

The Collapse of a Regional Institution: The Story of the East African Railways within the  
East African Community, 1967-1977

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**COMPULSORY DECLARATION**

This work has not been previously submitted in whole, or in part, for the award of any degree. It is my own work. Each significant contribution to, and quotation in, this dissertation from the work, or works, of other people has been attributed, and has been cited and referenced.

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## Abstract

This dissertation examines the deterioration and collapse of the East African Railways Corporation (EARC) during the time of the East African Community (EAC), 1967-1977. The EARC has a long history that stretched back to the beginnings of colonial settlement in the East African region. It survived two world wars and a global economic depression, but just a few years after the independence of East African nations in the early 1960s, the EARC rapidly disintegrated. This then leads to the main project question: *What were the causes that contributed to the collapse of the EARC?*

In order to address this question, I traveled to Nairobi in June 2015 to explore two archival sources: the Kenya National Archives and the Kenya National Railway Museum Archives. Both proved to be an invaluable repository of primary source material. In particular the main documents found were the business records describing the operations of the EARC during the period in question. In addition, with the help of a librarian at the *Daily Nation* newspaper in Nairobi, I was able to access archived newspaper articles on the EARC dating back to the years of interest. With this data and along with secondary source material, I conducted an analysis that triangulated these sources to provide a holistic picture of the events that affected the EARC.

The narrative therefore demonstrates that while many factors contributed to the failure of the EARC what ultimately determined this were the nationalistic tendencies of representatives of EAC member states that overcame any centripetal forces of regional unity. There were also several events that precipitated the downfall of the EARC but ultimately it was the financial crisis of 1974 that proved decisive. This so-called crisis stemmed from a failure of each region to remit funds toward headquarters to be able to continue rail operations. This episode could not be blamed solely on foreign exchange concerns as some scholars have claimed. Instead the crisis exposed the long simmering national divisions that had manifested during this period. Each of the EAC partner states desired equitable treatment. When some perceived that they could not receive this through the operations of regional institutions such as the EARC, they engaged in actions that paralyzed EARC operations. This culminated in the complete fracturing of the EARC by 1977.

Since the end of the twentieth century, the EAC has been reborn and even expanded upon to include new member states beyond the original three of Kenya, Uganda and Tanzania. The East African Railways have also risen from the ashes and in late 2013, the initiation of the expansion on the existing rail lines to reinvigorate the railways commenced. But have the lessons of the EARC been learnt to avoid a repeat of the emergence of regional disunity that caused its collapse? It remains to be seen.

## CHAPTER 1

## Introduction

*It is not uncommon for a country to create a railway, but it is uncommon for a railway to create a country.*

- Sir Charles Elliot<sup>1</sup>

This dissertation is an exploration into the deterioration and collapse of the East African Railway Corporation (EARC) as a regional institution during the time of the first East African Community (EAC). The latter began in 1967 and ended with the demise of both institutions by 1977. Most scholarly work during this period has focused on the EAC and attempted to understand the concatenation of factors which led to its disintegration. Mention of the East African Railways has been mainly consigned to passing references to its failure as an institution within the broader EAC. The railways have often been treated as a monolithic entity with little understanding of what role individuals played within the organization. Therefore, this study will explore in some depth how the management of the East African Railways dealt with, or attempted to deal with, forces that contributed to its eventual breakup. This will be accomplished by examining several major issues arising during this period: the inability of the East African Railways to rationalize its services in order to achieve financially sound operations; the push to decentralize management operations of the railways to regional headquarters within each member state which actually accelerated its breakup rather than strengthened it; and the politically driven financial crisis of 1974 which ended any hope for the will to continue the East African Railways as a regional entity. A review of the history of railway development in East Africa as well as regionalism and discussion of the factors that remained constant from the period of colonial rule until after independence will also be necessary in order to contextualize this study. Finally, the study will discuss the extent to which the influences of Africanization, nationalism and labor affected the management and operations of the railways. Ultimately, it will argue that while there were economic factors that contributed to the complete breakup of the East African Railways by 1977, the reason for its collapse was due to the failure to

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<sup>1</sup> Sir Charles Elliot was the Commissioner of the East Africa Protectorate (Kenya) from 1900-1904 and the quote was taken from an engraved plaque which hangs in the National Museum of Kenya in Nairobi.

address nationalistic tendencies exhibited by EAC member state representatives involved with the railways that trumped attempts to unify rail operations across the region.

### *Framework*

From a historical colonial perspective there are two types of scholarly literature on the East African Railways. The first focused on its development during the early period of British and German colonization in the region. The other is mainly concerned with the technological history of the railways which will not be discussed this is beyond the scope of this study.<sup>2</sup>

The dual volume *Permanent Way* by M.F. Hill perhaps remains the gold standard on the history of the construction and development of both the “Uganda Railway” (as the East African Railways was first called) and then the Tanga and Central Rail lines within the Tanganyika territory.<sup>3</sup> Hill’s dense but wonderfully detailed history of the railways ends just after WWII in 1948. Charles Miller’s *The Lunatic Express* also touches on the subject of the railway construction but mainly focuses on the stories of the panoply of colorful early colonial explorers and administrators who reconnoitered and eventually subjugated the territories of East Africa. One example is the story of Sir Gerald Porter, Acting Consul of Zanzibar, who was commissioned by the British government to explore the territory of Uganda in 1893 to evaluate the feasibility for commercial opportunities in the region. It was his expedition report that first recommended the construction of a railroad to connect the coast to the interior of East Africa.<sup>4</sup> A few other works are worth mentioning briefly. *Railways Across the Equator: The Story of the East African Line* (1986) covers the construction and development of the railway up until just after

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<sup>2</sup> Two detailed works on the subject of the locomotive technology of the railways can be found in: O.S. Nock, *Railways of the World: Railways of Southern Africa* (London: Adam & Charles Black Ltd, 1971); and R. Raemer, *Steam Locomotives of the East African Railways* (Devon: Davis & Charles, 1974).

<sup>3</sup> Hill’s history of the East African railways is divided into two volumes: the first is primarily concerned with the Kenya-Uganda railways; and the second volume is focused on the railways in Tanganyika. See M. F. Hill, *Permanent Way, Volume I: The Story of the Kenya and Uganda Railways*, (Nairobi: English Press, Ltd, 1950); and M. F. Hill, *Permanent Way, Volume II: The Story of the Tanganyika Railways*, (Nairobi: English Press, Ltd, 1950).

<sup>4</sup> Porter was quoted as saying: “To effect any real improvement in prosperity or commerce... and for ourselves to reap the material progress that may be made... the only means of effectively doing this is by a railway”. Charles Miller, *The Lunatic Express*, (New York: The Macmillan Company, 1971), 278.

independence but it is mainly a pictorial history of the railway and locomotive technology.<sup>5</sup> The other is *The Iron Snake* (1965) by Ronald Hardy which lyrically describes the personal narratives of the individuals involved in the construction of the Uganda railway.<sup>6</sup> As such, it only covers a narrow timeframe beginning just before construction started in 1896 and ending with the final rail spike being driven in on the shores of Lake Victoria Nyanza in 1901. Finally, a book geared toward young adults, *The Fire Snake* (1980) by Francine Jacobs, provides a simplified but entertaining story focusing on the construction of the Uganda railway.<sup>7</sup>

The period from the post-independence period until the breakup of the EAC shows a dearth of detailed literature on the railways. The few that were found are mainly located within scholarly studies on the region as a whole or within descriptions of the development of independent nation-states after colonialism. Even then, what has been written is relegated to brief sections within a single chapter.<sup>8</sup> In addition, the scholarly discussions are typically framed around the failure of the railways as a representation of the problems of the EAC as a whole. For instance, Fredland remarked that the strains of operating the railways as an EAC corporation “specifically contributed to the grief [of the EAC]”.<sup>9</sup> Specific reasons as to why the railways may have failed are only mentioned briefly and not in great depth. Arthur Hazelwood, for example, points out the effects of road transport competition as a “fundamental cause” for the financial difficulties of the

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<sup>5</sup> Mohamed Amin, Duncan Willetts & Alastair Matheson, *Railway Across the Equator: The Story of the East African Line* (London: The Bodley Head, 1986).

<sup>6</sup> Ronald Hardy, *The Iron Snake*, (London: Collins Clear-Type Press, 1965).

<sup>7</sup> Francine Jacobs, *Fire Snake: The Railroad that Changed East Africa* (New York: William Morrow & Co., 1980).

<sup>8</sup> See Ingrid Doimi di Delupis, *The East African Community and Common Market* (London: Longman Corp Ltd., 1970), 100-104; Richard Fredland, “Who Killed the East African Community?” in Richard Fredland & Christian Potholm (eds.), *Integration and Disintegration in East Africa* (Lanham: University Press of America, 1980), 69-70; Arthur Hazelwood, *The Economy of Kenya: The Kenyatta Era* (New York: Oxford University Press, 1979), 93-96; Allen Springer, “Community Chronology” in Richard Fredland & Christian Potholm (eds.), *Integration and Disintegration in East Africa* (Lanham: University Press of America, 1980), 25-27; Domenico Mazzeo, “Problems of Regional Cooperation in East Africa” in Richard Fredland & Christian Potholm (eds.), *Integration and Disintegration in East Africa* (Lanham: University Press of America, 1980), 87-89; and R.T. Ogonda, “Post-Independence Trends in Development of Transport and Communications” in W.R. Ochieng and R.M. Maxon (eds.) in *The Economic History of Kenya* (Nairobi: English Press Ltd., 1992), 313-326.

<sup>9</sup> Fredland, “Who Killed the East African Community?”, 68.

East African Railway Corporation.<sup>10</sup> But he goes no further than describing this challenge in a couple of sentences.

One notable exception is a paper written by John Due examining the various rail systems in Africa.<sup>11</sup> Due goes into some detail regarding the challenges experienced by the East African Railways and does draw conclusions as to the reasons for these difficulties which will be discussed further in the next section. But one issue with Due's paper is that it was written in 1977 and lacks additional time for analysis since the perspective is fairly close to the traumatic events that ended the railways.

Another factor that affected the performance of the railways was the push to Africanize the labor force after independence. The subject of Africanization has been extensively written on in various contexts. One noteworthy work is Frederick Cooper's *Decolonization and African Society*.<sup>12</sup> His book focuses on the transition into the early post-colonial period from the colonial perspective and policy actions on African labor in British East Africa and French West Africa. Another author who wrote on Africanization was Philip Daniel who described the challenges and intricacies of transitioning the mine labor force in Zambia.<sup>13</sup> Daniel's work provides a contrast to Cooper's work on the subject of Africanization of the labor force as independence neared by focusing on one labor sector in one country. But specific works on East African railway labor are more limited in scope. One source is the excellent monograph written by R.D. Grillo but this only examines the railway workers at one rail station – Kampala – and only covers the years of 1964-1965.<sup>14</sup> Grillo's research exposes the complexities of the lives of African railway workers at this single station but it is difficult to extrapolate on whether this reflected the broader railway labor force during the time-frame of this study.

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<sup>10</sup> Hazelwood, *The Economy of Kenya*, 94.

<sup>11</sup> John Due, "Some Observations on Rail and Road Transport in Commonwealth Tropical Africa", *Institute for Development Studies*, University of Nairobi, Discussion Paper No. 257 (1977), 1-51.

<sup>12</sup> Frederick Cooper, *Decolonization and African Society: The Labor Question in French and British Africa* (Cambridge: Cambridge University Press, 1996).

<sup>13</sup> Philip Daniel, *Africanisation, Nationalisation and Inequality: Mining Labor and the Copperbelt in Zambian Development* (Cambridge: Cambridge University Press, 1979).

<sup>14</sup> R.D. Grillo, *African Railwaymen: Solidarity and Opposition in an East African Labor Force*, (Cambridge: The University Press, 1973).

Another factor that played a role in the operation of the railways was the labor unions. Cooper's work is also a helpful reference in this regard as he discusses the evolution of the union movement in East and West Africa. More focused on trade unions within East Africa is Roger Scott's *The Development of Trade Unions in Uganda*.<sup>15</sup> Scott's work focuses on the different types of trade unions that existed in Uganda at the early part of the post-colonial period but he dedicates a whole chapter to the history and development of the Railway African Union whose members played a direct role in the industrial relations of the East African Railways.<sup>16</sup> This will be discussed further in the next chapter.

Possibly the largest factor that ultimately affected not only the East African Railways but also the larger regional community was the development of African nationalism. The idea of nationhood and citizenship within recently independent countries has been the subject of several developmental iterations. In the immediate period before African nations won their sovereignty, scholars, as described by John Lonsdale, viewed this as a linear transition from "tribe to nation" via the "modernization" of African peoples. This was thought to occur through the colonial implementation of the "three Rs": writing, rifle[s] and railways.<sup>17</sup> But this view was too simplistic and by the 1980s and 1990s, scholars were using new methodologies to focus on the lives of ordinary people in what Jean Allman described as "writing history from the bottom up".<sup>18</sup> These explorations complicated the previous "linear" transition to African nationhood. Berman, Eyoh and Kymlicka pointed out the contradiction between the rise of broad anti-colonial movements and the fragmenting forces of distinct ethnic constructions along with patronage politics.<sup>19</sup> This is exemplified by David Anderson's research into

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<sup>15</sup> Roger Scott, *The Development of Trade Unions in Uganda*, (Nairobi: East African Publishing House, 1966).

<sup>16</sup> *Ibid*, 59-73.

<sup>17</sup> John Lonsdale, "The Moral Economy of Mau Mau: The Problem" in Bruce Berman & John Lonsdale (eds.), *Unhappy Valley: Conflict in Kenya & Africa, Book Two: Violence & Ethnicity* (London: James Currey Ltd, 1992), 270.

<sup>18</sup> Allman uses examples such as Elizabeth Schmidt's work on Guinea's 1958 nationalist movement and John Lonsdale's work on "moral ethnicity" to highlight this approach. See Jean Allman, "Between the Present and History: African Nationalism and Decolonization" in John Parker and Richard Reid (eds.), *The Oxford Handbook of Modern African History* (Oxford: Oxford University Press, 2015), 6.

<sup>19</sup> Bruce Berman, Dickson Eyoh & Will Kymlicka, "Introduction: Ethnicity & the Politics of Democratic Nation-Building in Africa" in Bruce Berman, Dickson Eyoh & Will Kymlicka (eds.), *Ethnicity & Democracy in Africa* (Oxford: James Currey Ltd, 2004), 8.

the roots of the Mau Mau conflict, together with Caroline Elkins' work on colonial violence during the 1950s that provided a new understanding of the atrocities that occurred in Kenya before independence.<sup>20</sup> The Kenyan case shows the extent to which ideas of nationalism can be fraught with complexity. The eight-year campaign waged by the British under a "state of Emergency" was against Kenya's largest ethnic group, the Kikuyu. It saw Kikuyu "rebels" killing African loyalists in what was ultimately a civil war that exposed fissures of ethnicity and class between people in the region.

But what is missing in the literature on nationalism is a better understanding of the development of national boundaries between African states. Over time, in most cases, these lines on a map first established by colonial powers to mark their territories have solidified into more solid constructs. But questions still remain as stated by Allman: "How did they come [borders] to be marked or enacted, and engaged as lived experience? How did they define or demarcate citizenship: who belonged and who did not?"<sup>21</sup> In addition, how did existential feelings of nationalism translate into attitudes toward transnational relations? It is these questions that play a role in understanding why regional institutions, such as the East African Railways, failed shortly after independence and why more broadly, regionalism may have initially failed in East Africa.

Of course the East African Railways did not exist in a vacuum. It was a major component of the EAC and bound to it by legal statute.<sup>22</sup> Ingrid Doimi di Delupis discusses the relationship between the two institutions and provides a fairly detailed history of the development of regionalism in East Africa from the start of the colonial period in her book *The East African Community and Common Market*.<sup>23</sup> It then moves to the post-independence period and the major events that led to the formation of the EAC. The author provides substantial commentary on the tenets of the Treaty for East

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<sup>20</sup> David Anderson, *Histories of the Hanged: The Dirty War in Kenya and the End of Empire* (New York: Norton, 2005); Caroline Elkins, *Imperial Reckoning: The Untold Story of Britain's Gulag in Kenya* (New York: Henry Holt and Co., 2005).

<sup>21</sup> Allman, "Between the Present and History", 9.

<sup>22</sup> The East African Railway Corporation was formally confirmed within Chapter XIX of the Treaty for East African Co-operation. See East African Community, *Treaty for East African Co-operation Act 1967*, No. 31, 244-247.

<sup>23</sup> Ingrid Doimi di Delupis, *The East African Community and Common Market*, (London: Longman Corp Ltd., 1970).

African Co-operation and what that meant in practice within the Community, which is helpful for understanding the basic structure and function of the various institutions within the EAC.

This study aims to address the paucity of literature concerning the East African Railways during the timeframe after independence and its role within the first EAC (1967-1977). Focusing on the role of the management of the railway corporation and understanding how it attempted to deal with various internal and external factors and tensions can contribute to a better comprehension of how this long running institution finally came to an end. The first step is to explore in some depth what has so far been written about why the East African Railways collapsed, which will be presented in the next section.

### *Historiography*

The first EAC was officially founded on 1 December 1967. Along with it came a plethora of supporting regional institutions such as the common service organizations, which included the EARC. On the surface, this was quite an achievement as a step toward a Pan-African dream after years of uncertainty as to whether the three newly independent nations of Uganda, Tanzania, and Kenya would succeed in formalizing this regional union.<sup>24</sup> Arthur Hazelwood hailed the final result of this attempt at economic integration in the Africa when in 1979, he wrote: “Nowhere has there been even a proposal for a scheme covering so wide a range of activities within so highly organized a system, as that of the East African Community”.<sup>25</sup> But as much as this system may have appeared to be well-organized and broad in scope at the beginning, scholars reflecting back on the EAC discerned that cracks had appeared from the inception in this façade of regional cooperation and showed that it may not have been as strong as it seemed initially. Breakup may have been inevitable, as it finally occurred less than ten years later.

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<sup>24</sup> The Treaty for East African Cooperation was actually signed on 6 June 1967. Delupis, *The East African Community*, 51.

<sup>25</sup> Arthur Hazelwood, “The End of the East African Community: What Are the Lessons For Regional Integration Schemes”, *Journal of Common Market Studies*, Vol 18, No. 1 (Sept 1979), 41.

While there is a plethora of scholarly works on the demise of the EAC, the literature describing the reasons for the collapse of the East African Railways is sparse at best. The direct reasons for failure that have been mentioned include financial difficulties, competition from road transport and uneconomic tariff rates. But can the failure of the EARC be simply broken down into these individual components? Did one of these reasons have more of an impact on the performance of the railways than the others? While each factor may have played a significant role in the downfall of the EARC, there may also be one common underlying theme within the discourse on the breakdown of this institution: the absence of political will to hold it together.

In examining the reasons for the difficulties experienced by the EARC, John Due argued in 1977 that it was linked to the continuation of inefficient tariff rates that had been initially established under colonial authority and were created on a “value of service basis”.<sup>26</sup> Rates were lowered to aid exports from member countries and kept relatively high for imported goods. The rate structure was allowed to persist well into the post-colonial period. This, according to Due, was because of political factors. For instance, he pointed out that Tanzania desired to maintain low rates on certain products. It was therefore “unwilling to approve changes until it received concessions on greater regionalisation of the system”.<sup>27</sup> The result of this political paralysis was that rates remained frozen for a number of years despite cost increases related to transport – particularly fuel.<sup>28</sup> Due makes the connection that the source of the EARC’s problems stemmed from a lack of political will to make economic changes.

Other authors have pointed out that financial difficulties experienced by the railways were the major factor affecting its performance. R.T. Ogonda wrote in a chapter on the post-independence transport history of Kenya that for the railway service between 1970 and 1977, a lack of finances contributed directly to the drop in delivery of services. These deficits also meant an inability to purchase “locomotives, rolling stock, equipment and spare parts”.<sup>29</sup> Ogonda highlighted an expanding negative balance

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<sup>26</sup> Due, “Some Observations”, 5.

<sup>27</sup> The products included maize, fertilizer and livestock. *Ibid.*

<sup>28</sup> According to Due, rates remained frozen from 1969-1974. *Ibid.*

<sup>29</sup> Ogonda, “Post-Independence Transport”, 314.

sheet in which the railway debt grew from 8 million KSh in 1967 to 26 million KSh in 1970.<sup>30</sup> But while Ogonda was correct in stating that financial difficulties were a source of the railway's problems, he failed to explore the reasons why they arose in the first place.

Competition from road transport was presented by several scholars as a source of the financial difficulties experienced by the railways. Arthur Hazelwood pointed to road competition as a "fundamental cause" of the financial challenges experienced by the East African Railways Corporation between the years of 1967-1970.<sup>31</sup> Allen Springer also noted the increasing effect that road transport in Kenya had on the railway's financial problems in the late 1960s.<sup>32</sup> Ogonda briefly discussed the impact of the road transport industry by showing how, in 1966, the railway "earned 72% of the total revenue" of freight carriage while road transport carried "only 28%".<sup>33</sup> By 1977, the gap had shrunk and even slightly reversed with the railway only receiving "46% of the [freight] revenue" as "compared with 54% of road transport".<sup>34</sup> But taking a different perspective, Domenico Mazzeo looked beyond the issue of road transport and connected it to the broader context of regional versus national forces as a source of conflict.<sup>35</sup> Management of road transport was a national responsibility while the railways were a regional responsibility. As a consequence, economic coordination of transport policies across the region became difficult to achieve since it may not have been based on purely "economic criteria".<sup>36</sup> A further element within the regional tension surrounding the road-railway issue was Tanzanian concern that Kenya had closer interests with the private road transport firms than with the railway and was thus even willing to allow "excessive competition to damage the revenues of the railway in Kenya".<sup>37</sup> Ogonda also supported this view, writing that in Tanzania, there were "strong feelings" that Kenya

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<sup>30</sup> While the financial figures for 1970 do not match between Due and Ogonda, the main takeaway made by Ogonda was the increase in deficit over time that was important to note. *Ibid.*

<sup>31</sup> Hazelwood, *The Economy of Kenya*, 94.

<sup>32</sup> Springer, "Community Chronology", 25

<sup>33</sup> Ogonda, "Post-Independence Transport", 315.

<sup>34</sup> *Ibid.*

<sup>35</sup> Mazzeo, "Problems of Regional Cooperation", 87.

<sup>36</sup> *Ibid.*

<sup>37</sup> Hazelwood, *The Economy of Kenya*, 95.

was promoting this competition.<sup>38</sup> This national interest in the road transport industry was reinforced by the involvement of the Kenyan government in the formation of the Kenya National Transport Company (KENATCO) in 1966.<sup>39</sup> It was also believed that even the Kenyatta family had a personal stake in the firm.<sup>40</sup> From this it emerges that was not simply economic competition from road transporters that mattered as much as the political circumstances behind the issue of road competition.

The last major issue that has been discussed as contributing to the downfall of the East African Railways was the failure to transfer funds from the individual country headquarters to the wider regional corporation headquarters based in Nairobi. The general operations of the East African Railway Corporation as a whole were managed through the regional headquarters in Nairobi. This was enabled by collection of revenues at the country headquarters which were then remitted on to Nairobi. Springer indicated that in 1973, Tanzania and Uganda first began to withhold transfers of funds to the EARC headquarters.<sup>41</sup> By 1974, according to Mazzeo, the unwillingness or inability to transfer these funds from Tanzania and Uganda to the regional headquarters triggered the “so-called ‘financial’ crisis and the final break-up of the Corporation” (a more detailed discussion on the financial crisis and how the EARC attempted to manage it will be made in Chapter Three).<sup>42</sup> This financial crisis led to discontinuation of services – such as the closure of the passenger line within Kenya by February 1975 – due to the lack of locomotive and related spare parts that could not be purchased.<sup>43</sup> The reason why the transfer of funds was not initiated, according to Hazelwood, was “partly because of [foreign] exchange-control delays”.<sup>44</sup> Railway revenue collected within each member country could not be paid to Nairobi in local country currency and had to be made in foreign exchange. Springer also felt that the shortages of country foreign exchange - particularly in Uganda and Tanzania – were due to the rising fuel prices

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<sup>38</sup> Ogonda, “Post-Independence Transport”, 315.

<sup>39</sup> *Ibid.*

<sup>40</sup> Andrew Coulson, *Tanzania: A Political Economy* (Oxford: Clarendon Press, 1982), 309.

<sup>41</sup> Springer, “Community Chronology”, 25.

<sup>42</sup> Mazzeo, “Problems of Regional Cooperation”, 88.

<sup>43</sup> Hazelwood, *The Economy of Kenya*, 95.

<sup>44</sup> In addition, rising oil prices also exacerbated the situation which “quadrupled the railways’ fuel costs”. *Ibid.*

related to the OPEC crisis of the mid-1970s.<sup>45</sup> However, Hazelwood contends that foreign exchange problems could not be the sole factor in funds transfer problem, noting that “if the affairs of the common services [including the railways] had been in good order it would have been more difficult for payments to be stopped on exchange control grounds”.<sup>46</sup> The resulting lack of funds at the EARC headquarters had other negative spillover effects that contributed to the operational deterioration of the railways.<sup>47</sup> But was this truly a barrier which member states could not overcome? Moreover, Mazzeo has argued that the country headquarters actually operated on budget surpluses and that the “crises of the Corporations were more political than financial”.<sup>48</sup>

If the underlying theme of the previously discussed factors was political, then it is necessary to look at the political linkages within and surrounding the EARC. As argued by Hazelwood and Mazzeo, the most important connection begins with the Treaty for East African Co-operation. Annex XIV, Part B of the Treaty provided a direction for the decentralization of operations of the public corporations - albeit in vague, non-specific terms.<sup>49</sup> It was this lack of clarity on the specifics of the decentralization process that has been highlighted as a major operational strain for each of the public corporations. It resulted in confusion where “community headquarters wished to retain major decision-making power, while country headquarters were claiming almost complete independence”.<sup>50</sup> Hazelwood also indicated that the process of attempting to accomplish decentralization (“in the name of regionalism”) through the creation of duplicated staffing at each country headquarters and the construction of new buildings to house this staff invariably added additional costs that had to be accounted for within the railway budget. This was in addition to a reduction in efficiency that the extra layers

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<sup>45</sup> Springer, “Community Chronology”, 25.

<sup>46</sup> Hazelwood, “The End of the East African Community”, 52.

<sup>47</sup> Springer indicated that by this time, the UK then simply “refused to supply any further spare parts until the EARC repaid its substantial debts”. *Ibid.*, 26.

<sup>48</sup> Mazzeo, “Problems of Regional Cooperation”, 89.

<sup>49</sup> In this section of the Treaty, it mandated that: “strong and functionally comparable regional railway headquarters, including revenue and accounting services, shall be established in Dar es Salaam Kampala and Nairobi”. East African Community, *Treaty for East African Co-operation Act 1967*, No. 31, 313.

<sup>50</sup> Mazzeo, “Problems of Regional Cooperation”, 88.

of bureaucracy entailed.<sup>51</sup> This particular issue of decentralization will be discussed further in Chapter Three.

One of the primary purposes of the Treaty for East African Cooperation was to address the “economic realities” that existed among the three member states of the EAC. This reality had existed as a recurrent theme stretching back to the colonial period of the 1950s and it referred to the “constant search for a more equitable distribution of benefits among partners”.<sup>52</sup> Put bluntly, this was a struggle to rectify the trade imbalances and the economic dominance of Kenya. Mazzeo also indicates that the genesis of this imbalance can be found through the structure of British rule in East Africa where the aim was not to impose a system that ensured equitable development to all territories of the region but rather to realize the reduction in the “financial cost of colonial rule” while exploiting the resources available.<sup>53</sup> This particularly benefitted Kenya over other territories as independence approached. Sircar also pointed to the factor of economics as the crucial element contributing to regional failure. This was mainly in form of unequal development and trade imbalances between the states and the persistent belief that Kenya was benefitting at the expense of Tanzania and Uganda where the latter were “subsidizing the growth of the former”.<sup>54</sup>

Bhekithemba Mngomezulu focused on the personal relationships of the three East African political leaders and how they were influenced by nationalism and sub-national interests that ultimately “left East Africa divided”.<sup>55</sup> His dissertation emphasized how poor personal relations among the leaders of the three East African countries were a key detriment to the ability to maintain the EAC. Allen Springer also discussed the decline in political amity between Tanzania and Uganda after the latter experienced a

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<sup>51</sup> Hazelwood, *The Economy of Kenya*, 94.

<sup>52</sup> Mazzeo, “Problems of Regional Cooperation”, 84.

<sup>53</sup> To the British, the question of the regional distribution of benefits was mostly irrelevant but this would become a central issue for survival of regional cooperation as the 1960s began. *Ibid.*

<sup>54</sup> Sircar, *Development Through Integration*, 131.

<sup>55</sup> In his study, Mngomezulu described the effects of stronger effects of nationalism between member states of the EAC that played a divisive role as well as sub-national influences such as the Buganda tribe of Uganda opposition to regionalism. Bhekithemba Richard Mngomezulu, “An Assessment of the Role Played by Political Leaders, Nationalism and Sub-Nationalisms in the Establishment and Collapse of the East African Community, 1960-1977” (MA Dissertation, University of South Africa, 2006), 214.

military coup on 25 January 1971 resulting in the overthrow of President Milton Obote.<sup>56</sup> The impact for the EAC was that meetings among the three country leaders were suspended indefinitely which prevented cohesive leadership and made decision-making much more difficult.<sup>57</sup> This had a profoundly negative effect on the operations of EAC institutions, such as the EARC, where final decision authority rested with the three Presidents. Five years later, Uganda and Kenya entered into political dispute after President Amin laid claim to territory in Kenya “unjustly taken” during British colonial rule which triggered a strong reaction from President Kenyatta.<sup>58</sup> Andrew Coulson agreed that one of the causes of the failure of the EAC can be linked to Tanzania’s opposition to Uganda’s Idi Amin, but he states a more fundamental cause was the “long-term conflict of interest between Tanzania and Kenya”.<sup>59</sup> This conflict stemmed from the fact that Kenya had the most to gain from the EA common market due to the dominance of its existing industries as compared to Tanzania and Uganda where the latter countries could not compete to supply goods to the EA market to the same extent.

But how did individual citizens within the partner countries feel about regional unity and the EAC at the time? It would be difficult to survey attitudes of the citizens of these countries *post facto* but Potholm indicated how even some individuals citizens who were once supportive of the Community lost influence to those who may have had reason to “gain from its demise”.<sup>60</sup> Hazelwood supported this notion when he described the attitude of some citizens as less than supportive of the EAC. For instance, in Kenya, there were “prominent Kenyans who were openly hostile to the association with neighboring states”.<sup>61</sup>

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<sup>56</sup> Obote fled to Tanzania and subsequently Nyerere declared the new military government under Idi Amin in Uganda as an “illegal regime”. Springer, “Community Chronology”, 24.

<sup>57</sup> For instance after the coup, the nominees for EAC positions put forth by Amin required additional mediation from Kenya in order to gain approval from Nyerere. *Ibid.*

<sup>58</sup> Kenyatta placed a boycott on Ugandan goods that passed through Mombasa and later closed the border to road transport. This situation was resolved after Amin backed off on his claims. However, tensions flared up once more when Uganda accused Kenya of supporting the rescue plane for Israeli hostages that passed through Nairobi after the successful raid on Entebbe airport in July 1976. *Ibid.*, 27.

<sup>59</sup> Coulson, *Tanzania*, 307.

<sup>60</sup> Christian Potholm, “Who Killed Cock Robin? Perceptions Concerning the Breakup of the East African Community”, *World Affairs*, Vol. 142, No. 1 (1979), 53.

<sup>61</sup> Hazelwood, *The Economy Of Kenya*, 128.

So the enmities between political leaders that negatively influenced the EAC and contributed to its breakup were also reflected within at least some of the citizenry of each country. These tensions affected the operations of regional institutions, such as the EARC. The lack of what Mazzeo described as the “spirit of Eastafricaness” plus the absence of political will to overcome the obstacles to regional unity were the basis of why the EAC ultimately failed.<sup>62</sup> As this study will show, these same tenets were also exhibited in how the management of the EARC functioned (or not) and contributed to its downfall.

### *Sources*

The majority of my research is based on archival sources and newspaper articles. From archival sources, it was hoped that documents pertaining to the operation of the East African Railway Corporation could be obtained. In particular, business memorandums, annual reports and board minutes were sought in order to provide an understanding of the dynamics of the decision-making process conducted by railway management. Newspaper articles concerning the railways provided a different contextual look at railway operations and issues. Combining these sources for comparison and validation allowed what Catherine Welch described as “data triangulation” across multiple sources for research.<sup>63</sup> This process could provide a method for checking the reliability and objectivity of the sources. In this case, the dates of newspaper articles were used to refer back to the archival papers to augment or verify the understanding of a key historical event.

One major source of business records for the EARC was obtained from the Kenya National Archives in Nairobi which housed the bulk of the corporate documents used in this study. Another important location was the Nairobi Railway Museum. This held a small, disorganized library that contained material which was helpful for this research. In particular, EARC Annual Reports from most of the years of interest to this

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<sup>62</sup> Mazzeo, “Problems of Regional Cooperation”, 99.

<sup>63</sup> Welch wrote for example: “archival sources have the potential to compensate for some of the limitations of interview data. This is not to argue that archival data are superior; rather that they are different”. Catherine Welch, “The Archaeology of Business Networks: The Use of Archival Records in Case Study Research”, *Journal of Strategic Marketing*, Vol 8 (2000), 199.

study were obtained from the museum library.<sup>64</sup> In considering the use of business related documents in an archive, Welch has written that business archive documents can “potentially include a wide range of documents generated for various purposes by different individuals, departments and levels of the organization”.<sup>65</sup> This was the case when first reviewing the EARC documents in the archives. In addition to Board of Director meeting minutes that covered most of the time period of interest, there were other files containing correspondence between the EARC and the Communications Council, the next highest level decision-making entity, as well as documents presented to the East African Legislative Assembly – the representative body of the EAC.

Since the individual regional headquarters were located within the partner countries, only documents generated at the regional headquarters (i.e. Kenya) would be found in the Nairobi national archives. But documents concerning the entire region would still be processed at the headquarters level and also the board of directors meetings where regional decision-making was made with representatives from each country were captured in the archives in Nairobi. Therefore, for this study, adequate information could be captured within the EARC documents housed therein.

Throughout the period of interest of this dissertation, there were a number of newspapers in print in the East African region, and particularly in Kenya, but of these, *The Daily Nation* and *The Standard* were the largest and oldest.<sup>66</sup> The primary source for newspaper articles for this study came from *The Daily Nation*. This was supported by the generous assistance of a staff librarian using keyword searches to select appropriate articles to use. The use of newspapers has been well described by historians as a legitimate source for data and information. There are concerns of reliability and validity of using newspapers as a source as discussed in one article by Roberto Franzosi but these can be weighed against the factors of accessibility of

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<sup>64</sup> Unfortunately not all the years were located. The following Annual Reports were missing: 1968, 1974-1976. It was assumed that none existed in 1977 since the EARC had broken up completely by then.

<sup>65</sup> Welch, “The Archaeology of Business Networks”, 198.

<sup>66</sup> *The Standard* first began in 1901 by the initiative of an Indian named A.M. Jeevanjee and started as *The African Standard*. In 1959, the East African Newspapers group was founded by the Aga Khan and first began printing *The Daily Nation* in 1960. See R.T. Ogonde, “Transportation and Communications Communications in the Colonial Economy” in W.R. Ochieng and R.M. Maxon (eds.) in *The Economic History of Kenya* (Nairobi: English Press Ltd., 1992), 137. Currently, *The Daily Nation* has the largest distribution of any newspaper in Kenya.

obtaining relevant articles and the number of legitimate periodicals that were available at the timeframe of interest.<sup>67</sup> The selection and use of *The Daily Nation* articles was beneficial because it has been in print since independence and remains one of the largest newspapers in Kenya. It thus had more resources than smaller publications which provided better news coverage not just within Kenya but also within the East African region. Furthermore, since the headquarters of the EARC was located in Nairobi, there may have been an advantage in proximity in news coverage as *The Daily Nation* was also based in Nairobi. Finally, news articles could be used to complement the archived documents and so there was less reliance on one source of primary material.

### *Chapter Outline*

The early part of this dissertation has described the purpose of this study, which is to explore the role of the EARC in-depth during the period of the first EAC between the years of 1967-1977. In doing so, it has addressed the lack of detailed research into the inner workings of the largest regional institution within the EAC at the time. It validated and expanded on what little has been written as to the factor(s) that contributed to its eventual breakup. This first chapter has also provided a detailed review of the existing literature on the East African Railways. The chapter described the sources used in this study: newspaper articles concerning the EARC and archived business documents. A description of the reasoning behind the use of each source was also presented.

The second chapter provides the foundational history of the development of the East African Railways from its beginning as a colonial institution until it became a formal public corporation within the EAC. It will also show over time how important the railways were to the entire East African region. As Reginald Green and K.G.V. Krishna contend, “the once common reference to East African Railways and Harbours as a ‘fourth government’ was as much in truth as in jest”.<sup>68</sup> Other factors that influenced the EARC – such as the challenges of the management structure of the EARC which hindered

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<sup>67</sup> See Roberto Franzosi, “The Press as a Source of Socio-Historical Data: Issues in the Methodology of Data Collection from Newspapers”, *Historical Methods*, Vol. 20, Nbr 1, (ProQuest Information & Learning, 1987), 5-16.

<sup>68</sup> Reginald Green and K.G.V. Krishna, *Economic Co-operation in Africa: Retrospect and Prospect* (Nairobi: Oxford University Press, 1967), 58.

effective decision-making, the program to dieselize locomotive power, and the push to Africanize the railway workforce – will also be considered within this chapter. It will argue that while these factors may not have directly contributed to the downfall of the EARC, they did exacerbate the challenges that were faced by railway management.

The third chapter discusses the specific narratives that eventually caused the breakup of the EARC. It will also describe the factors and events that contributed to the disintegration of the East African Railways within the broader context of the East African Community. The chapter focuses on three major themes: the attempts made by the railways to rationalize services, the paradox of the attempt to decentralize services, and an examination of the financial crisis that occurred in 1974. The first theme will show how the EARC did attempt to rectify the growing financial and service delivery problems of the railways. Efforts to implement cost-effective changes, such as introducing more profitable tariff rates, were derailed often due to lack of consensus between representatives from member states and also a lack of clarity in the process for decision-making within the EAC. The second theme concerns the issue of decentralization of railway operations from a structure centered on the headquarters in Nairobi to one where each region gained additional autonomy of rail operations. It is described as a paradox since it was a process mandated within the Treaty for East African Co-operation to accommodate the desire for more equitable balance of control between partner states and thereby ensuring regional unity but instead it led to the acceleration of the disintegration of the EARC and hence the EAC. The last theme concerns the financial crisis of 1974. It was this single event that sounded the death knell for the EARC. The functioning of the railways rapidly deteriorated when each regional rail headquarters failed to transfer funds to the overall headquarters in Nairobi during the early months of 1974. Blame for this has been placed at foreign exchange control challenges; however, the evidence shows that this was not the sole reason. Rather, it was the outcome of years of growing mistrust between partner states.

The last chapter provides the overall conclusion and summarizes the findings of the study as a whole. It will describe how the EARC as an institution that had lasted for over seven decades had been allowed to collapse. It was not necessarily due to poor

management after independence nor to the deterioration of services (although these were factors that did affect the EARC), but rather it was ultimately an inability to find political solutions to regional problems affecting the railways. This political dissolution was grounded in the perceived or real inequality of benefits between the member states of the EAC. The reason for the EAC treaty was to directly address the economic imbalance where Kenya possessed the “lion’s share” of the benefits and economic power within the region. The failure to address this problem demonstrated that regional unity without an equitable distribution of the benefits of integration ultimately doomed the EAC and in concert, the EARC.

## CHAPTER 2 The Development of the East African Railways

*An iron snake will cross from the lake of salt to the lands of the Great Lake...*

- Kikuyu prophecy<sup>69</sup>

The East African Railways was the largest of the regional institutions formally established under the East African High Commission in 1948.<sup>70</sup> Its pinnacle was reached in the early 1960s when it employed over 40,000 workers.<sup>71</sup> By the late 1960s after the establishment of the EAC, the renamed East African Railways Corporation spanned over 3663 route miles of railway track with a considerable amount of rolling stock. The corporation also operated an inland marine and a sizable road transport service.<sup>72</sup> It was the “largest single industrial organization in East Africa”.<sup>73</sup> Figure 1 shows the final extent of the East African railways within the region at the time of Kenya’s independence.

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<sup>69</sup> Quote from Hardy, *The Iron Snake*.

<sup>70</sup> The East African High Commission was first established in 1948 as the East African Railways & Harbours Administration.

<sup>71</sup> In a table, R.D. Grillo indicated that at one time, the EAR employed 63,518 employees in 1955 at a peak but normally averaged over 40,000. Grillo, *African Railwaymen*, 20.

<sup>72</sup> The Corporation possessed several marine vessels on inland lakes that covered over 3,469 route miles while the road service covered an additional 2,367 route miles – the latter mostly transport in southern Tanzania. See Domenico Mazzeo, “Foreign Assistance and the East African Common Services During the 1960s, with Special Reference Multilateral Contributions” (PhD Thesis, University of Geneva, 1976), 26.

<sup>73</sup> *Ibid*, 26.

**Figure 1. East African Railway Map, 1963**



Railways in East Africa, 1963.

Source: A. Long, "Internal Transport Developments in East Africa", *Geography*, Vol. 50, No. 1 (Jan. 1965), 79. In addition, Table 1 provides a snapshot of the relative size and importance of the East African Railway Corporation (EARC).

**Table 1. EARC Contributions to EAC (1970)**

<u>Kenya</u>		<u>Tanzania</u>		<u>Uganda</u>	
KShs	Percentage	KShs	Percentage	KShs	Percentage
'000	of GDP	'000	of GDP	'000	of GDP
251,821	58.8%	117,453	27.4%	59,105	13.8% <sup>74</sup>

Source: Domenico Mazzeo, "Foreign Assistance and the East African Common Services During the 1960s, with Special Reference Multilateral Contributions" (PhD Thesis, University of Geneva, 1976), 32.

<sup>74</sup> The GDP number indicates what percentage share the EARC provided to each EAC countries' GDP.

By 1970, some scholars believed that the EARC, along with the three other regional public corporations – the East African Airways, East African Harbours and East African Post & Telecommunications – was the “cement currently holding together the three states of Kenya, Tanzania, and Uganda” as the East African Community.<sup>75</sup> But even this “cement” did not stop Tanzania from pursuing its own railroad ambitions.<sup>76</sup>

Understanding the size of the EARC brings perspective on the dramatic impact that this corporation’s collapse had on the region and on how this reflected the broader disintegration of the EAC itself.<sup>77</sup>

A final point to be made about the EARC and its importance to the East African region was that while its relative size to other regional institutions made it a principal organization, it was mainly designed for facilitating the movement of exports and not of inter-territorial trade. In a Rand Corporation study conducted in 1963, it was mentioned that at the time the railway was essential for shipping “primary products to the sea for export to Europe” but far less necessary for intra-African trade.<sup>78</sup> Thus the railway was like a funnel that pulled exportable products from the interior toward the coast and Kenya was the main area where the convergence of goods occurred - much to its benefit. This geographic circumstance contributed to the economic reality of the dominance of Kenya within the region, an important factor in the difficulties that affected the railways.

This chapter will detail the historical development of the East African Railways from its roots in the early colonial period to its establishment as a formal public corporation in 1969 as part of the post-colonial EAC. It will show that the railways were

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<sup>75</sup> Dennis Dresang & Ira Sharkansky, “Public Corporations in Single-Country and Regional Settings: Kenya and the East African Community”, *International Organization*, Vol. 27, Issue 3 (Cambridge, 1973), 306.

<sup>76</sup> This refers to the ‘Great Uhuru Railway’ or TAZARA that was started in 1971 and completed four years later connecting Dar Es Salaam to Kapiri Mposhi and then linking it to the Zambian railway system. Coulson, *Tanzania*, 231.

<sup>77</sup> The final breakup of the EARC was signified by the formation of individual national railway corporations to manage their own rail networks, such as the set up of the Kenya Railways Corporation in 1977. Hazelwood, *The Economy of Kenya*, 94.

<sup>78</sup> Benton Massell, The Rand Corporation, *East African Economic Union: An Evaluation and Some Implications for Policy*, December 1963 (Santa Monica), 23.

an important component of the colonial economy in the region that for over seven decades survived both military and economic strife. However, the three colonial territories had also long voiced different concerns about rail operations. After independence, these differences did not disappear with the end of colonial rule but rather merged with national concerns. Political differences compounded these difficulties, which the three countries never resolved even with the implementation of the ironically named Treaty for East African Cooperation of 1967.

With regard to the EARC, these differences played out in several ways that ultimately led to its demise. The history of the development of railways in East Africa and the early challenges it faced as the region approached independence will be discussed first in order to set the stage for the eventual downfall of the East African Railways. The factors that will then be covered in this chapter include the EARC's management structure, the program to dieselize locomotive power, and the impact of Africanizing – and more critically the Kenyanization of – the railway's labor force.

### *The Development of the East African Railways in Colonial Period*

The beginning of the colonial economy of the East African region coincided with the construction of a railway connecting the Kenyan coast with the fledgling inland territory of Uganda.<sup>79</sup> A.M. O'Connor through his research demonstrated that there was a causal relationship between the construction of the railways and the growth of the commercial economy.<sup>80</sup>

The decision to build the Uganda Railway was one result of the "Scramble for Africa", a contest between competing European powers at the turn of the twentieth century over resources and land on the African continent.<sup>81</sup> The area around Lake Victoria, which is the source of the White Nile River, was of major interest to Britain. It was believed that whoever controlled this region could disrupt the flow of the Nile with

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<sup>79</sup> The territories of the British East Africa region initially included the East African Protectorate (later Kenya) and Uganda. After World War I, the former German territory of Tanganyika was added.

<sup>80</sup> A.M. O'Connor, *Railways and Development in Uganda: A Study in Economic Geography* (Nairobi: Oxford University Press, 1965), 36.

<sup>81</sup> Henry Gunston, "The Planning and Construction of the Uganda Railway", *The Newcomen Society*, Vol. 74 (2004), 48.

“disastrous effects on the agriculture – and thus the political stability – of Egypt”.<sup>82</sup> Following the Berlin Conference of 1884-1885, the mainland area of Zanzibar was divided between a northern area consisting of the land between Uganda and the Indian Ocean coast to be administered by Britain and a southern region that consists of present day Tanzania to be administered by Germany. To help with the direct management of the territory, the British government granted a charter for the formation of the Imperial British East Africa Company (IBEAC) “in a tradition which dated back to the East India Company”.<sup>83</sup>

After several years of surveying the land and raising capital from private and public sources, the construction of the Uganda Railway began in 1896 under the overall direction of George Whitehouse as Chief Engineer. Progress was slowed by geographic and environmental factors, including the infamous man-eating lions incident in the Tsavo region of Kenya.<sup>84</sup> It took until May 1899 for the railway to reach the site of what was then called “Nairobi”. On 20 December 1901, the railhead reached the shores of Lake Victoria where the final rail spike was driven home.<sup>85</sup> The final tally for the construction of the Uganda Railway has been assessed at £5,502,592 (in 1901).<sup>86</sup> This stands in stark contrast to the initial estimate of expenses: £1,250,000 that was to be raised by the IBEAC “on which the Government had been prepared to pay interest in 1891”.<sup>87</sup>

This, however, was far from the end of railway construction in East Africa. In 1914, the railway was further extended into Uganda with the line to Jinja. Construction of the rail bridge across the Nile River linking Jinja to Kampala took place in January 1931.<sup>88</sup> Additional extensions were made on the rail line up until the last track was laid in 1963.<sup>89</sup>

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<sup>82</sup> *Ibid.*

<sup>83</sup> *Ibid.*, 49.

<sup>84</sup> Twenty-eight Indian workers and an unknown number of Africans perished from lion attacks. This seriously disrupted rail construction for several months between March and December of 1898. *Ibid.*, 58.

<sup>85</sup> *Ibid.*, 65.

<sup>86</sup> The final relative value cost of construction would be equivalent to £533,500,000 in 2014.

<sup>87</sup> Gunston, “The Planning and Construction”, 65.

<sup>88</sup> O’Connor, *Railways and Development*, 46.

<sup>89</sup> These included the western extension which connected Kampala to Kasese in 1956, see *Ibid.*, 51. The northern extension which connected Tororo to Gulu was completed in 1963, see *Ibid.*, 92.

Built initially by German colonial administrators, the Tanganyika Railway was started with similar intent – commercial exploitation. Specifically, the genesis for this line stemmed from the ambition to connect the emergent sisal plantations to the interior.<sup>90</sup> It resembled the Uganda Railway in that the Tanganyika line started the same year, 1896, and also at a coastal port, Tanga. From there, it proceeded west and reached Moshi in 1911. A second rail line originating at the port of Dar es Salaam was started in 1905. By 1914, this line reached inland all the way west to the shores of Lake Tanganyika, bisecting the country and becoming known as the Central Line.<sup>91</sup> During WWI, the Tanganyika Railways became a strategic centerpiece in the struggle between British and German forces, a contest which culminated in British appropriation of the Tanganyika territory upon conclusion of the war.<sup>92</sup> Due to the war, construction of the rail line was largely discontinued. The only exception was to connect the Tanga line to the Uganda Railway in 1916 in order to facilitate British supply and troop movements between the territories. Finally, in 1960, the Tanga line was linked to the Central line. This last linkage meant that all of the East African rail lines were physically united as a single rail network.<sup>93</sup>

However, the process of creating a unified colonial management of the two territory's railways proved almost as lengthy as their construction. After the war, some were in favor of the integration of the management of the Tanga and Uganda lines. In 1924, Sir Sidney Henn in the British House of Commons called for the unification of the railway systems in order to avoid "local interests and rival jealousies".<sup>94</sup> But periodic calls for managerial amalgamation of the two rail links continued to be countered. In May 1932, Roger Gibb arrived in Kenya to conduct a review of railway rates. On the subject of unifying the railways, he advised against it, saying that the "economics which

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<sup>90</sup> The first such plantation was established near Pangani by the German East Africa Company in 1900. Hill, *Permanent Way, Volume II*, 61.

<sup>91</sup> John Due, "Some Observations on Rail and Road Transport in Commonwealth Tropical Africa", *Institute for Development Studies*, University of Nairobi, Discussion Paper No. 257 (1977), 2.

<sup>92</sup> For a description of how the railways were utilized during the war and immediately afterwards, see Chapters XII and XIII in Hill, *Permanent Way, Volume I*; and also Edward Paice, *Tip and Run: The Untold Tragedy of the Great War in Africa*, (London: Weidenfeld & Nicolson Ltd, 2008).

<sup>93</sup> Due, "Some Observations", 2.

<sup>94</sup> Sir Henn had even called for a broad integration of all the East African railways, including the one in Nyasaland (present day Malawi). Hill, *Permanent Way, Volume I*, 444.

would result would not be sufficient to outweigh the political disadvantages arising from the clash of interests”.<sup>95</sup> These potential ‘clashes of interest’ were eventually overcome when the railways were amalgamated under one administration along with the political integration of the region through the creation of the East African High Commission in 1948 – the early precursor to the EAC.

### *Pre-Independence: Colonial Period Challenges to the Railways*

During the colonial period and after independence, the growth of the roads network as an alternate transport system concerned railway management. According to John Due in writing about African railways in general in 1977, the railways’ “near monopoly position has been shattered by the development of road transport, which has deflected substantial traffic that would otherwise have gone by rail”.<sup>96</sup> This was true in the case of the Uganda Railway. Even before laying of the first rail tie in Mombasa in 1896, the IBEAC had already constructed its first commercial road in 1890.<sup>97</sup> The debate over how the railway should address the issue of road competition would become a continuous one throughout the colonial period and well into independence. The General Manager of the Tanganyika Railways, Lt. Col. Maxwell, said in a 1930 speech before the Tanganyika legislature that there was a need to employ “statutory protection for railway services” since such a large capital investment had been made in the rail project.<sup>98</sup> A.M. O’Connor in contrast indicated that road and rail transport were at first complementary modes of transport within the region until 1950, at which time they became more competitive.<sup>99</sup> This competition between road and rail was never truly resolved by the leaders of the region during the colonial period nor afterwards and it would remain a subject for discussion long into the era of the EAC.

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<sup>95</sup> *Ibid*, 513.

<sup>96</sup> Due, “Some Observations”, 1.

<sup>97</sup> This was the first road linking Mombasa to Kibwezi, known as the Mackinnon Road. Ogonda, “Transport and Communications”, 130.

<sup>98</sup> Maxwell’s appeal apparently was successful in that one piece of legislation: “The Carriage of Goods by Motor Vehicle (Prohibition) Ordinance” was passed in 1934 prohibiting the carriage of goods by motor vehicle between points served by the railway. Hill, *Permanent Way, Volume II*, 227-228.

<sup>99</sup> In his discussion of the effect of road competition after 1950, O’Connor highlights that “an estimate made by the Railway Administration in 1958 indicated that about 75,000 tons of internal freight traffic which could easily have been moved by rail was in fact travelling by road each year”. O’Connor, *Railways and Development*, 125.

Another factor that contributed to the performance of the railway over time was railway tariff rates. During the colonial period, setting the rates of tariffs on goods was a delicate balancing act between encouraging exports and helping to protect certain imports – all while attempting to maintain the railway’s profitability.<sup>100</sup> One of the early debates on railway rates took place in 1928 in Nairobi between representatives from the then Kenya & Uganda Railway (KUR) and Tanganyika Railway.<sup>101</sup> The representatives from Tanganyika favored rates to protect local products as opposed to imported goods while those from the KUR objected to any type of protective tariff since they had little interest in where produce came from so long as it was from a “cheaper market”.<sup>102</sup>

The Great Depression restrained the economies of East Africa, which did not have a diversified range of export products that could buffer the reduced demand for its resources overseas. The railways lost revenue despite shipping more goods during this period. As Hill wrote, “Most railways in the world suffered loss as a result of the [Great] Depression, causing a decrease in traffic. Due to its peculiar rate structure, the KUR was unique in losing money, although it actually moved an increasing number of ton-miles”.<sup>103</sup> The low tariff rates had encouraged the transportation of export goods during the Depression but did little to help the railway’s balance sheet. However, the General Manager in 1937 did remark that the Great Depression “had proved a blessing in disguise... as it had imposed new standards of efficiency and economy” on rail operations.<sup>104</sup>

The Second World War also ushered in difficult times for both railways. The railways’ focus shifted from commercial to military traffic as it had during WWI. Rail administrations suspended much-needed rehabilitation work of rail stock and workers were directed to work for longer hours. As the conflict dragged on, the railways and its staff were increasingly strained. Sir Reginald Robins, General Manager of the KUR,

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<sup>100</sup> For instance, during a meeting of the Railway Advisory Council in 1930, Lord Delamere of Kenya sarcastically replied to the Uganda representative on his request to have a lower import rate assigned to Perrier water: “We all agree that Perrier water is a poor man’s drink. It is bottled 6,000 miles away, carried 6,000 miles by sea, another 1,000 miles on the railway... undoubtedly it is a poor man’s drink”. Hill, *Permanent Way, Volume I*, 491.

<sup>101</sup> The East African region’s two rail systems were separately managed until after WWII.

<sup>102</sup> Hill, *Permanent Way, Volume I*, 489.

<sup>103</sup> *Ibid*, 497.

<sup>104</sup> *Ibid*, 524.

wrote in 1944 that: “There is a limit to human endurance and a limit to the extent to which improvisation can be successfully carried in the handling of a volume of traffic... beyond the capacity of the Administration’s equipment.”<sup>105</sup>

The end of the war brought new labor challenges for the railways. In 1945, African railway workers on the Kenyan coast conducted a short strike which adversely affected rail traffic and the shipping of goods into the region.<sup>106</sup> These actions prompted colonial authorities to form a Committee of Enquiry on African laborers. The General Manager of the KUR highlighted the “problem of [the] complete urbanisation of the African worker... and if this problem could be solved, then there is little doubt that one of the major causes of unrest would be removed”.<sup>107</sup> His proposed solution was to provide a “wage rate which will enable the African worker to live a normal family life under urban conditions”.<sup>108</sup> The challenge, however, was that a wage increase could not occur without either an increase in rail rates and charges or a “considerable increase in the output of workers”.<sup>109</sup> This conundrum would haunt the railways into the post-colonial period, when railway management would again have to address the balancing act of maintaining railway performance versus the pressure to increase wages.

In 1948, favorable public opinion emerged regarding further integration of the three colonial territories. Colonial Paper No. 210 provided the foundation for the eventual formation of the East African High Commission (EAHC) on 1 January 1948.<sup>110</sup> Following this, the loose organization of the Tanganyika, Kenya & Uganda Railways combined into the East African Railways & Harbours Administration (EAR&H) on 1 May 1948.<sup>111</sup>

Just thirteen years later as the momentum to decolonize territories within the region grew, delegates from the United Kingdom and the three East African territories met to discuss the future of the High Commission. One of the main decisions was to replace the EAHC with an interim “East African Common Services Organization”

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<sup>105</sup> *Ibid*, 563.

<sup>106</sup> *Ibid*, 565.

<sup>107</sup> *Ibid*, 566.

<sup>108</sup> *Ibid*.

<sup>109</sup> *Ibid*.

<sup>110</sup> *Ibid*, 570.

<sup>111</sup> *Ibid*.

(EACSO) and that “whatever constitutional changes might take place... [the] common services [which included the railways] provided by the High Commission ought to be maintained”.<sup>112</sup> The EACSO officially came into being in December 1961.<sup>113</sup>

The final step in the railways’ transformation occurred in 1967 shortly after the EAC was established, economically linking the three newly-independent nations of Kenya, Uganda and Tanzania.<sup>114</sup> As part of this regional integration, all former colonial institutions were incorporated under the umbrella of the EAC. In 1969, the EAR&H was broken into two corporations: the East African Railway Corporation and the East African Harbours Corporation.<sup>115</sup>

This section demonstrates that the colonial period of the railways in East Africa were not devoid of challenges – both economic and political. The competition from road transport and debates on where to set the rail tariffs for goods was a persistent test for railway management. The first emergence of industrial action by African rail labor began to emerge during this time and consequently the conundrum of providing a living wage to allow workers to support the urbanization of their families and themselves. While these dramas were playing out, the pull to integrate the railways of Kenya-Uganda and Tanganyika finally overcame forces to keep them segregated. This set the stage for the problems that would plague the EARC after the creation of the EAC.

### *EARC Management Structure & Challenges*

The EARC’s management structure was designed to reflect a sense of pluralism and unity among the three EAC states. Dresang and Sharkansky describe these appointments to corporate leadership as representing “symbolic, if not actual, equality for each state”.<sup>116</sup> In the case of the EARC, the Chairman of the Board would always be

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<sup>112</sup> Delupis, *The East African Community*, 42.

<sup>113</sup> *Ibid.*

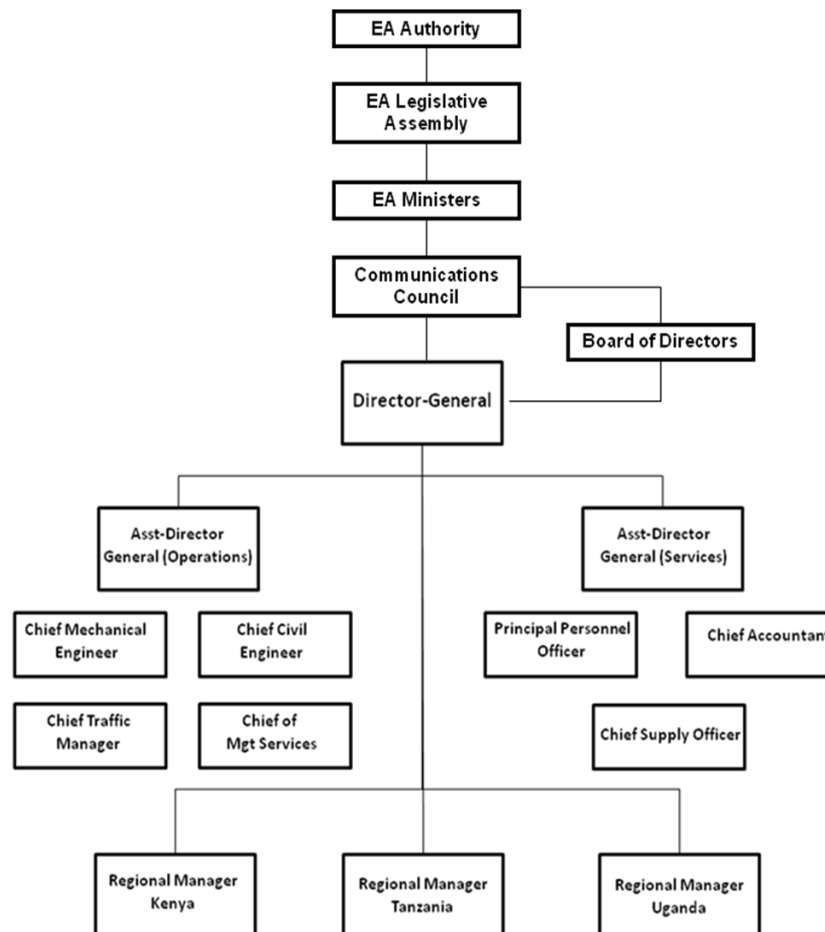
<sup>114</sup> The EAC was formally launched when the Treaty for East African Cooperation was signed on 6 June 1967. *Ibid.*, 51.

<sup>115</sup> *Ibid.*, 96-97. The exact date was 1 June 1969 (the ‘Appointed Day’) when the formal separation of the Harbours Administration from the Railways became official and created two separate Corporations. East African Community, *Official Gazette of the East African Community Supplement No. 9*, Vol 3, No. 7, 24 May 1969, Kenya National Railway Museum Archive (hereafter referred to as KNRMA) (Nairobi: Government Printing Office), 16.

<sup>116</sup> Dresang & Sharkansky, “Public Corporations in Single-Country and Regional Settings”, 315.

a Ugandan while the Director-General (DG) would always be a Kenyan.<sup>117</sup> Figure 2 below provides a partial organogram of the management hierarchy of the EARC at the headquarters.<sup>118</sup>

**Figure 2. EARC Management Structure**



Source: East African Railway Corporation (hereafter as EARC), Operation and Administration E.A. Railway Corporation, Chart, AWS-1-671, Kenya National Archives (hereafter KNA), Nairobi and Figure 1 from John Ravenhill, "The Theory and Practice of Regional Integration in East Africa" in Richard Fredland & Christian Potholm (eds.), *Integration and Disintegration in East Africa* (Lanham: University Press of America, 1980), 39.

The structure of the EARC not long after its incorporation was described within a twenty-page supplement enclosed in the *Daily Nation* newspaper on 17 October 1969. It

<sup>117</sup> *Ibid.*

<sup>118</sup> Chapter 18 (The East African Railways Corporation Act), Volume II of the Laws of the East African Community provides a legal description of the EARC and the roles and function of its management. See East African Community, *The East African Railways Corporation Act, 1970*, Volume II, Chapter 18, KNRMA (Nairobi: East African Community Printer).

highlighted that a major differences between the new structure of the EARC and its predecessor was that the General Manager of the EAR&H had been “himself a Corporation (Corporation sole)” whereas a Board of Directors governed the EARC, making it “more like a commercial organisation in setup”.<sup>119</sup>

The DG of the EARC was directly appointed by the East African Authority (hereafter referred to as “the Authority”). His function was to direct “the control and executive management of the corporation”.<sup>120</sup> In turn, he was to report to the Board of Directors (BoD), which was comprised of the Chairman and seven members.<sup>121</sup> The Authority appointed three of the seven board members and the other three known as Resident Directors, were appointed one each by the member state governments to “act as a link between the Corporation and the respective governments”.<sup>122</sup> The BoD’s function was to approve any minor alterations that might have affected the EARC’s operation.<sup>123</sup> However, the definition of what was construed to be a “minor” adjustment was a point of contention between levels of management throughout the duration of the EARC’s existence. The BoD itself then cleared its decisions to the Communications Councils, which provided “directions of a general nature to the Board” relating to the EARC’s operations, including “major” alterations to tariffs, salaries and large capital works.<sup>124</sup> Uncertainty over how to specifically define levels of alterations would also cause difficulties in decision-making.

Finally, the Authority - comprised solely of the heads of state of Uganda, Tanzania and Kenya – was the ultimate decision-making body for the corporation. If a

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<sup>119</sup> Stephen Okello-Ojok, “By Rail into the Future: Message from the chairman”, *Daily Nation* (Nairobi), 17 October 1969, 2.

<sup>120</sup> East African Community, *The East African Railways Corporation Act*, Volume II, 11.

<sup>121</sup> This included the DG as an “ex-officio” member of the Board. See Okello-Ojok, “By Rail into the Future”, 2; and Nation reporter, “How the Railways Run – Behind the Scenes”, *Daily Nation*, 17 October 1969, 7.

<sup>122</sup> East African Community, *The East African Railways Corporation Act*, Volume II, 10; and Nation Reporter, “How the Railways Run – Behind the Scenes”, *Daily Nation* (Nairobi), 17 October 1969, 7.

<sup>123</sup> This included: minor tariff adjustments, minor adjustments to salaries and wages, approve any capital works that were previously agreed to by the Communications Council and did not exceed five million Kenya shillings.

East African Community, *The East African Railways Corporation Act*, Volume II, 12.

<sup>124</sup> East African Community, *The East African Railways Corporation Act*, Volume II, 13.

deadlock emerged within or between any level of lower management, a ruling could be referred to the Authority where the “decision of the Authority thereon shall be final”.<sup>125</sup>

The establishment of the EARC and this new management structure represented a further break with the railway’s colonial past and its rebirth as an African controlled institution. At one of the EARC BoD’s early meetings in 1969, the newly appointed Chairman, S. Okello Ojok, proposed a “vote of thanks” be given to the departing DG, Dr. E.N. Gakuo, for his work in the past and noted that it “had not been easy...to work with expatriates, but things would now be different as the Board of Directors was entirely composed of first ever black administrators [sic]”.<sup>126</sup> The Chairman further noted that “developments in the past had followed the self-interest of Colonialists, but now the interests of East Africa as a whole would be the guiding principle”.<sup>127</sup>

While on the surface the relationships among management levels appeared straightforward, the reality was ambiguous and often contentious. One reason for this was the lack of clarity on what was the true level of authority inherent to each level of EARC management. This led to debate and indecisiveness. For example, at an emergency BoD meeting held in Arusha on 3 August 1972, the focus was clarifying the BoD’s powers in relation to a recent move by the Communications Council to restrict these powers.

In the board minutes, the Chairman of the BoD referred to an earlier decision taken by the Board to clarify what exactly was meant by a “minor” allowable adjustment and above that, what was to be considered a “major” adjustment requiring approval from the Communications Council. The previous BoD decision taken was:

The Board shall have the power to make alterations involving not more than 5% of the total wage bill. Any alteration involving more than 5% of the total wage bill should be considered a major alteration and below that a minor alteration.<sup>128</sup>

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<sup>125</sup> East African Community, *The East African Railways Corporation Act*, Volume II, 13.

<sup>126</sup> EARC, Minutes of the Fourth Meeting of the Board of Directors of the EAR Corporation, 2-3 June 1969, Memorandum, AWS-4-1423, KNA, Nairobi.

<sup>127</sup> *Ibid.*

<sup>128</sup> EARC, Powers of the Board of Directors Under Section 12(b) of the Railways Corporation Act, 21 July 1972, Memorandum CRC.9/72, AWS-4-1225, KNA, Nairobi.

This was the BoD's offer to attempt to alleviate the ambiguity of what was defined in the Railway Act. However, in response to this, the Communications Council, after meeting in Kampala in May 1972, proposed the following instead:

The powers vested in the Boards of the Corporations to make "minor alterations" in the salaries/wages and other terms and conditions of service of their employees [shall] be taken away from them and any alteration of a general nature of the salaries/wages and other terms and conditions of service of their employees, be like "major alterations" vested in the Council.<sup>129</sup>

With this, the Council was attempting to gain greater authority in decision-making within the corporation. The Council further added that it was pursuing this position because of "concern at the repercussions of uncoordinated salary reviews on the economy of East Africa as a whole...on the one hand and the partner states' civil service on the other".<sup>130</sup> It was claimed that the results of these "uncoordinated salary reviews" could lead to higher operating costs for the EARC and a drain of qualified staff from the civil service to the corporation. For his part, the BoD Chairman refuted the notion that salary actions taken by the BoD could result in the drain of civil servants from partner countries since this had not been the case to date and each state could, if it wished, place restrictions on the movement of their workers.<sup>131</sup> This exchange highlights the managerial challenges, confusion and paralysis that ensued due to a lack of clarity with the specific levels of authority within the EARC hierarchy.

Conflict between management levels was one source of friction; a second could be found within the decision-making process of people at the same level. For instance, the perception of regional unity among the EARC board members usually did not reflect a unity of attitudes in reality. In a secret, undated memorandum, the senior Kenyan members of the then East African Railways and the Harbours Administration lodged a

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<sup>129</sup> *Ibid.*

<sup>130</sup> *Ibid.*

<sup>131</sup> What is interesting is on the margins of the memo was written in pen next to this section on civil servants that this was "mostly from Uganda and Tanzania not Kenya", implying that Kenyans were free to move within the Community but partner civil servants were not as able to. *Ibid.*

protest against the Chairman of the Board, Mr. Okello-Ojok.<sup>132</sup> Within the document, the authors indicate that the Chairman “uses every possible means to undermine the authority and standing of the General Manager by [for instance]... directing individual officers and staff to cease to recognize the authority of Dr. Gakuo [DG] as the executive head of the E.A.R.&H”.<sup>133</sup> From the start, national allegiances were apparent in the tensions that emerged between members of the EARC management.

The difficulty of leading in a unified manner extended to the highest levels of the EARC. In his capacity as the Ugandan representative in the Authority, President Idi Amin in 1971 appointed the new EARC Chairman of the Board, Mr. D. Wadada Nabudere.<sup>134</sup> At the time, President Julius Nyerere, in his capacity as the Tanzanian representative in the Authority, had refused to meet President Amin for personal and political reasons. He also no longer recognized President Amin as a member of the Authority. The result was that the Authority could not meet and approve Mr. Nabudere as required by law. The Tanzanian Board representatives contested Mr. Nabudere’s appointment and boycotted his first board meeting “on the grounds that Mr. Nabudere cannot take up his duties until his appointment is approved by the East African Authority”.<sup>135</sup>

Eventually, the Tanzanian contingent returned to participate in the Railways BoD meeting in September 1971. But they presented a legal opinion that Mr. Nabudere was not properly appointed in accordance with the Railway Act and therefore “had no power to exercise any of the functions vested in the Chairman by law”.<sup>136</sup> The opinion continued that Mr. Nabudere was a “stranger to the Corporation” and that he had no more a right to “convene a meeting of the Board than Charlie Chaplin or the Pope!”<sup>137</sup>

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<sup>132</sup> Although the memo is undated, it is most likely to have been written in early 1969 since it is indicated within that it was around the time “... pending the split of the existing Administration into the two Corporations...”. E.N. Gakuo & J.L.M. Shako, Untitled, Undated, Secret Memorandum, AWS-1-695, 1, KNA, Nairobi.

<sup>133</sup> *Ibid.*

<sup>134</sup> It should be noted that prior to the appointment of Mr. Nabudere, there was a six month gap in the Chairman position following the departure of Mr. Okello-Ojok. During this time, no board meeting could be held. Nation reporter, “New Clash in Row Over Rail Chief’s Appointment”, *Daily Nation* (Nairobi), 2 July 1971, 13.

<sup>135</sup> *Ibid.*

<sup>136</sup> EARC, Minutes of the Seventeenth Meeting of the Board of Directors of the EAR Corporation, 27-30 September 1971, Memorandum, AWS-4-1423, KNA, Nairobi.

<sup>137</sup> *Ibid.*

The Tanzanian directors continued to participate on the management board until the eventual division of the railway along national lines. Mr. Nabudere's tenure as BoD Chairman lasted only two years before he resigned in response to disappearances of EARC rail workers in Uganda.<sup>138</sup> Mr. Nabudere would later go into exile and co-found an anti-Amin political party.<sup>139</sup>

Management disagreements and intrigues plagued the EARC throughout its corporate life. In April 1974, the BoD called a secret meeting to discuss concerns over the attitude of the DG, Dr. Gakuo, who was not present. Members recounted a "recent experience of his [the DG] walking out of a Meeting in protest" and that there was a "lack of respect for the decisions of the Board [that] was permeating even to the lower levels of management".<sup>140</sup> Two months later, Dr. Gakuo learned that another meeting had taken place without his knowledge: the Australian High Commissioner, the EARC Board Chairman, and the Resident Director for Tanzania had met to discuss recruitment of new EARC managers due to the "general management problems".<sup>141</sup> Dr. Gakuo wrote to the Chairman of the Board that he took a "very dim view" of the Board meeting secretly to discuss this matter and considered it a "sinister move" on their part.<sup>142</sup> By October of that year, Board minutes indicate that Dr. Gakuo was on sick leave and that the Assistant Director-General, Mr. D.K. Ngini, was now the acting Director-General. He eventually became the official DG later in 1964.<sup>143</sup>

These examples highlight a number of sources of dysfunction within the EARC's management, which were driven by a combination of nationalism and a lack of clarity within the EARC's governing documents. This, along with the disruption of the Authority

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<sup>138</sup> Nation reporter, "Rail Chief Quits Over Missing Officials", *Daily Nation* (Nairobi), 28 April 1973, 1.

<sup>139</sup> After resigning from the EARC in 1973, Nabudere along with several other Ugandan exiles, formed the Uganda Liberation Movement in Nairobi. See Tony Avirgan and Martha Honey, *War in Uganda: The Legacy of Idi Amin* (Westport: Lawrence Hill & Company, Inc., 1982), 46.

<sup>140</sup> EARC, Minutes of the Secret Meeting of the Board of Directors of the EAR Corporation, 30 April 1974, Secret Memorandum, AWS-4-1424, KNA, Nairobi.

<sup>141</sup> EARC, Letter to the EARC Board Chairman from the Director-General, 13 June 1974, Memorandum, Ref Org. 7/37/3/1/1/C, AWS-1-671, KNA, Nairobi.

<sup>142</sup> *Ibid.*

<sup>143</sup> While the DG's sick leave could have been related to the management problems with the EARC Board, what might have also been a factor was the death of Dr. Gakuo's wife in September 1974. Nation reporter, "Rail Chief's Wife Dies", *Daily Nation* (Nairobi), 18 September 1974, 3.

due to the 1971 military coup in Uganda which ousted Milton Obote, often resulted in paralysis of the EARC's decision-making abilities.

### *The Program to Dieselize the EARC*

Even before the inception of the East African Railways as a public corporation, one of the key programs that became a source of disagreement amongst the member states was the transition from steam-powered locomotives to diesel. This program was deemed important enough to warrant inclusion of a section on it within the Treaty for East African Cooperation. The EARC was directed to make "high priority" within its capital development program the establishment of "diesel locomotive facilities and carriage and wagon depots in Uganda".<sup>144</sup>

From an economic point of view, was it actually necessary to shift from steam-powered locomotion to diesel engines? O.S. Nock, a railway engineer and historian, answered this question in 1971 when he compared the pulling capacity of the earlier workhorse of the East African Railways, the muscular '59' class Beyer-Garratt steam engines to diesels.<sup>145</sup> He explained that if one of the steam engines became unavailable then it would require two diesel engines to obtain the same amount of power, which would ultimately be "uneconomic".<sup>146</sup> He also criticized the EARC's intent to shift rapidly from steam-powered engines to diesel-electric while the railways still possessed relatively new steam engines. Nock described this shift as "keeping up with the Jones" rather than a necessary economic move.<sup>147</sup> This steam vs. diesel issue did not appear to be a topic for debate within the EAC and EARC leadership, though dieselization ultimately ended up costing the EARC a tremendous amount of money and political capital.

The dieselization process began in 1966 when the EARC's predecessor, the East African Railways & Harbours, decided to modernize by buying diesel locomotives

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<sup>144</sup> East African Community, *Treaty for East African Co-operation Act 1967*, No. 31, 313.

<sup>145</sup> At the time of his writing, Nock considered the steam engines working the Mombasa to Nairobi section of the line as the "most powerful steam locomotives running anywhere in the world". See Nock, *Railways of the World*, 230.

<sup>146</sup> *Ibid.*

<sup>147</sup> Between 1950 and 1968, 184 new steam locomotives had been added to the EARC rail stock. *Ibid.*, 226.

for Tanzania’s Central Line.<sup>148</sup> In order to finance this purchase, proposals for foreign loans were solicited and received from the United Kingdom, West Germany and the United States. The terms of the UK loan were deemed the “best” but it was decided to consider all loan offers.<sup>149</sup> Due to political considerations, the decision was made to split the purchase to accommodate all potential loan offers as follows in Table 2 below:

**Table 2. Distribution of Diesel Purchases**

British Manufacturers only:	21 large main line locomotives
British, West German and American manufacturers:	7 large main line locomotives 10 small main line locomotives 25 shunting locomotives

*Source:* East African Railways & Harbours (hereafter as EAR&H), Aide Memoire Dieselisation Programme: E.A.R. &H., Memorandum, AWS-1-440, KNA, Nairobi, 3.

However, a series of complications delayed the purchase of these locomotives for several years and lead to disagreements among representatives of the partner states.

President Nyerere was “pleased” when the initial tender was released to purchase the 63 diesel locomotives.<sup>150</sup> But warm feelings quickly deteriorated after the results of the tendering process were complete. The Railway’s various leadership disagreed on the results of the tenders. In July 1968, the General Manager criticized the Chairman’s recommendations for locomotive manufacturers, saying these did not “embody any of my considered views which were arrived at after many weeks of close study and analysis of the detailed tenders”.<sup>151</sup> The Kenyan Minister for Power and Communications, James Nyamweya, also disagreed with the Chairman’s recommendations, noting that they were “supported by the Tanzania and Uganda governments”.<sup>152</sup> At around the same time, in a foreshadowing of the fractures that

<sup>148</sup> Specific details for this plan and the nuances were contained within an undated memorandum describing the dieselization plan for the then E.A.R. & H. See East African Railways & Harbours (hereafter as EAR&H), Aide Memoire Dieselisation Programme: E.A.R. &H., AWS-1-440, 1.

<sup>149</sup> *Ibid*, 2-3.

<sup>150</sup> Nation reporter, “Applicants Welcomed by EA Community”, *Daily Nation* (Nairobi), 22 May 1968, 9.

<sup>151</sup> EAR&H, Tenders for Locomotives, 2 July 1968, Memorandum Ref OPR. 6/10/11/2, AWS-1-440, KNA, Nairobi.

<sup>152</sup> In the memorandum to the Chairman of the Communications Council, the Kenyan Minister also warned that if new diesel locomotives were not available by 1969, the “Railways will not be able to cope with traffic

would erupt within the EARC's leadership, Kenya threatened the nascent regional economic cooperation by announcing its intention to unilaterally buy ten diesel locomotives without the EAR&H's involvement.<sup>153</sup>

It took more than one year and the involvement of the East African Authority to bring closure to the situation. In an emergency meeting of the EARC BoD in September 1969, the East African Minister for Communications, Research & Social Services, J.S. Malecela, presented the BoD members with the East African Authority's final formula for buying locomotives.<sup>154</sup> His presentation also became a plea for regional unity:

Gentlemen, the potentialities of the East African Community are too great to be sacrificed for ephemeral concomitant problems which are common with a newly born baby. Let us determine to make the Community a success and let us raise [sic] above national interest in order to create a Community whereby all differences will every year by narrowed and look forward to the time where all citizens in the Partner States will feel that the East African Community belongs to them.<sup>155</sup>

Thus it took the intervention of the East African Authority to resolve the differences among representatives of member states in this case. Mr. Malecela's plea may have stirred hearts at the time, but the sentiment did not take permanent root even within the Authority. By 25 January 1971, Idi Amin had installed himself as President of Uganda via a military coup, and President Nyerere of Tanzania refused to recognize or meet with him.<sup>156</sup> Thus, after 1971, the Authority never again convened and the EARC could no longer count on the Authority's leadership to help solve its problems with dieselization - or anything else.

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requirements" resulting in potential losses. See EAR&H, Purchase of Diesel Locomotives for E.A.R.&H., 15 July 1968, Memorandum, M/PERS/JN. EAR&H, AWS-1-440, KNA, Nairobi.

<sup>153</sup> Nation reporter, "Applicants Welcomed by EA Community", 9.

<sup>154</sup> The formula consisted of the breakdown in the number of types of diesel locomotives to be purchased and also the location for where they would be used. EARC, Minutes of the Emergency Board of Directors of the EAR Corporation, 4-5 September 1969, Memorandum, AWS-4-1423, KNA, Nairobi, 2.

<sup>155</sup> *Ibid*, 4.

<sup>156</sup> Springer, "Community Chronology", 24.

## *Africanization*

When construction of the Uganda Railway first began, difficulties involved with engaging African labor caused the importation of foreign labor (Indians) to provide the bulk of the work force. At the time, African labor was not considered a “reliable factor” and this was highlighted in the 1904 final report of the Railway Committee overseeing the rail construction. It stated: “Had dependence been placed on indigenous labor the works would not have been completed in twenty years”.<sup>157</sup>

This view of African workers continued to inform British colonial decision-making. Ideology based on European cultural (mis)understandings of African labor constructed the way that colonized people were perceived throughout the colonial period. In a report published on Kenyan railway workers as late as 1949, it was stated:

The East African has not been bent under the discipline of organized work... Though the tasks he performed were prescribed by tribal law and custom, he could do them in his own way and at his own speed, for to him time had no economic value... To work steadily and continuously at the will and direction of another was one of the hard lessons he had to learn when he began to work for Europeans.<sup>158</sup>

By the early 1960s, as an end to colonial control of the region became increasingly apparent, British authorities recognized the need to address the wage disparity between non-Africans and Africans, particularly at the senior management level of public institutions. During the time of the East African Common Services Organization (EASCO), the institution which preceded the EAC, the railway management raised issues concerning the Africanization of the workforce. “It is unfortunate but true,” wrote the General Manager of the East African Railway & Harbours in a memorandum to the Communications Committee, “that there is not at the present time, **nor will there be for some time to come** [*orig emphasis*], an adequate supply of local officers really

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<sup>157</sup> A large reason for this was the low population density near the rail line with, at most, “twelve persons per square mile... of these twelve, only two were adult males capable of serving construction”. Miller, *The Lunatic Express*, 295.

<sup>158</sup> Taken from a report entitled “African Labour Efficiency Survey” that was conducted in 1947. See Cooper, *Decolonization and African Society*, 240.

competent to take their [non-Africans] places”.<sup>159</sup> These worries continued into 1962, according to the official notes of a meeting between the EAR&H General Manager and the EASCO Authority (an earlier iteration of the East African Authority). As the General Manager, who was European, stated at the start of the meeting:

In noting this Memorandum the [Ministerial Communications Committee] agreed that the Secretary General should be asked to arrange for the General Manager to see the Authority on the subject of Africanization of the Superscale posts [senior level positions] at the rate which appeared to be demanded. The Committee fully shared the Authority’s political responsibility and anxiety in this matter, but felt that their political position would itself be jeopardized by inadequate appreciation of the responsibilities presently undertaken by skilled officers of long experience which could result in seriously prejudicing the efficient and economic working of the undertaking... It was vital in the interests of those persons who had the ultimate responsibility on their shoulders in this matter, i.e. the Authority, that the whole exercise of Africanization should be properly controlled; otherwise the exercise could recoil in the most destructive manner.<sup>160</sup>

This fear of a “destructive” outcome was a concern for the EAR&H’s managers and administrators at the time. They understood that it was a political necessity to transition to an African-led organization after independence yet worried that handing over management to inexperienced and unskilled staff could be detrimental to the Railways’ economic performance.

Efforts to find African replacements for non-Africans continued. By 1966, the year before the initiation of the EAC, there was still a disparity at the senior management levels of the EAR&H. A staff list from 1966 shows that of the top 16 positions named in the General Manager’s office, Africans held only four.<sup>161</sup> There was also an acknowledgement of “difficulties in obtaining certain specialized technical officers locally” and so by 1966, thirty-two posts were recruited from overseas.<sup>162</sup> The

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<sup>159</sup> EAR&H, *Memoranda Submitted to the Ministerial Communications Committee for 1962-1963*, 1 Sept 1962, KNRMA, 335.

<sup>160</sup> *Ibid*, 530.

<sup>161</sup> Of those four, two were transfers from Uganda and Tanganyika governments, one was a recent trainee, one was a former Clerk. EAR&H, *Staff List: Senior Officers and Supervisory Staff*, 1 September 1966, KNRMA, Nairobi.

<sup>162</sup> EAR&H, *Annual Report 1966*, April 1967, KNRMA, Nairobi, 33.

slow pace of Africanization was considered “utterly intolerable” by at least one legislative member of the EASCO.<sup>163</sup> But all of this was in contrast to the EARC’s public position that the “salary structure is not racial and equal opportunities for advancement are open to all”.<sup>164</sup>

Training was considered vital to the Africanization of the railways. The 1966 Annual Report, for instance, highlighted several training possibilities for African rail staff. One was to offer bursaries for students to attend University College, Nairobi.<sup>165</sup> For the Inland Marine Services, trainees had the opportunity to attend short courses in the United Kingdom. There were also the two Railway Training Schools, Nairobi and Tabora, with 70 instructors and a total average annual intake of 1,200 student residents.<sup>166</sup> Other solutions came through foreign assistance – the United Nations and others – to help address technical and management skill deficiencies.<sup>167</sup>

Based on the available Annual Reports between 1966 and 1973, it appears that Africanization progressed during much of the timeframe of the East African Railways. Table 2 below highlights this progression over select years.

**Table 2. Africanization Progress within East African Railways**

Year	(Graded Positions)		
	European	Asian	African
1966*	619	1,274	13,085
1969**	391	657	13,325
1971	256	534	14,204
1973	184	333	14,103

\* Total reflects combined staff of the EA Railways and Harbours

\*\* Total reflects just the staffing of the EA Railways after the breakup of the EAR&H

*Source:* EAR&H, *Annual Report 1966*, April 1967, KNRMA, Nairobi, 32; EARC, *Annual Report 1969*, April 1971, KNRMA, Nairobi, 24; EARC, *Annual Report 1971*, October 1972, KNRMA, Nairobi, 26; EARC, *Annual Report 1973*, April 1975, KNRMA, Nairobi, 26.

<sup>163</sup> Spoken by J.K. Cheruiyot, a Kenyan, during a meeting of the Central Legislative Assembly. Nation reporter, “EAR&H Boss Under Attack”, *Daily Nation* (Nairobi), 18 January 1967, 17.

<sup>164</sup> Nation reporter, “Africanisation – and equal opportunity”, *Daily Nation* (Nairobi), 17 October 1969, 5.

<sup>165</sup> EAR&H, *Annual Report 1966*, 33.

<sup>166</sup> *Ibid.*

<sup>167</sup> The UN had pledged £500,000 for manpower training of staff at the EARC and EAHC. Nation reporter, “Railways and Harbour Staff to be Trained”, *Daily Nation* (Nairobi), 7 January 1971, 24.

In this seven year period, the balance of staffing by race dramatically shifted. The number of Europeans had dropped by just over 70% and Asians by almost 74%, while the number of Africans rose by 8%. In absolute terms, the number of Africans increased by only 9%. However, even by 1973, the EARC still had trouble filling certain specialty skilled level posts with local staff.<sup>168</sup>

To some, the perception of this labor force shift was that it had not translated smoothly to an equivalent or improved service. In 1967 a representative of the East African Central Legislative Assembly, Mr. J.S. Kasambala of Tanzania stated that the EAR&H's services were much better when "Sikhs drove locomotives and Goans were accountants".<sup>169</sup> Such a stance generated a strong response from the Railway African Union (Kenya), whose Secretary-General accused the railway departments of pursuing a policy of "Indo-Europeanisation" instead of Africanisation".<sup>170</sup>

While Kenya's Secretary-General worried about the Indo-Europeanisation of the EARC, others were concerned with the Kenyanization of the railways. During a Central African Assembly meeting, the DG (then General Manager), Dr. Gakuo came under a "heavy attack" by a delegate from Tanzania, Mr. Mtaki, who questioned the appointment of Kenyans to the General Manager's office and wondered if the region had become "Kenyanised".<sup>171</sup> He went even further to say: "The General Manager seems to think that the only intelligent people come from Kenya".<sup>172</sup> These statements indicate that concerns about the Kenyans were beginning to emerge within senior levels of Community institutions. Underlying this concern was the fear that Tanzania would not receive equal benefits – both in personnel and equipment.

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<sup>168</sup> This included 13 technical officer posts which had to be advertised for overseas hiring and were still vacant at the end of the year. EARC, *Annual Report 1973*, 27.

<sup>169</sup> Nation reporter, "'Merit Only' Call Hurts Rail Union", *Daily Nation* (Nairobi), 13 January 1967, 3.

<sup>170</sup> *Ibid.*

<sup>171</sup> Nation reporter, "E.A.R. & H. Boss Under Attack", 17.

<sup>172</sup> Mr. Mtaki also intimated that the situation was also concerning with regard to railway equipment in that material scrapped in Nairobi would then end up in Tanzania. *Ibid.*

In a later news article, the Chairman of the EASCO Ministerial Committee, Mr. Job Lusinde, defended the EAR&H.<sup>173</sup> While admitting that a majority of the headquarters staff were Kenyans who outnumbered “Ugandans and Tanzanians combined”, he acknowledged good progress in Africanizing the railway staff.<sup>174</sup> He also appealed to Uganda and Tanzania to provide more qualified candidates for consideration, putting the onus on the Partner States to provide such workers.

The senior management of the EARC also attempted to deal with the country staffing issue, albeit in a more quantified manner. In one board meeting, the Resident Director (Kenya) proposed that a realistic staffing ratio was “5:3:1 for Kenya, Tanzania, and Uganda, in that order” and complained that the previous staffing ratio of “4:3:2” is no longer realistic and was “unfair to Kenya”.<sup>175</sup> Both Tanzania and Uganda strongly objected to this, saying that each Partner State was equal under the EAC treaty and therefore should be treated as such.<sup>176</sup> The Board considered the matter and agreed by majority that the ratio for recruitment should be “1:1:1” even though the Resident Director (Kenya) remained firm in his original proposal.<sup>177</sup>

While there appeared to be agreement in principle about distributing rail labor positions equitably across citizens of each member state, the reality fell far short. In a letter from the Chief Supply Officer to the DG, he indicated that to be able to implement the process of decentralizing the operations of the railway supply branch, the obstacle was that “about 98% of the entire staff of this Branch are Kenyans... we shall not be in a position to send the necessary personnel to Tanzania and Uganda regions”.<sup>178</sup> It therefore had become a great irony that the unity exhibited by East Africans in pushing to Africanize the labor force was subsumed by the perceived and actual dominance of Kenyan labor.

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<sup>173</sup> Mr. Lusinde at the time was also the Tanzania’s Minister of Communications and Works. Nation reporter, “Railway Services, Policies Defended”, *Daily Nation* (Nairobi), 24 January 1967, 5.

<sup>174</sup> *Ibid.*

<sup>175</sup> EARC, Minutes of the Tenth Meeting of the Board of Directors of the EAR Corporation, 10-11 April 1970, Memorandum, AWS-4-1423, KNA, Nairobi.

<sup>176</sup> *Ibid.*

<sup>177</sup> *Ibid.*

<sup>178</sup> EARC, Decentralisation of the Supplies Function at the Headquarters, 5 December 1975, Ref. No. GS. 55/70, AWS-1-209, KNA, Nairobi.

## *Conclusion*

This chapter described the historical development of the East African Railways Corporation from its early colonial beginnings until its inception as a regional public corporation within the EAC approximately seven decades after construction first began. It also presented several factors which establish that while the EARC represented the culmination of decades of building regional unity, there were signs that disunity stemming from rising tendencies towards nationalism threatened the EARC's existence.

The railways were first developed by both the British and the Germans as part of the drive to consolidate their colonial holdings within the broader "Scramble for Africa" at the close of the 19<sup>th</sup> century. In the north, it was called the Uganda Railway by the British and in the south the Germans called it the Tanga and Central Lines (later to be called the Tanganyika Railways). The First World War brought conflict to the East Africa region as the two colonial powers battled over their territories. The British would emerge victorious and the spoils they inherited included the territory of Tanganyika along with the rail lines. However, the integration of the railways was not immediate nor welcomed by all concerned.

This resistance to integration was not based on economic concerns but rather potential political "clashes of interest". However, any political objections to the integration were eventually overcome by the will of the unifying authority of the British government. This is an important point that contrasts a critical difference in the political climate between the colonial and post-colonial period in East Africa. It was in 1948 when the East African High Commission was formed that the railways were formally amalgamated into East African Railways and Harbours Administration.

After the independence of Tanzania, Uganda and Kenya was achieved in the early 1960s, the new nations of East Africa decided not only to continue the regional institutions (such as the railways and harbours) that existed from the colonial period but also to develop their own regional organization. Political differences almost derailed their efforts but eventually the East African Community was constituted in 1967. As part of this new regional organization, the EARC became a legal institution under the EAC in 1969.

But the EARC faced several challenges to its regional operations. Three of these were discussed in this chapter and they exemplified how difficult it was to achieve unity even in the EARC's early, most hopeful period. The management structure of the EARC was designed to emphasize plurality of membership by each of the three EAC member states. In theory this was to ensure a balance of decision-making but the lack of perspicuity in the decision-making structure frustrated efforts to implement new policies. The railways' program for dieselization was designed to modernize locomotive power to reflect new rail technology at the time. However, this effort almost collapsed due to differences between, at first, the Ugandan board chairman and the Kenyan Director-General and spiraled up to other representatives of each nation. It eventually required the involvement of the highest decision-making body of the EAC – the East African Authority - to resolve the discord. After 1971, this ultimate decision-making body was removed in the wake of the military coup in Uganda and the hostility of President Nyerere to the new Ugandan leader, Idi Amin. Finally, the efforts to Africanize the EARC labor force were exacerbated by the *de facto* Kenyanization of many rail staff positions. This perceived and actual dominance of Kenyan labor was another pebble cast into the well of growing regional discord between EAC members.

Yet, even in the face of these difficulties, the EARC continued to function, albeit precariously at times. In presenting these challenges, this chapter has set the stage for discussion of the even greater trials which eventually succeeded in toppling the East African Railways.

## CHAPTER 3      The Downfall of the East African Railways

From the start of its existence as a formal public institution within the EAC, the East African Railways Corporation (EARC) experienced few tranquil periods.<sup>179</sup> While service volume never really decreased until the final years of its operation, its financial position was precarious at best, bottoming at a nadir during the financial crisis of 1974 from which it never recovered. As discussed in the first chapter, perceptions about the EARC's failure have often focused on matters that directly impacted its performance, such as competition from road transport. John Due presented an accurate albeit simplified view that it was the lack of political will which prevented the railways from performing.<sup>180</sup> But a blending of numerous factors contributed to the EARC's inevitable downfall. The EARC's management was mostly aware of these elements and did make attempts to address them but was mostly powerless to confront these issues before collapse was imminent. This chapter will focus on the three main areas that directly contributed to the breakup of the East African Railways and how, in particular, the EARC attempted to resolve these issues. These were the attempts to rationalize railway services; the policy of decentralization of operations and its negative effects on the railway; and the financial crisis of 1974. It will argue that while on the surface, the EARC struggled to operate in a sound economic manner, the root cause of its difficulties stemmed from a lack of regional political will to support the railways. It was the intra-regional discourse on the operations of the EARC that exposed the differences of the member states based on national interests.

### *Attempts to Rationalize Railway Services*

One of the main paradoxes of the EARC was that in the first few years of the corporation, overall revenue increased along with movement of goods (see Chart 1 below). However, deficits continued to plague its balance sheet. By 1970, the accumulated deficits of the EARC reached £2.25 million over the previous three years.

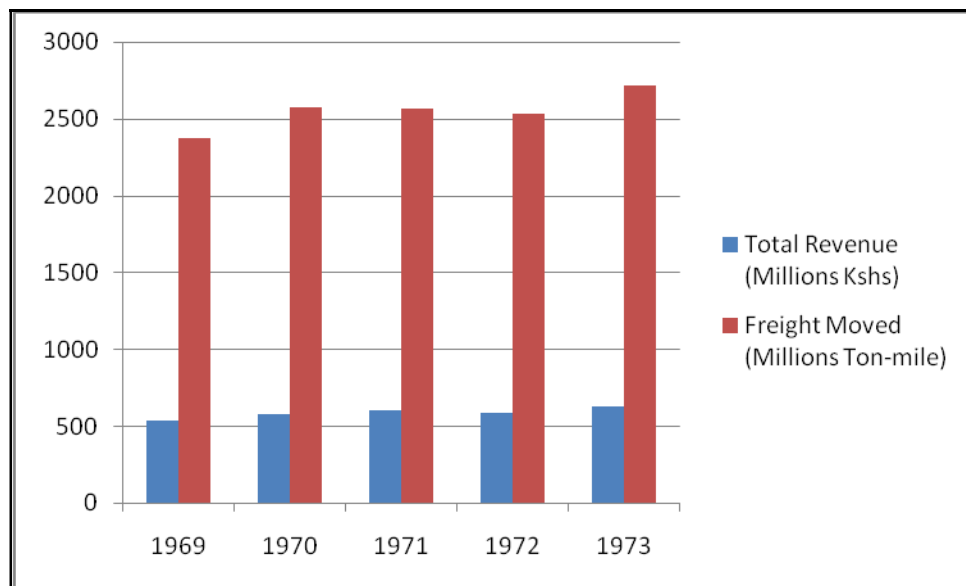
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<sup>179</sup> As previously noted, the East African Railways Corporation formally came into existence on 1 June 1969 with the split up of the previous East African Railways & Harbours, which had existed since 1948.

<sup>180</sup> John Due in his 1977 report on railroads in Africa summed up the problems of the East African Railways as "the source of the difficulty was political, not to any extent economic or technical". Due, "Some Observations", 7.

This raised the ire of regional government officials. They eventually called for a “Railway Economy Committee” and the EA Minister of Communication announced in May 1970 the formation of an 11-man committee Railway Economy Committee, also known as the “Sims Commission” after its chairman, to look into the causes of the railway deficits. The committee’s terms of reference included an examination of expenditures on manpower, the rate of growth of expenditures, along with any other identified factors.<sup>181</sup>

**Chart 1. Total Revenue vs. Freight Movement Trend  
1969-1973**



Source: EARC, *Annual Reports 1969-1973*, KNRMA, Nairobi.

One clearly recognized cause of the deficit was the inefficient tariff structure. This was highlighted in the response to the final Economy Report by the EARC in March 1972:

An important factor to note in regard to the slower increase in revenue (3% annually) as compared to rapid increase in expenditure (5% annually) is the fact that... the Corporation has carried increased tonnages of low rated traffics. The

<sup>181</sup> Nations Editorial, “Railway Losses”, *Daily Nation* (Nairobi), 22 May 1970, 6; Nations reporter, “Railway Economy Committee Invites Views of Public”, *Daily Nation* (Nairobi), 12 September 1970, 7.

significance of this fact is that the cost of maintaining track and rolling stock has increased considerably... Hence... there is the urgent need to adjust the tariff.<sup>182</sup>

The EARC was sounding the warning bell that it recognized the increasingly difficult financial trend and that the solution could only be met by allowing the tariff rates to be adjusted. But this was easier said than done. Just a month earlier, the East African Minister of Communications to the East African Legislative Assembly made a presentation regarding issues raised by legislative members pertaining to the EARC Annual Report of 1970. The minister pointed out that the Communications Council and the Board of the EARC was “fully aware of the inadequacies of the existing differential tariff” but that they were limited by the restrictions imposed by the Railway Corporations Act.<sup>183</sup> The Act stipulated that the rail system was to be run on “business principles... cheap transport shall be provided to assist agricultural, mining and industrial developments”; and the railway was to be run on a “non-profit earning basis”.<sup>184</sup> It wasn't until mid-1974 and after the financial crisis of 1974 that the management of the EARC made a concerted effort to address the tariff issue. By then, however, it was too late.<sup>185</sup>

The competition from road transport was another factor mentioned by the Sims Commission. Sims pointed to this as contributing to the financial difficulties and the removal of the “near monopoly” that the corporation previously enjoyed. He noted that the “quickening tempo” of this competition was due to road improvements and to more liberal licensing policies for road haulers.<sup>186</sup> But this had been anticipated as early as 1968, when EARC management acknowledged the potentially negative impact of road competition on the EARC's finances. A memorandum from the General Manager that

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<sup>182</sup> EARC, Comments Made on the Economy Report by the Board of Directors of the East African Railways Corporation For Consideration by the Communications Council, 24 March 1971, Report, AWS-1-994, KNA, Nairobi, 2.

<sup>183</sup> EARC, Reply by the Hon. Minister to Debate on the 1970 Annual Report and Accounts for the Railways, 25 February 1972, Memorandum, AWS-1-698, KNA, Nairobi, 3.

<sup>184</sup> Delupis, *The East African Community*, 102.

<sup>185</sup> John Due wrote that tariff rates were essentially frozen between 1969-1974 mainly due to Tanzania's unwillingness to raise rates on certain agricultural products. Due, “Some Observations”, 5.

<sup>186</sup> Nations reporter, “Railway ‘Must Act to Stave Off Road Transport Rivals’”, *Daily Nation* (Nairobi), 22 October 1971, 10.

was prepared for the Communications Council discussed in great detail the implications of road transport competition at that time.<sup>187</sup> It noted that “half the Tanzania sisal traffic goes by road. Virtually no sugar and very little cotton seed in Uganda pass by rail and cement is rapidly being lost to road transport”.<sup>188</sup> The memorandum went on to highlight that EAC nation governments showed little concern about this issue:

It must now be accepted that rail is no longer regarded by the Governments of any of the three Partner States as the sole means of transport or even... as the desirable medium to be fostered.<sup>189</sup>

Unfortunately for the EARC, neither the Sims Commission’s findings nor the railway management’s awareness of the problem sparked any necessary changes. In 1973, the EARC’s Director-General lamented its lack of freedom to adjust railway tariffs as compared to road transporters, who were “free to determine their own rates and charges”.<sup>190</sup> Indeed, the Director-General had no say whatsoever over tariffs - all the power resided with the partner states. Tanzania also had an interest in maintaining rail tariffs to protect certain exports.<sup>191</sup> Tanzania was the lynchpin to the tariff issue as demonstrated in a statement by the Tanzanian Minister of Communications and Works, J. M. Lusinde, to the Communications Council when he declared: “Tanzania requested... to defer consideration of the proposed cost-based tariff rates until a paper showing progress made in decentralising the Corporation... is presented to the [Communications] Council”.<sup>192</sup> It had become a *quid pro quo* situation where Tanzania justified its deferral of any decision on a new railway tariff until satisfied with the progress of regionalizing the EARC.

The Sims Commission’s final report did not end broader concerns about the EARC’s performance. In a debate by the East African Legislative Assembly (EALA) in

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<sup>187</sup> EAR&H, Financial Position of the Railway: Road Competition – Effect On Rail Charges, 10 October 1968, Draft Memorandum, AWS-4-926, KNA, Nairobi.

<sup>188</sup> *Ibid.*, 4.

<sup>189</sup> *Ibid.*

<sup>190</sup> KNA, “Railway Service Will Suffer Without More Revenue”, *Daily Nation* (Nairobi), 18 December 1973, 5.

<sup>191</sup> Due, “Some Observations”, 17.

<sup>192</sup> EARC, Memorandum on Decentralisation of the East African Railways Corporation, 1973, Memorandum, AWS-4-926, KNA, Nairobi, 1.

early 1973, members raised questions and concerns pertaining to the review of the 1971 EARC annual accounts and report. A motion was proposed based on “dissatisfaction” with the annual report and calling for an investigation “in order to find out what action should be taken to rectify the unsatisfactory accounting state of affairs in the railways corporation”.<sup>193</sup> One EALA representative mentioned that part of the problem was factionalism within the Communications Council, which was “deadlocked” along national lines when it came to the tariff question.<sup>194</sup> EALA representatives formed an investigating committee in June of 1973 to look into the EARC’s financial accounts but there was debate as to the nationality of the committee chair. In a gesture toward maintaining regional pluralism on the committee, Thomas Wafula, a Kenyan member of the EALA, opposed a Kenyan to head the committee, and since the railway headquarters was in Nairobi, he thought “it would be appropriate to have a Tanzanian to chair” in the name of equal rights and treatment among partner states.<sup>195</sup> Regional decision-making had to address these national concerns. Even the selection of who should chair committees, required sensitivity to intra-regional politics.

Besides the tariff issue, the EARC management also recognized that something had to be done to rationalize their services in order to become more cost-effective. In August 1973, the EARC Board of Directors (BoD) initiated the formation of a “Working Committee under the Chairmanship of the Resident Director (Tanzania), Mr. Kasera” to make recommendations for improving operations.<sup>196</sup> It is unclear how many times this committee met and the committee produced only one memorandum for consideration by the EARC board in November 1973. The memorandum began by discussing one of the EARC’s major concerns: the member nations’ inability to agree to adjust tariff rates. This was a subject the committee could not address but the point was strongly made that tariff rates had to be continuously reviewed and adjusted otherwise it would be analogous to a patient who chose to do nothing and waiting for a “terminal... ‘heart

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<sup>193</sup> Nations reporter, “Probe Called for after Members complain about Accounting at Railways”, *Daily Nation* (Nairobi), 7 March 1973, 11.

<sup>194</sup> It was described that members of the Communications Council came with “fixed stands” from their Governments on the issue of tariff revision and “were not prepared to discuss points”. *Ibid.*

<sup>195</sup> Nations reporter, “Committee to Probe Railway Affairs”, *Daily Nation* (Nairobi), 23 June 1973, 9.

<sup>196</sup> EARC, Working Committee on Rationalisation of Services, August 1973, Memorandum, AWS-4-933, KNA, Nairobi.

attack”<sup>197</sup>. The document moved on to question the effectiveness of the program to dieselize the EARC.<sup>198</sup> The purpose of the program was to “enable the maintenance of standards of efficiency sufficient to match the growing threat of road transport competition”.<sup>199</sup> However, this goal was never reached.

The memorandum provided another reason that customers may have switched from rail to road transport: quality of service.<sup>200</sup> Statistics from 1972 showed that the passenger and freight service punctuality was low, ranging “from 1% to an occasional 58% but never higher with an annual average of 27%”.<sup>201</sup> Poor passenger train service was also mentioned in a *Daily Nation* editorial critiquing the low quality of service at Kisumu Railway Station.<sup>202</sup> The editorial author wondered why such a large corporation as the EARC, which had been “running smoothly during the colonial era [but now] the [EARC] authorities are becoming negligent and indifferent”.

The committee also attributed lost revenue to the delays in the turnaround of available wagon carriers to carry goods which hampered export/import traffic. The delays were specifically due to customers not quickly offloading their goods which resulted in removing these wagon carriers for other services. The lack of available wagon carriers was also attributed to EARC employees themselves. For instance, shipment traffic that arrived at Kilindini sat for long periods due to a lack of employee coordination in the “receipt of release instructions from the Headquarters Control,” and so wagon carrier capacity was wasted.<sup>203</sup>

Finally, the Working Committee’s memorandum highlighted the EARC’s poor marketing strategy, which had resulted in an inability to capture new business. The document made the comparison to the actions of road transporters, stating: “The

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<sup>197</sup> EARC, Memorandum No. 1 To the Committee on Rationalization of Services: East African Railways Corporation, 26 November 1973, Memorandum, AWS-4-933, KNA, Nairobi, 2.

<sup>198</sup> The program to dieselize the EARC was the process of replacing the old steam driven locomotives with newer technology diesel-electric locomotives. See previous chapter.

<sup>199</sup> *Ibid.*

<sup>200</sup> An example described were of instances where customer’s goods would arrive at the destination but then directed to the wrong siding while the customer would be “advised that his goods had not arrived”. EARC, Memorandum No. 1, 3.

<sup>201</sup> *Ibid.*

<sup>202</sup> Gabriel Jumah Kabwana, “The Chaos at Kisumu Railway Station”, *Daily Nation* (Nairobi), 11 August 1973, 7.

<sup>203</sup> EARC, Memorandum No. 1, 4.

railways wait for customers to come to it while road transporters are pulling a tag-of-war [tug-of-war] not only among themselves but also against the railways”.<sup>204</sup> There was “plenty of traffic [goods]” available to carry but the EARC had failed to anticipate any demand and address the customers’ needs.<sup>205</sup>

It was not clear if the effort of the Working Committee on rationalization was able to make any impact on the EARC management. By the time this single memorandum was drafted, the corporation had become enmeshed in the beginning of the “financial crisis” that would consume the complete attention of the EARC in 1974. But what was clear was that the EARC management was not oblivious to the challenges it faced and was willing to examine ways to address these problems.

### *The Paradox of Decentralization*

Domenico Mazzeo described the purpose of the Treaty for East African Cooperation (hereafter referred to as the Treaty) in terms of decentralization (or regionalization as described by some) as a way “to allocate benefits from the Common Services more equitably”.<sup>206</sup> Chapter XXII of the Treaty provided the first broad outline of decentralization, with the first directive being that the EAC institutions’ headquarters be distributed among all three countries.<sup>207</sup> This section of the Treaty mandated that the former EAR&H Administration would split into two corporations. The railroad portion of the company would remain headquartered in Nairobi while the East African Harbours Corporation would be established in Dar Es Salaam.<sup>208</sup> Mazzeo described this transplantation of the Harbours headquarter to Tanzania as a compromise suggested by Dr. Kjeld Philip, the Danish head of the Philip Commission, which assisted in drafting the Treaty. The division of the EAR&H was necessary “in order to neutralize Tanzania’s intention to nationalize the Harbours and Kenya’s retaliatory proposal to nationalize the Railways”.<sup>209</sup> From this it becomes apparent that even before the inception of the EAC,

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<sup>204</sup> *Ibid.*, 5.

<sup>205</sup> The memorandum argued that they were “dealing with a world in a hurry” and customers would be willing to pay a higher cost if it meant their goods arrived promptly, a target at which the EARC was failing. *Ibid.*

<sup>206</sup> Mazzeo, “Foreign Assistance”, 22.

<sup>207</sup> East African Community, *Treaty for East African Co-operation Act 1967*, No. 31, Article 87 of the Treaty., 59.

<sup>208</sup> *Ibid.*

<sup>209</sup> Mazzeo, “Foreign Assistance”, 55.

that the fragility of the cohesion holding together the EAR&H was threatened by national interests.

This division may have been politically necessary, but it was more easily said than done. A January 1968 memorandum from the EAR&H General Manager's office to the Communications Council detailed the challenges of decentralization, but also highlighted the enormity of the overall task as described by one UN consultant seconded to the EAR&H: "To the best of our knowledge no other country or countries have carried out an exercise [the orderly division of the EAR&H] of this kind on such a large scale".<sup>210</sup> The implications for this reorganization encompassed both a financial and manpower allocation costs.

The financial cost would entail the "substantial expenditure" for creating new office space, accommodations and the hiring of additional for the new regional headquarters for the railway, particularly in Dar Es Salaam and Kampala.<sup>211</sup> The EARC's struggles with the financial burden of regionalization would be a recurring theme. The 1970 EARC Annual report described deficits accrued through the year as a "situation not satisfactory but is likely to persist unless the Corporation... is relieved financially of the regionalisation requirement imposed by the Treaty of East African Co-operation".<sup>212</sup>

The EARC management, in its evaluation of the methodology for implementing decentralization, said that one of the "principal difficulties" was the shortage of "senior professional/technical manpower".<sup>213</sup> The reason for this was the lack of experienced and qualified "African officers," who were not likely to be available in any "immediate future".<sup>214</sup> What was lacking then in the process for Africanisation was time and the capacity for the EARC to train adequate staff. Sending local railway staff to overseas

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<sup>210</sup> EAR&H, Memorandum No. 12 Organisation: Railway Corporation and Harbours Corporation, 9 January 1968, Memorandum, AWS-4-173, KNA, Nairobi, 1.

<sup>211</sup> *Ibid.*, 3.

<sup>212</sup> The report pointed out that the large portion of the "Capital Servicing" expenditure of £4.243 million in 1970 was to support regionalization. EARC, *Annual Report 1970*, 29.

<sup>213</sup> EAR&H, Memorandum No. 12, 3.

<sup>214</sup> *Ibid.*, 4.

training schools took time to complete as well as resources.<sup>215</sup> This was a persistent challenge and the only recourse was to continue to rely on trained and experienced outsourced rail staff. Yet the attracting of foreign expertise was in of itself a problem as well.<sup>216</sup>

Tanzania was concerned about the slow progress of decentralization. In one memorandum, the Tanzanian Minister of Communications and Works spelled out his concerns of the results to date. He was critical of the overall lack of progress, citing that “six years since the Treaty was signed, the E.A.R.C. Regional Headquarters have no effective control of their Regions in matters relating to finance, project planning and implementation, personnel, rolling stock, locomotive power... etc”.<sup>217</sup> He further wrote that “in Tanzania’s view, this over centralisation [meaning the current organizational status quo of the EARC structure] is not conducive to sound commercial management practices”.<sup>218</sup> The Minister called for a drastic reorganization of the EARC, where “everything now administered by the Headquarters would be decentralised” with the exception of a few services such as payment of joint loans, marine services and advanced training.<sup>219</sup> In order to prepare an adequate plan, the Minister called for an “independent firm of railway consultants” to advise on the setup of this reorganization.<sup>220</sup>

However, the Tanzanian Minister’s sentiments were not shared across the region. One *Daily Nation* editorial, which was critical of the EALA’s support of the EARC’s decentralization, called decentralization a move “to placate territorial parochialism” between the member states rather than for economic efficiency.<sup>221</sup> The writer decried that the EARC’s financial difficulties were not due to the performance of Kenyan employees and that “they [neighboring states] will not forget that Kenyans are

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<sup>215</sup> In the 1973 Annual Report it was mentioned how one EARC officer had been sent to a shipbuilding course starting in 1970 but by December 1973, that person had yet to complete the course. See EARC, *Annual Report 1973*, 27.

<sup>216</sup> The 1973 Annual Report also mentioned difficulties in recruiting certain “specialized technical officers” and that 13 posts advertised overseas were still vacant. *Ibid.*

<sup>217</sup> EARC, Memorandum on Decentralisation, 2.

<sup>218</sup> *Ibid.*

<sup>219</sup> For Marine services, the exception was Lake Tanganyika where the memo seemed to indicate that Tanzania would take full control of those operations. *Ibid.*, 3.

<sup>220</sup> *Ibid.*, 4.

<sup>221</sup> Nations Editorial, “Something to Think About”, *Daily Nation* (Nairobi), 27 July 1974, 6.

getting tired of being treated like whipping boys” and that the majority of employee “misfits” of the EARC were not Kenyans.<sup>222</sup> It was unclear if the sentiments within this editorial piece reflected a general feeling among Kenyans but it did provide an indication that there were difficulties between the member states. In particular, Kenyan employees of the EARC based in Uganda had been terrorized and many had fled the country – even refusing to return to work there.<sup>223</sup>

Because of these cross currents of feelings, an external consulting firm was hired after discussions at a July 1974 meeting in Nairobi between representatives of the World Bank, the EAC, partner states, and the EARC.<sup>224</sup> The members of the consulting firm, CANAC, led by W. R. Corner, were formally presented to the EARC Board of Directors in October 1974 to begin their work.<sup>225</sup> However, two years would pass before the firm’s report would be published. By that time, the damage of the financial crisis to the EARC was unrecoverable.<sup>226</sup>

Although they were never realized, the CANAC report proposed three possible scenarios for decentralizing railway operations. The first was similar to the Tanzanian proposal of removing most functions of the central headquarters and placing them in the regional headquarters while retaining some central coordination authority in Nairobi. However, this was discounted since it would only “foster disunity” by having a central authority potentially overruling the regional bodies.<sup>227</sup> The second option described a divided two railway system: a Kenya/Uganda rail line and a Tanzania line; but this would have become problematic for Uganda since it would have been dominated by Kenya.<sup>228</sup> The final plan was the one that was recommended: divide the EARC into three

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<sup>222</sup> *Ibid.*

<sup>223</sup> John Chacha, “Kenyans refuse to return to their jobs in Uganda”, *Daily Nation* (Nairobi), 22 April 1973, 3.

<sup>224</sup> EARC, Minutes of the Thirty-seventh Meeting of the Board of Directors of the EARC, 28-29 August 1974, Memorandum, AWS-4-1424, KNA, Nairobi, 12.

<sup>225</sup> EARC, Minutes of the Thirty-eighth Meeting of the Board of Directors of the EARC, 16-17 October 1974, Memorandum, AWS-4-1424, KNA, Nairobi, 1.

<sup>226</sup> The final report was presented by CANAC to EAC and was dated 31 July 1976.

<sup>227</sup> EARC, Decentralization Plan For the East African Railways Corporation – Cover Memorandum, 31 July 1976, Memorandum, AWS-1-1000, KNA, Nairobi, 5.

<sup>228</sup> The report mentioned that Kenya possessed over 85% of the total traffic revenue between the two countries. *Ibid.*

autonomous railways held together by a “cooperative organization”.<sup>229</sup> This was deemed to be the most beneficial scenario since each portion of the railway would be managed by each country. Necessity would drive cooperation where, for instance, the rail repair shops in Nairobi would require servicing of Uganda’s rail stock to supplement the high cost of maintaining these facilities. CANAC posited that this arrangement was the “only valid organization which can meet the desires of all States and contribute to Community benefit while avoiding complete disintegration”.<sup>230</sup> However, unforeseen events around this time contributed to the disintegration of the EARC – and not along the lines of the CANAC plan or as envisioned within the Treaty for East African Co-operation.

### *The Financial Crisis of 1974*

The crisis experienced by the EARC in 1974 is better referred to as a “so-called ‘financial’ crisis” which more accurately describes the situation that began at the end of 1973 and proceeded into 1974. Mazzeo believed that it was not merely a crisis of finances as much as it was a lack of political will and cohesion to correct the situation the EARC was experiencing.<sup>231</sup> As will be discussed in this section, the ability to prevent the dire financial situation of the EARC was available to partner states but the political will to utilize those means was the key lacking measure.

Since the EARC’s formal inception in 1969, its financial situation was a recurrent area of concern to it and to EAC leadership bodies, such as the EALA. But as the end of 1973 approached, this difficult situation had become untenable, exposing the weaknesses of regional interests in the face of strong nationalist feelings. The first discussion of this issue occurred at an EARC BoD meeting on 13<sup>th</sup> and 14<sup>th</sup> September 1973. The Director-General (henceforth referred to as “DG”) presented a memorandum to the board indicating that while the net balance of the EARC’s accounts was over KShs. 16 million as of 1 September 1973, the corporation was “overdrawn in its London account to the tune of Shs. 12 million,” leaving an amount insufficient to support normal

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<sup>229</sup> *Ibid.*, 6.

<sup>230</sup> *Ibid.*, 7.

<sup>231</sup> Mazzeo, “Problems of Regional Cooperation”, 88.

operations.<sup>232</sup> The memorandum further explained that this financial mess was due to the “great difficulties” in transferring funds from Kampala to Nairobi beginning on 4 August 1972. To blame were “Exchange Control Regulations” and the balance outstanding had now accrued to Shs. 25 million.<sup>233</sup> One of the outcomes of the ensuing discussion was that the DG would work with the Regional Managers to address the funds transfer issue. However, the Resident Director of Tanzania presented a motion that payments remitted from Tanzania must be “reasonable joint commitments of the Corporation” otherwise any insistence of the additional transfers of excess payments to headquarters “could lead to the breaking of the Railways”.<sup>234</sup> This was a foreshadowing of what would soon develop between national representatives of the EARC management.

Just ten days after the BoD meeting, the board held an emergency meeting to discuss ways of addressing this financial crisis. The meeting resulted in an “urgent” memorandum presented to each member state’s Minister of Communication and also the EAC Minister of Communication. It detailed the “uneconomic services” provided by the railways, which amounted to just over Shs. 58 million.<sup>235</sup> The memorandum also indicated the board’s intentions to implement “austerity” measures and to rationalize the EARC’s operations whenever possible.<sup>236</sup> But the major request made by the EARC board was a plea to the governments of each member state to guarantee bank overdraft capacity in Nairobi for “up to Shs. 20 million”. This would allow the EARC to meet immediate financial obligations and also “to ease transfer of its funds from one Partner State to another”.<sup>237</sup> In addition, the EARC BoD addressed the funds transfer issue with Uganda by sending a team to Uganda to review operations and request the release of

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<sup>232</sup> The DG indicated that the Corporation’s London account was hugely overdrawn and paying an interest rate of 13%. EARC, Minutes of the Thirty-second Meeting of the Board of Directors of the EARC, 13-14 September 1973, Memorandum, AWS-4-1424, KNA, Nairobi, 5.

<sup>233</sup> *Ibid.*

<sup>234</sup> Acceptable joint payments included servicing of loans, payments for supplies and equipment for Tanzania region, and any payments justified to support regionalisation. *Ibid.*, 7.

<sup>235</sup> These services included rail lines that were not being well utilized, catering services at certain railway stations that incurred regular losses and road services in Tanzania that were not profitable. EARC, Railway Corporation’s Financial Crisis, 24 September 1973, Memorandum, AWS-4-1424, KNA, Nairobi, 3-4.

<sup>236</sup> *Ibid.*, 5.

<sup>237</sup> The major immediate financial obligation was to be able to pay the salaries of headquarters staff by the end of the month. *Ibid.*, 5-6.

“Shs. 15 million... to enable the Corporation [to] meet staff salaries at the end of the month”.<sup>238</sup> The EARC then had to address the failure to transfer funds by member states. It had become clear that the mechanisms within the EAC to address intra-regional problems had broken down and the effect of this was severely disrupting the operations of the EARC.

But political friction between the member states was beyond the capacity of EARC management to resolve and it threatened to rupture the already-weak railway corporation - as well as the broader East African Community. By mid January 1974, Tanzania’s Minister of Communications and Works, Job Lusinde, declared his intention to “take further measures” in the administration of the railways within Tanzania if the Government felt that such measures “would be for the benefit of its people”.<sup>239</sup> This was essentially the beginning of events that would eventually lead to the final breakup of the EARC.

Meanwhile, EARC’s capacity to save itself continued to run up against an impasse that could only be resolved through reciprocal national actions. The Regional Manager (Kenya), P.J. Mwangola, highlighted this to the media when stating:

I cannot release even a cent to the headquarters unless Tanzania releases 18 million shillings, Uganda pays 18 million shillings... If they do so I will pay the headquarters 18 million shillings immediately.<sup>240</sup>

It had become a matter of decision-making by *quid pro quo* rather than by reaching a consensus among member states. By the end of January 1974, the Kenyan government – under pressure to save the EARC – finally made a “rescue’ remittance” payment of 18 million shillings. Uganda had done so as well, but Tanzania’s situation was (at the time) “not known up to now”.<sup>241</sup>

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<sup>238</sup> Nations reporter, “Railways Ask Uganda to Release Funds”, *Daily Nation* (Nairobi), 27 September 1973, 1.

<sup>239</sup> Nations reporter, “Tanzania Takes Over All Internal Railway Matters”, *Daily Nation* (Nairobi), 11 January 1974, 3; and Nations reporter, “New Action On Railways’ Hint”, *Daily Nation* (Nairobi), 13 January 1974, 1.

<sup>240</sup> Nations reporter, “Railways Crisis Drags On”, *Daily Nation* (Nairobi), 24 January 1974, 20.

<sup>241</sup> Nations reporter, “Kenya Cash Comes to the Rescue of the Troubled Railways”, *Daily Nation* (Nairobi), 30 January 1974, 24.

The payments from Kenya and Uganda did not alleviate the crisis for very long. Between January and May 1974, the EARC held one regular board meeting and three “emergency” board meetings primarily focused on addressing the financial crisis. The minutes from these meetings illuminate the delicate nature of trying to resolve the economic difficulties of operating the railways while maneuvering around the issue of the nationalistic interests of board members – particularly in the case of Tanzania but for Uganda as well.

During the January board meeting, the DG first discussed the background and the source of the financial crisis, pointing to the fact that there were adequate funds in each region’s accounts and that if money had been “freely” transferred to the headquarters account, then the financial crisis “would not have arisen”.<sup>242</sup> But during the ensuing discussion, the Resident Directors of Tanzania and Uganda both accused EARC management of acting to “discriminate against Tanzania and Uganda regions in the implementation of projects in the Corporation’s Development Programme”.<sup>243</sup>

In the following four board meetings, the board agreed to curtail various expenses, such as gratuity payments from pensions and motor car advances.<sup>244</sup> The board also recommended a 25% increase in the fuel tariff to begin on 1 May 1974.<sup>245</sup> The high cost of fuel oil had been exacerbating the EARC’s financial situation. Finally, the board tried to address the need for further regional remittances to pull the London accounts out of the red, but the Resident Director for Tanzania indicated that Tanzania would transfer the requested Shs. 9.4 million only on the stipulation that all bills that needed to be paid were subject to verification first.<sup>246</sup>

The financial crisis did spur some positive bureaucratic action. In May 1974, the Communications Council requested that the EARC management present an updated

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<sup>242</sup> EARC, Minutes of the Thirty-fourth Meeting of the Board of Directors of the EARC, 18-19 January 1974, Memorandum, AWS-4-1424, KNA, Nairobi, 1.

<sup>243</sup> *Ibid.*, 2.

<sup>244</sup> EARC, Minutes of the Emergency Meeting of the Board of Directors of the EARC, 8 February 1974, Memorandum, AWS-4-142, KNA, Nairobi, 2.

<sup>245</sup> The minutes of the board meeting indicated that fuel costs had risen by about 500%. EARC, Minutes of the Emergency Meeting of the Board of Directors of the EARC, 26-27 March 1974, Memorandum, AWS-4-1424, KNA, Nairobi, 3.

<sup>246</sup> *Ibid.*, 3.

across-the-board cost-based tariff “taking into account inflationary costs caused by the rising cost of oil”.<sup>247</sup> The following month, the Council did finally agree to the increased tariff rates to “take effect from 1<sup>st</sup> July, 1974”.<sup>248</sup> The financial impacts of this move were generally positive for the EARC. By the end of August 1974, the EARC reported revenues of “£1.75 million more than the original estimate” – this despite the fact that the EARC had “been running below full capacity” due to a lack of spare parts.<sup>249</sup>

### *The End of the East African Railways*

The EARC’s desperate actions of 1974 were not enough to overcome the deterioration in both the financial structure of the corporation as well as regional cooperation among stakeholders in the railways. Even at the height of the financial crisis, a Ugandan member of the EALA accused the EARC of fraud and mismanagement.<sup>250</sup> The underlying distrust and nationalistic interests were never addressed and were a direct cause for the EARC’s continued collapse as it entered 1975.

One more crisis at the beginning of the year strained the EARC: a severe shortage in spare parts prevented the repair and operation of locomotives, which caused the suspension of passenger services in Kenya.<sup>251</sup> In a sign of how far trust had diminished among EARC member states, Tanzania initiated a plan to secure spare parts, but only for its own rail network. It was a unilateral move that took even the East African Minister for Communications, Captain Hussein Marijan by “surprise”.<sup>252</sup> Tanzania’s actions occurred while EARC board members personally traveled to London to expedite orders for spares that “would be used by all three partner states” according to the Chairman of the EARC Board, L.K. Idro.<sup>253</sup>

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<sup>247</sup> EARC, Minutes of the Emergency Meeting of the Board of Directors of the EARC, 16 May 1974, Memorandum, AWS-4-1424, KNA, Nairobi, 1.

<sup>248</sup> EARC, Minutes of the Thirty-sixth Meeting of the Board of Directors of the EARC, 24-26 June 1974, Memorandum, AWS-4-1424, KNA, Nairobi, 2.

<sup>249</sup> Nations reporter, “Financial Position of Railways Better”, *Daily Nation* (Nairobi), 8 September 1974, 3.

<sup>250</sup> Nations reporter, “Ugandan Alleges Fraud, Irregularities and Mismanagement”, *Daily Nation* (Nairobi), 23 July 1974, 4.

<sup>251</sup> Nations reporter, “Bid to Beat Rail Crisis as Trains Come to Halt”, *Daily Nation* (Nairobi), 17 February 1975, 1.

<sup>252</sup> In an interview with the EA Minister, he confirmed that Tanzania had directly purchased [Shs.] 20,000,000 /- worth of spare parts without going through the regular purchasing process of the EARC. Nation reporter, “Rail Spares Probe is On”, *Daily Nation* (Nairobi), 31 January 1975, 2.

<sup>253</sup> Nations reporter, “Bid to Beat Rail Crisis”, 1.

The paradox of financial deficits at the EARC headquarters and surpluses in the regions continued in 1975. Mazzeo highlighted this situation as shown in Table 3 (below) taken from an essay written on the collapse of the EAC.

**Table 3. Financial Position of the EARC,  
End of April, 1975  
(Millions Shs.)**

<u>Cash Holdings:</u>	<u>Balance:</u>
Kenya Headquarters	+32.5
Tanzania Headquarters	+35.0
Uganda Headquarters	+7.0
<u>Corporation Headquarters</u>	<u>-10.0</u>
 Total	 +64.5

*Source:* Domenico Mazzeo, "Problems of Regional Cooperation in East Africa" in Richard Fredland & Christian Potholm (eds.), *Integration and Disintegration in East Africa* (Lanham: University Press of America, 1980), 90.

The lack of funds transfers from the regions to the EARC headquarters, the very same issue that contributed to the financial crisis in 1974, had once again appeared. This was brought up at an EARC board meeting in May 1975, when the "Board wondered why there had been no transfers of funds from the Tanzania Region to the Headquarters since the beginning of the year".<sup>254</sup> The Resident Director of Tanzania declined to address the matter.

The lack of trust and respect for the EARC management led partner states to directly instruct EARC management on exactly how their funds should be spent. The BoD of the EARC expressed their frustration in the following public statement that emerged from the July 1975 emergency board meeting:

The Board of the East African Railways Corporation met this morning July, 2<sup>nd</sup> and received from the Management a report on the critical financial position of the Railways which has resulted in the non-payment of salaries to some of its Headquarters staff...although there was ample cash in the Railway Regional Accounts in the Partner States, the Board was barred by some Partner States

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<sup>254</sup> EARC, Minutes of the Fortieth Meeting of the Board of Directors of the EARC, 13-14 May 1975, Memorandum, AWS-4-1424, KNA, Nairobi, 2.

from utilizing these funds.<sup>255</sup>

The EARC management was also powerless in the management of rail operations across the region. For example, in discussions on the allocation of rail wagons, it was brought to the attention of the BoD by the Chief Traffic Manager that Tanzania had “departed” from following the guideline on wagon allocation per region and was “hoarding more wagons... without any justifiable reason”.<sup>256</sup> With the loss of financial control and then regional control of rail operations, the end was near.

Pinpointing the exact date of the EARC’s demise has been debated with differing interpretations of when this finally occurred. R.T. Ogonda established the EARC’s end as 1977 at the founding of the nationalized Kenya Railways Corporation.<sup>257</sup> However, the DG of the EARC declared a year earlier, in July 1976, that the “corporation should be wound up immediately.”<sup>258</sup> He described the headquarters’ mounting difficulties in paying salaries and other bills due to partner states not remitting funds to headquarters.<sup>259</sup> He pleaded that “partner states should allow an honourable instantaneous disintegration rather than a natural death of the headquarters”.<sup>260</sup> But what was not publicly known at the time was that the EAC held secret, high-level discussions a year earlier – in 1975 – to decide the fate of the all the common service corporations, including the EARC. A “Secret” memorandum outlining a briefing to members of the EALA by the Permanent Secretary of the EAC Secretariat, G.K. Kariithi, crystallized the position of the Kenyan and Tanzanian governments:

Tanzania has proposed decentralization of the railways. We accept the same. This is aimed at giving complete Regional control and financial autonomy of the

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<sup>255</sup> EARC, Minutes of the Emergency Meeting of the Board of Directors of the EARC, 2 July 1975, Memorandum, AWS-4-1424, KNA, Nairobi, 3.

<sup>256</sup> The guideline for wagon allocation was presented as the following: Uganda – 1500; Tanzania – 4000; Kenya – 7000. EARC, Minutes of the Fortieth Meeting, 3.

<sup>257</sup> Ogonda, “Post-Independence Transport and Communications”, 316.

<sup>258</sup> Nations reporter, “Railways Reach End of the Line”, *Daily Nation* (Nairobi), 29 July 1976, 1.

<sup>259</sup> The DG described that headquarters’ debts exceeded 20 million shillings and this included staff salaries (including 60 expatriate staff plus pensions for former Indian and Pakistani workers). *Ibid.*

<sup>260</sup> *Ibid.*

## Railway Lines passing through each Partner State.<sup>261</sup>

In June of that year, the Kenyan Attorney General called for the breakup of the EAC and the creation of an “independent railway system” but before this drastic step could be taken, yet one more commission would be formed to review the EAC to try and make structural reforms.<sup>262</sup> Meanwhile, the EARC was allowed to sputter on for at least another year. But before the work of the commission could even be completed, the political will to hold together this regional institution (and even the broader EAC) had finally disintegrated. In July of 1976, Kenya severely restricted rail access to Uganda in retaliation to Uganda’s reprisal killings of Kenyans within their country when Uganda claimed that Kenya had assisted Israel on the raid in Entebbe earlier in the month.<sup>263</sup> What remained was the acrimony between former regional partners. President Nyerere himself cut the last thread of regional unity when he placed the blame for the collapse of the EARC and the EAC at the feet of Kenya when, in “retaliation against a series of Kenyan actions that... were breaking up East Africa”, he decided to close the border between the two countries in early February 1977 and thereby closing the door on East African unity.<sup>264</sup>

### *Conclusion*

The EARC’s relatively swift collapse was in stark contrast to the seventy years that it took to create the transportation network that eventually linked the three East African nations. The East African Railways survived wars and the economic calamity of the Great Depression. It survived the challenges of road transport competition. It survived disagreements on the use of tariffs under the colonial administration. But these same

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<sup>261</sup> East African Community Secretariat, *The Review of the Treaty*, 17 May 1975, Memorandum, AWS-4-926, KNA, Nairobi, 1.

<sup>262</sup> The East African Authority (still not formally meeting as a group) somehow agreed to the formation of a commission headed by William Demas and made up of ministers from each member state. Springer, “Community Chronology”, 27.

<sup>263</sup> Rail shipments were allowed to continue on the stipulation that Uganda paid in Kenyan currency for goods shipped through Kenya which was a problem for Uganda since they were desperately short on foreign exchange. United Press International (hereafter as UPI), “Kenya Restricts Uganda’s Key Rail Link to the Sea”, *The New York Times* (New York), 10 July 1976.

<sup>264</sup> Nyerere accused Kenya of taking action “unilaterally” in closing down the headquarters of the EARC. UPI, “Tanzania’s Leader Explains Break-up Of African Union”, *The New York Times* (New York), 9 February 1977. East African unity would take another 23 years to reconstitute with the establishment of the new EAC in 2000.

challenges became persistent issues that haunted the EARC into the post-independence era. As East African countries gained independence, the relative cohesion established under colonial rule was lost to the façade of African regional unity. The EARC, regardless of its attempts to rationalize its services, became a pawn in the struggle between East African nations to address the economic and political inequality across the region – whether perceived or real. For instance, the “so-called” financial crisis of 1974 could not be blamed solely on foreign exchange control difficulties as argued by Hazelwood, since it was shown that regional headquarters had the means to alleviate the financial difficulties of the Community headquarters.<sup>265</sup> Nor was it due to inherent weaknesses in the theme of the Treaty, which did attempt to address the inequality of benefits between member states but were hindered by a lack of clarity which caused confusion and variations in the interpretation of the meaning of the Treaty articles.<sup>266</sup> An example of this was the lack of specific details within the Treaty explaining precisely how to implement the decentralization of the operation of the common service corporations.

Decentralization became a paradoxical problem in that it was meant to ensure more equity and some autonomy for countries to manage their own affairs while also removing the ability to properly coordinate activities across the whole of the railways. The lack of clarity on how to decentralize led to the need to employ the services of an external consultant to recommend a manageable plan for decentralizing the EARC’s operations. But by the time these recommendations emerged, the fragmentation of the EARC had already begun.

It has been shown in this chapter that the means existed to overcome these and other barriers (to some extent). But what prevented substantive action to assist the EARC was the desire to address national prerogatives over regional ones as well as mistrust between member states. As the regional situation deteriorated, the East African Railways - once described by Sir Charles Elliot as the “backbone” of the East African region – had, by 1977, splintered.<sup>267</sup>

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<sup>265</sup> Hazelwood, *The Economy of Kenya*, 95.

<sup>266</sup> Hazelwood, “The End of the East African Community”, 45.

<sup>267</sup> Delupis, *The East African Community*, 19.

## **CHAPTER 4 Conclusion: Coming Full Circle - The East African Railways**

This dissertation presented the long rise and the relatively rapid downfall of the East African Railways Corporation (EARC). Its roots stem from the beginning of colonial expansion into East Africa. From there, construction and operation of the railways began a lengthy – and sometimes turbulent – expansion through the period of colonial rule and into independence. As a part of the East African Community (EAC), the size and importance of the railway reflected its prominence as a major regional institution within the Community. The railway then experienced a relatively rapid downfall ending in its breakup which roughly paralleled the demise of the EAC. Many factors contributed to the failure of the EARC but what ultimately underlined almost all of them was the allegiance to national interests in dealings between representatives of EAC member states that ultimately trumped the centripetal forces of regional unity.

Chapter Two discussed the development of the railways during the colonial period of East Africa. The Uganda Railways which linked the coast of Kenya with Uganda was later joined by the Tanganyika Railways after World War I. Global wars and local politics affected the railways in different ways. The Great Depression and two world wars tested the limits of railways throughout East African region. Their loose connections were then fortified in 1948 when rail operations were formally amalgamated into the East African Railways & Harbours Administration. This decision unified rail operations across the region but led to disagreements between representatives of the three colonial territories on railway issues such as how to set the tariff rates for certain goods to be exported and imported. Competition from road transport was also of concern to the colonial Railway Administration but it was able to adapt to ensure the economic viability of the rail system. Ultimately what helped to resolve many of these difficulties was that the railway administration was unified under one colonial banner.

During the post-colonial period, nationalistic proclivities hindered the EARC's ability to economically rationalize rail operations across the region. These difficulties were compounded by other matters that gained importance after the founding of the EAC, such as: the push to Africanize of the labor force; the lack of clarity in decision-

making authority at various levels of railway management; and the program to dieselize rail locomotive engines which almost did not become a reality due to divergent positions raised by railway management along national lines. The fracturing of the East African Authority in 1971 after the military coup in Uganda removed a final mechanism for resolving discord within the EARC.

As discussed in Chapter Three, nationalism features prominently within the three events that directly precipitated the final demise of the EARC. The EARC management recognized the need to rationalize rail operations in order to improve service and achieve profitability but attempts came to naught, as agreements could not be reached between the national representatives involved in the rail operations. The decentralization of the EARC was meant to distribute more authority to each member state in managing rail operations within their countries. But this led each region to begin to operate more autonomously instead of increasing efficiency as was initially believed. Attempts to better manage this process through the efforts of a group of external consultants never reached fruition as another event that solidified the collapse of the EARC occurred: the financial crisis of 1974. This “crisis” stemmed from a failure to remit funds from each region to the EARC headquarters in Nairobi. It could not be blamed solely on foreign exchange concerns, as claimed by some scholars. Instead the crisis exposed the long simmering national divisions that manifested during the period. This culminated in the fracturing of the EARC by about 1976.

It was therefore the prioritization of national interests that ultimately superseded the pull of regional unity coveted by the leadership of East African countries after independence. The mechanism designed to achieve this unity was to build in mandates within the Treaty for East African Cooperation which attempted to distribute equitable treatment between member states and in particular to mitigate the economic dominance of Kenya in the region. The EARC as one of the key common service corporations in the EAC became part of the frontline struggle to realize the tenets of regional unity. However, neither the Treaty nor the operations of the EARC could overcome the strength of nationalistic forces. As Ogot and Zeleza put it, writing on the contrast of regional versus nationalistic tendencies:

The dissolution of the East African Community in 1977, and the dissolving of its common services and institutions resulted from the dilution of Kenya's East African identity into the fermenting gourd of Kenyan nationhood.<sup>268</sup>

Colonial unity was replaced by regional cooperation among nations under the EAC. But the glue of regional unity that bound the three nations rapidly became undone. This reflected the importance of the nation in decision-making within the East African Railways.

### *Post-EARC Period*

The period after the collapse of the EARC did not necessarily bring prosperity to the institutions that replaced it. For instance, the Kenya Railways Corporation (KRC), the Kenyan successor to the EARC, "became known more for its corruption than for its services".<sup>269</sup> By 1991, a committee looking into the performance of public institutions noted that the Kenya Railways had a "cumulative deficit" of KShs. 841,055,075 and that the government was forced to write off most of these debts along with infusing more capital to allow it to continue operations.<sup>270</sup>

In 2006, a landmark concession was given to the privately run Rift Valley Railways Investments (RVR) to take over the rail operations of the formerly state managed Uganda Railways Corporation (URC) and the KRC.<sup>271</sup> It is a twenty-five year concession to "refurbish and operate" the railways in Kenya and Uganda, however performance has "deteriorated" since the award.<sup>272</sup>

As the end of the twentieth century approached, the countries of East Africa began to discuss the idea of reconstituting the EAC. Their efforts led to the creation of a new EAC that was launched on 7 July 2000. The new EAC consists of the original

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<sup>268</sup> Bethwell Ogot and Tiyambe Zeleza, "Kenya: The Road to Independence and After" in Prosser Gifford and Wm. Roger Louis (eds.), *Decolonization and African Independence* (New Haven: Yale University Press, 1988), 425.

<sup>269</sup> David Himbara, "Domestic Capitalists and the State in Kenya", in Bruce Berman and Colin Leys (eds.), *African Capitalists in African Development* (Boulder: Lynne Rienner Publishers, Inc, 1994), 75.

<sup>270</sup> The findings from the Parliamentary Public Investments Committee. *Ibid.*

<sup>271</sup> E. Mutambatsere, A. Nalikka, M. Pal, & D. Vencatachellum, "What Role for Multilateral Development Banks in Project Finance? Some Thoughts from the Rift Valley Railways in Kenya and Uganda", *Journal of Infrastructure Development* 5, No. 1 (2013), 2.

<sup>272</sup> *Ibid.*

member states of Kenya, Tanzania and Uganda as well as Rwanda and Burundi from 2007.<sup>273</sup> Other countries that have expressed interest in joining the EAC include: the Democratic Republic of Congo (DRC) and South Sudan.<sup>274</sup>

The future of the East African Railways was also considered by the new EAC. In 2007, a consultant group was hired to conduct a study and propose a “railway development strategy and action plan” to address projected trade gaps through improvements to the current rail infrastructure.<sup>275</sup> The resulting Master Plan called for an expansion of the East African Railways into Rwanda, Burundi, DRC, South Sudan, as well as into Ethiopia.<sup>276</sup> While the Master Plan specified recommendations on the cost and proposed legislation needed to affect this expansion of the railways, it did not provide recommendations on how to manage this expansion into these new territories or how the railway management should be structured to accommodate potential national concerns. Regardless, the decision was made to pursue the estimated \$13.7 billion expansion of the railways and construction commenced in November 2013.<sup>277</sup> Figure 3 below shows the projected ambitious expansion of the new East African Railways if construction is fully realized.

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<sup>273</sup> See “Key Dates in the EAC’s history”, *East African Community*, accessed 17 January 2016,

[http://www.eac.int/news/index.php?option=com\\_content&view=article&id=53:chronicle&catid=46:blog](http://www.eac.int/news/index.php?option=com_content&view=article&id=53:chronicle&catid=46:blog)

<sup>274</sup> Amb. Dr. Richard Sezibera, “The Future of East African Integration”, *The East African Community: Office of The Secretary General*, accessed on 17 January 2016,

[http://www.sg.eac.int/index.php?option=com\\_content&view=article&id=110:the-furue-of-eac&catid=40:sgs-blog&Itemid=1](http://www.sg.eac.int/index.php?option=com_content&view=article&id=110:the-furue-of-eac&catid=40:sgs-blog&Itemid=1)

<sup>275</sup> CPCS Transcom International Ltd. for East African Community, *East African Railways Master Plan Study: Final Report*, 2009, 1.

<sup>276</sup> *Ibid.*, v-vi.

<sup>277</sup> The new railway expansion is also to be funded and constructed by China. Nation reporter, “East Africa starts building new \$14bn railway”, *Africa Review* (Nairobi), 28 November 2013, 1.

**Figure 3. Proposed Expansion of the EAR**

**EAC Current Network with Proposed New Lines**



Source: "EAC Network with Proposed New Lines", *East African Community*, accessed on 2 February 2016, [www.eac.int/infrastructure/](http://www.eac.int/infrastructure/).

With this resurgence of the new EAC and the plan to expand on the existing rail lines throughout the region, the need arises to address the following questions: Have the past lessons of the EARC been learnt to avoid a repeat of what occurred almost four decades ago? Has the management structure of the new railways been firmly established to mitigate potential national concerns that may create disunity in implementing rail operations across the region? If the answer is yes to both queries, then this new East African Railway could lay the foundation for supporting stronger regional unification. However, if the answer is no, then there is a potential for collapse on an even greater scale than what had occurred in the past. Only time will tell.

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