcare industry

The healthcare industry is projected to expand by 19 per cent, making it the second-fastest growing sector.

The reason for this growth is the increasing demand for healthcare insurance and the need for more people to fill jobs in the healthcare industry.

As our population grows, so do its medical needs — companies have to hire more doctors and nurses to meet those demands. More people are getting sick, which means that more people need treatment. This increase in demand has led to a rise in healthcare professionals' salaries and an influx of new patients into the field.

The influx of new patients who require medical

attention due to new laws will also cause the demand for insurance policies to rise.

For example, in 2019, many States mandated that employers cover their employees' contraception costs under their health plans. This development has significantly increased the demand for health-care insurance among young people seeking birth control coverage.

3. Travel and food industries

With the growing population and interest in travelling after years lost to the pandemic, dream jobs that combine travel with food and culture are set to land in third place.

If you love to travel, consider a career as an agent or guide who helps others plan their trips. Ensure you're certified by your local government to become a tour guide (usually required for historical sites).

If you don't want to work directly with tourists but still want to help with travel, become an agent for a company specialising in international flights and accommodations.

4. Online retail

As more consumers turn to online platforms for shopping, businesses are quickly adapting to meet this demand. Companies like Amazon, Walmart and Target invest heavily in online efforts to serve their customers better.

With more people using the internet to shop and take advantage of discounts, the online retail sector is expected to grow significantly this year.

The convenience of shopping online through the pandemic has significantly expanded — albeit less for wants and more for needs. However, e-consumerism is already showing a strong return, with 1 out of every five retail purchases occurring online.

5. The AI revolution

The future of the global economy lies in Artificial Intelligence (AI). AI has begun to revolutionise many industries, such as healthcare, finance and transportation. Through automation, improved data analysis capabilities and predictive analytics, AI is helping businesses become faster and more efficient while cutting costs.

With its potential for tremendous growth and its ability to revolutionise existing industries, AI is set to be one of the most important drivers of economic growth not just today but for coming years.

[Entrepreneur.com]

